MEMORANDUM

HOUSE FISCAL AGENCY

DATE: February 12, 2007

TO: Members of the Michigan House of Representatives

FROM: Mitchell E. Bean, Director

RE: Executive Order 2007-1 and Proposed FY 2006-07 Supplemental

This report provides detail about the Governor's proposal to address the FY 2006-07 budget shortfall. The proposal includes:

- General Fund/General Purpose (GF/GP) budget cuts of $166.9 million and General Fund/Special Purpose budget cuts of $31.2 million contained in Executive Order (EO) 2007-1. See page 7 for more detail.

- A tax restructuring proposal that increases FY 2006-07 revenue $537.3 million ($320.7 million GF/GP). See pages 3–6 for detail.

- Proposed supplemental appropriations bill that reduces GF/GP appropriations in three departmental budgets and increases spending in four departmental budgets, for a net increase of $151.6 million. See page 7 for more detail.

School Aid Fund (SAF) and GF/GP balance sheets that incorporate these proposals are found on page 2.

Details by department that show the impact of the EO 2007-1 and the proposed supplemental appropriations begin on page 8. Please note that in some cases fund sources do not add to gross changes because not all fund source detail is available at this time.

Members should also note that a key element of the Governor's FY 2006-07 proposal to balance the budget assumes pension savings of $153.2 million gross ($82.0 million GF/GP) by:

- Revaluing both state and public school employee pension fund assets to actual cash value as of September 30, 2006, in order to reduce required employer contributions. Respective savings are $83.7 million gross ($37.1 million GF/GP), and $185.0 million SAF. Requires enabling legislation.

- Incorporating a one-time change in the method used to calculate contributions into the State Employees Retirement System. This provides a one-time savings of $83.7 million gross ($44.8 million GF/GP). Requires enabling legislation.

The Governor also proposes a SAF supplemental that reduces FY 2006-07 appropriations $45.2 million. It also appropriates $185 million from Michigan Public School Employee Retirement System (MPSERS) reserves to replace a shortfall in the School Aid Fund. This shift is accomplished by reducing SAF payments and replacing them with MPSERS reserve funding.

It is important to note that the proposed SAF solution assumes that an additional $191.9 million of SAF revenue will be available due to tax restructuring. See pages 3–6 for detail.

Please do not hesitate to call me, or the Fiscal Analyst responsible for a specific budget area, if you have questions regarding this information.

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FY 2006-07
GENERAL FUND/GENERAL PURPOSE RESOURCES
(Millions of Dollars)

Beginning Balance	$5.7
FY 2006-07 Consensus Revenue Estimate	$8,230.0
Adjustments to Consensus	
Revenue sharing adjustment	$558.0
Land sales	46.9
Shift short-term borrowing costs to SAF	22.8
Liquor Purchase Revolving Fund transfer to GF/GP	4.0
Consumer Finance Fees transfer to GF/GP	7.0
Forensic Center settlement revenue	7.8
Proposed reduction/redirect of Transportation Economic Development Fund to GF/GP	6.0
Adjustments Subtotal	$652.5
Tax Restructuring Proposal	
Close tax loopholes	$14.2
Loss to GF from increased liquor markup	(0.2)
2% tax on consumer services	92.7
2% tax on business services	214.0
Proposed Tax Restructuring Subtotal	$320.7
Available GF/GP Resources	**$9,208.9**
FY 2006-07 year-to-date enacted appropriations	($9,222.8)
Proposed supplemental	(151.6)
EO 2007-1	167.6
Total Proposed Expenditures	**($9,206.8)**
Estimated GF/GP Balance	**$2.1**

FY 2006-07
SCHOOL AID FUND RESOURCES
(Millions of Dollars)

Beginning fund balance	$0.0
FY 2006-07 Consensus Revenue Estimate	11,230.0
Expand Club Keno	7.5
PSERS reserve for undistributed income	185.0
General Fund subsidy	35.0
Federal funds	1,411.2
Subtotal	$12,868.7
Proposed Tax Restructuring	
Close tax loopholes	11.7
Increased liquor mark-up	9.2
2% tax on consumer services	51.5
2% tax on business services	118.8
Subtotal	191.2
Total SAF Resources	**$13,059.9**
FY 2006-07 year-to-date enacted appropriations	($13,093.7)
Revised pupil count/special education costs/PILT	65.0
Reduce new categoricals	5.0
Midland tax tribunal cases	(24.8)
Total Expenditures	**($13,048.5)**
Estimated SAF Ending Balance	**$11.4**

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.

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.

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

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.

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.

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

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				
	GF/GP	SAF	MBTF	Other	Total	GF/GP	SAF	MBTF	Other	Total
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.*

Summary

EXECUTIVE ORDER 2007-1

General Fund Reductions	
Agriculture	($2,001,300)
Attorney General	(1,809,000)
Civil Rights	(289,000)
Civil Service	(384,200)
Community Colleges	(10,900,000)
Community Health	(28,159,500)
Corrections	(52,309,800)
Education	(280,200)
Environmental Quality	(2,410,200)
Executive Office	(43,000)
Higher Education	(2,655,700)
History, Arts, and Libraries	(742,000)
Human Services	(34,318,400)
Information Technology	0
Judiciary	0
Labor and Economic Growth	(1,329,200)
Legislature	0
Management and Budget	(16,525,600)
Michigan Strategic Fund	(2,150,100)
Military and Veterans Affairs	(1,173,700)
Natural Resources	(344,700)
State	(452,300)
State Police	(6,771,100)
Treasury	(1,880,400)
Subtotal GF	**($166,929,400)**

Special Purpose Revenue Reductions	
Higher Education	($6,000,000)
Human Services	(8,495,600)
Labor and Economic Growth	(10,660,000)
Transportation	(6,000,000)
Treasury	(50,000)
Subtotal Special	**($31,205,600)**
Executive Order Total	**($198,135,000)**

PROPOSED FY 2006-07 SUPPLEMENTAL

	GF/GP
Community Health	$109,166,200
Corrections	39,200,000
Higher Education	(69,368,000)
Human Services	66,041,000
Judiciary	(1,262,600)
Legislature	(2,144,800)
Treasury	10,000,000
Supplemental Total	**$151,631,800**

PROPOSED SCHOOL AID SUPPLEMENTAL

	SAF
School Aid	($45,225,500)
Supplemental Total	**($45,225,500)**

DEPARTMENT DETAIL

AGRICULTURE

Analyst: William E. Hamilton

	FY 2006-007 YTD at 2/08/07	EO 2007-1 Amount	Supplemental Amount
IDG/IDT	$10,382,700	$0	
Federal	23,700,000		
Local	0		
Private	0		
Restricted	48,449,000	(696,300)	
GF/GP	30,913,300	(2,001,300)	
Gross	**$113,628,800**	**($2,697,600)**	

EO 2007-1 Changes from FY 2006-07 YTD Appropriations		EO 2007-1 Amount
1. Statistical Reporting Service	**Gross**	**($130,700)**
Reduces GF support for this line used to maintain Michigan's agricultural data base. Reduction may eliminate program.	GF/GP	($130,700)
2. Agriculture Development – MSU NW Michigan Horticulture Experiment Station	**Gross**	**($15,000)**
Reduces by half the boilerplate appropriation.	GF/GP	($15,000)
3. Animal Heath and Welfare	**Gross**	**($125,000)**
Eliminates support for department's oversight of aquiculture and captive cervidae. (Executive recommends elimination of funding in FY 2007-08)	GF/GP	($125,000)
4. Environmental Stewardship—Intercounty Drain Coordination	**Gross**	**($234,700)**
Eliminates half the funding for department's oversight responsibilities under the Drain Code of 1956. (Executive recommends elimination of funding in FY 2007-08)	GF/GP	($234,700)
5. Local Conservation Districts	**Gross**	**($758,400)**
Reduces by half the grant funding for local conservation districts. (Executive recommends elimination of grant program in FY 2007-08)	GF/GP	($758,400)
6. Information Technology Projects – 5% Administrative Reduction	**Gross**	**($1,200)**
Recognizes IT administrative savings.	GF/GP	($1,200)
7. Defined Benefit Actuarial Adjustment	**Gross**	**($1,432,600)**
Recognizes reduced contribution requirement based on valuation change.	Restricted	(696,300)
	GF/GP	($736,300)

ATTORNEY GENERAL

Analyst: Robin R. Risko

	FY 2006-007 YTD at 2/8/07	EO 2007-1 Amount	Supplemental Amount
IDG/IDT	$13,914,300	$0	
Federal	10,236,500		
Local	0		
Private	0		
Restricted	11,485,500		
GF/GP	32,896,000	(1,809,000)	
Gross	**$68,532,300**	**($2,622,300)**	

Note: EO 2007-1 and Supplemental fund sources may not add to gross amount (full fund source detail is not yet available).

EO 2007-1 Changes from FY 2006-07 YTD Appropriations		EO 2007-1 Amount
1. Retirement Savings	**Gross**	**($1,620,700)**
Reflects a savings as a result of reduced costs associated with the defined benefit retirement system. Costs are reduced due to actuarial adjustments made in response to a revaluation of the retirement system's investment portfolio.	GF/GP	($807,400)
2. Administrative Reductions	**Gross**	**($1,001,600)**
Reduces amount of funding available for administrative expenses. Savings are anticipated to be generated through administrative efficiencies.	GF/GP	($1,001,600)

CIVIL RIGHTS

Analyst: Robin R. Risko

	FY 2006-007 YTD at 2/8/07	EO 2007-1 Amount	Supplemental Amount
IDG/IDT	$0	$0	
Federal	1,566,200	(20,300)	
Local	0		
Private	0		
Restricted	0		
GF/GP	12,454,000	(289,000)	
Gross	**$14,020,200**	**($309,300)**	

EO 2007-1 Changes from FY 2006-07 YTD Appropriations		EO 2007-1 Amount
1. Retirement Savings	**Gross**	**($283,600)**
Reflects a savings as a result of reduced costs associated with the defined benefit retirement system. Costs are reduced due to actuarial adjustments made in response to a revaluation of the retirement system's investment portfolio.	Federal	(20,300)
	GF/GP	($263,300)
2. Administrative Reductions	**Gross**	**($25,700)**
Reduces amount of funding available for administrative expenses. Savings are anticipated to be generated through administrative efficiencies.	GF/GP	($25,700)

CIVIL SERVICE

Analyst: Robin R. Risko

	FY 2006-007 YTD at 2/8/07	EO 2007-1 Amount	Supplemental Amount
IDG/IDT	$5,788,100	$0	
Federal	4,779,100		
Local	1,700,000		
Private	150,000		
Restricted	17,157,500		
GF/GP	6,972,400	(384,200)	
Gross	**$36,547,100**	**($887,200)**	

Note: EO 2007-1 and Supplemental fund sources may not add to gross amount (full fund source detail is not yet available).

EO 2007-1 Changes from FY 2006-07 YTD Appropriations		EO 2007-1 Amount
1. Retirement Savings	**Gross**	**($711,900)**
Reflects a savings as a result of reduced costs associated with the defined benefit retirement system. Costs are reduced due to actuarial adjustments made in response to a revaluation of the retirement system's investment portfolio.	GF/GP	($208,900)

EO 2007-1 Changes from FY 2006-07 YTD Appropriations		EO 2007-1 Amount
2. Administrative Reductions	**Gross**	**($175,300)**
Reduces amount of funding available for administrative expenses. Savings are anticipated to be generated through administrative efficiencies.	GF/GP	($175,300)

COMMUNITY COLLEGES

Analyst: Viola Bay Wild

	FY 2006-007 YTD at 2/8/07	EO 2007-1 Amount	Supplemental Amount
IDG/IDT	$0	$0	
Federal	0		
Local	0		
Private	0		
Restricted	0		
GF/GP	289,879,400	(10,900,000)	
Gross	**$289,879,4000**	**($10,900,000)**	

EO 2007-1 Changes from FY 2006-07 YTD Appropriations		EO 2007-1 Amount
Operations Reduction	**Gross**	**($10,900,000)**
The FY 2006-07 appropriation for community college operations would be reduced by $10.9 million; each college's operations reduction will vary and shall equal the MPSERS credit in the Executive's proposed supplemental. If enabling legislation is enacted, supplemental boilerplate directs that each college's pension payment into MPSERS would be reduced by the amount of this credit to offset the EO operations reduction. (Theoretically, then, the Exec asserts that Community College budgets would not experience a net overall funding loss because their pension payments would be reduced the same amount as the reduction they received from the EO)	GF/GP	($10,900,000)

Supplemental Changes from FY 2006-07 YTD Appropriations	Supplemental Amount
MPSERS Revaluation	
Supplemental boilerplate directs MPSERS to revalue its assets by assigning actual market value rather than the current system of determining value by smoothing gains and losses over five years. This change requires legislation to be enacted. The Executive proposal asserts that because of the increased value in assets, the required amount of employer contributions to the system can be reduced by $10.9 million for community colleges. If legislation is enacted and revaluation occurs, each college's pension contribution would be reduced by the amount of operations reduction they received in the EO	

COMMUNITY HEALTH

Analysts: Margaret Alston, Susan Frey, and Steve Stauff

	FY 2006-007 YTD at 2/8/07	EO 2007-1 Amount	Supplemental Amount
IDG/IDT	$37,286,100	$0	$0
Federal	6,042,584,700	(2,819,000)	(47,967,700)
Local	241,177,400		
Private	63,826,900		
Restricted	1,871,199,600		(89,852,000)
GF/GP	2,940,082,700	(28,159,500)	109,166,200
Gross	**$11,196,157,400**	**($36,613,600)**	**($28,653,500)**

Note: EO 2007-1 and Supplemental fund sources may not add to gross amount (full fund source detail is not yet available).

EO 2007-1 Changes from FY 2006-07 YTD Appropriations		EO 2007-1 Amount
1. Information Technology (IT) Services and Projects	**Gross**	**($2,700)**
Reduces GF/GP support for IT services and projects by $2,700 which represents .03% of the GF/GP supporting this line item. Savings is achieved through administrative efficiencies.	GF/GP	($2,700)
2. Defined Benefits Retirement Rate	**Gross**	**($11,860,900)**
Projects a savings of $6.2 million GF/GP by reducing the defined benefits retirement rate for state employees. The impact on federal and state restricted revenue is not known at this time.	GF/GP	($6,225,800)
3. Implement Medicaid Outpatient Reimbursement System	**Gross**	**($5,000,000)**
The Hospital Services and Therapy line item is reduced by $2.2 million GF/GP recognizing partial year saving in implementing the new Outpatient Prospective Payment System (OPPS). This system 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. The FY 2008 Executive Recommendation includes full year savings.	Federal GF/GP	($2,819,000) ($2,181,000)
4. Health Plan Services-Fund Source Shift	**Gross**	**($12,500,000)**
Reduces GF/GP funding within the Health Plan Services appropriation line by $12.5 million. The Executive's February 8th letter requesting supplemental appropriations includes an equal offset to this reduction with available Medicaid Benefits Trust Fund revenue.	GF/GP	($12,500,000)
5. Health Information Technology-Fund Source Shift	**Gross**	**($7,250,000)**
Reduces GF/GP funding within the Health Information Technology Initiatives appropriation line by $7.3 million. The Executive's February 8th letter requesting supplemental appropriations includes an equal offset to this reduction with available Health Professional Regulatory Fund (HPRF) revenue. The use of the HPRF revenues for this purpose would require a statutory change.	GF/GP	($7,250,000)

Supplemental Changes from FY 2006-07 YTD Appropriations		Supplemental Amount
1. Caseload, Utilization, and Inflation Adjustment	**Gross**	**$5,521,400**
Increases funding for Medicaid Mental Health and Substance Abuse Services by $5.5 million gross ($2.1 million GF/GP) projecting a 2.4% average growth in the caseload for Medicaid eligibles.	Federal Restricted GF/GP	3,113,000 331,300 $2,077,100
2. CMH Direct Care Workers	**Gross**	**$7,300,000**
Adds $7.3 million gross ($3.8 million GF/GP) to the budget to fully fund the 2.0% wage increase for direct care workers in community mental health settings as $10.4 million gross ($4.5 million GF/GP) was insufficient to cover the increase.	Federal Restricted GF/GP	3,157,300 336,000 $3,806,700
3. Carve-In of Anti-Psychotic Pharmaceutical Costs	**Gross**	**($4,742,600)**
The savings attributable to the carve-in of anti-psychotic prescription drugs costs into capitation payments for prepaid inpatient health plans (PIHPs) are reduced by $4.7 million gross ($2.7 million GF/GP) as the state has not received federal approval for implementing this policy change. The current budget anticipates that the state would capture an additional $9.5 million QAAP revenue and $5.3 million federal Medicaid revenue, and save $5.3 million GF/GP.	Federal Restricted GF/GP	(2,673,900) (4,742,600) $2,673,900
4. Pandemic Influenza Antiviral Drugs	**Gross**	**$15,670,000**
Adds $15.7 million GF/GP for the purchase of antiviral drugs stockpiled pursuant to federal goals as part of national preparedness for a pandemic flu outbreak. The federal government subsidizes 25% of the state's cost. Together state and federal purchases allow for the treatment of 25% of the state's population with 2 antiviral drugs known to be currently effective against the H5N1 virus.	GF/GP	$15,670,000

Supplemental Changes from FY 2006-07 YTD Appropriations		Supplemental Amount
5. Crime Victim Program Funding for DHS	**Gross**	**$1,300,000**
Appropriates $1.3 million of state restricted Crime Victim's Rights Fund available balance to be provided as an interdepartmental grant to Department of Human Services for rape prevention and services, replacing federal TANF funds. This use of the Crime Victim's Rights Fund will require statutory changes.	Restricted	1,300,000
	GF/GP	$0
6. Medicaid Caseload Adjustment, Long-Term Care Services	**Gross**	**($46,000,000)**
Reduces the Long-Term Care Services line by $46.0 million gross ($20.1 million GF/GP) due to lower caseload, utilization and inflation projections. An $86.0 million lapse in this line occurred in FY 2005-06 book closing, of which $40.0 million was attributable to one-time costs.	Federal	(25,934,800)
	GF/GP	($20,065,200)
7. Health Information Technology Initiative-Fund Source Shift	**Gross**	**$7,250,000**
Increases state restricted Health Professional Regulatory Fund (HPRF) funding within the Health Information Technology Initiatives appropriation line by $7.2 million. The Executive Order 2007-1 reduces this line by a like amount of GF/GP. The use of the HPRF revenues for this purpose would require a statutory change.	Restricted	7,250,000
	GF/GP	$0
8. Health Plan Services-Fund Source Shift	**Gross**	**$12,500,000**
Increases state restricted Medicaid Benefits Trust Fund authorization within the Health Plan Services appropriation line by $12.5 million. The Executive Order 2007-1 reduces this line by a like amount of GF/GP.	Restricted	12,500,000
	GF/GP	$0
9. Unrealized HMO Pharmacy Rebate Savings	**Gross**	**$50,000,000**
Restores $50.0 million gross ($21.5 million GF/GP) in the Health Plan Services line related to changes in federal law allowing fee-for-service-level rebates for drugs paid through HMOs that have not yet occurred.	Federal	28,500,000
	GF/GP	$21,500,000
10. Unrealized HMO Anti-Depressant Drug Carve-In QAAP Savings	**Gross**	**($2,756,300)**
An increase of $1.6 million GF/GP is proposed, as well as reduced federal and state restricted QAAP authorization, recognizing the loss of savings in the HMO QAAP due to the delayed implementation of the carve-in of anti-depressants into HMOs.	Federal	(1,554,000)
	Restricted	(2,756,300)
	GF/GP	$1,554,000
11. Unrealized Health Information Technology Savings	**Gross**	$4,650,000
Both the Hospital Services and Therapy and the Health Plan Services line items are increased by $2.3 million gross, recognizing that ¼ of the health IT savings built in to the FY 2006-07 budget will be realized.	Federal	2,621,700
	GF/GP	$2,028,300
12. Unrealized Plan First! Family Planning Savings	**Gross**	**$243,400**
The Department of Community Health projects neither full implementation nor full enrollment for the Plan First! family planning program in FY 2006-07. The increase of $6.6 million GF/GP and corresponding reduction in federal authorization adjusts for anticipated program activity.	Federal	(6,409,600)
	GF/GP	$6,653,000
13. Unrealized Hospital/HMO QAAP Savings	**Gross**	**($79,024,400)**
Increases GF/GP by $2.5 million recognizing unrealized QAAP savings that would be generated by distributing additional hospital QAAP payments through HMOs. Implementation of this distribution was not begun until January 2007.	Federal	(44,554,000)
	Restricted	(36,970,400)
	GF/GP	$2,500,000
14. Unrealized Emergency Room Co-Pay Savings	**Gross**	**$150,000**
Included in the FY 2006-07 budget was an increase in the emergency room co-payment for a non-emergent visit from $3 to $6. Half year savings are anticipated, therefore an increase of $150,000 gross ($65,400 GF/GP) is proposed. State plan amendment approval by CMS is anticipated.	Federal	84,600
	GF/GP	$65,400
15. Unrealized Guardianship Fee Savings	**Gross**	**$135,000**
Restores $135,000 gross ($58,900 GF/GP) recognizing ¾ year implementation of the policy change to lower the long-term care monthly guardianship fee from $60 to $45. State plan amendment approval by CMS is anticipated.	Federal	76,100
	GF/GP	$58,900

Supplemental Changes from FY 2006-07 YTD Appropriations		Supplemental Amount
16. Unrealized Graduate Medical Education (GME) Carve-In Savings	**Gross**	**($1,500,000)**
Increases GF/GP by $845,700 recognizing unrealized health plan QAAP savings that would be generated by distributing certain GME hospital payments through HMOs.	Federal	(845,700)
	Restricted	(1,500,000)
	GF/GP	$845,700
17. Unrealized MIChild Premium Savings	**Gross**	**$650,000**
Restores $650,000 gross ($198,400 GF/GP) recognizing ½ year implementation of the policy change to increase the monthly MIChild premium from $5 per family to $10 per family. State plan amendment approval by CMS is anticipated.	Federal	451,600
	GF/GP	$198,400
18. Merit Award Trust Fund Revenue Reduction	**Gross**	**$0**
Increases GF/GP by $69.6 million within the Health Plan Services line item to offset a reduction in available Merit Award Trust Fund revenue.	Restricted	(69,600,000)
	GF/GP	$69,600,000
19. Medicaid Special Financing Savings Reduction-QAAP Retainer Offset	**Gross**	**$0**
A $4.0 million reduction in Medicaid special financing savings within the Special Medicaid Reimbursement appropriation line is offset with a like amount of hospital Quality Assurance Assessment Program (QAAP) revenue.	Federal	(4,000,000)
	Restricted	4,000,000
	GF/GP	$0

CORRECTIONS

Analyst: Marilyn B. Peterson

	FY 2006-007 YTD at 2/8/07	EO 2007-1 Amount	Supplemental Amount
IDG/IDT	$1,238,400	$0	$0
Federal	11,431,500		
Local	420,900		
Private	0		
Restricted	68,775,700		
GF/GP	1,858,555,000	(52,309,800)	39,200,000
Gross	**$1,940,421,500**	**($52,309,800)**	**$39,200,000**

EO 2007-1 Changes from FY 2006-07 YTD Appropriations		EO 2007-1 Amount
1. New Corrections Officers	**Gross**	**($2,500,000)**
Reduces funding for new officer training by $2.5 million, with the result that the number of new corrections officers hired and trained would be about 200 fewer than the 650 previously planned.	GF/GP	($2,500,000)
2. Retirement Rate Reduction	**Gross**	**uncertain**
Recognizes savings deriving from reduced costs of the defined benefit retirement system, reflecting actuarial adjustments made in response to a revaluation of the retirement system's investment portfolio.	GF/GP	($49,804,000)
3. Information Technology Services and Projects	**Gross**	**($5,800)**
Incorporates Corrections' share of savings identified by Department of Information Technology and passed through to the departments.	GF/GP	($5,800)

Supplemental Changes from FY 2006-07 YTD Appropriations		Supplemental Amount
1. Prisoner Health Care	**Gross**	**$15,600,000**
Increases appropriations for hospital and specialty care ($12.6 million) and prison clinics ($3.0 million) to fund cost increases stemming from a combination of increased utilization, higher prices, and increased prisoner population.	GF/GP	$15,600,000
2. Additional Prison and Camp Beds	**Gross**	**$23,600,0000**
Provides partial-year funding for 1,160 beds being added to accommodate unanticipated growth in the prisoner population.	GF/GP	$23,600,000

EDUCATION

Analysts: Mary Ann Cleary and Bethany Wicksall

	FY 2006-007 YTD at 2/8/07	EO 2007-1 Amount	Supplemental Amount
IDG/IDT	$0	$0	
Federal	67,570,600		
Local	5,985,600		
Private	2,914,400		
Restricted	7,527,000		
GF/GP	6,592,500	(280,200)	
Gross	**$90,590,100**	**($280,200)**	

EO 2007-1 Changes from FY 2006-07 YTD Appropriations		EO 2007-1 Amount
1. Best Practices Study	**Gross**	**($175,000)**
Eliminates funding for the National Best Practices Study.	GF/GP	($175,000)
2. Retirement Savings	**Gross**	**($101,900)**
Savings resulting from the revaluing of the State Employee Retirement System assets to their fair market value.	GF/GP	($101,900)
3. Information Technology Enterprise Services	**Gross**	**($3,300)**
Savings from statewide information technology changes.	GF/GP	($3,300)

ENVIRONMENTAL QUALITY

Analyst: Kirk Lindquist

	FY 2006-007 YTD at 2/8/07	EO 2007-1 Amount	Supplemental Amount
IDG/IDT	$18,233,600	$0	
Federal	140,288,500		
Local	0		
Private	450,000		
Restricted	250,944,000	(3,366,000)	
GF/GP	33,828,400	(2,410,200)	
Gross	**$443,744,500**	**($5,776,200)**	

EO 2007-1 Changes from FY 2006-07 YTD Appropriations		EO 2007-1 Amount
1. Retirement Savings (Departmentwide)	**Gross**	**($4,175.500)**
Retirement savings realized through reduction in the contribution rate for the defined benefit pension plan.	Restricted	(3,366,000)
	GF/GP	($809,500)
2. Water Pollution Control and Drinking Water Revolving Fund	**Gross**	($1,600,000)
Reduced deposits into the Drinking Water Revolving Fund.	GF/GP	($1,600,000)
3. Information Technology Services and Projects	**Gross**	($700)
Savings to be realized through administrative efficiencies.	GF/GP	($700)

EXECUTIVE

Analyst: Robin R. Risko

	FY 2006-007 YTD at 2/8/07	EO 2007-1 Amount	Supplemental Amount
IDG/IDT	$0	$0	
Federal	0		
Local	0		
Private	0		
Restricted	0		
GF/GP	5,509,900	(43,000)	
Gross	**$5,509,900**	**($43,000)**	

EO 2007-1 Changes from FY 2006-07 YTD Appropriations		EO 2007-1 Amount
Retirement Savings	**Gross**	**($43,000)**
Reflects a savings as a result of reduced costs associated with the defined benefit retirement system. Costs are reduced due to actuarial adjustments made in response to a revaluation of the retirement system's investment portfolio.	GF/GP	($43,000)

HIGHER EDUCATION

Analyst: Kyle I. Jen

	FY 2006-007 YTD at 2/8/07	EO 2007-1 Amount	Supplemental Amount
IDG/IDT	$0	$0	$0
Federal	3,000,000		
Local	0		
Private	0		
Restricted	159,700,000	(6,000,000)	
GF/GP	1,624,791,300	(2,655,700)	(69,368,000)
Gross	**$1,787,491,300**	**($8,655,700)**	**($69,368,000)**

EO 2007-1 Changes from FY 2006-07 YTD Appropriations		EO 2007-1 Amount
1. Cooperative Extension Service	**Gross**	**($2,655,700)**
Reduces appropriation for Cooperative Extension Service by 10.0%, excluding funds earmarked for Project GREEEN.	GF/GP	($2,655,700)
2. Merit Award Program	**Gross**	**($6,000,000)**
Reduces appropriation from Merit Award Trust Fund to reflect funding projected to be in excess of amount needed for Merit Award payments in FY 2006-07.	Restricted	(6,000,000)

Supplemental Changes from FY 2006-07 YTD Appropriations		Supplemental Amount
State University Funding Delay	**Gross**	**($69,368,000)**
Reduces operations appropriations for the 15 state universities, as well as the Agricultural Experiment Station and Cooperative Extension Service, by 4.5% to reflect 50% reduction in final FY 2006-07 monthly payment on August 16, 2007. Funds would be reappropriated in FY 2007-08 budget and paid to universities on October 16, 2007.	GF/GP	($69,368,000)

HISTORY, ARTS, AND LIBRARIES

Analyst: Al Valenzio

	FY 2006-007 YTD at 2/8/07	EO 2007-1 Amount	Supplemental Amount
IDG/IDT	$79,000	$0	
Federal	8,450,900		
Local	0		
Private	577,400		
Restricted	2,581,200	(47,200)	
GF/GP	43,175,200	(742,000)	
Gross	**$54,863,700**	**($789,200)**	

EO 2007-1 Changes from FY 2006-07 YTD Appropriations		EO 2007-1 Amount
1. Departmentwide Retirement Savings	**Gross**	**($559,900)**
Savings from reduced defined benefit retirement contributions.	Restricted	(47,200)
	GF/GP	($512,700)
2. Library of Michigan Operations	**Gross**	**($126,500)**
Savings can be achieved by reducing collection purchases.	GF/GP	($126,500)
3. Michigan Council for Arts and Cultural Affairs Administration	**Gross**	**($62,500)**
Savings from reduced staffing, travel, and contracting.	GF/GP	($62,500)
4. Management Services	**Gross**	**($18,900)**
Savings from reduced staffing, travel, and contracting.	GF/GP	($18,900)
5. Mackinac Island Historic Facilities System	**Gross**	**($14,000)**
Savings from reduced seasonal hires, maintenance deferrals, and reduced janitorial services.	GF/GP	($14,000)
6. DIT Enterprises Services	**Gross**	**($7,400)**
Savings achieved by a reduction in rates charged to agencies for information technology services.	GF/GP	($7,400)

HUMAN SERVICES

Analysts: Robert Schneider and Bill Fairgrieve

	FY 2006-007 YTD at 2/8/07	EO 2007-1 Amount	Supplemental Amount
IDG/IDT	$3,102,700	$0	$1,300,000
Federal	3,135,487,200	(8,495,600)	290,800
Local	55,519,400		
Private	8,876,100		
Restricted	67,702,000		123,400
GF/GP	1,197,447,900	(34,318,400)	66,041,000
Gross	**$4,468,135,300**	**($42,814,000)**	**$67,755,200**

EO 2007-1 Changes from FY 2006-07 YTD Appropriations		EO 2007-1 Amount
1. Day Care Services	**Gross**	**($15,828,300)**
Reduces the maximum allowable hours of day care support for recipients during each two-week pay period from 100 hours to 90 hours ($11.8 million); reduces allocation to Before and After School programs by 50% ($2.5 million); projects savings from a day care case review pilot in 12 counties to address cases opened due to fraud or errors ($1.0 million); also reduces funding for distribution of reading kits ($250,000), support for Grand Rapids Youth Commonwealth ($126,500), grant to Boys and Girls Clubs ($100,000), and the Michigan After-School Partnership ($12,500).	Federal	(2,889,000)
	GF/GP	(12,939,300)

EO 2007-1 Changes from FY 2006-07 YTD Appropriations		EO 2007-1 Amount
2. Family Independence Program	**Gross**	**($6,576,000)**
Assumes savings from a number of FIP-related policy changes, including: a) proposed change in state law regarding FIP eligibility determinations ($4.8 million); b) the statewide implementation of 90-day sanctions policy ($800,000); and c) a change in sanction procedures that will reduce the time between a sanction determination and the actual sanction begin date ($1.0 million).	GF/GP	(6,576,000)
3. Legal Support Contracts	**Gross**	**($2,000,000)**
Removes $2.0 million in state supplemental support to county friends of the court and county prosecutors for child support enforcement activities.	GF/GP	(2,000,000)
4. Retirement Rate Reduction	**Gross**	**($9,279,900)**
Savings related to the statewide reduction in retirement benefit funding due to actuarial changes.	GF/GP	(9,279,900)
5. Foster Care Payments	**Gross**	**($1,226,200)**
Removes GF/GP support for foster care payments in anticipation of replacing these funds with other available federal revenues. FY 2007 supplemental proposal includes the replacement funding.	GF/GP	(1,226,200)
6. Indigent Burial Program	**Gross**	**($738,700)**
Reduces indigent burial payment rates to funeral directors, cemeteries/crematoriums, and vault providers by 25%.	GF/GP	(738,700)
7. Demonstration Projects	**Gross**	**($424,200)**
Eliminate funding for Michigan 211 phone system ($100,000) and MSU Kinship Care Resource Center ($125,000). Reduce funding for Pontiac School-Based Crisis Intervention Program ($24,200) and impose a general budgetary reduction ($175,000).	Federal GF/GP	(149,200) (275,000)
8. Medical Consultation Program	**Gross**	**($241,800)**
Reduce GF/GP appropriation to reflect actual spending level.	GF/GP	(241,800)
9. AFC, Children's Welfare and Daycare Licensure	**Gross**	**($123,400)**
Reduce GF/GP appropriation in lieu of proposed fee increases on licensees. Offsetting appropriation of fee revenue is included in the FY 2007 supplemental recommendation.	GF/GP	(123,400)
10. State Disability Assistance	**Gross**	**($213,500)**
Reduces assistance program for disabled adults by $213,500. Offsetting increase of SSI recovery revenue proposed in the FY 2007 supplemental recommendation.	GF/GP	(213,500)
11. Local Office Contractual Services, Supplies and Materials	**Gross**	**($269,300)**
Eliminates allocation for audio/video equipment for Child Protective Services workers ($245,000), recognizes lease savings from vacated office space ($24,300),	GF/GP	(269,300)
12. Black Child and Family Institute	**Gross**	**($50,000)**
Reduces GF/GP appropriation for the institute by $50,000, a 50% reduction in the overall funding level.	GF/GP	(50,000)
13. Teenage Parent Counseling	**Gross**	**($1,757,900)**
Eliminate contract funding for the program. Funding is a combination of GF/GP and federal TANF revenue.	Federal GF/GP	(1,732,400) (25,500)
14. Youth in Transition	**Gross**	**($122,000)**
Eliminates 3% partial-year increase for Runaway and Homeless Youth program contracts included in the FY 2007 enacted budget.	GF/GP	(122,000)
15. Domestic Violence Prevention and Treatment	**Gross**	**($75,000)**
Eliminates funding earmarked for Barry County domestic violence programs.	GF/GP	(75,000)

EO 2007-1 Changes from FY 2006-07 YTD Appropriations		EO 2007-1 Amount
16. Crisis Prevention/Food for the Elderly	**Gross**	**($210,000)**
Reduces funding budgeted for MiCAFE program which provides outreach to seniors who may be eligible for Food Stamp benefits ($35,000) and eliminates funding for senior food aid and homeless prevention projects in Kent, Muskegon and Washtenaw Counties as well as the City of Lansing.	Federal	(50,000)
	GF/GP	(160,000)
17. Family Preservation Funding to Wayne County	**Gross**	**($2,000,000)**
Eliminates $2.0 million allocation to Wayne County from Family Preservation funds.	Federal	(2,000,000)
	GF/GP	0
18. Community Services Block Grant Funding	**Gross**	**($1,675,000)**
Eliminates boilerplate allocation of $1.7 million in TANF funding for Community Action Agencies.	Federal	(1,675,000)
	GF/GP	0
19. Information Technology Services and Projects	**Gross**	**($2,800)**
Imposes administrative efficiencies on IT expenditures.	GF/GP	(2,800)

Supplemental Changes from FY 2006-07 YTD Appropriations		Supplemental Amount
1. Family Independence Program	**Gross**	**$65,679,500**
Increases appropriation for FIP cash assistance program by $65.7 million to cover additional caseload. Funding would	GF/GP	$65,679,500
2. Foster Care Payments	**Gross**	**$1,226,200**
Appropriates $646,200 in federal Child Abuse grant funding and another $580,000 in federal child welfare funding to replace GF/GP for foster care payments; GF/GP reduction taken in proposed Executive Order.	Federal	1,226,200
	GF/GP	$0
3. Day Care Services – Case Review	**Gross**	**$450,900**
Adds funding to support 12-county pilot program aimed at reducing the incidence of day care fraud and other improper payments. Funds will support temporary employees involved in the initiative and related overhead costs.	Federal	133,300
	GF/GP	317,600
4. AFC, Children's Welfare and Daycare Licensure	**Gross**	**$123,400**
Includes additional revenue from proposed fee increases on licensees to fund licensing activities. Offsetting GF/GP reduction is included in Executive Order.	Restricted	123,400
	GF/GP	0
5. Rape Prevention and Services	**Gross**	**$0**
Replaces federal TANF funding with interdepartmental grant revenue from the Department of Community Health. DHS will utilize Crime Victims' Rights Fund revenue to support a portion of its rape prevention services.	IDG	1,300,000
	Federal	(1,300,000)
	GF/GP	0
6. State Disability Assistance	**Gross**	**$213,500**
Increases appropriation of SSI recovery revenue by $213,500. Offsetting GF/GP reduction is included in the Executive Order recommendation. SSI recoveries are redirected to this program based on usage of Medicaid funds to finance SSI advocacy efforts.	Restricted	213,500
	GF/GP	0
7. SSI Advocates	**Gross**	**$0**
Shifts funding of SSI advocacy activities from SSI recovery revenue to federal Medicaid funding. Shift allows for the redirection of SSI recovery revenue to the State Disability Assistance Program to save GF/GP.	Federal	213,500
	Restricted	(213,500)
	GF/GP	0
8. Funding for State Budget Office Staff	**Gross**	**$61,700**
Adds funding of $61,700 to cover salary and benefit costs related to the State Budget Office staff that work on DHS budget development.	Federal	17,800
	GF/GP	43,900

INFORMATION TECHNOLOGY

Analyst: Robin R. Risko

	FY 2006-007 YTD at 2/8/07	EO 2007-1 Amount	Supplemental Amount
IDG/IDT	$378,222,000	($4,641,500)	
Federal	0		
Local	0		
Private	0		
Restricted	0		
GF/GP	0	—	
Gross	**$378,222,000**	**($4,641,500)**	

EO 2007-1 Changes from FY 2006-07 YTD Appropriations		EO 2007-1 Amount
1. Retirement Savings	**Gross**	**($4,519,500)**
Reflects a savings as a result of reduced costs associated with the defined benefit retirement system. Costs are reduced due to actuarial adjustments made in response to a revaluation of the retirement system's investment portfolio.	IDG	(4,519,500)
	GF/GP	$0
2. Administrative Reductions	**Gross**	**($122,000)**
Reduces amount of funding available for administrative expenses. Savings are anticipated to be generated through administrative efficiencies.	IDG	(122,000)
	GF/GP	$0

JUDICIARY

Analyst: Viola Bay Wild

	FY 2006-007 YTD at 2/8/07	EO 2007-1 Amount	Supplemental Amount
IDG/IDT	$2,563,500		$0
Federal	4,626,400		
Local	3,612,400		
Private	842,500		
Restricted	87,178,500		(66,700)
GF/GP	160,604,800		(1,262,600)
Gross	**$259,428,100**		**($1,329,300)**

Supplemental Changes from FY 2006-07 YTD Appropriations		Supplemental Amount
1. Administrative GF/GP Reductions	**Gross**	**($375,000)**
Across the board reductions with the exception of Justices' and Judges' salaries and the branch-wide line item which mainly covers rent for the Judicial Branch.	GF/GP	($375,000)
2. Retirement Savings	**Gross**	($954,300)
Savings expected to be realized through reductions in the retirement rates for state employees.	Restricted	(66,700)
	GF/GP	(887,600)

LABOR AND ECONOMIC GROWTH

Analyst: Richard Child

	FY 2006-007 YTD at 2/8/07	EO 2007-1 Amount	Supplemental Amount
IDG/IDT	$23,485,800	$0	$0
Federal	795,345,800	(10,000,000)	10,000,000
Local	15,824,300		
Private	2,314,300		
Restricted	347,069,300	(13,088,900)	1,000,000
GF/GP	47,436,700	($1,329,200)	_
Gross	**$1,231,476,200**	**($24,418,100)**	**$11,000,000**

EO 2007-1 Changes from FY 2006-07 YTD Appropriations		EO 2007-1 Amount
1. Retirement Savings	**Gross**	**($12,758,100)**
Change in investment assumptions allows funding reduction for defined benefit pensions.	Restricted	(12,428,900)
	GF/GP	($329,200)
2. Grant and Other Reductions	**Gross**	**($11,660,000)**
Two fund shifts consist of replacing $1.0 million in Fire Protection Grant GF/GP with $1.0 million from the Fire Protection Fund due to increased bad driver fees, and replacing $10.0 Federal Temporary Assistance to Needy Families, which is over-appropriated, with $10.0 million in Federal Workforce Investment Act funds. Also, $660,000 in restricted funds is saved though reduced support of a corporations database software project.	Federal	(10,000,000)
	Restricted	(660,000)
	GF/GP	(1,000,000)

Supplemental Changes from FY 2006-07 YTD Appropriations		Supplemental Amount
1. Welfare to Work Fund Shift	**Gross**	**$10,000,000**
Replace federal Temporary Assistance to Needy Families (TANF) with federal Workforce Investment Act (WIA) funds due to over-appropriation of TANF.	Federal	10,000,000
	GF/GP	$0
2. Fire Protection Grants Fund Shift	Gross	**$1,000,000**
Replace General Fund with Fire Protection Fund due to increase bad driver fees.	Restricted	1,000,000
	GF/GP	0

LEGISLATURE

Analyst: Robin R. Risko

	FY 2006-007 YTD at 2/8/07	EO 2007-1 Amount	Supplemental Amount
IDG/IDT	$0		$0
Federal	0		
Local	0		
Private	400,000		
Restricted	1,109,800		(158,200)
GF/GP	115,066,600		(2,144,800)
Gross	**$116,576,400**		**($2,303,000)**

Supplemental Changes from FY 2006-07 YTD Appropriations		Supplemental Amount
Retirement Savings	**Gross**	**($2,303,000)**
Reflects a savings as a result of reduced costs associated with the defined benefit retirement system. Costs are reduced due to actuarial adjustments made in response to a revaluation of the retirement system's investment portfolio.	Restricted	(158,200)
	GF/GP	($2,144,800)

MANAGEMENT AND BUDGET

Analyst: Robin R. Risko

	FY 2006-007 YTD at 2/8/07	EO 2007-1 Amount	Supplemental Amount
IDG/IDT	$155,293,500	$0	$61,700
Federal	0		
Local	0		
Private	0		
Restricted	52,438,900		
GF/GP	268,409,600	(16,525,600)	_
Gross	**$476,142,000**	**($17,911,400)**	**$61,700**

Note: EO 2007-1 and Supplemental fund sources may not add to gross amount (full fund source detail is not yet available).

EO 2007-1 Changes from FY 2006-07 YTD Appropriations		EO 2007-1 Amount
1. Retirement Savings	**Gross**	**($2,050,600)**
Reflects a savings as a result of reduced costs associated with the defined benefit retirement system. Costs are reduced due to actuarial adjustments made in response to a revaluation of the retirement system's investment portfolio.	GF/GP	($603,100)
2. Administrative Reductions	**Gross**	**($190,800)**
Reduces amount of funding available for administrative expenses. Savings are anticipated to be generated through administrative efficiencies.	GF/GP	($252,500)
3. State Building Authority Rent Savings	**Gross**	**($15,670,000)**
Reflects a savings based on projected rent payments and as a result of renegotiating long-term leases for buildings the Department manages. Rent payments the Department makes for affected leased facilities for FY 2007 will be reduced as a result of financial restructuring.	GF/GP	($15,670,000)

Supplemental Changes from FY 2006-07 YTD Appropriations		Supplemental Amount
Fund Source Shift	**Gross**	**$61,700**
Reflects a fund source shift due to charging the Departments of Community Health and Human Services for activities related to their budgets. The related General Fund reduction is contained in Executive Order 2007-1.	IDG	61,700
	GF/GP	$0

MICHIGAN STRATEGIC FUND

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

	FY 2006-007 YTD at 2/8/07	EO 2007-1 Amount	Supplemental Amount
IDG/IDT	$78,600	$0	
Federal	47,687,000	(82,000)	
Local	0		
Private	700,000		
Restricted	5,000		
GF/GP	32,009,200	($2,150,100)	
Gross	**$80,479,800**	**($2,232,100)**	

EO 2007-1 Changes from FY 2006-07 YTD Appropriations		EO 2007-1 Amount
1. Retirement Savings	**Gross**	**$506,600**
Change in investment assumptions provides reduced FY 2008 for defined Benefit pensions.	Federal	82,000
	GF/GP	$424,600

EO 2007-1 Changes from FY 2006-07 YTD Appropriations		EO 2007-1 Amount
2. Grant and Administrative Cost Reductions	**Gross**	**$1,725,500**
Economic Development Job Training Grants are renamed Upper Hand Training Grants and reduced by $1.6 million. Administration and Job Creation Services are reduced by a total of $125,000 through a hiring freeze.	GF/GP	$1,725,500

MILITARY AND VETERANS AFFAIRS

Analyst: Jan Wisniewski

	FY 2006-007 YTD at 2/8/07	EO 2007-1 Amount	Supplemental Amount
IDG/IDT	$1,664,600	$0	$0
Federal	51,450,700		
Local	1,253,100		
Private	1,441,300		
Restricted	26,452,700		
GF/GP	40,640,200	(1,173,700)	134,500
Gross	**$122,902,600**	**($2,567,800)**	**$134,500**

Note: EO 2007-1 and Supplemental fund sources may not add to gross amount (full fund source detail is not yet available).

EO 2007-1 Changes from FY 2006-07 YTD Appropriations		EO 2007-1 Amount
1. Retirement Savings	**Gross**	**($2,097,700)**
Other fund sources not yet available.	GF/GP	($703,600)
2. Grand Rapids Veterans' Home	**Gross**	**($185,000)**
Reflection of CSS&M reduction including nurse on-call costs, overtime, and in-house shows and entertainment	GF/GP	($185,000)
3. Headquarters and Armories	**Gross**	**($150,000)**
Elimination of four armory maintenance mechanics	GF/GP	($150,000)
4. D. J. Jacobetti Veterans' Home	**Gross**	**($134,500)**
GF/GP savings offset in supplemental	GF/GP	($134,500)
5. Information Technology Services and Projects	**Gross**	**($600)**
Reductions from identifying efficiencies to reduce administrative costs.	GF/GP	($600)

Supplemental Changes from FY 2006-07 YTD Appropriations		Supplemental Amount
D. J. Jacobetti Veterans' Home	**Gross**	**$134,500**
Replaces GF/GP funding with restricted revenue from income and assessments	Restricted	134,500
	GF/GP	$0

NATURAL RESOURCES

Analyst: Kirk Lindquist

	FY 2006-007 YTD at 2/8/07	EO 2007-1 Amount	Supplemental Amount
IDG/IDT	$3,765,900	$0	
Federal	42,964,300		
Local	0		
Private	3,125,100		
Restricted	213,188,300	(4,107,100)	
GF/GP	25,269,600	(344,700)	
Gross	**$288,313,200**	**($4,451,800)**	

EO 2007-1 Changes from FY 2006-07 YTD Appropriations		EO 2007-1 Amount
1. Retirement Savings (Department-wide)	**Gross**	**($4,450.400)**
Retirement savings realized through reduction in the contribution rate for the defined benefit pension plan.	Restricted	(4,107,100)
	GF/GP	($343,300)
2. Information Technology Services and Projects	**Gross**	($1,400)
Savings to be realized through administrative efficiencies.	GF/GP	($1,400)

SCHOOL AID

Analysts: Mary Ann Cleary and Bethany Wicksall

	FY 2006-007 YTD at 2/8/07	EO 2007-1 Amount	Supplemental Amount
IDG/IDT	**$0**		$0
Federal	1,411,236,900		0
Local	0		0
Private	0		0
Restricted	11,647,508,200		(45,225,000)
GF/GP	35,000,000		0
Gross	**$13,093,745,100**		**($45,225,000)**

EO 2007-1 Changes from FY 2006-07 YTD Appropriations		EO 2007-1 Amount
1. Retirement Reserve Fund Shift	**Gross**	**$0**
Provides $185.0 million generated from revaluing the Michigan Public School Employees Retirement System (MPSERS) assets to cover an estimated shortfall in the School Aid Fund.	SAF	(185,000,000)
	MPSERS	185,000,000
	GF/GP	$0
2. Foundation Allowance (Sec. 22a - Proposal A Payment and Sec. 22b - Discretionary Payment)	**Gross**	**($21,250,000)**
Reduction in payments to reflects lower pupil estimates and taxable value changes.	Restricted	(21,250,000)
	GF/GP	$0
3. Special Education Payments	**Gross**	**($20,000,000)**
Reduction in payments to reflect lower pupil estimates and to reflect lower costs than were originally estimated.	Restricted	(20,000,000)
	GF/GP	$0
4. PILT Reimbursement	**Gross**	**$1,000,000**
Increase of $1.0 million to $3.4 million to reflect actual costs.	Restricted	1,000,000
	GF/GP	$0
5. Elimination of New Categorical Programs	**Gross**	**($4,975,000)**
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, International Baccalaureate grants, Precollege Engineering grant to Kalamazoo, Web Based Testing grant, Automatic External Defibrillators grants, School Building Security Mapping grants, Positive Behavioral Support grants. Appropriations in all of these programs are available for reduction.	Restricted	(4,975,000)
	GF/GP	$0

EO 2007-1 Changes from FY 2006-07 YTD Appropriations		EO 2007-1 Amount
6. Revenue from Tax Restructuring Proposal	**Gross**	**$0**
Assumes an additional $191.1 million in SAF from the tax restructuring proposal to replace the reduction in estimated SAF revenue from the January 2007 revenue estimating conference.	Restricted	0
	GF/GP	$0

STATE

Analyst: Robin R. Risko

	FY 2006-007 YTD at 2/8/07	EO 2007-1 Amount	Supplemental Amount
IDG/IDT	$20,000,000	$0	
Federal	3,052,100		
Local	0		
Private	100		
Restricted	162,608,600		
GF/GP	19,132,700	(452,300)	
Gross	**$204,793,500**	**($4,194,900)**	

Note: EO 2007-1 and Supplemental fund sources may not add to gross amount (full fund source detail is not yet available).

EO 2007-1 Changes from FY 2006-07 YTD Appropriations		EO 2007-1 Amount
1. Retirement Savings	**Gross**	**($4,192,500)**
Reflects a savings as a result of reduced costs associated with the defined benefit retirement system. Costs are reduced due to actuarial adjustments made in response to a revaluation of the retirement system's investment portfolio.	GF/GP	($449,900)
2. Administrative Reductions	**Gross**	**($2,400)**
Reduces amount of funding available for information technology-related administrative expenses. Savings are anticipated to be generated through administrative efficiencies.	GF/GP	($2,400)

STATE POLICE

Analyst: Jan Wisniewski

	FY 2006-007 YTD at 2/8/07	EO 2007-1 Amount	Supplemental Amount
IDG/IDT	$22,642,400	$0	
Federal	169,305,000		
Local	8,088,900		
Private	80,300		
Restricted	119,873,200		
GF/GP	249,298,700	(6,771,100)	
Gross	**$569,288,500**	**($10,408,900)**	

Note: EO 2007-1 and Supplemental fund sources may not add to gross amount (full fund source detail is not yet available).

EO 2007-1 Changes from FY 2006-07 YTD Appropriations		EO 2007-1 Amount
1. Retirement Savings	**Gross**	**($10,399,700)**
Other fund sources not yet available.	GF/GP	($6,761,900)
2. Information Technology Services and Projects	**Gross**	**($9,200)**
Savings from administrative efficiencies.	GF/GP	($9,200)

TRANSPORTATION

Analyst: William E. Hamilton

	FY 2006-007 YTD at 2/8/07	EO 2007-1 Amount	Supplemental Amount
IDG/IDT	$0	$0	
Federal	1,169,336,300		
Local	47,500,000		
Private	0		
Restricted	2,225,029,000	(6,000,000)	
GF/GP	0	–	
Gross	**$3,441,865,300**	**($6,000,000)**	

EO 2007-1 Changes from FY 2006-07 YTD Appropriations		EO 2007-1 Amount
Transportation Economic Development Fund (TEDF)	**Gross**	**($6,000,000)**
Redirects $6 million from the TEDF Category A/Target Industries program to the state General Fund. This revenue is derived from a statutory earmark of certain drivers' license fees in Section 819 of the Michigan Vehicle Code (MCL 257.819).	Restricted	(6,000,000)
	GF/GP	$0

TREASURY

Analysts: Mark Wolf and Robin R. Risko

	FY 2006-007 YTD at 2/8/07	EO 2007-1 Amount	Supplemental Amount
IDG/IDT	$13,748,200		
Federal	35,906,300		
Local	1,066,200		
Private	0		
Restricted	1,411,907,800	(50,000)	
GF/GP	133,857,800	(1,880,400)	$10,000,000
Gross	**$1,596,486,300**	**($5,881,400)**	**$10,000,000**

Note: EO 2007-1 and Supplemental fund sources may not add to gross amount (full fund source detail is not yet available).

EO 2007-1 Changes from FY 2006-07 YTD Appropriations		EO 2007-1 Amount
1. Special Census Revenue Sharing Payments (Revenue Sharing)	**Gross**	**($892,400)**
Eliminates funding for Special Census Revenue Sharing Payments, which would be distributed as follows: New Baltimore (Macomb) $181,304; Forsyth Twp. (Marquette) $52,749; Linden (Genesee) $37,196; Saugatuck Twp. (Allegan) $24,170; Grand Blanc Twp. (Genesee) $216,821; Rockford (Kent) $24,959; Holly Twp. (Oakland) $16,726; Union Twp. (Isabella) $109,321; Grand Haven Twp. (Ottawa) $50,125; Algoma Twp (Kent) $73,806; and Mundy Twp. (Genesee) $105,222.	GF/GP	($892,400)
2. Revenue Enhancement Reduction (Tax Programs)	**Gross**	**($350,000)**
Savings realized in administrative efficiencies.	GF/GP	($350,000)
3. Mail Operations (Banking and Management Services)	**Gross**	**($50,000)**
Savings realized through administrative efficiencies.	GF/GP	($50,000)
4. Collections (Banking and Management Services)	**Gross**	**($50,000)**
Savings realized through administrative efficiencies.	GF/GP	($50,000)
5. DIT Administrative Reductions (Information Technology)	**Gross**	**($5,400)**
Savings realized through administrative efficiencies.	GF/GP	($5,400)
6. Retirement Savings	**Gross**	**($4,483,600)**
Retirement savings realized through reduction in the contribution rate for the defined benefit pension plan.	GF/GP	**($532,600)**

EO 2007-1 Changes from FY 2006-07 YTD Appropriations	EO 2007-1 Amount	
7. Michigan Merit Award Administration	**Gross**	**($50,000)**
Savings realized through administrative efficiencies.	Restricted	($50,000)

Supplemental Changes from FY 2006-07 YTD Appropriations	Supplemental Amount	
Single Business Tax Replacement	**Gross**	**$10,000,000**
Provides funding for the department's activities to implement the new business tax. This includes funding for staffing (approximately 20 FTEs), hardware and software, and training of staff, tax preparers, and tax payers. Boilerplate designates any unexpended appropriations as a work project.	GF/GP	$10,000,000