

State Of Michigan

**THE GOVERNOR'S
FY 2007-08
BUDGET PROPOSAL**

Review and Analysis



prepared by the



Mitchell E. Bean, Director

February 2007

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February 2007

TO: Members of the Michigan House of Representatives

We are pleased to provide you with this ***Governor's FY 2007-08 Budget Proposal Review and Analysis.***

In this publication, the *Director's Overview* provides information on revenue sources proposed in the Executive Recommendation for FY 2007-08, including tobacco settlement funds. It also provides summary charts and tables of proposed budget funds and sources.

Budget summaries and analyses in this report were prepared for each department/agency by House Fiscal Agency analysts; the Consensus Revenue section was prepared by Agency economists.

House Fiscal Agency staff and their areas of responsibility are listed on the inside back cover of this publication. Please feel free to contact them, or me, if you have questions or need additional information.

A handwritten signature in black ink that reads "Mitchell E. Bean".

Mitchell E. Bean, Director

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GLOSSARY

Frequently-Used State Budget Terms

STATE BUDGET TERMS

Gross Appropriations (Gross): The total of all applicable appropriations (statutory spending authorizations) in a budget bill.

Adjusted Gross Appropriations (Adjusted Gross): The net amount of all gross appropriations after subtracting interdepartmental grants (IDGs) and intradepartmental transfers (IDTs).

Lapses: Appropriation amounts that are unspent/unobligated at the end of a fiscal year. Appropriations are automatically terminated at the end of a fiscal year unless otherwise provided by law.

Work Project: A statutorily-authorized account which allows a spending authorization to be carried over from one fiscal year to a succeeding fiscal year or years—i.e., allows funds to be spent over a period of years.

APPROPRIATION BILL TERMS

Line Item: Specific funding amount in an appropriation bill which establishes spending authorization for a particular program or function (may be for a single purpose or for multiple purposes).

Boilerplate: Specific language sections in an appropriation bill which direct, limit or restrict line item expenditures, express legislative intent, and/or require reports.

REVENUE SOURCES

General Fund/General Purpose (GF/GP): Unrestricted General Fund revenue available to fund any activity accounted for in the General Fund; unused GF/GP revenue lapses to the General Fund at the end of a fiscal year.

State Restricted (Restricted): State revenue restricted by state law or outside restriction that is available only for specified purposes; at year-end, unused restricted revenue remains in the restricted fund.

Federal Revenue: Federal grant or matchable revenue dedicated to specific programs.

Local Revenue: Revenue from local units of government.

Private Revenue: Revenue from non-government entities: rents, royalties or interest payments, payments from hospitals or individuals, and gifts and bequests.

Interdepartmental Grant (IDG): Revenue or funds received by one state department from another state department (usually for a service provided by the receiving department).

Intradepartmental Transfer (IDT): Transfers or funds being provided from one appropriation unit to another in the same department.

MAJOR STATE FUNDS

Budget Stabilization Fund (BSF): The countercyclical economic and budget stabilization fund; also known as the "rainy day" fund.

School Aid Fund (SAF): A restricted fund; the primary funding source for K-12 schools and Intermediate School Districts (ISDs).

General Fund: The General Fund (funded from taxes and other general revenue) is used to account for the ordinary operations of a governmental unit that are not accounted for in another fund.

FY 2007-08 Budget Detail

DIRECTOR'S OVERVIEW

Overview
Resources Used in Executive Budget
Tobacco Settlement Funds
Proposed Funding Changes
Summary Information and Tables

OVERVIEW

FY 2007-08 Executive Recommendation DIRECTOR'S OVERVIEW

The FY 2007-08 Executive Budget Recommendation calls for \$42.60 billion in adjusted gross appropriations. This includes \$9.61 billion in General Fund/General Purpose (GF/GP), \$18.90 billion in restricted funds, and \$13.61 billion in federal funds. Of the \$28.51 billion of state resources available in FY 2007-08, \$16.46 billion (57.7% of the total) is designated for payments to local units of government and \$1.11 billion is designated for revenue sharing payments. (Article IX, Section 30 of Michigan's *Constitution* requires that at least 48.97% of spending from state resources must be paid to local government.)

The Executive Recommendation is based on revenue received from the Governor's proposed tax restructuring.

Proposed revenue enhancements include:

- ◆ New Michigan Business Tax—\$1,046.0 million
- ◆ 2% excise tax on services—\$1,473.9 million
- ◆ Decoupling from the federal estate tax—\$119.2 million
- ◆ Eliminating certain tax expenditures (credits and exemptions)—\$84.2 million
- ◆ WPW Fix (change General Property Tax Act)—\$5.0 million
- ◆ Increasing taxes on cigarette and other tobacco products—\$57.6 million
- ◆ 1.25% tax on insurance premiums—\$40.0 million
- ◆ Increasing the liquor mark-up—\$27.1 million
- ◆ Expand Club Keno—\$15.0 million

Proposed reductions include:

- ◆ Headquarters credit—\$150.0 million
- ◆ Research innovation credit—\$8.8 million
- ◆ 24-mill exemption for industrial/commercial property—\$203.4 million
- ◆ Sales tax on the difference (new cars)—\$175.0 million

The Governor's tax restructuring proposal would replace \$1,167.2 million of revenue lost by elimination of the SBT, and generate an additional \$1,510.6 million in revenue for FY 2007-08. Pages 8–11 of this report provide more detail on the Governor's tax restructuring proposal.

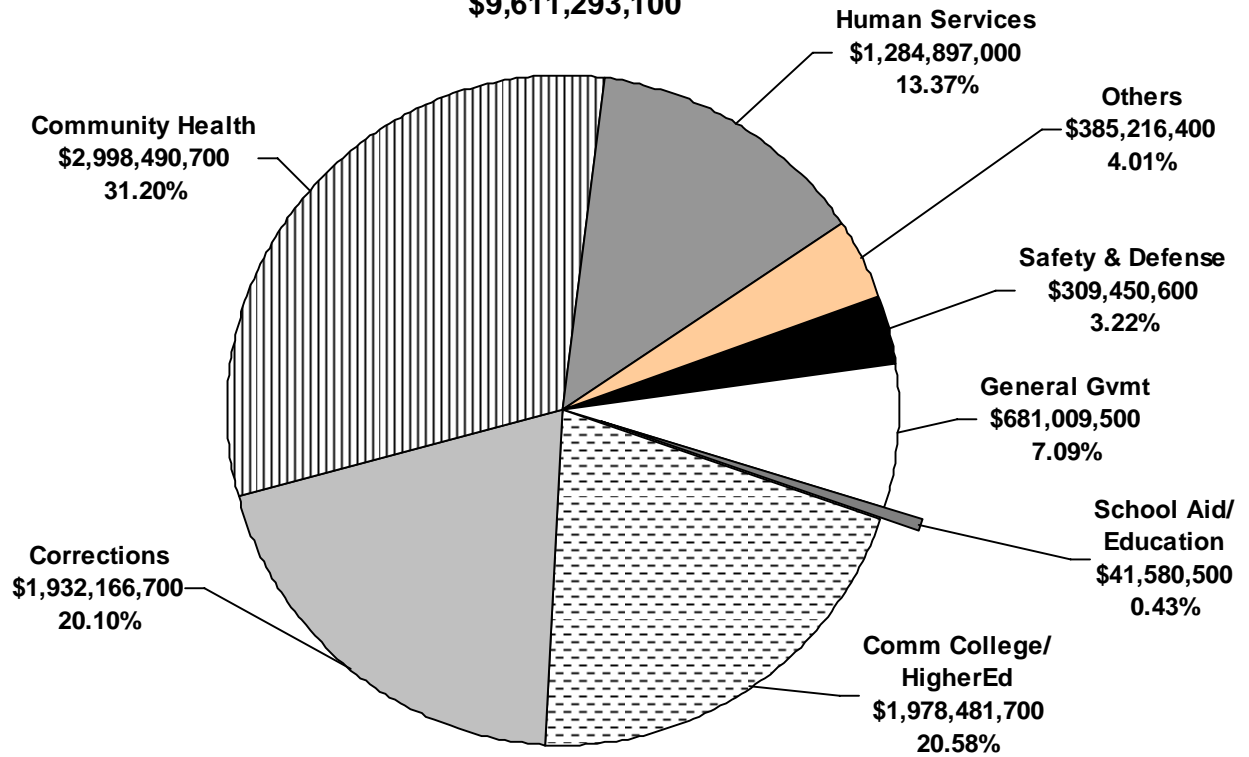
This Overview includes:

- Graphs of Executive Recommendation GF/GP and Adjusted Gross distribution by budget area.
- Review of resources used in the Executive Recommendation.
- Proposed appropriations from tobacco settlement funds.
- Review of Executive-proposed tax changes.
- Summary of the overall content of the budget (Tables 1 through 5).

Following the Overview, individual sections explain appropriations by department or major budget area. Each section includes a comparison of FY 2006-07 appropriations with the FY 2007-08 Executive Recommendation and an analysis and discussion of major budget and boilerplate issues.

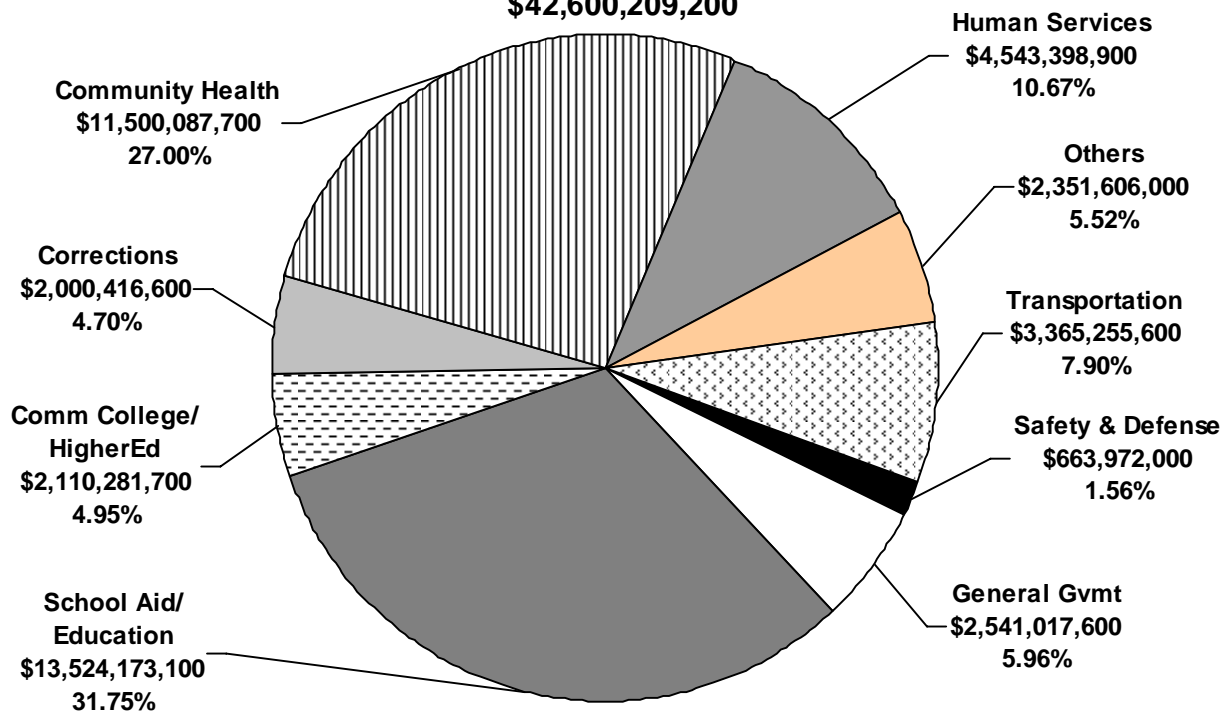
FY 2007-08 GF/GP Executive Recommendation

\$9,611,293,100



FY 2007-08 Adjusted Gross Executive Recommendation

\$42,600,209,200



OVERVIEW

RESOURCES USED IN FY 2007-08 EXECUTIVE BUDGET RECOMMENDATION

Resources used to fund General Fund/General Purpose, School Aid Fund, Medicaid Benefits Trust Fund, and Merit Award Trust Fund expenditures in the Executive Budget Recommendation are reported below.

**FY 2007-08 EXECUTIVE RECOMMENDATION ESTIMATES
GENERAL FUND/GENERAL PURPOSE
(Millions of Dollars)**

Beginning Balance	\$2.1
FY 2007-08 Consensus Revenue Estimate	\$7,010.0
Adjustments to Consensus	
Revenue Sharing adjustment	\$545.3
Shift short-term borrowing costs to SAF	\$22.8
Consumer Finance Fees transfer to GF/GP	\$2.0
Proposed reduction/redirect of Transportation Economic Development Fund to GF/GP	\$13.0
	Subtotal \$583.1
Proposed Tax Restructuring	
Michigan Business Tax	\$1,249.4
Insurance Premiums Tax	\$40.0
Close tax loopholes	\$40.0
Loss to GF/GP from increased liquor mark-up	(\$0.6)
Sales tax on the difference for new cars	(\$15.0)
2% tax on consumer services	\$226.7
2% tax on business services	\$523.5
	Subtotal \$2,064.0
Available GF/GP Resources	\$9,659.2
FY 2007-08 Executive Recommendation Appropriations	<u>(\$9,610.9)</u>
Estimated GF/GP Balance	\$48.3

Beginning Balance: Beginning balance estimate assumes passage of the Governor's tax restructuring proposal (effective by June 1, 2007), passage of Executive Order budget reductions contained in EO 2007-1, and passage of the Governor's proposed FY 2006-07 supplemental appropriations.

FY 2007-08 Consensus Revenue Estimate: Revenue estimate agreed to by the Consensus Conference in January 2007.

Revenue sharing adjustment: Assumes the Executive Recommendation of freezing total revenue sharing payments at FY 2006-07 levels and providing \$27.2 million for local units that collaborate on services.

Short-Term Borrowing Costs: Uses School Aid Fund revenue to pay a portion of the GF/GP cost of short-term notes required to manage state cash flow.

Consumer Finance Fees: Transfers fund surplus to GF/GP.

Proposed Reduction/Redirect of Transportation Economic Development Fund: Statutory change in the distribution of driver's license fees redirects money to GF/GP.

Proposed Tax Restructuring: See *Executive Recommendation for FY 2006-07 and FY 2007-08 Revenue Changes* on pages 8–11.

**FY 2007-08 EXECUTIVE RECOMMENDATION ESTIMATES
SCHOOL AID FUND
(Millions of Dollars)**

Beginning fund balance	\$11.4
FY 2007-08 Consensus Revenue Estimate	\$11,532.9
Expand Club Keno	\$15.0
General Fund subsidy	\$35.0
Federal funds	\$1,410.1
	Subtotal \$13,004.4
Proposed Tax Restructuring	
Exempt Personal Property Tax from State Education Tax	(\$203.4)
Close tax loopholes	\$37.4
Increased liquor mark-up	\$28.3
Estate Tax decouple	\$119.2
WPW fix	\$5.0
Sales Tax on the difference for new cars	(\$128.3)
2% tax on consumer services	\$175.5
2% tax on business services	\$405.2
	Subtotal \$438.9
Total SAF Resources	\$13,443.3
FY 2007-08 Executive Recommendation Appropriations	<u>(\$13,431.0)</u>
Estimated SAF Ending Balance	\$12.3

Beginning Balance: Beginning balance estimate assumes passage of the Governor's tax restructuring proposal (effective by June 1, 2007), passage of Executive Order budget reductions contained in EO 2007-1, and passage of the Governor's proposed FY 2006-07 supplemental appropriations.

FY 2007-08 Consensus Revenue Estimate: Revenue estimates agreed to by the Consensus Conference in January 2007.

Proposed Tax Restructuring: See *Executive Recommendation for FY 2006-07 and FY 2007-08 Revenue Changes* on pages 8–11.

OVERVIEW

**FY 2007-08 EXECUTIVE RECOMMENDATION ESTIMATES
MEDICAID BENEFITS TRUST FUND**

(Millions of Dollars)

Beginning balance	\$0.0
Estimated interest	\$4.1
Estimated deposit:	
Revenue from current cigarette tax	\$344.6
Revenue from current other tobacco products tax	\$34.5
Revenue from proposed excise tax on services	\$143.0
Proposed tobacco products tax increase	\$57.6
Available Funds	\$583.8
FY 2007-08 Executive Recommendation Expenditures	(\$383.2)
Estimated Ending Balance	\$200.6

**FY 2007-08 EXECUTIVE RECOMMENDATION ESTIMATES
TOBACCO SETTLEMENT REVENUE/EXPENDITURES**

(Millions of Dollars)

Prior-year balance	\$0.0
Interest	\$1.0
Master Settlement Agreement (MSA) payment	\$321.4
Payments withheld in April 2006 and 2007 become available	\$84.6
Total Estimated Revenue	\$407.0
Proposed Expenditures:	
Interest on securitization bonds	(\$42.9)
Deposit to 21st Century Jobs Fund	(\$75.0)
Merit awards	(\$60.0)
MI Promise scholarships	(\$43.5)
Tuition Incentive Program (TIP)	(\$6.4)
Higher Education	(\$9.5)
Nursing scholarships	(\$4.3)
Administration of TIP and merit awards	(\$2.3)
MI Education Savings Plan	(\$0.8)
Medicaid nursing home personal needs allowance	(\$5.0)
Medicaid base	(\$151.9)
Respite care	(\$5.0)
Attorney General administration	(\$0.4)
Total Proposed Expenditures	(\$407.0)
Estimated Ending Balance	\$0.0

FY 2007-08 EXECUTIVE RECOMMENDATION REVENUE CHANGES

<u>Extend Fee Sunset Dates</u>	Revenue Loss If Not Extended (Thousands)
Agriculture <i>Pesticide Applicator Fees, Pet Shop License Fees, Livestock Operations License Fees, Horse Riding Stables Licensing Fees, Nursery Stock Fees</i>	\$542.2
Community Health <i>Nursing Home QAAP; HMO QAAP; Specialty Pre-Paid Health</i>	\$137,400.0
Environmental Quality <i>Air Emissions Fees, Solid Waste Program Fees, Groundwater Discharge Permit Fees, Manifest Processing User Charge</i>	\$17,800.0
Judiciary <i>Motion Fees</i>	\$87.5
Labor and Economic Growth <i>Securities Fees, Corporation Fees, Licensing and Regulation Fees (Professional Engineer, Surveyor, Architect, Barber [various], Collection Agency, Community Planner, Cosmetologist [various], Forester, Hearing Aid, Real Estate [various], Residential Builder, Mortuary Science, Funeral Director, Occularist [various])</i>	\$13,396.9
State Police <i>Fingerprint Fees</i>	\$1,500.0
State Police/Treasury <i>Commercial Mobile Radio System Fees</i>	\$18,682.0
Total (Extend Fee Sunset Dates)	\$189,408.6

<u>Increase Current Fees</u>	FY 2007-08 New Revenue (Thousands)
Education <i>Teacher Certification Fees (various)</i>	\$1,504.4
Environmental Quality <i>Mineral Well Regulatory Fees, Manifest/Site Identification/Handler User Charges, Solid Waste Surcharge Fees, Groundwater Discharge Permit Fees</i>	\$16,575.0
Human Services <i>Adult Foster Care, Homes for the Aged, Child Day Care Centers, Child Placing Agencies</i>	\$606.8
Labor and Economic Growth <i>Plumbing/Electrical/Mechanical License Fees, State Plat Review Fees, Liquor License Fees</i>	\$5,730.1
Natural Resources <i>Game and Fish License Fees (various)</i>	\$16,900.0
State Police <i>Liquor License Fees</i>	\$2,597.5
Treasury <i>Liquor License Fees</i>	\$14,381.0
Total (Increase Current Fees)	\$58,294.8

<u>Create New Fees</u>	FY 2007-08 New Revenue (Thousands)
Education <i>Teacher College Review Fee</i>	\$54.0
Environmental Quality <i>On-Site Wastewater Treatment Fund, Pollution Prevention Program Fee</i>	\$2,998.0
Judiciary <i>Judiciary Local User Fees</i>	\$1,693.0
Total (Create New Fees)	\$4,745.0

EXECUTIVE RECOMMENDATION FY 2006-07 and FY 2007-08 REVENUE CHANGES

The Executive Recommendation for FY 2007-08 (and FY 2006-07 for some revenue items) includes the following changes:

- ◆ SBT replacement
- ◆ 2% excise tax on services
- ◆ Decoupling from the federal estate tax
- ◆ Elimination of various loopholes or tax expenditures
- ◆ Increases in the liquor markup and tobacco products tax
- ◆ Sales tax cut on the difference of the price of a new vehicle and the value of the trade-in vehicle
- ◆ Expansion of Club Keno games

These proposed changes are described below; the table that follows indicates which funds would be affected.

Single Business Tax (SBT) Replacement

The Michigan Business Tax (MBT) would replace the SBT. The MBT would be a broad-based business tax with a 0.125% tax rate on gross receipts, assets, and weighted profits. It maintains the \$350,000 gross receipts filing threshold that exists in the SBT, and softens the \$350,000 cliff that exists with the current SBT by phasing in the rate between \$350,000 and \$700,000 of gross receipts. Insurance firms would continue to pay the insurance premiums tax, but at a higher 1.25% rate.

The proposal would also eliminate the 6-mill State Education Tax and 18-mill non-homestead levy for industrial and commercial personal property, and retain existing SBT economic development credits (such as MEGA, Historic, Brownfield, and Renaissance Zone). In addition, two new credits would be created: the first would target large businesses that have their headquarters located in Michigan, and the second would provide a credit for research innovation up to \$500,000 (matched by MEGA) used for small business research and development.

When considered in conjunction with the repeal of the SBT on December 1, 2007, the combined effect of these changes would provide a net tax reduction of \$81.2 million in FY 2007-08. When compared with current law, the new MBT would increase revenue by an estimated \$1,086.0 million in FY 2007-08.

2% Excise Tax on Services

A 2% tax would be levied on selected services such as:

- ◆ Professional entertainment
- ◆ Construction services
- ◆ Legal, accounting, and personal services
- ◆ Repair and maintenance services

The tax would not apply to such services as health care or education, daycare, religious services, sales to non-profit entities or state/local governments, high school or college sports admissions, or services currently taxed under the sales/use tax acts. Both consumers and businesses would be subject to the tax.

Should the excise tax become effective on June 1, 2007, as proposed, the tax would generate an estimated \$477.0 million in FY 2006-07 and \$1,473.9 million in FY 2007-08.

Decoupling From the Federal Estate Tax

Michigan would decouple from the federal estate tax, which is scheduled to sunset in 2010. The tax would apply to estates with a taxable value in excess of \$2.0 million if the decedent's date of death is on or after April 1, 2007. Assets of family-owned businesses (including family farms) would be exempt in accordance with section 2057(e) of the IRS code. The Michigan Department of Treasury estimates that, on average, about 350 estates would be subject to the tax in any given year.

EXECUTIVE RECOMMENDATION FY 2006-07 and FY 2007-08 REVENUE CHANGES

Because the estate tax return would not need to be filed until nine months after the date of death, the estate tax would not yield any revenue in FY 2006-07. This change would increase estate tax revenue by an estimated \$119.2 million in FY 2007-08.

Elimination of Loopholes/Tax Expenditures

Telecommunications

International and certain interstate telecommunications (e.g., toll-free calls, WATTS lines, interstate private networks, and international calls) are currently exempt from the use tax. Making such telecommunications subject to the use tax would increase revenue by an estimate \$7.4 million in FY 2006-07 and \$22.8 million in FY 2007-08.

Interstate Trucks and Trailers

Purchases of trucks, trailers, and parts by interstate motor companies are exempt from sales and use taxes as long as at least 10% of the company's total mileage driven occurs outside of Michigan. Eliminating this condition would mean subjecting a percentage of these purchases to the same percentage as the number of miles driven in Michigan relative to total miles; that is, if 30% of the carrier's total miles are in Michigan, 30% of its previously exempt purchases would be taxable. This would increase sales/use tax revenue by an estimated \$5.5 million in FY 2006-07 and \$16.9 million in FY 2007-08.

Purchases Made by Department of Corrections Inmates

Under current law, purchases made by inmates at prison stores are exempt from the sales tax. Eliminating this exemption would increase sales tax revenue by an estimated \$0.2 million in FY 2006-07 and \$0.7 million in FY 2007-08.

Insurance Company Use Tax

Under current law, insurance companies pay a tax under the SBT that is "in lieu of other taxes except taxes on real and personal property." This "in lieu of" provision exempts insurance companies from the use tax on items purchased from out-of-state retailers and from the sales tax when they sell property at retail. Although the Executive Recommendation would subject the insurance companies to the sales and use tax, it would primarily be a use tax issue to eliminate the incentive for insurance companies to purchase tangible personal property from out of state. This change would increase use tax revenue by an estimated \$1.2 million in FY 2006-07 and \$3.7 million in FY 2007-08.

Oil and Gas Double Exemption

Oil and gas production are subject to a severance tax. As such, royalty income (which is taxable at the federal level) is subtracted from federal adjusted gross income (AGI) on the MI-1040, Schedule 1. Court rulings have permitted additional subtractions for certain indirect costs (such as depreciation) from the federal AGI—in essence, providing for a double exclusion. Eliminating the explicit subtraction on Schedule 1 would eliminate this double exemption and increase income tax revenue by an estimated \$3.9 million in FY 2007-08.

Penalties and Interest

In 2002, penalties were reduced for taxpayers that fail to file a tax return, or pay a tax on time, or pay a tax with a check that bounces. Restoring penalties for late payments of certain income tax withholding, sales tax, and use tax generates an estimated \$1.7 million in FY 2006-07 and \$5.1 million in FY 2007-08.

Vended Food

Most food sold for immediate consumption is subject to the sales tax. Hot or cold foods dispensed from vending machines are also subject to the sales tax—except for some foods sold through vending machines (non-alcoholic beverages, milk, and food products at or near room temperature) which are specifically exempt. Eliminating this exemption to put vended foods on a par with other foods sold for immediate consumption would increase sales tax revenue by an estimated \$8.8 million in FY 2006-07 and \$27.2 million in FY 2007-08.

EXECUTIVE RECOMMENDATION FY 2006-07 and FY 2007-08 REVENUE CHANGES

Water Softener Property Tax

Currently, water coolers and water softeners that are leased are exempt from the personal property tax. Eliminating this exemption would subject this property to the 6-mill State Education Tax (SET) as well as the 18-mill non-homestead millage. The 6-mill SET would directly increase the SAF; the 18-mill non-homestead millage would be dedicated to pupil funding at the local level. This change would result in an estimated \$0.3 million increase in revenue in FY 2007-08.

Affiliate Nexus for Use Tax

The recommendation is to create "affiliate nexus" standard for nonresident affiliates. Nexus, an economic presence within the state that establishes tax liability, is established by certain business activities or real and tangible personal property held in the state. The "affiliate nexus" standard would disregard the legal business form in opposing nexus for nonresident affiliate companies without a physical presence in Michigan. This change attempts to take into account business activities of businesses that have a close connection (for example: XYZ company and XYZ.com). This change would increase use tax revenue by an estimated \$1.2 million in FY 2006-07 and \$3.6 million in FY 2007-08.

WPW Fix

A 2002 Michigan Supreme Court decision (*WPW Acquisition v City of Troy*) barred the implementation of Proposal A (School Finance Reform) legislation regarding property taxation on commercial rental property. The Michigan Supreme Court ruled that an increase in value due to an increase in a commercial rental property's occupancy could not be used to increase the property's taxable value beyond the constitutional assessment cap established by Proposal A. As a result of this decision, commercial rental property taxes are based on occupancy decreases and are not adjusted upward if the property's occupancy rate increases. The Executive proposal would remove commercial rental property from the General Property Tax Act and create a new specific tax that generates a FY 2007-08 estimated savings of \$5.0 million.

Increase Liquor Markup

The Michigan Liquor Control Commission (MLCC) is the wholesaler of all spirits in Michigan. The MLCC currently sells liquor with a 65% markup (which is approximately 20% of the retail price) prior to selling to licensees. Profits from the sale of liquor are transferred to the General Fund. The Executive Recommendation would increase the liquor markup to 75%. This change would increase revenue by an estimated \$8.8 million in FY 2006-07 and \$27.1 million in FY 2007-08.

Increase Tobacco Products Tax

The current tax on cigarettes is \$2.00 per pack; the tax rate on other tobacco products (OTP) is 32% of the wholesale price. The Executive Recommendation would increase the cigarette tax by 5 cents per pack and would double the OTP tax. This change would increase revenue by an estimated \$18.1 million (\$8.5 million from cigarettes and \$9.6 million from OTP) in FY 2006-07 and \$57.6 million (\$21.0 million from cigarettes and \$36.6 million from OTP) in FY 2007-08.

Sales Tax on the Difference

Michigan is one of only a few states that allow no trade-in allowance for the purchase of new vehicles. The Executive Recommendation would allow a trade-in allowance for new vehicle purchases at dealers that sell new vehicles. This change would decrease sales tax revenue by an estimated \$175.1 million in FY 2007-08.

Lottery

State Lottery is expected to expand the Club Keno game to pre-existing private organizations. It is estimated that the expansion of the game would generate \$7.5 million in FY 2006-07 and \$15.0 million in FY 2007-08.

**EXECUTIVE RECOMMENDATION
FY 2006-07 and FY 2007-08 REVENUE CHANGES
(Millions of Dollars)**

	FY 2006-07					FY 2007-08				
	<u>GF/GP</u>	<u>SAF</u>	<u>MBTF</u>	<u>Other</u>	<u>Total</u>	<u>GF/GP</u>	<u>SAF</u>	<u>MBTF</u>	<u>Other</u>	<u>Total</u>
Michigan Business Tax (MBT)						\$1,249.4				\$1,046.0
24-mill Exemption (Commercial/Industrial Property)								(\$203.4)		
1.25% Tax on Insurance Premiums						\$40.0				\$40.0
2% Excise Tax on Services	\$306.7	\$170.3			\$477.0	\$750.2	\$580.7	\$143.0		\$1,473.9
Decoupling from the Federal Estate Tax							\$119.2			\$119.2
Elimination of Loopholes/Tax Expenditures	\$14.2	\$11.7			\$25.9	\$40.0	\$37.4		\$6.8	\$84.2
WPW Fix							\$5.0			\$5.0
Increase Liquor Markup	(\$0.2)	\$9.2		(\$0.2)	\$8.8	(\$0.6)	\$28.3		(\$0.6)	\$27.1
Increase Tobacco Products Tax			\$18.1		\$18.1			\$57.6		\$57.6
Sales Tax on the Difference						(\$15.0)	(\$128.3)		(\$31.8)	(\$175.1)
Lottery		\$7.5	\$0.0		\$7.5		\$15.0			\$15.0
Total	\$320.7	\$198.7	\$18.1	(\$0.2)	\$537.3	\$2,064.0	\$453.9	\$200.6	(\$25.6)	\$2,692.9

Note: **MBTF** is the Medicaid Benefits Trust Fund; **Other** is revenue sharing for sales tax changes and the Convention Facility Development Fund for the liquor changes.

OVERVIEW**FY 2007-08 ECONOMIC INCREASES BY DEPARTMENT/AGENCY**

(Thousands of Dollars)

	<u>Employee-Related Economics</u>		<u>Building Occupancy Charges & Rent</u>		<u>Food & Fuel at 24-Hour Institutions</u>		<u>Total</u>	
	<u>Gross</u>	<u>GF/GP</u>	<u>Gross</u>	<u>GF/GP</u>	<u>Gross</u>	<u>GF/GP</u>	<u>Gross</u>	<u>GF/GP</u>
Agriculture	\$1,254.6	\$576.6	\$101.1	\$59.5	\$0.0	\$0.0	\$1,355.7	\$636.1
Attorney General	2,384.5	1,083.4	229.2	229.2	0.0	0.0	2,613.7	1,312.6
Civil Rights	621.4	533.5	(36.2)	(36.2)	0.0	0.0	585.2	497.3
Civil Service	765.3	174.5	(12.6)	(3.8)	0.0	0.0	752.7	170.7
Community Health	19,764.3	9,590.0	(265.5)	(152.9)	242.6	174.5	19,741.4	9,611.6
Corrections	81,940.4	79,950.0	(15.9)	(15.9)	2,458.8	2,458.8	84,383.3	82,392.9
Education	1,602.6	160.3	20.4	4.8	0.0	0.0	1,623.0	165.1
Environmental Quality	5,667.5	816.0	(379.6)	(82.1)	0.0	0.0	5,287.9	733.9
Executive Office	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
History, Arts, and Libraries	818.4	727.7	(165.9)	(165.9)	0.0	0.0	652.5	561.8
Human Services	34,818.1	23,394.0	(533.3)	(331.4)	0.0	0.0	34,284.8	23,062.6
Information Technology	6,203.0	2,856.5	139.1	139.1	71.6	38.3	6,413.7	3,033.9
Judiciary	2,052.4	1,926.3	(434.1)	(426.6)	0.0	0.0	1,618.3	1,499.7
Labor and Economic Growth	15,228.1	412.7	(488.4)	14.6	0.0	0.0	14,739.7	427.3
Legislature	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Management and Budget	2,835.0	840.2	(1.2)	(27.2)	0.0	0.0	2,833.8	813.0
Michigan Strategic Fund	413.0	354.9	0.0	0.0	0.0	0.0	413.0	354.9
Military and Veterans Affairs	3,157.7	1,640.3	0.0	0.0	93.9	62.2	3,251.6	1,702.5
Natural Resources	6,694.0	354.2	74.6	1.6	0.0	0.0	6,768.6	355.8
State	5,478.3	4,131.7	804.7	759.8	0.0	0.0	6,283.0	4,891.5
State Police	16,270.0	13,579.4	359.7	329.5	0.0	0.0	16,629.7	13,908.9
Transportation	8,619.2	0.0	1,735.3	0.0	0.0	0.0	10,354.5	0.0
Treasury	<u>6,699.2</u>	<u>1,026.7</u>	<u>(137.2)</u>	<u>(200.2)</u>	<u>0.0</u>	<u>0.0</u>	<u>6,562.0</u>	<u>826.5</u>
TOTAL	\$223,287.0	\$144,128.9	\$994.2	\$95.9	\$2,866.9	\$2,733.8	\$227,148.1	\$146,958.6

*Note: Table shows Department of Information (DIT)-related economics on its own line; DIT economics are actually budgeted in the various department/agency budgets.

FY 2007-08 EXECUTIVE RECOMMENDATION: SUMMARY TABLES

The Executive Budget Recommendation for FY 2007-08 increases adjusted gross appropriations by \$927.9 million (2.2%), GF/GP appropriations by \$388.5 million (4.2%), and state restricted appropriations by \$94.1 million (0.5%) from year-to-date FY 2006-07 levels. Total state spending from state sources increases \$482.6 million (1.7%).

	Millions of Dollars			
	<u>FY 2006-07 Year-to-Date</u>	<u>FY 2007-08 Executive Recommendation</u>	<u>Amount Change</u>	<u>% Change</u>
General Fund/General Purpose	\$9,222.83	\$9,611.29	\$388.5	4.2%
State Restricted	<u>18,801.43</u>	<u>18,895.57</u>	<u>94.1</u>	0.5%
Total State Spending from State Sources	\$28,024.26	\$28,506.86	\$482.6	1.7%
Federal	13,180.01	13,610.63	430.6	3.3%
Local	382.15	395.74	13.6	3.6%
Private	<u>85.88</u>	<u>86.98</u>	<u>1.1</u>	1.3%
Total Adjusted Gross	\$41,672.30	\$42,600.21	\$927.9	2.2%

The tables on the following pages summarize the overall content of the FY 2007-08 Executive Recommendation.

Table 1 details the FY 2007-08 Executive Recommendation by **Source of Funds**.

Table 2 compares **Adjusted Gross Appropriations** for FY 2006-07 YTD to the FY 2007-08 Executive Recommendation.

Table 3 compares **GF/GP Appropriations** for FY 2006-07 YTD to the FY 2007-08 Executive Recommendation.

Table 4 compares the number of **Full-Time Equated (FTE) Positions** (classified and unclassified) for FY 2006-07 YTD to the FY 2007-08 Executive Recommendation. Each FTE is equivalent to 2,088 hours of employee compensated time (includes overtime, annual leave, and used sick leave) during the year.

Table 5 shows the Executive Recommendation for FY 2007-08 **State Spending from State Sources Paid to Local Governments**. Pursuant to Article IX, Section 30 of the *Constitution of the State of Michigan of 1963*, at least 48.97% of state spending from state resources must be paid to all units of local government. The Executive Recommendation provides for \$16.5 billion in state spending to local units of government in FY 2007-08, which is 57.7% of the estimated \$28.5 billion in state spending from state resources—well within the constitutional requirement.

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**TABLE 1
FY 2007-08 EXECUTIVE RECOMMENDATION BY SOURCE OF FUNDS**

Department/Budget Area	Gross	IDG/IDT	Adjusted Gross	Federal	Local	Private	State Restricted	GF/GP
Community Colleges	297,369,000	0	297,369,000	0	0	0	0	297,369,000
Education	93,144,700	0	93,144,700	69,181,000	6,410,900	3,171,800	7,800,500	6,580,500
Higher Education	1,812,912,700	0	1,812,912,700	6,000,000	0	0	125,800,000	1,681,112,700
School Aid	<u>13,431,028,400</u>	<u>0</u>	<u>13,431,028,400</u>	<u>1,410,111,700</u>	<u>0</u>	<u>0</u>	<u>11,985,916,700</u>	<u>35,000,000</u>
EDUCATION	\$15,634,454,800	\$0	\$15,634,454,800	\$1,485,292,700	\$6,410,900	\$3,171,800	\$12,119,517,200	\$2,020,062,200
Attorney General	76,232,400	25,839,900	50,392,500	7,913,900	0	0	9,613,100	32,865,500
Civil Rights	14,490,700	0	14,490,700	2,054,100	0	0	0	12,436,600
Civil Service	36,985,400	5,875,900	31,109,500	4,779,100	1,700,000	150,000	17,671,800	6,808,600
Executive Office	5,509,900	0	5,509,900	0	0	0	0	5,509,900
Information Technology	409,960,100	409,960,100	0	0	0	0	0	0
Office of the Auditor General	16,347,500	1,801,500	14,546,000	0	0	0	1,539,900	13,006,100
Legislature	116,576,400	0	116,576,400	0	0	400,000	1,109,800	115,066,600
Management and Budget	474,821,000	156,810,200	318,010,800	0	0	0	50,152,200	267,858,600
Michigan Strategic Fund	178,650,900	80,000	178,570,900	55,430,700	0	712,800	75,005,200	47,422,200
State	207,871,200	20,000,000	187,871,200	1,561,200	0	100	156,972,900	29,337,000
Treasury: Operations	401,667,100	11,551,400	390,115,700	36,405,700	1,100,700	0	298,308,400	54,300,900
Treasury: Debt/Revenue Sharing	<u>1,233,824,000</u>	<u>0</u>	<u>1,233,824,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,137,426,500</u>	<u>96,397,500</u>
GENERAL GOVERNMENT	\$3,172,936,600	\$631,919,000	\$2,541,017,600	\$108,144,700	\$2,800,700	\$1,262,900	\$1,747,799,800	\$681,009,500
Community Health	11,538,938,600	38,850,900	11,500,087,700	6,440,613,100	246,671,500	64,702,800	1,749,609,600	2,998,490,700
Corrections	2,001,681,200	1,264,600	2,000,416,600	10,340,700	429,700	0	57,479,500	1,932,166,700
Human Services	<u>4,545,814,900</u>	<u>2,416,000</u>	<u>4,543,398,900</u>	<u>3,116,678,300</u>	<u>65,255,800</u>	<u>9,039,200</u>	<u>67,528,600</u>	<u>1,284,897,000</u>
HUMAN SERVICES	\$18,086,434,700	\$42,531,500	\$18,043,903,200	\$9,567,632,100	\$312,357,000	\$73,742,000	\$1,874,617,700	\$6,215,554,400
Agriculture	106,330,600	9,390,400	96,940,200	21,990,600	0	188,500	45,423,700	29,337,400
Environmental Quality	370,964,400	18,411,800	352,552,600	132,274,300	0	455,100	187,026,800	32,796,400
Natural Resources	<u>287,224,000</u>	<u>3,808,300</u>	<u>283,415,700</u>	<u>44,334,700</u>	<u>0</u>	<u>3,166,500</u>	<u>211,123,100</u>	<u>24,791,400</u>
RESOURCE PROTECTION	\$764,519,000	\$31,610,500	\$732,908,500	\$198,599,600	\$0	\$3,810,100	\$443,573,600	\$86,925,200
Military and Veterans Affairs	127,861,700	1,680,900	126,180,800	54,187,500	1,283,900	1,463,300	28,428,600	40,817,500
State Police	<u>563,834,900</u>	<u>26,043,700</u>	<u>537,791,200</u>	<u>146,240,200</u>	<u>8,739,100</u>	<u>262,500</u>	<u>113,916,300</u>	<u>268,633,100</u>
SAFETY AND DEFENSE	\$691,696,600	\$27,724,600	\$663,972,000	\$200,427,700	\$10,023,000	\$1,725,800	\$142,344,900	\$309,450,600
Capital Outlay	0	0	0	0	0	0	0	0
History, Arts, and Libraries	47,453,400	139,200	47,314,200	7,307,400	0	112,400	2,645,600	37,248,800
Judiciary	263,232,200	2,523,500	260,708,700	4,626,400	5,409,700	842,500	87,892,800	161,937,300
Labor and Economic Growth	1,345,147,400	34,472,800	1,310,674,600	837,855,300	15,884,700	2,314,300	355,515,200	99,105,100
Transportation	<u>3,365,255,600</u>	<u>0</u>	<u>3,365,255,600</u>	<u>1,200,740,600</u>	<u>42,850,000</u>	<u>0</u>	<u>2,121,665,000</u>	<u>0</u>
ALL OTHERS	\$5,021,088,600	\$37,135,500	\$4,983,953,100	\$2,050,529,700	\$64,144,400	\$3,269,200	\$2,567,718,600	\$298,291,200
TOTAL APPROPRIATIONS	\$43,371,130,300	\$770,921,100	\$42,600,209,200	\$13,610,626,500	\$395,736,000	\$86,981,800	\$18,895,571,800	\$9,611,293,100

TABLE 2
ADJUSTED GROSS APPROPRIATIONS
FY 2007-08 Executive Recommendation Compared with FY 2006-07 Year-to-Date

<u>Department/Budget Area</u>	<u>Year-To-Date</u>	<u>Exec Rec</u>	<u>FY 2007-08 vs. FY 2006-07</u>	
	<u>FY 2006-07</u>	<u>FY 2007-08</u>	<u>Amount Different</u>	<u>Percent Different</u>
Community Colleges	289,879,400	297,369,000	7,489,600	2.6%
Education	90,590,100	93,144,700	2,554,600	2.8%
Higher Education	1,787,491,300	1,812,912,700	25,421,400	1.4%
School Aid	<u>13,093,745,100</u>	<u>13,431,028,400</u>	<u>337,283,300</u>	2.6%
EDUCATION	\$15,261,705,900	\$15,634,454,800	\$372,748,900	2.4%
Attorney General	54,618,000	50,392,500	(4,225,500)	-7.7%
Civil Rights	14,020,200	14,490,700	470,500	3.4%
Civil Service	30,759,000	31,109,500	350,500	1.1%
Executive Office	5,509,900	5,509,900	0	0.0%
Information Technology	0	0	0	0.0%
Office of the Auditor General	14,546,000	14,546,000	0	0.0%
Legislature	116,576,400	116,576,400	0	0.0%
Management and Budget	320,848,500	318,010,800	(2,837,700)	-0.9%
Michigan Strategic Fund	80,401,200	178,570,900	98,169,700	122.1%
State	184,793,500	187,871,200	3,077,700	1.7%
Treasury: Operations	375,065,500	390,115,700	15,050,200	4.0%
Treasury: Debt/RevenueShare	<u>1,207,672,600</u>	<u>1,233,824,000</u>	<u>26,151,400</u>	2.2%
GENERAL GOVERNMENT	\$2,404,810,800	\$2,541,017,600	\$136,206,800	5.7%
Community Health	11,158,871,300	11,500,087,700	341,216,400	3.1%
Corrections	1,939,183,100	2,000,416,600	61,233,500	3.2%
Human Services	<u>4,465,032,600</u>	<u>4,543,398,900</u>	<u>78,366,300</u>	1.8%
HUMAN SERVICES	\$17,563,087,000	\$18,043,903,200	\$480,816,200	2.7%
Agriculture	103,246,100	96,940,200	(6,305,900)	-6.1%
Environmental Quality	425,510,900	352,552,600	(72,958,300)	-17.1%
Natural Resources	<u>284,547,300</u>	<u>283,415,700</u>	<u>(1,131,600)</u>	-0.4%
RESOURCE PROTECTION	\$813,304,300	\$732,908,500	(\$80,395,800)	-9.9%
Military and Veterans Affairs	121,238,000	126,180,800	4,942,800	4.1%
State Police	<u>546,646,100</u>	<u>537,791,200</u>	<u>(8,854,900)</u>	-1.6%
SAFETY AND DEFENSE	\$667,884,100	\$663,972,000	(\$3,912,100)	-0.6%
Capital Outlay	0	0	0	0.0%
History, Arts, and Libraries	54,784,700	47,314,200	(7,470,500)	-13.6%
Judiciary	256,864,600	260,708,700	3,844,100	1.5%
Labor and Economic Growth	1,207,990,400	1,310,674,600	102,684,200	8.5%
Transportation	<u>3,441,865,300</u>	<u>3,365,255,600</u>	<u>(76,609,700)</u>	-2.2%
ALL OTHERS	\$4,961,505,000	\$4,983,953,100	\$22,448,100	0.5%
TOTAL APPROPRIATIONS	\$41,672,297,100	\$42,600,209,200	\$927,912,100	2.2%

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TABLE 3
GENERAL FUND/GENERAL PURPOSE APPROPRIATIONS
FY 2007-08 Executive Recommendation Compared with FY 2006-07 Year-to-Date

<u>Department/Budget Area</u>	<u>Year-To-Date</u>	<u>Year-To-Date</u>	<u>FY 2007-08 vs. FY 2006-07</u>	
	<u>FY 2006-07</u>	<u>FY 2007-08</u>	<u>Amount Different</u>	<u>Percent Different</u>
Community Colleges	289,879,400	297,369,000	7,489,600	2.6%
Education	6,592,500	6,580,500	(12,000)	-0.2%
Higher Education	1,624,791,300	1,681,112,700	56,321,400	3.5%
School Aid	<u>35,000,000</u>	<u>35,000,000</u>	<u>0</u>	0.0%
EDUCATION	\$1,956,263,200	\$2,020,062,200	\$63,799,000	3.3%
Attorney General	32,896,000	32,865,500	(30,500)	-0.1%
Civil Rights	12,454,000	12,436,600	(17,400)	-0.1%
Civil Service	6,972,400	6,808,600	(163,800)	-2.3%
Executive Office	5,509,900	5,509,900	0	0.0%
Information Technology	0	0	0	
Office of the Auditor General	13,006,100	13,006,100	0	0.0%
Legislature	115,066,600	115,066,600	0	0.0%
Management and Budget	268,409,600	267,858,600	(551,000)	-0.2%
Michigan Strategic Fund	32,009,200	47,422,200	15,413,000	48.2%
State	19,132,700	29,337,000	10,204,300	53.3%
Treasury: Operations	56,509,700	54,300,900	(2,208,800)	-3.9%
Treasury: Debt/Revenue	<u>77,348,100</u>	<u>96,397,500</u>	<u>19,049,400</u>	24.6%
GENERAL GOVERNMENT	\$639,314,300	\$681,009,500	\$41,695,200	6.5%
Community Health	2,940,082,700	2,998,490,700	58,408,000	2.0%
Corrections	1,858,555,000	1,932,166,700	73,611,700	4.0%
Human Services	<u>1,197,447,900</u>	<u>1,284,897,000</u>	<u>87,449,100</u>	7.3%
HUMAN SERVICES	\$5,996,085,600	\$6,215,554,400	\$219,468,800	3.7%
Agriculture	30,913,300	29,337,400	(1,575,900)	-5.1%
Environmental Quality	33,828,400	32,796,400	(1,032,000)	-3.1%
Natural Resources	<u>25,269,600</u>	<u>24,791,400</u>	<u>(478,200)</u>	-1.9%
RESOURCE PROTECTION	\$90,011,300	\$86,925,200	(\$3,086,100)	-3.4%
Military and Veterans Affairs	40,640,200	40,817,500	177,300	0.4%
State Police	<u>249,298,700</u>	<u>268,633,100</u>	<u>19,334,400</u>	7.8%
SAFETY AND DEFENSE	\$289,938,900	\$309,450,600	\$19,511,700	6.7%
Capital Outlay	0	0	0	
History, Arts, and Libraries	43,175,200	37,248,800	(5,926,400)	-13.7%
Judiciary	160,604,800	161,937,300	1,332,500	0.8%
Labor and Economic Growth	47,436,700	99,105,100	51,668,400	108.9%
Transportation	<u>0</u>	<u>0</u>	<u>0</u>	
ALL OTHERS	\$251,216,700	\$298,291,200	\$47,074,500	18.7%
TOTAL APPROPRIATIONS	\$9,222,830,000	\$9,611,293,100	\$388,463,100	4.2%

TABLE 4
FULL-TIME EQUATED (FTE) POSITIONS*
FY 2007-08 Executive Recommendation Compared with FY 2006-07 Year-to-Date

<u>Department/Budget Area</u>	Year-To-Date	Year-To-Date	FY 2007-08 vs. FY 2006-07	
	<u>FY 2006-07</u>	<u>FY 2007-08</u>	<u>Amount Different</u>	<u>Percent Different</u>
Community Colleges	0.0	0.0	0.0	
Education	435.5	441.5	6.0	1.4%
Higher Education	1.0	1.0	0.0	0.0%
School Aid	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	
EDUCATION	436.5	442.5	6.0	1.4%
Attorney General	565.0	562.0	(3.0)	-0.5%
Civil Rights	141.0	141.0	0.0	0.0%
Civil Service	240.5	240.5	0.0	0.0%
Executive Office	84.2	84.2	0.0	0.0%
Information Technology	1,782.4	1,780.4	(2.0)	-0.1%
Office of the Auditor General	0.0	0.0	0.0	
Legislature	0.0	0.0	0.0	
Management and Budget	759.0	754.5	(4.5)	-0.6%
Michigan Strategic Fund	152.0	152.0	0.0	0.0%
State	1,859.8	1,859.8	0.0	0.0%
Treasury: Operations	1,706.5	1,706.5	0.0	0.0%
Treasury: Debt/Revenue Sharing	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	
GENERAL GOVERNMENT	7,290.4	7,280.9	(9.5)	-0.1%
Community Health	4,664.1	4,661.2	(2.9)	-0.1%
Corrections	17,798.0	18,202.2	404.2	2.3%
Human Services	<u>10,343.4</u>	<u>10,609.1</u>	<u>265.7</u>	2.6%
HUMAN SERVICES	32,805.5	33,472.5	667.0	2.0%
Agriculture	696.0	680.0	(16.0)	-2.3%
Environmental Quality	1,567.7	1,567.7	0.0	0.0%
Natural Resources	<u>2,092.4</u>	<u>2,088.9</u>	<u>(3.5)</u>	-0.2%
RESOURCE PROTECTION	4,356.1	4,336.6	(19.5)	-0.4%
Military and Veterans Affairs	1,022.0	1,022.0	0.0	0.0%
State Police	<u>2,903.0</u>	<u>2,902.0</u>	<u>(1.0)</u>	0.0%
SAFETY AND DEFENSE	3,925.0	3,924.0	(1.0)	0.0%
Capital Outlay	0.0	0.0	0.0	
History, Arts, and Libraries	238.0	234.0	(4.0)	-1.7%
Judiciary	509.0	509.0	0.0	0.0%
Labor and Economic Growth	4,297.0	4,365.0	68.0	1.6%
Transportation	<u>3,036.3</u>	<u>3,035.3</u>	<u>(1.0)</u>	0.0%
ALL OTHERS	8,080.3	8,143.3	63.0	0.8%
TOTAL FTE POSITIONS	56,893.8	57,599.8	706.0	1.2%

*Includes classified, unclassified, and nonlegislative exempt positions

OVERVIEW

TABLE 5
STATE SPENDING FROM STATE SOURCES PAID TO LOCAL GOVERNMENTS
FY 2007-08 Executive Recommendation

<u>Department/Budget Area</u>	<u>Spending from State Sources</u>	<u>State Spending to Local Government Units</u>	<u>% of State Spending from State Sources as Payment to Locals</u>
Community Colleges	297,369,000	297,369,000	100.0%
Education	14,381,000	0	0.0%
Higher Education	1,806,912,700	3,759,100	0.2%
School Aid	<u>12,020,916,700</u>	<u>11,861,170,300</u>	98.7%
EDUCATION	\$14,139,579,400	\$12,162,298,400	86.0%
Attorney General	42,478,600	0	0.0%
Civil Rights	12,436,600	0	0.0%
Civil Service	24,480,400	0	0.0%
Executive Office	5,509,900	0	0.0%
Information Technology	0	0	
Office of the Auditor General	14,546,000	0	
Legislature	116,176,400	0	0.0%
Management and Budget	318,010,800	0	0.0%
Michigan Strategic Fund	122,427,400	4,500,000	3.7%
State	186,309,900	1,225,200	0.7%
Treasury: Operations	352,609,300	146,659,500	41.6%
Treasury: Debt/Revenue Sharing	<u>1,233,824,000</u>	<u>1,113,625,600</u>	90.3%
GENERAL GOVERNMENT	\$2,428,809,300	\$1,266,010,300	52.1%
Community Health	4,748,100,300	1,328,133,200	28.0%
Corrections	1,989,646,200	92,940,000	4.7%
Human Services	<u>1,352,425,600</u>	<u>123,730,383</u>	9.1%
HUMAN SERVICES	\$8,090,172,100	\$1,544,803,583	19.1%
Agriculture	74,761,100	1,700,000	2.3%
Environmental Quality	219,823,200	4,050,000	1.8%
Natural Resources	<u>235,914,500</u>	<u>28,409,100</u>	12.0%
RESOURCE PROTECTION	\$530,498,800	\$34,159,100	6.4%
Military and Veterans Affairs	69,246,100	120,000	0.2%
State Police	<u>382,549,400</u>	<u>20,594,700</u>	5.4%
SAFETY AND DEFENSE	\$451,795,500	\$20,714,700	4.6%
Capital Outlay	0	0	
History, Arts, and Libraries	39,894,400	7,987,400	20.0%
Judiciary	249,830,100	125,187,300	50.1%
Labor and Economic Growth	454,620,300	51,470,500	11.3%
Transportation	<u>2,121,665,000</u>	<u>1,242,823,900</u>	58.6%
ALL OTHER	\$2,866,009,800	\$1,427,469,100	49.8%
TOTALS	\$28,506,864,900	\$16,455,455,183	57.7%

**FY 2007-08
Budget Detail
for
EDUCATION**

**Community Colleges
Education
Higher Education
School Aid / K-12**

**Summary: Executive Budget Recommendation
COMMUNITY COLLEGES
FY 2007-08**

Analyst: Viola Bay Wild

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Executive to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$0	\$0	\$0	0.0
Federal	0	0	0	0.0
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	0	0	0	0.0
GF/GP	289,879,400	297,369,000	7,489,600	2.6
Gross	\$289,879,400	\$297,369,000	\$7,489,600	2.6
FTEs	0.0	0.0	0.0	0.0

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2007.

Overview

The Community Colleges budget includes funds for the operations of the state's 28 community colleges, the At-Risk Student Success Program, and renaissance zone tax reimbursement to the colleges. Community colleges also receive operating revenue from local property tax revenue and student tuition and fees.

Major Budget Changes from FY 2006-07 YTD

1. Operations Funding

Includes \$7.3 million additional GF/GP funding which represents a 2.6% increase compared to FY 2006-07 enacted appropriations. Funding includes \$225,000 to Wayne County Community College to complete restoration of the \$450,000 reduction made in FY 2003-04 which was allocated to three other colleges that year (2006 PA 153 previously restored \$225,000 of this reduction). The remaining operations increase of \$7.1 million is distributed across the board to all 28 colleges.

	<u>FY 2006-07 YTD</u>	<u>Executive Change</u>
Gross	\$283,356,700	\$7,314,600
Restricted	0	0
GF/GP	\$283,356,700	\$7,314,600

2. Renaissance Zone Tax Reimbursement

Increases funds for statutorily-required reimbursement to colleges with renaissance zones in their districts by 5.5% to reflect expected increases in taxable value in those zones.

Gross	\$3,200,000	\$175,000
GF/GP	\$3,200,000	\$175,000

Major Boilerplate Changes from FY 2006-07

Sec. 211. Payment of Appropriations – REVISED

Provides a payment schedule for appropriation payments. Executive deletes the requirement that the At-Risk Student Success Program grant funds shall be paid in full by November 1.

Sec. 220. Infrastructure, Technology, Equipment, and Maintenance (ITEM) Funding – DELETED

States legislative intent for restoration of ITEM funds and development of proposals and financing alternatives for special maintenance projects.

Sec. 230. Abortion Services – DELETED

Prohibits use of state funds by colleges for provision of health care coverage to employees or their dependents for abortion services, with certain exceptions.

Major Boilerplate Changes from FY 2006-07

Sec. 231. Benefits to Unmarried Partners – DELETED

States legislative intent that colleges not extend employee benefits to unmarried partners of employees, except for pre- and post-natal costs.

Sec. 235. State University Admission Policies – DELETED

States legislative intent that a workgroup be formed to address acceptance and application of college credits; requires report.

Sec. 239. University Appropriation Increases – DELETED

States legislative intent that any subsequent proposal to increase appropriations for four-year universities be accompanied by similar action for community colleges.

Sec. 240. Economic Development Job Training (EDJT) Grants – DELETED

States legislative intent that at least 70% of the EDJT funds appropriated in the DLEG budget be awarded to community colleges.

Sec. 242. Payment in Lieu of Taxes – DELETED

States legislative intent that discussion regarding payments in lieu of taxes concerning community colleges be continued.

Sec. 304. Gast-Mathieu Formula/Performance Indicator Task Force – DELETED

Recommends that Gast-Mathieu data continue to be collected and the funding formula developed by Performance Indicators Task Force be used for future funding distribution. States legislative intent that performance measures recommended in Task Force Report be reviewed and more fully implemented in the future.

Sec. 401. At-Risk Student Success Program – REVISED

Specifies methodology used to distribute at-risk funds, lists amounts allocated for each college, and allows funds to be used for special needs of at-risk students or the acquisition or upgrade of technology-related equipment and software. Executive deletes language that allows funds to be used for technology-related uses.

Sec. 511. On-Site Visits and Audits – DELETED

States legislative intent that the frequency of on-site visits, evaluations, and audits of community colleges be limited, and requires DLEG to provide a state plan under federal Perkins Act to Legislature prior to submission to U.S. Department of Education.

Sec. 513. Tax Increment Financing Authorities (TIFA) Tax Loss Data – DELETED

Requires Department of Treasury to collect, compile, and distribute data on revenue losses to colleges related to TIFAs and tax abatements; requires report by March 1, 2007.

**Summary: Executive Budget Recommendation
DEPARTMENT OF EDUCATION
FY 2007-08**

Analysts: Mary Ann Cleary and Bethany Wicksall

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Executive to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$0	\$0	\$0	0.0
Federal	67,570,600	69,181,000	1,610,400	2.4
Local	5,985,600	6,410,900	425,300	7.1
Private	2,914,400	3,171,800	257,400	8.8
Restricted	7,527,000	7,800,500	273,500	3.6
GF/GP	6,592,500	6,580,500	(12,000)	(0.2)
Gross	\$90,590,100	\$93,144,700	\$2,554,600	2.8
FTEs	435.5	441.5	6.0	1.4

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2007.

Overview

The State Board of Education is an eight-member elected board constitutionally mandated to provide leadership and supervision for public education in Michigan. The Department of Education (DOE) is the administrative arm of the Board charged with implementing state and federal educational mandates and administering programs. Major responsibilities of the DOE include developing and overseeing the K-12 school system, certifying teachers, disbursing funds to educational organizations, and providing technical assistance to school districts.

Major Budget Changes from FY 2006-07 YTD

		<u>FY 2006-07 YTD</u>	<u>Executive Change</u>
1. Professional Preparation Services	Gross	\$5,826,800	\$1,758,400
Provides an additional \$1.6 million from a proposed increase in teacher certification fees and new teacher college review fees, as well as \$200,000 from the carryforward of teacher testing fees. Additional revenue would fund the conversion of the teacher licensing database and reimburse the Department for reviewing teacher college programs.	Federal	2,687,300	0
	Restricted	3,139,500	1,758,400
2. Michigan School for the Deaf and Blind (MSDB)	Gross	\$11,893,900	\$973,400
Adds 7.0 FTEs at the MSDB in anticipation of growth in student membership as well as an increase for summer programs at the school and at Camp Tuhsmeheeta: additional \$973,400 in federal, local, and private revenue.	Federal	5,375,400	469,300
	Local	5,804,700	259,100
	Private	495,200	245,000
	Restricted	218,600	0
3. Lansing School for the Blind – Former Site	Gross	\$1,821,100	(\$1,821,100)
Reflects sale of the Lansing School for the Blind and the elimination of \$1.8 million in lease revenue and maintenance costs associated with the property.	Federal	1,811,100	(1,811,100)
	Private	10,000	(10,000)
4. Economics	Gross	N/A	\$1,704,000
Provides a gross increase of \$1.7 million (\$189,600 GF/GP) for economic increases in salaries and wages, retirement, insurance, workers compensation, and building occupancy charges.	Federal	N/A	1,211,000
	Local	N/A	167,100
	Private	N/A	22,400
	Restricted	N/A	113,900
	GF/GP	N/A	\$189,600

Major Budget Changes from FY 2006-07 YTD

		<u>FY 2006-07 YTD</u>	<u>Executive Change</u>
5. Administrative/Program Reductions	Gross	N/A	(\$355,000)
Recognizes the savings from not filling vacancies in Special Education Operations and School Improvement Operations as well as elimination of funding for the National Best Practices Study.	Federal	N/A	(180,000)
	GF/GP	N/A	(\$175,000)
6. CMU and WSU Teaching Certification Programs	Gross	\$200,000	(\$200,000)
Eliminates the boilerplate earmark of \$100,000 each for the Central Michigan University Alternative Route to Certification Program and the Wayne State University Pathways to Teaching Program.	Restricted	200,000	(200,000)

Major Boilerplate Changes from FY 2006-07

Sec. 215. Department Employee Contact With Legislature – DELETED

Prohibits disciplinary action against a Department employee for communicating with a Legislator or his or her staff.

Sec. 217. Auditor General Bills – DELETED

Requires Department pay Auditor General bills within 60 days for costs incurred while conducting audits of federally-funded programs.

Sec. 218. Automated External Defibrillators (AEDs) – DELETED

Encourages Department to promote benefits of AEDs and work with districts who receive grants for AED purchases to secure a bulk-purchase discount.

Sec. 220. Timely Data – DELETED

Requires Department to provide data requested by Legislature, staff, and fiscal agencies in a timely manner.

Sec. 221. Contingency Funds – NEW

Appropriates up to \$5.0 million in federal contingency funds, up to \$700,000 in state restricted contingency funds, up to \$250,000 in private contingency funds, and \$3.0 million in local contingency funds.

Sec. 303. Best Practices Study – DELETED

Earmarks \$175,000 to State Board of Education to study and advise the Legislature and Governor on local, state, and national education best practices. Governor eliminates this funding for both FY 2006-07 and FY 2007-08.

Sec. 403. Michigan School for the Blind-Lansing Site – DELETED

Allows for leasing the property. This section is no longer needed as the property was recently sold.

Sec. 503. Teacher Preparation Programs – DELETED

Provides \$100,000 for CMU alternative route to certification program and WSU pathways to teaching program.

Sec. 801. Education Assessment – DELETED

Requires Department to provide nonpublic and home-schooled students education assessment tests if they are eligible to take them, and describes how assessment results should be provided. Governor deletes this section because funding for education assessments was transferred to the School Aid budget in FY 2006-07.

**Summary: Executive Budget Recommendation
HIGHER EDUCATION
FY 2007-08**

Analyst: Kyle I. Jen

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Executive to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$0	\$0	\$0	0.0
Federal	3,000,000	6,000,000	3,000,000	100.0
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	159,700,000	125,800,000	(33,900,000)	(21.2)
GF/GP	1,624,791,300	1,681,112,700	56,321,400	3.5
Gross	\$1,787,491,300	\$1,812,912,700	\$25,421,400	1.4
FTEs	1.0	1.0	0.0	0.0

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2007; Executive figures reflect combined totals for Higher Education budget bill and separate Research Universities budget bill proposed under Executive Recommendation.

Overview

The FY 2006-07 Higher Education budget includes operational support for the state's 15 public universities, as well as funding for financial aid awarded to students attending both public and independent higher education institutions and several other higher education-related programs. The FY 2007-08 Executive Recommendation proposes to move funding for Michigan State University (including the Agricultural Experiment Station and Cooperative Extension), University of Michigan – Ann Arbor, and Wayne State University into a separate Research Universities budget bill. Funding for the other 12 state universities, financial aid, and other programs would remain in the Higher Education bill.

Major Budget Changes from FY 2006-07 YTD

		FY 2006-07 YTD	Executive Change
RESEARCH UNIVERSITIES			
1. State University Operations	Gross	\$838,014,800	\$20,950,300
Increases operations line items for Michigan State, UM-Ann Arbor, and Wayne State by 2.5% across the board.	GF/GP	\$838,014,800	\$20,950,300
2. FY 2006-07 University Funding Restoration	Gross	N/A	\$40,955,400
Includes funding to be paid to Michigan State, UM-Ann Arbor, and Wayne State on October 16, 2007, offsetting reductions proposed to August 2007 payments as part of FY 2006-07 budget reductions.	GF/GP	N/A	\$40,955,400
3. Agricultural Experiment Station/Cooperative Extension	Gross	\$63,003,500	(\$2,655,700)
Reduces Cooperative Extension line item by 10.0%, excluding amount earmarked for Project GREEN (continuation of FY 2006-07 reduction proposed in EO 2007-1). Maintains Agricultural Experiment Station line item at current-year level.	GF/GP	\$63,003,500	(\$2,655,700)
HIGHER EDUCATION			
4. State University Operations	Gross	\$625,079,100	\$15,626,900
Increases operations line items for 12 universities remaining in Higher Education bill by 2.5% across the board.	Restricted	9,500,000	0
	GF/GP	\$615,579,100	\$15,626,900
5. FY 2006-07 University Funding Restoration	Gross	N/A	\$28,412,600
Includes funding to be paid to 12 universities remaining in Higher Education bill in October 2007, offsetting reductions proposed to August 2007 payments as part of FY 2006-07 budget reductions.	GF/GP	N/A	\$28,412,600

Major Budget Changes from FY 2006-07 YTD

		<u>FY 2006-07 YTD</u>	<u>Executive Change</u>
6. State Competitive Scholarships	Gross	\$34,130,500	\$0
Reduces \$3.0 million appropriation from Michigan Higher Education Assistance Authority Operating Fund to projected amount of \$1.2 million, offsetting the remaining \$1.8 million with GF/GP.	Federal	1,500,000	0
	Restricted	3,000,000	(1,800,000)
	GF/GP	\$29,630,500	\$1,800,000
7. Tuition Grant Program	Gross	\$58,768,100	(\$58,768,100)
Eliminates funding for the Tuition Grant Program, a need-based financial aid program for students attending independent colleges and universities; 35,942 students received Tuition Grant awards in FY 2005-06. The FY 2006-07 maximum award amount is \$2,100.	Restricted	2,900,000	(2,900,000)
	GF/GP	\$55,868,100	(\$55,868,100)
8. Michigan Merit Award and Promise Grant Programs	Gross	\$127,700,000	(\$24,200,000)
Reduces the Merit Award line item by \$67.7 million, and adds \$43.5 million appropriation for the new Michigan Promise Grant program that takes effect with high school class of 2007. The net impact is a reduction of \$24.2 million in appropriations from the Merit Award Trust Fund, reflecting the lower award amount over the first two years of college under the new program. Costs of the \$2,000/\$4,000 awards paid after completion of two years of postsecondary education under the Promise Grant Program will begin in FY 2009-10.	Restricted	127,700,000	(24,200,000)
9. Tuition Incentive Program (TIP)	Gross	\$14,000,000	\$7,100,000
Increases TIP appropriation for projected cost increase. Program provides financial aid to Medicaid-eligible students who graduate from high school. FY 2006-07 program costs are projected to be approximately \$4.0 million higher than the current appropriation, so proposed increase effectively reflects two years of cost increases.	Restricted	6,350,000	0
	GF/GP	\$7,650,000	\$7,100,000
10. MiLEAD Initiative	Gross	\$5,000,000	(\$5,000,000)
Removes appropriation from Civilian Conservation Corps Endowment Fund for Michigan Leadership, Education, and Development (MiLEAD) Initiative. FY 2006-07 appropriation for grants to colleges/universities is designated as a multi-year work project.	Restricted	5,000,000	(5,000,000)
11. Project GEAR-UP	Gross	N/A	\$3,000,000
Adds federal grant funds for scholarships to students who have participated in grant-funded program administered by Department of Labor and Economic Growth to increase the number of low-income students prepared to enter postsecondary education.	Federal	N/A	3,000,000

Major Boilerplate Changes from FY 2006-07

RESEARCH UNIVERSITIES

Sec. 402. Douglas Lake Biological Station – DELETED

States intent to protect unique research value of University of Michigan's Douglas Lake biological station.

Sec. 505. Research, Technology Transfer, and High-Tech Graduates – REVISED

Requires state universities to report various data items related to research, technology transfer, and graduates in science- and technology-related fields. Executive retains and expands reporting requirements for the three universities included in the Research Universities bill; section is not included in the Higher Education bill.

HIGHER EDUCATION

Sec. 302. Tuition Grants – DELETED

Provides for distribution of funds appropriated for the Tuition Grant Program.

HIGHER EDUCATION

Major Boilerplate Changes from FY 2006-07

Sec. 310. Tuition Incentive Program (TIP) – REVISED

Provides for Tuition Incentive Program requirements. Executive adds requirement that recipients not be enrolled in an institution whose primary purpose is to prepare students for religious ordination, consistent with other state financial aid programs.

Sec. 312. Nursing Scholarship Program – REVISED

Provides for administration of Nursing Scholarship Program. Executive removes requirement that master's degree students be eligible for awards; this requirement has been added to the program's permanent statute.

Sec. 313. MiLEAD Initiative – DELETED

Provides for grants to public/private colleges and universities under MiLEAD initiative.

BOTH BUDGET BILLS

Sec. 205(2)/212(2). FY 2006-07 University Funding Restoration – NEW

Provides for supplemental payments to state universities offsetting FY 2006-07 reductions to be paid on October 16, 2007, and accrued by the universities to their 2006-07 institutional fiscal years.

Sec. 212(3). Fiscal Agency Report – DELETED

Requires report from fiscal agencies on procedures used to arrive at appropriation amounts.

Sec. 302/436. Tuition and Financial Aid Increases – REVISED

States intent that state universities increase their general fund expenditures for institutional financial aid by at least the same percentage as their resident undergraduate tuition/fee rates. Executive retains language, stated as a requirement rather than a statement of intent.

Sec. 418. State University Funding Model – DELETED

Describes funding model included as a part of the calculation of university appropriation amounts for FY 2006-07.

Sec. 426. Private Bookstores – DELETED

States intent that private bookstores have access to state universities' textbook lists and student financial accounts.

Sec. 450. Per-Student Funding Floor – DELETED

States that per-FYES floor of \$3,775 is reflected in state university appropriation amounts, except for Grand Valley.

Sec. 711. Education Degrees – DELETED

Requires each state university to report its efforts to increase the number of education degrees conferred for teaching math, science, foreign languages, and other critical shortage disciplines.

**Summary: Executive Budget Recommendation
SCHOOL AID
FY 2007-08**

Analyst: Mary Ann Cleary and Bethany Wicksall

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Executive to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$0	\$0	\$0	0.0
Federal	1,411,236,900	1,410,111,700	(1,125,200)	(0.1)
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	11,647,508,200	11,985,916,700	338,408,500	2.9
GF/GP	35,000,000	35,000,000	0	0.0
Gross	\$13,093,745,100	\$13,431,028,400	\$337,283,300	2.6
FTEs	0.0	0.0	0.0	0.0

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2007.

Overview

The School Aid budget makes appropriations to the state's 552 local school districts, 229 public school academies, and 57 intermediate school districts (ISDs) for operations and certain categorical programs. It also appropriates funds to the Center for Education Performance and Information, Department of Labor and Economic Growth, and other entities to implement certain grants and other programs related to K-12 education.

Major Budget Changes from FY 2006-07 YTD

		FY 2006-07 YTD	Executive Change
1. Proposal A Obligation Payment	Gross	\$6,207,000,000	(\$191,000,000)
Provides a reduction from FY 2006-07 to reflect changes in taxable values, pupil membership blends; includes estimated additional costs for Midland tax appeals.	Restricted	6,207,000,000	(191,000,000)
2. Discretionary Payment	Gross	\$3,584,950,000	\$295,050,000
Adds \$295.1 million to reflect an increase of 2.5% which is equal to \$178 per pupil increase in the foundation allowance for FY 2007-08. Increase also rolls the FY 2006-07 equity payment of \$23 per pupil into each qualifying district's base foundation.	Restricted	3,584,950,000	295,050,000
3. Declining Enrollment	Gross	\$20,000,000	\$16,000,000
Adds \$16.0 million to a total of \$36.0 million for declining enrollment grants to local districts (not including charters) with two years of consecutive pupil membership decline. Payment would equal the district's three-year pupil membership average minus the actual pupil membership times the district's foundation allowance. If insufficient funds are available the funding will be prorated.	Restricted	20,000,000	16,000,000
4. Consolidation of Business, Administrative, and Instructional Services	Gross	N/A	\$10,000,000
Provides \$10.0 million for incentive payments to districts that consolidate services with their Intermediate School Districts.	Restricted	N/A	9,800,000
	GF/GP	N/A	\$200,000

SCHOOL AID

Major Budget Changes from FY 2006-07 YTD		FY 2006-07 YTD	Executive Change
5. School Readiness Program – Full-Day Grants	Gross	N/A	\$194,600,000
Creates a new full-day preschool program for districts funded with a foundation allowance for up to 26,000 children at a cost of \$194.6 million. In the following year districts must make a full-day kindergarten program available for these pre-schoolers.	Restricted	N/A	194,600,000
6. School Readiness Program – District Grants	Gross	\$78,800,000	\$4,600,000
Increases funding by \$4.6 million to \$83.4 million; additional funding increases the per-child allocation from \$3,300 to \$3,500.	Restricted	78,600,000	4,600,000
	GF/GP	\$200,000	\$0
7. School Readiness Program – Competitive Grants	Gross	\$12,250,000	\$800,000
Increases funding by \$800,000 to \$13.1 million; additional funding increases the per-child allocation from \$3,300 to \$3,500.	Restricted	12,250,000	800,000
8. Intermediate School Districts (ISDs) General Operations	Gross	\$80,110,900	\$2,003,100
Increases general operations funding by 2.5% or \$2.0 million to \$82.1 million.	Restricted	80,110,900	2,003,100
9. Middle School Math – District Grants	Gross	\$20,000,000	(\$20,000,000)
Eliminates this grant program.	Restricted	20,000,000	(20,000,000)
10. Equity Grants	Gross	\$20,000,000	(\$20,000,000)
Eliminates this section because the FY 2006-07 equity payment is rolled into the foundation allowance of eligible districts.	Restricted	20,000,000	(20,000,000)
11. Health/Science Middle College Program	Gross	\$2,000,000	\$2,000,000
Includes an increase of \$2.0 million for a total of \$4.0 million in grant funding for ISDs or Detroit Public Schools that are in consortium with a community college or state university and a hospital to create a middle college focused on health sciences. Limits the grant to four years with recipients receiving 100% of their prior year grant amount for the second year and 50% of their prior year grant amount for each year after.	Restricted	2,000,000	2,000,000
12. MEAP Assessment Testing Costs	Gross	\$27,925,200	\$10,674,800
Adds \$10.7 million for costs associated with elementary and high school assessments required under state and federal law.	Federal	8,425,200	374,800
	Restricted	19,500,000	10,300,000
13. Freedom to Learn	Gross	\$1,500,000	(\$1,500,000)
Eliminates this program as the federal carryforward funding supporting this program will expire.	Federal	1,500,000	(1,500,000)
14. Other Cost Increases	Gross	\$100,600,000	\$7,800,000
Provides an additional \$7.8 million for cost increases associated with School Bond Loan Fund debt service, Renaissance Zones, and Payments in Lieu of Taxes.	Restricted	85,650,000	9,250,000
	GF/GP	\$14,950,000	(\$1,450,000)
15. Other Categorical Eliminations	Gross	\$5,225,000	(\$5,225,000)
Eliminates the following new categoricals added in PA 342 of 2006: Mercy Education Project, Children of Incarcerated Parents grants, Book a Month grants, Early Intervention grants, Conductive Learning Evaluation, International Baccalaureate grants, Precollege Engineering grant to Kalamazoo, Web Based Testing grant, Automatic External Defibrillators grant, School Building Security Maps grants, Positive Behavioral Support grants. (All of these programs, except for Conductive Learning Center Evaluation, are also recommended to be eliminated in FY 2006-07.)	Restricted	5,225,000	(5,225,000)

Major Boilerplate Changes from FY 2006-07

Sec. 20(1). Basic Foundation Allowance – REVISED

Increases the basic per-pupil foundation allowance by \$178 plus the \$23 equity payment from FY 2006-07, bringing it to \$7,286 for FY 2007-08.

Sec. 51a. Special Education Itinerant Staff – DELETED

Allows funding that would otherwise lapse from this section to pay affected districts or ISDs on a FY 2003-04 basis for FY 2004-05 and FY 2005-06 only; if sufficient excess funds are not available to pay on FY 2003-04 basis, then proration of the excess funds will occur on an equal percentage basis.

Sec. 32b. Early Childhood Investment Corporation (ECIC) Grants – REVISED

Eliminates language requiring the ECIC articles of incorporation and bylaws be amended to increase the executive committee by four members appointed by the Legislature's leadership before being allowed to expend appropriated funds. Eliminates a required report to the Legislature detailing expenditures and grant awards.

Sec. 32d. School Readiness – District Grants – REVISED

Deletes provisions that allow school readiness funds to be used for programs formerly funded under the All Students Achieve Program-Parents Involved in Education (ASAP-PIE) and that allow funds to be used for full-day preschool programs. Revises to require programs to use an educational curriculum approved by the State Board of Education.

Sec. 81. ISD Operations – REVISED

Increases requirements for ISDs including that they employ someone trained in the rules, regulations, and reporting procedures for student data for high school graduation and drop out rates, comply with the new graduation requirements, comply with the school employee fingerprinting statute, and furnish data required by the state and federal government to CEPI and DOE.

Sec. 107. Adult Education Program – REVISED

Changes the distribution of payments to districts for funding adult education students from 90% for enrollment and 10% for completion to 75% for enrollment and 25% for completion. Requires grantees to submit all information requested by DLEG to administer this program. Eliminates language providing funding for new programs.

Sec. 147. MPERS Contribution Subsidy – REVISED

Proposes revaluing the Michigan Public School Employee Retirement System (MPERS) assets to their fair market value, thus allowing the rate charged to districts to decline from 17.74% of payroll in FY 2006-07 to 16.72% in FY 2007-08. If such legislation is not adopted, the retirement rate would be 18.56%.

**FY 2007-08
Budget Detail
for
GENERAL GOVERNMENT**

**Attorney General
Civil Rights
Civil Service
Executive
Information Technology
Legislature
Auditor General
Management and Budget
State
Treasury-Operations
Treasury-Revenue Sharing/
Debt Service/Michigan Strategic Fund**

**Summary: Executive Budget Recommendation
ATTORNEY GENERAL
FY 2007-08**

Analyst: Robin R. Risko

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Executive to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$13,914,300	\$25,839,900	\$11,925,600	85.7
Federal	10,236,500	7,913,900	(2,322,600)	(22.7)
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	11,485,500	9,613,100	(1,872,400)	(16.3)
GF/GP	32,896,000	32,865,500	(30,500)	(0.1)
Gross	\$68,532,300	\$76,232,400	\$7,700,100	11.2
FTEs	565.0	562.0	(3.0)	(0.5)

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2007.

Overview

The Attorney General serves as legal counsel for state departments, agencies, boards, commissions, and their officers, brings actions and intervenes in cases on the state's behalf, and represents legislators and judges who may be sued while acting in their official capacities. The Attorney General issues opinions on questions of law submitted by members of the Legislature and others, serves as chief law enforcement officer of the state, and has supervisory powers over all local prosecuting attorneys. The Department's mission is to protect the common legal rights of citizens, defend the Constitution and the laws of the state, and represent the legal interests of government. The Department's goals are to make the state a safe place for its citizens, offer justice to the victims of crime, defend common natural resources and monetary assets of the state, and deliver excellent legal services at a minimum cost to taxpayers.

Major Budget Changes from FY 2006-07 YTD

		FY 2006-07 YTD	Executive Change
1. Fund Source Adjustments	Gross	\$68,532,300	\$6,654,500
Adjusts IDG, federal, and state restricted fund sources in order to more accurately reflect method of payment for legal services provided by the Department of Attorney General.	IDG	13,914,300	11,158,000
	Federal	10,236,500	(2,345,500)
	Restricted	11,485,500	(2,158,000)
	GF/GP	\$32,896,000	\$0
2. Administrative Reductions	Gross	N/A	(\$1,303,100)
Reduces funding available for administrative expenses by \$1.3 million; savings anticipated to be generated through administrative efficiencies.	GF/GP	N/A	(\$1,303,100)
3. Eliminate Byrne Grant Funding	FTEs	3.0	(3.0)
Reflects elimination of Byrne grant funding that has been made available to the Department from the federal government.	Gross	\$225,000	(\$225,000)
	Federal	225,000	(225,000)
4. Eliminate Funding for Early Retirement Sick Leave Payouts	Gross	N/A	(\$71,300)
Eliminates \$71,300 associated with early retirement sick leave payouts. Employees who retired under the Early Out in 2002 received sick leave payout over a five-year period; FY 2006-07 was the last year of payments.	GF/GP	N/A	(\$71,300)
5. Economic Adjustments	Gross	N/A	\$2,645,000
Adds funding for salaries and wages, insurances, retirement, worker's compensation, and building occupancy charges.	IDG	N/A	767,600
	Federal	N/A	247,900
	Restricted	N/A	285,600
	GF/GP	N/A	\$1,343,900

Major Boilerplate Changes from FY 2006-07

Sec. 301. Contingency Funding – NEW

Appropriates federal, state restricted, local, and private contingency funding that can be expended only upon legislative transfer to a specific line item.

Sec. 307. Proceeds Received by the Attorney General – NEW

Requires all money or other proceeds received by Department of Attorney General for debts due or penalties forfeited to the people of this state, or deriving from settlement of any lawsuit against a private individual or business or any other private organization, to be deposited to the state Treasury into a restricted fund to be used as provided by law; requires a quarterly report on case names, case file numbers, court docket numbers, and presiding courts for every matter Department of Attorney General settles in the preceding fiscal quarter.

Sec. 310. Child Support Enforcement Funding – DELETED

Requires Department of Human Services to maintain a cooperative agreement with Department of Attorney General for federal Title IV-D funding to be used to support child support enforcement activities and authorizes access for the Attorney General to information used to locate parents who fail to pay court-ordered support.

Sec. 310. Prohibitions on Expenditure of Funding – NEW

Prohibits Department of Attorney General from receiving and expending funds, in addition to those appropriated, for legal services provided to other state departments except for expert witnesses, court costs, or other non-salary litigation expenses associated with pending legal actions.

**Summary: Executive Budget Recommendation
CIVIL RIGHTS
FY 2007-08**

Analyst: Robin R. Risko

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Executive to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$0	\$0	\$0	0.0
Federal	1,566,200	2,054,100	487,900	31.2
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	0	0	0	0.0
GF/GP	12,454,000	12,436,600	(17,400)	(0.1)
Gross	\$14,020,200	\$14,490,700	\$470,500	3.4
FTEs	141.0	141.0	0.0	0.0

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2007.

Overview

The Michigan Civil Rights Commission is charged with investigating alleged discrimination against any person because of religion, race, color, or national origin and is directed to “secure the equal protection of such civil rights without such discrimination.” The Michigan Department of Civil Rights serves as the administrative arm charged with implementing policies of the Commission. The Department provides educational programs that promote voluntary compliance with civil rights laws, investigates and resolves discrimination complaints, disseminates information that explains the rights and responsibilities of Michigan citizens as provided by law, and provides information and services to businesses on diversity initiatives, equal employment law, procurement opportunities, feasibility studies, and joint venture/strategic alliance matchmaking.

Major Budget Changes from FY 2006-07 YTD

		FY 2006-07 YTD	Executive Change
1. Increased Federal Funding	Gross	\$1,566,200	\$0
Includes authorization for the Department to receive additional federal grant funding available from United States Department of Housing and Urban Development (\$200,000) and Equal Employment Opportunity Commission (\$200,000); additional federal funding reduces GF/GP by a like amount.	Federal	1,566,200	400,000
	GF/GP	\$0	(\$400,000)
	2. Administrative Reductions	Gross	N/A
Reduces funding available for administrative expenses by \$51,300; savings anticipated to be generated through administrative efficiencies.	GF/GP	N/A	(\$51,300)
	3. Eliminate Funding for Early Retirement Sick Leave Payouts	Gross	N/A
Eliminates \$69,000 associated with early retirement sick leave payouts. Employees who retired under the Early Out in 2002 received sick leave payout over a five-year period; FY 2006-07 was the last year of payments.	GF/GP	N/A	(\$69,000)
	4. Human Resources Optimization Project	Gross	N/A
Reduces funding by \$14,700 to more accurately reflect Department's portion of Human Resources Optimization user charges paid to Department of Civil Service.	GF/GP	N/A	(\$14,700)

Major Budget Changes from FY 2006-07 YTD

5. Economic Adjustments

Includes additional funding for salaries and wages, insurances, retirement, and worker's compensation; reduces funding for building occupancy charges.

	<u>FY 2006-07 YTD</u>	<u>Executive Change</u>
Gross	N/A	\$605,500
Federal	N/A	87,900
GF/GP	N/A	\$517,600

Major Boilerplate Changes from FY 2006-07

Sec. 401. Contingency Funding – NEW

Appropriates federal contingency funding that can be expended only upon legislative transfer to a specific line item.

**Summary: Executive Budget Recommendation
CIVIL SERVICE
FY 2007-08**

Analyst: Robin R. Risko

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Executive to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$5,788,100	\$5,875,900	\$87,800	1.5
Federal	4,779,100	4,779,100	0	0.0
Local	1,700,000	1,700,000	0	0.0
Private	150,000	150,000	0	0.0
Restricted	17,157,500	17,671,800	514,300	3.0
GF/GP	6,972,400	6,808,600	(163,800)	(2.3)
Gross	\$36,547,100	\$36,985,400	\$438,300	1.2
FTEs	240.5	240.5	0.0	0.0

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2007.

Overview

The Department of Civil Service is responsible for implementing policies established by the Civil Service Commission. The Department administers a statewide merit system that provides classified job opportunities within state government, including administering competitive examinations for classified positions, setting pay scales, administering employee benefits, and administering the Civil Service Commission's Employment Relations Policy. Also, the Department maintains ongoing statewide recruitment.

Major Budget Changes from FY 2006-07 YTD

		FY 2006-07 YTD	Executive Change
1. Administrative Reductions	Gross	N/A	(\$361,100)
Reduces amount of funding available for administrative expenses by \$361,100. Savings are anticipated to be generated through administrative efficiencies.	Restricted	N/A	(10,500)
	GF/GP	N/A	(\$350,600)
2. Eliminate Funding for Early Retirement Sick Leave Payouts	Gross	N/A	(\$4,200)
Eliminates \$4,200 associated with early retirement sick leave payouts. Employees who retired under the Early Out in 2002 received sick leave payouts over a 5-year period of time. FY 2006-07 was the last year of payments.	GF/GP	N/A	(\$4,200)
3. Human Resources Optimization Project	Gross	N/A	(\$14,700)
Reduces funding by \$14,700 in order to more accurately reflect the Department's portion of Human Resources Optimization user charges.	Restricted	N/A	(14,700)
4. Economic Adjustments	Gross	N/A	\$818,300
Includes additional funding for salaries and wages, insurances, and retirement; reduces funding for worker's compensation and building occupancy charges.	IDG	N/A	87,800
	Restricted	N/A	539,500
	GF/GP	N/A	\$191,000

Major Boilerplate Changes from FY 2006-07

Sec. 501. Contingency Funding – NEW

Appropriates federal, state restricted, local, and private contingency funding that can be expended only upon legislative transfer to a specific line item.

Summary: Executive Budget Recommendation
EXECUTIVE
FY 2007-08

Analyst: Robin R. Risko

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Executive to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$0	\$0	\$0	0.0
Federal	0	0	0	0.0
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	0	0	0	0.0
GF/GP	5,509,900	5,509,900	0	0.0
Gross	\$5,509,900	\$5,509,900	\$0	0.0
FTEs	84.2	84.2	0.0	0.0

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2007.

Overview

The Executive Office budget provides funding for the Governor, the Lieutenant Governor, and their staffs. Divisions within the Governor's Office include: Legal, Operations, Community-Based Initiatives, Appointments, Constituent Services, Policy, Communications, Legislative Affairs, Scheduling, Special Projects, and the Governor's Washington D.C. Office, Southeastern Michigan Office, and Upper Peninsula Office.

Major Budget Changes from FY 2006-07 YTD

None

Major Boilerplate Changes from FY 2006-07

None

**Summary: Executive Budget Recommendation
INFORMATION TECHNOLOGY
FY 2007-08**

Analyst: Robin R. Risko

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Executive to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$378,222,000	\$409,960,100	\$31,738,100	8.4
Federal	0	0	0	0.0
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	0	0	0	0.0
GF/GP	0	0	0	0.0
Gross	\$378,222,000	\$409,960,100	\$31,738,100	8.4
FTEs	1,782.4	1,780.4	(2.0)	(0.1)

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2007.

Overview

The Department of Information Technology (DIT) acts as a general contractor between the state's information technology users and private sector providers of information technology (IT) products and services. The Department's services include application development and maintenance; desktop, mainframe, server, and local area network computer support and management; contract, project, and procurement planning; telecommunication services; security; and software and software licensing. The Department utilizes existing technology funding and state employees from within the other 19 executive branch departments and agencies. Each state department and agency requests spending authority to fund IT-related activities and pays for technology services rendered by DIT through an interdepartmental grant. Administration of fund sources remains with each state department/agency.

Major Budget Changes from FY 2006-07 YTD

		<u>FY 2006-07 YTD</u>	<u>Executive Change</u>
1. Economic Adjustments	Gross	N/A	\$6,342,100
Includes additional funding for salaries and wages, insurances, retirement, worker's compensation, and building occupancy charges.	IDG	N/A	6,342,100
2. Program Enhancements	FTEs	1,782.4	1.0
Makes adjustments to reflect appropriations for program enhancements made in other state department budgets: \$712,000 and 1.0 FTE to Department of Management and Budget for security and disaster recovery efforts, to implement electronic deposit of retirement payments from public schools, and to expand customercontact and quality management software; \$560,300 to Department of Human Services for Children's Welfare system improvements and Daycare Case Review project; \$500,000 to Department of Environmental Quality for Information Lifecycle Management System; \$400,000 to Department of Transportation for replacement of the PowerBuilder development program; and \$176,000 to Department of Education for additional security controls as a result of audit findings.	Gross	\$378,222,000	\$2,348,300
	IDG	378,222,000	2,348,300

Major Budget Changes from FY 2006-07 YTD

3. Base Adjustments and Administrative Reductions

Makes adjustments to more accurately reflect appropriated amounts for IT services/projects in other state department budgets:

- Adds \$17.0 million to Department of Human Services reflecting transfer of Juvenile Justice Information System, transfer of 2.0 system security FTEs, fund source shift from federal funds to GF/GP for elimination of child support incentives; also for ongoing development of Integrated Service Delivery Project, and to properly align federal authorization for Child Support Automation.
- Adds \$7.0 million to Department of State Police to assist with projected shortfall in IT line item, and reflect increase in local subscriber fees for Michigan Public Safety Communication System and transfer of IT costs currently being paid outside of the IDG.
- Adds \$1.3 million to Department of Community Health to reflect transfer of building lease costs and contractual savings to IT line item, restores unrealized savings for price reductions, and reflects additional federal grant funding for WIC pilot program.
- Adds \$1.2 million to Department of Corrections for desktop maintenance and one-time computer costs, upgrading telecommunications infrastructure, and upgrading current stand-alone timekeeping system.
- Adds \$500,000 to Department of State to reflect transfer of equipment and maintenance for Uniform Commercial Code program to IT line item.
- Adds \$140,000 to Department of History, Arts, and Libraries to cover web portal expenses.
- Removes \$1.0 million from Department of Labor and Economic Growth to reflect a portion of savings taken as part of its administrative reduction plan.
- Removes \$580,000 in one-time funding from Department of Management and Budget for system changes to the retirement systems and \$150,000 to reflect savings expected in MAIN through vacancy management and administrative efficiencies.
- Removes \$500,000 in one-time funding from Department of Corrections for migration to the OMNI system and \$300,000 in one-time funding for OMNI server replacement.
- Removes \$443,700 from DIT to reflect its portion of savings taken as part of the 5% administrative reduction plan.
- Removes \$145,000 from Department of Treasury to reflect transfer of 1.0 FTE out of DIT to the Tax Processing unit in Treasury and reduction of available funding from the Land Reutilization Fund.
- Removes \$50,000 from Department of Transportation to properly reflect anticipated revenue.

	FY 2006-07 YTD	Executive Change
FTEs	1,782.4	(3.0)
Gross	\$378,222,000	\$24,809,900
IDG	378,222,000	24,809,900

4. Eliminate Funding for Early Retirement Sick Leave Payouts

Eliminates \$281,200 associated with early retirement sick leave payouts. Employees who retired under the Early Out in 2002 received sick leave payout over a five-year period; FY 2006-07 was the last year of payments.

Gross	N/A	(\$281,200)
IDG	N/A	(281,200)

5. Human Resources Optimization Project

Reduces funding by \$1.5 million to more accurately reflect Department's portion of Human Resources Optimization user charges paid to Department of Civil Service.

Gross	N/A	(\$1,481,000)
IDG	N/A	(1,481,000)

INFORMATION TECHNOLOGY

Major Boilerplate Changes from FY 2006-07

Sec. 573. Sale of Paid Advertising – REVISED

Deletes \$250,000 limit on Department collections for the sale of paid advertising and adds carryforward authorization for revenue collected.

Sec. 574. Report on Expenditures Made for Provision of Services – REVISED

Deletes requirement to report on expenditures made for providing information and technical services, publications, maps, and other products.

Sec. 578. Report on Amounts Appropriated by Fund Source – DELETED

Requires report on amounts appropriated by fund source for each department and a listing of expenditures made from those appropriations.

Sec. 579. Report on Life-Cycle of IT Hardware and Software – DELETED

Requires report on the life-cycle of information technology-related hardware and software.

Sec. 581. Report on Technology Assets of the State – REVISED

Deletes requirement to report on state's technology assets and initiatives that the state could benefit from.

Sec. 584. Report on Information and Referral Services – DELETED

Requires report on all information and referral services that exist for state government.

Sec. 585. Report on Child Support Enforcement System – DELETED

Requires report on amount expended for Child Support Enforcement System, revisions made to spending plans, and amount of penalties paid to federal government.

Sec. 586. Adjustment of Appropriation Line Items – NEW

Authorizes adjustment of appropriation line items in the DIT budget when corresponding adjustments are made in the other state department budgets.

Summary: Executive Budget Recommendation
LEGISLATURE
FY 2007-08

Analyst: Robin R. Risko

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Executive to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$0	\$0	\$0	0.0
Federal	0	0	0	0.0
Local	0	0	0	0.0
Private	400,000	400,000	0	0.0
Restricted	1,109,800	1,109,800	0	0.0
GF/GP	115,066,600	115,066,600	0	0.0
Gross	\$116,576,400	\$116,576,400	\$0	0.0
FTEs	0.0	0.0	0.0	0.0

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2007.

Overview

The Legislature budget provides funding for the Legislative branch of state government, including the Legislative Council and agencies it governs, Legislative Retirement System, and Property Management. The Legislative Council provides a wide variety of essential services to members and staff of the Legislature. The Michigan Legislative Retirement System provides retirement allowances, survivors' allowances, and other benefits for members of the Legislature and their spouses, dependents, survivors, and beneficiaries. Property Management employees maintain, operate, and repair the Capitol Building, House of Representatives Office Building, and Farnum Building.

Major Budget Changes from FY 2006-07 YTD

None

Major Boilerplate Changes from FY 2006-07

None

**Summary: Executive Budget Recommendation
AUDITOR GENERAL
FY 2007-08**

Analyst: Robin R. Risko

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Executive to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$1,801,500	\$1,801,500	\$0	0.0
Federal	0	0	0	0.0
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	1,539,900	1,539,900	0	0.0
GF/GP	13,006,100	13,006,100	0	0.0
Gross	\$16,347,500	\$16,347,500	\$0	0.0
FTEs	0.0	0.0	0.0	0.0

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2007.

Overview

The Office of the Auditor General (OAG) is responsible for conducting post financial and performance audits of state government operations. Audit reports provide a continuing flow of information to assist the Legislature in its oversight of approximately 100 individual state funds and an annual budget of over \$27.0 billion. Audit reports provide citizens with a measure of accountability and assist state departments/agencies in improving financial management of their operations. The OAG's goal is to improve accounting and financial reporting practices and promote effectiveness, efficiency, and economy in state government. The OAG's mission is to improve the accountability of public funds and to improve the operations of state government for the benefit of the citizens of the state.

Major Budget Changes from FY 2006-07 YTD

None

Major Boilerplate Changes from FY 2006-07

None

**Summary: Executive Budget Recommendation
MANAGEMENT AND BUDGET
FY 2007-08**

Analyst: Robin R. Risko

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Executive to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$155,293,500	\$156,810,200	\$1,516,700	1.0
Federal	0	0	0	0.0
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	52,438,900	50,152,200	(2,286,700)	(4.4)
GF/GP	268,409,600	267,858,600	(551,000)	(0.2)
Gross	\$476,142,000	\$474,821,000	(\$1,321,000)	(0.3)
FTEs	759.0	754.5	(4.5)	(0.6)

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2007.

Overview

The Department of Management and Budget (DMB) is the interdepartmental service and management agency responsible for ensuring proper financial record keeping for state agencies; managing capital outlay projects, state property, state purchasing programs, and the state's retirement systems; supervising the state motor vehicle fleet, and providing office support services to state agencies. The Office of the State Budget, housed within DMB, prepares, presents, and executes the state budget on behalf of the Governor. The Department has several autonomous units, including Office of the State Employer, Office of the Children's Ombudsman, Office of Regulatory Reform, Michigan State Fair, and State Building Authority.

Major Budget Changes from FY 2006-07 YTD

		<u>FY 2006-07 YTD</u>	<u>Executive Change</u>
1. Office of Retirement Services – IT Adjustments	Gross	N/A	\$1,012,000
Adds funding for program enhancements: \$300,000 to provide the system with the ability to add a new spouse for an existing retiree as a pension beneficiary; \$150,000 to hire a full-time security officer for retirement-related IT systems; \$150,000 to implement electronic deposit of retirement payments to the state from public schools; \$412,000 for software to record customer contacts and improve quality.	Restricted	N/A	1,012,000
2. Eliminate One-Time Appropriations	Gross	\$580,000	(\$580,000)
Eliminates one-time \$370,000 appropriation as a result of completion of the Social Security Number Privacy project and \$210,000 used to purchase inter-active voice equipment at the customer call center.	Restricted	580,000	(580,000)
3. State Building Authority Rent	Gross	\$237,797,100	(\$4,575,000)
Reflects adjustments made for projected rent payments, consistent with anticipated rent payments for previously constructed projects.	Restricted	5,095,000	(3,575,000)
	GF/GP	\$232,702,100	(\$1,000,000)
4. Building Occupancy Adjustments	Gross	\$87,546,000	\$406,600
Adds \$335,300 for costs of increased rent payments for leased facilities and \$71,300 for operational costs of new Joint Operations Center (building in downtown Lansing).	IDG	87,546,000	406,600

MANAGEMENT AND BUDGET

<u>Major Budget Changes from FY 2006-07 YTD</u>		<u>FY 2006-07 YTD</u>	<u>Executive Change</u>
5. Professional Development Funds	Gross	\$175,000	\$154,000
Adds funding to cover costs of agreements reached and approved by Civil Service Commission on professional development funds; appropriations funded through charges to other state departments based on their proportionate share of employees in each group.	IDG	175,000	154,000
6. Administrative Reductions	FTEs	N/A	(4.5)
Reduces amount of funding available for administrative expenses by \$952,200. Savings are anticipated to be generated through staffing reductions, fund source shifts, real estate optimization, changes to building security, and changes to the ID Mail Delivery Program.	Gross	N/A	(\$952,200)
	IDG	N/A	(439,900)
	Restricted	N/A	(12,500)
	GF/GP	N/A	(\$499,800)
7. Eliminate Funding for Early Retirement Sick Leave Payouts	Gross	N/A	(\$79,400)
Eliminates \$79,400 associated with early retirement sick leave payouts. Employees who retired under the Early Out in 2002 received sick leave payout over a five-year period; FY 2006-07 was the last year of payment.	GF/GP	N/A	(\$79,400)
8. Human Resources Optimization Project	Gross	N/A	(\$90,700)
Reduces funding by \$90,700 to more accurately reflect Department's portion of Human Resources Optimization user charges paid to Department of Civil Service.	IDG	N/A	(23,000)
	Restricted	N/A	(33,400)
	GF/GP	N/A	(\$34,300)
	9. Economic Adjustments	Gross	N/A
Adds funding for salaries and wages, insurances, retirement, and worker's compensation; reduces funding for building occupancy charges.	IDG	N/A	1,187,100
	Restricted	N/A	703,300
	GF/GP	N/A	\$1,239,100

Major Boilerplate Changes from FY 2006-07

GENERAL BOILERPLATE

Sec. 212. Retention of Reports – DELETED

Requires departments to receive and retain copies of all reports funded from appropriations in the bill.

Sec. 215. Communications With Legislators – DELETED

Prohibits departments from taking disciplinary action against employees for communicating with legislators or their staff.

Sec. 217. General Fund Restrictions – DELETED

Prohibits expenditure of general fund appropriations when federal funding is available.

Sec. 220. Contributions to Political Organizations – DELETED

Prohibits funding from being used to establish, operate, or administer a payroll deduction plan that enables classified state employees to make contributions to either a political organization or committee.

Sec. 218. Information Technology Appropriations as Work Projects – NEW

Designates appropriations for information technology as work project accounts and authorizes available balances to be carried forward.

DEPARTMENT OF MANAGEMENT AND BUDGET

Sec. 701. Contingency Funding – NEW

Appropriates federal, state restricted, and local contingency funding that can be expended only upon legislative transfer to a specific line item.

Sec. 710. Revisions to Computer Contracts – DELETED

Requires DMB to report on any revisions that increase or decrease current computer contracts by more than \$500,000 at least 14 days prior to finalization of revisions.

Major Boilerplate Changes from FY 2006-07

Sec. 715.(3) Motor Vehicle Fleet Assignment – DELETED

Expresses legislative intent that DMB have the authority to determine appropriateness of vehicle assignment.

Sec. 715.(4) Motor Vehicle Fleet Plan – DELETED

Requires DMB to maintain a plan regarding the state's motor vehicle fleet; lists specific information to be included in the plan.

Sec. 716. Purchasing From Michigan-Based Firms – DELETED

Requires DMB to adopt policies and procedures necessary to provide a purchasing preference for products manufactured or services offered by Michigan-based firms.

Sec. 717. Purchasing Decisions – DELETED

Establishes guidelines for DMB to follow when determining whether a purchase, contract, or provision of supplies, materials, services, insurance, utilities, third party financing, equipment, printing, and other items needed by state departments is in the best interests of the state.

Sec. 718. Vendor Disclosure Information to Collect – DELETED

Lists information DMB is authorized to collect from vendors in an effort to ensure compliance with procurement of goods and services from Michigan-based providers.

Sec. 719. Vendor Disclosure Call Centers – DELETED

Authorizes DMB to require any vendor or subcontractor who provides call or contact center services to the state to disclose to the inbound caller the location from which the call or contact center services are being provided.

Sec. 723. State Property – DELETED

Requires DMB to make available to the public on the Internet a listing of all parcels of real estate that are available for purchase from the state.

Sec. 715. Appropriations for Retirement System Changes – NEW

Authorizes appropriations for implementing changes made to the Public School Employees Retirement Act which allows a retiree to add a new spouse as their pension beneficiary when their previous spouse dies or if the retiree was not married at the time of retirement; designates the appropriations as work project appropriations.

Summary: Executive Budget Recommendation

STATE

FY 2007-08

Analyst: Robin R. Risko

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Executive to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$20,000,000	\$20,000,000	\$0	0.0
Federal	3,052,100	1,561,200	(1,490,900)	(48.8)
Local	0	0	0	0.0
Private	100	100	0	0.0
Restricted	162,608,600	156,972,900	(5,635,700)	(3.5)
GF/GP	19,132,700	29,337,000	10,204,300	53.3
Gross	\$204,793,500	\$207,871,200	\$3,077,700	1.5
FTEs	1,859.8	1,859.8	0.0	0.0

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2007.

Overview

The Department of State administers programs in eight areas: Driver Licensing and Vehicle Registration, which includes titling and registering vehicles; Elections and Campaign Finance Administration, which includes training local election officials and monitoring campaign finance; Regulatory and Consumer Protection, which includes inspecting and licensing automotive repair facilities; Traffic Safety which includes driver testing; Office of the Great Seal; Assigned Claims Facility; Uniform Commercial Code; and Executive Direction and Central Support.

Major Budget Changes from FY 2006-07 YTD

		FY 2006-07 YTD	Executive Change
1. Transportation Administration Collection Fund	Gross	N/A	\$0
Reduces state restricted funding authorized in the TACF and includes additional GF/GP to cover the anticipated shortfall in collection of TACF revenue.	Restricted	N/A	(6,000,000)
	GF/GP	N/A	\$6,000,000
2. Increased Funding for Fees to Local Units	Gross	\$69,800	\$40,000
Adds funding to reimburse counties for costs associated with training deputy registrars and processing voter registration applications.	GF/GP	\$69,800	\$40,000
3. Fund Source Adjustments	Gross	N/A	(\$950,000)
Adjusts state restricted fund sources to more accurately reflect the amount of revenue actually collected: Auto Repair Facilities Fees, Vehicle Theft Prevention Fees, Parking Ticket Court Fines, Mobile Home Commission Fees, and Child Support Clearance Fees.	Restricted	N/A	(950,000)
4. Administrative Reductions	Gross	N/A	(\$2,583,000)
Reduces amount of funding available for administrative expenses by \$2.6 million; savings anticipated to be generated through administrative efficiencies.	Federal	N/A	(1,489,600)
	Restricted	N/A	(134,500)
	GF/GP	N/A	(\$958,900)
5. Eliminate Funding for Early Retirement Sick Leave Payouts	Gross	N/A	(\$44,700)
Eliminates \$44,700 associated with early retirement sick leave payouts. Employees who retired under the Early Out in 2002 received sick leave payout over a five-year period; FY 2006-07 was the last year of payment.	GF/GP	N/A	(\$44,700)

<u>Major Budget Changes from FY 2006-07 YTD</u>	<u>FY 2006-07 YTD</u>	<u>Executive Change</u>
6. Economic Adjustments	Gross	N/A \$6,615,400
Includes additional funding for salaries and wages, insurances, retirement, and building occupancy charges; reduces funding for worker's compensation.	Federal	N/A 101,200
	Restricted	N/A 1,346,300
	GF/GP	N/A \$5,167,900

Major Boilerplate Changes from FY 2006-07

Sec. 801. Contingency Funding – NEW

Appropriates federal, state restricted, local, and private contingency funding that can be expended only upon legislative transfer to a specific line item.

Sec. 815. Branch Office Closings or Consolidations – DELETED

Requires a 60 day notice of branch office closings, consolidations, or relocations to be given to the appropriations committees and to legislators who represent the affected areas.

Sec. 815a. Report on Branch Office Transactions – DELETED

Requires the Department to report on the number of branch office transactions completed online.

Sec. 818. Motorcycle Safety Education Program – DELETED

Requires funds appropriated for Motorcycle Safety Education Grants and Administration to be used for program operation; requires funding to be derived from license endorsements and registration and testing fees; authorizes funds for grants to help subsidize safety training courses for individuals interested in operating motorcycles; and authorizes funds to be used for administrative costs.

Sec. 819. Business Application Modernization Project – DELETED

Requires funds appropriated for the Business Application Modernization project to be used for development, implementation, and maintenance of the business application modernization project; designates unexpended funds as a work project account and authorizes unexpended funding to be carried forward.

Sec. 821. Keweenaw County Branch Office – NEW

Requires the Department to complete cost/benefit analysis on feasibility of locating Keweenaw County Secretary of State branch office with Keweenaw County Department of Human Services office and specifies information that is to be provided.

**Summary: Executive Budget Recommendation
TREASURY
FY 2007-08**

Analyst: Mark Wolf, Richard Child, and Robin R. Risko

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Executive to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$13,826,800	\$11,631,400	(\$2,195,400)	(15.9)
Federal	83,593,300	91,836,400	8,243,100	9.9
Local	1,066,200	1,100,700	34,500	3.2
Private	700,000	712,800	12,800	1.8
Restricted	1,411,912,800	1,510,740,100	98,827,300	7.0
GF/GP	165,867,000	198,120,600	32,253,600	19.5
Gross	\$1,676,966,100	\$1,814,142,000	\$137,175,900	8.2
FTEs	1,858.5	1,858.5	0.0	0.0

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2007; and the Michigan Strategic Fund, which was a separate article in the FY 2006-07 appropriations act (2006 PA 345, Article 13).

Overview

The Department of Treasury is the chief fiscal agency of the state and the primary source of advice to the Governor on tax and fiscal policy issues. The Department’s mission is to collect state taxes; invest, control, and disburse state monies; and protect the state’s credit rating and that of its cities. The Department manages one of the nation’s largest pension funds, administers both revenue sharing and the student financial aid programs. It also investigates fraudulent financial activity, provides assistance on all property tax-related issues, advises issuers of municipal obligations.

The Bureau of State Lottery and the Michigan Gaming Control Board are autonomous agencies housed within the Department of Treasury. The Michigan Strategic Fund is an autonomous agency transferred from the Department of Labor and Economic Growth with enactment of 2005 PA 225. The Michigan Economic Development Corporation (MEDC) administers the MSF and its programs, including the 21st Century Jobs Fund—which is intended to diversify Michigan’s economy in four competitive edge technologies: alternative energy, life sciences, advanced manufacturing, and homeland security.

Major Budget Changes from FY 2006-07 YTD

TREASURY OPERATIONS

1. Treasury Executive Recommendation

Funds Department of Treasury operations (excluding revenue sharing, debt service, and the MSF) at \$401.7 million gross (\$11.5 million IDG/IDT, \$36.4 million federal, \$1.1 million local, \$298.3 million restricted, and \$54.3 million GF/GP).

	FY 2006-07 YTD	Executive Change
FTEs	1,706.5	0.0
Gross	\$388,813,700	\$12,853,400
IDG	13,748,200	(2,196,800)
Federal	35,906,300	499,500
Local	1,066,200	34,500
Restricted	281,583,300	16,725,100
GF/GP	\$56,509,700	(\$2,208,800)

2. Land Reutilization Fund

Reduces funding from the Land Reutilization Fund, which supports Department activities concerning delinquent property taxes and tax reversion, to reflect actual program costs.

Gross	\$6,937,200	(\$2,958,100)
Restricted	6,937,200	(2,958,100)

3. Revenue Enhancement Program

Reduces funding for the revenue enhancement program.

FTEs	50.0	(5.0)
Gross	\$5,856,800	(\$589,400)
GF/GP	\$5,856,800	(\$589,400)

Major Budget Changes from FY 2006-07 YTD

**Executive
Change**

FY 2006-07 YTD

4. Cybershame	FTEs	0.0	1.0
Adds 1.0 FTE and startup costs to implement the Cybershame program (names of taxpayers with substantial delinquencies are posted on the Internet); statutory change is needed to publicly disclose names.	Gross	\$0	\$250,000
	Restricted	0	250,000
5. Expand Club Keno Game	FTEs	0.0	2.0
Adds 2.0 FTEs to Bureau of State Lottery to expand the Club Keno game to private organizations with a Club Liquor License; revenue increase to the School Aid fund estimated at \$15.0 million.	Gross	\$0	\$250,000
	Restricted	0	250,000
6. New Hire Reporting	Gross	\$1,545,000	(\$1,545,000)
Reflects transfer of New Hire Reporting Program to Department of Human Services. Employers are required to report new hires to the state, which uses the information to locate persons who owe child support or receive public assistance or unemployment compensation.	IDG	1,545,000	(1,545,000)
7. Michigan Education Savings Program	Gross	\$1,000,000	(\$200,000)
Reduces funding for Michigan Education Savings Program to reflect lower contribution match requirements.	Restricted	1,000,000	(200,000)
8. Grants	Gross	\$125,685,000	(\$2,035,000)
Increases funding for renaissance zone reimbursement payments to local public libraries by \$465,000 GF/GP; eliminates funding for Qualified Agricultural Loan payments (\$2.5 million GF/GP); makes no funding changes to distribution for Health and Safety Fund, Convention Facility Development Fund, or Commercial Mobile Radio Service; makes no change to Senior Housing Tax Exemption or Grants to Counties in Lieu of Taxes.	Restricted	101,750,000	0
	GF/GP	\$23,935,000	(\$2,035,000)
9. Local Public Safety Grants	Gross	\$0	\$14,381,000
Creates a new grant program to provide grants to 32 cities for local law enforcement and fire protection services. Funding is based on the number of prisoners (from Department of Corrections prisoner intake data) residing in a city prior to incarceration; minimum grant award must be \$100,000; funds contingent on increase in liquor license fees.	Restricted	0	14,381,000
10. Economic Adjustments	Gross	N/A	\$7,116,300
Funds 4.0% contractual pay increases, 7.2% increase in employee benefits, and increases in retirement and self-insured worker's compensation, and reflects decrease in rent and building occupancy costs.	IDG	N/A	380,200
	Federal	N/A	500,800
	Local	N/A	34,500
	Restricted	N/A	5,245,100
	GF/GP	N/A	\$955,700
REVENUE SHARING			
11. Constitutional Revenue Sharing	Gross	\$678,848,208	\$6,618,792
Increases funds for constitutional revenue sharing payments to cities, villages, and townships from revised FY 2006-07 projections by \$6.6 million (\$13.5 million reduction from the \$698.9 million enacted FY 2006-07 appropriation).	Restricted	678,848,208	6,618,792
12. Statutory Revenue Sharing	Gross	\$405,938,566	(\$5,053,566)
Reduces funds for statutory revenue sharing payments to cities, villages, and townships from revised FY 2006-07 projections by \$5.0 million (\$6.6 million reduction from the \$407.5 million enacted FY 2006-07 appropriation).	Restricted	405,938,566	(5,053,566)

TREASURY

<u>Major Budget Changes from FY 2006-07 YTD</u>		<u>FY 2006-07 YTD</u>	<u>Executive Change</u>
13. Special Census Revenue Sharing	Gross	\$892,400	(\$892,400)
Eliminates funding for Special Census Revenue Sharing Payments to 11 local units.	GF/GP	\$892,400	(\$892,400)
14. Local Government Collaborative Efforts	Gross	\$0	\$27,160,000
Provides grants to cities, villages, and townships that share services, merge, or consolidate activities with other governmental entities.	Restricted	0	27,160,000
15. County Revenue Sharing Payments	Gross	\$0	\$113,600
Provides revenue sharing funding to Tuscola County—the first county to exhaust its Revenue Sharing Reserve Fund.	GF/GP	\$0	\$113,600
DEBT SERVICE	Gross	\$100,158,200	\$19,828,200
16. Debt Service	Restricted	23,914,500	0
Adds \$13.1 million for Clean Michigan Initiative debt service, \$1.6 million for Quality of Life bonds debt service, and \$5.2 million for Great Lakes Water Quality bond debt service; reduces Water Pollution Control bond debt service by \$71,800.	GF/GP	\$6,243,700	\$9,828,200
MICHIGAN STRATEGIC FUND (MSF)	FTEs	152.0	0.0
17. MSF Executive Recommendation	Gross	\$80,479,800	\$98,171,100
Provides FY 2007-08 funding for the MSF at \$178.7 million gross, \$80,000 IDG, \$55.4 million federal, \$712,800 private, \$75.0 million restricted, and \$47.4 million GF/GP.	IDG	78,600	1,400
	Federal	47,687,000	7,743,700
	Private	700,000	12,800
	Restricted	5,000	75,000,200
	GF/GP	\$32,009,200	\$15,413,000
18. 21st Century Jobs Fund	Gross	\$0	\$75,000,000
Uses \$75.0 million remaining tobacco settlement revenue to continue 21 st Century Jobs Fund programs to diversify Michigan's economy.	GF/GP	\$0	\$75,000,000
19. Michigan Promotion Program	Gross	\$5,717,500	\$10,000,000
Adds \$10.0 million to expand advertising of Michigan as a tourist destination, and promote Michigan as a business location.	GF/GP	\$5,717,500	\$10,000,000
20. Community Development Block Grants	Gross	\$45,000,000	\$8,000,000
Recognizes \$8.0 million in additional federal funds.	Federal	45,000,000	8,000,000
21. Alternative Energy Initiative	Gross	\$0	\$7,000,000
Creates competitive grant program for gas stations adding ethanol pumps.	GF/GP	\$0	\$7,000,000
22. Economic Development Job Training Grants	Gross	\$9,798,000	(\$1,600,500)
Reduces funding for (renamed) Upper Hand Training Program.	GF/GP	\$9,798,000	(\$1,600,500)
23. MSF Economics	Gross	N/A	\$413,000
Funds 4.0% contractual pay increases, 7.2% increase in employee benefits, and decreases in retirement and self-insured worker's compensation.	IDG	N/A	1,400
	Federal	N/A	43,700
	Private	N/A	12,800
	Restricted	N/A	200
	GF/GP	N/A	\$354,900

Major Boilerplate Changes from FY 2006-07

DEPARTMENT OF TREASURY

Sec. 901. Contingency Funds – NEW

Appropriates up to \$1.0 million for federal contingency funds, up to \$10.0 million for state restricted contingency funds, up to \$200,000 for local contingency funds, and \$40,000 for federal contingency funds.

Major Boilerplate Changes from FY 2006-07

Sec. 941. Standardized Audit Schedules – DELETED

Appropriates up to \$570,000 from standardized audit schedules recovered delinquent tax collection revenue for the support of standardized audit schedule project expenses related to business tax audits concerning sales tax, use tax, withholding, single business tax, and motor fuel tax obligations.

Sec. 941. Local Public Safety Grants – NEW

Provides that public safety grants are to be distributed to cities, villages, and townships for local law enforcement and fire protection services; funding based on Department of Corrections prisoner intake data on the number of prisoners residing in a city prior to incarceration; minimum grant award must be \$100,000; funding contingent on an increase in liquor license fees.

Sec. 943. Social Security Numbers – DELETED

Prohibits Department from including complete social security numbers in Form 1099-G mailings.

Sec. 945. Review of Local Assessment Practices – DELETED

Allows Department to review local unit assessment administration, practices, procedures, and records (known as the 14-point review) in at least one assessment jurisdiction per county.

Sec. 946. State Tax Commission – DELETED

Permits State Tax Commission and staff of Assessment and Certification Division to meet with statewide assessment organizations on a quarterly basis to coordinate assessment and training activities; permits recertification and training activities to be conducted at regional locations that maximize participation by local officials.

Sec. 948. Electronic Filing – DELETED

Requires a report to the Legislature on the number of tax returns filed electronically.

Sec. 949. Income Tax Check-Offs Initiative – DELETED

Requires Department to develop a plan for individual income tax form check-offs to be implemented in tax year 2006.

Sec. 956. Special Census Revenue Sharing Payments – DELETED

Requires that special census revenue sharing payments be distributed to eligible local units under the Glenn Steil State Revenue Sharing Act.

Sec. 956. Local Government Collaborative Efforts – NEW

Requires that payments to local units for collaborative efforts be distributed to units that achieve greater efficiencies in delivering public services using the formulas provided in the Glenn Steil State Revenue Sharing Act; up to \$250,000 of the appropriation to be expended for community partnerships grants awarded through Centers for Regional Excellence; unexpended/unencumbered funds remaining at the end of FY 2007-08 lapse to the General Fund.

LOTTERY

Sec. 962. Use of Athletes in Advertising – DELETED

Prohibits the Bureau of State Lottery from associating professional or amateur sports figures (except for NASCAR drivers) with the lottery or its products; requires report to the Legislature on cost of obtaining use of NASCAR drivers, administrative costs, and net School Aid Fund revenue.

Sec. 963. DHS Bridge Card Use Notification – DELETED

Requires Bureau of State Lottery to notify retailers that DHS bridge cards cannot be used to purchase lottery tickets.

MICHIGAN STRATEGIC FUND

Sec. 1001. Contingency Funds – NEW

Provides up to \$10.0 million appropriation for federal contingency funds, up to \$1.0 million for state restricted funds, and \$0.7 million for private funds.

Sec. 1002. Renames and Redefines Economic Development Job Training (EDJT) Grants – REVISED

Renames EDJT as Upper Hand Training Program; earmarks \$4.5 million for community colleges rather than the 75% earmark in current law.

Major Boilerplate Changes from FY 2006-07

Secs. 1016-1017. Legislative Oversight Requirements – DELETED

Requires MEDC to work with the Office of Auditor General to develop and implement procedures to audit the number of jobs claims to be created by MEDC grant recipients; requires report on number of MEDC employees with annual salary in excess of \$80,000, including job title and duties (previously Sections 528-529).

Sec. 1018. Tourism Advertising Return on Investment – DELETED

Requires MEDC to contract with a state research university in Michigan to conduct a scientific study of the return on investment of state tourism advertising expenditures; requires report to Legislature by January 31.

Sec. 1019. Michigan Economic Growth Authority MEGA Tax Credits for Leased Employees – DELETED

Requires that firms otherwise eligible for MEGA tax credits to qualify if employees hire for new jobs created are leased from a professional employer organization (PEO).

**FY 2007-08
Budget Detail
for
HUMAN SERVICES**

**Community Health
Corrections
Human Services**

**Summary: Executive Budget Recommendation
COMMUNITY HEALTH
FY 2007-08**

Analysts: Margaret Alston, Sue Frey, Steve Stauff

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Executive to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$37,286,100	\$38,850,900	\$1,564,800	4.2
Federal	6,042,584,700	6,440,613,100	398,028,400	6.6
Local	241,177,400	246,671,500	5,494,100	2.3
Private	63,826,900	64,702,800	875,900	1.4
Restricted	1,871,199,600	1,749,609,600	(121,590,000)	(6.5)
GF/GP	2,940,082,700	2,998,490,700	58,408,000	2.0
Gross	\$11,196,157,400	\$11,538,938,600	\$342,781,200	3.1
FTEs	4,664.1	4,661.2	(2.9)	(0.1)

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2007.

Overview

The Department of Community Health (DCH) budget provides funding for a wide range of mental health, substance abuse, public health, and medical services programs including Medicaid. Established in 1996, the Department also includes the Office of Drug Control Policy, the Office of Services to the Aging, the Crime Victim Services Commission, and health policy/regulatory functions.

Major Budget Changes from FY 2006-07 YTD

	FY 2006-07 YTD	Executive Change
1. Economic Adjustments	Gross N/A	\$26,160,800
Includes \$26.2 million gross (\$9.8 million GF/GP) to fund 4.0% salary/wage increases for non-bargaining and unionized employees, and economic adjustments for defined benefit/contribution retirement, insurance, building occupancy, food, worker's compensation, and gas, fuel, and utility costs for FY 2007-08.	IDG N/A	1,739,800
	Federal N/A	5,177,900
	Restricted N/A	2,867,300
	Local N/A	6,594,100
	GF/GP N/A	\$9,781,700
2. Actuarially Sound Capitation Rates	Gross \$4,317,177,800	\$130,141,100
Increases capitation payment rates for Health Plan Services by 4.2% and Medicaid Mental Health and Substance Abuse Services by 2.5% (\$130.1 million gross, \$52.0 million GF/GP) to ensure rates are actuarially sound in FY 2007-08.	Federal 2,436,737,700	75,583,900
	Restricted 655,116,000	2,568,500
	Local 29,737,100	0
	GF/GP \$1,195,587,000	\$51,988,700
3. Medicaid Caseload, Utilization, and Inflation	Gross \$8,535,340,300	\$243,108,500
Adds \$243.1 million gross (\$102.3 million GF/GP) for projected expenditure growth related to inflation, caseload, and utilization increases. Adjustments occur in Medical Services, Substance Abuse, Mental Health, Children's Special Health Care Services (CSHCS) programs and Medicaid Adult Benefits Waiver.	Federal 4,861,134,000	140,794,000
	Local 43,009,700	0
	Merit Awd 170,800,000	0
	Restricted 1,465,446,300	0
	GF/GP \$1,994,950,300	\$102,314,500
4. Federal Matching Rate Change	Gross N/A	\$0
Replaces \$155.1 million of GF/GP with the same amount of federal funds (Medicaid and SCHIP) to reflect an increase in Medicaid match rate from 56.38% to 58.10%, and State Children's Insurance Plan match rate from 69.47% to 70.67%.	Federal N/A	155,100,000
	GF/GP N/A	(\$155,100,000)

Major Budget Changes from FY 2006-07 YTD	FY 2006-07 YTD	Executive Change
5. Community Mental Health Direct Care Worker Increase	Gross \$10,400,000	\$7,300,000
Adds \$7.3 million gross (\$3.7 million GF/GP) to fully finance a 2.0% wage increase for direct care workers in community mental health settings.(Sec. 405)	Federal 5,863,500	3,253,600
	Restricted 0	336,000
	GF/GP \$4,536,500	\$3,710,400
6. QAAP Fee Adjustment	Gross \$4,317,177,800	\$0
Includes an additional \$21.4 million GF/GP for Health Plans and CMHSPs to offset reductions in the quality assurance assessment program (QAAP) fee that has been lowered through federal legislation from 6.0% to 5.5%, effective January 1, 2008.	Federal 2,436,737,700	0
	Restricted 655,116,000	(21,434,900)
	Local 29,737,100	0
	GF/GP \$1,195,587,000	\$21,434,900
7. Mental Health Outpatient Teams	Gross \$36,018,600	\$1,025,000
Adds \$1.0 million for two additional mental health outpatient teams for Department of Corrections based on a caseload growth of 961 from October 2005 to December 2006. Current fiscal year budget includes \$471,400 for an additional mental health outpatient team due to an expected increase in the number of prisoners, and a slight increase in the percentage of prisoners warranting mental health services.	IDG 36,018,600	1,025,000
8. Criminal Background Check Program	Gross \$2,600,000	\$4,474,400
Offsets a future loss in federal pilot grant revenue for the Criminal Background Check Program for employees of health facilities by utilizing \$3.4 million health systems fees and collections and \$1.1 million federal Medicaid revenue to support this program. The use of health systems fees and collections for this program requires changes to the Public Health Code.	Federal 2,600,000	1,072,900
	Restricted 0	3,401,500
9. Office of Long-Term Care Supports and Services	Gross N/A	\$2,713,800
Provides \$2.7 million for the Office of Long-Term Care Supports and Services created by Executive Order 2005-14. Office is charged with responsibility to: administer activities to implement recommendations of Michigan's Medicaid Long-Term Care Task Force; coordinate state planning for long-term care supports and services; and conduct quality assurance reviews of publicly funded long-term care programs.	Federal N/A	2,131,200
	Private N/A	40,100
	GF/GP N/A	\$542,500
10. Public Health Prevention Block Grant	Gross \$4,534,000	(\$863,200)
Recognizes a 19.0% continued reduction of the ongoing federal Preventive Health and Health Services Block Grant, affecting the following prevention programs: minority health grants, emergency medical services grants, primary care services, AIDS counseling and testing, sexually transmitted disease control, laboratory services, Alzheimer's information network, chronic disease prevention, diabetes and kidney program, and pregnancy prevention.	Federal 4,534,000	(863,200)
11. Public Health Medicaid Reimbursement Increases	Gross \$0	\$1,490,000
Includes additional federal Medicaid revenue of \$188,000 for vital records, \$890,000 for local health departments, and \$600,000 for infant mortality projects, reflecting local and state efforts to maximize receipt of federal Medicaid matching funds for public health programs.	Federal 0	1,678,000
	Restricted 0	(188,000)
12. Healthy Michigan Fund Shift to Medicaid	Gross \$43,551,000	(\$11,588,800)
Reduces or eliminates Healthy Michigan Fund appropriations to 22 of 29 disease prevention projects totaling \$11.6 million, to recognize a \$1.8 million reduction of available Fund revenue, and to redirect \$9.9 million to Medicaid services for GF/GP savings. Thirteen prevention projects remain funded. Medicaid uses 64% of the Fund, an increase from 39% in FY 2006-07.	Restricted 43,551,000	(1,723,400)
	GF/GP \$0	(\$9,865,400)

COMMUNITY HEALTH

<u>Major Budget Changes from FY 2006-07 YTD</u>	<u>FY 2006-07 YTD</u>	<u>Executive Change</u>	
13. Women, Infants, and Children (WIC) Program	Gross	\$186,815,800	\$5,698,100
Increases WIC federal funds by \$4.4 million for the food supplement program and administration, by \$923,000 for WIC electronic benefits programming including information technology, and by \$328,900 for WIC peer counseling.	Federal	133,577,700	5,698,100
	Private	53,238,100	0
14. Drug Control Reductions	Gross	\$20,010,000	(\$6,652,900)
Recognizes continued federal funding reductions for drug control grants and programs including law enforcement support, drug abuse prevention education, and residential substance abuse treatment. These federal grants are reduced by 58.4% since FY 2005-06.	Federal	18,399,500	(6,658,100)
	GF/GP	\$1,610,500	\$5,200
15. New Grants From Crime Victim's Rights Fund to DHS, DSP	Gross	\$10,117,200	\$2,327,300
Appropriates \$2.3 million of state restricted Crime Victim's Rights Fund available balance for interdepartmental grants to replace other funds: \$1.3 million to Department of Human Services for rape prevention and services, and \$1.0 million to Department of State Police for costs for the sex offender registry, amber alert missing child notification system, polygraph tests and forensic science expert witness testimony programs. Statutory revisions will be required for these changes.	Restricted	10,117,200	2,327,300
16. SE Michigan Health Information Technology Project	Gross	\$9,500,000	(\$4,500,000)
Reduces the Health Information Technology Initiatives line by \$4.5 million gross (\$2.3 million GF/GP) recognizing the elimination of a health information technology project in Southeast Michigan. A contractor has been identified with work to begin in FY 2006-07. A work project account would be established for FY 2007-08 activities.	Federal	2,250,000	(2,250,000)
	GF/GP	\$7,250,000	(\$2,250,000)
17. Medicaid Transformation Grants	Gross	\$9,500,000	\$5,000,000
Increases the Health Information Technology Initiatives line by \$5.0 million federal resulting from the receipt in FY 2006-07 of two federally-funded Medicaid Transformation grants. The two year grants are for one source Medicaid provider credentialing (\$5.2 million) and the expansion of vital records automation into the Medicaid program (\$4.0 million).	Federal	2,250,000	5,000,000
	GF/GP	\$7,250,000	\$0
18. Medicaid Outpatient Reimbursement System	Gross	\$1,124,379,500	(\$10,000,000)
Reduces the Hospital Services and Therapy line item by \$10.0 gross (\$4.2 million GF/GP) to recognize savings in implementing the new Outpatient Prospective Payment System (OPPS). The reimbursement change, which is planned to begin in April 2007, will make Medicaid billing compatible with Medicare, and as a result, Medicaid will no longer pay outpatient co-payments for Medicare dual eligibles.	Federal	675,463,400	(5,810,000)
	Restricted	258,775,300	0
	GF/GP	\$190,140,800	(\$4,190,000)
19. Hospital QAAP Adjustment to Upper Payment Limit	Gross	\$434,708,800	\$20,925,300
Includes an additional \$20.9 million gross authorization to increase Medicaid payments to the upper payment limits. The increase is funded with \$8.8 million of hospital quality assurance assessment program (QAAP) revenue along with Medicaid matching funds.	Federal	245,088,800	12,157,600
	Restricted	189,620,000	8,767,700
20. Disproportionate Share Hospital (DSH) Payment Reduction	Gross	\$50,000,000	(\$5,000,000)
Reduces special payments to hospitals for uncompensated care by \$5.0 million gross (\$2.1 million GF/GP), from \$50.0 million to \$45.0 million.	Federal	28,190,000	(2,900,000)
	Restricted	6,114,900	0
	GF/GP	\$15,695,100	(\$2,100,000)

<u>Major Budget Changes from FY 2006-07 YTD</u>	<u>FY 2006-07 YTD</u>	<u>Executive Change</u>
21. <i>MIChoice Program Expansion</i>	Gross \$100,000,000	\$0
Increases the Long-Term Care Services line by \$20.0 million gross (\$8.4 million GF/GP) to support expansion and increased cost per case of the Home and Community-Based Services waiver program. Enrollment is expected to increase from 700 to 1,400 people. This enhancement is funded by reducing the variable costs component of the nursing home reimbursement rate.	Federal 54,861,600	0
	GF/GP 45,138,400	\$0
22. <i>Money Follows the Person Federal Grant</i>	Gross \$1,594,415,800	\$0
Recognizes the new Money Follows the Person federal grant of \$8.9 million which requires a \$3.0 million match. The grant is appropriated in the Long-Term Care Services line and will be used to transition eligibles from nursing homes to less expensive home and community-based care. The grant is expected to generate savings equal to the federal cost and state match due to the reduced cost of eligibles and the grant's enhanced Medicaid match rate.	Federal 898,447,000	0
	Local 6,618,800	0
	Merit Awd 30,500,000	0
	Restricted 647,455,000	0
	GF/GP \$11,395,000	\$0
23. <i>Medicaid Estate Recovery Program</i>	Gross \$1,594,415,800	(\$10,090,700)
Reduces the Long-Term Care Services line by \$10.0 million gross (\$4.2 million GF/GP) representing savings generated by statutory changes creating a Medicaid long-term care estate recovery program. Michigan currently is the only state in the nation without this federally-required program.	Federal 898,447,000	(5,855,300)
	Local 6,618,800	0
	Merit Awd 30,500,000	0
	Restricted 647,455,000	0
	GF/GP \$11,395,000	(\$4,235,400)
24. <i>Adult Home Help Wage Increase</i>	Gross \$221,924,000	\$3,630,800
Increases the Long-Term Care Services line by \$3.6 million gross (\$1.5 million GF/GP) to recognize the increase in the minimum hourly wage for adult home help workers from \$7.15 to \$7.40.	Federal 125,120,800	2,109,500
	GF/GP \$96,803,200	\$1,521,300
25. <i>Family Planning Waiver Savings</i>	Gross N/A	(\$12,605,700)
Reduces the proposed Plan First Family Planning Waiver line by \$12.6 million gross (\$7.1 million GF/GP) in savings from enrolling 158,000 women in the Plan First! program in FY 2007-08. It is projected that 8% of Medicaid births might be prevented. Total savings are offset by program costs, including administration, medications, and physician visits.	Federal N/A	(5,497,700)
	GF/GP N/A	(\$7,108,000)
26. <i>Physician Adjustor Payments</i>	Gross N/A	\$26,000,000
Increases the Special Medicaid Reimbursement line by \$26.0 million for enhanced Medicaid fee-for-service physician services payments provided at four designated public entities. In FY 2005-06 federal approval was granted to allow physician services payment adjustments to Michigan State University, University of Michigan, Wayne State University and Hurley Hospital. These institutions' funds will be used as match for the increased payments.	Federal N/A	15,106,000
	Local N/A	1,089,400
	Restricted N/A	9,804,600
27. <i>Other Restricted Fund Adjustments</i>	Gross N/A	\$0
Increases GF/GP funding by \$45.4 million and \$13.9 million to replace like amounts of unavailable Medicaid Benefits Trust Fund revenue and Tobacco Settlement (Merit Award Trust Fund) revenue respectively.	Restricted N/A	(59,300,000)
	GF/GP N/A	\$59,300,000

COMMUNITY HEALTH

Major Boilerplate Changes from FY 2006-07

GENERAL

Sec. 206. Contingency Funds – NEW

Appropriates up to \$100.0 million federal contingency funds, up to \$20.0 million state restricted contingency funds, up to \$20.0 million local contingency funds, and up to \$10.0 million private contingency funds; specifies that contingency funds are not available for expenditure until transferred according to Section 393(2) of Management and Budget Act.

Sec. 264. Submission of Medicaid Waiver – DELETED

Requires the Department to notify the House and Senate Appropriations Subcommittees on Community Health and House and Senate Fiscal Agencies upon the submission of a Medicaid waiver, a Medicaid state plan amendment, or similar proposal to the Centers for Medicare and Medicaid Services.

Sec. 269. Reimbursement of Antipsychotic and Antidepressant Prescriptions – DELETED

Specifies conditions in which prepaid inpatient health plans (PIHPs) and Medicaid health plans are reimbursed for antipsychotic and antidepressant prescriptions under the Medicaid program. Requires Department to provide quarterly reports to the House, Senate, and House and Senate Fiscal Agencies on coordination of psychotropic medications.

MENTAL HEALTH/SUBSTANCE ABUSE

Sec. 423. Delivery of Substance Abuse Prevention, Education, and Treatment Programs – DELETED

Requires the Department to establish a Work Group to examine and review the source and expenditure of funds for substance abuse programs and services. Requires the Work Group to develop and recommend cost-effective measures for the expenditure of funds and delivery of substance abuse programs and services.

Sec. 452. Financial Impact on CMHSPs – DELETED

Prohibits retroactive implementation of any policy that results in negative financial impact on CMHSPs or PIHPs.

Sec. 462. Funding Equity Plan for CMH Non-Medicaid Services – DELETED

Requires DCH to establish a Work Group to develop a plan to achieve funding equity for all CMHSPs receiving funds appropriated under the CMH Non-Medicaid Services line item. Requires the plan, at a minimum, to establish a payment schedule or scale to ensure that each CMHSP is paid and/or reimbursed equally based on a recipient's diagnosis or individual plan of service to meet a recipient's needs.

Sec. 471. Administrative Costs for Coordinating Agencies – DELETED

Limits administrative costs for coordinating agencies and the Salvation Army Harbor Light Program to the same percentage of their total expenditures in FY 2004-05 or 9%, whichever is less.

PUBLIC HEALTH

Sec. 804. Hepatitis C Cooperative Program With Department of Corrections – DELETED

Directs DCH to cooperate with Department of Corrections to share data and information regarding prisoners being released and Hepatitis C, related to the Michigan prisoner reentry initiative; and requires a report.

Sec. 805. Childhood Vaccinations – DELETED

Requires the Department to work with health plans, medical providers, and pharmaceutical manufacturers to ensure that children under age 5 receive all scheduled vaccinations, including pneumococcal conjugate vaccine.

Sec. 1106a. Abstinence Education Program Requirements – DELETED

Establishes instruction requirements for certain federally-funded abstinence education programs. Directs that funded programs target teenagers most likely to engage in high-risk behavior. Gives priority in allocation of funds to programs that do not provide contraceptives to minors and that strive to include parental involvement. Allows qualifying programs to receive funds directly from DCH.

Sec. 1113. Marital Status of Family Planning and Pregnancy Prevention Clients – DELETED

Requires family planning and pregnancy prevention service providers to include an optional response field on general patient information documents requesting information on a patient's marital status.

CRIME VICTIM SERVICES COMMISSION

Sec. 1301. Crime Victim Assistance Services Grant Program – DELETED

Prohibits organizations receiving grant funds from the Crime Victim Services Commission from use of any portion of grant funds for lobbying efforts; Department must assure grant recipient compliance.

Major Boilerplate Changes from FY 2006-07

Sec. 1302. Allocation of Funds for Forensic Nurse Examiner Programs – DELETED

Allocates up to \$50,000 for expansion of forensic nurse examiner programs to facilitate training for improved evidence collection for the prosecution of sexual assault. Unexpended funds shall be carried forward.

MICHIGAN FIRST HEALTHCARE PLAN

Sec. 1501. Michigan First Health Care Plan Funding Contingency – REVISED

Adds subsection (2) which allows appropriation of funds in part 1, up to \$300.0 million, for the Michigan First Healthcare Plan contingent upon approval of a waiver from the federal government.

Sec. 1502. Michigan First Healthcare Plan Provider Determination – DELETED

Requires the Department to provide a report detailing the process used to determine which insurance entities will be selected for participation in the Michigan First Healthcare Plan and that a single source contract shall not be awarded to a health plan through the Michigan First Healthcare Plan.

MEDICAL SERVICES

Sec. 1684. Home and Community-Based Services (HCBS) Administrative Expenses – DELETED

Continues the FY 2005-06 requirements that the payment rate allocated for administrative expenses for HCBS waiver program is reduced by \$2.00 per person per day, and that savings realized by this action be reallocated to increase enrollment in waiver program. Requires report on the number of nursing home patients discharged who are subsequently enrolled in HCBS waiver program, and associated cost savings.

Sec. 1690. Variable Cost Limits for Nursing Homes and Hospital Long-Term Care Units – NEW

Requires the Department to limit the annual increase in the variable cost component and the variable cost limit of the Medicaid reimbursement rate for nursing facilities and hospital long-term care units to no more than the annual increase in the Center for Medicare and Medicaid Services nursing home market basket index.

Sec. 1751. Establishment of DRGs Based on Fee-For-Service and Health Plan Costs – DELETED

Requires DCH to provide a report by April 1, 2007, on establishing Medicaid diagnosis related group rates based on fee-for-service and health plan costs.

Sec. 1752. Sharing of Third Party Liability Information With Health Plans – DELETED

Requires DCH to provide Medicaid health plans with any information that may assist the health plan in determining whether another party may be responsible for the payment of health care benefits.

Sec. 1758. Emergency Services Only Medicaid Benefit Eligibles – DELETED

Requires DCH to provide a report by April 1, 2007, on the number of individuals who receive the emergency services only Medicaid benefit and the annual amount of expenditures on this population.

Sec. 1761. Hospital QAAP Distribution of Payments Exceeding Upper Payment Limit – DELETED

Requires DCH to distribute Medicaid access to care initiative payments (MACI) that exceed hospitals' upper payment limits to hospitals that meet certain conditions, most likely rural hospitals.

Sec. 1764. Annual Certification of Actuarial Soundness of Medicaid Health Plan Rates – DELETED

Requires DCH to annually certify that rates paid to Medicaid health plans are actuarially sound and to notify the House of Representatives, the Senate, and the fiscal agencies immediately upon rate certification and approval.

**Summary: Executive Budget Recommendation
CORRECTIONS
FY 2007-08**

Analyst: Marilyn B. Peterson

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Executive to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$1,238,400	\$1,264,600	\$26,200	2.1
Federal	11,431,500	10,340,700	(1,090,800)	(9.5)
Local	420,900	429,700	8,800	2.1
Private	0	0	0	0.0
Restricted	68,775,700	57,479,500	(11,296,200)	(16.4)
GF/GP	1,858,555,000	1,932,166,700	73,611,700	4.0
Gross	\$1,940,421,500	\$2,001,681,200	\$61,259,700	3.2
FTEs	17,798.0	18,202.2	404.2	2.3
	51,490	52,890	1,400	2.7

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2007.

Overview

The Michigan Department of Corrections (MDOC) operates under the codification of correctional statutes established under Public Act 232 of 1953. The MDOC budget funds operation of the state prison system, supervision of parolees and felony probationers, and a variety of offender programs both in prison and in the community. It also funds training of corrections officers and centralized functions of administration, research, and financial operations. Prison construction is funded through the Capital Outlay budget.

Major Budget Changes from FY 2006-07 YTD

FY 2006-07 YTD **Executive Change**

SENTENCING AND POLICY CHANGES

1. Sentencing Changes – Savings and Expenditures

Includes negative appropriation of \$122.0 million with savings anticipated under statutory changes to sentencing guidelines. Unspecified changes to provisions regarding "straddle-cell" offenders, a category of mid-range offenders whom judges may sentence either to prison or to local sanctions, would reduce the number of "moderate-risk" offenders being sent to prison; Negative appropriations to be offset by new line items: \$19.9 million for field operations reinvestment and \$10.1 million for community and local reinvestment, suggesting that additional local resources would be funded to accommodate supervision and services for the affected offenders.

Gross **N/A (\$92,000,000)**
GF/GP **N/A (\$92,000,000)**

2. County Jail Reimbursement Program

Reduces county jail reimbursement program to \$100 placeholder and transfers the line to a new "Sentencing Reform" appropriation unit. Program provides per-diem payments to counties for housing in jails offenders who otherwise would have been sentenced to prison; reimbursement criteria and per-diem rates (currently \$43.50 per day) are set by budget act boilerplate.

Gross **\$13,249,000 (\$13,248,900)**
Restricted **13,249,000 (13,248,900)**

Executive
Change**Major Budget Changes from FY 2006-07 YTD**

FY 2006-07 YTD

3. Sentence Commutations

Proposes no budgetary adjustments for the Executive budget recommendation plans to review specific subpopulations of prisoners—such as the medically fragile, elderly, or deportable—for possible sentence commutations and subsequent parole.

PRISON AND CAMP OPERATIONS**4. Additional Prison and Camp Beds**

Funds full-year costs of 1,640 beds opening ahead of expectations in FY 2006-07 (or earlier). Adjustments included for:

- Total of 480 beds at three facilities, 240 of which received phased three-month funding of \$588,200 and 32.4 FTEs in FY 2006-07 (increases: 240 beds, 32.4 FTEs, and \$7.1 million over current year)
- Level IV drop-in unit at Macomb, completed in FY 1999-00, but never opened (240 beds, 45.0 FTEs, \$4.8 million)
- New women's camp developed at former Camp Gilman (80 beds, 37.2 FTEs, \$3.5 million)
- Closure of Jackson complex's 8-Block and re-opening of A and B units, all at Parnall (177 beds, 22.0 FTEs, \$2.6 million)
- Miscellaneous beds at nine facilities (663 beds, 84.8 FTEs, \$10.1 million)

Beds	51,490	1,400
FTEs	N/A	219.4
Gross	N/A	\$28,096,200
GF/GP	N/A	\$28,096,200

5. Fuel and Utilities Increases

Recognizes unfunded costs of fuel and utilities increases. While the Department received a \$2.2 million economic increase for fuel and utilities in FY 2006-07, it did not receive any economic increases for fuel and utilities in FY 2004-05 or FY 2005-06.

Gross	N/A	\$4,000,000
GF/GP	N/A	\$4,000,000

6. Contractual Dry Cleaning Allowance

Recognizes unfunded costs of increased payments for dry cleaning allowances under recent bargaining agreements. Under the most recent contract with the Michigan Corrections Organization, annual dry cleaning allowances for uniformed employees increased from \$250 to \$575, commencing on October 1, 2005. An agreement with the Michigan Association of Governmental Employees provided the increase to uniformed supervisory employees.

Gross	N/A	\$3,341,700
GF/GP	N/A	\$3,341,700

7. Special Maintenance Projects

Restores a one-time reduction taken in the current fiscal year, when \$2.0 million in funding for equipment and special maintenance was removed in anticipation of increased funding through the capital outlay budget. Related capital outlay language in SB 166 would authorize lapsing FY 2005-06 special maintenance funds for several departments to instead be spent on Corrections special maintenance projects.

Gross	\$425,500	\$2,000,000
GF/GP	\$425,500	\$2,000,000

8. Hospital Security Coverage

Provides additional FTE authorization and funding to recognize increased costs of security coverage for hospitalized prisoners, who are accompanied by two officers. Most of the costs associated with the additional FTES would be absorbed with existing funding, which has supported overtime costs incurred as a result of increased hospital coverage.

FTEs	N/A	138.0
Gross	N/A	\$1,100,000
GF/GP	N/A	\$1,100,000

CORRECTIONS

Major Budget Changes from FY 2006-07 YTD

FY 2006-07 YTD **Executive**
Change

MICHIGAN PRISONER RE-ENTRY INITIATIVE (MPRI)

9. *Statewide MPRI Roll-Out*

Provides full-year funding for statewide implementation of the community portion of the Michigan Prisoner Re-Entry initiative, which incorporates prisoner assessment, individual case management, prison in-reach services, and integrated programs in the community in an effort to improve success on parole and reduce recidivism. Eight pilot sites involved in Phase I implementation received \$5.0 million for nine-month funding in FY 2005-06. Executive proposes an increase of \$20.6 million to establish full-year funding for Phase I, along with Phases II and III pilot sites.

Gross	\$12,552,900	\$20,620,800
Federal	1,035,000	0
GF/GP	\$11,517,900	\$20,620,800

10. *Additional MPRI-Related Staff*

Funds an additional 16.0 parole agent FTEs (\$1.4 million), who would be placed in prisons to coordinate planning and transitional services for paroling prisoners. Provides 4.0 FTEs and \$315,000 for additional intake staff to administer the COMPAS assessment tool, which identifies each offender's criminogenic risk and needs, and which is used in developing each prisoner's case plan under MPRI. Funds one additional file screener (\$89,300) for the parole board, to review MPRI-related cases prior to parole to ensure appropriate arrangements for transportation, placement, and programming have been made.

FTEs	N/A	21.0
Gross	N/A	\$1,772,700
GF/GP	N/A	\$1,772,700

OFFENDER HEALTH CARE AND TREATMENT

11. *Pharmaceutical Price and Volume Increases*

Increases appropriations to prison clinics by \$10.4 million to fund pharmaceutical cost increases deriving from price, utilization, and population increases. Estimated unfunded costs were \$12.4 million in FY 2005-06; Executive offsets with estimated savings of \$2.0 million to be gained through changes in the formulary and a newly-implemented contract for pharmaceutical services.

Gross	N/A	\$10,420,300
GF/GP	N/A	\$10,420,300

12. *Mental Health Outpatient Treatment*

Funds two additional mental health outpatient treatment teams; services would be provided through Department of Community Health.

Gross	N/A	\$1,979,600
GF/GP	N/A	\$1,979,600

13. *Residential Substance Abuse Treatment and Testing*

Replaces federal funding being eliminated for residential substance abuse treatment (RSAT) program funding for prisoners; GF/GP replacement of FY 2005-06's \$950,600 in federal support would enable existing therapeutic community programs at Cooper Street (152 beds) and Huron Valley Women's facility (40 beds) to be maintained. With regard to parolees and probationers, provides \$789,400 to meet anticipated cost increases under new three-year residential treatment contracts, which are to be re-bid in FY 2007-08.

Gross	\$18,311,000	\$789,400
Federal	1,822,800	(950,600)
GF/GP	\$16,488,200	\$1,740,000

TRAINING AND OTHER PERSONNEL COSTS

14. *New Officer Training*

Funds training for 776 new corrections officers, up from the approximately 650 funded under the FY 2006-07 enacted budget.

Gross	\$11,750,600	\$2,680,100
GF/GP	\$11,750,600	\$2,680,100

Major Budget Changes from FY 2006-07 YTD

	<u>FY 2006-07 YTD</u>	<u>Executive Change</u>
15. Employee Health Insurance	Gross	N/A
Recognizes unfunded increased costs of health insurance for MDOC employees, about 65.3% of whom participate in the State Health Plan; another 9.5% participate in Physicians Health Plan (PHP), rather than less-expensive HMO plans, which reportedly tend to be less accessible for many outstate and upper peninsula MDOC employees.	GF/GP	N/A
		\$2,000,000
		\$2,000,000

16. Retiree Leave Payouts	Gross	N/A	(\$1,232,100)
Eliminates funding for employee leave payouts deriving from FY 2001-02's early retirement offer, which was accepted by about 620 Corrections employees. Under the terms of that early-out program, payable employee leave was paid out over a period of five years.	GF/GP	N/A	(\$1,232,100)

MISCELLANEOUS ADJUSTMENTS AND ECONOMICS

17. Project Joshua/Safe Neighborhoods Programs	FTEs	0.0	12.0
Recognizes allocation of field operations resources to two collaborative law enforcement programs aimed at reducing gun violence: Project Joshua, involving the Michigan attorney general's office, the Detroit Police Department, and the Wayne County prosecutor's office, and Project Safe Neighborhoods, involving the U.S. Attorney's office, local law enforcement, the Wayne County prosecutor's office, and the FBI. Funding would support six agents for each program, along with associated operational costs.	Gross	\$1,300,000	\$1,026,400
	GF/GP	\$1,300,000	\$1,026,400

18. Telecommunications Upgrade	Gross	N/A	\$1,115,800
Provides \$1.1 million to upgrade to DIT's telecommunications platform and participate in DIT-managed telecommunications, with regular replacement of outdated switches and routers, and ongoing off-site monitoring of equipment. Cost of \$1.3 million in total per-connection charges, offset by \$200,000 savings, representing existing DIT resources being used to support MDOC telecommunications.	GF/GP	N/A	\$1,115,800

19. Economic Adjustments	Gross	N/A	\$84,890,100
Includes total economic adjustments of \$84.4 million (\$82.4 million GF/GP), of which \$506,800 (\$487,600 GF/GP) is for DIT.	IDG/IDT	N/A	26,200
<ul style="list-style-type: none"> • \$42,283,700 gross, \$41,264,200 GF/GP for salaries/wages • \$16,714,900 gross, \$16,312,000 GF/GP for insurances • \$24,356,500 gross, \$23,769,300 GF/GP for retirement • \$938,100 gross and GF/GP for food • \$1,520,700 gross and GF/GP for fuel and utilities • \$4,600 gross and GF/GP for building occupancy charges • (\$928,400) decrease gross and GF/GP for workers' compensation 	Federal	N/A	21,400
	Local	N/A	8,800
	Restricted	N/A	1,953,200
	GF/GP	N/A	\$82,880,500

Major Boilerplate Changes from FY 2006-07**Sec. 218. Contingency Fund Appropriations – NEW**

Includes language appropriating contingency funds, which are otherwise-unappropriated non-GF/GP sources of revenue that may become available during the fiscal year. Contingency fund appropriations would be available for expenditure upon being approved by legislative transfer.

Sec. 408. Prisoners Discharged on the Maximum – DELETED

Requires report on prisoners discharged on the maximum, that is, those who "max out" rather than get paroled. Report includes information on recidivism, offenses committed, and educational history.

Sec. 409. Recidivism Report – DELETED

Requires report on current and historical recidivism rates and cross-state comparisons.

CORRECTIONS

Major Boilerplate Changes from FY 2006-07

Sec. 504. Assaultive Offender Treatment – DELETED

Requires Department to maintain certain efforts with regard to provision of assaultive offender treatment.

Sec. 608. GPS Tether – DELETED

Requires report on new global positioning system (GPS) tether program.

Sec. 902. Health Care Contracting – DELETED

Requires report on payments from contractor(s) to health care service providers, and on prisoner health care quality; also expresses legislative intent for local health care providers to be given the opportunity to competitively bid as vendors under future managed care contracts.

Sec. 1001. Smoking Areas – DELETED

Requires designated smoking areas for prisoners and staff, with exemption for areas that house prisoners with special medical needs.

Sec. 1007. Academic/Vocational Report – DELETED

Requires report on academic/vocational programs, including status of compliance with recent auditor general findings.

Sec. 1008. G.E.D. Report – DELETED

Requires information on educational levels of prison intake, and recidivism data sorted by G.E.D. completion and MPRI participation.

Sec. 1009. GED and Recidivism Report – DELETED

Requires report on offender educational history, GED completion rates, and impact of GED completion on offender recidivism.

**Summary: Executive Budget Recommendation
HUMAN SERVICES
FY 2007-08**

Analysts: Robert Schneider, Bill Fairgrieve

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Executive to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$3,102,700	\$2,416,000	(\$686,700)	(22.1)
Federal	3,135,487,200	3,116,678,300	(18,808,900)	(0.6)
Local	55,519,400	65,255,800	9,736,400	17.5
Private	8,876,100	9,039,200	163,100	1.8
Restricted	67,702,000	67,528,600	(173,400)	(0.3)
GF/GP	1,197,447,900	1,284,897,000	87,449,100	7.3
Gross	\$4,468,135,300	\$4,545,814,900	\$77,679,600	1.7
FTEs	10,343.4	10,609.1	265.7	2.6

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2007.

Overview

The Department of Human Services (DHS) administers a wide range of programs and services to assist Michigan's most vulnerable families, including public assistance programs that provide direct cash support as well as assistance with food, day care, and other emergency needs. The Department is also charged with protecting children and assisting families by administering foster care, adoption, and family preservation programs, and by enforcing child support laws, and is responsible for delivering juvenile justice services and for licensing day care, adult foster care, and child welfare agencies in the state.

Major Budget Changes from FY 2006-07 YTD

1. Day Care Services – Reduce Maximum Support Hours

Proposes reducing the maximum hours for which state day care support will be made available per two-week pay period; current policy allows up to 100 hours per period; proposal reduces to 90 hours per period; policy change would impact around 19,000 current day care cases.

	FY 2006-07 YTD	Executive Change
Gross	\$462,381,200	(\$23,600,000)
Federal	299,991,300	0
GF/GP	\$162,389,900	(\$23,600,000)

2. Child Welfare Staffing Increases

Adds funding to facilitate program enhancements to DHS child welfare programs; includes 257.0 FTE positions primarily focused on finding permanent placements for long-term focus care children; converting current relative caregivers to licensed foster parents; and facilitating background checks on current and prospective foster parents using newly available federal funding; funds added staffing within private child placing agencies and for additional medical and psychological evaluations for abused and neglected children.

Gross	N/A	\$25,214,600
Federal	N/A	4,792,100
GF/GP	N/A	\$20,422,500

3. Subsidized Guardianship Program

Establishes a new program aimed at providing funding to caregivers who agree to become legal guardians for those who have been victims of abuse and neglect; legal guardianships would transfer state's legal responsibility for affected children, thus removing them from the foster care system; legal guardians would receive financial support similar to that provided to current foster families. Implementation of the program would require legislative changes to Social Welfare Act.

Gross	N/A	\$4,575,000
GF/GP	N/A	\$4,575,000

HUMAN SERVICES

Major Budget Changes from FY 2006-07 YTD

		FY 2006-07 YTD	Executive Change
4. Family Independence Program Caseload	Gross	\$354,710,100	\$82,401,700
Assumes further increases in the base FIP caseload for FY 2007-08 to 91,500. FIP caseload began rising around April 2006, increasing from 78,198 at that time to 88,472 in January 2007. A significant factor in the rise is a recently-enacted change in eligibility policy under which FIP cases are opened prior to a client's referral to the Work First program. While this has reduced cases referred to Work First as intended, it appears that some cases that would have otherwise remained unopened due to lack of work participation are now being opened.	Federal	91,100,900	0
	Restricted	50,210,700	0
	GF/GP	\$213,398,500	\$82,401,700
5. Family Independence Program – Policy-Related Savings	Gross	\$354,710,100	(\$60,370,300)
Assumes savings related to several policy changes that will offset the caseload increase noted in the item above. Policy changes include: statewide expansion of the Jobs Education and Training program to engage clients in work activities; change in FIP eligibility policy noted above (cases for clients required to work will not be opened until after Work First participation begins); and implementation of recently-enacted 90-day sanction for noncompliance along with policies aimed at implementing sanctions more quickly when warranted. Budget assumes 10,100 cases will be closed as result of policy changes.	Federal	91,100,900	(1,350,700)
	Restricted	50,210,700	0
	GF/GP	\$213,398,500	(\$59,019,600)
6. Jobs, Education and Training (JET) Program Expansion	FTE	168.0	30.0
Increases funding to facilitate statewide expansion of the existing JET pilot projects, which aim to increase engagement in work activities by FIP cash assistance recipients. Just under \$13.5 million is to be passed through to Department of Labor and Economic Growth to fund additional staff and services related to rehabilitation and employment support; DHS will retain \$4.5 million to support 30 additional JET coordinator positions and additional support services. Boilerplate makes the increase contingent on documented JET savings during FY 2006-07.	Gross	\$24,938,200	\$17,980,800
	Federal	7,187,500	1,836,000
	GF/GP	\$17,750,700	\$16,144,800
7. Day Care Case Review Project	FTE	N/A	15.0
Includes net savings of \$4.5 million attributable to a day care case review project that will be implemented beginning in FY 2006-07 as a 12-county pilot. Project staff will review existing day care caseload to identify cases receiving improper payments due to fraud or eligibility errors. Administrative costs of \$1.6 million are expected to be offset by \$6.1 million in caseload savings (assumes 580 closed cases).	Gross	N/A	(\$4,536,000)
	Federal	N/A	464,000
	Restricted	N/A	0
	GF/GP	N/A	(\$5,000,000)
8. Foster Care – Federal Revenue Maximization Savings	Gross	\$188,177,600	\$0
Assumes \$5.0 million in GF/GP savings from revenue maximization efforts. Boilerplate requires DHS to engage a private contractor to explore ways to increase DHS's utilization of federal funds for caseload programs. Initial efforts will focus on the foster care program; additional federal funds would then offset GF/GP needs.	Federal	78,771,200	5,000,000
	Local	24,742,900	0
	Private	2,802,600	0
	GF/GP	\$81,860,900	(\$5,000,000)
9. Replacement of Federal Child Support Revenue	Gross	\$265,905,600	\$0
Adds GF/GP revenue to replace federal Title IV-D child support funding lost due to recent changes in federal law. Federal child support incentive payments to states can no longer be used as match to draw additional federal revenue. Budget replaces the lost federal revenue with state GF/GP to support both state activities (\$7.2 million) and county efforts (\$9.6 million) affected by the law change.	Federal	218,010,100	(16,748,000)
	Other	940,000	0
	GF/GP	\$46,955,500	\$16,748,000

Major Budget Changes from FY 2006-07 YTD

	FY 2006-07 YTD	Executive Change
10. Legal Support Contracts – Child Support Supplements	Gross	\$140,753,600 (\$2,000,000)
Eliminates \$2.0 million state supplement payments to support county child support enforcement activities (payments supplement county funds allocated for these efforts). Both county and state supplement funds are used to draw additional federal child support funding. While the supplements are eliminated, overall GF/GP support to counties actually increases as a result of the added support in item 9 above.	Federal	138,753,600 0
	GF/GP	\$2,000,000 (\$2,000,000)
11. Information Technology – Bridges Project	Gross	\$11,000,000 \$14,000,000
Increases funding for Integrated Service Delivery project ("Bridges") which aims to integrate eligibility and case management computer systems; project goal is to increase DHS computer system efficiency and reduce workload of social services workers.	Federal	5,500,000 4,667,600
	GF/GP	\$5,500,000 \$9,332,400
12. Day Care Services – Before and After School Grants	Gross	\$5,000,000 (\$5,000,000)
Eliminates TANF funding to support competitive grants for Before and After School programs.	Federal	5,000,000 (5,000,000)
	GF/GP	\$0 \$0
13. Marriage and Fatherhood Initiatives	Gross	\$4,200,000 (\$3,200,000)
Reduces funds for marriage, fatherhood, and family-related programs. Reduction linked to the lack of any federal funding award for Michigan out of \$150.0 million in federal funding allocated for Healthy Marriage and Family programs; remaining \$1.0 million will be funded with TANF.	Federal	4,200,000 (3,200,000)
14. Teenage Parent Counseling Program	Gross	\$3,815,800 (\$3,815,800)
Eliminates TANF and GF/GP funding allocated for the Teenage Parent Counseling program, which is administered by agencies under contract with DHS in 18 counties and provides education, training, and employment services to teen parents.	Federal	3,790,300 (3,790,300)
	GF/GP	\$25,500 (\$25,500)
15. TANF Allocation for Community Action Agencies	Gross	\$27,068,000 (\$2,850,000)
Eliminates \$2.4 million TANF-funded allocation to Community Action Agencies to support their human services programming; eliminates \$500,000 TANF allocation for grants to support outreach efforts related to raising awareness of the federal Earned Income Tax Credit among those eligible to apply for the credit.	Federal	27,068,000 (2,850,000)
16. Indigent Burial Program	Gross	\$5,909,300 (\$1,477,400)
Reduces state payments to funeral service providers that provide services to decedents with very limited or no assets to pay for funeral expenses. Maximum payments are reduced by 25%.	Federal	430,900 (107,700)
	GF/GP	\$5,478,400 (\$1,369,700)
17. Child Care Fund Caseload	Gross	\$195,000,000 \$5,000,000
Increases Child Care Fund appropriation by \$5.0 million to reflect anticipated FY 2007-08 caseload and cost increase; program funds the state's 50% share of the costs of caring for abused/neglected youth and delinquent youth that are court wards; caseload increase partially reflects declines in the number of out-of-home cases that are eligible for federal Title IV-E funds.	Federal	86,569,900 0
	GF/GP	\$108,430,100 \$5,000,000

HUMAN SERVICES

Major Budget Changes from FY 2006-07 YTD

	FY 2006-07 YTD	Executive Change
18. Foster Care Caseload	Gross \$188,177,600	(\$9,292,300)
Reduces funds for foster care payments to reflect a reduction in average cost per case and projected statewide caseload from 9,608 to 9,570. Savings primarily related to reductions in average cost per case within the "Wayne County Foster Care Payments" line item. Adjusts appropriations to reflect a higher share of local revenue in costs and a reduction in the federal/state shares due to declines in federal Title IV-E foster care eligibility.	Federal 78,771,200	(10,395,800)
	Local 24,742,900	9,133,000
	Private 2,802,600	0
	GF/GP \$81,860,900	(\$8,029,500)
19. Adoption Subsidies Caseload	Gross \$232,705,300	\$2,288,400
Adds \$2.3 million to support an estimated 2.1% increase in the adoption subsidies caseload; program provides subsidy payments to adoptive parents to assist with costs of raising an adopted "special needs" child (special needs can mean an older child, part of sibling group, or where ethnicity, disability, or another factor makes the child difficult to place).	Federal 146,813,100	1,326,100
	GF/GP \$85,892,200	\$962,300
20. State Disability Assistance – Caseload	Gross \$32,810,300	\$3,559,400
Adds funding for the State Disability Assistance program to cover a projected 5.1% increase in caseload; FY 2007-08 projected caseload is 12,200. Program provides cash assistance to low-income childless adults who are unable to work due to a disability condition.	Restricted 9,114,800	0
	GF/GP \$23,695,500	\$3,559,400
21. Departmentwide Economic Adjustments	Gross N/A	\$35,662,800
Adds \$35.7 million for incurred Department economic increases; includes FY 2006-07 employee salary and wage increase of 4.0% for classified employees and increases for retirement and insurance; includes other economic adjustments for worker's compensation, rent and building occupancy, and food/utility costs of state juvenile facilities.	Federal N/A	10,527,400
	Other N/A	1,154,000
	GF/GP N/A	\$23,981,400

Major Boilerplate Changes from FY 2006-07

GENERAL SECTIONS

Sec. 281. Federal Maximization Project – REVISED

Requires DHS to contract with one or more private consulting firms for revenue maximization services. Current law limits amount retained by the contractor to not more than 25% of gross identified savings, and allows DHS to retain up to \$7.5 million in achieved savings to offset GF/GP. Both limitations are removed in the Executive recommendation.

COMMUNITY ACTION AND ECONOMIC OPPORTUNITY

Sec. 303. TANF Allocation to Community Action Agencies – DELETED

Allocates \$2.4 million TANF allocation to Community Action Agencies to support their human services programs. Eliminates a separate \$500,000 allocation for education and outreach efforts aimed at increasing awareness of the Earned Income Tax Credit (EITC) among those eligible for the credit. Much of this program is also traditionally administered by Community Action Agencies.

Sec. 304. Pontiac School-Based Crisis Intervention Program – DELETED

Allocates \$78,500 in TANF funds to support this demonstration project.

Sec. 306. MSU Kinship Care Resource Center – DELETED

Allocates \$200,000 to the Kinship Care Resource Center operated by the Michigan State University School of Social Work. The Center provides information and support to relative caregivers.

Sec. 307. Funding for 2-1-1 Services – DELETED

Sets guidelines for \$100,000 appropriation for statewide 2-1-1 phone system; provides that funding not exceed 50% of program operating expenses and that allocation is to be distributed to Michigan 2-1-1, Inc. to fulfill the Michigan 2-1-1 business plan; requires report on 2-1-1 system performance.

Major Boilerplate Changes from FY 2006-07

ADULT AND FAMILY SERVICES

Sec. 423. Crisis Prevention and Food for the Elderly Allocations – DELETED

Allocates funds for Crisis Prevention/Food for the Elderly line item; provides \$70,000 for MiCAFE food stamp outreach program, \$75,000 for Barry County domestic violence programs, \$25,000 each for senior food aid projects in Kent and Muskegon counties, and \$50,000 each for Washtenaw County and City of Lansing homeless prevention programs.

Sec. 424. Kent County Family Formation Program – DELETED

Allows DHS to allocate \$200,000 in TANF funding to the Effective Family Formation Program operated by the Child and Family Resource Council in Kent County.

CHILD AND FAMILY SERVICES

Sec. 537. Use of Child Placing Agencies in High-Caseload Counties – REVISED

Requires DHS to offer private nonprofit child placing agencies the first opportunity to offer foster care services for children entering the system in county's where DHS foster care caseload is greater than 20 cases per worker, provided the private agency has an opening, has caseload of no greater than 20 cases per worker, and the placement is not contrary to the best interests of the child. The requirement is removed and replaced with general language that placement preference be based on the child's needs.

Sec. 560. Child Protective Services Equipment Purchases – DELETED

Requires DHS to expend \$350,000 to equip child protective services workers with digital audio/video recorders.

Sec. 562. Increase for Runaway and Homeless Youth Programs – DELETED

Requires DHS to use appropriated funding to provide a 3% rate increase for runaway and homeless youth services providers beginning April 1, 2007; both boilerplate and related funding were removed in Executive recommendation.

Sec. 565. Wayne County Allocation of Family Preservation Funding – DELETED

Directs DHS to allocate up to \$2.0 million to Wayne County to provide home-based programs as part of a county expansion of community-based services; one half of allocation to serve adjudicated youth and one-half to serve abused/neglected youth; related funding was also removed from the budget recommendation.

Sec. 566. ECIC and Great Start Collaborative Grants – NEW

Requires DHS to contract with the Early Childhood Investment Corporation (ECIC) to create and support Great Start Collaborative Communities, including the provision of grant funding and technical assistance to intermediate school districts for implementation of strategic planning and needs assessment efforts.

PUBLIC ASSISTANCE

Sec. 609. State SSI Supplementation – DELETED

Prohibits reductions in state supplementation payment levels for personal care, adult foster care, and homes for the aged categories; requires 30-day notice to Legislature before a proposed reduction in state SSI supplementation level.

Sec. 613. Indigent Burial Pilot Project – DELETED

Establishes indigent burial statewide pilot project beginning January 1, 2007; if DHS and funeral establishment representatives determine that continued implementation will lead to excessive demands on funds; DHS to notify House and Senate Appropriations Subcommittees that project is suspended and program payment standards revert to FY 2005-06 levels. This notification was provided to the Legislature and the project was closed.

Sec. 627. EQUIP and Day Care Start-up Grants – DELETED

Requires DHS to allocate \$1.4 million to administer the Enhance Quality Improvement Program which provides grants to day care providers; allocates \$350,000 for day care start-up grants. Programs were terminated in FY 2005-06 and funds were re-allocated to support ECIC Great Start Collaborative Grant program.

Sec. 658. Grand Rapids Youth Commonwealth, Camp O'Malley – DELETED

Provides \$126,500 TANF allocation to Grand Rapids Youth Commonwealth to support after-school and summer programs for youth at Camp O'Malley.

Sec. 668. Boys and Girls Club Funding – DELETED

Allows DHS to expend up to \$250,000 for a statewide collaborative project to develop a community-based program for children aged 6 to 15; granted priority to programs that could provide 10% match.

HUMAN SERVICES

Major Boilerplate Changes from FY 2006-07

Sec. 681. Food Assistance Distribution – DELETED

Requires DHS to implement policy changes in distribution of food assistance program benefits to address stakeholder concerns; change is to seek a more uniform distribution of benefits across any given month; requires report by December 1, 2006.

CHILD SUPPORT ENFORCEMENT

Sec. 907. Use of Collection Agency for Child Support Arrearages – DELETED

Requires DHS, in cooperation with State Court Administrative Office, to establish a pilot program to examine the effectiveness of contracting with a public or private collection agency; restricted revenue raised through such a pilot not be expended until DHS and representatives of county Friend of the Court offices meet and agree on recommendations for use of the revenue.

OFFICE OF CHILDREN AND ADULT LICENSING

Sec. 1005. Performance-Based Licensing Plan – REVISED

Requires DHS to develop and implement a performance-based licensing system which emphasizes site visits with new licensees and those with past violations or complaints and random, but not required, visits to licensees in business for at least five years with no violations or complaints. New language requires implementation of a performance-based licensing model that prioritizes licensing activities based on risk to vulnerable children and adults.

**FY 2007-08
Budget Detail
for
RESOURCE PROTECTION**

**Agriculture
Environmental Quality
Natural Resources**

**Summary: Executive Budget Recommendation
AGRICULTURE
FY 2007-08**

Analyst: William E. Hamilton

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Executive to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$10,382,700	\$9,390,400	(\$992,300)	(9.6)
Federal	23,700,000	21,990,600	(1,709,400)	(7.2)
Local	0	0	0	0.0
Private	183,800	188,500	4,700	2.6
Restricted	48,449,000	45,423,700	(3,025,300)	(6.2)
GF/GP	30,913,300	29,337,400	(1,575,900)	(5.1)
Gross	\$113,628,800	\$106,330,600	(\$7,298,200)	(6.4)
FTEs	696.0	680.0	(16.0)	(2.3)

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2007.

Overview

The Department of Agriculture promotes Michigan agricultural products; protects the public from disease and unsanitary conditions in food production and handling; regulates product labeling and producer practices for dairy products, animals, and plants; and enforces consumer protection laws regarding food, standard weights/measures, animal health, and plant pests and diseases.

Major Budget Changes from FY 2006-07 YTD

		<u>FY 2006-07 YTD</u>	<u>Executive Change</u>
1. Agricultural Statistics (Executive)	FTEs	4.0	(3.0)
Reflects elimination of one-time \$50,000 (AEIDF) equine survey; \$261,300 GF/GP baseline reduction, and \$11,100 in economic increases.	Gross	\$376,000	(\$300,200)
	Restricted	50,000	(50,000)
	GF/GP	\$326,000	(\$250,200)
2. Federal Grants (Departmentwide)	Gross	\$0	\$1,000,000
Adds new \$1.0 million line item to provide spending authority for unspecified federal grants.	Federal	0	1,000,000
3. Food Safety and Quality Assurance (Food and Dairy)	FTEs	107.0	0.0
Provides economic increases (\$486,000 gross, \$411,500 GF/GP); end of five-year sick leave payout (\$12,800); increase in civil penalty revenue (\$22,300). Unrolls Consumer and industry food safety education revenue as fund source.	Gross	\$11,932,100	\$495,500
	Federal	388,100	19,200
	Restricted	2,735,600	77,600
	GF/GP	\$8,808,400	\$398,700
4. Animal Health and Welfare (Animal Industry)	FTEs	22.5	(3.0)
Reflects \$250,000 GF/GP baseline reduction in Department aquaculture and captive cervid program. Also reflects \$64,600 gross of economic adjustments; end of five-year sick leave payout (\$10,600).	Gross	\$2,428,400	(\$196,000)
	Federal	457,000	12,300
	Restricted	163,200	2,900
	GF/GP	\$1,808,200	(\$211,200)
5. Bovine Tuberculosis (Animal Industry)	FTEs	26.5	0.0
Reduces state restricted support by \$215,500 reflecting anticipated reduction in AEIDF revenue. Reflects \$131,900 gross in economic increases; end of five-year sick leave payout (\$1,600).	Gross	\$5,577,400	(\$85,200)
	Federal	713,200	17,600
	Restricted	2,340,900	(215,500)
	GF/GP	\$2,523,300	\$112,700

Major Budget Changes from FY 2006-07 YTD

		<u>FY 2006-07 YTD</u>	<u>Executive Change</u>
6. Pesticide and Plant Pest Management (PPPM)	FTEs	119.8	(3.0)
Reduces GF/GP support by \$200,000 and 3.0 FTE field positions. Reflects \$348,700 gross economic increases; end of five-year sick leave payout (\$21,100).	Gross	\$13,426,000	(\$127,600)
	Federal	3,744,600	97,600
	Restricted	4,667,300	121,700
	Private	143,800	3,900
	GF/GP	\$4,870,300	(\$95,600)
7. Emerald Ash Borer Program	FTEs	112.0	(0.0)
Reflects continuing reduction in federal support for this program.	Gross	\$13,782,000	(\$3,605,700)
	Federal	13,782,000	(3,605,700)
8 Environmental Stewardship	FTEs	32.7	(7.0)
Eliminates support for Department intercounty drain activities under the Drain Code of 1956 (\$469,300 GF/GP); reflects 50% cut in right-to-farm program (\$150,000 GF/GP); anticipates elimination of Freshwater Protection Fund funding (\$89,900); and \$92,400 gross in economic increases; end of five-year sick leave payout (\$28,200).	Gross	\$3,155,300	(\$638,000)
	IDG	262,100	7,700
	Federal	225,700	6,800
	Restricted	82,900	(82,900)
	GF/GP	\$2,584,600	(\$569,600)
9. Cooperative Resource Management Initiative	Gross	\$1,000,000	(\$1,000,000)
Eliminates line reflecting loss of DNR funding.	IDG	1,000,000	(1,000,000)
10. Local Conservation Districts	Gross	\$1,516,800	(\$1,516,800)
Eliminates this GF/GP grant program.	GF/GP	\$1,516,800	(\$1,516,800)
11. Migrant Labor Housing	Gross	\$150,100	\$25,000
Recognizes \$25,000 from Migrant labor house fund established under 2005 PA 43.	Federal	150,100	0
	Restricted	0	25,000
	GF/GP	\$100	\$0
12. Laboratory Services	FTEs	62.5	(2.0)
Eliminates \$150,000 GF/GP from animal feed testing program; economic increases (\$173,800 gross); end of five-year sick leave payout (\$2,300).	Gross	\$6,239,900	\$21,500
	IDG	189,100	0
	Federal	916,200	0
	Restricted	2,107,400	89,600
	GF/GP	\$3,027,200	(\$68,100)
13. Consumer Protection Program	FTEs	67.5	0.0
Provides funding for motor fuel quality, weights and measures, and metrology laboratory; recognizes economic increases of \$180,100.	Gross	\$4,948,600	\$180,100
	Restricted	4,948,600	179,900
	GF/GP	\$0	\$200
14. Agriculture Development	FTEs	5.0	2.0
Eliminates \$30,000 grant to the NW Michigan Horticulture Station; adds \$500,000 GF/GP for Buy Michigan program; recognizes additional federal revenue, industry support funds, economic increases (\$22,100), and end of five-year sick leave payout (\$2,400).	Gross	\$901,800	\$698,400
	Private	40,000	800
	Federal	206,500	67,900
	Restricted	454,500	151,200
	GF/GP	\$200,800	\$478,500
15. Future Farmers of America/Michigan 4-H	Gross	\$100,000	(\$100,000)
Eliminates grant funding for FFA (\$80,000) and Michigan 4-H, (\$20,000), due to anticipated reduction in AEIDF revenue.	Restricted	100,000	(100,00)
16. Building and Track Improvement – County and State Fairs	Gross	\$963,200	(\$963,200)
Eliminates line due to anticipated reduction in AEIDF revenue.	Restricted	963,200	(963,200)

AGRICULTURE

Major Budget Changes from FY 2006-07 YTD

**Executive
Change**

17. Horse Industry Programs

Appropriates \$10.2 million in AEIDF revenue for various horse programs/purses/awards; reduction from current year reflects reduction in estimated AEIDF revenue after completion of two permanent Detroit casinos, anticipated in 2008.

Gross	\$12,881,600	(\$2,721,300)
Restricted	12,881,600	(2,721,300)

	<u>FY 2007 YTD</u>	<u>FY 2008 Exec</u>
Licensed tracks - light horse racing	\$170,900	\$132,000
Purses and supplements - fairs/licensed tracks	3,031,700	2,370,000
Standardbred breeders' awards	1,273,000	969,000
Standardbred purses and supplements - licensed tracks	2,305,700	1,789,300
Standardbred sire stakes	1,040,000	810,000
Standardbred training and stabling	44,900	36,000
Thoroughbred owners' awards	159,900	124,000
Thoroughbred program	3,092,400	2,400,000
Thoroughbred sire stakes	1,063,100	830,000
Distribution of winning tickets	700,000	700,000
TOTAL	\$12,881,600	\$10,160,300

18. Economics

Provides \$2.4 million gross, \$1.1 million GF/GP for economic increases, including salaries and wages, insurance, retirement contributions, and building occupancy.

Gross	N/A	\$2,411,000
IDG	N/A	7,700
Federal	N/A	428,100
Private	N/A	4,700
Restricted	N/A	891,900
GF/GP	N/A	\$1,078,600

Major Boilerplate Changes from FY 2006-07

Sec. 228. Contingency Funds – NEW

Provides for \$5.0 million federal, \$6.0 million state-restricted, \$100,000 local, and \$100,000 private contingency funds available only if transferred to a budgetary line item in accordance with the Management and Budget Act.

Sec. 604. Local Conservation Districts – DELETED

Provides \$19,200 for each of 79 local conservation districts.

Sec. 703. Northwest Michigan Horticultural Research Station – DELETED

Provides \$30,000 for program.

Other Boilerplate Changes

The Executive budget bill does not include a number of reporting requirements initiated by the Legislature in the current-year budget.

**Summary: Executive Budget Recommendation
ENVIRONMENTAL QUALITY
FY 2007-08**

Analyst: Kirk Lindquist

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Executive to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$18,233,600	\$18,411,800	\$178,200	1.0
Federal	140,288,500	132,274,300	(8,014,200)	(5.7)
Local	0	0	0	0.0
Private	450,000	455,100	5,100	1.1
Restricted	250,944,000	187,026,800	(63,917,200)	(25.5)
GF/GP	33,828,400	32,796,400	(1,032,000)	(3.1)
Gross	\$443,744,500	\$370,964,400	(\$72,780,100)	(16.4)
FTEs	1,567.7	1,567.7	0.0	0.0

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2007.

Overview

The Department of Environmental Quality supports environmental protection, conservation, and cleanup and redevelopment programs and regulatory efforts established to protect, restore, and reuse Michigan's air, water, and land resources. More than half of Department's annual revenue is collected from permits and licenses.

Major Budget Changes from FY 2006-07 YTD

1. Restricted Fee Revenue

Increases fee revenue for restricted funds:

	Increased Rev	FY 2008 Rev
Air Emissions Fees	\$5,500,000	\$16,576,000
Land & Water Fees	6,200,000	8,400,000
Solid Waste Fees	1,800,000	6,000,000
Groundwater Discharge	1,800,000	3,084,500
Pollution Prevention Fees	2,400,000	4,800,000
Hazardous Waste User Fees	1,200,000	2,800,000
On-site Waste Water Management	598,000	598,000
Mineral Wells Regulation Fees	75,000	215,000

	FY 2006-07 YTD	Executive Change
Gross	\$22,900,450	\$19,573,000
Restricted	22,900,450	19,573,000

2. Deposits Into Drinking Water Revolving Fund

Reduces General Fund appropriation to the Drinking Water Revolving Fund; reduction affects the amount of matched federal revenue to this fund; sufficient funding is available to meet expected demand for community applications for drinking water construction project loans.

	Gross	Executive Change
Gross	\$97,179,900	(\$10,148,400)
Federal	80,000,000	(8,457,000)
Restricted	11,400,000	0
GF/GP	\$5,779,900	(\$1,691,400)

3. One-Time Restricted Fund Appropriations

Deletes funding for FY 2006-07 appropriations: Strategic Water Quality Initiative (\$40.0 million), Environmental Protection Bond Fund (\$15.5 million), CMI Environmental Response (\$9.4 million), CMI Pollution Prevention (\$100,000), St. Clair Shores: Lange/Revere Canals (\$500,000), St. Louis Water Supply Wells (\$300,000), Real Time Water Quality Monitoring (\$250,000).

	Gross	Executive Change
Gross	\$66,061,000	(\$66,061,000)
Restricted	66,061,000	(66,061,000)

4. Refined Petroleum Product Cleanup Program Revenue

Reduces program funding to reflect expected revenue levels.

	Gross	Executive Change
Gross	\$22,000,000	(\$2,000,000)
Restricted	22,000,000	(2,000,000)

ENVIRONMENTAL QUALITY

<u>Major Budget Changes from FY 2006-07 YTD</u>		<u>FY 2006-07 YTD</u>	<u>Executive Change</u>
5. <i>Septage Waste Compliance Program Revenue</i>	Gross	\$1,525,000	(\$1,125,000)
Reduces program funding to reflect expected revenue levels.	Restricted	1,525,000	(1,125,000)
6. <i>Air Quality Renewable Operating Permit Program</i>	Gross	\$23,948,500	\$1,000,000
Increases program funding to cover staffing and IT development costs required under the Federal Clean Air Act for the Renewable Operating Permit program (Title V).	Federal	5,708,900	0
	Restricted	14,806,200	1,000,000
	GF/GP	\$3,433,400	\$0
7. <i>Great Lakes Protection Grants</i>	Gross	\$2,000,000	(\$1,000,000)
Reduces grant levels to reflect the amount of revenue expected from the Great Lakes Protection Fund; interest earnings have not been sufficient to sustain the current grant level.	Restricted	2,000,000	(1,000,000)
8. <i>Outdoor Bio-Watch Network</i>	Gross	\$23,948,500	\$575,000
Provides federal funding from Department of Homeland Security to expand the existing Bio-watch program to include indoor monitoring.	Federal	5,708,900	575,000
	Restricted	14,806,200	0
	GF/GP	\$3,433,400	\$0
9. <i>Information Technology – Information Lifecycle Content Management System</i>	Gross	\$6,810,400	\$500,000
Provides efficiency gains in information storage, document handling and related business processes.	IDT	52,800	0
	Federal	1,915,200	0
	Restricted	4,310,900	500,000
	GF/GP	\$531,500	\$0
10. <i>Expedited Water/Waste Water Permit Program</i>	Gross	\$0	\$400,000
Allows expenditure of revenue collected for expedited permit reviews, pursuant to 2006 PA 601 and 2006 PA 602.	Restricted	0	400,000
11. <i>Clean Michigan Initiative Administrative Funding</i>	Gross	\$1,111,700	(\$785,700)
Reduces appropriated support for administrative costs related to the Clean Michigan Initiative program.	Restricted	1,111,700	(785,700)
12. <i>Economic Adjustments</i>	Gross	N/A	\$5,500,700
Provides support for negotiated civil service 4.0% wage increase, retirement plan contributions, and employer share of health insurance premiums.	IDG		178,200
	Federal		1,334,600
	Private		5,100
	Restricted	N/A	3,231,900
	GF/GP		\$750,900

Major Boilerplate Changes from FY 2006-07

Sec. 207. Report Retention – DELETED

Requires copies of all reports funded through this act to be received and provided for public use, following state and federal guidelines.

Sec. 208. Restricted Fund Revenue, Expenditures, and Fund Balances – DELETED

Requires report on fund revenue, spending, and estimated year-end balances for each restricted fund appropriated in this act.

Sec. 209. Department Grant and Loan Programs – DELETED

Requires report including description of available grant/loan programs, criteria used for awards, and list of recipients.

Sec. 210. Great Lakes Water Diversion – DELETED

Requires notifying the Legislature and providing public meetings on any request received by the State of Michigan to divert water from the Great Lakes.

Sec. 211. Consolidated Report on Environmental Cleanup Projects – DELETED

Requires status report on approved cleanup projects funded through environmental cleanup and redevelopment program, state cleanup, emergency actions, superfund cleanup, revitalization revolving loan program, Brownfield grants and loans, leaking underground storage tank cleanup program, contaminated lake and river cleanup program, and environmental protection bond projects.

Sec. 212. Federal Contingency Fund Transfers – NEW

Provides \$30.0 million in authorized transfer authority for unanticipated federal grant revenue, \$5.0 million for restricted revenue, \$100,000 for local revenue, and \$100,000 for private revenue.

Sec. 213. Michigan Youth Conservation Council – DELETED

Includes environmental education appropriation of \$5,000 for MSU Extension Service 4-H programs for the Michigan Youth Conservation Council.

Sec. 217. Fee Increase Contingency Actions – NEW

Provides negative appropriations if proposed fee increases are not enacted: air emissions fees, groundwater discharge permit fees, land and water permit fees, mineral wells regulatory fees, on-site sewage fees.

Sec. 218. Michigan Great Lakes Areas of Concern – DELETED

Directs Department to develop a strategy, with the federal EPA and public advisory councils, to remove Michigan's Great Lakes Areas of Concern from the federal list.

Sec. 219. Prohibition of Disciplinary Actions for Legislative Contacts – DELETED

Provides that state employees who communicate with the Michigan Legislature shall not be disciplined.

Sec. 220. Criminal and Civil Fine Revenue – DELETED

Requires report of criminal and civil fine revenue collected during FY 2005-06.

Sec. 223. EPA Regulatory Innovation Agreement – DELETED

States legislative intent that Department renew its agreement with the federal EPA to help farms and farm operations prevent or minimize agricultural pollution risks.

Sec. 227. Oil or Alternative Fuels Refinery Permits – DELETED

Requires report on permits necessary to construct and operate proposed refineries; requires Department to expedite the permit process for these facilities.

Sec. 301. Laboratory Service IDT Revenue Carryforward Authority – NEW

Allows carryforward of any unspent interdepartmental transfer revenue received by the Environmental Laboratory to FY 2007-08.

Sec. 401. Air Quality Program Revenue and Expenditures – DELETED

Requires report on annual expenditures and revenue by fund source and by program function.

Sec. 801. Notice of Department Orders – Suspended Sale of Petroleum Products – DELETED

Requires 48-hour notice to Legislature before Department issues an order suspending sale of petroleum products by a wholesale or retail operator.

Sec. 802. Construction Permit Site Review Board – DELETED

States legislative intent that approval by the Site Review Board represents the final approval for construction permit applications referred by the Department.

Sec. 803. Waste Disposal in Deep Wells, Cities of Romulus and Taylor – DELETED

Requires report to City of Romulus and/or City of Taylor if hazardous waste or hazardous waste constituents are discharged or released.

Sec. 901. Water Quality Enforcement Report – DELETED

Requires report on enforcement and program activities funded from National Pollution Discharge Elimination System Fund.

Sec. 902. Federal Drinking Water Act Technical Assistance – DELETED

Specifies allocation of 2% of available funds for safe drinking water technical assistance activities.

ENVIRONMENTAL QUALITY

Sec. 1102. Scrap Tire Fire Suppression Costs – DELETED

Provides \$100,000 for grants to communities for scrap tire suppression costs, provided that owner liability bonds and other available funding sources have been exhausted.

Sec. 1103. Real-Time Water Quality Monitoring – DELETED

Provides grant to Macomb County and St. Clair County to support real-time water quality monitoring programs in the St. Clair watershed.

**Summary: Executive Budget Recommendation
NATURAL RESOURCES
FY 2007-08**

Analyst: Kirk Lindquist

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Executive to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$3,765,900	\$3,808,300	\$42,400	1.1
Federal	42,964,300	44,334,700	1,370,400	3.2
Local	0	0	0	0.0
Private	3,125,100	3,166,500	41,400	1.3
Restricted	213,188,300	211,123,100	(2,065,200)	(1.0)
GF/GP	25,269,600	24,791,400	(478,200)	(1.9)
Gross	\$288,313,200	\$287,224,000	(\$1,089,200)	(0.4)
FTEs	2,092.4	2,088.9	(3.5)	(0.2)

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2007.

Overview

The Department of Natural Resources manages, conserves, and protects Michigan's resources. Programs include forest management, land and minerals management, wildlife and fisheries management, conservation law enforcement, and state parks and forest campgrounds.

Major Budget Changes from FY 2006-07 YTD

		<u>FY 2006-07 YTD</u>	<u>Executive Change</u>
1. Game and Fish Protection Fund License Increase	Gross	\$64,965,900	\$1,792,400
Provides funding for programs on assumption that proposed license increase for game and fish hunters and fishers will pass; if bills fail to pass before the start of the fiscal year, programs will be reduced by the amount of the shortfall: \$7,952,500 (Boilerplate Sec. 214).	Restricted	64,965,900	1,792,400
2. Forest Development Fund Revenue Shortfall	Gross	\$34,277,900	(\$7,679,800)
Reduces forest management programs to keep spending in line with expected revenue. A current-year reduction plan designed to reduce spending by \$5,993,200 has been adopted.	Restricted	34,277,900	(7,679,800)
3. One-Time Appropriations	Gross	\$445,000	(\$445,000)
Deletes funding for FY 2006-07 appropriations: Special Payments to Counties (\$170,000), Cormorant Control federal match (\$150,000), Bay City State Park Access Project (\$100,000), Project F.I.S.H. (\$25,000).	Restricted	125,000	(125,000)
	GF/GP	\$320,000	(\$320,000)
4. Tax Payment Adjustments	Gross	\$5,400,000	(\$700,000)
Reduces Purchased Lands PILT payments to reflect expected payment obligations.	Restricted	2,700,000	(350,000)
	GF/GP	\$2,700,000	(\$350,000)
5. Deer Habitat Programs	Gross	\$2,358,000	\$300,000
Provides additional support from the Game and Fish Protection sub-fund to expand the winter deer range habitat improvement program.	Restricted	2,358,000	300,000
6. Forest Use and Minerals Management Permits	Gross	\$2,145,400	\$350,000
Provides funding for permit processing and monitoring of use permits and minerals exploration and development in state forests.	Federal	1,000	0
	Restricted	2,144,400	350,000

NATURAL RESOURCES

<u>Major Budget Changes from FY 2006-07 YTD</u>		<u>FY 2006-07 YTD</u>	<u>Executive Change</u>
7. Clean Vessel Grants	Gross	\$100,000	\$300,000
Additional federal grant support is available to provide expanded pump-out services at a private marina on Maumee Bay.	Federal	100,000	300,000
8. Off-Road Vehicle Trail Expansion and Improvements	Gross	\$4,978,600	\$250,000
Increases amount available for ORV trail improvement projects on state lands.	Restricted	4,410,400	250,000
	GF/GP	\$568,200	\$0
9. Economic Adjustments	Gross	N/A	\$7,052,800
Provides support for negotiated civil service 4.0% wage increase, retirement plan contributions, and employer share of health insurance premiums.	IDG		108,700
	Federal		838,000
	Private		41,400
	Restricted		5,675,000
	GF/GP	N/A	\$389,700

Major Boilerplate Changes from FY 2006-07

Sec. 207. Restricted Fund Revenue, Expenditures, and Fund Balances – DELETED

Requires report on fund revenue, spending, and estimated year-end balance for each restricted fund appropriated in this act.

Sec. 209. Game and Fish Protection Fund Appropriations – DELETED

Lists appropriations to other state departments from the Game and Fish Protection Fund.

Sec. 210. Waterways Fund Projects – DELETED

Requires report of activities of Waterways Commission during the previous fiscal year and list of completed waterways fund projects be provided to Legislature and Department of Management and Budget by January 31, 2007.

Sec. 212. Federal Contingency Fund Transfers – NEW

Provides \$3.0 million in authorized transfer authority for unanticipated federal grant revenue, \$5.0 million for restricted revenue, \$100,000 for local revenue, and \$1.0 million for private revenue.

Sec. 214. Game and Fish Protection Fund Program Reductions – NEW

Provides appropriation unit reduction detail if proposed license increases are not enacted.

Sec. 216. Prohibition of Disciplinary Actions for Legislative Contacts – DELETED

Prohibits disciplining state employees who communicate with the Michigan Legislature.

Sec. 218. Transporting Employees on Department-Owned Aircraft – DELETED

Prohibits use of DNR aircraft to transport employees of Michigan colleges or universities, the Legislature, or local governments unless it is consistent with the mission of the Department.

Sec. 404. Fish Advisories in the Fishing Guide – DELETED

Directs Department to include website address for fishing advisory information from Department of Community Health.

Sec. 405. Land Transactions – DELETED

Requires quarterly report to Legislature on land purchases, sales and exchanges.

Sec. 501. Livestock Loss Indemnification – DELETED

Requires reimbursement for livestock losses caused by wolves, coyotes, or cougars be provided to Michigan Department of Agriculture.

Sec. 502. Federal Cooperative Project for Cormorant Population Control – DELETED

Requires matching federal agency support for any state funds provided for cormorant population control efforts.

Sec. 503. Bobcat Population Study and Hunting Quotas – DELETED

Requires estimate of bobcat population and proposed bobcat hunting quotas.

Sec. 601. Water Control Structure Certification – DELETED

Directs Fisheries Division to not interfere with certification process for dams and other water control structures.

Sec. 702. State Park Campground Closures – DELETED

Requires detailed reports for construction projects involving campsite or campground closures; requires notice if Department intends to reduce operations or reduce recreation opportunities at any state park or recreation area.

Sec. 704. Misuse of Complimentary or Discounted Day Passes – DELETED

Requires report of cases of misuse of complimentary or discounted day passes provided to elected officials.

Sec. 705. Porcupine Mountain Ski Hill – DELETED

Prohibits demolition of buildings related to the ski hill.

Sec. 706. Shooting Range at Island Lake Recreation Area – DELETED

Requires an engineering study of noise problems at the shooting range at Island Lake Recreation Area.

Sec. 707. Boating Access – DELETED

Requires the development of plans to improve public boating access on Michigan lakes.

Sec. 802. IDG to Department of Agriculture for Cooperative Resources Programs – DELETED

Requires \$1.0 million transfer from cooperative resources programs to Department of Agriculture for cooperative resources management initiative program for local conservation district forestry programs.

Sec. 803. Snowmobile Trail Between Gaylord and Cheboygan – DELETED

Requires Department to develop a snowmobile trail between Gaylord and Cheboygan.

Sec. 805. Contract Foresters – DELETED

Allows Department to hire contract foresters to mark timber.

Sec. 806. Timber Marking – DELETED

Directs Department, subject to forest certification process, to mark and prepare for harvest, 63,000 acres at an average rate of 12.5 to 13.0 cords per acre; impact of timber harvest on wildlife habitat and recreation uses to be considered; requires quarterly report.

Sec. 807. Jordon River Trail Connection to the Village of Bellaire – DELETED

Requires Department to allow access across state-owned land allowing connection of the Jordon River snowmobile Trail to the Village of Bellaire.

Sec. 901. Snowmobile Law Enforcement Grants – DELETED

Provides snowmobile law enforcement grant funds to county law enforcement agencies in counties with state snowmobile trails.

Sec. 1103. Off-Road Vehicle Trail Improvement Grants – DELETED

Requires the expenditure of not less than \$980,000 for the development of new ORV trails.

**FY 2007-08
Budget Detail
for**

SAFETY AND DEFENSE

**Military and Veterans Affairs
State Police**

**Summary: Executive Budget Recommendation
MILITARY AND VETERANS AFFAIRS
FY 2007-08**

Analyst: Jan Wisniewski

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Executive to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$1,664,600	\$1,680,900	\$16,300	1.0
Federal	51,450,700	54,187,500	2,736,800	5.3
Local	1,253,100	1,283,900	30,000	2.5
Private	1,441,300	1,463,300	22,000	1.5
Restricted	26,452,700	28,428,600	1,975,900	7.5
GF/GP	40,640,200	40,817,500	177,300	0.4
Gross	\$122,902,600	\$127,861,700	\$4,959,100	4.0
FTEs	1,022.0	1,022.0	0.0	0.0

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2007.

Overview

The Department of Military and Veterans Affairs is charged with the training and administration of Army and Air National Guard forces, providing combat-ready military forces during times of national emergency, and performing civil relief operations under the command of the governor during state emergencies. The Department's budget includes administrative and maintenance costs associated with these responsibilities as well as several National Guard-related programs such as the Challenge Program and the National Guard Education Assistance Program. The Department has oversight over the following veterans-related programs: state-licensed nursing care at veterans homes in Grand Rapids and Marquette, grant funding to veterans service organizations, and the Michigan Veterans Trust Fund.

Major Budget Changes from FY 2006-07 YTD

		<u>FY 2006-07 YTD</u>	<u>Executive Change</u>
1. Michigan Regional Training Institute (MRTI)	Gross	\$0	\$1,500,000
Authorizes charging for use of the new Michigan Regional Training Institute at Fort Custer in Battle Creek. New boilerplate language establishes MRTI and creates a fund for operations and maintenance of MRTI facilities. Government agencies, educational institutions, and various clubs and organizations would pay a fee to use MRTI facilities.	Restricted	0	1,500,000
2. Federal Revenue Increases – Various	Gross	\$0	\$832,000
Provides \$832,000 in funding increases from the Federal National Guard Bureau for communication and personnel costs, security contracts, and for expansion of the Starbase program to Fort Custer in Battle Creek.	Federal	0	832,000
3. Grand Rapids Veterans' Home – Various Adjustments	Gross	\$48,144,300	(\$414,500)
Offsets \$163,600 GF/GP with federal Veterans Health Administration funds; reduces \$21,700 GF/GP from early retirement sick leave payouts; reduces \$22,800 in lease revenue collections; offsets \$466,700 GF/GP with federal Medicare/Medicaid adjustments; reduces \$370,000 GF/GP for contractual services, overtime, entertainment, and nurse on-call costs.	Federal	16,018,200	630,300
	Private	415,000	0
	Restricted	15,091,400	(22,800)
	GF/GP	\$16,619,700	(\$1,022,000)

<u>Major Budget Changes from FY 2006-07 YTD</u>	<u>FY 2006-07 YTD</u>	<u>Executive Change</u>
4. D. J. Jacobetti Veterans' Home – Various Adjustments	Gross \$15,490,600	(\$800)
Reduces \$800 GF/GP from early retirement sick leave payouts; offsets \$190,700 in federal funds with restricted funds; offsets \$8,400 GF/GP with federal Medicare/Medicaid adjustments; offsets \$269,000 GF/GP with restricted funds.	Federal 4,993,900	(182,300)
	Private 125,000	0
	Restricted 4,990,400	459,700
	GF/GP \$5,381,300	(\$278,200)
5. Economic Adjustments	Gross N/A	\$3,295,700
Provides funding for employee economic adjustments. Also includes economic adjustments for Information Technology.	IDG N/A	16,300
	Federal N/A	1,463,700
	Private N/A	22,000
	Local N/A	30,800
	Restricted N/A	39,000
	GF/GP N/A	\$1,723,900
6. Headquarters and Armories – Vacancies	Gross \$10,178,900	(\$300,000)
Eliminates four armory maintenance mechanic vacancies.	Federal 2,717,900	0
	Restricted 350,000	0
	GF/GP \$7,111,000	(\$300,000)
7. Military Retirement – Cost of Living Increase	Gross \$2,973,800	\$74,200
Provides \$74,200 GF/GP for a federal 3.3% cost of living increase.	GF/GP \$2,973,800	\$74,200

Major Boilerplate Changes from FY 2006-07

Sec. 207. Privatization – DELETED

Requires Department to report privatization plans to the appropriations subcommittees and the fiscal agencies.

Sec. 211. Reporting Requirements – DELETED

Requires receiving and retaining reports funded from appropriations in part 1 and for following federal guidelines and state laws regarding record retention.

Sec. 213. Armory Closures – DELETED

Requires Department to consult with the Senate and House appropriations subcommittees regarding closure or consolidation of National Guard armories.

Sec. 214. Military Cemeteries – DELETED

States legislative intent to fund state military cemeteries in Crawford and Dickinson counties if funds are available.

Sec. 226. Disciplinary Action Prohibition – DELETED

Prohibits Department from taking disciplinary action against Department employees that communicate with the Legislature.

Sec. 227. Sale of Department Property – DELETED

Requires report to the Senate and House subcommittees concerning the sale of any Department property.

Sec. 228. Contingency Funds – NEW

Appropriates \$5.0 million in federal contingency funds, \$2.0 million for state restricted contingency funds, \$100,000 for local contingency funds, and \$100,000 for private contingency funds.

Sec. 229. Regional Training Center Revolving Account – NEW

Creates a new revolving account from revenue generated from government agencies and various groups using the new Michigan Regional Training Center at Fort Custer in Battle Creek.

Sec. 230. Regional Training Center Availability – NEW

Specifies availability of the Regional Training Center to military personnel, various government agencies, educational institutions, nonprofit corporations, community service clubs, and other organizations.

Major Boilerplate Changes from FY 2006-07

Sec. 301. Armory Usage Fees – DELETED

Authorizes Department to charge rental and equipment usage fees for armory rentals.

Sec. 302. Challenge Program – REVISED

Identifies alternative sources of funding other than general fund for the Challenge Program. Executive modifies language by eliminating language identifying alternative sources of funding and adding language to provide 75% participation in the Challenge Program for members of families at or below 200% of the federal poverty level.

Sec. 501. Veterans Service Organizations – REVISED

Requires reports to the appropriations subcommittees concerning suggestions for enhancing veterans' benefits counseling programs. Executive eliminates subsection.

Sec. 601. Veterans' Home Appropriations – DELETED

Requires the use of appropriations for the two veterans' homes in the state for any purpose other than for veterans and veterans' families.

Sec. 602. Veterans' Home Reports – DELETED

Requires report requirement containing census and financial information for the two homes to the appropriations subcommittees.

Sec. 704. County Veterans Counselor Training – DELETED

Requires the veterans affairs directorate and the Veterans' Trust Fund administration to train county veterans counselors.

Summary: Executive Budget Recommendation
STATE POLICE
FY 2007-08

Analyst: Jan Wisniewski

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Executive to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$22,642,400	\$26,043,700	\$3,401,300	15.0
Federal	169,305,000	146,240,200	(23,064,800)	(13.6)
Local	8,088,900	8,739,100	650,200	8.0
Private	80,300	262,500	182,200	226.9
Restricted	119,873,200	113,916,300	(5,956,900)	(5.0)
GF/GP	249,298,700	268,633,100	19,334,400	7.8
Gross	\$569,288,500	\$563,834,900	(\$5,453,600)	(1.0)
FTEs	2,903.0	2,902.0	(1.0)	0.0

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2007.

Overview

The Department of State Police provides a wide range of law enforcement services—including highway patrol, criminal investigations, forensic sciences, motor carrier enforcement, emergency management, highway safety planning, fire investigation, criminal justice data processing, and various specialized law enforcement services. The Department's responsibilities also include oversight of law enforcement standards in the state through the Michigan Commission on Law Enforcement Standards and administration of several law enforcement-related grant programs.

Major Budget Changes from FY 2006-07 YTD

		<u>FY 2006-07 YTD</u>	<u>Executive Change</u>
1. State Services Fee Fund Decrease	Gross	\$8,500,000	(\$2,500,000)
Removes restricted State Services Fee Fund revenue added to Traffic Law Enforcement and Safety Fund in FY 2006-07 for At-Post Trooper line to fund trooper operations (\$6.0 million) and a 50 recruit trooper school (\$2.5 million); adds \$6.0 million GF/GP for trooper operations.	Restricted	8,500,000	(8,500,000)
	GF/GP	\$0	\$6,000,000
2. Liquor License Revenue Fund Shift	Gross	\$2,597,500	\$0
Replaces GF/GP with restricted liquor license revenue funds for Fire Investigation line (\$1,543,300), Fire Investigation Training to Locals line (\$50,000), and At-Post Troopers line (\$1,004,200).	Restricted	0	2,597,500
	GF/GP	\$2,597,500	(\$2,597,500)
3. Increase GF/GP Support	Gross	\$400,000	\$1,500,000
Adds \$1.9 million GF/GP for shortfall in IT costs (\$1.5 million); reverses one-time removal of GF/GP for sale of Department aircraft in FY 2005-06 budget (\$400,000).	Restricted	400,000	(400,000)
	GF/GP	\$0	\$1,900,000

STATE POLICE

Major Budget Changes from FY 2006-07 YTD

FY 2006-07 YTD

**Executive
Change**

4. State Restricted Authorization Increase – Various

Increases restricted funds for Michigan Public Safety Communications System (\$500,000); Michigan Justice Training Fund grants (\$200,000); nuclear power plant emergency planning services reimbursements (\$200,000); increased registrations for Homeland Security Conference (\$110,800); private donations to Michigan Youth Leadership Academies (\$169,700); operational costs for Sex Offender Registry, Amber Alert, polygraph tests, and forensic science witness testimony (\$1,027,300); adds State Trunkline funds (\$1,298,400), Motor Carrier Fees (\$464,500), and cost allocation of administrative lines to restricted funds (\$500,000); makes no fee increases, just adds revenue from increased usage.

Gross	\$0	\$4,470,700
Restricted	0	4,470,700

5. Federal/State Restricted Authorization Decrease – Various

Decreases federal and state restricted authorization to reflect actual expenditures for the Michigan Justice Training Fund (\$1.0 million restricted); Homeland Security (\$20.0 million federal); Department of Justice (\$4,223,300 federal); Forensic Science Reimbursement fees (\$750,000 restricted); and Department aircraft rental (\$125,900).

Gross	\$26,099,200	(\$26,099,200)
Federal	24,223,300	(24,223,300)
Restricted	1,875,900	(1,875,900)

6. Economic Adjustments

Provides funding for employee economic adjustments. Also includes economic adjustments for Information Technology.

Gross	N/A	\$17,221,700
IDG	N/A	784,700
Federal	N/A	1,008,400
Local	N/A	125,500
Private	N/A	12,500
Restricted	N/A	839,600
GF/GP	N/A	\$14,451,000

Major Boilerplate Changes from FY 2006-07

Sec. 206. Contingency Funds – NEW

Adds language appropriating \$10.0 million in federal contingency funds, \$3.5 million for state restricted contingency funds, \$1.0 million for local contingency funds, and \$200,000 for private contingency funds.

Sec. 207. Privatization – DELETED

Requires Department to report privatization plans to the appropriations subcommittees and the fiscal agencies.

Sec. 211. Reimbursement of Expenses – DELETED

States legislative intent for Department personnel that are eligible for reimbursement of expenses.

Sec. 213. Contractual Services Subsidy Restrictions – DELETED

States legislative intent prohibiting contractual services subsidies.

Sec. 214. Reporting Requirements – DELETED

Requires receiving and retaining reports funded from appropriations in part 1 and for following federal guidelines and state laws regarding record retention.

Sec. 215. Casino Gaming Oversight Reports – DELETED

Requires report to the appropriations subcommittees and the fiscal agencies for the Department's oversight of casino gaming activities.

Sec. 216. Vehicle Identification Number Collection – DELETED

Directs Department to collect and computerize vehicle identification number information.

Sec. 217. School Violence Hotline – DELETED

Directs Department to maintain a school violence hotline in collaboration with Department of Education.

Major Boilerplate Changes from FY 2006-07

Sec. 218. At-Post Trooper Functions – REVISED

Requires a trooper school and trooper strength reporting requirements. Executive eliminates subsections requiring a 50 recruit trooper school to commence no later than August 15, 2007 and trooper strength reporting requirements to the appropriations subcommittees.

Sec. 219. Post Closure Notification – DELETED

Requires report to appropriations subcommittees and fiscal agencies concerning post closure or consolidation recommendations.

Sec. 220. General Law Enforcement Assistance Requirement – DELETED

Directs Department to provide general law enforcement assistance to communities that lack adequate law enforcement resources until other resources can be provided to those communities.

Sec. 221. Marshall State Police Post – DELETED

Allows Department to build a State Police post in Marshall.

Sec. 224. Disciplinary Action Prohibition – DELETED

Prohibits Department from taking disciplinary action against Department employees that communicate with the Legislature.

Sec. 225. MCOLES Michigan Justice Training Grants – DELETED

States legislative intent to utilize Michigan Justice Training Grant funds solely for law enforcement training.

Sec. 226. State, Local and Regional Communication Interoperability Plans – DELETED

Directs Department to work with DIT to encourage tactical interoperable radio communication plans between local, regional, state, and federal agencies.

Sec. 227. Prohibit Transporting Employees on State Aircraft – DELETED

Prohibits Department from transporting employees of higher education institutions, legislators and staff, and local government employees on state-owned aircraft except for law enforcement or homeland security activities.

Sec. 229. State Police Retirement System – DELETED

Requires that unexpended and unencumbered funds from Department's current-year appropriated budget be used for the State Police retirement system for retirees who accrued overtime from 1957 through 1963.

Sec. 230. Trooper School Funding – DELETED

Requires that unexpended and unencumbered funds from Department's current year appropriated budget may be used for a new trooper school, provided that the objectives in Sec. 229 are fulfilled.

Sec. 232. MCOLES Certified Officers for Trooper School – DELETED

Emphasizes recruiting MCOLES certified local level police officers for the trooper recruit school.

Sec. 304. LEIN System Policies – DELETED

Requires a report concerning policies for accessing and using information from the LEIN system.

Sec. 305. Unauthorized LEIN System Use – DELETED

Encourages the criminal justice information systems policy council and members of law enforcement agencies to determine possible misuse of the LEIN system.

Sec. 306. LEIN System Information – DELETED

Requires implementing procedures for placing probation information on the LEIN system.

Sec. 307. Michigan Public Safety Communication System Usage – DELETED

Directs Department to act as a liaison with DIT and local public safety agencies to facilitate use of MPSCS towers.

Sec. 308. LEIN Fee Increase Reporting – DELETED

Directs Department to report any changes in the LEIN fee structure to the appropriations subcommittees.

Sec. 401. Secondary Road Patrol Assessments Report – REVISED

Requires report on status of assessments. Executive changes reporting requirement from quarterly basis to one report on January 1, 2008, for status of assessments collected and authorized for Secondary Road Patrol program.

STATE POLICE

Major Boilerplate Changes from FY 2006-07

Sec. 501. DNA Sample Protocol – REVISED

Requires report to the appropriations subcommittees concerning the Department's protocol for retaining and purging DNA analysis samples.

Sec. 502. Emergency Treatment of Sexual Assault Victims – DELETED

Directs Department to work with DCH, the Michigan Health and Hospital Association, the Michigan State Medical Society, and the Michigan Nurses Association concerning emergency treatment of sexual assault victims procedures.

Sec. 602. Federal Firearms Laws Training – DELETED

Requires using funds for federal firearms laws training for public safety officers.

Sec. 802. Emergency Management Computer Network Purchases – DELETED

Prohibits Department from making purchases related to a statewide emergency management computer network unless authorized by the director of DIT.

Sec. 803. Homeland Security Grant Funding – DELETED

Requires Department to ensure that federal Homeland Security grants are allocated primarily to first responders and that funds to the City of Detroit are not used for supplanting city general funds.

Sec. 902. State Services Fee Fund Transfer – DELETED

Provides \$8.5 million in surplus FY 2006-07 State Services Fee Fund revenue appropriated to Traffic Law Enforcement and Safety Fund.

Sec. 1001. Sale of Department Aircraft – DELETED

Authorizes Department to sell Department aircraft and to purchase replacement aircraft.

Sec. 1002. Private Donations – REVISED

States legislative intent regarding private donations supplanting general fund appropriations. Executive eliminates prohibition.

Sec. 1101. State Police Services In Prison Area – DELETED

Directs Department to ensure no downgrades in State Police services are experienced in the area of state prisons.

Sec. 1102. Methamphetamine Reporting – DELETED

Directs Department to provide methamphetamine incidence reports to the appropriations committees.

Sec. 1201. School Bus Inspections Report – DELETED

Requires Department report to the appropriations subcommittees concerning school bus inspections and other vehicles under the Michigan Vehicle Code and the Pupil Transportation Act.

**FY 2007-08
Budget Detail
for
ALL OTHERS**

**Capital Outlay
History, Arts, and Libraries
Judiciary
Labor and Economic Growth
Transportation**

CAPITAL OUTLAY

**Summary: Executive Budget Recommendation
CAPITAL OUTLAY
FY 2007-08**

Analyst: Al Valenzio

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Executive to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$0	\$0		
Federal	0	0		
Local	0	0		
Private	0	0		
Restricted	0	0		
GF/GP	0	0		
Gross	\$0	\$0		
FTEs	0.0	0.0		

Note: Enrolled SB 1081, FY 2006-07 appropriations for Capital Outlay, was vetoed by the Governor on December 21, 2006; Executive Recommendation for FY 2007-08 Capital Outlay budget not presented at this time.

Overview

The Michigan Capital Outlay process encompasses the budgetary and administrative functions devoted to financing and planning for acquisition, construction/renovation, and maintenance of facilities used by a state agency, public university, or community college. General operational practices and procedures are contained in the Management and Budget Act (1984 PA 431), the State Building Authority Act (1964 PA 183), the annual Capital Outlay Appropriations Act, and the formal policies of the Legislative Joint Capital Outlay Subcommittee. Act 431 contains numerous oversight and approval action steps that define the respective roles of the Executive and Legislative Branches. The State Building Authority (SBA) finances most major state-owned facility renovations and new construction projects through issuance of revenue bonds. Debt service on these bonds is based on the respective individual facility's economic or market value, and is appropriated as rent. The SBA statutory bonded indebtedness ceiling is currently \$2.7 billion.

**Summary: Executive Budget Recommendation
HISTORY, ARTS, AND LIBRARIES
FY 2007-08**

Analyst: Al Valenzio

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Executive to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$79,000	\$139,200	\$60,200	76.2
Federal	8,450,000	7,307,400	(1,143,500)	(13.5)
Local	0	0	0	0
Private	577,400	112,400	(465,000)	(80.5)
Restricted	2,581,200	2,645,600	64,400	2.5
GF/GP	43,175,200	37,248,800	(5,926,400)	(13.7)
Gross	\$54,863,700	\$47,453,400	(\$7,410,300)	(13.5)
FTEs	238.0	234.0	(4.0)	(1.7)

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2007.

Overview

The Department of History, Arts, and Libraries administers programs in four major areas: arts and cultural affairs, which includes administration of Michigan’s Arts and Cultural Grants program; Mackinac Island State Park Commission, which oversees operational activities at the Mackinac Island State Park, the Michilimackinac State Park, and the Mill Creek State Park; historical program, which includes historical museum system, historical publications, archaeological, and lighthouse preservation activities; and library services, providing reference services to the public and Legislative, Executive, and Judicial branches of state government, as well as assisting public libraries statewide.

Major Budget Changes from FY 2006-07 YTD

		FY 2006-07 YTD	Executive Change
1. State Aid to Libraries	Gross	\$12,143,000	(\$6,071,500)
Executive recommendation seeks to reduce funding by 50%.	GF/GP	\$12,143,000	(\$6,071,500)
2. Book Distribution Centers	Gross	\$350,000	(\$350,000)
Executive recommendation eliminates funding.	GF/GP	\$350,000	(\$350,000)
3. Arts and Cultural Affairs Administration	FTEs	9.0	(4.0)
Executive recommendation reduces funding for administrative support.	Gross	\$726,000	(\$125,000)
Savings from reduced staffing, travel, and contracting.	GF/GP	\$726,000	(\$125,000)
4. Library of Michigan Operations	FTEs	71.0	0.0
Executive recommendation reduces funding for administrative support.	Gross	\$6,543,800	(\$252,900)
Savings from reduced collection purchases.	GF/GP	\$6,543,800	(\$252,900)
5. Information Technology – Web Portal	Gross	\$0	\$140,000
Executive recommendation provides funds to ensure DIT costs are fully supported.	GF/GP	\$0	\$140,000
6. Historical Program, Federal Programs	FTEs	12.0	0.0
The Department anticipates a reduction in federal funds used to support related activity in the State Historic Preservation Office.	Gross	\$1,993,500	(\$1,171,800)
	Federal	1,993,500	(1,171,800)

HISTORY, ARTS, AND LIBRARIES

<u>Major Budget Changes from FY 2006-07 YTD</u>	<u>FY 2006-07 YTD</u>	<u>Executive Change</u>	
7. Economic Adjustments	Gross	N/A	\$689,300
Adjustments for salaries/wages, insurances, workers compensation, and retirement and FICA.	IDG	N/A	7,400
	Federal	N/A	28,300
	Restricted	N/A	56,500
	GF/GP	N/A	\$597,100

Major Boilerplate Changes from FY 2006-07

Sec. 406(1)(d). Art and Cultural Grants, Program Goals/Outcomes Reporting – DELETED

Requires annual report detailing Department's success in achieving program goals/outcomes; including summary by program of performance according to established quantifiable measures of success.

Sec. 406(2). Art and Cultural Grants, Reporting – DELETED

Requires report by August 1 to the Legislature on any remaining discretionary grant funds that are unexpended or unencumbered. MCACA must give a 10 day notice to subcommittees before expending any of these monies.

Sec. 408. Cultural and Ethnic Heritage Centers – DELETED

Defines cultural and ethnic heritage centers and museums; allows Michigan Council for Arts and Cultural Affairs to make awards to these institutions.

**Summary: Executive Budget Recommendation
JUDICIARY
FY 2007-08**

Analyst: Viola Bay Wild

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Executive to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$2,563,500	\$2,523,500	(\$40,000)	(1.6)
Federal	4,626,400	4,626,400	0	0.0
Local	3,612,400	5,409,700	1,797,300	49.8
Private	842,500	842,500	0	0.0
Restricted	87,178,500	87,892,800	714,300	0.8
GF/GP	160,604,800	161,937,300	1,332,500	0.8
Gross	\$259,428,100	\$263,232,200	\$3,804,100	1.5
FTEs	509.0	509.0	0.0	0.0

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2007.

Overview

Article VI of the State Constitution of 1963 forms the basis for Michigan's judicial branch of government, which receives funds appropriated through the budget act for the Judiciary. The Judiciary budget provides operational funding for the Michigan Supreme Court, Court of Appeals, and related judicial agencies. The budget also funds the salaries of justices of the Supreme Court and judges of the appeals, circuit, probate, and district courts according to constitutional and statutory requirements. Assistance for local court operations is provided through a variety of grant programs. The largest of these, the Court Equity grant program, reimburses counties for trial court operations based on a statutory formula that recognizes circuit and probate caseloads and the numbers of judgeships.

Major Budget Changes from FY 2006-07 YTD

		<u>FY 2006-07 YTD</u>	<u>Executive Change</u>
1. Judgeship Changes	Gross	\$94,020,200	\$339,700
Funds enacted changes in judgeships: \$139,900 for full-year funding of four new circuit judgeships that received nine-month funding in FY 2006-07 and became full-time on January 1, 2007, and \$199,800 for full-year funding for seven probate judgeships which were converted from part-time to full-time as of January 1, 2007.	Restricted	7,090,200	0
	GF/GP	\$86,930,000	\$339,700
2. Administrative Reductions	Gross	N/A	(\$750,000)
Includes administrative savings of \$750,000 Gross and GF/GP spread across various lines to be realized by not filling vacancies and reducing personnel costs.	GF/GP	N/A	(\$750,000)
3. Justice Information System Software Enhancement	Gross	N/A	\$1,693,000
Includes \$1.7 million of restricted funding for the first year of an estimated four year project that will develop and implement a new software system for trial court case management. Project is expected to be completed over four years with an estimated total cost of \$8.0 million to \$12.0 million in restricted funds.	Local	N/A	1,693,000
4. Drunk Driving Case-Flow Assistance Fund Increase	Gross	\$2,300,000	\$700,000
Increases funding appropriation by \$700,000 gross to recognize increased fee collections and provide sufficient spending authority to disburse funds to the appropriate courts as required by statute.	Restricted	2,300,000	700,000

JUDICIARY

Major Budget Changes from FY 2006-07 YTD

FY 2006-07 YTD **Executive Change**

5. *Judicial Defined Contribution and FICA Costs*

Increases funds for judges' FICA and defined contribution retirement costs by \$391,400 gross and GF/GP. Increases are recommended separately from other economic increases due to constitutional/statutory obligation to fund judgeships.

Gross	N/A	\$391,400
GF/GP	N/A	\$391,400

6. *Economics*

Provides economic adjustments as follows:

- Salaries/wages increase: \$1.3 million Gross, \$1.2 million GF/GP
- Insurance increase: \$452,600 Gross, \$425,000 GF/GP
- Retirement increase: \$365,200 Gross, \$342,900 GF/GP
- Rent increase: \$167,700 Gross and GF/GP
- Workers' Compensation reduction: (\$16,000) Gross and GF/GP
- Building occupancy charges reduction: (\$601,800) Gross, (\$594,300) GF/GP

Gross	N/A	\$1,618,300
Federal	N/A	0
Local	N/A	104,300
Private	N/A	0
Restricted	N/A	14,300
GF/GP	N/A	\$1,499,700

Major Boilerplate Changes from FY 2006-07

Sec. 204. Contact With Legislature – DELETED

Forbids disciplinary action against any judicial branch employee for communicating with legislator or legislative staff.

Sec. 212. Retention of Reports – DELETED

Directs the judicial branch to comply with federal and state guidelines for short-term and long-term retention of reports funded through appropriations.

Sec. 304. Auditor General – DELETED

Requires judicial branch to cooperate with the auditor general in audits of judicial branch.

Sec. 305. Expenditure and Revenue Reports – DELETED

Requires quarterly financial reports on judiciary budget revenue and expenditures.

Sec. 310. Drug Treatment Court Evaluation – REVISED

Current-year language requires evaluation and monitoring of drug court programs by independent third parties. Executive directs the state court administrative office to evaluate drug court programs and provide an annual review.

Sec. 311. Drug Courts – REVISED

Current-year language specifies criteria for drug court grants. Executive deletes language that specifies court criteria and deletes language that stipulates that drug treatment court programs cannot receive funds for more than 5 years. Executive also deletes requirement for locals to refer to federal guidelines and that courts with more substance abuse cases may be given higher priority in receiving grants.

Sec. 312. Parental Rights Restoration Act Report – DELETED

Instructs state court administrator to report total number of petitions filed by minors seeking court-issued waiver of parental consent under Parental Rights Restoration Act, and total number of petitions granted.

Sec. 313. Judicial Training – DELETED

Expresses legislative intent for judges to receive training on judicial responsibilities pertaining to expert witnesses.

Sec. 317. Transcript Fees – DELETED

Provides for expenditure of a transcript fee fund to reimburse counties for additional costs should statutory limits on transcript fees be increased and associated sources of funding found.

**Summary: Executive Budget Recommendation
LABOR AND ECONOMIC GROWTH
FY 2007-08**

Analyst: Richard Child

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Executive to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$23,485,800	\$34,472,800	\$10,987,000	46.8
Federal	795,345,800	837,855,300	42,509,500	5.3
Local	15,824,300	15,884,700	60,400	0.4
Private	2,314,300	2,314,300	0	0
Restricted	347,069,300	355,515,200	8,445,900	2.4
GF/GP	47,436,700	99,105,100	51,668,400	108.9
Gross	\$1,231,476,200	\$1,345,147,400	\$113,671,200	9.2
FTEs	4,297.0	4,365.0	68.0	1.6

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through February 5, 2007.

Overview

The Department of Labor and Economic Growth (DLEG) has primary responsibility for the regulatory functions that relate specifically to commercial, business, and workers' issues. It also includes various employment training-related programs for displaced workers, adults, and youth, and employment services for the disabled as well as welfare recipients. Programs of the Michigan Strategic Fund, an autonomous agency administered by Michigan Economic Development Corporation (MEDC), were transferred to Department of Treasury by 2005 PA 225.

Major Budget Changes from FY 2006-07 YTD

		FY 2006-07 YTD	Executive Change
1. Fire Protection Grants Fund Shift	Gross	\$10,910,500	\$0
Replaces GF/GP with \$1.8 million in additional bad driver fees and \$1.9 million from increased liquor license fees.	Restricted	7,210,500	3,700,000
	GF/GP	\$3,700,000	(\$3,700,000)
2. New No Worker Left Behind Program	Gross	\$0	\$77,000,000
Redirects some existing Workforce Incentive Act Funds and additional GF/GP to provide up two years of college for displaced workers.	Federal	0	37,000,000
	GF/GP	\$0	\$40,000,000
3. Michigan Broadband Development Authority Eliminated	FTE	2.0	(2.0)
Completes phase-out of the Michigan Broadband Development Authority which began during the previous fiscal year.	Gross	\$501,800	(\$501,800)
	Restricted	501,800	(501,800)
4. Increase in Federal Program/Grant Funding	Gross	\$0	\$5,000,000
Provides \$5.0 million in additional federal Housing and Urban Development conversion housing choice vouchers administered by Michigan State Housing Development Authority.	Federal	0	5,000,000
5. Jobs, Education, and Training (JET) Program	FTE	0.0	62.0
Anticipates savings in welfare assistance payments in order to both continue the JET Pilot Program and provide state-wide expansion, including 62.0 new FTEs. The JET program's mission is to move welfare recipients to self sufficiency by removing barriers to employment.	Gross	\$12,278,800	\$10,599,000
	IDG	12,278,800	10,599,000

LABOR AND ECONOMIC GROWTH

<u>Major Budget Changes from FY 2006-07 YTD</u>	<u>FY 2006-07 YTD</u>	<u>Executive Change</u>	
6. New Michigan Nursing Corps Program	Gross	\$0	\$15,000,000
Adds \$15.0 million to rapidly prepare 500 new nursing faculty and recruit 200 displaced workers with bachelor's degrees in science to earn an accelerated one year nursing program certification.	GF/GP	\$0	\$15,000,000
7. FY 2007-08 Economic Increases	Gross	\$0	\$15,637,400
Includes contractual 4.0% wage increases, 7.2% employee benefit increases, and minor pension increases based on higher wages; provides a \$0.5 million decrease for building occupancy charges for use of state-owned buildings and a \$1.0 million decrease for self-insured worker's compensation; rent paid to third parties for office space does not increase.	IDG	0	510,300
	Federal	0	7,710,000
	Private	0	0
	Local	0	60,400
	Restricted	0	6,929,400
	GF/GP	\$0	\$427,300

Major Boilerplate Changes from FY 2006-07

Sec. 218. Contingency Funds – NEW

Provides up to \$30.5 million appropriation for federal contingency funds, up to \$13.2 million for state restricted funds, \$8.2 million for local funds and \$0.6 million for private funds.

Sec. 318. Prohibition of Ergonomics Rule – DELETED

Eliminates prohibition against use of appropriated funds to develop ergonomics rules that are more stringent than voluntary federal guidelines; eliminates report to the Legislature requiring disclosure of activities related to ergonomic rule promulgation.

Sec. 319. Prohibition of Professional Employer Organization Special Rules – DELETED

Removes prohibition against use of appropriated funds to develop rules, guidelines, or standards governing professional employer organizations (PEOs) that are more stringent than currently prescribed by statute.

Sec. 353. Resumption of Printing of Real Estate Reference Books – REVISED

Ends specific allocation of \$50,000 of appropriation for commercial services, but continues to allow printing the Red Book which contains real estate laws and regulations. Renumbers as Section 357.

Sec. 370. Cities of Promise Blight Elimination Program – NEW

Appropriates \$6.3 million of existing Michigan State Housing Development Authority funds to address abandoned property in eight designated Cities of Promise; Benton Harbor, Detroit, Flint, Hamtramck, Highland Park, Muskegon Heights, Pontiac and Saginaw.

Sec. 372. Report of Administrative Law Judge Decisions Concerning OFIS – DELETED

Ceases annual report to the Legislature summarizing decisions of Administrative Law Judges concerning Office of Financial and Insurance Services (OFIS).

Sec. 373. Report Number of Inquiries Concerning Michigan's Minimum Wage Law – DELETED

Stops annual report for FY 2005-06 and quarterly report for FY 2006-07 of the number of inquiries from employers and employees concerning Michigan new minimum wage law.

Sec. 405. Welfare Recipient Work Requirements – REVISED

Simplifies language by citing new requirements in federal Social Security Act.

Sec. 431. Michigan Nursing Corps – NEW

Describes the use of \$15.0 million to train new nursing faculty and recruit and re-train displaced workers with bachelor's degrees in science. Creates a work project for unexpended funds until project completion, which is tentatively stated as September 30, 2009.

Sec. 432. No Worker Left Behind Program – NEW

Appropriates \$77.0 million of the workforce development training program sub-grantees funding for tuition grants for up to two years of training. Creates a work project for unexpended funds until project completion, which is tentatively set for September 30, 2009.

**Summary: Executive Budget Recommendation
TRANSPORTATION
FY 2007-08**

Analyst: William E. Hamilton

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Executive to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$0	\$0	\$0	0
Federal	1,169,336,300	1,200,740,600	31,404,300	2.7
Local	47,500,000	42,850,000	(4,650,000)	(9.8)
Private	0	0	0	0
Restricted	2,225,029,000	2,121,665,000	(103,364,000)	(4.6)
GF/GP	0	0	0	0
Gross	\$3,441,865,300	\$3,365,255,600	(\$76,609,700)	(2.2)
FTEs	3,036.3	3,035.3	(1.0)	(0.0)

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2007.

Overview

The transportation budget supports state and local highway programs, public transportation programs, aeronautics programs, and administration of the Michigan Department of Transportation. Approximately 2/3 of the budget is from constitutionally-restricted state revenue sources—primarily from motor fuel taxes and vehicle registration taxes credited to the Michigan Transportation Fund (MTF). MTF revenue is distributed to other state transportation funds and programs, and to local road agencies, in accordance with 1951 PA 51 (Act 51). Approximately 1/3 of the budget is from federal sources. There is no state GF/GP revenue in this budget.

Major Budget Changes from FY 2006-07 YTD

		FY 2006-07 YTD	Executive Change
1. Debt Service	Gross	\$207,620,000	\$15,992,200
Reflects anticipated debt service schedules including \$25.1 million for Jobs Today bonds may be issued in 2007.	Federal	55,000,000	80,000
	Restricted	152,620,000	15,912,200
2. Grants (IDGs) to Other State Departments	Gross	\$46,112,200	\$1,227,600
Includes \$20.0 million MTF to Department of State and \$8.0 million MTF to Department of Treasury (\$696,800 less than current year) for cost of collecting MTF revenue. State Trunkline Fund (STF) grant to the Michigan State Police would increase by \$1.6 million to \$9.6 million based on cost allocation.	Restricted	46,112,200	1,227,600
3. Information Technology	Gross	\$27,876,500	\$606,800
Reflects net after economics, administrative savings, and pilot program to convert unsupported client/sever software.	Federal	1,446,900	0
	Restricted	26,429,600	606,800
4. Engineering Services	FTEs	802.2	(17.1)
Adds \$3.0 million in federal funds for Safe Routes to Schools, a federally-mandated program new in 2006. Other changes reflect economics, administrative savings, and internal position transfers.	Gross	\$55,537,900	\$2,741,900
	Federal	11,151,300	3,668,000
	Restricted	44,386,600	(926,100)
5. State Trunkline Maintenance	FTEs	825.6	3.1
Reflects state trunkline lane miles added by new construction and jurisdictional transfer, and economic increases. Executive recommends roll up of State trunkline operations and Contract operations lines.	Gross	\$275,164,900	\$3,442,800
	Restricted	275,164,900	3,442,800

TRANSPORTATION

<u>Major Budget Changes from FY 2006-07 YTD</u>	<u>FY 2006-07 YTD</u>	<u>Executive Change</u>
6. State Trunkline Road and Bridge Construction	Gross	\$987,862,200 (\$36,346,600)
Provides \$951.5 million (\$36.3 million decrease from current-year), reflecting anticipated federal and STF revenue. Decrease in available STF revenue (\$61,735,500) partially offset by \$5.6 million in Blue Water Bridge Fund revenue appropriated for capital projects at the Blue Water Bridge.	Federal	754,536,100 19,835,700
	Local	30,000,000 0
	Restricted	203,326,100 (56,182,300)
7. MTF Distribution to Local Road Agencies	Gross	\$970,967,800 (\$40,575,700)
Provides \$971 million MTF (\$623.4 million to county road commissions, \$347.6 million to cities/villages) based on MTF revenue estimates and Act 51 formula; final distribution will be based on actual MTF revenue which may be more or less than appropriations.	Restricted	970,967,800 (40,575,700)
8. Transportation Economic Development Program	Gross	\$41,766,800 (\$12,632,500)
Provides \$29.1 million for statutory distribution per 1987 PA 231; reflects Executive recommendation to redirect \$13.0 million drivers' license fee revenue from TEDF to state General Fund. EO 2007-1 redirects \$6.0 million from TEDF Target Industries in the current year.	Restricted	41,766,800 (12,632,500)
9. Aeronautics Programs	FTEs	56.0 0.0
Retains funding for Air service program at \$700,000, based on State Aeronautics Fund revenue. Executive rolls up Airport improvement services and Aviation services.	Gross	\$7,693,500 \$117,000
	Restricted	7,693,500 117,000
10. Freight Services	FTEs	36.0 (8.8)
Transfers Freight and safety services, formerly part of Public transportation services, to new Aeronautics and Freight Services appropriations unit to reflect Department reorganization. Reduction reflects position transfers net of economic adjustments.	Gross	\$4,121,100 (\$816,000)
	Restricted	4,121,100 (813,000)
11. Public Transportation Services	FTEs	38.0 8.0
Reflects economics and position transfers.	Gross	\$4,111,100 \$1,205,400
	Federal	738,100 24,000
	Restricted	3,373,000 1,181,400
12. Bus Transit – Local Bus Operating Assistance	Gross	\$166,624,000 \$0
Includes \$166.6 million for state operating assistance to local public transit agencies, unchanged from the current year.	Restricted	166,624,000 0
13. Rail Passenger Service	Gross	\$8,200,000 \$0
Supports Port Huron/Chicago and Grand Rapids/Chicago Port Huron/Chicago and Grand Rapids/Chicago service.	Federal	1,000,000 0
	Restricted	7,200,000 0
14. Bus Capital	Gross	\$64,726,500 (\$16,112,900)
Provides match funds for Federal Transit Administration grants to local transit agencies; line reflects reduction in Comprehensive Transportation Fund (CTF) revenue estimates, and reduction in local matching funds. In January 2007, the State Budget Office reduced current-year allotments for Bus Capital by \$12.3 million to reflect reductions in estimated CTF revenue. As a result, amounts appropriated in the current year for Bus Capital do not reflect the amounts actually available for capital grants.	Federal	30,000,000 0
	Local	7,500,000 (2,500,000)
	Restricted	27,226,500 (13,612,900)
15. Economics	Gross	N/A \$10,354,500
Provides for salaries/wages (\$6.6 million increase); retirement and insurance contributions (\$2.0 million net increase); building occupancy charges (\$1.7 million). Projected workers compensation would increase \$10,000.	Federal	N/A 707,600
	Restricted	9,646,900

Major Boilerplate Changes from FY 2006-07

Sec. 206. Contingency Funds – NEW

Provides for \$40.0 million federal, \$40.0 million state restricted, and \$1.0 million each local and private contingency funds as authorized under Section 393(2) of the Management and Budget Act.

FY 2007-08

CONSENSUS REVENUE

Consensus Revenue: FY 2007-08

Senior Economist: Rebecca Ross

This section explains January 2007 Consensus Revenue Estimating Conference estimates for GF/GP and School Aid Fund (SAF) revenue for FYs 2006-07 and 2007-08 by major revenue sources.

General Fund/General Purpose Revenue by Source

Personal Income Tax

- Wage and salary employment is expected to decrease 0.9% in 2007 and decrease 0.6% in 2008.
- Michigan's unemployment rate is expected to be 7.4% in both 2007, then increase to 7.7% in 2008.
- Michigan personal income tax revenue is forecast to increase 0.7% in FY 2006-07 and 1.5% in FY 2007-08.
- Baseline GF/GP income tax revenue is expected to increase 0.4% to \$4,200.6 million in FY 2006-07, and by 1.2% to \$4,252.0 million in FY 2007-08.

Sales and Use Taxes

- Baseline GF/GP sales and use tax revenue is expected to increase from \$1,066.8 million in FY 2006-07 to \$1,095.6 million in FY 2007-08.

Single Business and Insurance Taxes

- Business taxes (SBT plus insurance taxes) accrue to the General Fund.
- Net baseline business taxes were \$2,198.3 million in FY 2005-06 and will increase 1.2% to \$2,223.6 million in FY 2006-07, and 2.2% to \$2,272.7 million in FY 2006-07.
- Baseline Single Business Tax revenue alone was \$1,978.8 million in FY 2005-06; it is expected to increase 1.0% to \$1,997.5 million in FY 2006-07 and increase 2.2% to \$2,040.7 million in FY 2007-08..

GF/GP Baseline Tax Revenue

- Preliminary final GF/GP baseline tax revenue totaled \$7,970.6 million in FY 2005-06.
- General Fund/General Purpose baseline tax revenue is expected to increase in FY 2006-07 by 0.8% to \$8,035.1 million and in FY 2007-08 by 1.5% to \$8,155.1 million.

Total GF/GP Baseline Revenue

- Total baseline GF/GP revenue includes baseline tax revenue and non-tax revenue. Non-tax revenue includes revenue from the liquor purchase revolving fund, federal aid, licenses and permits, and investment income and borrowing costs.
- Total GF/GP baseline revenue was \$8,187.6 million in FY 2005-06.
- General Fund/General Purpose baseline revenue is expected to increase by 1.0% to \$8,265.2 million in FY 2006-07 and by 1.4% to \$8,378.2 million in FY 2007-08.

Net GF/GP Revenue

- Net GF/GP revenue represents revenue available for expenditure each year and includes adjustments to the baseline, such as tax changes and one-time federal revenue.
- Preliminary final net GF/GP revenue was \$8,266.7 million in FY 2005-06.
- Net GF/GP revenue is expected to decline by 0.4% to \$8,230.0 million in FY 2006-07, then decrease by \$1,220.0 million (\$1,229.1 million of which is due to the repeal of the SBT) or 14.8% to \$7,010.0 million in FY 2007-08. With full replacement of the SBT, net GF/GP revenue would total \$8,239.7 million, which would be a 0.1% increase from FY 2006-07.

GF/GP REVENUE ESTIMATES
(Millions of Dollars)

	Preliminary Final			FY 2007-08 over FY 2006-07	
	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>FY 2007-08</u>	<u>% Change</u>	<u>\$ Change</u>
Personal Income Taxes	\$4,185.5	\$4,200.6	\$4,252.0	1.2%	\$51.4
Sales and Use Taxes	1,016.4	1,066.8	1,095.6	2.7%	28.8
SBT and Insurance Taxes	2,198.3	2,223.6	2,272.7	2.2%	49.1
Other Taxes	570.4	544.1	534.8	-1.7%	(9.3)
GF/GP Baseline Tax Revenue	\$7,970.6	\$8,035.1	\$8,155.1	1.5%	\$120.0
Non-Tax Revenue	217.0	230.1	223.1	-3.0%	(7.0)
Total GF/GP Baseline Revenue	\$8,187.6	\$8,265.2	\$8,378.2	1.4%	\$113.0
Adjustments to Baseline	79.1	(35.2)	(1,368.2)		(1,333.0)
Net GF/GP Revenue	\$8,266.7	\$8,230.0	\$7,010.0	-14.8%	(\$1,220.0)

SCHOOL AID FUND REVENUE ESTIMATES
(Millions of Dollars)

	Preliminary Final			2007-08 over 2006-07	
	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>% Change</u>	<u>\$ Change</u>
Sales and Use Tax	\$5,302.6	\$5,379.9	\$5,507.5	2.4%	\$127.6
Income Tax Earmark	2,037.1	2,066.3	2,109.8	2.1%	43.5
Lottery and Casinos	792.1	789.1	799.5	1.3%	10.4
Tobacco Taxes	468.9	459.1	449.9	-2.0%	(9.2)
State Education Tax	1,997.8	2,099.0	2,198.0	4.7%	99.0
Real Estate Transfer Tax	297.7	244.2	256.1	4.9%	11.9
Liquor Excise and Specific Taxes	187.4	189.4	191.8	1.3%	2.4
Baseline SAF Revenue	\$11,083.6	\$11,227.0	\$11,512.6	2.5%	\$285.6
Adjustments to Baseline	1,357.5	1,414.2	1,430.4		16.2
Net SAF Revenue (less GF/GP Transfer)	\$12,441.1	\$12,641.2	\$12,943.0	2.4%	\$301.8

School Aid Fund Revenue by Source

Sales and Use Taxes

- Combined sales and use tax revenue dedicated to the SAF equaled \$5,302.6 million in FY 2005-06 and is forecast to increase 1.5% to \$5,379.9 million in FY 2006-07 and 2.4% to \$5,507.5 million in FY 2007-08.
- Baseline sales tax revenue is forecast to increase 1.4% in FY 2006-07 and 2.3% in FY 2007-08.
- Baseline use tax revenue to the SAF is estimated to increase 2.2% in FY 2006-07 and 2.8% in FY 2007-08.

Income Tax

- Approximately 26.0% of gross income tax collections are dedicated to the SAF.
- Baseline dedicated income tax revenue is forecast to increase 1.3% to \$2,066.3 million in FY 2006-07 and 2.1% to \$2,109.8 million in FY 2007-08.

Lottery/Casinos

- Lottery revenue contributed \$688.0 million to the SAF in FY 2005-06.
- Baseline lottery revenue to the SAF is projected to decrease 1.2% to \$680.0 million in FY 2006-07 and

CONSENSUS REVENUE

increase 1.0% in FY 2007-08.

- Casino revenue contributed \$104.1 million to the SAF in FY 2005-06, and is estimated to contribute \$109.1 million in FY 2006-07 and \$112.5 million in FY 2007-08.

Tobacco Taxes

- The School Aid Fund received \$468.9 million from tobacco taxes in FY 2005-06.
- The demand for tobacco products is expected to decline over the duration of the forecast.
- Total SAF tobacco tax revenue is expected to decrease to \$459.1 million in FY 2006-07 and \$449.9 million in FY 2007-08.

State Education Tax/Real Estate Transfer Tax

- All of the 6-mill state education tax (SET) and the real estate transfer tax (RET) is dedicated to the SAF.
- Revenue from the SET was \$1,997.8 million in FY 2005-06.
- SET revenue is expected to increase 5.1% to \$2,099.0 million in FY 2006-07 and 4.7% to \$2,198.0 million in FY 2007-08.
- The real estate transfer tax contributed \$297.7 million to the SAF in FY 2005-06 and is forecast to contribute \$244.2 million in FY 2006-07 and \$256.1 million in FY 2006-07.

Total SAF Baseline Revenue

- Preliminary final total SAF baseline revenue was \$11,083.6 million in FY 2005-06.
- Baseline revenue is expected to increase 1.3% to \$11,227.0 million in FY 2006-07 and 2.5% to \$11,512.6 million in FY 2007-08.

Net SAF Revenue

- Net SAF revenue represents revenue available for expenditure each year; it includes tax changes and federal funds, but not beginning balances or GF/GP transfers to SAF.
- Preliminary net SAF revenue was \$12,441.1 million in FY 2005-06 and is expected to increase 1.6% to \$12,641.2 million in FY 2006-07, then increase 2.4% to \$12,943.0 million in FY 2007-08.

HFA Estimates of Year-End Balances

The following table reports House Fiscal Agency estimates of year-end balances for GF/GP, the SAF, and the BSF.

YEAR-END BALANCE ESTIMATES

(Millions of Dollars)

	<u>FY 2005-06</u>	<u>FY 2006-07</u>
General Fund/General Purpose	\$5.7	\$0.0
School Aid Fund	\$0.0	\$0.0
Budget Stabilization Fund	\$2.1	\$2.2

Fiscal year 2006-07 estimates for GF/GP and the SAF are based on year-to-date appropriations, projected year-end adjustments, and consensus revenue estimates.

School Aid Fund revenue are restricted; hence, any year-end balance is carried forward to the subsequent year.

Budget Stabilization Fund (BSF) estimates are based on current balance estimates provided by the Michigan Department of Treasury and HFA estimates of future deposits and interest earned.

Budget Stabilization Fund Year-End Balances

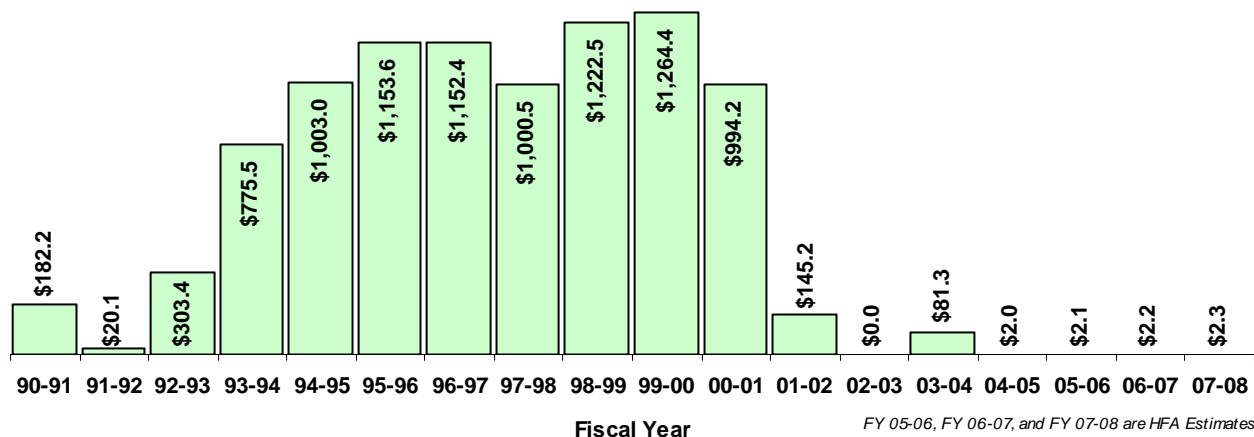
The following table reports a history of BSF deposits, withdrawals, and interest earnings from FY 1990-91 to FY 2005-06 and HFA estimates of deposits, expected interest earnings, and year-end balances for FY 2006-07 and FY 2007-08. A complete list of BSF historical data is available from the HFA upon request.

The final BSF fund balance was zero for FY 2002-03 and \$81.3 million for FY 2003-04. Based on final FY 2004-05 data, \$81.3 million was transferred from the BSF to GF/GP, which left interest earnings of \$2.0 million as the year-end balance. The fund balance is forecast to be zero for FY 2005-06 and FY 2006-07.

BUDGET STABILIZATION FUND
(Millions of Dollars)

<u>Fiscal Year</u>	<u>Deposits</u>	<u>Withdrawals</u>	<u>Interest Earned</u>	<u>Balance</u>
1990-91	\$0.0	\$230.0	\$27.1	\$182.2
1991-92	0.0	170.1	8.1	20.1
1992-93	282.6	0.0	0.8	303.4
1993-94	460.2	0.0	11.9	775.5
1994-95	260.1	90.4	57.7	1,003.0
1995-96	91.3	0.0	59.3	1,153.6
1996-97	0.0	69.0	67.8	1,152.4
1997-98	0.0	212.0	60.1	1,000.5
1998-99	244.4	73.7	51.2	1,222.5
1999-2000	100.0	132.0	73.9	1,264.4
2000-01	0.0	337.0	66.7	994.2
2001-02	0.0	869.8	20.8	145.2
2002-03	0.0	156.1	10.9	0.0
2003-04	81.3	0.0	0.0	81.3
2004-05	0.0	81.3	2.0	2.0
2005-06 <i>Estimate</i>	0.0	0.0	0.1	2.1
2006-07 <i>Estimate</i>	0.0	0.0	0.1	2.2
2007-08 <i>Estimate</i>	0.0	0.0	0.1	2.3

Budget Stabilization Fund (BSF) Balance
(Millions of Dollars)



CONSENSUS REVENUE

Compliance with the State Revenue Limit

HFA estimates of the state revenue limit provided for in Article IX, Section 26, *Constitution of the State of Michigan*, and estimates of total state revenue collections subject to the state revenue limit are shown in the following table. As provided for in the *Constitution*, the revenue limit is calculated as 9.49% of total state personal income in the previous full calendar year prior to the fiscal year in which the revenue are measured, as estimated by the Bureau of Economic Analysis, United States Department of Commerce.

**COMPLIANCE WITH THE STATE REVENUE LIMIT
(Millions of Dollars)**

<u>Revenue Limit Calculations</u>	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>FY 2007-08</u>
Personal Income			
Calendar Year	CY 2004	CY 2005	CY 2006
Amount	\$324,134	\$331,304	\$342,900
X Limit Ratio	9.49%	9.49%	9.49%
State Revenue Limit	\$30,760.3	\$31,440.8	\$32,541.2
Total Revenue Subject to Revenue Limit	\$25,941.7	\$26,205.4	\$25,447.6
Amount Under (Over) State Revenue Limit	\$4,818.7	\$5,235.3	\$7,093.6

Implications of Exceeding the State Revenue Limit

Article IX, Section 26, *Constitution of the State of Michigan*, provides that:

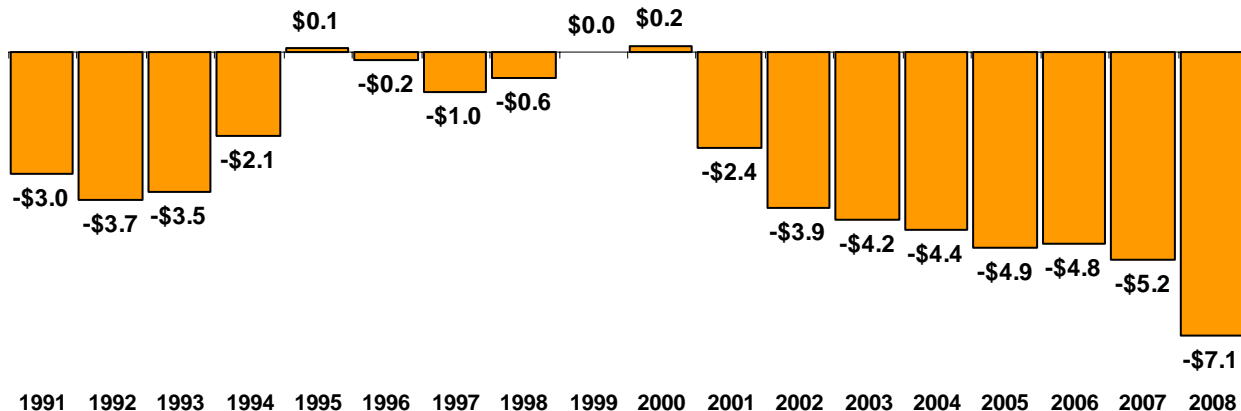
... For any fiscal year in the event that Total State Revenue exceed the limit established in this section by 1% or more, the excess revenue shall be refunded pro rata based on the liability reported on the Michigan income tax and single business tax (or its successor tax or taxes) annual returns filed following the close of such fiscal year. If the excess is less than 1%, this excess may be transferred to the State Budget Stabilization Fund . . .

Furthermore, the state is prohibited from spending any current-year revenue in excess of the limit established in Section 26 by Article IX, Section 28.

The FY 2005-06 revenue limit calculation indicates that the state revenue collections were well under the revenue limit. For both FY 2006-07 and FY 2007-08, state revenue is estimated to be substantially below the revenue limit—by \$5.2 billion and \$7.1 billion, respectively.

Constitutional Revenue Limit

(Billions of Dollars)



FY 2006, FY 2007: HFA Estimates



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