

REVIEW AND ANALYSIS
OF THE
FY 2008-09
EXECUTIVE BUDGET
RECOMMENDATION



prepared by the

HOUSE
FISCAL
AGENCY

Mitchell E. Bean, Director

February 2008

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MITCHELL E. BEAN, DIRECTOR

P.O. BOX 30014 ■ LANSING, MICHIGAN 48909-7514
PHONE: (517) 373-8080 ■ FAX: (517) 373-5874
www.house.mi.gov/hfa

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February 2008

TO: Members of the Michigan House of Representatives

We are pleased to provide you with this ***Review and Analysis of the FY 2008-09 Executive Budget Recommendation.***

In this publication, the *Director's Overview* provides information on revenue sources proposed in the Executive Recommendation for FY 2008-09, 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". The signature is written in a cursive, flowing style.

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 2008-09 Budget Detail

DIRECTOR'S OVERVIEW

Overview
Resources Used in Executive Budget
Proposed Bond Revenue
Proposed Revenue Sharing
Summary Information and Tables

OVERVIEW

FY 2008-09 Executive Recommendation DIRECTOR'S OVERVIEW

The FY 2008-09 Executive Budget Recommendation calls for \$44,037.1 million in adjusted gross appropriations. This includes \$9,849.3 million in GF/GP, \$18,909.4 million in restricted funds, and \$14,766.2 million in federal funds. Of the \$28,758.7 million in state resources available in FY 2008-09, \$16,262.7 million (56.5% of the total) is designated for payments to local units of government. (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.)

One important aspect that should be noted is the source of revenue for the Executive Recommendation.

In addition to the January 11, 2008, Consensus Revenue Estimating Conference revenue estimates, the Executive Recommendation incorporates the following:

- ▶ Approximately \$300 million of bond revenue to establish a proposed 21st Century Schools Fund, which would make start-up grants and facilities grants available to ISDs and school districts. Legislation is required to implement this recommendation.
- ▶ An additional \$60 million made available by refinancing existing taxable tobacco settlement bonds as tax-exempt bonds to be used to promote tourism and business in Michigan. Legislation is required to implement this recommendation.
- ▶ Restructuring state general obligation bonds to take advantage of lower interest rates. Restructuring state debt is expected to save the state \$100 million GF/GP over a three-year period. The Executive proposes using the FY 2008-09 savings from this general obligation debt restructuring to expand the No Worker Left Behind program by \$40 million. Debt restructuring does not require legislative action; expanding the No Worker Left Behind program will require legislative action.
- ▶ Amending the Michigan Business Tax to include a proposed Michigan Job Creation Tax Credit. Detail on the proposed credit is not yet available; the House Fiscal Agency has requested more information about which business or industries may qualify and how the program would be administrated.

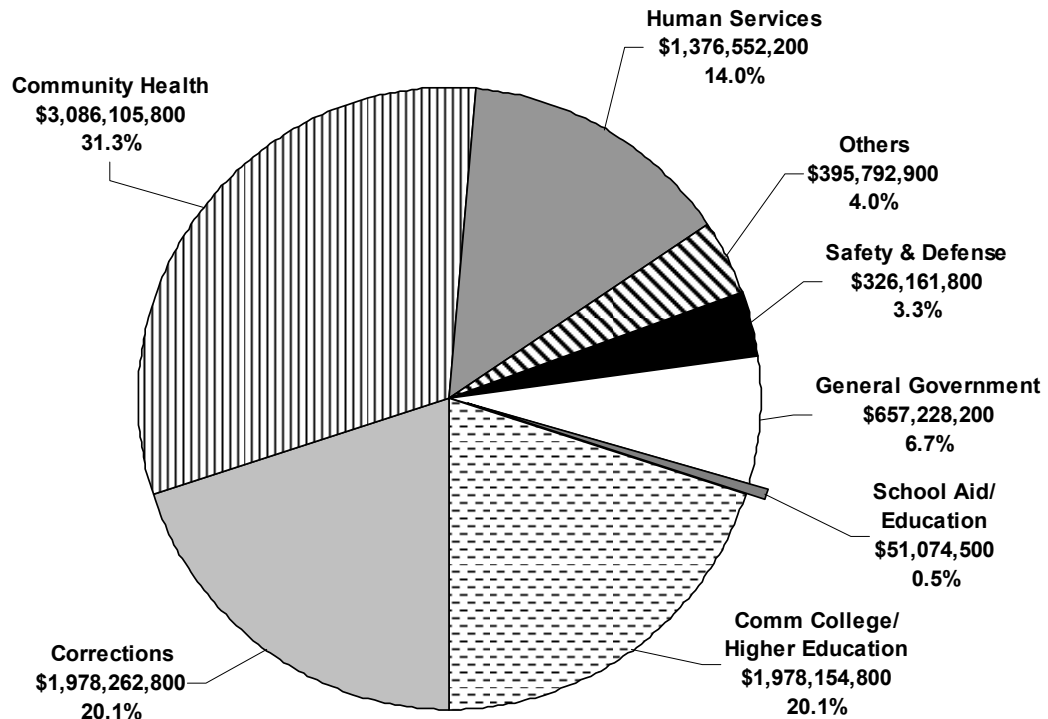
Purportedly, the Michigan Job Creation Tax Credit would enable growing, target businesses to triple the compensation credit for new jobs available under the MBT for four years. High-growth businesses that move all or a portion of their business to Michigan and create jobs would pay no MBT on the new jobs in the first year, and their MBT liability would phase in over a four-year period. This credit is estimated to reduce revenue by an estimated \$34.8 million in FY 2008-09. Establishing the proposed new credit would require legislation.

This Overview includes:

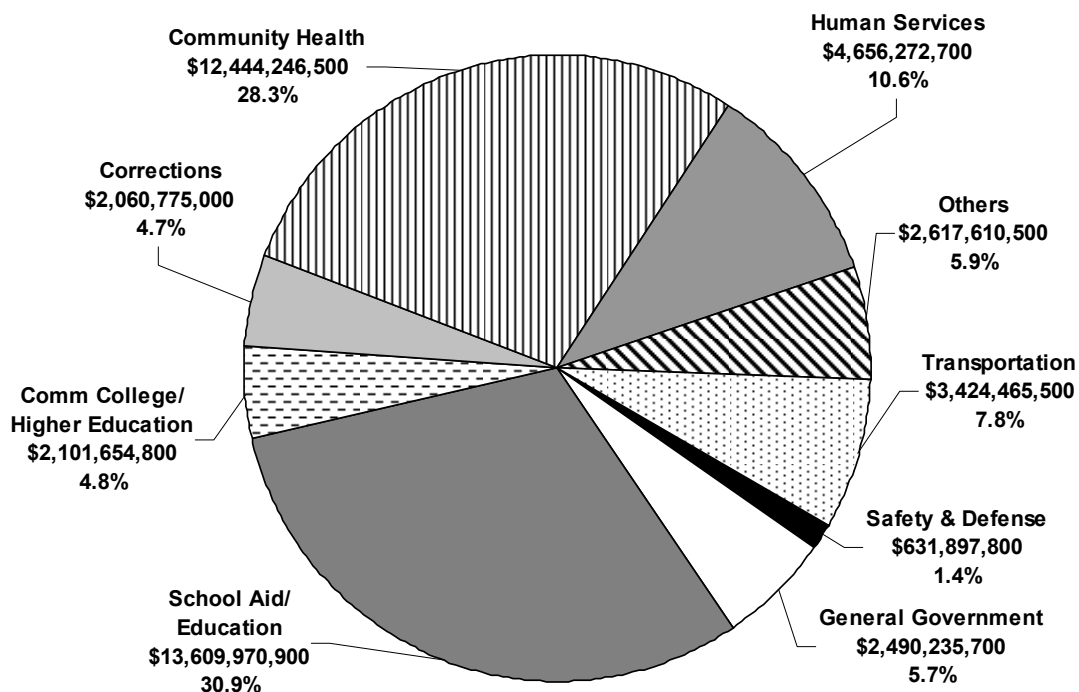
- Graphs of Executive Recommendation GF/GP and Adjusted Gross distribution by budget area.
- Review of resources used in the Executive Recommendation.
- Proposed appropriations from tobacco settlement funds.
- Summary of the overall content of the budget (Tables 1 through 5).

Following the Overview, individual sections explain appropriations by department or major budget area. Each section includes a comparison of FY 2007-08 year-to-date appropriations with the FY 2008-09 Executive Recommendation and an analysis and discussion of major budget and boilerplate issues.

**FY 2008-09 Executive Recommendation
General Fund/General Purpose (GF/GP) = \$9,849,333,000**



**FY 2008-09 Executive Recommendation
Adjusted Gross = \$44,037,129,400**



OVERVIEW

RESOURCES USED IN FY 2008-09 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 2008-09 EXECUTIVE RECOMMENDATION
GENERAL FUND/GENERAL PURPOSE (GF/GP)
(Millions of Dollars)**

Revenue	
Beginning Balance	\$125.5
Ongoing Revenue:	
Initial revenue estimate (1/11/08)	\$9,193.7
Revenue sharing savings	\$540.5
Statutory revenue sharing increase (4%)	(\$16.2)
Michigan Job Creation credit	(\$34.8)
Charge SAF for short-term borrowing costs	\$45.0
Northville property sale balloon payment (8/30/09)	\$6.5
Total Revenue	\$9,860.2
Expenditures	
FY 2008-09 Executive Budget Recommendation	\$9,849.3
Total Expenditures	\$9,849.3
Estimated Year-End Balance	\$10.9

Beginning Balance: Beginning balance estimate assumes that a FY 2007-08 GF/GP supplemental is enacted as proposed by the Executive, and that \$100 million is deposited in the Countercyclical Budget and Stabilization fund in FY 2007-08. Additional budgetary action would affect the beginning balance.

FY 2008-09 Consensus Revenue Estimate: Revenue estimate agreed to by the Consensus Conference in January 2008.

Michigan Job Creation Tax Credit: Proposal would enable growing, target businesses to triple the compensation credit for new jobs available under the MBT for four years. High-growth businesses that move all or a portion of their business to Michigan and create jobs would pay no MBT on the new jobs in the first year, and their MBT liability would phase in over a four-year period. This credit is estimated to reduce revenue by an estimated \$34.8 million in FY 2008-09.

**FY 2008-09 EXECUTIVE RECOMMENDATION
SCHOOL AID FUND (SAF)
(Millions of Dollars)**

Revenue	
Beginning balance	\$48.5
Revised forecast (1/11/08)	\$11,870.6
GF/GP transfer	\$43.0
Federal funds	\$1,562.0
	<hr/>
Total Revenue	\$13,524.1
 Expenditures	
2007 PA 137 as Enacted	\$13,006.0
FY 2008-09 Current-Services Baseline Adjustments:	
MBT impact on foundation costs	\$341.6
Foundation costs adjustments	(\$389.9)
Durant cash payment ends in FY 2007-08	(\$32.0)
Debt service changes for Durant bond and SBLF	\$79.0
Special Education increased costs	\$19.8
Other CSB adjustments	\$4.3
Enhancements:	
Foundation/Equity increase from \$108 to \$216 per pupil	\$299.0
Federal programs	\$82.7
Small high school bonding	\$32.0
Great Start readiness program	\$31.5
School Aid borrowing costs	\$22.2
Student testing	\$5.5
CEPI education data systems	\$4.3
ISD support	\$2.9
School-based health centers	\$2.0
Isolated districts	\$1.3
MBT impact on out-of-formula districts	\$1.3
First Robotics increased to \$1.0 million	\$1.0
Advanced & Accelerated increased to \$1.0 million	\$0.7
	<hr/>
Total Expenditures	\$13,515.2
	<hr/>
Estimated Year-End Balance	\$8.9

Beginning Balance: Beginning balance estimate assumes that a FY 2007-08 SAF supplemental is enacted as proposed by the Executive. Additional budgetary action would affect the beginning balance.

FY 2008-09 Consensus Revenue Estimate: Revenue estimates agreed to by the Consensus Conference in January 2008.

OVERVIEW

**FY 2008-09 EXECUTIVE RECOMMENDATION
MEDICAID BENEFITS TRUST FUND
(Millions of Dollars)**

Beginning balance	\$0.0
Estimated interest	4.1
Estimated deposit:	
Revenue from cigarette tax	330.8
Revenue from other tobacco products	34.5
Available Funds	\$369.4
Withdrawal	(\$380.0)
Adjustment	10.6
Estimated Ending Balance	\$0.0

**FY 2008-09 EXECUTIVE RECOMMENDATION
TOBACCO SETTLEMENT REVENUE/EXPENDITURES
(Millions of Dollars)**

Prior-year balance	\$15.0
Interest	0.9
Master Settlement Agreement (MSA) payment	321.7
Payment on securitization bonds	(44.6)
Deposit to 21st Century Jobs Trust Fund	(75.0)
Total Estimated Revenue	\$218.0
Proposed Expenditures:	
Merit awards	(5.2)
MI Promise scholarships	(90.5)
Tuition Incentive Program (TIP)	(15.8)
Nursing scholarships	(4.3)
Administration of TIP and merit awards	(2.3)
MI Education Savings Plan	(0.8)
Medicaid base	(93.7)
Aging-respite care	(5.0)
Attorney General administration	(0.4)
Total Proposed Expenditures	(\$218.0)
Estimated Ending Balance	\$0.0

FY 2008-09 EXECUTIVE-PROPOSED BOND REVENUE

General Obligation Debt Service

FY 2007-08 debt service amounts for Michigan’s four general obligation bonding programs are: \$2.4 million (Water Pollution Control Bond), \$60.9 million (Quality of Life Bond), \$50.0 million (Clean Michigan Initiative Bond), and \$6.7 million (Great Lakes Water Quality Bond)—a total of \$119.9 million. The Executive proposes a supplemental bill to restructure three of these programs in FY 2007-08; the FY 2008-09 Executive Recommendation proposes restructuring two of these programs.

The Executive’s debt service reduction proposal would lower overall debt service in three years by \$100.0 million GF/GP (\$30.0 million in FY 2007-08, \$40.0 million in FY 2008-09, and \$30.0 million in FY 2009-10); FY 2007-08 and FY 2008-09 reduction amounts are as follows:

	FY 2008	FY 2009
	<u>(Supplemental)</u>	<u>(Executive Recommendation)</u>
Quality of Life Bond	(\$8.0 million)	(\$25.0 million)
Clean Michigan Initiative Bond	(18.0 million)	(15.0 million)
Great Lakes Water Quality Bond	<u>(4.0 million)</u>	
TOTAL	(\$30.0 million)	<u>(\$40.0 million)</u>

According to the Department of Treasury, deferring some of the debt service obligation would have the effect of smoothing out the debt service in the coming year. In addition, the bonding program can take advantage of lower interest rates which are expected to be available when refinancing. Currently, the general obligation bonding portfolio debt payment schedule closes out in 2026; this restructuring proposal would not extend or lengthen the repayment period.

Michigan Tobacco Settlement Authority Bonds (Tobacco Securitization)

The State of Michigan receives tobacco settlement funding from tobacco companies under provisions of the Master Settlement Agreement (MSA) entered into by the tobacco companies and 46 states. In FY 2005-06, Michigan received \$289.0 million from the tobacco settlement agreement.

21st Century Jobs Trust Fund

The Michigan Tobacco Settlement Finance Authority (MTSFA), created by 2005 PA 226, authorized the state budget director to sell to MTSFA a portion of the state's tobacco settlement revenue to net \$400.0 million dollars for the state; the revenue was deposited into the 21st Century Jobs Trust Fund. MTSFA issued bonds with the agreement that it would receive 13.34% of the state's share of the annual payments made under the MSA after April of 2008 to make future payments of principal and interest on the bonds. The bonds are the sole obligation of MTSFA, and are secured by the pledged tobacco settlement revenue and investment earnings; these bonds are not the obligation of the state. The debt service on this securitization is expected to be approximately \$40.0 million per year for the next 20 years, beginning in FY 2006-07.

The FY 2008-09 Executive Recommendation proposes refinancing the outstanding 2006 Tobacco Settlement securitization bonds that funded the 21st Century Jobs Trust Fund. The State Budget Office estimates that additional one-time funding of \$60.0 million over a two-year period can be realized through this proposal, because a review of the 21st Century jobs Trust fund projects indicates that a portion of these bonds can be refinanced as tax-exempt bonds. The Executive also proposes issuing tax-exempt bonds which would provide revenue for the 21st Century Jobs Trust Fund. The state budget office estimates that changing the tax-exempt status for refinancing a portion of the bonds, issuing additional tax-exempt bonds, and extending the portion of revenue currently pledged by four years would raise an additional \$60.0 million.

General Fund and School Aid Fund

Pursuant to 2007 PA 18, the state entered into a second agreement with MTSFA for another bonding program, under which MTSFA issued bonds with the agreement that it would receive 10.77% of the state's share of future annual payments under the MSA, beginning in FY 2009-10. As a result of this agreement, the state received a payment of \$415.0 million; the revenue was deposited into the General Fund and the School Aid Fund.

Under the provisions of these two agreements between the State of Michigan and MTSFA, the state has sold approximately 24% of its future tobacco settlement proceeds for an estimated 20 years, or until the bonds are paid off.

OVERVIEW

FY 2008-09 EXECUTIVE-PROPOSED REVENUE SHARING

Payments to Cities, Villages, and Townships

Although the amount of FY 2008-09 Constitutional revenue sharing is anticipated to be less than in FY 2007-08, the FY 2008-09 Executive Recommendation provides each city, village, and township with no less in combined (statutory plus Constitutional) revenue sharing payments than it received during FY 2007-08. As proposed by the Executive, total Constitutional revenue sharing is expected to be \$667.56 million and total initial statutory revenue sharing is expected to be \$405.03 million.

The Executive also recommends that those local units receiving statutory revenue sharing in FY 2007-08 (908 of the 1,775 CVTs) receive supplemental statutory revenue sharing equal to 4% of their statutory payment in FY 2006-07. The total of these proposed supplemental payments is \$16.2 million.

**FY 2008-09 Executive Recommendation
Estimated Revenue Sharing Payments to Cities, Villages, and Townships
(Millions of Dollars)**

	<u>Initial Statutory</u>	<u>4% Supplemental Statutory</u>	<u>Total Statutory</u>	<u>Constitutional</u>	<u>Total Statutory + Constitutional</u>	<u>Change from FY 2007-08</u>	
Detroit	\$208.7	\$8.4	\$217.1	\$64.0	\$281.1	\$8.4	3.1%
Other Cities	\$167.4	\$6.7	\$174.1	\$282.6	\$456.7	\$6.7	1.5%
All Cities	\$376.1	\$15.1	\$391.2	\$346.5	\$737.8	\$15.1	2.1%
Villages	\$7.6	\$0.3	\$7.9	\$19.1	\$27.0	\$0.3	1.2%
Townships	\$21.3	\$0.8	\$22.1	\$301.9	\$324.0	\$0.8	0.3%
TOTAL	\$405.0	\$16.2	\$421.2	\$667.6	\$1,088.8	\$16.2	1.5%

Payments to Counties

State revenue sharing payments to counties were suspended by 2004 PAs 356 and 357, which required each county to establish a reserve fund against which the county would self-finance its own revenue sharing payments. Each county would then be allowed to annually withdraw an amount equal to the amount it received in revenue sharing in the state fiscal year ending September 31, 2004, adjusted annually for inflation, and the state agreed to restore revenue sharing payments once a county's required reserve fund had been exhausted. Individual county reserve funds were anticipated to last between four and twenty years.

Under the agreement with counties to restore statutory revenue sharing payments once a county's required reserve fund has been exhausted, the Executive Recommendation provides six counties with a total of \$2.39 million.

Additional Appropriations

To ensure that sufficient statutory revenue sharing funds are available for FY 2008-09, the Executive Recommendation includes boilerplate language in the FY 2008-09 General Government appropriation bill that appropriates additional statutory revenue sharing funds in the event the amount appropriated in part 1 of the bill is insufficient for specified distributions.

FY 2008-09 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	\$276.3	\$190.6	(\$98.6)	(\$58.1)	\$0.0	\$0.0	\$177.7	\$132.5
Attorney General	356.7	169.9	54.6	54.6	0.0	0.0	411.3	224.5
Auditor General	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Civil Rights	34.6	34.6	135.2	135.2	0.0	0.0	169.8	169.8
Civil Service	109.7	26.6	31.9	8.9	0.0	0.0	141.6	35.5
Community Health	3,315.6	1,488.8	491.7	82.5	307.0	52.4	4,114.3	1,623.7
Corrections	4,492.9	4,307.7	199.8	199.8	3,071.4	3,071.4	7,764.1	7,578.9
Education	245.2	40.4	(117.4)	(27.5)	0.0	0.0	127.8	12.9
Environmental Quality	780.8	114.5	(174.8)	(39.0)	0.0	0.0	606.0	75.5
Executive	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
History, Arts, and Libraries	(64.2)	(70.4)	121.3	121.3	0.0	0.0	57.1	50.9
Human Services	3,143.2	2,056.1	300.9	(51.0)	89.0	44.5	3,533.1	2,049.6
Information Technology	932.8	451.0	0.0	0.0	0.0	0.0	932.8	451.0
Judiciary	260.1	247.3	162.7	143.7	0.0	0.0	422.8	391.0
Labor and Economic Growth	1,220.9	17.0	655.0	(29.6)	0.0	0.0	1,875.9	(12.6)
Legislature	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Management and Budget	294.1	123.2	(513.8)	(677.4)	0.0	0.0	(219.7)	(554.2)
Michigan Strategic Fund	78.6	67.4	0.0	0.0	0.0	0.0	78.6	67.4
Military and Veterans Affairs	228.8	109.8	0.0	0.0	125.4	82.5	354.2	192.3
Natural Resources	489.1	22.4	(156.1)	(10.8)	0.0	0.0	333.0	11.6
State	(1,378.1)	(1,117.3)	(357.5)	(318.5)	0.0	0.0	(1,735.6)	(1,435.8)
State Police	1,154.8	900.9	(237.2)	(212.7)	0.0	0.0	917.6	688.2
Transportation	1,461.1	0.0	(1,294.4)	0.0	0.0	0.0	166.7	0.0
Treasury	373.1	(52.1)	121.1	2.4	0.0	0.0	494.2	(49.7)
TOTAL	\$17,806.1	\$9,128.4	(\$675.6)	(\$676.2)	\$3,592.8	\$3,250.8	\$20,723.3	\$11,703.0

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

OVERVIEW

FY 2008-09 EXECUTIVE RECOMMENDATION: SUMMARY TABLES

The Executive Budget Recommendation for FY 2008-09 increases adjusted gross appropriations by \$1,245.3 million (2.9%), decreases GF/GP appropriations by \$6.9 million (0.1%), and increases state restricted appropriations by \$417.1 million (2.3%) from FY 2007-08 year-to-date levels. Total state spending from state sources increases by \$410.2 million (1.4%) from FY 2007-08 year-to-date levels.

	Millions of Dollars			
	<u>Year-to-Date FY 2007-08</u>	<u>Executive Recommendation FY 2008-09</u>	<u>Amount Change</u>	<u>% Change</u>
General Fund/General Purpose	\$9,856.3	\$9,849.3	(\$6.9)	(0.1)
State Restricted	<u>18,492.3</u>	<u>18,909.4</u>	<u>417.1</u>	2.3
Total State Spending from State Sources	\$28,348.5	\$28,758.7	\$410.2	1.4
Federal	13,971.0	14,766.2	795.2	5.7
Local	381.4	417.3	35.9	9.4
Private	<u>90.8</u>	<u>94.8</u>	<u>4.0</u>	4.4
Total Adjusted Gross	\$42,791.8	\$44,037.1	\$1,245.3	2.9

The tables on the following pages summarize the overall content of the FY 2008-09 Executive Recommendation.

Table 1 details the FY 2008-09 Executive Recommendation by **Source of Funds**.

Table 2 compares **Adjusted Gross Appropriations** for FY 2007-08 YTD to the FY 2008-09 Executive Recommendation.

Table 3 compares **GF/GP Appropriations** for FY 2007-08 YTD to the FY 2008-09 Executive Recommendation.

Table 4 compares the number of **Full-Time Equated (FTE) Positions** (classified and unclassified) for FY 2007-08 YTD to the FY 2008-09 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 2008-09 **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. Of the \$28,758.7 million in state resources available in FY 2008-09, \$16,262.7 million (56.5% of the total) is designated for payments to local units of government. (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.)

TABLE 1
FY 2008-09 EXECUTIVE RECOMMENDATION BY SOURCE OF FUNDS

<u>Department/Budget Area</u>	<u>Gross</u>	<u>IDG/IDT</u>	<u>Adjusted Gross</u>	<u>Federal</u>	<u>Local</u>	<u>Private</u>	<u>State Restricted</u>	<u>GF/GP</u>
Community Colleges	302,228,800	0	302,228,800	0	0	0	0	302,228,800
Education	94,743,200	0	94,743,200	69,675,500	6,924,600	3,087,800	6,980,800	8,074,500
Higher Education	1,799,426,000	0	1,799,426,000	7,400,000	0	0	116,100,000	1,675,926,000
School Aid	13,515,227,700	0	13,515,227,700	1,562,008,600	0	0	11,910,219,100	43,000,000
EDUCATION	\$15,711,625,700	\$0	\$15,711,625,700	\$1,639,084,100	\$6,924,600	\$3,087,800	\$12,033,299,900	\$2,029,229,300
Attorney General	76,544,600	24,301,000	52,243,600	8,050,800	0	0	11,927,600	32,265,200
Civil Rights	14,528,400	0	14,528,400	2,057,300	0	0	0	12,471,100
Executive Office	5,317,300	0	5,317,300	0	0	0	0	5,317,300
Information Technology	433,992,900	433,992,900	0	0	0	0	0	0
Legislative Auditor General	15,828,200	1,801,500	14,026,700	0	0	0	1,539,900	12,486,800
Legislature	114,504,000	0	114,504,000	0	0	400,000	1,109,800	112,994,200
Management and Budget	548,590,900	165,468,000	383,122,900	10,669,900	1,992,900	150,000	77,694,100	292,616,000
Michigan Strategic Fund	160,782,600	80,300	160,702,300	55,438,800	0	715,600	75,005,200	29,542,700
State	205,135,700	20,000,000	185,135,700	1,460,000	0	100	156,787,600	26,888,000
Treasury: Operations	396,947,000	10,814,300	386,132,700	36,868,900	1,105,100	0	283,332,300	64,826,400
Treasury: Debt/Revenue Sharing	1,174,522,100	0	1,174,522,100	0	0	0	1,106,701,600	67,820,500
GENERAL GOVERNMENT	\$3,146,693,700	\$656,458,000	\$2,490,235,700	\$114,545,700	\$3,098,000	\$1,265,700	\$1,714,098,100	\$657,228,200
Community Health	12,485,130,400	40,883,900	12,444,246,500	7,159,187,100	241,980,600	66,686,800	1,890,286,200	3,086,105,800
Corrections	2,062,052,200	1,277,200	2,060,775,000	10,350,200	430,300	0	71,731,700	1,978,262,800
Human Services	4,658,689,400	2,416,700	4,656,272,700	3,146,833,100	61,293,500	10,174,700	61,419,200	1,376,552,200
HUMAN SERVICES	\$19,205,872,000	\$44,577,800	\$19,161,294,200	\$10,316,370,400	\$303,704,400	\$76,861,500	\$2,023,437,100	\$6,440,920,800
Agriculture	102,980,000	9,539,200	93,440,800	14,861,000	0	237,200	45,852,400	32,490,200
Environmental Quality	368,478,700	19,071,200	349,407,500	130,636,100	0	455,700	173,317,100	44,998,600
Natural Resources	286,968,700	3,802,200	283,166,500	49,909,100	0	3,245,000	206,553,500	23,458,900
RESOURCE PROTECTION	\$758,427,400	\$32,412,600	\$726,014,800	\$195,406,200	\$0	\$3,937,900	\$425,723,000	\$100,947,700
Military and Veterans Affairs	130,388,700	1,681,200	128,707,500	57,538,200	1,284,600	1,463,700	28,300,400	40,120,600
State Police	529,412,200	26,221,900	503,190,300	94,733,400	8,522,200	263,600	113,629,900	286,041,200
SAFETY AND DEFENSE	\$659,800,900	\$27,903,100	\$631,897,800	\$152,271,600	\$9,806,800	\$1,727,300	\$141,930,300	\$326,161,800
Capital Outlay	249,966,700	2,000,000	247,966,700	188,017,600	30,674,200	1,500,000	27,324,900	450,000
History, Arts, and Libraries	52,779,900	668,600	52,111,300	7,507,400	200,000	312,400	3,979,800	40,111,700
Judiciary	261,912,700	2,523,500	259,389,200	4,626,400	6,093,100	842,500	87,893,800	159,933,400
Labor and Economic Growth	1,362,852,700	30,724,200	1,332,128,500	831,637,300	15,889,200	5,314,300	384,937,600	94,350,100
Transportation	3,424,465,500	0	3,424,465,500	1,316,771,200	40,950,000	0	2,066,744,300	0
ALL OTHERS	\$5,351,977,500	\$35,916,300	\$5,316,061,200	\$2,348,559,900	\$93,806,500	\$7,969,200	\$2,570,880,400	\$294,845,200
TOTAL APPROPRIATIONS	\$44,834,397,200	\$797,267,800	\$44,037,129,400	\$14,766,237,900	\$417,340,300	\$94,849,400	\$18,909,368,800	\$9,849,333,000

OVERVIEW

TABLE 2
ADJUSTED GROSS APPROPRIATIONS
FY 2008-09 Executive Recommendation Compared with FY 2007-08 Year-to-Date

<u>Department/Budget Area</u>	<u>Year-To-Date</u> <u>FY 2007-08</u>	<u>Executive Recommendation</u> <u>FY 2008-09</u>	<u>Difference</u> <u>FY 2008-09 vs. FY 2007-08</u>	
Community Colleges	318,928,800	302,228,800	(16,700,000)	-5.2%
Education	96,482,400	94,743,200	(1,739,200)	-1.8%
Higher Education	1,896,375,700	1,799,426,000	(96,949,700)	-5.1%
School Aid	13,006,025,100	13,515,227,700	509,202,600	3.9%
EDUCATION	\$15,317,812,000	\$15,711,625,700	\$393,813,700	2.6%
Attorney General	51,343,900	52,243,600	899,700	1.8%
Civil Rights	14,491,300	14,528,400	37,100	0.3%
Executive Office	5,317,300	5,317,300	0	0.0%
Information Technology	0	0	0	0.0%
Legislative Auditor General	14,026,700	14,026,700	0	0.0%
Legislature	114,504,000	114,504,000	0	0.0%
Management and Budget	342,209,800	383,122,900	40,913,100	12.0%
Michigan Strategic Fund	166,342,500	160,702,300	(5,640,200)	-3.4%
State	187,681,400	185,135,700	(2,545,700)	-1.4%
Treasury: Operations	388,153,100	386,132,700	(2,020,400)	-0.5%
Treasury: Debt/Revenue Sharing	1,192,977,000	1,174,522,100	(18,454,900)	-1.5%
GENERAL GOVERNMENT	\$2,477,047,000	\$2,490,235,700	\$13,188,700	0.5%
Community Health	12,008,915,900	12,444,246,500	435,330,600	3.6%
Corrections	2,077,004,500	2,060,775,000	(16,229,500)	-0.8%
Human Services	4,574,977,200	4,656,272,700	81,295,500	1.8%
HUMAN SERVICES	\$18,660,897,600	\$19,161,294,200	\$500,396,600	2.7%
Agriculture	98,753,900	93,440,800	(5,313,100)	-5.4%
Environmental Quality	351,931,500	349,407,500	(2,524,000)	-0.7%
Natural Resources	284,387,100	283,166,500	(1,220,600)	-0.4%
RESOURCE PROTECTION	\$735,072,500	\$726,014,800	(\$9,057,700)	-1.2%
Military and Veterans Affairs	127,749,800	128,707,500	957,700	0.7%
State Police	540,139,900	503,190,300	(36,949,600)	-6.8%
SAFETY AND DEFENSE	\$667,889,700	\$631,897,800	(\$35,991,900)	-5.4%
Capital Outlay	0	247,966,700	247,966,700	0.0%
History, Arts, and Libraries	49,363,700	52,111,300	2,747,600	5.6%
Judiciary	256,768,000	259,389,200	2,621,200	1.0%
Labor and Economic Growth	1,266,757,900	1,332,128,500	65,370,600	5.2%
Transportation	3,360,195,600	3,424,465,500	64,269,900	1.9%
ALL OTHERS	\$4,933,085,200	\$5,316,061,200	\$382,976,000	7.8%
TOTAL APPROPRIATIONS	\$42,791,804,000	\$44,037,129,400	\$1,245,325,400	2.9%

TABLE 3
GENERAL FUND/GENERAL PURPOSE APPROPRIATIONS
FY 2008-09 Executive Recommendation Compared with FY 2007-08 Year-to-Date

<u>Department/Budget Area</u>	<u>Year-To-Date FY 2007-08</u>	<u>Executive Recommendation FY 2008-09</u>	<u>Difference FY 2008-09 vs. FY 2007-08</u>	
Community Colleges	318,928,800	302,228,800	(16,700,000)	-5.2%
Education	7,075,400	8,074,500	999,100	14.1%
Higher Education	1,761,775,700	1,675,926,000	(85,849,700)	-4.9%
School Aid	34,909,600	43,000,000	8,090,400	23.2%
EDUCATION	\$2,122,689,500	\$2,029,229,300	(\$93,460,200)	-4.4%
Attorney General	32,036,600	32,265,200	228,600	0.7%
Civil Rights	12,437,200	12,471,100	33,900	0.3%
Executive Office	5,317,300	5,317,300	0	0.0%
Information Technology	0	0		
Legislative Auditor General	12,486,800	12,486,800	0	0.0%
Legislature	112,994,200	112,994,200	0	0.0%
Management and Budget	267,479,200	292,616,000	25,136,800	9.4%
Michigan Strategic Fund	29,493,800	29,542,700	48,900	0.2%
State	28,797,200	26,888,000	(1,909,200)	-6.6%
Treasury: Operations	63,419,300	64,826,400	1,407,100	2.2%
Treasury: Debt/Revenue Sharing	96,397,500	67,820,500	(28,577,000)	-29.6%
GENERAL GOVERNMENT	\$660,859,100	\$657,228,200	(\$3,630,900)	-0.5%
Community Health	3,125,311,600	3,086,105,800	(39,205,800)	-1.3%
Corrections	1,996,084,500	1,978,262,800	(17,821,700)	-0.9%
Human Services	1,308,410,100	1,376,552,200	68,142,100	5.2%
HUMAN SERVICES	\$6,429,806,200	\$6,440,920,800	\$11,114,600	0.2%
Agriculture	31,158,100	32,490,200	1,332,100	4.3%
Environmental Quality	31,763,200	44,998,600	13,235,400	41.7%
Natural Resources	22,743,200	23,458,900	715,700	3.1%
RESOURCE PROTECTION	\$85,664,500	\$100,947,700	\$15,283,200	17.8%
Military and Veterans Affairs	40,386,500	40,120,600	(265,900)	-0.7%
State Police	273,579,300	286,041,200	12,461,900	4.6%
SAFETY AND DEFENSE	\$313,965,800	\$326,161,800	\$12,196,000	3.9%
Capital Outlay	0	450,000	450,000	
History, Arts, and Libraries	39,298,300	40,111,700	813,400	2.1%
Judiciary	157,996,700	159,933,400	1,936,700	1.2%
Labor and Economic Growth	46,002,700	94,350,100	48,347,400	105.1%
Transportation	0	0		
ALL OTHERS	\$243,297,700	\$294,845,200	\$51,547,500	21.2%
TOTAL APPROPRIATIONS	\$9,856,282,800	\$9,849,333,000	(\$6,949,800)	-0.1%

OVERVIEW

TABLE 4
FULL-TIME EQUATED (FTE) POSITIONS*
FY 2008-09 Executive Recommendation Compared with FY 2007-08 Year-to-Date

<u>Department/Budget Area</u>	<u>Year-To-Date FY 2007-08</u>	<u>Executive Recommendation FY 2008-09</u>	<u>Difference FY 2008-09 vs. FY 2007-08</u>	
Community Colleges	0.0	0.0		
Education	466.5	486.0	19.5	4.2%
Higher Education	1.0	1.0	0.0	0.0%
School Aid	0.0	0.0		
EDUCATION	467.5	487.0	19.5	4.2%
Attorney General	562.0	543.0	(19.0)	-3.4%
Civil Rights	141.0	132.0	(9.0)	-6.4%
Executive Office	84.2	84.2	0.0	0.0%
Information Technology	1,780.4	1,660.0	(120.4)	-6.8%
Legislative Auditor General	0.0	0.0		
Legislature	0.0	0.0		
Management and Budget	995.0	1,425.0	430.0	43.2%
Michigan Strategic Fund	152.0	147.0	(5.0)	-3.3%
State	1,859.8	1,815.0	(44.8)	-2.4%
Treasury: Operations	1,753.5	1,691.5	(62.0)	-3.5%
Treasury: Debt/Revenue Sharing	0.0	0.0		
GENERAL GOVERNMENT	7,327.9	7,497.7	169.8	2.3%
Community Health	4,767.6	4,602.7	(164.9)	-3.5%
Corrections	17,653.4	17,515.5	(137.9)	-0.8%
Human Services	10,580.4	10,442.8	(137.6)	-1.3%
HUMAN SERVICES	33,001.4	32,561.0	(440.4)	-1.3%
Agriculture	692.5	599.5	(93.0)	-13.4%
Environmental Quality	1,567.7	1,519.7	(48.0)	-3.1%
Natural Resources	2,088.9	2,170.9	82.0	3.9%
RESOURCE PROTECTION	4,349.1	4,290.1	(59.0)	-1.4%
Military and Veterans Affairs	1,022.0	992.0	(30.0)	-2.9%
State Police	2,902.0	2,927.0	25.0	0.9%
SAFETY AND DEFENSE	3,924.0	3,919.0	(5.0)	-0.1%
Capital Outlay	0.0	0.0		
History, Arts, and Libraries	236.0	233.0	(3.0)	-1.3%
Judiciary	519.0	490.0	(29.0)	-5.6%
Labor and Economic Growth	4,341.0	4,351.0	10.0	0.2%
Transportation	3,035.3	3,014.3	(21.0)	-0.7%
ALL OTHERS	8,131.3	8,088.3	(43.0)	-0.5%
TOTAL FTE POSITIONS	57,201.2	56,843.1	(358.1)	-0.6%

*Includes classified, unclassified, and nonlegislative exempt positions

**TABLE 5
STATE SPENDING FROM STATE SOURCES PAID TO LOCAL GOVERNMENTS
FY 2008-09 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	302,228,800	302,228,800	100.0%
Education	15,055,300		
Higher Education	1,792,026,000		
School Aid	11,953,219,100	11,738,786,800	98.2%
EDUCATION	\$14,062,529,200	\$12,041,015,600	85.6%
Attorney General	44,192,800		
Civil Rights	12,471,100		
Civil Service	0		
Executive Office	5,317,300		
Information Technology	0		
Legislative Auditor General	14,026,700		
Legislature	114,104,000		
Management and Budget	370,310,100		
Michigan Strategic Fund	104,547,900	1,800,000	1.7%
State	183,675,600	1,253,800	0.7%
Treasury: Operations	348,158,700	133,409,000	38.3%
Treasury: Debt/Revenue Sharing	1,174,522,100	1,091,399,100	92.9%
GENERAL GOVERNMENT	\$2,371,326,300	\$1,227,861,900	51.8%
Community Health	4,976,392,000	1,279,459,400	25.7%
Corrections	2,049,994,500	107,363,000	5.2%
Human Services	1,437,971,400	145,704,400	10.1%
HUMAN SERVICES	\$8,464,357,900	\$1,532,526,800	18.1%
Agriculture	78,342,600	2,416,800	3.1%
Environmental Quality	218,315,700	4,050,000	1.9%
Natural Resources	230,012,400	18,846,100	8.2%
RESOURCE PROTECTION	\$526,670,700	\$25,312,900	4.8%
Military and Veterans Affairs	68,421,000	120,000	0.2%
State Police	399,671,100	20,541,400	5.1%
SAFETY AND DEFENSE	\$468,092,100	\$20,661,400	4.4%
Capital Outlay	27,774,900	9,857,900	35.5%
History, Arts, and Libraries	44,091,500	11,235,400	25.5%
Judiciary	247,827,200	123,720,300	49.9%
Labor and Economic Growth	479,287,700	48,920,900	10.2%
Transportation	2,066,744,300	1,221,559,700	59.1%
ALL OTHER	\$2,865,725,600	\$1,415,294,200	49.4%
TOTALS	\$28,758,701,800	\$16,262,672,800	56.5%

**FY 2008-09
Budget Detail
for
EDUCATION**

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

**Summary: Executive Budget Recommendation
COMMUNITY COLLEGES
FY 2008-09**

Analyst: Kyle I. Jen

	FY 2007-08 Year-to-Date	FY 2008-09 Executive	Difference: Executive to FY 2007-08 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	318,928,800	302,228,800	(16,700,000)	(5.2)
Gross	\$318,928,800	\$302,228,800	(\$16,700,000)	(5.2)
FTEs	0.0	0.0	0.0	0.0

Note: FY 2007-08 figures include the results of supplementals and Executive Order (EO) actions through February 7, 2008.

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 2007-08 YTD

		FY 2007-08 YTD	Executive Change
1. Removal of One-Time Payment	Gross	\$25,759,800	(\$25,759,800)
Removes one-time payment made to the colleges in FY 2007-08 to repay August 2007 monthly payment	GF/GP	\$25,759,800	(\$25,759,800)
2. Community College Operations	Gross	\$286,821,300	\$8,604,800
Provides overall increase of 3.0% totaling \$8.6 million GF/GP for community college operations. Funds are distributed based on formula developed by 2006 performance indicator task force; formula includes across-the-board, student contact hour-based, and degree completion-based components. Individual college increases range from 2.4% to 3.9%.	GF/GP	\$286,821,300	\$8,604,800
3. Renaissance Zone Tax Reimbursement	Gross	\$3,025,000	\$455,000
Includes increase for projected growth of 15.0% in statutorily-required renaissance zone reimbursements to colleges.	GF/GP	\$3,025,000	\$455,000

Major Boilerplate Changes from FY 2007-08

Sec. 208. Entrepreneurship Curriculum – DELETED

Requires Department of Economic Growth (DLEG) to work with colleges to implement an accelerated entrepreneurship curriculum.

Sec. 211. Payment Schedule – REVISED

Specifies payments schedules for appropriations; revised to include 11-month payment schedule for At-Risk Program.

Sec. 217. Capital Outlay – REVISED

Prohibits appropriations being used for construction or maintenance of self-liquidating project; revised to delete requirement that colleges comply with current JCOS use and finance policy.

Sec. 220. ITEM Funding – DELETED

States intent to restore infrastructure, technology, equipment, and maintenance (ITEM) funding for colleges.

Major Boilerplate Changes from FY 2007-08

Sec. 235. Postsecondary Enrollment – DELETED

States intent for workgroup to make recommendations regarding postsecondary enrollment credits.

Sec. 239. State University Appropriations – DELETED

States intent that any action to increase FY 2007-08 appropriations for state universities be accompanied by similar action for community colleges.

Sec. 242. Payments in Lieu of Taxes – DELETED

States intent for continued discussion regarding payments to college districts with significant portions of nontaxable land.

Sec. 304. Performance Indicator Formula – REVISED

States intent that formula developed by performance indicator task force be used for funding distribution in future years; revised to state that 3.0% increase for colleges is based on performance indicator task force formula.

Sec. 405. Nursing Grants – NEW

States intent that the Legislature appropriate funding for nursing grants; revised to specify nursing grant programs administered by Treasury/DLEG that colleges are eligible to apply for.

Sec. 511. Perkins Act State Plan – DELETED

Requires DLEG to provide Perkins Act state plan to Legislature prior to submission to U.S. Department of Education.

Sec. 513. Tax Loss Data – DELETED

Requires Department of Treasury to collect data on revenue losses to colleges related to TIFAs and tax abatements.

**Summary: Executive Budget Recommendation
EDUCATION (Department)
FY 2008-09**

Analysts: Mary Ann Cleary and Bethany Wicksall

	FY 2007-08 Year-to-Date	FY 2008-09 Executive	Difference: Executive to FY 2007-08 YTD	
			Amount	%
IDG/IDT	\$0	\$0	\$0	0.0
Federal	72,749,800	69,675,500	(3,074,300)	(4.2)
Local	6,448,900	6,924,600	475,700	7.4
Private	3,171,800	3,087,800	(84,000)	(2.6)
Restricted	7,036,500	6,980,800	(55,700)	(0.8)
GF/GP	7,075,400	8,074,500	999,100	14.1
Gross	\$96,482,400	\$94,743,200	(\$1,739,200)	(1.8)
FTEs	466.5	486.0	19.5	4.2

Note: FY 2007-08 figures include the results of supplementals and Executive Order (EO) actions through February 7, 2008.

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 2007-08 YTD

		FY 2007-08 YTD	Executive Change
1. Audit and Oversight of School Aid Programs	FTEs	0.0	9.0
Increases budget by \$1.2 million and 9.0 FTEs for audit and oversight of school aid programs including 21st Century Schools, high priority schools, at-risk programs, school readiness program, and special education programs in order to comply with recent audit recommendations.	Gross	\$0	\$1,200,000
	GF/GP	\$0	\$1,200,000
2. Michigan School for the Deaf and Blind (MSDB)	FTEs	103.0	6.0
Adds 6.0 FTEs at the MSDB at a cost of \$480,000 in anticipation of 10% growth in student membership. The budget is reduced by \$90,000 to recognize the elimination of the Summer Institute program whose services are now offered at DOE's Low Incidence Outreach Center.	Gross	\$13,184,100	\$390,000
	Federal	5,997,300	0
	Local	6,227,600	480,000
	Private	740,600	(90,000)
	Restricted	218,600	0
3. Educational Assessment and Accountability	FTEs	28.3	14.0
Adds \$1.8 million and 14.0 FTEs as DOE assumes responsibility for certain educational assessment functions which are currently done under contract in order to avoid contract cost increases. These costs are more than offset by eliminating \$4.0 million in funding for the data articulation system, eliminating \$455,000 for the longitudinal data system, and reducing administrative funding by \$292,100.	Gross	\$12,285,700	\$2,852,400
	Federal	12,285,700	(2,852,400)
	Restricted	0	0
4. Human Resources and Information Technology	Gross	\$2,611,400	(\$100,000)
Reflects savings from centralization of human resources and reduced information technology costs.	Federal	1,531,500	0
	Local	101,800	0
	Restricted	204,400	0
	GF/GP	\$773,700	(\$100,000)

Major Budget Changes from FY 2007-08 YTD

		<u>FY 2007-08 YTD</u>	<u>Executive Change</u>
5. Economics	Gross	N/A	\$137,000
Provides \$137,000 gross (\$15,600 GF/GP) increase for economic changes in salaries and wages, retirement, insurance, workers compensation, and building occupancy charges.	Federal	N/A	120,500
	Local	N/A	(3,800)
	Private	N/A	6,000
	Restricted	N/A	(1,300)
	GF/GP	N/A	\$15,600

Major Boilerplate Changes from FY 2007-08

Sec. 215. Departmental 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

Directs DOE to pay Auditor General bills within 60 days for costs incurred while conducting audits of federally-funded programs.

Sec. 220. Timely Data – DELETED

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

Sec. 222. Policy Changes, Preparation of Regulatory Plans and Rule Promulgation – DELETED

Requires a report of policy changes made to implement enacted legislation; prohibits DOE from spending funds to prepare regulatory plans or promulgate rules that fail to reduce the disproportionate economic impact on small businesses.

Sec. 503. Teacher Preparation Programs – REVISED

Provides \$100,000 each for Central Michigan University alternative route to certification program and Wayne State University pathways to teaching program. Requires a report on the programs, including number of teachers certified, time served in the classroom, and teacher evaluations. Executive adds that the DOE will work with the universities to review the report results to determine subsequent funding strategies.

**Summary: Executive Budget Recommendation
HIGHER EDUCATION
FY 2008-09**

Analyst: Kyle I. Jen

	FY 2007-08 Year-to-Date	FY 2008-09 Executive	Difference: Executive to FY 2007-08 YTD	
			Amount	%
IDG/IDT	\$0	\$0	\$0	0.0
Federal	7,400,000	7,400,000	0	0.0
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	127,200,000	116,100,000	(11,100,000)	(8.7)
GF/GP	1,761,775,700	1,675,926,000	(85,849,700)	(4.9)
Gross	\$1,896,375,700	\$1,799,426,000	(\$96,949,700)	(5.1)
FTEs	1.0	1.0	0.0	0.0

Note: FY 2007-08 figures include the results of supplementals and Executive Order (EO) actions through February 7, 2008.

Overview

The FY 2008-09 Executive Recommendation continues the FY 2007-08 Higher Education budget act format:

- Article 1 contains a total summary unit for the bill.
- Article 2 covers Research Universities (Michigan State, University of Michigan-Ann Arbor, Wayne State).
- Article 3 covers State Universities (remaining 12 public universities).
- Article 4 covers State and Regional Programs, Grants, and Financial Aid.

Major Budget Changes from FY 2007-08 YTD

		FY 2007-08 YTD	Executive Change
1. Removal of One-Time Payment	Gross	\$138,736,000	(\$138,736,000)
Removes one-time payment made to the 15 state universities in FY 2007-08 to repay August 2007 monthly payment.	GF/GP	\$138,736,000	(\$138,736,000)
2. Research University Operations	Gross	\$832,626,200	\$24,978,800
Provides overall 3.0% increase for three Research Universities. Funds distributed based on three formula components:	GF/GP	\$832,626,200	\$24,978,800
<ul style="list-style-type: none"> • Participation (Pell Grant recipients as % of enrollment): 25.0% weight • Research/commercialization (federal research expenditures, licensing income, active licenses): 25.0% weight • Degree completion (degree completions weighted by program area): 50.0% weight Individual university increases range from 2.7% to 3.2%.			
3. State University Operations	Gross	\$620,101,100	\$18,602,900
Provides overall 3.0% increase for 12 State Universities. Funds distributed based on three formula components:	GF/GP	\$620,101,100	\$18,602,900
<ul style="list-style-type: none"> • Participation (Pell Grant recipients as % of enrollment): 35.0% weight • Research (federal research expenditures): 15.0% weight • Degree completion (degree completions weighted by program area): 50.0% weight Adjustments included to ensure minimum inflationary increase of 2.3%; increases range upward to 6.2%.			
4. Agricultural Experiment Station	Gross	\$33,996,200	\$1,019,900
Increases Agricultural Experiment Station line item by 3.0%.	GF/GP	\$33,996,200	\$1,019,900

Major Budget Changes from FY 2007-08 YTD		FY 2007-08 YTD	Executive Change
5. Cooperative Extension Service	Gross	\$30,202,000	\$879,700
Increases Cooperative Extension Service line item by 3.0%.	GF/GP	\$30,202,000	\$879,700
6. State Competitive Scholarships	Gross	\$35,530,500	\$0
Maintains line item for need-based awards to students qualifying on ACT at current-year level. Offsets \$1.2 million in one-time restricted funds from MHEAA Operating Fund with GF/GP.	Federal	2,900,000	0
	Restricted	1,200,000	(1,200,000)
	GF/GP	\$31,430,500	\$1,200,000
7. Tuition Grants	Gross	\$56,668,100	\$0
Maintains line item for need-based awards to students attending independent institutions at current-year level. Offsets \$1.4 million in one-time carryforward funds with GF/GP.	Restricted	1,400,000	(1,400,000)
	GF/GP	\$55,268,100	\$1,400,000
8. Merit Award and Promise Grant Programs	Gross	\$103,500,000	(\$7,800,000)
Reflects net reduction of \$7.8 million for transition from Merit Award Program to new Michigan Promise Grant Program. \$90.5 million is appropriated for Program Grant awards to 2007 and 2008 high school graduates; \$5.2 million is appropriated for ongoing Merit Awards to high school graduates from prior classes. Estimated cost increase of \$60 million to \$80 million per year for Promise Grant awards paid after completion of two years of college will begin in FY 2009-10.	Restricted	103,500,000	(7,800,000)
9. Tuition Incentive Program (TIP)	Gross	\$21,100,000	\$4,100,000
Increases appropriation for projected 19.4% growth in program costs. Program provides financial aid to Medicaid-eligible students subsequently graduating from high school and enrolling in college.	Restricted	15,850,000	0
	GF/GP	\$5,250,000	\$4,100,000
10. Children of Veterans Tuition Grant Program	Gross	\$1,000,000	\$0
Maintains line item at current-year level. Offsets \$700,000 in restricted funds with GF/GP to reflect available level of income tax check-off revenue.	Restricted	1,000,000	(700,000)
	GF/GP	\$0	\$700,000

Major Boilerplate Changes from FY 2007-08

Sec. 210. Foreign Auto Manufacturers – DELETED

States intent that funds appropriated to universities not be used to purchase/lease vehicles assembled outside the U.S.

Sec. 212. University Payments – REVISED

Provides for university payment schedule; revised to (1) allow, rather than require, withholding of payments if HEIDI data are not submitted and (2) delete requirement for fiscal agency report on appropriations procedures.

Sec. 214. Tuition Tax Credit – DELETED

Requires universities to submit Tuition Tax Credit documentation to fiscal agencies.

Sec. 302. Tuition Grants – REVISED

Provides for distribution of Tuition Grant appropriation; revised to (1) move grant application deadline from July 1 to June 1, (2) delete specified maximum grant award of \$2,100, and (3) delete provisions for carry-forward of unexpended funds.

Sec. 402. Douglas Lake – DELETED

Designates University of Michigan Douglas Lake Biological Station as a unique resource.

Sec. 426. Private Bookstores – DELETED

States intent regarding private bookstore access to required textbook lists and use of funds in university-administered accounts by students at private bookstores.

Sec. 433. Project GREEN – REVISED

Earmarks funds from Agricultural Experiment and Cooperative Extension line items for Project GREEN (Generating Research and Extension to meet Environmental and Economic Needs); earmarks increased to reflect 3.0% line item increases.

Sec. 434. Future Farmers of America – DELETED

States legislative intent that Michigan State University allocate \$80,000 to the Future Farmers of America Association.

HIGHER EDUCATION

Major Boilerplate Changes from FY 2007-08

Sec. 436. Tuition Restraint – REVISED

States intent regarding university tuition/fee rates. Revised to (1) state expectation that universities will restrain FY 2008-09 resident undergraduate tuition/fee increases to inflationary level of 2.3% and (2) change statement of intent regarding institutional financial aid increases to firm requirement.

Sec. 450. Per-Student Funding Floor – DELETED

States intent to allocate funds for \$3,775 per-FYES floor from GF/GP unreserved balances at close of FY 2006-07.

Sec. 462. Suicide Prevention – DELETED

States intent that universities develop an education program on preventing suicide and violence.

Sec. 463. Students From Macomb County – DELETED

Requires universities to report regarding outreach efforts to enroll students from Macomb County.

Sec. 464. Research Commercialization – DELETED

Requires universities to submit plan to inform private/public sectors regarding research that could be commercialized.

Sec. 467. Performance Standards – DELETED

States legislative intent to establish university performance standards.

Sec. 468. Incentive-Based Formula – NEW

States that university funding is allocated based on three-part, incentive-based formula.

Sec. 469. Graduates Receiving Pell Grants – NEW

Requires universities to report the number of graduates who received Pell Grants during their enrollment.

**Summary: Executive Budget Recommendation
SCHOOL AID
FY 2008-09**

Analyst: Mary Ann Cleary and Bethany Wicksall

	FY 2007-08 Year-to-Date	FY 2008-09 Executive	Difference: Executive to FY 2007-08 YTD	
			Amount	%
IDG/IDT	\$0	\$0	\$0	0.0
Federal	1,479,326,300	1,562,008,600	82,682,300	5.6
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	11,491,789,200	11,910,219,100	418,429,900	3.6
GF/GP	34,909,600	43,000,000	8,090,400	23.2
Gross	\$13,006,025,100	\$13,515,227,700	\$509,202,600	3.9
FTEs	0.0	0.0	0.0	0.0

Note: FY 2007-08 figures include the results of supplementals and Executive Order (EO) actions through February 7, 2008.

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 2007-08 YTD

		FY 2007-08 YTD	Executive Change
1. Proposal A Obligation Payment (Sec. 22a)	Gross	\$6,012,000,000	\$26,000,000
Increases funding by \$26.0 million over FY 2007-08 to incorporate estimates in taxable values and pupil membership blends.	Restricted	6,012,000,000	26,000,000
2. Discretionary Payment (Sec. 22b)	Gross	\$3,721,250,000	\$224,750,000
Adds \$224.8 million to provide increases in foundation allowances based on a formula that will give every district an increase of at least \$108 per pupil, and as high as \$216 per pupil.	Restricted	3,721,250,000	224,750,000
3. Durant – Cash Payments (Sec. 11f)	Gross	\$32,000,000	(\$32,000,000)
Eliminates funding due to the end of the Durant settlement cash payment.	Restricted	32,000,000	(32,000,000)
4. Durant – Debt Service Payment (Sec. 11g)	Gross	\$141,000	\$41,859,000
Increases funding by \$41.9 million to reflect the estimated required payment after the impact of refinancing.	Restricted	141,000	41,859,000
5. School Bond Redemption Fund (Sec. 11j)	Gross	\$1,900,000	\$37,100,000
Increases funding by \$37.1 million to reflect the estimated required payment after the impact of refinancing.	Restricted	1,900,000	37,100,000
6. Cash Flow Borrowing (Sec. 11m)	Gross	\$22,800,000	\$22,200,000
Increases current-law funding by \$22.2 million to a total of \$45.0 million to cover a portion of the state borrowing costs associated with making State Aid payments to school districts.	Restricted	22,800,000	22,200,000

SCHOOL AID

<u>Major Budget Changes from FY 2007-08 YTD</u>		<u>FY 2007-08 YTD</u>	<u>Executive Change</u>
7. Small High School Infrastructure Program (Sec. 11n)	Gross	N/A	\$32,000,000
Funds debt service payments related to the new 21st Century Schools Fund. Restricted		N/A	32,000,000
Approximately \$300.0 million of bond revenue would be available to establish the proposed 21st Century Schools Fund, which would make start-up grants and facilities grants available to school districts to establish smaller high schools.			
8. MBT Impact on Out-of-Formula Districts (Sec. 20h)	Gross	N/A	\$1,300,000
Includes \$1.3 million for districts that do not receive state foundation allowance payments but will see reduced local revenue from school operating taxes due to property tax exemptions contained in the MBT. Restricted		N/A	1,300,000
9. Isolated District Funding (Sec. 22d)	Gross	\$750,000	\$1,275,000
Allocates \$1.3 million to a new subsection that appropriates an estimated Restricted		750,000	1,275,000
\$55 per pupil to school districts located in the Upper Peninsula that have 5.0 or fewer pupils per square mile.			
10. Adolescent Health Centers (Sec. 31a(6))	Gross	\$3,743,000	\$2,000,000
Increases funding by \$2.0 million for the expansion of health centers. Restricted		3,743,000	2,000,000
11. Great Start Communities Grants – ECIC (Sec. 32b)	Gross	\$1,750,000	\$5,000,000
Increases funding by \$5.0 million for competitive grants awarded to eligible Restricted		1,750,000	5,000,000
ISDs as determined by the Early Childhood Investment Corporation (ECIC).			
12. School Readiness Program – District Grants (Sec. 32d)	Gross	\$81,179,100	\$22,000,000
Increases funding by \$22.0 million to \$103.2 million to increase the number Restricted		80,900,000	22,000,000
of 4-year-olds served. Increase will serve an additional 6,470 children. GF/GP		\$279,100	\$0
13. Innovative Programs (Sec. 32h)	Gross	N/A	\$2,500,000
New program funded at \$2.5 million to ISDs to create model programs that Restricted		N/A	2,500,000
can be replicated statewide and focus on improving the quality of early learning settings.			
14. School Readiness Program Competitive Grants (Sec. 32L)	Gross	\$12,650,000	\$2,000,000
Increases funding by \$2.0 million to \$14.7 million to increase the number of GF/GP		\$12,650,000	\$2,000,000
4-year-olds served. The increase will serve an additional 588 children.			
15. Special Education Payment (Sec. 51a)	Gross	\$1,431,183,000	\$19,800,000
Increases funding by \$19.0 million to \$1.45 billion to reflect changes in the Federal		424,700,000	0
number of special education students and estimated additional costs Restricted		1,006,483,000	19,800,000
associated with educating these students.			
16. Advanced & Accelerated Grants (Sec. 57)	Gross	\$285,000	\$715,000
Increases funding by \$715,000 to \$1.0 million to participating ISDs for Restricted		285,000	715,000
summer institutes; increases the grant award to \$17,500 from \$5,000.			
17. ISDs General Operations (Sec. 81)	Gross	\$80,912,000	\$2,900,000
Increases general operations funding for ISDs by 1.2% or \$971,000 and Restricted		80,912,000	2,900,000
appropriates an additional \$1.9 million for ISDs to collaborate with the Department to provide technical assistance related to the Michigan Merit curriculum to high schools not achieving adequate yearly progress (AYP).			
18. Center for Educational Performance-CEPI (Sec. 94a)	Gross	\$5,978,600	\$3,570,000
Increases general funds by \$4.3 million for continued development of the Federal		3,543,200	(750,000)
longitudinal data collection, management and reporting system. GF/GP		\$2,435,400	\$4,320,000
19. FIRST Robotics (Sec. 99h)	Gross	N/A	\$1,000,000
Provides \$1.0 million for competitive grants to districts with high school Restricted		N/A	1,000,000
teams that participate in FIRST (For Inspiration and Recognition of Science and Technology) Robotics Competitions.			

SCHOOL AID

<u>Major Budget Changes from FY 2007-08 YTD</u>		<u>FY 2007-08 YTD</u>	<u>Executive Change</u>
20. Assessment Testing Costs (Sec. 104)	Gross	\$34,200,000	\$5,185,700
Increases state funds by \$5.5 million to cover increasing costs for the testing contract.	Federal	8,800,000	(287,100)
	Restricted	25,400,000	5,472,800
21. Federal Aid – Non Special Ed (Various Sections)	Gross	\$1,054,626,300	\$82,682,300
Increases funding by \$82.1 million to a total of \$1.1 billion as estimated by the Department for all federal non-special education programs: \$753 million is for No Child Left Behind programs.	Federal	1,054,626,300	82,682,300
22. Elimination of District Grants	Gross	\$2,750,000	(\$2,750,000)
Eliminates funding of \$2.75 million for the following districts:	Restricted	2,750,000	(2,750,000)
<ul style="list-style-type: none">• Section 99i: \$300,000 for Pontiac for Crisis Intervention Program.• Section 99j: \$350,000 for Grosse Pointe and \$150,000 for Harper Woods for pilot programs.• Section 99k: \$900,000 for Redford Union, \$400,000 for Pontiac, \$400,000 for Chippewa Valley, and \$250,000 for Clintondale to deal with deficits, deficit mills, and millage reductions.			

Major Boilerplate Changes from FY 2007-08

Sec. 6(4)(r). Kindergarten Membership – REVISED

Includes intent language that beginning in 2009-10, to receive full foundation allowance for kindergarten students the class hours scheduled will need to match that of grades 1-12.

Sec. 20(22). Limitations on Foundation Allowance Increases – NEW

Reduces the increase in the foundation for any district not providing four years of high school. The increase is adjusted as follows: 100% for districts providing instruction in all high school grades; 92.5% for districts providing instruction in three high school grades; 85% for districts providing instruction in two high school grades; 77.5% for districts providing instruction in one high school grade; and 70% for districts providing instruction in grades 8 and below.

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

Recommends changes to the Board make-up to include four members appointed by the Governor. The Governor would appoint one member from a list of nominees submitted by each the Majority Leader, Speaker of the House, Senate Minority Leader, and House Minority Leader. Current law allows the four legislative leaders to each appoint a member.

Secs. 32l and 37. School Readiness Teacher Qualifications – REVISED

Revises the education requirements for teachers and paraprofessionals in the school readiness programs.

Sec. 39. School Readiness Formula – District Grants – REVISED

Changes the formula for distribution of the School Readiness district grants to include a hold harmless provision prior to awarding increases in funding.

Sec. 107 Adult Education – REVISED

Requires a progress test after 40 hours of instruction for each participant in attendance in a program.

Sec. 147. MPSEER Retirement Rate – REVISED

Estimates percentage of payroll districts must allocate for public school employee retirement at 16.54%.

**FY 2008-09
Budget Detail
for
GENERAL GOVERNMENT**

Attorney General

Civil Rights

Executive

Information Technology

Legislature

Legislative Auditor General

Management and Budget

State

**Treasury – Operations/Revenue Sharing/
Debt Service/Michigan Strategic Fund**

**Summary: Executive Budget Recommendation
GENERAL GOVERNMENT OVERVIEW
FY 2008-09**

Analysts: Kim O’Berry and Viola Bay Wild

	FY 2007-08 Year-to-Date	FY 2008-09 Executive	Difference: Executive to FY 2007-08 YTD	
			Amount	%
IDG/IDT	\$646,762,900	\$656,458,000	\$9,695,100	1.5
Federal	108,396,800	114,545,700	6,148,900	5.7
Local	2,800,700	3,098,000	297,300	10.6
Private	1,262,900	1,265,700	2,800	0.2
Restricted	1,703,727,500	1,714,098,100	10,370,600	0.6
GF/GP	660,859,100	657,228,200	(3,630,900)	(0.5)
Gross	\$3,123,809,900	\$3,146,693,700	\$22,883,800	0.7
FTEs	7,327.9	7,497.7	169.8	2.3

Note: FY 2007-08 figures include the results of supplementals and Executive Order (EO) actions through February 7, 2008.

Overview

Departments and agencies included under this budget bill are: Executive Office, Legislature, and the Departments of Attorney General, Civil Rights, Information Technology (DIT), Management and Budget (DMB), State, and Treasury (which includes Lottery, Gaming Control Board, and Michigan Strategic Fund). The Department of Treasury budget also includes revenue sharing payments to local units of government and general obligation debt service.

Major Boilerplate Changes from FY 2007-08

GENERAL SECTIONS

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. 215. Information Technology (IT) Work Projects – NEW

Authorizes work project designation for IT projects under the direction of the Department of Information Technology (DIT); funds designated in this manner are not available for expenditure until approved as work projects.

Sec. 217. General Fund Restrictions – DELETED

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

Sec. 221. Reporting Requirement on Specific Policy Change – DELETED

Requires departments to report no later than April 1, 2008, on each specific policy change made to implement enacted legislation.

Sec. 225. Implementation of Continuous Improvement Plan – DELETED

Requires departments and agencies to implement continuous improvement efficiency mechanisms in programs to increase efficiency and reduce expenditures.

Summary: Executive Budget Recommendation ATTORNEY GENERAL FY 2008-09

Analyst: Viola Bay Wild

	FY 2007-08 Year-to-Date	FY 2008-09 Executive	Difference: Executive to FY 2007-08 YTD	
			Amount	%
IDG/IDT	\$21,780,300	\$24,301,000	\$2,520,700	11.6
Federal	7,816,000	8,050,800	234,800	3.0
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	11,491,300	11,927,600	436,300	3.8
GF/GP	32,036,600	32,265,200	228,600	0.7
Gross	\$73,124,200	\$76,544,600	\$3,420,400	4.7
FTEs	562.0	543.0	(19.0)	(3.4)

Note: FY 2007-08 figures include the results of supplementals and Executive Order (EO) actions through February 7, 2008.

Overview

The Attorney General (AG) 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 2007-08 YTD

	FY 2007-08 YTD	Executive Change
1. FTE Adjustment	FTEs 562.0	(19.0)
Adjusts FTE allocation to more accurately reflect the number of funded FTEs; includes Department-recommended reduction of 19.0 FTEs.	Gross \$0	\$0
2. Operations Funding Adjustments	Gross \$66,825,900	\$3,005,000
Increases operations funding by \$3.0 million gross to more accurately reflect compensation for legal services provided by the Department through memos of understanding with other departments and agencies; includes \$200,000 increase in federal funding based upon a federal award increase.	IDG 21,455,300	2,424,000
	Federal 5,660,200	200,000
	Restricted 11,116,300	381,000
	GF/GP \$28,594,100	\$0
3. Information Technology Administrative Reduction	Gross N/A	(\$1,400)
Reflects 5% administrative reduction (\$1,400 gross and GF/GP) for DIT.	GF/GP N/A	(\$1,400)
4. Information Audit Services	Gross N/A	\$0
New program line item for internal audit services to recognize \$47,900 gross and GF/GP already being spent in the operations line item; involves no new spending for the Department.		
5. Economic Adjustments	Gross N/A	\$416,800
Adds \$416,800 gross for salaries and wages, insurances, retirement, worker's compensation, and building occupancy charges; includes \$5,500 gross and GF/GP for DIT economics.	IDG N/A	96,700
	Federal N/A	34,800
	Restricted N/A	55,300
	GF/GP N/A	\$230,000

ATTORNEY GENERAL

Major Boilerplate Changes from FY 2007-08

Sec. 307. Antitrust Revenue – DELETED

Appropriates up to \$250,000 of revenue received by the Department for antitrust, securities fraud, consumer protection, class action enforcement, or attorneys fees recovered by the Department to litigate such cases.

Sec. 307. Proceeds Received by Attorney General – NEW

Requires all money or other proceeds received by the Department 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 in a restricted fund to be used as provided by law; requires quarterly report on case names, case file numbers, court docket numbers, and presiding courts for every matter the Department settles in the preceding fiscal quarter.

Sec. 308. Appropriation of Litigation Expense Reimbursements – REVISED

Appropriates \$500,000 from litigation expense reimbursements; revision prohibits using these funds for salaries and support costs.

Sec. 310. Child Support Enforcement Funding – DELETED

Requires Department of Human Services to maintain cooperative agreement with AG for federal Title IV-D funding for child support enforcement activities; authorizes AG access to any information used by the state to locate parents who fail to pay court-ordered child support, to the extent allowable under federal law.

**Summary: Executive Budget Recommendation
CIVIL RIGHTS
FY 2008-09**

Analyst: Kim O'Berry

	FY 2007-08 Year-to-Date	FY 2008-09 Executive	Difference: Executive to FY 2007-08 YTD	
			Amount	%
IDG/IDT	\$0	\$0	\$0	0.0
Federal	2,054,100	2,057,300	3,200	0.2
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	0	0	0	0.0
GF/GP	12,437,200	12,471,100	33,900	0.3
Gross	\$14,491,300	\$14,528,400	\$37,100	0.3
FTEs	141.1	132.0	(9.0)	(6.4)

Note: FY 2007-08 figures include the results of supplementals and Executive Order (EO) actions through February 7, 2008.

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 2007-08 YTD

		FY 2007-08 YTD	Executive Change
1. Information Technology Funding	Gross	N/A	\$75,000
Adds \$75,000 gross for new computer hardware and software equipment.	Federal	N/A	15,000
Funding will be used to replace current out-of-date computer systems.	GF/GP	N/A	\$60,000
2. Human Resource Optimization Transfer	Gross	N/A	(\$8,700)
Reduces optimization cost by \$8,700 gross and GF/GP for the final year of the Human Resources Optimization program (reductions have been taken each year during the five-year program).	GF/GP	N/A	(\$8,700)
3. Human Resources Consolidation	FTEs	N/A	(2.0)
Reflects \$201,200 gross and 2.0 FTEs reduction due to the transfer of all Human Resources responsibilities to Civil Service as a result of EO 2007-30.	Gross	N/A	(\$201,200)
	Federal	N/A	(11,800)
	GF/GP	N/A	(\$189,400)
4. FTE Adjustment	FTEs	141.0	(7.0)
Adjusts FTE allocations to more accurately reflect number of funded FTEs. Includes Department-recommended reduction of 6.0 FTEs and transfer of 1.0 FTE to DMB for Internal Audit functions consolidation associated with EO 2007-31.	Gross	N/A	\$0
5. Economic Adjustments	Gross	N/A	\$172,600
Adds funding for salaries and wages, retirement, and building occupancy; reduces funds for insurances and workers' compensation.	GF/GP	N/A	\$172,600

Major Boilerplate Changes from FY 2007-08

None

EXECUTIVE

**Summary: Executive Budget Recommendation
EXECUTIVE
FY 2008-09**

Analyst: Viola Bay Wild

	FY 2007-08 Year-to-Date	FY 2008-09 Executive	Difference: Executive to FY 2007-08 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	5,317,300	5,317,300	0	0.0
Gross	\$5,317,300	\$5,317,300	\$0	0.0
FTEs	84.2	84.2	0.0	0.0

Note: FY 2007-08 figures include the results of supplementals and Executive Order (EO) actions through February 7, 2008.

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 2007-08 YTD

None

Major Boilerplate Changes from FY 2007-08

None

**Summary: Executive Budget Recommendation
INFORMATION TECHNOLOGY
FY 2008-09**

Analyst: Viola Bay Wild

	FY 2007-08 Year-to-Date	FY 2008-09 Executive	Difference: Executive to FY 2007-08 YTD	
			Amount	%
IDG/IDT	\$428,868,100	\$433,992,900	\$5,124,800	1.2
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	\$428,868,100	\$433,992,900	\$5,124,800	1.2
FTEs	1,780.4	1,660.0	(120.4)	(6.8)

Note: FY 2007-08 figures include the results of supplementals and Executive Order (EO) actions through February 7, 2008.

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.

<u>Major Budget Changes from FY 2007-08 YTD</u>		<u>FY 2007-08 YTD</u>	<u>Executive Change</u>
1. FTE Adjustment	FTEs	1,780.4	(122.4)
Adjusts FTE allocation to more accurately reflect number of funded FTEs; includes DIT-recommended reduction of 119.4 classified FTEs and 3.0 unclassified FTEs.	Gross	N/A	\$0
2. Department of Management and Budget Program Enhancement	Gross	N/A	\$369,700
Adjusts appropriation for program enhancements made in the DMB budget: \$357,700 for upgrade of telephone switch equipment for Retirement Call Center and \$12,000 for IT costs for new retirement customer service employees.	IDG	N/A	369,700
3. Human Resources Consolidation	Gross	N/A	\$0
Transfers \$433,300 in IT costs associated with Human Resources consolidation from various agency IT lines to the Civil Service IT line item within the DIT budget.			
4. Administrative Reduction	Gross	N/A	(\$233,400)
Includes administrative reduction of \$233,400 gross that will be realized through administrative efficiencies and reduced personnel.	IDG	N/A	(233,400)
5. Economic Adjustments	Gross	N/A	\$932,800
Provides \$932,800 gross for salaries and wages, insurances, retirement, worker's compensation, and building occupancy charges.	IDG	N/A	932,800

INFORMATION TECHNOLOGY

Major Budget Changes from FY 2007-08 YTD

	<u>FY 2007-08 YTD</u>	<u>Executive Change</u>
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6. Base Adjustments and Administrative Reductions	FTEs	N/A	2.0
Adjusts appropriation to reflect IT services/projects amounts in department budgets:	Gross	N/A	\$4,055,700
Adds	IDG	N/A	4,055,700

- \$75,000 to Civil Rights: replace a portion of its computers.
- \$14,900 to Civil Service Commission: reflect enacted agency IT appropriation.
- \$497,700 to Community Health: maintenance for Certificate of Need Application Processing System; increase funds to reflect expenditures for Vital Records application systems; funds for disaster recovery for Public Health Systems.
- \$2.1 million to Corrections: support FY 2006-07 adjustment to Office Automation rate; desktop maintenance and one-time computer costs; replace portion of Department computers; upgrade file and print servers.
- \$179,500 to History, Arts and Libraries: replace portion of agency's computers; replace four servers; software support licenses for desktop support system; upgrade to network systems.
- \$3.3 million to Human Services: reflect enacted Department IT appropriation; transfer IT costs to DHS from Jobs, Education and Training program; fund IT costs for new non-IT staff.
- \$90,000 to State: fund necessary replacement of servers.
- \$3.4 million to State Police: support IT-related costs, including Automated Fingerprint Identification System and Traffic Crash Reporting System; add 2.0 FTEs for Criminal Justice Information Center systems; transfer Northrop Grumman contract for MCOLES information and Tracking Network to the DIT line; transfer one-time IT funding to non-IT programs; reflect increase to address structural deficit for the Michigan Public Safety Communication System.
- \$790,000 to Treasury: fund needed replacement of servers; fund annual maintenance of Taxpayer Contact Center; reflect additional cost of annual operation and maintenance for the Motor Fuel and Tobacco Tax System.
- Removes
- \$498,000 one-time transfer to DMB to fund program for receiving electronic retirement payments from schools and the purchase of customer contact and quality management software.
- \$5.3 million from Human Services as part of the Department reduction plan.
- \$510,000 one-time transfer to Corrections for centralized tracking system and various program equipment.
- \$25,000 to Natural Resources to reflect anticipated revenue from the Michigan Civilian Conservation Corp.

Major Boilerplate Changes from FY 2007-08

Sec. 573. Sale of Paid Advertising – REVISED

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

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

Allows DIT to enter into agreements to supply information and IT services; revision deletes report requirement 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 list 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 IT-related hardware and software.

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

Directs DIT to conduct a study of state IT assets to determine benefits and economies that can be achieved; requires report.

Sec. 584. Report on Information and Referral Services Using 2-1-1 – DELETED

Requires a report identifying all information/referral services and potential cost savings through shared use of 2-1-1 system.

Major Boilerplate Changes from FY 2007-08

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 – REVISED

Allows line item adjustments in DIT budget if corresponding adjustments are made in other state department budgets. Revision stipulates that after notifying legislative appropriations committees, the state budget director can adjust spending authorization and user fees in the DIT budget to properly align with the IT appropriations in agency budgets. (Renumbered Sec. 579)

LEGISLATURE

**Summary: Executive Budget Recommendation
LEGISLATURE
FY 2008-09**

Analyst: Viola Bay Wild

	FY 2007-08 Year-to-Date	FY 2008-09 Executive	Difference: Executive to FY 2007-08 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	112,994,200	112,994,200	0	0.0
Gross	\$114,504,000	\$114,504,000	\$0	0.0
FTEs	0.0	0.0	0.0	0.0

Note: FY 2007-08 figures include the results of supplementals and Executive Order (EO) actions through February 7, 2008.

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 2007-08 YTD

None

Major Boilerplate Changes from FY 2007-08

None

**Summary: Executive Budget Recommendation
LEGISLATIVE AUDITOR GENERAL
FY 2008-09**

Analyst: Viola Bay Wild

	FY 2007-08 Year-to-Date	FY 2008-09 Executive	Difference: Executive to FY 2007-08 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	12,486,800	12,486,800	0	0.0
Gross	\$15,828,200	\$15,828,200	\$0	0.0
FTEs	0.0	0.0	0.0	0.0

Note: FY 2007-08 figures include the results of supplementals and Executive Order (EO) actions through February 7, 2008.

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 2007-08 YTD

None

Major Boilerplate Changes from FY 2007-08

None

**Summary: Executive Budget Recommendation
MANAGEMENT AND BUDGET
FY 2008-09**

Analyst: Kim O'Berry

	FY 2007-08 Year-to-Date	FY 2008-09 Executive	Difference: Executive to FY 2007-08 YTD	
			Amount	%
IDG/IDT	\$162,681,600	\$165,468,000	\$2,786,400	1.7
Federal	4,779,100	10,669,900	5,890,800	123.3
Local	1,700,000	1,992,900	292,900	17.2
Private	150,000	150,000	0	0.0
Restricted	68,101,500	77,694,100	9,592,600	14.1
GF/GP	267,479,200	292,616,000	25,136,800	9.4
Gross	\$504,891,400	\$548,590,900	\$43,699,500	8.7
FTEs	995.0	1,425.0	430.0	43.2

Note: FY 2007-08 figures include the results of supplementals and Executive Order (EO) actions through February 7, 2008.

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 Department has several autonomous units, including Office of the State Employer, Office of the Children's Ombudsman, Office of Regulatory Reform, Civil Service (which implements policies established by the Civil Service Commission), Michigan State Fair, and State Building Authority. The Office of the State Budget, housed within DMB, prepares, presents, and executes the state budget on behalf of the Governor.

Major Budget Changes from FY 2007-08 YTD		FY 2007-08 YTD	Executive Change
DEPARTMENT OF MANAGEMENT AND BUDGET			
1. Internal Audit Consolidation	FTE	N/A	34.0
Includes additional \$5.9 million gross and 34.0 FTEs to reflect transfer of statewide internal audit functions to DMB as a result of EO 2007-31.	Gross	N/A	\$5,870,400
	IDG	N/A	5,870,400
2. Human Resources Consolidation/Optimization	FTE	N/A	(14.0)
Reduces funding by \$897,700 gross and eliminates 14.0 FTEs to reflect the transfer of all human resources responsibilities to Civil Service as a result of EO 2007-30.	Gross	N/A	(\$897,700)
	IDG	N/A	(280,200)
	Restricted	N/A	(317,900)
	GF/GP	N/A	(\$299,600)
3. State Building Authority Rent	Gross	\$226,822,100	\$5,000,000
Adds \$5.0 million gross and GF/GP to make adjustments for previously-constructed projects for projected rent payments.	Restricted	1,520,000	0
	GF/GP	\$225,302,100	\$5,000,000
4. Building Occupancy Adjustments	Gross	\$88,291,300	\$446,100
Adds \$270,100 gross for increased rent for leased facilities and \$415,000 gross to relocate the History, Arts and Libraries Records Center; reduces funding by \$239,000 due to transfer of Terminal Road lease to DEQ.	IDG	88,291,300	446,100

<u>Major Budget Changes from FY 2007-08 YTD</u>	<u>FY 2007-08 YTD</u>	<u>Executive Change</u>
5. Office of Retirement Services (ORS)	FTE	N/A 6.0
Adds \$357,700 gross for hardware and software upgrades to retain current capability of Interactive Voice Response System, and \$440,000 gross and 6.0 FTEs for ORS customer service staff to retain current response times. Eliminates \$300,000 gross one-time charge for new spouse as beneficiary program; \$150,000 gross electronic deposit of retirement payments for schools software; and \$348,000 gross customer contact software funds.	Gross	N/A (\$300)
	Restricted	N/A (300)
6. Space Utilization Study	Gross	N/A \$550,000
Adds \$550,000 gross for one-time space utilization study: \$150,000 for contractor review of space utilization and restacking (redesign) plans, and \$400,000 for modular furniture, construction, and internal moves.	IDG	N/A 550,000
7. FTE Adjustment	FTEs	754.5 88.0
Adjusts FTE allocations to more accurately reflect number of funded FTEs. Includes DMB-recommended increase of 88.0 FTEs.	Gross	N/A \$0
8. Administrative Reductions	FTEs	N/A (8.0)
Reflects reduction of \$608,200 gross for administrative expenses and 8.0 FTEs; savings anticipated from staffing reductions due to automation of billing programs for Financial Services (3.0 FTEs) and parking enforcement restructuring (5.0 FTEs); includes reduced IT administrative cost for service.	Gross	N/A (\$608,200)
	IDG	N/A (300,000)
	Restricted	N/A (141,900)
	GF/GP	N/A (\$166,300)
9. Economic Adjustments	Gross	N/A \$393,500
Includes \$393,500 gross additional funding for salaries and wages and retirement; reduces funding for insurances and worker's compensation.	IDG	N/A 97,900
	Restricted	N/A 96,000
	GF/GP	N/A \$199,600
CIVIL SERVICE		
10. Human Resources Consolidation	FTEs	N/A 344.0
Adds \$33.4 million gross and 344.0 FTEs for the human resources consolidation required by EO 2007-30, which transferred all human resources responsibilities to Civil Service from individual departments.	Gross	N/A \$33,433,200
	IDG	N/A 34,900
	Federal	N/A 5,353,100
	Local	N/A 292,900
	Restricted	N/A 8,372,500
	GF/GP	N/A \$19,379,800
11. Human Resource Optimization	Gross	N/A \$0
Reduces IDG funding by \$3.3 million to adjust for final optimization funding for the Human Resource Optimization program (reductions have been taken each year during the five year program).	IDG	N/A (\$3,278,200)
	Federal	N/A 537,700
	Restricted	N/A 413,200
	GF/GP	N/A \$2,327,300
12. FTE Adjustment	FTEs	240.5 (20.0)
Adjusts FTE allocations to more accurately reflect number of funded FTEs. Includes DMB-recommended reduction of 20.0 FTEs.	Gross	N/A \$0
13. Administrative Reductions	Gross	N/A (\$306,600)
Reduces funding for administrative expenses by \$306,600 gross; savings anticipated from administrative efficiencies.	Restricted	N/A (4,900)
	GF/GP	N/A (\$301,700)
14. Economic Adjustments	Gross	N/A \$150,300
Adds funding for salaries and wages, retirement and building occupancy charges; reduces funding for insurances and workers' compensation.	IDG	N/A 2,300
	Restricted	N/A 109,800
	GF/GP	N/A \$38,200

MANAGEMENT AND BUDGET

Major Boilerplate Changes from FY 2007-08

DEPARTMENT OF MANAGEMENT AND BUDGET

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.

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

Expresses legislative intent that DMB has 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 and lists specific information that is 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 the location from which the call or contact center services are being provided to the inbound caller.

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. 723. Internal Audit Charges – NEW

Requires internal audit charges to fund internal audit services provided by the Office of the State Budget within DMB; charges to be funded through assessments against state agencies.

Sec. 724. Appropriations for Retirement System Changes – DELETED

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.

Sec. 724a. Existing 2-1-1 Capacities – DELETED

Requires DMB to assist DIT in determining how existing 2-1-1 capacities will be utilized by each department with community resource information and referral service.

Summary: Executive Budget Recommendation

STATE

FY 2008-09

Analyst: Viola Bay Wild

	FY 2007-08 Year-to-Date	FY 2008-09 Executive	Difference: Executive to FY 2007-08 YTD	
			Amount	%
IDG/IDT	\$20,000,000	\$20,000,000	\$0	0.0
Federal	1,911,200	1,460,000	(451,200)	(23.6)
Local	0	0	0	0.0
Private	100	100	0	0.0
Restricted	156,972,900	156,787,600	(185,300)	(0.1)
GF/GP	\$28,797,200	\$26,888,000	(1,909,200)	(6.6)
Gross	\$207,681,400	\$205,135,700	(\$2,545,700)	(1.2)
FTEs	1,859.8	1,815.0	(44.8)	(2.4)

Note: FY 2007-08 figures include the results of supplementals and Executive Order (EO) actions through February 7, 2008.

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 2007-08 YTD

		FY 2007-08 YTD	Executive Change
1. FTE Rebasing Adjustment	FTEs	1,859.8	(43.8)
Adjusts FTE allocation to more accurately reflect number of funded FTEs. Includes Department-recommended reduction of 43.8 classified FTEs (2.4%).	Gross	\$0	\$0
2. Technology Replacement	Gross	N/A	\$90,000
Increases IT appropriation by \$90,000 gross and GF/GP to fund replacement of the DIT server for Department's contact center.	GF/GP	N/A	\$90,000
3. Assigned Claims Assessment Adjustment	Gross	N/A	\$120,000
Adds \$120,000 gross to fund increased services provided by the Attorney General concerning assigned claims program.	Restricted	N/A	120,000
4. Administrative Reductions	Gross	N/A	(\$621,500)
Reduces funding for four operations lines and the IT line (total of \$621,500 gross and \$607,300 GF/GP); savings anticipated to be generated through administrative efficiencies.	Restricted	N/A	(14,200)
	GF/GP	N/A	(\$607,300)
5. Help America Vote Act	Gross	\$350,000	(\$350,000)
Removes \$350,000 federal one-time grant funding for the HAVA program awarded in the previous year.	Federal	350,000	(350,000)
6. Internal Audit Adjustment	FTEs	1.0	(1.0)
Transfers 1.0 FTE to DMB to reflect the transfer of statewide internal audit services to DMB as a result of EO 2007-31.	Gross	\$0	\$0
7. Economic Adjustments	Gross	N/A	(\$1,683,000)
Reduces funding by \$1.7 million gross and \$1.4 million GF/GP for economic adjustments; adds funds for salaries and wages; reduces funds for insurances, retirement, building occupancy charges, and worker's compensation.	Federal	N/A	0
	Restricted	N/A	(291,100)
	GF/GP	N/A	(\$1,391,900)

STATE

Major Boilerplate Changes from FY 2007-08

Sec. 801. Contingency Funding – REVISED

Appropriates contingency funds; revision language states that federal contingency funds are to not exceed \$2.0 million.

Sec. 815. Branch Office Closings or Consolidations – DELETED

Requires 180 days advance notice of branch office closures and consolidations and 60 days advance notice for relocations.

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

Requires 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 Projected – DELETED

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

Sec. 824. Buena Vista Township Branch Office – DELETED

Requires Department to maintain a full service branch office in the Buena Vista Township.

Sec. 825. Milan Branch Office – DELETED

Requires Department to maintain a full service branch office in the City of Milan.

Sec. 826. Branch Office Locations – DELETED

Requires Department to maintain same number of branch offices in each municipality that existed on August 1, 2007.

Sec. 827. Branch Office Locations in Urban Areas – DELETED

Encourages branch offices to be located in downtown areas, town centers, central business districts, and brownfield sites rather than greenfield and open space sites.

Summary: Executive Budget Recommendation

TREASURY

FY 2008-09

Analyst: Viola Bay Wild

	FY 2007-08 Year-to-Date	FY 2008-09 Executive	Difference: Executive to FY 2007-08 YTD	
			Amount	%
IDG/IDT	\$11,631,400	\$10,894,600	(\$736,800)	(6.3)
Federal	91,836,400	92,307,700	471,300	0.5
Local	1,100,700	1,105,100	4,400	0.4
Private	712,800	715,600	2,800	0.4
Restricted	1,464,512,100	1,465,039,100	527,000	0.0
GF/GP	189,310,600	162,189,600	(27,121,000)	(14.3)
Gross	\$1,759,104,000	\$1,732,251,700	(\$26,852,300)	(1.5)
FTEs	1,905.5	1,838.5	(67.0)	(3.5)

Note: FY 2007-08 figures include the results of supplementals and Executive Order (EO) actions through February 7, 2008.

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, to invest, control, and disburse state monies, and to protect the state's credit rating and that of its cities. The Department manages one of the nation's largest pension funds, administers revenue sharing, and administers 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, the Michigan Gaming Control Board, and the Michigan Strategic Fund (MSF) are autonomous agencies housed within the Department of Treasury. Funds and programs of the MSF are administered by the Michigan Economic Development Corporation (MEDC), which also administers the 21st Century Jobs Fund.

Major Budget Changes from FY 2007-08 YTD

		FY 2007-08 YTD	Executive Change
TREASURY OPERATIONS			
1. Treasury Operations			
Funds Department operations (excluding revenue sharing, debt service, and the MSF) at \$396.9 million gross (\$10.8 million IDG; \$36.9 million federal; \$1.1 million local; \$283.3 million restricted; and \$64.8 million GF/GP).	Gross	\$399,704,500	(\$2,757,500)
	IDG	11,551,400	(737,100)
	Federal	36,405,700	463,200
	Local	1,100,700	4,400
	Restricted	287,227,400	(3,895,100)
	GF/GP	\$63,419,300	\$1,407,100
2. Administrative Reductions			
Reflects administrative reductions of \$498,500 million gross: revenue enhancement program (\$336,400), Student Financial Services (\$75,200), State Tax Commission (\$50,000), and DIT Administrative (\$36,900).	Gross	N/A	(\$498,500)
	IDG	N/A	(600)
	Federal	N/A	(600)
	Restricted	N/A	(31,100)
	GF/GP	N/A	(\$466,200)
3. FTE Rebasng Adjustment			
Adjusts FTE allocation to more accurately reflect the number of funded FTEs. Includes Department-recommended reduction of 46.0 FTEs.	FTEs	1,905.5	(46.0)
	Gross	N/A	\$0
4. Human Resources Consolidation and Optimization			
Reduces funding by \$2.1 million gross and \$1.6 million GF/GP to reflect the transfer of funding and 20.0 Human Resources FTEs to Civil Service for consolidation of Human Resources within Civil Service required by EO 2007-30; includes 3.0 FTEs from Lottery. Also reflects transfer of human resources optimization costs to Civil Service.	FTEs	N/A	(20.0)
	Gross	N/A	(\$2,075,100)
	IDG	N/A	(43,100)
	Restricted	N/A	(481,100)
	GF/GP	N/A	(\$1,550,900)

TREASURY

<u>Major Budget Changes from FY 2007-08 YTD</u>		<u>FY 2007-08 YTD</u>	<u>Executive Change</u>
5. FTE Adjustment – Neighborhood Enterprise Act/Internal Auditor	FTEs	2.0	(2.0)
Reduces funds by \$150,000 gross and GF/GP and 1.0 FTE for Neighborhood Enterprise Act program from savings generated through using online services and a lessened state role in program; additional 1.0 FTE reduction in Lottery for Internal Auditor transfer to DMB as required by EO 2007-31.	Gross	\$150,000	(\$150,000)
	GF/GP	\$150,000	(\$150,000)
6. Senior Citizen Co-op Housing Tax Exemption	Gross	\$17,498,400	(\$498,400)
Reduces funding from the FY 2007-08 appropriation amount.	GF/GP	\$17,498,400	(\$498,400)
7. Renaissance Zone Reimbursement	Gross	\$3,095,000	\$705,000
Adds \$705,000 to reimburse public libraries for lost property tax revenue from Renaissance zones.	GF/GP	\$3,095,000	\$705,000
8. Commercial Mobile Radio Service (CMRS) Payments	Gross	\$17,900,000	(\$6,800,000)
Removes \$6.8 million gross for CMRS due to pending sunset of the act authorizing CMRS fee; reduction based on estimated amount of fees to be collected before the sunset.	Restricted	17,900,000	(6,800,000)
9. Implement Tax Law Changes	FTEs	N/A	(2.0)
Adds \$3.4 million gross and GF/GP for scheduled increase to the Michigan Business Tax program; removes \$120,000 GF/GP for one-time costs for individual income tax; removes \$400,000 GF/GP and 2.0 FTEs for the now-rescinded tax on services.	Gross	N/A	\$2,880,000
	GF/GP	N/A	\$2,880,000
10. Michigan Transportation Fund (MTF) Administration Adjustment	Gross	N/A	(\$750,000)
Reduces MTF funds by \$750,000 gross for administration costs of the fund.	Restricted	N/A	(750,000)
11. Pension Plan Consultant	Gross	N/A	\$1,000,000
Adds \$1.0 million gross to hire consultant to oversee pension program costs.	Restricted	N/A	1,000,000
REVENUE SHARING			
12. Constitutional Revenue Sharing	Gross	\$673,952,000	(\$6,388,000)
Reduces funds for constitutional revenue sharing to cities, villages, and townships by \$6.4 million from enacted FY 2007-08 appropriation.	Restricted	673,952,000	(6,388,000)
13. Statutory Revenue Sharing	Gross	\$398,713,000	\$22,515,600
Increases funds for statutory revenue sharing to cities, villages, and townships by \$22.5 million from enacted FY 2007-08 appropriation. Funding allocated so local units receive a combined (constitutional and statutory) FY 2008-09 amount equal to the amount the local unit received in FY 2007-08; includes additional increase equal to 4% of a local unit's FY 2006-07 statutory revenue sharing payment.	Restricted	398,713,000	22,515,600
14. County Revenue Sharing Payments	Gross	\$0	\$2,280,900
Adds \$2.3 million gross for revenue sharing payments to counties that have depleted their Revenue Sharing Reserve Fund.	Restricted	0	2,280,900
DEBT SERVICE			
15. Debt Service Payments	Gross	\$119,986,400	\$3,136,600
Adds \$3.1 million gross; (state restricted Refined Petroleum Fund decreases by \$8.4 million and is replaced by GF/GP); adds \$2.1 million for Quality of Life bonds debt service, \$9.7 million for Great Lakes Water Quality bond debt service; reduces Clean Michigan Initiative debt service by \$8.6 million, and water pollution control bond debt service by \$63,400.	Restricted	23,914,500	(8,400,000)
	GF/GP	\$96,071,900	\$11,536,600
16. Debt Service Refunding/Restructuring Savings	Gross	\$119,986,400	(\$40,000,000)
Includes \$40.0 million gross and GF/GP reduction for debt service payments based on refunding/restructuring of current bond programs. Savings is part of a three-year program that reduces debt service payments by refinancing bond programs.	Restricted	23,914,500	0
	GF/GP	\$96,071,900	(\$40,000,000)

Major Budget Changes from FY 2007-08 YTD

		FY 2007-08 YTD	Executive Change
17. Economic Adjustments	Gross	N/A	\$650,200
Increases funding by \$650,200 gross and \$37,200 GF/GP for economic adjustments; increases funds for salaries and wages, retirement, BOC and workman's compensation; reduces funds for insurances (includes economics for Lottery, MGCB, and MSF).	IDG	N/A	58,600
	Federal	N/A	71,900
	Local	N/A	4,400
	Restricted	N/A	478,100
	GF/GP	N/A	\$37,200
MICHIGAN GAMING CONTROL BOARD			
18. Casino Gaming Staff Increase	FTEs	106.0	8.0
Increases funding by \$684,000 gross and includes 8.0 FTEs for additional staff related to the Detroit casinos' move to permanent facilities.	Gross	N/A	\$684,000
	Restricted	N/A	684,000
MICHIGAN STRATEGIC FUND (MSF)			
19. Michigan Strategic Fund	FTEs	152.0	(5.0)
Provides FY 2008-09 funds for MSF: \$160.8 million gross (\$80,300 IDG, \$55.4 million federal, \$715,600 private, \$75.0 million restricted, \$29.5 million GF/GP); eliminates 5.0 FTEs.	Gross	\$166,422,500	(\$5,639,900)
	IDG	80,000	300
	Federal	55,430,700	8,100
	Private	712,800	2,800
	Restricted	80,705,200	(5,700,000)
	GF/GP	\$29,493,800	\$48,900
20. Michigan Promotion Program	Gross	\$11,417,500	(\$5,700,000)
Eliminates \$5.7 million one-time funding from Jobs for Michigan Investment Fund.	Restricted	11,417,500	(5,700,000)

Major Boilerplate Changes from FY 2007-08

DEPARTMENT OF TREASURY

Sec. 902. Debt Service Appropriation – REVISED

Appropriates funds for debt service. Revision appropriates debt service repayments from loans made from the school bond loan fund that are not required to be deposited into the school loan revolving fund to be used for the payment of debt service.

Sec. 905. Sale of Tax Manuals – REVISED

Provides direction for sale of materials. Revision requires Department to provide copies of the state tax manual via the Department website or provide for sale copies of the tax manuals on CD or other electronic media.

Sec. 930a. Secondary Collections Activities – DELETED

Requires Department to select a private collection agency for secondary collection activities in order to benchmark primary agency performance for individual tax, discontinued business tax, state agency accounts, and active business tax accounts older than 36 months; requires quarterly report.

Sec. 940. Michigan Tobacco Settlement Finance Authority (MTSFA) Revenue – NEW

Authorizes Department to expend MTSFA revenues for salaries and wages, supplies, contractual services equipment, and other department expenses.

Sec. 941. Standardized Audit Schedules – DELETED

Appropriates up to \$570,000 from standardized audit schedules recovered revenue for project expenses; funds to be used for business tax audits related to sales, use, withholding, single business, and motor fuel taxes.

Sec. 943. Social Security Numbers on Mailings – DELETED

Prohibits Department from printing complete social security numbers on 1099 mailings.

Sec. 945. Assessment and Certification Division Reviews – DELETED

Allows Department's assessment and certification division to conduct 14-point reviews in at least one assessment jurisdiction per county.

Sec. 946. Assessment and Training Coordination – DELETED

Authorizes state tax commission and assessment and certification management staff to meet with statewide assessment organizations on a quarterly basis to coordinate activities.

TREASURY

Major Boilerplate Changes from FY 2007-08

Sec. 947. Revenue Enhancement Program – DELETED

Stipulates that of \$6.6 million for Revenue Enhancement Program, \$5.8 million is for revenue enhancement collection, including auditing functions, and \$750,000 for principal residence audits. Excepting current contracts, the \$5.8 million is to fund activities performed by state employees only; requires quarterly progress reports for personal property tax audit and principal residence audit programs; requires a hearing regarding personal property tax audits; requires legislative auditor general performance audit of the principal residence audit program.

Sec. 948. Electronic Income Tax Filing – DELETED

Directs Department to report the number of tax returns, including state income and single business tax returns, filed on-line in the preceding fiscal year.

Sec. 949. Tobacco Stamp Technology RFP – DELETED

Allows Department to conduct a competitive bid for current and new tobacco stamp technology; permits tobacco wholesalers to claim a deduction for costs related to new technology in their monthly reimbursements under Tobacco Products Tax Act.

Sec. 950. Revenue Sharing – REVISED

Directs distribution of constitutional revenue sharing payments to cities, villages, and townships, and distribution of statutory revenue sharing payments to cities, villages, and townships so that local units shall receive a combined total FY 2008-09 constitutional and statutory distribution that is equal to the total distribution the local unit received in FY 2007-08. Provides that each local unit that received statutory revenue sharing in FY 2006-07 receive an amount equal to four per cent of that distribution. Appropriates additional statutory revenue sharing funding if the amount appropriated in part 1 is insufficient for specified distributions.

LOTTERY

Sec. 963. Department of Human Services (DHS) Bridge Cards – DELETED

Directs Lottery to notify lottery retailers that DHS bridge cards are not to be used to purchase lottery tickets.

MICHIGAN STRATEGIC FUND (MSF)

Sec. 1002(4). Economic Development Job Training (EDJT) Grants – REVISED

Establishes requirements for EDJT program. Revision deletes earmark for community colleges.

Sec. 1002(8). EDJT Grants – REVISED

Specifies that employers shall reimburse the state for entire direct EDJT grant prorated to the number of actual jobs created or trained compared to original number in grant application.

Sec. 1002(16). EDJT Grants – DELETED

Directs MSF to allocate \$500,000.00 for aerospace certification grants.

Sec. 1016. Audit of Jobs Created – DELETED

Allows MEDC to develop/implement procedures to audit the number of jobs claimed to be created by its grant recipients.

Sec. 1017. Report on MEDC Employees With Salaries of \$80,000 or More – DELETED

Requires MEDC to report to the Legislature the names, job title, and duties of MEDC employees with an annual salary of at least \$80,000.

Sec. 1021. Michigan Promotion Program – DELETED

Stipulates that the \$5.7 million Michigan promotion program is to be used to promote the state's tourism industry and business marketing activities; MEDC would coordinate its activities with local tourism efforts where appropriate.

Sec. 1022. Business Incubator Program – DELETED

Requires business incubator program funds be used for grants/loans for projects that foster creation of new jobs in competitive edge technologies, with preference to grantees in certain economically depressed areas; states legislative intent that if additional funds become available, program funds would increase by \$4.0 million.

Sec. 1024. Small Business Technology and Development Centers – DELETED

Allocates \$1.4 million from 21st Century Jobs Trust Fund to Small Business Technology and Development Centers for Small Business Innovation Research/Small Business Technology Transfer Research grant or matching loan programs.

Sec. 1025. Jobs Report – DELETED

Directs MEDC to report number of actual direct jobs and number of projected indirect jobs to be created as a result of a financial or tax incentive package offered to a business; salary and employer-sponsored benefit information to be included.

Major Boilerplate Changes from FY 2007-08

Sec. 1027. 21st Century Allocation for Biofuels – DELETED

Requires MSF Board to amend its contract with Lakeshore Advantage for a project involving a former Pfizer plant to distribute at least \$3.0 million of contract amount prior to March 31, 2008, and expands allowable use of funds. Requires \$3.0 million total FY 2007-08 payment to Lakeshore Advantage if contract is not amended by February 28, 2008.

Sec. 1029. Tax Incentives for Michigan Workers – DELETED

States legislative intent that incentives be awarded to businesses that give preference to Michigan workers.

Sec. 1030. Watervliet Township Ethanol Plant – DELETED

Requires \$100 appropriation for Berrien County Brownfield Redevelopment Authority be used for brownfield redevelopment project in Watervliet Township to construct an ethanol plant.

Sec. 1031. McBain Township Infrastructure Improvements – DELETED

Requires that \$100 appropriation for McBain Township (Missaukee County) be used for infrastructure improvements.

**FY 2008-09
Budget Detail
for
HUMAN SERVICES**

**Community Health
Corrections
Human Services**

**Summary: Executive Budget Recommendation
COMMUNITY HEALTH
FY 2008-09**

Analysts: Margaret Alston, Susan Frey, Steve Stauff

	FY 2007-08 Year-to-Date	FY 2008-09 Executive	Difference: Executive to FY 2007-08 YTD	
			Amount	%
IDG/IDT	\$39,410,200	\$40,883,900	\$1,473,700	3.7
Federal	6,708,510,700	7,159,187,100	450,676,400	6.7
Local	247,237,400	241,980,600	(5,256,800)	(2.1)
Private	65,519,800	66,686,800	1,167,000	1.8
Restricted	1,862,336,400	1,890,286,200	27,949,800	1.5
GF/GP	3,125,311,600	3,086,105,800	(39,205,800)	(1.3)
Gross	\$12,048,326,100	\$12,485,130,400	\$436,804,300	3.6
FTEs	4,767.6	4,602.7	(164.9)	(3.5)

Note: FY 2007-08 figures include the results of supplementals and Executive Order (EO) actions through February 7, 2008.

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 regulatory functions.

Major Budget Changes from FY 2007-08 YTD

		FY 2007-08 YTD	Executive Change
1. Economic Adjustments	Gross	N/A	\$4,188,800
Includes \$4.2 million gross (\$1.6 million GF/GP) to annualize the cost of the 2.0% salary/wage increase for non-bargaining and unionized employees effective April 2008, and finance economic adjustments for defined benefit/contribution retirement, insurance, building occupancy, food, worker's compensation, and gas, fuel, and utility costs for FY 2008-09.	IDG	N/A	(44,900)
	Federal	N/A	1,091,300
	Restricted	N/A	177,800
	Local	N/A	1,317,500
	Private	N/A	400
	GF/GP	N/A	\$1,646,700
	2. Consolidation of Human Resources	Gross	N/A
Recognizes savings of \$4.2 million gross (\$2.5 million GF/GP) by consolidating DCH's Human Resources Division with DMB pursuant to implementation of EO 2007-30. Also, recognizes Human Resources Optimization savings of \$285,500 gross (all GF/GP).	Federal	N/A	(316,500)
	Restricted	N/A	(265,900)
	Local	N/A	(1,127,200)
	GF/GP	N/A	(\$2,782,400)
	3. Actuarially Sound Rates	Gross	\$4,516,377,400
Increases capitation payment rates for Health Plan Services by 5.0%, for Medicaid Mental Health by 3.4%, and for Substance Abuse Services by 1.0% (\$175.4 million gross, \$66.5 million GF/GP) to ensure rates are actuarially sound in FY 2008-09.	Federal	2,652,514,400	105,735,500
	Local	29,737,100	0
	Restricted	898,986,100	3,231,000
	GF/GP	\$935,139,800	\$66,469,900
	4. Unrealized Anti-Psychotic Pharmaceutical Carve-In Savings	Gross	N/A
Reverses carve-in savings anticipated by transferring anti-psychotic pharmaceutical costs to the capitation payments for PIHPs as the federal government did not approve this adjustment.	Federal	N/A	(5,231,400)
	Restricted	N/A	(8,679,900)
	GF/GP	N/A	\$5,231,400

<u>Major Budget Changes from FY 2007-08 YTD</u>		<u>FY 2007-08 YTD</u>	<u>Executive Change</u>
5. CMH Non-Medicaid Services Reduction	Gross	\$319,566,100	(\$7,250,000)
Includes \$7.25 million GF/GP reduction for CMH Non-Medicaid Services which will be offset by funds from a statewide and centralized mental health managed care risk pool. Mandating, rather than permitting, the use of funds from CMHSPs risk pooling arrangements to support publicly funded mental health services requires changes in the state's Mental Health Code.	GF/GP	\$319,566,100	(\$7,250,000)
6. Mental Health Court Pilot Programs	Gross	N/A	\$2,253,800
Reinvests \$2.3 million GF/GP from savings achieved through creation of a statewide and centralized mental health managed care risk pool, in conjunction with \$1.1 million from Judiciary, to implement five mental health court programs that may include services such as psychiatric counseling, case management, vocational training, housing assistance, program adherence monitoring, and training court and law enforcement personnel.	GF/GP	N/A	\$2,253,800
7. Mental Health Outpatient and Residential Teams	Gross	\$38,108,200	\$2,355,300
Adds \$1.2 million for two additional mental health outpatient teams and \$1.2 million for one additional mental health residential treatment program for the Department of Corrections.	IDG	38,108,200	2,355,300
8. Criminal Background Check Program	Gross	\$10,475,900	(\$3,119,600)
Eliminates federal pilot grant revenue of \$2.6 million for the Criminal Background Check Program for employees of health facilities as this grant has expired. Also reduces funding for this program by \$519,600 anticipating less federal Medicaid revenue and health systems fees/collections. Forthcoming is a proposal that statutorily requires health facilities to assume the costs of criminal background checks for employees, with the exception of adult foster care homes and homes for the aged.	Federal	7,074,400	(2,890,700)
	Restricted	3,401,500	(228,900)
9. Bureau of Health Professions Phone System	Gross	\$20,950,600	\$2,000,000
Appropriates \$2.0 million from the Health Professions Regulatory Fund to upgrade the Bureau of Health Professions customer service phone system as the Bureau receives between 400-500 calls daily.	Federal	3,476,700	0
	Restricted	17,473,900	2,000,000
10. Public Health and Family Health Grants	Gross	N/A	\$512,900
Includes \$2.9 million for public health and family health budget areas for nine new federal and other grants ranging from \$61,600 to \$1.0 million for HIV, viral hepatitis, asthma, health promotion, stroke, heart disease, oral health, childhood obesity, and child/teen health centers. Completed public health grants removed from the budget total \$2.4 million and include urban air toxins, closing the gap on infant mortality, and abstinence partnership.	Federal	N/A	376,300
	Local	N/A	75,000
	Private	N/A	61,600
11. Michigan Health Initiative Fund Adjustments	Gross	\$10,525,600	(\$525,000)
Reduces Michigan Health Initiative (MHI) Fund for public health programs by \$1.4 million to reflect available Fund revenue. Reductions are made to bovine tuberculosis laboratory services, and to AIDS and risk reduction clearinghouse and media campaign. MHI funds are replaced with GF/GP in the sexually transmitted disease control program, and with federal funds in departmental administration. Total MHI Fund appropriation is \$9.1 million (including economics increases of \$16,100 in Item 1 above).	Federal	0	50,000
	Restricted	10,525,600	(1,441,700)
	GF/GP	\$0	\$866,700
12. Birth Certificate Standards	Gross	\$0	\$1,000,000
Includes \$1.0 million anticipated federal grant funds to assist DCH in conforming to minimum standards for birth certificates and in matching birth and death records, pursuant to federal law and regulation.	Federal	0	1,000,000

COMMUNITY HEALTH

<u>Major Budget Changes from FY 2007-08 YTD</u>	<u>FY 2007-08 YTD</u>		<u>Executive Change</u>
13. Infectious Disease Targeted Initiatives	Gross	N/A	\$1,300,000
Supports intensified efforts in two areas of infectious disease with GF/GP appropriations: (1) \$1.0 million for expanded testing and treatment to address high rates of gonorrhea and chlamydia diseases in Wayne County; and (2) \$300,000 to address the increasing occurrence of highly contagious and highly antibiotic resistant staphylococcus aureus ("staph") infections in and outside of health care facilities in Michigan.	GF/GP	N/A	\$1,300,000
14. Bioterrorism Funding Revisions and New Match Requirement	Gross	\$50,953,300	(\$600,000)
Reduces hospital and public health system preparedness for a bioterrorism event by \$600,000: reflects \$2.2 million decrease in federal grant funds, and new GF/GP and local funding of \$1.6 million to satisfy new federal match requirements of 5% effective July 2008 and rising to 10% July 2009.	Federal	50,953,300	(2,177,300)
	Local	0	500,000
	GF/GP	\$0	\$1,077,300
15. Local Public Health Medicaid Outreach Reimbursement	Gross	\$4,000,000	\$5,000,000
Adds \$5.0 million federal revenue for local public health departments, reflecting local and state efforts to maximize federal Medicaid matching funds for qualified local Medicaid outreach expenditures.	Federal	4,000,000	5,000,000
16. Local Public Health Physician Recruitment Project	Gross	\$0	\$600,000
Appropriates \$600,000 for a new initiative to recruit, hire and train qualified physicians to practice in local public health to address a shortage. DCH is working with Michigan State University and the University of Michigan; the universities will provide half of the funding.	Private	0	300,000
	GFGP	\$0	\$300,000
17. Women, Infants, and Children (WIC) Food Program	Gross	\$201,725,700	\$9,055,800
Increases federal funds for the WIC supplemental food and nutrition program by \$9.1 million for food costs, administration, and WIC infrastructure projects.	Federal	148,481,800	9,055,800
	Private	53,243,900	0
18. Medicaid Fund Source Adjustments	Gross	\$9,462,685,400	(\$1,356,900)
Increases federal Medicaid and SCHIP funds to offset \$176.9 million GF/GP due to changes in federal match rates. A loss of Medicaid Benefits Trust Fund revenue would be made up by \$10.6 million GF/GP. A shortfall of Merit Award Trust Fund revenue would be made up by \$45.3 million GF/GP.	Federal	5,588,042,500	176,898,800
	Local	43,009,700	0
	Merit Awd	139,000,000	(45,300,000)
	Restricted	1,500,111,200	(11,956,900)
	GF/GP	\$2,192,522,000	(\$120,998,800)
19. Increase MACI Hospital (Provider Tax) Payments	Gross	\$473,479,000	\$91,521,000
Increases the Hospital Services and Therapy line item by \$91.5 million gross to increase Medicaid Access to Care Initiative (MACI) payments to hospitals up to the Medicare upper payment limit. Of this amount, \$60.8 million is attributable to FY 2007-08 and \$30.7 million to FY 2008-09. The payments are funded through hospital provider taxes and federal matching funds.	Federal	275,091,300	53,173,700
	Restricted	198,387,700	38,347,300
20. Hospital and Nursing Home State Retained QAAP	Gross	\$0	\$0
Assumes savings of \$36.2 million GF/GP from setting the amount which the state retains from the nursing home and hospital quality assurance assessment programs (QAAPs) at 14.4% of the total federal gain. Statutory changes would be necessary.	Restricted	138,750,000	36,197,800
	GF/GP	(\$138,750,000)	(\$36,197,800)
21. 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 (\$2.0 million GF/GP). This would eliminate the pool earmarked for hospitals receiving less than \$900,000 annually in DSH funds.	Federal	29,050,000	(3,013,500)
	Restricted	6,114,900	0
	GF/GP	\$14,835,100	(\$1,986,500)
22. Pharmacy Rebate Savings	Gross	\$285,210,900	(\$8,154,000)
Recognizes savings of \$8.2 million gross (\$3.2 million GF/GP) based on changes included in the federal Deficit Reduction Act, which requires calculating pharmacy rebates using the average manufacturer price rather than the average wholesale price.	Federal	165,721,800	(4,914,400)
	Restricted	2,000,000	0
	GF/GP	\$117,489,100	(\$3,239,600)

<u>Major Budget Changes from FY 2007-08 YTD</u>	<u>FY 2007-08 YTD</u>	<u>Executive Change</u>
23. Annualize Healthy Kids Dental Expansion	Gross \$2,625,300	\$7,875,900
Increases the Dental Services line by \$7.9 million gross (\$3.1 million GF/GP) to fund a full year expansion of the Healthy Kids dental program to Genesee and Saginaw counties. The planned expansion date in FY 2007-08 for these two counties is July 1, 2008.	Federal 1,525,300	4,746,800
	GF/GP \$1,100,000	\$3,129,100
24. Limit Nursing Home Variable Cost Component Increase	Gross \$1,554,146,800	(\$31,261,900)
Reduces Long-Term Care Services line by \$31.3 million gross (\$12.4 million GF/GP) from savings created by limiting the growth rate of the nursing home variable cost component of nursing reimbursement from 4.9% to 2.5%.	Federal 902,952,700	(18,841,600)
	Local 6,618,800	0
	Merit Awd 139,000,000	0
	Restricted 222,683,200	0
	GF/GP \$282,892,100	(\$12,420,300)
25. Community-Based Long-Term Care Services Expansion	Gross \$1,980,350,200	\$0
Expands community-based long-term care services by \$32.4 million gross (\$12.9 million GF/GP) and funded through savings from reduced nursing home admissions. The funds are reallocated for: (1) expanding the PACE program, (2) expanding the MSHDA affordable assisted living program, (3) reducing the waiting list for the home and community-based waiver program, (4) adding specialized residential care to the current waiver, (5) activities of the single-point of entry program, (6) transitioning out of nursing homes occupants who will not need medical services, and (7) \$363,200 gross (\$176,500 GF/GP) that will be transferred to the Office of Long Term Care and Supports and Services for additional staffing.	Federal 1,149,384,300	0
	Local 6,618,800	0
	Merit Awd 139,000,000	0
	Restricted 222,683,200	0
	GF/GP \$462,663,900	\$0
26. Adult Home Help Minimum Wage Annualization	Gross \$245,762,800	\$10,892,400
Increases the Adult Home Help Services line by \$10.9 million gross (\$4.3 million GF/GP) to fund full-year costs of the minimum wage for adult home help workers at \$7.50 per hour.	Federal 142,788,200	6,564,800
	GF/GP \$102,974,600	\$4,327,600
27. Physician Adjustor Payments Through HMOs	Gross \$0	\$40,383,900
Increases Health Plan Services line by \$40.4 million gross for new physician adjustor payments made through HMOs to contracted practitioner groups using local funds to match federal Medicaid funds. The approved Medicaid state plan amendment allows an enhanced payment to four public entities: University of Michigan Health System, Wayne State University, Hurley Hospital and Michigan State University. This expands what is currently being done through fee-for-service Medicaid payments.	Federal 0	24,339,400
	Local 0	1,136,300
	Restricted 0	14,908,200
28. Family Planning Unrealized Savings	Gross \$27,109,000	\$5,030,700
Increases authorizations \$5.0 million gross (\$2.3 million GF/GP) due to unrealized savings for the Plan First! family planning waiver program. The FY 2007-08 budget was built upon an average enrollment of 158,000 women and currently enrollment is less than 30,000. Competing federal programs, citizenship verification requirements and recent federal program eligibility changes account for lower program participation. The FY 2008-09 savings estimates are based on an enrollment of 46,000 women.	Federal 24,306,100	2,772,700
	GF/GP \$2,802,900	\$2,258,000

Major Boilerplate Changes from FY 2007-08

GENERAL

Sec. 215. Policy Changes Implementing Public Acts – DELETED

Requires DCH to report on each policy change made to implement a public act affecting DCH which took effect during the prior calendar year. Prohibits the use of appropriated funds by DCH on adopting a rule that will apply and have a disproportionate economic impact on small businesses.

Sec. 272. Administrative Efficiencies, Shared Services, and Consolidations – DELETED

Allocates up to \$150,000 for a study on administrative efficiencies, shared services, and consolidations of local public health departments, CMHSPs, coordinating agencies on substance abuse, and area agencies on aging.

COMMUNITY HEALTH

Major Boilerplate Changes from FY 2007-08

Sec. 282. Administrative Costs for Coordinating Agencies and Area Agencies on Agencies – DELETED

Requires DCH to establish uniform definitions, standards, and instructions for classification, allocation, assignment, calculation, recording, and reporting of administrative costs by coordinating agencies on substance abuse, Salvation Army Harbor Light program and their subcontractors, area agencies on aging and local providers, and their subcontractors. Requires DCH to provide a written draft of its proposed definitions, standards, and instructions by May 15, 2008.

COMMUNITY MENTAL HEALTH/SUBSTANCE ABUSE SERVICES PROGRAMS

Sec. 459. Mental Health Court Pilot Programs – NEW

Directs DCH to work with Judiciary, including the State Court Administrative Office, to develop guidelines for the operation and evaluation of pilot mental health courts. Requires CMHSPs and trial courts interested in becoming mental health court pilot sites to submit a joint application for funding.

STATE PSYCHIATRIC HOSPITALS, CENTERS FOR PERSONS WITH DEVELOPMENTAL DISABILITIES, AND FORENSIC AND PRISON MENTAL HEALTH SERVICES

Sec. 608. Privatization of Food and Custodial Services – DELETED

Requires DCH to evaluate the privatization of food and custodial services at state hospitals and centers and submit a copy of the evaluation by May 1, 2008.

PUBLIC HEALTH

Sec. 804. Hepatitis C and HIV Cooperative Program with Department of Corrections – REVISED

Directs DCH to cooperate with Department of Corrections to share data and information. Revision strikes annual report from this section, regarding interdepartmental progress and outcomes of an information sharing program related to prisoners being released who are HIV positive or positive for the Hepatitis C antibody.

Sec. 1031. Pilot for Traumatic Brain Injury Treatment Guideline Model – DELETED

Appropriates \$100 to establish an incentive-based pilot program for level I and level II trauma hospitals to encourage utilization of an interactive, evidence-based treatment guideline model for traumatic brain injury.

CRIME VICTIM SERVICES COMMISSION

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.

Sec. 1304. Sexual Assault Evidence Collection Procedures – DELETED

Requires DCH to work with Department of State Police and certain statewide organizations to ensure that recommended standard procedures for emergency treatment of sexual assault victims are followed in the collection of evidence in cases of sexual assault.

MEDICAL SERVICES

Sec. 1620. Pharmacy Dispensing Fee, Copayments, and Mail Order Drugs – REVISED

Stipulates amounts and conditions for pharmaceutical dispensing fee. Revision removes legislative intent language that if DCH realizes savings resulting from the way in which the Medicaid program pays pharmacists for prescriptions from average wholesale price to average manufacturer price, the savings shall be returned to pharmacies as an increase up to \$2.00 in the pharmacy dispensing fee.

Sec. 1652. Health Plan Service Area Expansion – DELETED

States that if DCH implements changes allowing HMOs to request service area expansions, the HMOs must agree to: (1) not sell or transfer any portion of the HMO's assets or business for a period of three years, and (2) the HMO that expands into a county with a population of at least 1,500,000 shall also expand its coverage to a county with a population of less than 100,000 which has one or fewer HMOs participating in the Medicaid program.

Sec. 1682. OBRA Nursing Home Enforcement Provisions – REVISED

Provides direction for enforcement actions. Revision removes language authorizing use of penalty funds to conduct a survey evaluating nursing home consumer satisfaction and quality of care by residents, their families and employees.

Sec. 1695. Nursing Facility Case Mix Reimbursement – DELETED

Requires DCH to evaluate the impact of implementing a case mix reimbursement system for nursing facilities; DCH is to consult with the Health Care Association of Michigan, the Michigan County Medical Care Facilities Council, and the Association of Homes and Services for the Aging, with a progress report due by August 1, 2008.

Sec. 1763. Medication History Information Exchange – DELETED

Requires Medicaid health plans in Southeast Michigan to participate in medication history information exchange pilot project.

Major Boilerplate Changes from FY 2007-08

Sec. 1770. Quarterly Medicaid Policy Changes – DELETED

Specifies that DCH shall attempt to make adjustments to the Medicaid provider manual and effective dates for proposed Medicaid policy bulletins on October 1, January 1, April 1, or July 1, after the end of the consultation period.

Sec. 1773. Nonemergency Transportation Services – DELETED

Directs DCH to establish and implement a bid process to identify a single private contractor to provide Medicaid covered nonemergency transportation services in each county with a population over 750,000.

Sec. 1775. Medicaid Managed Long-Term Care Study – DELETED

Requires DCH to conduct a study and publish a report regarding the feasibility of providing long-term care services through managed care.

Sec. 1777. Nursing Home Dining Assistants – DELETED

Requires DCH to permit nursing homes to use dining assistants to feed eligible residents, in accordance with federal and state law; DCH will not be responsible for training costs.

**Summary: Executive Budget Recommendation
CORRECTIONS
FY 2008-09**

Analyst: Marilyn B. Peterson

	FY 2007-08 Year-to-Date	FY 2008-09 Executive	Difference: Executive to FY 2007-08 YTD	
			Amount	%
IDG/IDT	\$1,264,600	\$1,277,200	\$12,600	1.0
Federal	10,340,700	10,350,200	9,500	0.1
Local	429,700	430,300	600	0.1
Private	0	0	0	0.0
Restricted	70,149,600	71,731,700	1,582,100	2.3
GF/GP	1,996,084,500	1,978,262,800	(17,821,700)	(0.9)
Gross	\$2,078,269,100	\$2,062,052,200	(\$16,216,900)	(0.8)
FTEs	17,653.4	17,515.5	(137.9)	(0.8)
	51,841	52,641	800	1.5

Note: FY 2007-08 figures include the results of supplementals and Executive Order (EO) actions through February 7, 2008.

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 2007-08 YTD

FY 2007-08 YTD **Executive Change**

JUSTICE POLICY REFORM

1. Prisoner Reductions, Efficiencies, and Local Reinvestment

Assumes net savings of \$50.0 million GF/GP through a combination of policy changes that reduce the prison population and implementation of various operational efficiencies. Combined savings of \$62.9 million would be offset by \$12.9 million in increased spending on field operations and local programs. Policy changes to reduce the prisoner population are assumed to generate savings of \$29.7 million. Assumes \$33.2 million in various operational savings: \$21.4 million through facility operating efficiencies, \$5.0 million through facility repurposing, \$4.0 million through health care efficiencies, and \$2.8 million through program reconfigurations and efficiencies.

Gross **N/A (\$50,000,000)**
GF/GP **N/A (\$50,000,000)**

Expects operational efficiencies and justice policy reforms to be identified by a joint House-Senate-Executive workgroup with technical assistance from the Council of State Governments. Changes could include revisions in facility staffing assignments, consolidation of certain prison operations (such as prisoner stores and accounting), changes to housing unit security levels, revisions to the prisoner security classification system, and new parole guidelines. Savings would be offset by appropriations of \$9.6 million for local programs providing offender services or treatment due to changes in sentencing laws. An additional \$3.3 million would be appropriated for field operations reinvestment, which could include more parole and probation agents, increased use of electronic tether, or some combination of these and other departmental efforts.

Executive
ChangeMajor Budget Changes from FY 2007-08 YTDFY 2007-08 YTD**PRISON PERSONNEL AND OPERATIONAL COSTS****2. Additional Beds in Open-Bay Units**

Provides full-year funding for 80 additional bunks at each of seven Level I facilities by funding eighth bunks in open-bay cubicles that currently have seven bunks per cubicle. Analogous adjustments were made in FY 2007-08 budget, which added "8th bunks" in half of the seven facilities' housing units. Affected facilities are Hiawatha, Parr Highway, Deerfield, Boyer Road, West Shoreline, Mid-Michigan, and Pine River.

Beds	N/A	560
FTEs	N/A	12.6
Gross	N/A	\$5,744,200
GF/GP	N/A	\$5,744,200

3. Open Macomb Drop-In Unit

Provides full-year funding for a Level IV drop-in unit at Macomb, completed in FY 1999-00, but never opened.

Beds	N/A	240
FTEs	N/A	45.0
Gross	N/A	\$5,058,700
GF/GP	N/A	\$5,058,700

4. Remaining Jackson Closure Savings

Uses remainder of savings from closure (November 17, 2007) of Southern Michigan Correctional Facility; anticipating the closure, FY 2007-08 funding for Southern Michigan was reduced by \$36.7 million. Transfers \$525,500 of Southern Michigan's funding to Ryan Correctional Facility, to accommodate the transfer of MDOC's dialysis unit to that facility from Southern Michigan, and eliminates the remaining \$3.1 million from the budget.

Gross	\$3,597,500	(\$3,072,000)
Restricted	7,500	(7,500)
GF/GP	\$3,590,000	(\$3,064,500)

5. New Officer Training

Funds training for 851 new corrections officers, up from roughly 665 funded in current-year budget. Funds recruits' wages and benefits for the 16-week training course, as well as manuals, travel, certifications, and uniforms, for a total cost of about \$18,250 per graduate.

Gross	\$11,533,000	\$3,997,800
GF/GP	\$11,533,000	\$3,997,800

6. Equipment and Special Maintenance

Restores reduction taken in current fiscal year, when \$2.0 million for equipment and special maintenance was removed in anticipation of increased funding through the capital outlay budget.

Gross	N/A	\$2,000,000
GF/GP	N/A	\$2,000,000

7. Regionalization at Kinross, Ionia, Jackson – Additional Savings

Recognizes additional savings from regionalization and consolidation of administrative functions at three complexes. \$2.6 million partial-year savings were taken in FY 2007-08, reflecting FTE reductions in business offices, warehouses, food service, electrical, and plumbing.

Gross	N/A	(\$1,071,000)
GF/GP	N/A	(\$1,071,000)

PRISONER HEALTH AND MENTAL HEALTH CARE**8. Hepatitis C Testing and Treatment**

Adds \$14.9 million for health care to meet estimated costs in second year of implementation of new Hepatitis C testing protocols, which are expected to identify more prisoners in need of and subsequently receiving treatment for Hepatitis C. \$1.7 million was added in FY 2007-08 for first-year costs. Equilibrium expected in FY 2009-10, when, according to current estimates, another \$4.0 to \$5.0 million will be needed.

Gross	N/A	\$14,856,600
GF/GP	N/A	\$14,856,600

9. Mental Health Services and Programs

Increases funding for DCH-provided mental health services, including two additional mental health outpatient treatment teams (\$2.1 million), a new residential treatment program unit at Gus Harrison (\$1.5 million), and full-year funding for a mental health outpatient team receiving partial-year funding in FY 2007-08 (\$247,500). Also funds a Level IV social skills development unit (SSDU) for developmentally disabled prisoners at Gus Harrison (\$975,600); MDOC's other SSDU is a Level II unit at Handlon.

FTEs	N/A	12.2
Gross	N/A	\$4,802,000
GF/GP	N/A	\$4,802,000

CORRECTIONS

<u>Major Budget Changes from FY 2007-08 YTD</u>	<u>FY 2007-08 YTD</u>		<u>Executive Change</u>
10. Nursing Staff	Gross	N/A	\$2,446,100
Funds additional 13.5 licensed practical nurses (\$1.0 million), and seven registered nurses (\$631,000) to accommodate recent and projected bed space increases at seven Level I facilities (Hiawatha, Parr Highway, Deerfield, Boyer Road, West Shoreline, Mid-Michigan, and Pine River). Provides \$801,000 for costs of negotiated retention and signing bonuses for nurses.	GF/GP	N/A	\$2,446,100
11. Physicians and Mid-Level Medical Service Providers	Gross	N/A	\$471,500
Assumes adjustments in the mix of physicians and mid-level medical service providers (physician's assistants and nurse practitioners), reducing the number of physicians by the equivalent of 3.2 positions and increasing the number of mid-level providers by the equivalent of 11.9 positions. All services of physicians, physician's assistants, and nurse practitioners are provided under contract with Correctional Medical Services, Inc.; recommended funding is based on rates taking effect April 1, 2008, for a contract extension that expires March 31, 2009.	GF/GP	N/A	\$471,500
FIELD OPERATIONS AND COMMUNITY PROGRAMS			
12. County Jail Reimbursement Program	Gross	\$13,249,000	(\$6,900,000)
Reduces the \$13.2 million county jail reimbursement program (CJRP) by \$6.9 million in order to fund a new local jail program line item. Revises CJRP reimbursement criteria to pay only for felons whose sentencing guidelines scores place them in the presumptive-prison category, and for parole violators with new sentences who were not sentencing guidelines lockouts. Current law reimburses for presumptive-prison felons and certain straddle cell offenders (those for whom sentencing guidelines permit either prison sentences or local sanctions).	Restricted	13,249,000	(6,900,000)
13. Local Jail Program	Gross	\$0	\$6,900,000
Provides \$6.9 million for a new line for local jail programs to be funded with a combination of revenue from civil infraction fees and telephone fees. Statutory changes would be necessary to allow using civil infraction fee revenue for this program. Associated boilerplate would designate the funding for projects and proposals undertaken/in place due to current-session changes to sentencing laws. Allowed expenditures would include, but not be limited to, employment and training services, education, community service, and drug/alcohol/mental health treatment; funds could also be used for jail construction/renovation.	Restricted	0	6,900,000
14. Metal Detectors at Parole Offices	Gross	N/A	\$548,600
Funds security guards for metal detectors installed at 12 parole and probation offices, and to be installed at two more locations in FY 2007-08. Metal detectors are being installed at selected field offices following a shooting at the Lawton parole office in Detroit in 2007.	GF/GP	N/A	\$548,600
15. Lifers Commutation and Pardon Unit	FTEs	N/A	4.0
Establishes funding for commutation and pardon unit to process increases in applications for pardons and commutations, which rose from 419 in 2006 to over 1,500 in 2007. The surge is attributed to the attention surrounding the creation of an Executive Clemency Advisory Council early in 2007.	Gross	N/A	\$367,200
	GF/GP	N/A	\$367,200
16. Global Positioning System (GPS) Tether	Gross	N/A	\$301,800
Adds funds to meet full-year costs of 500 active GPS tether units being brought on-line in FY 2007-08.	GF/GP	N/A	\$301,800

Executive
Change**Major Budget Changes from FY 2007-08 YTD**

FY 2007-08 YTD

FUND SHIFTS**17. Telephone Fees and Commissions**

Restores \$1.6 million in telephone fee revenue that current-year budget assumed would be eliminated under new contract in July 2008. Associated FY 2007-08 boilerplate expressed legislative intent that any subsequent contracts for prisoner telephone service include a condition that fee schedules for prisoner telephone calls generally be the same as those for calls placed from outside of correctional facilities.

Gross	\$11,077,700	\$0
Restricted	11,077,700	1,600,000
GF/GP	\$0	(\$1,600,000)

HUMAN RESOURCES AND INFORMATION TECHNOLOGY**18. Human Resources Consolidation**

Transfers human resources positions (\$12.3 million gross) to civil service (now within DMB), and eliminates human resources optimization user fees (\$1.1 million gross and GF/GP). Training and labor relations remain in MDOC.

FTEs	N/A	(136.0)
Gross	N/A	(\$13,392,600)
Restricted	N/A	(175,100)
GF/GP	N/A	(\$13,217,500)

19. Information Technology (IT) Upgrades/Fee Increases

Funds various increases associated with IT equipment and services: increased DIT fees for desktop support and office automation (\$976,400); partial replacement (with leased machines) of obsolete desktops and laptops (\$750,000); upgrades of file and print servers (\$300,000).

Gross	N/A	\$2,026,400
GF/GP	N/A	\$2,026,400

ECONOMICS**20. Economic Adjustments**

Includes \$7.8 million (\$7.7 million GF/GP) total economic adjustments, of which \$74,400 (\$72,000 GF/GP) is for DIT.

- \$10,081,700 gross, \$9,708,900 GF/GP for salaries/wages
- (\$12,376,400) decrease gross, (\$11,918,300) GF/GP for insurances
- \$7,382,500 gross, \$7,109,600 GF/GP for retirement
- \$1,603,500 gross and GF/GP for fuel and utilities
- \$1,467,900 gross and GF/GP for food
- \$199,800 gross and GF/GP for building occupancy charges
- (\$520,500) decrease gross and GF/GP for workers' compensation

Gross	N/A	\$7,838,500
IDG/IDT	N/A	12,600
Federal	N/A	9,500
Local	N/A	0
Restricted	N/A	165,500
GF/GP	N/A	\$7,650,900

Major Boilerplate Changes from FY 2007-08**Sec. 207. Privatization Project Plans – DELETED**

Requires privatization project plan to be submitted to legislature at least 120 days before beginning any effort to privatize.

Sec. 207a. Privatization Cost-Benefit Analyses and Criteria – DELETED

Requires cost-benefit analyses and legislative approval prior to privatizing services or activities provided by state employees; prohibits implementing privatization project plans unless savings of at least five percent are to be achieved.

Sec. 219. Prisoner Telephone Calls – DELETED

States that any contract for prisoner telephone services should include a condition that fee schedules for prisoner telephone calls be the same as fee schedules for calls placed from outside of correctional facilities.

Sec. 401. Prisoner Population Projections – REVISED

Requires annual prison population projection updates. Revision postpones deadline from February 1 to February 15.

Sec. 403. Michigan Prisoner Re-Entry Initiative (MPRI) Reporting – REVISED

Requires certain MPRI reports. Revision reduces reporting frequency and eliminates requirement for reports on parolees with mental illness.

Sec. 406. MPRI Standards – DELETED

Requires development, implementation, and report on uniform minimum standards for MPRI pilot sites and the expenditure of MPRI funds

Sec. 408. Recidivism Report – DELETED

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

CORRECTIONS

Major Boilerplate Changes from FY 2007-08

Sec. 414. County Jail Reimbursement Program – REVISED

Establishes guidelines for county jail reimbursement program. Revision allows reimbursement for presumptive-prison felons and parole violators with new sentences who were not sentencing guidelines lockouts. Current law reimburses for presumptive prison felons and certain straddle cell offenders. Eliminates requirements for periodic study of impact of sentencing guidelines, and for associated development of recommendations from department, Michigan Association of Counties, and Michigan Sheriffs' Association.

Sec. 420. Local Jail Programs – NEW

Designates funding for new Local Jail Program line item, allowing expenditures for projects and proposals undertaken or in place due to current-session changes to sentencing laws. Allowed expenditures would include offender programs and services, and jail construction or renovation.

Sec. 802. Health Care Contract Services and Expenditures – DELETED

Requires report on various matters pertaining to prisoner health care: physical and mental health care for prisoners (including time elapsed between diagnosis and treatment), health care expenditures by vendor, and projected expenditures from accounts for prisoner health care, among other things.

Sec. 804. Health Care Utilization – REVISED

Requires report on prisoners receiving off-site inpatient care that could have been provided in a state correctional facility if beds had been available.

Sec. 901. Tobacco Ban – DELETED

Requires MDOC to develop and implement a plan to make all facilities and camps tobacco-free.

Sec. 906. Public Works Program – REVISED

Requires uniform rate to be charged for public works crews. Revision deletes language urging that the program be continued at the level provided under the original FY 2006-07 budget, that user fees be doubled, and that prisoner wages be increased in conjunction with the user fee increases.

Sec. 907. Academic and Vocational Programs – DELETED

Requires detailed report on academic/vocational programs.

Sec. 908. Academic and Vocational Programs Recidivism Report – DELETED

Requires reports on offender educational history, program completion, and impact on recidivism.

Sec. 909. General Education Development (GED) Certification Rates – DELETED

Conditions academic/vocational appropriations on development of a plan to increase GED certification rates.

Sec. 907. Justice Reform Negative Appropriations – NEW

Specifies that the negative appropriations for justice reform be satisfied by savings from reforms and efficiencies identified through the justice reinvestment initiative (an effort involving the Council of State Governments Justice Center, the legislature, and the executive branch).

Sec. 908. Local Reinvestment to Achieve Prisoner Reductions – NEW

Specifies that funding for local reinvestment to achieve prisoner reductions is to be used to fund local programs for offender services or treatment consistent with local comprehensive corrections plans. Eligible services would be those provided due to current-session changes to sentencing laws, and could include any of a variety of services and programs, including drug court or mental health court programs. Funds also could be used for administrative costs for a drug court program that was explicitly limited to presumptive-prison felons and parole violators with new sentences who were not sentencing guidelines lockouts (that is, felons for whom counties could receive reimbursement under the county jail reimbursement program as proposed by the Executive).

**Summary: Executive Budget Recommendation
HUMAN SERVICES (Department)
FY 2008-09**

Analysts: Robert Schneider, Bill Fairgrieve

	FY 2007-08 Year-to-Date	FY 2008-09 Executive	Difference: Executive to FY 2007-08 YTD	
			Amount	%
IDG/IDT	\$2,416,000	\$2,416,700	\$700	0.0
Federal	3,147,497,400	3,146,833,100	(664,300)	0.0
Local	50,331,900	61,293,500	10,961,600	21.8
Private	9,039,200	10,174,700	1,135,500	12.6
Restricted	59,698,600	61,419,200	1,720,600	2.9
GF/GP	1,308,410,100	1,376,552,200	68,142,100	5.2
Gross	\$4,577,393,200	\$4,658,689,400	\$81,296,200	1.8
FTEs	10,580.4	10,442.8	(137.6)	(1.3)

Note: FY 2007-08 figures include the results of supplementals and Executive Order (EO) actions through February 7, 2008.

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 2007-08 YTD

		FY 2007-08 YTD	Executive Change
1. Family Independence Program (FIP) Benefit Increase	Gross	\$373,936,400	\$7,484,400
Increases the maximum FIP cash assistance benefit for low-income families by \$3.00 per person per month. This would boost the payment level for a typical family of three with no other income from \$489 per month to \$498 per month (just under 2%). Payment standard tables were revised in May 2006 in an action that led to benefit increases for most families, but reduced payment levels to a large number of families. The last general increase for all families was implemented in 1990.	Federal	90,026,800	0
	Restricted	39,311,200	0
	GF/GP	\$244,598,400	\$7,484,400
2. State Disability Assistance Benefit Increase	Gross	\$33,798,200	\$1,269,300
Raises maximum benefit level for disabled adults receiving State Disability Assistance support by \$5.00 per person per month. Around 99% of recipients are single disabled adults, who would see their monthly benefit rise from \$264 to \$269 under the proposal (about a 2% increase). Maximum benefit level last raised from \$246 to \$264 per month in 2000.	Federal	9,328,300	108,700
	GF/GP	\$24,469,900	\$1,010,100
3. Day Care Services	Gross	\$391,945,200	\$20,000,000
Adds \$18.3 million for state payments to day care providers that care for the children of low-income families over FY 2007-08 enacted levels, and an additional \$1.7 million for day care program administration. FY 2007-08 enacted DHS budget already included \$5.7 million for this purpose; the additional \$18.3 million comprises \$8.3 million from a proposed FY 2007-08 supplemental, and \$10 million in Executive's FY 2008-09 proposal. Retains the \$23.6 million FY 2007-08 budget reduction tied to a December policy change limiting reimbursement to 90 hours of day care service for each child per two-week period.	Local	262,064,000	0
	GF/GP	\$129,881,200	\$20,000,000

HUMAN SERVICES (DEPARTMENT)

<u>Major Budget Changes from FY 2007-08 YTD</u>		<u>FY 2007-08 YTD</u>	<u>Executive Change</u>
4. FIP Children's Clothing Allowance	Gross	\$7,167,500	\$3,920,500
Increases funds for the annual clothing allowance for FIP families from \$43 per child (in FY 2006-07) to an estimated \$75 per child for FY 2008-09. Clothing allowance payments are made in July/August before the oncoming school year, and are intended to help with clothing purchases. Clothing allowance was \$75 per child in FY 2000-01 and FY 2001-02, but has been reduced since that time.	GF/GP	\$7,167,500	\$3,920,500
5. FIP Child Support Pass-Through	Gross	\$373,936,400	(\$5,300,000)
Reflects a change in federal law under which the federal government will now share costs of providing a child support pass-through to households receiving public assistance. Federal law lets states retain child support collections for families receiving public assistance as reimbursement for state-funded support. However, states may elect to pass through a given amount of this support directly to the family and forego reimbursement; Michigan has allowed a \$50 monthly pass-through. Beginning FY 2008-09, the federal government will share in the cost of providing the pass-through, leading to GF/GP savings of around \$5.3 million.	Federal	90,026,800	0
	Restricted	39,311,200	0
	GF/GP	\$244,598,400	(\$5,300,000)
6. FIP and Retroactive SSI Payments	Gross	\$373,936,400	\$0
Reflects a proposed change in state policy regarding retroactive lump-sum payments of federal Supplemental Security Income (SSI) payments to FIP households. Beginning October 1, 2008, the state would retain a portion of these payments as reimbursement for prior FIP support; under the previous policy, the family received the entire lump sum payment. Additional retained revenue would reduce GF/GP need for FIP program.	Federal	90,026,800	0
	Restricted	39,311,200	4,338,300
	GF/GP	\$244,598,400	(\$4,338,300)
7. Redirection of Jobs Education and Training (JET) Funding	FTE	30.0	83.0
Redirects \$7.3 million in appropriations that were originally to cover services to FIP clients through Michigan Rehabilitation Services in order to provide 63 new positions within DHS for FIP caseworkers and another 20 related supervisory and administrative support positions. MRS funding was not being fully utilized, which allowed for the redirection.	Gross	\$17,980,800	\$0
	Federal	1,836,000	1,362,800
	GF/GP	\$16,144,800	(\$1,362,800)
8. Reverse Title IV-E Funding Assumptions	Gross	N/A	(\$12,054,900)
Reverses funding assumptions in FY 2007-08 enacted budget related to Title IV-E eligibility for foster care and Child Care Fund cases. Enacted budget assumed a significant increase in eligibility for these cases due to additional staffing and reforms in that budget. This increase in eligibility would shift more of foster care costs to the federal government—reducing state costs and significantly reducing local county costs. Executive recommendation reverts to a funding mix closer to that in prior budgets.	Federal	N/A	(24,991,600)
	Local	N/A	12,936,700
9. Blended Rate for Child Placing Agencies	Gross	N/A	\$5,471,100
Provides for a single administrative rate of \$27.00 per day for child placing agencies. In FY 2007-08, agencies had the option of retaining FY 2006-07 rates with separate rates for general foster care and specialized foster care services, or moving to a single blended rate of \$25.00 per day. This action increases the blended rate, but removes the option of choosing to remain under the separate general and specialized rate structure.	Federal	N/A	826,100
	Local	N/A	1,054,400
	GF/GP	N/A	\$3,590,600
10. Foster Care - Licensure of Relative Caregivers	Gross	\$5,850,000	\$5,532,800
Increases funding for foster care payments to support 1,110 new licensed foster family placements. New cases are assumed to originate from current efforts to license relative caregivers as foster parents.	Federal	3,400,000	3,305,900
	GF/GP	\$2,450,000	\$2,226,900

Major Budget Changes from FY 2007-08 YTD

		<u>FY 2007-08 YTD</u>	<u>Executive Change</u>
11. Strong Families/Safe Children Reduction	Gross	\$14,908,100	(\$2,000,000)
Reduces Strong Families/Safe Children program funding; this will impact allocations to county DHS offices that are used to support programs aimed at providing assistance to at-risk youth. Federal Title IV-B savings are then redirected to the adoption subsidies program to save GF/GP revenue.	Federal	14,908,100	(2,000,000)
12. Adoption Subsidies - Redirected Title IV-B Funding	Gross	\$235,637,200	\$0
Utilizes Title IV-B savings in item 11 above to offset GF/GP costs within the adoption subsidy program, which provides financial support to adoptive families who adopt hard-to-place children in the child welfare system.	Federal	141,597,300	2,000,000
	GF/GP	\$94,039,900	(\$2,000,000)
13. Food Stamp Reinvestment Program	Gross	\$7,343,800	\$1,320,000
Increases funding for food stamp reinvestment activities as a result of the state's food assistance payment error rate exceeding federally-allowable levels last fiscal year. New funding would be expended either on penalty payments or reinvestment activities aimed at improving payment efficiency.	GF/GP	\$7,343,800	\$1,320,000
14. Rent and One-Time Moving Costs	Gross	\$40,897,300	\$1,917,300
Includes adjustments in the Rent line item to reflect proposed changes in local office space: includes \$2.1 million in funding to cover one-time moving costs incurred in relocating to new facilities, and \$871,300 is added to cover new lease costs. These costs are partially offset by around \$1.1 million in savings from the consolidation of offices in three areas of the state.	Federal	26,328,600	509,900
	GF/GP	\$14,568,700	\$1,407,400
15. Information Technology (IT) Reduction	Gross	\$157,457,400	(\$5,318,200)
Imposes a 5% reduction to appropriations for general IT services and child support enforcement system spending.	Federal	101,254,700	(2,508,000)
	GF/GP	\$56,202,700	(\$2,810,200)
16. Caseload – Family Independence Program	Gross	\$373,936,400	\$16,326,200
Assumes an increase in FIP benefit payments of \$16.3 million due to an increase in caseload. FY 2008-09 budget funds 77,000 cases, a 1.3% increase over 76,000 cases assumed in FY 2007-08 budget. Average cost per case is also assumed to increase by 3.0% to \$421.40 per month.	Federal	90,026,800	0
	Restricted	39,311,200	0
	GF/GP	\$244,598,400	\$16,326,200
17. Caseload – Child Care Fund	Gross	\$197,203,700	\$15,000,000
Provides a 15% increase in Child Care Fund reimbursements to counties. State reimbursements cover 50% of the costs of providing out-of-home care and other services to court wards in the child welfare system.	Federal	81,569,900	0
	GF/GP	\$115,633,800	\$15,000,000
18. Economic Adjustments	Gross	N/A	\$3,734,900
Provides increase sufficient to cover full-year costs of 2% salary and wage increase provided to classified state employees in April 2007. Costs for the last six months of the fiscal year were included in the FY 2007-08 budget. Also includes adjustments for retirement and insurance costs, along with food and utility costs at state public juvenile justice facilities.	Federal	N/A	1,459,500
	IDG	N/A	700
	Local	N/A	66,300
	Private	N/A	10,500
	Restricted	N/A	6,200
	GF/GP	N/A	\$2,191,700

Major Boilerplate Changes from FY 2007-08

GENERAL SECTIONS

Sec. 262. Consolidation Plan for Local Service Delivery – REVISED

Requires DHS to implement a plan to improve local service delivery with savings to be allocated to additional local office staffing. Executive proposal eliminates language prohibiting closure of county offices in Presque Isle, Ontonagon, and Baraga Counties or where closure would lead to undue travel burdens for clients.

Sec. 278. Private Consulting to Evaluate Performance – DELETED

Directs DHS to contract with private consulting firms to evaluate maximization of federal funds for all caseload services by identifying waste, fraud and errors. Payments to contractors capped at 25% of savings; allows DHS to retain \$7.5 million of savings for technology programs and increased staffing; requires report to Legislature.

HUMAN SERVICES (DEPARTMENT)

Major Boilerplate Changes from FY 2007-08

ADULT AND FAMILY SERVICES

Sec. 423. Crisis Prevention and Food Assistance Outreach Programs – DELETED

Requires DHS to allocate funds to Barry County for domestic violence prevention, to provide outreach, eligibility screening, and information services to elderly citizens who may be eligible for food assistance; and to food aid outreach projects in Kent and Muskegon Counties.

CHILD AND FAMILY SERVICES

Sec. 515. Performance-Based Foster Care Contracts – REVISED

Requires DHS to use performance-based contracts with private nonprofit child placing agencies in an effort to improve services for children. Revision strikes language that requires the contracts to include a provision requiring service providers to maintain or achieve national accreditation.

Sec. 531. Title IV-E Funding to Counties – NEW

Requires that DHS make claims on behalf of local units of government for federal title IV-E revenue earned towards eligible costs as long as there is a formal agreement between DHS and the local unit of government that meets certain requirements. Similar language in the FY 2007-08 budget requiring DHS to pay the full benefit of such Title IV-E claims was vetoed.

Sec. 532. Licensing and Contract Compliance Review – REVISED

Sets guidelines for annual license review and contract compliance review processes. Revision removes requirement for collaboration between DHS and representatives of private child and family agencies in reviewing contract compliance and licensing policies to identify duplication, and language restricting licensing reviews to no more than once every two years for nationally-accredited organizations with no outstanding violations.

Sec. 546. General Foster Care and Specialized Foster Care Rates – REVISED

Sets rates for foster care payments. Revision establishes a single administrative rate of \$27.00 per day for private child placing agencies under contract with DHS, consistent with intent language included in FY 2007-08 budget.

Sec. 562. Title IV-E Claims for Placements in Secure Facilities – DELETED

Requires DHS to submit Title IV-E claims and allow counties to submit claims for placements in secure residential facilities when such placements are made for a diagnosed medical necessity and not public protection.

Sec. 566. Direct Foster Care Services – DELETED

Establishes a preference in provision of direct foster care services for public and private agencies that are nationally accredited; requires private agency contracts to include specific performance and incentive measures focusing on permanency placement; prohibits DHS from entering or maintaining a contract with a for-profit child placing agency unless the agency was licensed on or before August 1, 2007.

Sec. 573. Special Needs Adoption Contracts – DELETED

Appropriates \$1.2 million for new adoption contracts focusing on long-term permanent wards. Private agencies would receive \$16,000 for each finalized placement. Although boilerplate is deleted, funding for this purpose is retained.

Sec. 577. Strong Families/Safe Children Funding – DELETED

Requires DHS to allow community collaboratives to use Strong Families/Safe Children program funds for prevention programs that meet federal requirements and are approved by the collaboratives and local DHS offices.

PUBLIC ASSISTANCE

Sec. 606. Retroactive SDA Recipient Payment – REVISED

Requires FIP and State Disability Assistance (SDA) recipients who apply for federal Supplemental Security Income to sign agreements to repay DHS upon receipt of retroactive SSI payments. FY 2007-08 language included only SDA recipients.

Sec. 611. Indigent Burial Program Family Contributions – REVISED

Sets guidelines for indigent burial services payments. Revision reverses FY 2007-08 legislative action by reducing the maximum amount a funeral provider can accept from relatives and/or friends of a low-income deceased person while retaining state indigent burial assistance. The maximum is lowered from \$4,000 to \$2,600.

Sec. 613. Indigent Burial Rates and Pilot Project – NEW

Establishes maximum reimbursement rates for funeral providers for indigent burials at \$455 for funeral directors, \$145 for cemeteries/crematoriums, and \$100 for vault providers. This replaces the FY 2007-08 budget schedule, which was vetoed.

Sec. 658. Allocation for Grand Rapids Youth Commonwealth – DELETED

Allocates \$126,500 in TANF funds to Grand Rapids Youth Commonwealth for after-school and summer programs at Camp O'Malley; requires compliance with Before- and After-School Program policies and requirements.

Major Boilerplate Changes from FY 2007-08

Sec. 669. FIP Annual School Clothing Allowance – REVISED

Increases allocation for annual clothing allowance for FIP recipients from \$7.2 million to \$11.1 million. Action meant to increase the per-child allowance to \$75 for FY 2008-09.

Sec. 681. Food Assistance Payment Schedule – DELETED

Appropriates \$600,000 to revise the distribution of food assistance benefits to implement a staggered payment schedule that spans 19 days each month. Requires DHS to collaborate with stakeholders on educating recipients on this policy change and requires updates to the Legislature on progress and issues related to the change.

Sec. 683. Legal Services Association of Michigan Contract – REVISED

Provides \$1.27 million to support a SSI advocacy program provided by through the Legal Services Association of Michigan. Eliminates boilerplate requirement that DHS pay \$400 upon case referral and \$250 upon case completion.

Sec. 684. Day Care Hours Limit – DELETED

States legislative intent that DHS provide day care payments to day care providers for all eligible service hours up to 100 hours per two-week pay period.

JUVENILE JUSTICE SERVICES

Sec. 719. Legislative Notification of Juvenile Justice Changes – DELETED

Requires DHS to notify Legislature at least 30 days before closing or making any change in the status of a state juvenile justice facility, including licensed bed capacity and operating bed capacity.

Sec. 720-722. Juvenile Justice Services – DELETED

Provides guidelines for distribution of appropriated funding to public and private providers of juvenile justice services at different security levels based on ability to demonstrates results in specific areas; requires private provider participation in developing methodology for measuring goals and performance standards.

Sec. 723. Funding to Juvenile Justice Services Providers – DELETED

Allows a provider to receive funding for services at different security levels if provider has appropriate services for each security level and adequate measures to separate residents of each security level.

Sec. 726. Residential Provider Contracts and Rates – DELETED

Prohibits DHS from entering or maintaining a contract with a for-profit provider of residential services unless the provider was licensed on or before August 1, 2007. Increases residential provider daily rates 4% above FY 2006-07 levels, and sets floor funding of \$130 per day for these providers. Although boilerplate is deleted, funding for the 4% increase is retained.

Sec. 727. Juvenile Justice Per Diem and Chargeback Rates – DELETED

Outlines factors to be used by the Legislature in determining the cost of care for public juvenile justice facilities and establishes specific 2008 per diem and chargeback rates for public juvenile justice facilities; Governor declared this section unenforceable because it amends 1974 PA 150 by reference.

Sec. 728. Intergovernmental Agreement With Maxey Training School – DELETED

States legislative intent that DHS and Department of Corrections (DOC) examine the potential for entering into an agreement to place 140 youth committed to DOC into Woodland and Sequoyah Centers at Maxey Training School.

Sec. 731. County Charges for Agency Administrative Costs – DELETED

Prohibits DHS from charging counties for costs of administrative payments to private child placing agencies that oversee abuse/neglect wards if the same administrative costs are not charged in a uniform manner to all counties.

LOCAL OFFICE STAFF AND OPERATIONS

Sec. 755. Title IV-E Eligibility Specialists – DELETED

Allocates \$8.15 million for up to 200 new Title IV-E Eligibility Specialist positions in local DHS offices to increase percentage of Title IV-E eligible placements; requires positions be filled as Services Specialists in the civil service classification system. Although boilerplate is deleted, funding for staff is maintained.

CHILD SUPPORT ENFORCEMENT

Sec. 907. Use of Collection Agencies in Collecting Child Support – DELETED

Requires DHS, in cooperation with State Court Administrative Office, to pilot a program to examine effectiveness of using a public or private collection agency. Any revenue generated through program shall not be expended until DHS, Friend of Court and other county representatives agree on recommendations for use.

HUMAN SERVICES (DEPARTMENT)

Major Boilerplate Changes from FY 2007-08

Sec. 909. Incentive Funds to Counties – NEW

Allows each county to retain 75% of the amount by which its collection of state-retained child support exceeds its amount collected in FY 2004-05. Revenue would be used for local child support enforcement efforts. Allocation would be contingent upon statewide retained child support collections exceeding FY 2004-05 levels.

Sec. 911. Title IV-D Annual Child Support Fee – NEW

Authorizes DHS to collect an annual fee of \$25 from non-public assistance clients that receive state child support services. Federal law requires the payment of this fee by either the state or the client.

COMMUNITY ACTION AND ECONOMIC OPPORTUNITY

Sec. 1104. Community Action Agency TANF Allocation – REVISED

Specifies that the \$500,000 appropriation for Earned Income Tax Credit (EITC) education and outreach shall be distributed to community action agencies.

**FY 2008-09
Budget Detail
for
RESOURCE PROTECTION**

**Agriculture
Environmental Quality
Natural Resources**

**Summary: Executive Budget Recommendation
AGRICULTURE
FY 2008-09**

Analyst: William E. Hamilton

	FY 2007-08 Year-to-Date	FY 2008-09 Executive	Difference: Executive to FY 2007-08 YTD	
			Amount	%
IDG/IDT	\$9,615,400	\$9,539,200	(\$76,200)	(0.8)
Federal	21,240,600	14,861,000	(6,379,600)	(30.0)
Local	0	0	0	
Private	233,500	237,200	3,700	1.6
Restricted	46,121,700	45,852,400	(269,300)	(0.6)
GF/GP	31,158,100	32,490,200	1,332,100	4.3
Gross	\$108,369,300	\$102,980,000	(\$5,389,300)	(5.0)
FTEs	692.5	599.5	(93.0)	(13.4)

Note: FY 2007-08 figures include the results of supplementals and Executive Order (EO) actions through February 7, 2008.

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 2007-08 YTD

		FY 2007-08 YTD	Executive Change
1. Commissions and Boards	Gross	\$17,800	\$15,000
Restores GF/GP support which was eliminated in the current-year budget (Governor recommends \$32,800).	Restricted	17,800	0
	GF/GP	\$0	\$15,000
2. Executive Direction	FTEs	10.0	0.0
Reflects economic increase of \$29,700, and \$263,700 reduction related to transfer of internal audit function to a new line.	Gross	\$1,157,900	(\$234,000)
	Restricted	105,400	2,600
	GF/GP	\$1,052,500	(\$236,600)
3. Management Services	FTEs	31.5	(7.5)
Reflects \$55,700 economic increase, a \$594,300 reduction related to transfer of human resource functions out of the Department, and a \$163,400 GF/GP baseline reduction.	Gross	\$2,430,800	(\$702,000)
	Restricted	418,600	(282,100)
	GF/GP	\$2,012,200	(\$419,900)
4. Agricultural Statistics	FTEs	2.0	(1.0)
Provides economic increase; recognizes that funding only supports 1.0 FTE.	Gross	\$137,600	\$6,200
	Restricted	75,000	3,400
	GF/GP	\$62,600	\$2,800
5. Food Safety and Quality Assurance (Food and Dairy)	FTEs	107.0	8.0
Reflects economic increases; no change in baseline program. This program receives the largest share of GF/GP in this budget.	Gross	\$12,627,600	\$14,900
	Federal	407,300	100
	Restricted	3,013,200	(24,400)
	GF/GP	\$9,207,100	\$39,200
6. Animal Health and Welfare (Animal Industry)	FTEs	21.5	0.0
Reflects economic decrease adjustment of \$21,300 as well as elimination of \$75,000 IDG from DNR for captive cervid program, added in current-year budget.	Gross	\$2,407,400	(\$97,500)
	IDG	75,000	(75,000)
	Federal	469,300	(4,200)
	Restricted	166,100	(1,000)
	GF/GP	\$1,697,000	(\$17,300)

Major Budget Changes from FY 2007-08 YTD

	FY 2007-08 YTD	Executive Change
7. Bovine Tuberculosis (Animal Industry)	FTEs 36.5	10.0
Reflects \$99,800 economic increase; \$1.7 million increase in baseline GF/GP. This program is second in GF/GP support in this budget. Retains \$2.1 million in funding from the Agriculture Equine Industry Development Fund (AEIDF).	Gross \$7,092,200	\$1,799,800
	Federal 730,800	8,300
	Restricted 2,125,400	0
	GF/GP \$4,236,000	\$1,791,500
8. Pesticide and Plant Pest Management (PPPM)	FTEs 116.8	(6.8)
Reflects \$13,700 economic increase; reduces federal revenue by \$1.4 million to better align budget with actual anticipated revenue. Retains \$200,000 in pesticide license fee revenue in baseline. This revenue, which replaced GF/GP in the current-year budget, anticipated passage of Senate Bill 682.	Gross \$13,573,200	(\$1,386,300)
	Federal 3,842,200	(1,394,500)
	Private 147,700	300
	Restricted 5,162,000	3,100
	GF/GP \$4,421,300	\$4,800
9. Emerald Ash Borer Program	FTEs 112.0	(87.5)
Reflects \$15,100 economic increase; \$5.0 million reduction due to continuing decrease in federal support for this program. Appropriation for this program had been as much as \$25.0 million in FYs 2003-04 and 2004-05.	Gross \$12,946,000	(\$4,984,900)
	Federal 12,946,000	(4,984,900)
10. Environmental Stewardship	FTEs 30.2	(3.2)
Reflects economic adjustments.	Gross \$2,857,300	(\$12,400)
	IDG 269,800	(1,200)
	Federal 232,500	48,800
	Restricted 50,000	(50,000)
	GF/GP \$2,305,000	(\$10,000)
11. Technical Assistance Match	Gross \$300,000	\$0
Retains funds for technicians (working out of local conservation districts) who help farmers and landowners complete federally-funded Natural Resources Conservation Service contracts. Line was new in current-year budget.	GF/GP \$300,000	\$0
12. Local Conservation Districts	Gross \$916,800	\$0
Maintains funding at current-year level.	GF/GP \$916,800	\$0
13. Migrant Labor Housing	Gross \$425,100	\$0
Maintains funding at current-year level. Restricted funds represent Migrant labor housing fund established under 2005 PA 43.	Federal 400,000	0
	Restricted 25,000	0
	GF/GP \$100	\$0
14. Laboratory Services	FTEs 60.5	2.5
Reflects economic adjustments.	Gross \$6,336,400	\$8,200
	IDG 189,100	0
	Federal 916,200	0
	Restricted 2,272,000	4,400
	GF/GP \$2,959,100	\$3,800
15. Consumer Protection Program	FTEs 67.5	(16.5)
Funds motor fuel quality, weights and measures, and metrology laboratory. Reflects economic adjustments.	Gross \$5,128,700	\$6,500
	Restricted 5,128,500	6,300
	GF/GP \$200	\$200
16. Agriculture Development	FTEs 5.0	1.0
Reflects economic adjustments.	Gross \$1,070,200	\$2,600
	Private 10,800	0
	Federal 274,400	800
	Restricted 605,700	700
	GF/GP \$179,300	\$1,100
17. Michigan Agricultural Surplus System (Food Bank)	Gross \$630,500	\$0
Retains current-year funding and fund sources.	IDG 150,000	0
	GF/GP \$480,500	\$0

AGRICULTURE

<u>Major Budget Changes from FY 2007-08 YTD</u>	<u>FY 2007-08 YTD</u>		<u>Executive Change</u>
18. Horse Industry Programs	Gross	\$10,160,300	\$0
Maintains current-year \$10.2 million in AEIDF funding:	Restricted	10,160,300	0
Licensed tracks-light horse racing.....		\$132,000	
Purses/supplements-fairs/licensed tracks.....		\$2,370,000	
Standardbred breeders' awards.....		\$969,000	
Standardbred purses/supplements-licensed tracks.....		\$1,789,300	
Standardbred sire stakes.....		\$810,000	
Standardbred training and stabling.....		\$36,000	
Thoroughbred owners' awards.....		\$124,000	
Thoroughbred program.....		\$2,400,000	
Thoroughbred sire stakes.....		\$830,000	
Distribution of winning tickets.....		\$700,000	
19. Economics	Gross	N/A	\$184,200
Provides \$280,000 net for employee related economic increases, including salaries and wages, insurance, and retirement contributions. Offset in part by \$98,600 reduction in estimated building occupancy costs.	IDG	N/A	(1,200)
	Federal	N/A	20,400
	Private	N/A	3,700
	Restricted	N/A	27,800
	GF/GP	N/A	\$133,500

Major Boilerplate Changes from FY 2007-08

Sec. 212. Indemnification Payments – REVISED

Authorizes Department to provide for indemnity pursuant to Animal Industry Act. Revision removes subsection regarding indemnification for livestock killed by wolves or coyotes.

Sec. 302. Miscellaneous Expenditures – REVISED

Allows Department to receive/expend revenue to cover expenses related to publications, audits, sales, inspections, and other Department functions; requires legislative notification 30 days prior to proposing fee increases; requires annual report on fees charged by Department. Revision deletes subsections 2 and 3 which establish notification and reporting requirements.

Sec. 401. Restaurant Inspection and Licensing – REVISED

Requires Department to monitor restaurant inspection/licensing activities conducted by locals and report to Legislature. Revision deletes reporting requirement and subsection 2 requiring state reimbursement of local costs of food-borne illness outbreak.

**Summary: Executive Budget Recommendation
ENVIRONMENTAL QUALITY
FY 2008-09**

Analyst: Kirk Lindquist

	FY 2007-08 Year-to-Date	FY 2008-09 Executive	Difference: Executive to FY 2007-08 YTD	
			Amount	%
IDG/IDT	\$18,662,900	\$19,071,200	\$408,300	2.2
Federal	131,750,500	130,636,100	(1,114,400)	(0.8)
Local	0	0	0	0.0
Private	455,100	455,700	600	0.1
Restricted	187,962,700	173,317,100	(14,645,600)	(7.8)
GF/GP	31,763,200	44,998,600	13,235,400	41.7
Gross	\$370,594,400	\$368,478,700	(\$2,115,700)	(0.6)
FTEs	1,567.7	1,519.7	(48.0)	(3.1)

Note: FY 2007-08 figures include the results of supplementals and Executive Order (EO) actions through February 7, 2008.

Overview

The Department of Environmental Quality (DEQ) 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 the Department's annual revenue is collected from permits and licenses.

Major Budget Changes from FY 2007-08 YTD

		FY 2007-08 YTD	Executive Change
1. Restricted Fee Revenue	Gross	\$36,863,900	\$0
Replaces fee-based revenue with GF/GP. A similar \$11.0 million adjustment is recommended for FY 2007-08.	Restricted	36,863,900	(13,473,300)
	GF/GP	\$0	\$13,473,300
Above Ground Storage Tank Fees.....		\$0.4 million	
Air Emissions Fees.....		\$4.4 million	
Environmental Pollution Prevention.....		\$1.1 million	
Groundwater Discharge Permits		\$1.7 million	
Land and Water		\$3.2 million	
Mineral Wells Regulation.....		\$0.1 million	
On-site Waste Water Treatment.....		\$0.6 million	
Solid Waste Fees		\$0.5 million	
Underground Storage Tank Fees		\$1.0 million	
Waste Reduction Fees		\$0.5 million	
2. Statewide Organizational Consolidation: Human Resources and Internal Audit	FTE	13.0	(13.0)
Provides funding to DMB for consolidated Human Resource functions in the Civil Service Commission budget (EO 2007-30), and to implement transfer of internal audit functions and services (EO 2007-31). Transfers Human Resources appropriation to DMB, and sets aside \$228,500 for internal audit in a new line item for future IDT for DMB audit expenses.	Gross	\$1,602,500	(\$1,476,000)
	Restricted	1,248,300	(1,160,500)
	GF/GP	\$354,200	(\$315,500)
3. Federal Fund Revenue	Gross	\$131,750,500	(\$1,227,600)
Reflects expected FY 2007-08 grant adjustments.	Federal	131,750,500	(1,227,600)
Revitalization Revolving Loan Program..		(\$1,000,000)	
Bio-watch (Indoor Air Quality Monitoring)..		(\$327,600)	
Coastal Grants Program.....		\$100,000	

ENVIRONMENTAL QUALITY

<u>Major Budget Changes from FY 2007-08 YTD</u>		<u>FY 2007-08 YTD</u>	<u>Executive Change</u>
4. State Restricted Fund Revenue	Gross	\$888,000	(\$324,500)
Reflects revised revenue estimates for air quality fees (\$108,400) and administration revenue from Clean Michigan Initiative grant programs (\$216,100).	Restricted	888,000	(324,500)
5. Laboratory Workload Adjustment	Gross	\$4,199,600	\$200,000
Authorizes increased interdepartmental charges, reflecting increased laboratory service levels to DEQ programs.	IDG/IDT	4,199,600	200,000
6. Michigan Transportation Fund Support for Administration	Gross	\$19,505,500	\$5,800
Increased interdepartmental grant support for DEQ administration costs, based on DEQ's cost allocation plan and right-of-way program expenses. Reduces restricted fund support for administration programs.	IDG/IDT	1,057,000	186,800
	Restricted	18,448,500	(181,000)
7. Economic Adjustments	Gross	N/A	\$639,800
Adjusts funding to cover the annualized cost of the 2% salary increase provided in FY 2007-08.	IDG	N/A	21,800
	Federal	N/A	185,800
	Private	N/A	600
	Restricted	N/A	353,400
	GF/GP	N/A	\$78,200

Major Boilerplate Changes from FY 2007-08

Sec. 227. Restricted Fund Shortfall Plan – DELETED

States legislative intent to address restricted fund shortfalls on January 15, 2008.

Sec. 706. Audit of Leaking Underground Storage Tank Program – DELETED

States legislative intent to have Legislative Auditor General perform a performance audit of Leaking Underground Storage Tank Program.

Sec. 707. Operational Memoranda – DELETED

Bans use of operational memoranda for selected programs.

Sec. 802. Sewerage Discharge Elimination Plan – DELETED

Requires preparation of a plan to eliminate sewerage discharges into water resources by 2015.

Sec. 803. Concentrated Animal Feeding Operations (CAFO) Report – DELETED

Requires DEQ and Department of Agriculture to prepare a report on the CAFO inspection program.

Sec. 906. Contaminated Sediments Carryforward – NEW

Appropriates funds remaining in the Contaminated Sediments Cleanup Program for FY 2008-09.

**Summary: Executive Budget Recommendation
NATURAL RESOURCES
FY 2008-09**

Analyst: Kirk Lindquist

	FY 2007-08 Year-to-Date	FY 2008-09 Executive	Difference: Executive to FY 2007-08 YTD	
			Amount	%
IDG/IDT	\$3,808,300	\$3,802,200	(\$6,100)	(0.2)
Federal	47,968,900	49,909,100	1,940,200	4.0
Local	0	0	0	0.0
Private	3,166,500	3,245,000	78,500	2.5
Restricted	210,508,500	206,553,500	(3,955,000)	(1.9)
GF/GP	22,743,200	23,458,900	715,700	3.1
Gross	\$288,195,400	\$286,968,700	(\$1,226,700)	(0.4)
FTEs	2,088.9	2,170.9	82.0	3.9

Note: FY 2007-08 figures include the results of supplementals and Executive Order (EO) actions through February 7, 2008.

Overview

The Department of Natural Resources (DNR) 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.

<u>Major Budget Changes from FY 2007-08 YTD</u>		<u>FY 2007-08 YTD</u>	<u>Executive Change</u>
1. Game and Fish Protection Fund License Increase	Gross	\$66,797,600	\$0
Maintains current-year level. Without an increase in license fees, spending level will need to be reduced significantly below the recommended level if the package is not acted on before the end of FY 2008-09.	Restricted	66,797,600	0
2. Federal Forest Stewardship Grant – Kamehameha Conservation Easement Purchases	Gross	\$4,125,000	(\$1,000,000)
Reduces appropriation to reflect expected spending for purchases of Upper Peninsula conservation easements.	Federal	4,125,000	(1,000,000)
3. Forest Recreation and Wildfire Suppression	Gross	\$15,450,100	\$1,000,000
Provides GF/GP to replace conservation district funds vetoed in FY 2007-08.	Federal	883,700	0
Adds \$500,000 for Forest Recreation and Trails program; \$500,000 added to Wildfire Suppression program would support forest fire officer positions.	Restricted	10,707,400	0
Increase also recommended as FY 2007-08 supplemental item.	GF/GP	\$3,859,000	\$1,000,000
4. Coastal Endangered Species Habitat Grant	Gross	\$27,630,000	\$2,400,000
Reflects additional federal support in the Wildlife Management line item to preserve and protect critical Great Lakes wetland habitat.	Federal	10,179,300	2,400,000
	Private	114,400	0
	Restricted	15,510,900	0
	GF/GP	\$1,825,400	\$0
5. Revenue Adjustment for State Parks	Gross	\$46,981,200	(\$2,500,000)
Reflects reduction in expected revenue to the Park Improvement Fund.	Federal	119,800	0
	Private	362,500	0
	Restricted	46,498,900	(2,500,000)
6. Economic Adjustments	Gross	N/A	\$376,900
Adjusts funding to cover annualized cost of the 2% salary increase provided in FY 2007-08.	Federal	N/A	40,200
	Private	N/A	3,500
	Restricted	N/A	317,300
	GF/GP	N/A	\$15,900

NATURAL RESOURCES

Major Boilerplate Changes from FY 2007-08

Sec. 218. Rule Promulgation – DELETED

Requires report on policy changes made to implement a public act; DNR prohibited from adopting a rule that will apply to a small business if it has a disproportionate economic impact.

Sec. 706. Plan to Generate Corporate Park Sponsorship Revenue – DELETED

Directs Natural Resource Commission to develop a plan to encourage corporate sponsorship of state parks.

Sec. 808. Federal Forest Fire Compact Expenditure Authorization – REVISED

Allows expenditure of funds for forest fire suppression efforts on federal lands. No longer a need for federal reimbursement.

**FY 2008-09
Budget Detail
for
SAFETY AND DEFENSE**

**Military and Veterans Affairs
State Police**

**Summary: Executive Budget Recommendation
MILITARY AND VETERANS AFFAIRS
FY 2008-09**

Analyst: Jan Wisniewski

	FY 2007-08 Year-to-Date	FY 2008-09 Executive	Difference: Executive to FY 2007-08 YTD	
			Amount	%
IDG/IDT	\$1,680,900	\$1,681,200	\$300	0.0
Federal	56,187,500	57,538,200	1,350,700	2.4
Local	1,283,900	1,284,600	700	0.1
Private	1,463,300	1,463,700	400	0.0
Restricted	28,428,600	28,300,400	(128,200)	(0.5)
GF/GP	40,386,500	40,120,600	(265,900)	(0.7)
Gross	\$129,430,700	\$130,388,700	\$958,000	0.7
FTEs	1,022.0	992.0	(30.0)	(2.9)

Note: FY 2007-08 figures include the results of supplementals and Executive Order (EO) actions through February 7, 2008.

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 2007-08 YTD

		FY 2007-08 YTD	Executive Change
1. Headquarters and Armories	Gross	\$10,742,500	\$88,300
Adds \$200,000 GF/GP for utilities and grounds maintenance at the Joint Forces Headquarters and Baker-Olin Building, and moves \$111,700 GF/GP to the new Internal Audit Services line.	Federal	3,161,100	0
	Restricted	346,400	0
	GF/GP	\$7,235,000	\$88,300
2. Departmentwide Accounts – Vehicles and Equipment	Gross	\$1,660,100	\$400,000
Adds \$400,000 in federal funds for large vehicles and equipment purchases, such as dump trucks and graders, for use at Camp Grayling and Fort Custer.	Federal	1,266,100	400,000
	GF/GP	\$394,000	\$0
3. Federal Starbase Program Increase	Gross	\$957,000	\$815,000
Adds authorization for technology training for 35 other Starbase program directors across the U. S. and Puerto Rico.	Federal	957,000	815,000
4. Human Resources Optimization and Consolidation	FTEs	N/A	(9.0)
Reduces funds and FTEs for human resources consolidation per EO 2007-30.	Gross	N/A	(\$984,900)
	Federal	N/A	(18,700)
	Restricted	N/A	(136,900)
	GF/GP	N/A	(\$829,300)
5. Economic Adjustments	Gross	N/A	\$360,100
Provides funding for employee economic adjustments; includes economic adjustments for Information Technology.	IDG	N/A	300
	Federal	N/A	155,000
	Private	N/A	400
	Local	N/A	700
	Restricted	N/A	9,200
	GF/GP	N/A	\$194,500

<u>Major Budget Changes from FY 2007-08 YTD</u>	<u>FY 2007-08 YTD</u>		<u>Executive Change</u>
6. Military Retirement Cost of Living Increase	Gross	\$3,048,000	\$169,500
Provides GF/GP for a federal cost of living increase.	GF/GP	\$3,048,000	\$169,500

Major Boilerplate Changes from FY 2007-08

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 appropriations subcommittees regarding closure or consolidation of National Guard armories.

Sec. 214. State 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 appropriations subcommittees concerning the sale of any Department property.

Sec. 231. Policy Change Report – DELETED

Requires reporting policy changes for implementing legislation to the Legislature.

Sec. 301. Armory Rental Fees – DELETED

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

Sec. 302(3). Challenge Program Low Income Participants – NEW

Specifies that at least 75% of participants come from families at or below 200% of the federal poverty level.

Sec. 501(6). Veterans Service Organization Report – DELETED

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

Sec. 601. Veterans' Home Appropriations – DELETED

Prohibits using appropriations for the two state veterans' homes for any purpose other than for veterans and veterans' families.

Sec. 602. Veterans' Home Reports – DELETED

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

Sec. 604. Post and Posthumous Funds Spending Plan Report – DELETED

Requires Department to report within 30 days to the appropriations committees any plans to alter the spending plan for the post and posthumous funds by the board of managers of the two state veterans homes.

Sec. 704. Assistance to County Veterans Counselors – DELETED

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

**Summary: Executive Budget Recommendation
STATE POLICE
FY 2008-09**

Analyst: Jan Wisniewski

	FY 2007-08 Year-to-Date	FY 2008-09 Executive	Difference: Executive to FY 2007-08 YTD	
			Amount	%
IDG/IDT	\$26,143,700	\$26,221,900	\$78,200	0.3
Federal	146,240,200	94,733,400	(51,506,800)	(35.2)
Local	8,739,100	8,522,200	(216,900)	(2.5)
Private	262,500	263,600	1,100	0.4
Restricted	111,318,800	113,629,900	2,311,100	2.1
GF/GP	273,579,300	286,041,200	12,461,900	4.6
Gross	\$566,283,600	\$529,412,200	(\$36,871,400)	(6.5)
FTEs	2,902.0	2,927.0	25.0	0.9

Note: FY 2007-08 figures include the results of supplementals and Executive Order (EO) actions through February 7, 2008.

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 2007-08 YTD

		FY 2007-08 YTD	Executive Change
1. Laboratory Operations – Marquette and Sterling Heights Labs	Gross	\$18,934,400	\$2,000,000
Restores \$2.0 million to avoid closure of the labs in Marquette and Sterling Heights.	IDG	430,000	0
	Federal	379,800	0
	Restricted	1,438,600	0
	GF/GP	\$16,686,000	\$2,000,000
2. Criminal Justice Information Center	Gross	\$9,200,100	\$2,500,000
Adds \$1.0 million GF/GP and \$1.5 million state restricted for one-time costs to add palm prints to the Automated Fingerprint Identification System (AFIS) per new federal requirements.	IDG	475,800	0
	Restricted	8,724,300	1,500,000
	GF/GP	\$0	\$1,000,000
3. Michigan Public Safety Communications System (MPSCS)	Gross	\$10,005,800	\$3,000,000
Adds \$3.0 million GF/GP to address the structural deficit for the MPSCS.	Local	1,544,000	0
	GF/GP	\$8,461,800	\$3,000,000
4. Calumet Post Acquisition – Remove One-Time Funds	Gross	\$450,000	(\$450,000)
Reflects removal of one-time FY 2007-08 funds for Calumet Post acquisition.	GF/GP	\$450,000	(\$450,000)
5. Federal and State Restricted Funds Increases	Gross	\$0	\$2,324,900
Adds \$865,000 in federal authorization for drunk driving toxicology grants and field sobriety test training; adds \$1.3 million state restricted authorization for Criminal Justice Information Center reorganization and systems support, CCW distance learning training, AFIS upgrades, Traffic Crash Reporting System upgrades, and emergency 9-1-1 support.	IDG	0	127,100
	Federal	0	865,000
	Restricted	0	1,332,800

**Executive
Change**

Major Budget Changes from FY 2007-08 YTD

FY 2007-08 YTD

6. Federal, Local, and IDG Funding Decreases

Removes \$52.4 million in federal authorization to reflect anticipated revenues and expenditures for Hazardous Materials Programs, Traffic Safety program, and Federal Anti-drug Initiatives; removes \$100,000 IDG for Mental Health Awareness Training grants; removes \$213,800 in local funding for Law Enforcement Information Network (LEIN) authorization.

Gross	\$52,768,500	(\$52,768,500)
IDG	100,000	(100,000)
Local	213,800	(213,800)
Federal	52,454,700	(52,454,700)

7. At-Post Troopers – Trooper Recruit School

Adds \$7,335,900 GF/GP for 100-student recruit school planned to commence in September 2008. A \$1.0 million supplemental appropriation would cover the FY 2007-08 portion of the operations costs.

Gross	\$138,355,100	\$7,335,900
Restricted	44,754,400	0
GF/GP	\$93,600,700	\$7,335,900

8. Human Resources Optimization and Consolidation

Reduces funding and FTEs for human resources consolidation per EO 2007-30.

FTEs	N/A	(16.0)
Gross	N/A	(\$1,775,700)
IDG	N/A	(34,900)
Local	N/A	(26,300)
Restricted	N/A	(564,200)
GF/GP	N/A	(\$1,150,300)

9. Economic Adjustments

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

Gross	N/A	\$973,100
IDG	N/A	61,800
Federal	N/A	82,900
Local	N/A	9,900
Private	N/A	1,100
Restricted	N/A	84,000
GF/GP	N/A	\$733,400

Major Boilerplate Changes from FY 2007-08

Sec. 206. Contingency Funds – REVISED

Appropriates contingency funds; revision increases contingency amounts to \$10.0 million federal, \$3.5 million state restricted, \$1.0 million local, and \$200,000 private.

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.

Sec. 218(2) and (3). At-Post Troopers – DELETED

States legislative intent for funding a trooper school with the goal of establishing a minimum trooper strength of 1,075. Also requires quarterly reports detailing trooper strength and the Department's plan for accomplishing the minimum 1,075 trooper strength goal to the appropriations subcommittees.

STATE POLICE

Major Boilerplate Changes from FY 2007-08

Sec. 219. Post Closure or Consolidation Notice – DELETED

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

Sec. 220. Community Assistance – DELETED

Directs Department to provide general law enforcement assistance to communities when needed.

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 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. 230. Repayment of Trooper Union Donation – DELETED

Requires use of carryforward funds from FY 2006-07 to repay the Michigan State Police Troopers Association for its donation of \$400,000 to avoid trooper layoffs in FY 2006-07.

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

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

Sec. 235. Dignitary Protection – DELETED

Provides guidelines for appropriation of funds for special events and operations.

Sec. 236. Policy Change Report – DELETED

Requires report to appropriations subcommittees, the fiscal agencies, and JCAR concerning departmental policy changes to implement a public act affecting the Department.

Sec. 237. Maintain State Police Post Operations – DELETED

Requires Department to maintain the operation of each State Police post in operation as of April 2, 2007, or an alternative work station for FY 2007-08.

Sec. 238. Building Operations and Lease Cost Review – DELETED

Requires Department and DMB to identify building operations and lease costs savings and efficiencies.

Sec. 239. Michigan International Speedway Traffic Control – DELETED

Allows any available funds within the Department to be used for traffic control purposes at MIS.

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. 309. Insurance Data System – DELETED

Allows a request for proposal for the implementation of an insurance data system.

Major Boilerplate Changes from FY 2007-08

Sec. 310. Information Technology (IT) Efficiencies – DELETED

Requires Department of Information Technology administrative efficiencies to reduce costs for State Police IT services.

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. 603. Mental Health Awareness Training – DELETED

Allows mental health awareness training grants to law enforcement agencies for assisting people with mental illness.

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. 1002. Private Donations – REVISED

State legislative intent regarding private donations supplanting general fund appropriations.

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 2008-09
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 2008-09**

Analyst: Al Valenzio

	FY 2007-08 Year-to-Date	FY 2008-09 Executive	Difference: Executive to FY 2007-08 YTD	
			Amount	%
IDG/IDT	\$0	\$2,000,000		
Federal	0	188,017,600		
Local	0	30,674,200		
Private	0	1,500,000		
Restricted	0	27,324,900		
GF/GP	0	450,000		
Gross	\$0	\$249,966,700		
FTEs	0.0	0.0		

Note: FY 2007-08 figures include the results of supplementals and Executive Order (EO) actions through February 7, 2008.

Overview

The Michigan Capital Outlay process encompasses the budgetary and administrative functions devoted to financing and planning for the 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 provided annually in the Capital Outlay budget bill SBA rent line items. Rent is often referred to as "true" rent because it is based on the facility's economic or market value. The SBA has a statutory bonded indebtedness ceiling.

<u>Major Budget Changes from FY 2007-08 YTD</u>		<u>FY 2007-08 YTD</u>	<u>Executive Change</u>
AGRICULTURE			
1. Farmland and Open Space Development Acquisition	Gross	N/A	\$3,750,000
Provides funding for purchase of development rights of unique and critical farmland pursuant to statute.	Federal	N/A	1,250,000
	Restricted	N/A	2,500,000
MILITARY AND VETERANS AFFAIRS			
2. Camp Grayling – Combined Armed Collective Training Facility	Gross	N/A	\$40,000,000
Provides federal funds to finance this new training facility and urban terrain course at Camp Grayling.	Federal	N/A	40,000,000
3. Remodeling and Additions and Special Maintenance Projects	Gross	N/A	\$12,000,000
Provides lump-sum account to finance regular and emergency repairs at departmental facilities; for remodeling and additions and major special maintenance projects.	Federal	N/A	12,000,000
4. Remodeling and Additions and Special Maintenance Projects	Gross	N/A	\$900,000
Provides lump-sum account to finance regular and emergency repairs at various armories on an equally-matching basis with federal funds.	Federal	N/A	450,000
	GF/GP	N/A	\$450,000
NATURAL RESOURCES			
5. State Parks Repair and Maintenance	Gross	N/A	\$3,500,000
Provides funds from the State Parks Improvement Fund for infrastructure repairs and/or improvements.	Restricted	N/A	3,500,000

CAPITAL OUTLAY

<u>Major Budget Changes from FY 2007-08 YTD</u>		<u>FY 2007-08 YTD</u>	<u>Executive Change</u>
6. Forest Roads, Bridges, and Facilities	Gross	N/A	\$1,300,000
Provides funds (primarily from the Forest Development Fund) to address outstanding maintenance issues.	Restricted	N/A	1,300,000
7. Waterways Boating Program Infrastructure Improvements – State Projects	Gross	N/A	\$4,293,000
Provides lump-sum account for emergency repairs, engineering studies, utility upgrades, and preventive maintenance at state-owned harbors/docks.	Federal	N/A	1,293,000
	Restricted	N/A	3,000,000
8. Waterways Boating Program Infrastructure Improvements – Local Projects	Gross	N/A	\$900,000
Funds grants to local units for preventive maintenance and upgrading publicly-owned harbors and marinas.	Restricted	N/A	900,000
9. Waterways Boating Program Land Acquisitions	Gross	N/A	\$1,000,000
Provides lump-sum contingency account to purchase lands as they become available to provide greater boating opportunities.	Restricted	N/A	1,000,000
10. Waterways Boating Program State Boating Access Sites – Port Austin, Huron County	Gross	N/A	\$500,000
Provides funds to add shoreline protection, improve parking lot, and upgrade restroom facility.	Restricted	N/A	500,000
11. Waterways Boating Program State Harbors and Docks – Mackinaw City, Cheboygan County	Gross	N/A	\$300,000
Provides \$300,000 (estimated final-phase funding) to complete a \$12.1 million new marina and state dock project.	Restricted	N/A	300,000
12. Waterways Boating Program Local Harbors and Docks – Metro Beach Metropark, Macomb County	Gross	N/A	\$2,400,000
Provides state match for local funds to rehabilitate existing boat slips and add new ones, renovate the harbormaster and comfort station facility, and upgrade utility systems.	Restricted	N/A	2,400,000
TRANSPORTATION (MDOT)			
13. Buildings and Facilities Salt Storage Buildings, etc. – Contract Agencies	Gross	N/A	\$2,765,000
Continues appropriation for constructing new, covered salt storage buildings and brine runoff control systems for locally-owned garages.	Restricted	N/A	2,765,000
14. Buildings and Facilities Salt Storage Buildings, etc. – Various State Locations	Gross	N/A	\$1,337,000
Continues appropriation for constructing new, covered salt storage buildings and brine runoff control systems at state-owned garages.	Restricted	N/A	1,337,000
15. Buildings and Facilities Port Huron, St. Clair County Transportation Service Center	Gross	N/A	\$1,915,000
Authorizes construction of a new 7,500 sq. ft. transportation service center needed due to expansion of the U.S. port of entry inspection facility.	Restricted	N/A	1,915,000
16. Buildings and Facilities Fennville, Allegan County, Maintenance Garage Expansion	Gross	N/A	\$945,000
Allows MDOT to expand and upgrade the facility (constructed in 1966).	Restricted	N/A	945,000
17. Buildings and Facilities Miscellaneous Remodeling, Additions, Emergency Repairs	Gross	N/A	\$1,420,000
Provides lump-sum contingency account for small remodeling projects and emergency repairs. MDOT owns or leases over 300 buildings statewide.	Restricted	N/A	1,420,000

CAPITAL OUTLAY

<u>Major Budget Changes from FY 2007-08 YTD</u>		<u>FY 2007-08 YTD</u>	<u>Executive Change</u>
18. Airport Improvement Programs	Gross	N/A	\$167,491,700
Airport Safety, Protection and Improvement Program	Federal	N/A	133,024,600
Supports security and general improvement projects at more than 100 local and state airports.	Local	N/A	30,674,200
	Restricted	N/A	3,792,900

Major Boilerplate Changes from FY 2007-08

None

**Summary: Executive Budget Recommendation
HISTORY, ARTS, AND LIBRARIES
FY 2008-09**

Analyst: Mark Wolf

	FY 2007-08 Year-to-Date	FY 2008-09 Executive	Difference: Executive to FY 2007-08 YTD	
			Amount	%
IDG/IDT	\$139,200	\$668,600	\$529,400	380.3
Federal	7,307,400	7,507,400	200,000	2.7
Local	0	200,000	200,000	0.0
Private	112,400	312,400	200,000	177.9
Restricted	2,645,600	3,979,800	1,334,200	50.4
GF/GP	39,298,300	40,111,700	813,400	2.1
Gross	\$49,502,900	\$52,779,900	\$3,277,000	6.6
FTEs	236.0	233.0	(3.0)	(1.3)

Note: FY 2007-08 figures include the results of supplementals and Executive Order (EO) actions through February 7, 2008.

Overview

The Department of History, Arts, and Libraries (HAL) 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 2007-08 YTD

	FY 2007-08 YTD	Executive Change
1. Arts and Cultural Affairs Grants	Gross \$7,754,000	\$242,000
Adds GF/GP for arts and cultural grants and adjusts fund sources	Federal 700,000	(28,000)
	Restricted 0	20,000
	GF/GP \$7,054,000	\$250,000
	FTEs 5.0	0.0
2. Arts and Cultural Affairs Administration	Gross \$434,400	\$95,800
Increases funding for MCACA administration through additional federal funds, as permitted by the NEA and realization of HAL Fund revenue (arts grants application fees).	Federal 0	28,000
	Restricted 0	80,000
	GF/GP \$434,400	(\$12,200)
3. Michigan History Day	Gross \$25,000	(\$25,000)
Eliminates GF/GP for the Michigan History Day program.	GF/GP \$25,000	(\$25,000)
4. History, Arts, and Libraries Fund	Gross N/A	\$788,000
Appropriates funds from the HAL Fund for various line items in part 1 of the bill; previously, the HAL Fund has been appropriated in boilerplate.	GF/GP N/A	\$788,000
5. Museum Store Operations	FTEs N/A	4.0
Adds line item and deduct for the museum stores.	Gross N/A	\$501,500
	Restricted N/A	501,500
6. Cultural Economic Development	FTEs N/A	2.0
Adds a new line item for the HAL Office of Cultural Economic Development, previously included within the management services line.	Gross N/A	\$350,000
	Restricted N/A	50,000
	GF/GP N/A	\$300,000

HISTORY, ARTS, AND LIBRARIES

<u>Major Budget Changes from FY 2007-08 YTD</u>		<u>FY 2007-08 YTD</u>	<u>Executive Change</u>
7. Records Center Relocation	Gross	N/A	\$1,473,400
Adds IDG and uses savings on current leases for one-time costs of relocating the state records center. (Site was converted to use by Department of Military and Veterans Affairs.) Adjusts building occupancy charges for new facility.	IDG	N/A	551,300
	GF/GP	N/A	\$922,100
8. Federal, Local, and Private Grants	Gross	N/A	\$600,000
Adds \$600,000 in authorization to receive federal, local, and private grants.	Federal	N/A	200,000
	Local	N/A	200,000
	Private	N/A	200,000
9. Lighthouse Preservation	Gross	N/A	\$100,300
Adds \$100,300 in revenue from the lighthouse specialty license plate for the lighthouse preservation program.	Restricted	N/A	100,300
10. Human Resources Consolidation	Gross	\$226,200	(\$226,200)
Eliminates funding for human resources due to consolidation	GF/GP	\$226,200	(\$226,200)
11. Economic Adjustments	Gross	N/A	\$62,300
Makes adjustments for salaries/wages, insurances, workers compensation, and retirement and FICA.	IDG	N/A	(200)
	Federal	N/A	(400)
	Private	N/A	100
	Restricted	N/A	6,900
	GF/GP	N/A	\$55,900

Major Boilerplate Changes from FY 2007-08

Sec. 210. Policy Change Report – DELETED

Requires reporting to the Legislature on policy changes for implementing legislation.

Sec. 216. History, Arts, and Libraries Fund – REVISED

Establishes the HAL Fund. Revision specifies that the Fund may receive and expend funds for providing census-related services and products, document and media services, conferences and other programs, use of specialized equipment, arts grant and other application fees, and other special services.

Sec. 218. Supplemental Funding – DELETED

Expresses legislative intent to explore supplemental funding sources for the Department.

Sec. 219. Communication with Legislature – DELETED

Prohibits Department from taking disciplinary action against employees communicating with Legislature.

Sec. 220. Film Advisory Commission Minutes

Requires Department to post proposed and final minutes of Film Advisory Commission within eight business days after the meeting and the meeting at which the minutes are approved.

Sec. 227. Continuous Improvement Efficiency Mechanisms – DELETED

Requires Department to identify efficiency changes made to programs.

Sec. 228. Receipt of Grants – NEW

Requires a report to fiscal agencies, state budget office, and appropriations subcommittee when the Department receives a grant authorized under the Federal, Local, and Private Grants line.

Sec. 506. Michigan Historical Museum Surplus Auctions – DELETED

Requires that Department notify HAL subcommittee members at least one week prior to sale or auction of artifacts no longer suitable for the historical museum collection

Sec. 507. Michigan History Magazine Subscriber List – DELETED

Requires that Department make the Michigan History magazine subscriber list available to the Historical Society of Michigan.

Sec. 701. Mackinac Island State Park Commission Infrastructure Improvements – DELETED

Appropriates \$200,000 from the Mackinac Island Park Operations Fees Fund for maintenance projects.

Summary: Executive Budget Recommendation
JUDICIARY
FY 2008-09

Analyst: Bethany Wicksall

	FY 2007-08 Year-to-Date	FY 2008-09 Executive	Difference: Executive to FY 2007-08 YTD	
			Amount	%
IDG/IDT	\$2,523,500	\$2,523,500	\$0	0.0
Federal	4,626,400	4,626,400	0	0.0
Local	5,409,700	6,093,100	683,400	12.6
Private	842,500	842,500	0	0.0
Restricted	87,892,700	87,893,800	1,100	0.0
GF/GP	157,996,700	159,933,400	1,936,700	1.2
Gross	\$259,291,500	\$261,912,700	\$2,621,200	1.0
FTEs	519.0	490.0	(29.0)	(5.6)

Note: FY 2007-08 figures include the results of supplementals and Executive Order (EO) actions through February 7, 2008.

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 2007-08 YTD

		FY 2007-08 YTD	Executive Change
1. Mental Health Court Pilots	Gross	N/A	\$1,100,000
Provides \$1.0 million for grants to mental health court pilots to facilitate cooperation between mental health service providers and the judicial system, and provide offenders who need mental health services with treatment and other services. Funds to be distributed in conjunction with \$2.25 million in DCH budget. Includes \$100,000 for training court and law enforcement personnel.	GF/GP	N/A	\$1,100,000
2. Next Generation Justice Information System	Gross	N/A	\$652,700
Reflects additional local user fees from Berrien and Washtenaw County Courts to support new trial court case management system in exchange for giving the courts a significant role in designing the new system and the chance to serve as pilot sites. Court investment in the first four years of development will be reimbursed in waived user fees following the system's full implementation.	Local	N/A	652,700
3. Defined Contribution and FICA Costs	Gross	\$8,464,900	\$445,700
Increases funds for judges' FICA and defined contribution retirement costs by \$445,700 gross and GF/GP.	GF/GP	\$8,464,900	\$445,700
4. Economics	Gross	N/A	\$422,800
Funds economic adjustments as follows:	Federal	N/A	0
• Salaries/wages increase: \$325,200 gross, \$305,300 GF/GP	Local	N/A	30,700
• Insurance Savings: \$339,400 gross, \$316,900 GF/GP	Private	N/A	0
• Retirement increase: \$275,300 gross, \$259,900 GF/GP	Restricted	N/A	1,100
• Rent increase: \$107,300 gross and GF/GP	GF/GP	N/A	\$391,000
• Workers' compensation reduction: \$1,000 gross and GF/GP			
• Building occupancy increase: \$55,400 gross, \$36,400 GF/GP			

JUDICIARY

Major Boilerplate Changes from FY 2007-08

Sec. 204. *Employee Contact With Legislature* – DELETED

Prohibits disciplinary action against a judicial employee for communicating with a legislator or his or her staff.

Sec. 206. *Contingency Funds* – NEW

Appropriates contingency funds of up to \$1.0 million federal, up to \$500,000 state restricted, up to \$100,000 private, and \$100,000 local.

Sec. 212. *Retention of Reports* – DELETED

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

Sec. 216. *Report Requirement* – DELETED

Requires judicial branch to report by April 1, 2008, on each policy change made to implement enacted legislation; prohibits funding for regulatory plans or for rules that fail to reduce economic impact on small businesses.

Sec. 217. *Efficiency Mechanisms* – DELETED

Requires Chief Justice to implement continuous improvement efficiency mechanisms to increase efficiency and reduce expenditures in judicial branch programs; requires semi-annual report.

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. 306a. *Third-Party Collection Pilot Project Report* – DELETED

Requires a report by April 1, 2008, on the feasibility of a pilot project for third-party collection of court-ordered fines, fees, and costs, including victim restitution.

Sec. 307. *Court of Appeals Fee Revenue* – DELETED

Requires that the portion of fee revenue raised from increases in filing fees be used for delay reduction.

Sec. 309. *Pilot Mental Health Courts* – NEW

Requires State Court Administrative Office (SCAO) to work with the Department of Community Health to develop guidelines for the operation and evaluation of pilot mental health courts. Local courts may apply for funding based on community need and local commitment. Specifies that \$100,000 is for training court and law enforcement personnel.

Sec. 311. *Drug Courts* – REVISED

Provides direction for administration of drug treatment courts. Revision deletes five-year limit on drug treatment court programs receiving funds under this section; the specific intent that drug courts handle substance abuse cases for non-violent offenders using comprehensive supervision, testing, treatment services and immediate sanctions and incentives and the requirement for locals to refer to federal guidelines.

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. 316. *Mental Health Treatment Courts* – DELETED

Requires SCAO to evaluate strategies to better respond to defendants with mental illnesses; strategies may include mental health treatment courts.

**Summary: Executive Budget Recommendation
LABOR AND ECONOMIC GROWTH
FY 2008-09**

Analyst: Mark Wolf

	FY 2007-08 Year-to-Date	FY 2008-09 Executive	Difference: Executive to FY 2007-08 YTD	
			Amount	%
IDG/IDT	\$34,472,800	\$30,724,200	(\$3,748,600)	(10.9)
Federal	820,712,500	\$831,637,300	10,924,800	1.3
Local	15,884,700	\$15,889,200	4,500	0.0
Private	5,314,300	\$5,314,300	0	0.0
Restricted	378,843,700	\$384,937,600	6,093,900	1.6
GF/GP	46,002,700	\$94,350,100	48,347,400	105.1
Gross	\$1,301,230,700	\$1,362,852,700	\$61,622,000	4.7
FTEs	4,341.0	4,351.0	10.0	0.2

Note: FY 2007-08 figures include the results of supplementals and Executive Order (EO) actions through February 7, 2008.

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 2007-08 YTD

		FY 2007-08 YTD	Executive Change
1. New No Worker Left Behind Program	Gross	\$37,000,000	\$40,000,000
Adds \$40 million GF/GP for No Worker Left Behind Program to provide occupationally-relevant tuition assistance for in-demand fields. Additional GF/GP made available through refinancing general obligation bond debt.	Federal	37,000,000	0
	GF/GP	\$0	\$40,000,000
2. Michigan Nursing Corps Program	Gross	\$1,500,000	\$8,500,000
Adds \$8.5 million for the Michigan Nursing Corps program to rapidly prepare new nursing faculty and recruit displaced workers with bachelor's degrees in science to earn an accelerated one-year nursing certification.	GF/GP	\$1,500,000	\$8,500,000
3. Office of Financial and Insurance Regulation (OFIR)	FTEs	288.0	53.0
Adds 53.0 FTEs and \$4.7 million in industry-paid fees to improve regulation or maintain statutorily-required regulatory activities related to mortgage lending, payday lending, securities, banking and credit unions, and insurance.	Gross	\$45,413,300	\$4,676,900
	Federal	50,400	0
	Restricted	45,362,900	4,676,900
4. OFIR IT System Integration	Gross	N/A	\$1,377,000
Adds \$1.4 million restricted for the first year of a two-year IT project integrating OFIR's IT systems concerning insurance, banking, and credit union regulatory activities. (Estimated FY 2009-10 cost is \$1.1 million.)	Restricted	N/A	1,377,000
5. Jobs, Education, and Training (JET) Program	FTE	93.0	(36.0)
Reduces by 36.0 positions and \$4.5 million (IDG-DHS) to more accurately reflect program personnel needs and to reflect lower-than-anticipated referrals to Michigan Rehabilitation Service.	Gross	\$22,877,800	(\$4,467,600)
	IDG	22,877,800	(4,467,600)
6. Trade Adjustment Assistance	Gross	\$18,900,000	\$6,604,300
Adds \$6.4 million federal funding for Department of Labor Trade Adjustment Assistance to displaced workers.	Federal	18,900,000	6,604,300

LABOR AND ECONOMIC GROWTH

<u>Major Budget Changes from FY 2007-08 YTD</u>		<u>FY 2007-08 YTD</u>	<u>Executive Change</u>
7. MSHDA Payments on Behalf of Tenants	Gross	\$140,000,000	\$5,000,000
Adds \$5.0 million federal funding for payments on behalf of tenants in the low-income housing choice voucher program.	Federal	140,000,000	5,000,000
8. Remonumentation Grants	Gross	\$14,000,000	(\$3,000,000)
Decreases authorization for grants based on estimated revenue.	Restricted	14,000,000	(3,000,000)
9. Occupational Regulation (Commercial Services)	FTEs	156.0	11.0
Adds 11.0 FTEs and \$1.0 million restricted to crack down on unlicensed activity in the accounting, real estate, and building construction industries.	Gross	\$17,651,200	\$1,050,000
	Restricted	17,651,200	1,050,000
10. Direct Shipper Enforcement Fund	Gross	N/A	\$120,000
Adds \$120,000 from the Direct Shipper Enforcement Fund related to enforcement of regulations concerning the direct shipment of wine.	Restricted	N/A	120,000
11. Homeowner Construction Lien Fund	Gross	\$1,537,900	\$300,000
Adds \$300,000 to reflect an increase (based on prior years) in the number of claims and judgments awarded.	Restricted	1,537,900	300,000
12. Internal Audit Consolidation	FTE	5.0	(5.0)
Reduces 5.0 FTEs related to consolidation of internal audit activities within DMB. Funds will remain in DLEG budget; bill will be recorded as an IDG in the DMB budget.	Gross	\$560,100	\$0
	Federal	68,700	0
	Restricted	491,400	0
13. Human Resources Consolidation	FTE	22.0	(22.0)
Reduces 22.0 FTEs and \$2.4 million related to consolidation of human resources activities within DMB. Also eliminates \$259,700 in HR optimization charges.	Gross	\$2,619,800	(\$2,619,800)
	Federal	1,800,400	(1,800,400)
	Restricted	819,400	(819,400)
14. Focus: HOPE	Gross	\$140,000	(\$140,000)
Eliminates \$140,000 for a pilot study on improving job placement and retention of welfare recipients.	Restricted	140,000	(140,000)
15. Liquor Enforcement Grants	Gross	\$6,100,000	\$500,000
Adds \$500,000 for liquor law enforcement grants from increased revenue generated by sale of development district and redevelopment project licenses.	Restricted	6,100,000	500,000
16. SOAHR: DHS Case Referrals	Gross	\$3,338,000	\$640,700
Adds 7.0 FTEs and \$640,700 (IDG-DHS) to support the increased volume of administrative hearings concerning DHS benefits.	IDG	3,338,000	640,700
17. Deaf and Hard of Hearing Interpreters	Gross	N/A	\$75,000
Adds \$75,000 to expand availability of interpreters for the deaf and hard of hearing from increased interpreter testing fees revenue.	Restricted	N/A	75,000
18. FY 2008-09 Economic Increases	Gross	N/A	\$1,9994,900
Includes contractual 1.0% wage increases and adjustments for insurance and retirement.	IDG	N/A	91,300
	Federal	N/A	935,000
	Local	N/A	4,500
	Restricted	N/A	976,700
	GF/GP	N/A	(\$12,600)

Major Boilerplate Changes from FY 2007-08

Sec. 335. MPSC Report on Low Income and Energy Efficiency Fund Grant Awards – DELETED

Requires Michigan Public Service Commission (MPSC) to report on grant awards from Low Income and Energy Efficiency Fund.

Sec. 319. Office of Financial and Insurance Regulation (OFIR) Expenditure Report – DELETED

Requires OFIR to issue a report on expenditures of each OFIR division in the preceding fiscal year.

Major Boilerplate Changes from FY 2007-08

Sec. 337. Credit Scoring in Insurance Rate Setting – DELETED

Prohibits using appropriations for implementing prohibitions on the use of credit scoring in insurance rate setting.

Sec. 340. Health Maintenance Organization Quarterly and Annual Reports

Directs OFIR to provide fiscal agencies with copies of quarterly and annual reports of health maintenance organizations.

Sec. 355. Ergonomic Rules – DELETED

Prohibits using funds for promulgation of ergonomic rules that are more stringent than voluntary federal standards.

Sec. 357. Real Estate Law and Rules Book – REVISED

Allocates up to \$50,000 for printing the Real Estate Law and Rules Book (Red Book), and requires DLEG to make printed copies of the book available at cost. Revision deleted allocation of funds for this purpose.

Sec. 370(2). Cities of Promise Allocation – DELETED

States legislative intent to allocate at least \$750,000 from cities of promise blight elimination program to Saginaw and Flint.

Sec. 375. MPSC Low Income and Energy Efficiency Grant Awards Process – DELETED

Requires MPSC to set an application deadline of May 1st and award deadline of October 1 for issuing LIEEF grant awards.

Sec. 376. Liquor Control Commission (LCC) Report on Revenue Losses – DELETED

Requires the LCC to issue a report by January 15, 2008 on the amount of revenue lost due to out of state liquor purchases for individual consumption or illegal resale.

Sec. 377(2). Workforce Investment Act Funds Expenditures – DELETED

Requires DLEG to report the amount of workforce investment act funds appropriated in the fiscal year.

Sec. 403. Local Match of Vocational Rehabilitation Facilities Establishment Grants – DELETED

Sets a maximum local match requirement for vocational rehabilitation facilities establishment grants at 21.3%

Sec. 404. Vocational Rehabilitation Independent Living – Revised

Sets conditions for funds appropriated for vocational rehabilitation independent living. Revision states that funds appropriated for vocational rehabilitation independent living that are not used to match federal funding are to be used for development of new independent living centers in areas currently unserved or underserved.

Sec. 408. Enhance Local Access to Baccalaureate Degree Opportunities – DELETED

States legislative intent to identify ways of enhancing local access to baccalaureate programs in applied science and technology through the community college system. Permits funds to be used for a study such programs would be useful and could be developed quickly.

Sec. 437. Welfare to Work Pilot Program – DELETED

Allocates \$140,000 to Focus: Hope to design a pilot program to improve job placement and retention of welfare recipients. Directs Focus: Hope to work collaboratively with Department of Human Services Jobs, Employment, Training Program and Michigan community colleges and universities.

**Summary: Executive Budget Recommendation
TRANSPORTATION
FY 2008-09**

Analyst: William E. Hamilton

	FY 2007-08 Year-to-Date	FY 2008-09 Executive	Difference: Executive to FY 2007-08 YTD	
			Amount	%
IDG/IDT	\$0	\$0	\$0	0.0
Federal	1,200,740,600	1,316,771,200	116,030,600	9.7
Local	42,850,000	40,950,000	(1,900,000)	(4.4)
Private	0	0	0	0.0
Restricted	2,116,605,000	2,066,744,300	(49,860,700)	(2.4)
GF/GP	0	0	0	0.0
Gross	\$3,360,195,600	\$3,424,465,500	\$64,269,900	1.9
FTEs	3,035.3	3,014.3	(21.0)	(0.7)

Note: FY 2007-08 figures include the results of supplementals and Executive Order (EO) actions through February 7, 2008.

Overview

The transportation budget supports state and local highway programs, public transportation programs, aeronautics programs, and administration of the Michigan Department of Transportation (MDOT). 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 2007-08 YTD

		FY 2007-08 YTD	Executive Change
1. Debt Service	Gross	\$223,612,200	(\$31,608,600)
Reflects anticipated debt service schedules. Reduction in federal funds	Federal	55,080,000	(32,296,700)
Reflects the fact that the final payment of \$32.1 million on short-term federal grant anticipation (GARVEE) notes is made in 2008.	Restricted	168,532,200	688,100
2. Grants to Other State Departments	Gross	\$47,239,800	\$1,810,000
Includes MTF IDGs to Departments of State (\$20.0 million) and Treasury (\$7.2 million – \$653,800 less than FY 2007-08) for cost of collecting MTF revenue. State Trunkline Fund (STF) grant to Civil Service Commission would increase by \$2.3 million to reflect transfer of all human service functions out of MDOT. There is a related reduction in STF funding for human service line items in the Business Support appropriations unit.	Restricted	47,239,800	1,810,000
3. Executive Direction – Unclassified Salaries	FTEs	6.0	0.0
Adds \$70,600 STF increase to the baseline to fund unclassified deputy director for public transportation. An unclassified FTE position is currently authorized, but unfunded and unfilled.	Gross	\$531,800	\$70,600
	Restricted	531,800	70,600
4. Business Support	FTEs	78.0	(21.0)
Reflects the transfer of human service functions from MDOT to the Civil Service Commission. Funds reimbursed Civil Service would be reflected in an IDG. Also reflects a \$1.3 million reduction in property management costs as a result of completion of work on the Van Wagoner Transportation building.	Gross	\$21,028,600	(\$3,863,200)
	Restricted	21,028,600	(3,863,200)

TRANSPORTATION

<u>Major Budget Changes from FY 2007-08 YTD</u>		<u>FY 2007-08 YTD</u>	<u>Executive Change</u>
5. State Trunkline Maintenance	FTEs	828.7	4.0
Reflects state trunkline lane miles added by new construction and jurisdictional transfers, and increased costs of equipment, material, and fuel. Also reflects increase in programmed roadside cleanup cycles.	Gross	\$278,607,700	\$6,120,500
	Restricted	278,607,700	6,120,500
6. State Trunkline Road and Bridge Construction	Gross	\$951,515,600	\$91,542,500
Appropriates \$1.043 billion for capital construction/reconstruction program. Decrease in available state restricted revenue offsets increase in estimated federal aid revenue.	Federal	774,371,800	118,049,100
	Local	30,000,000	0
	Restricted	147,143,800	(26,506,600)
7. MTF Distribution to Local Road Agencies	Gross	\$970,967,800	(\$39,397,000)
Appropriates \$931.6 million MTF (\$598.1 million to county road commissions, \$333.5 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	(39,397,000)
8. Transportation Economic Development (TEDF) Fund	Gross	\$29,174,300	\$13,117,900
Provides \$42.3 million for statutory distribution per 1987 PA 231; increase in FY 2008-09 reflects end of current-year agreement to redirect \$13.0 million in drivers' license fee revenue from TEDF to the General Fund.	Restricted	29,174,300	13,117,900
9. Bus Transit – Local Bus Operating Assistance	Gross	\$166,624,000	\$0
Includes \$166.6 million from Comprehensive Transportation Fund (CTF) for state operating assistance to local public transit agencies, unchanged from FY 2007-08 and FY 2006-07.	Restricted	166,624,000	0
10. Rail Passenger Service	Gross	\$7,900,000	\$0
Provides operating assistance for Port Huron/Chicago and Grand Rapids/Chicago rail service with restricted funds; federal revenue provides capital assistance.	Federal	1,000,000	0
	Restricted	6,900,000	0
11. Bus Capital	Gross	\$46,163,600	(\$11,760,600)
Provides matching funds for Federal Transit Administration grants to local transit agencies; reflects reduction in anticipated Federal Transit Administration grants and related CTF matching revenue.	Federal	30,000,000	(10,000,000)
	Local	5,000,000	0
	Restricted	11,163,600	(1,760,600)
12. Employee Economics	Gross	N/A	\$1,461,100
Provides \$1.8 million increase for salaries/wages, \$2.0 million reduction related to health insurance, \$1.7 increase for retirement contributions, and \$1.7 million for building occupancy charges. Projected workers compensation would decrease \$82,000.	Federal	N/A	2,800
	Restricted		1,458,300

Major Boilerplate Changes from FY 2007-08**Sec. 324. Construction Zone Traffic Law Enforcement – REVISED**

Earmarks STF funds for construction zone traffic law enforcement and the "Give 'em a brake" campaign. Revision changes current earmark of \$500,000 to up to \$500,000.

Sec. 384. Detroit River International Crossing (DRIC) – DELETED

Restricts MDOT activities with regard to study of a new crossing of the Detroit River between Detroit, Michigan, and Windsor, Ontario.

FY 2008-09

CONSENSUS REVENUE

Consensus Revenue: FY 2008-09

Senior Economist: Rebecca Ross

This section explains January 2008 Consensus Revenue Estimating Conference estimates and tax changes proposed in the Executive Recommendation for GF/GP and School Aid Fund (SAF) revenue for FY 2007-08 and FY 2008-09 by major revenue sources.

The Executive Recommendation includes a Michigan Job Creation Incentive under the Michigan Business Tax (MBT) for businesses that create jobs and are part of the 50 fastest growing business sectors in the U.S. These MBT credits are estimated to reduce GF/GP revenue by \$6.2 million in FY 2007-08 and \$34.8 million in FY 2008-09. There are two components to this plan.

- ▶▶ The first part of the plan includes an enhanced MBT compensation credit, which would be equal to double the current compensation credit for the compensation paid to new jobs created in the fastest growing business sectors and between May 1, 2008, and April 30, 2009. The enhanced MBT compensation credit would be in addition to the existing compensation credit, and could be claimed for the tax year in which the jobs are created and in the three succeeding tax years.
- ▶▶ The second part of the plan is a new MBT credit for businesses that are newly formed or that move to Michigan from May 1, 2008, through December 31, 2011. This credit could be claimed for four years and would equal 100% of the MBT liability in the first year, 75% in the second year, 50% in the third year, and 25% in the fourth year.

The fiscal impact of these credits, since they are not enacted, is not included in the figures below.

GF/GP REVENUE ESTIMATES (Millions of Dollars and Fiscal Years)

	Final FY 2006-07	FY 2007-08	FY 2008-09	FY 2008-09 Over FY 2007-08	
				\$ Change	% Change
Personal Income Tax	\$4,330.7	\$4,254.6	\$4,268.0	\$13.4	0.3
Sales and Use Taxes	1,006.3	988.4	1,022.4	34.0	3.4
SBT/MBT and Insurance Taxes	2,039.9	1,972.0	2,002.2	30.2	1.5
Other Taxes	556.1	545.0	541.8	(3.2)	(0.6)
GF/GP Baseline Tax Revenue	\$7,933.0	\$7,760.0	\$7,834.4	\$74.4	1.0
Non-Tax Revenue	346.7	333.3	329.3	(4.0)	(1.2)
Total GF/GP Baseline Revenue	\$8,279.7	\$8,093.3	\$8,163.7	\$70.4	0.9
Adjustments to Baseline	38.0	1,153.2	1,029.9	(123.3)	(10.7)
Actual GF/GP Revenue	\$8,317.7	\$9,246.5	\$9,193.6	(\$52.9)	(0.6)

General Fund/General Purpose Revenue by Source

Personal Income Tax

- ▶▶ Wage and salary employment is expected to decrease 1.9% in 2008 and decrease 0.8% in 2009.
- ▶▶ Michigan's unemployment rate is expected to be 8.2% in 2008, then increase to 8.7% in 2009.
- ▶▶ Michigan personal income tax revenue is forecast to decrease 0.4% in FY 2007-08 and increase 0.8% in FY 2008-09.
- ▶▶ Baseline GF/GP income tax revenue is expected to decrease 1.8% to \$4,254.6 million in FY 2007-08, and then increase 0.3% to \$4,268.0 million in FY 2008-09.

Sales and Use Taxes

Flat or weak growth in wage and salary income will hold down baseline GF/GP sales and use tax revenue from \$988.4 million in FY 2007-08 to \$1,022.4 million in FY 2008-09.

Single Business and Insurance Taxes

Business taxes (SBT plus insurance taxes) accrue to the General Fund.

- ▶ Net baseline business taxes were \$2,039.9 million in FY 2006-07, and will decrease 3.3% to \$1,972.0 million in FY 2007-08, and increase 1.5% to \$2,002.2 million in FY 2008-09.
- ▶ Baseline Single Business Tax revenue alone was \$1,816.1 million in FY 2006-07; it is expected to decrease 3.8% to \$1,748.0 million in FY 2007-08 and increase 1.5% to 1,774.0 million in FY 2008-09.

GF/GP Baseline Tax Revenue

- ▶ Final GF/GP baseline tax revenue totaled \$7,933.0 million in FY 2006-07.
- ▶ GF/GP baseline tax revenue is expected to decrease in FY 2007-08 by 2.2% to \$7,760.0 million and increase in FY 2008-09 by 1.0% to \$7,834.4 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 \$8,279.7 million in FY 2006-07.
- ▶ GF/GP baseline revenue is expected to decrease by 2.3% to \$8,093.3 million in FY 2007-08 and increase by 0.9% to \$8,163.7 million in FY 2008-09.

Actual GF/GP Revenue

Actual 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.

- ▶ Final total actual GF/GP revenue was \$8,317.7 million in FY 2006-07.
- ▶ Actual GF/GP revenue is expected to increase by 11.2% to \$9,246.5 million in FY 2007-08, then decrease by \$52.9 million or 0.6% to \$9,193.6 million in FY 2008-09.

**SCHOOL AID FUND REVENUE ESTIMATES
(Millions of Dollars and Fiscal Years)**

Revenue	Final FY 2006-07	FY 2007-08	FY 2008-09	FY 2008-09 Over FY 2007-08	
				\$ Change	% Change
Sales and Use Tax	\$5,230.6	\$5,210.4	\$5,249.1	\$38.7	0.7
Income Tax Earmark	2,110.2	2,106.9	2,138.5	31.6	1.5
Lottery and Casinos	855.6	857.1	857.7	0.6	0.1
Tobacco Taxes	451.4	441.6	431.9	(9.7)	(2.2)
State Education Tax	2,091.2	2,147.3	2,212.5	65.2	3.0
Real Estate Transfer Tax	237.5	211.0	211.0	0.0	0.0
Liquor Excise and Specific Taxes	173.2	167.8	168.8	1.0	0.6
Baseline SAF Revenue	\$11,149.7	\$11,150.9	\$11,277.8	\$126.9	1.1
Adjustments to Baseline	1,386.7	1,678.2	2,154.9	476.7	28.4
Actual SAF Revenue	\$12,536.4	\$12,829.2	\$13,432.7	\$603.5	4.7

School Aid Fund Revenue by Source

Sales and Use Taxes

- ▶ Combined sales and use tax revenue dedicated to the SAF equaled \$5,230.6 million in FY 2006-07 and is forecast to decrease 0.4% to \$5,210.4 million in FY 2007-08 and increase 0.7% to \$5,249.1 million in FY 2008-09.

CONSENSUS REVENUE

- ▶▶ Baseline sales tax revenue is forecast to decrease 0.4% in FY 2007-08 and increase 0.8% in FY 2008-09.
- ▶▶ Baseline use tax revenue to the SAF is estimated to increase 0.2% in FY 2007-08 and 0.7% in FY 2008-09.

Income Tax

Approximately 26% of gross income tax collections are dedicated to the SAF. Baseline dedicated income tax revenue is forecast to decrease 0.2% to \$2,106.9 million in FY 2007-08 and increase 1.5% to \$2,138.5 million in FY 2008-09.

Lottery/Casinos

- ▶▶ Lottery and Casino revenue contributed \$855.6 million to the SAF in FY 2006-07.
- ▶▶ Baseline lottery and casino revenue to the SAF is projected to remain fairly flat in FY 2007-08 and FY 2008-09.

Tobacco Taxes

Approximately 40% of gross tobacco tax revenue is dedicated to the SAF.

- ▶▶ The SAF received \$451.4 million from tobacco taxes in FY 2006-07.
- ▶▶ 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 \$441.6 million in FY 2007-08 and \$431.9 million in FY 2008-09.

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 \$2,091.2 million in FY 2006-07.
- ▶▶ SET revenue is expected to increase 2.7% to \$2,147.3 million in FY 2007-08 and 3.5% to \$2,212.5 million in FY 2008-09.
- ▶▶ RET contributed \$237.5 million to the SAF in FY 2006-07, and is forecast to contribute \$211.0 million in FY 2007-08 and \$211.0 million in FY 2008-09.

Total SAF Baseline Revenue

- ▶▶ Final total SAF baseline revenue was \$11,149.7 million in FY 2006-07.
- ▶▶ Baseline revenue is expected to increase slightly to \$11,150.9 million in FY 2007-08 and increase 1.1% to \$11,277.8 million in FY 2008-09.

Actual SAF Revenue

Actual SAF revenue represents revenue available for expenditure each year; it includes tax changes and federal funds, but does not include any beginning balance or GF/GP transfers to SAF. Actual SAF revenue was \$12,536.4 million in FY 2006-07; it is expected to increase 2.3% to \$12,829.2 million in FY 2007-08, then increase 4.7% to \$13,432.7 million in FY 2008-09.

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 Budget Stabilization Fund (BSF).

**YEAR-END BALANCE ESTIMATES
(Millions of Dollars)**

	<u>FY 2006-07</u>	<u>FY 2007-08</u>
General Fund/General Purpose	\$259.1	\$125.5
School Aid Fund	\$82.4	\$48.5
Budget Stabilization Fund	\$2.1	\$102.2

Year-end estimates notes:

- ▶▶ FY 2006-07 estimates for GF/GP and the SAF are based on year-to-date appropriations, projected year-end adjustments, and consensus revenue estimates.
- ▶▶ SAF revenue is restricted; hence, any year-end balance is carried forward to the subsequent year.

» BSF estimate for FY 2007-08 is based on Executive-recommended changes to the current budget.

Budget Stabilization Fund Year-End Balances

The following table notes BSF deposits, withdrawals, and interest earnings from FY 1990-91 to FY 2006-07, and HFA estimates of deposits, expected interest earnings, and year-end balances for FY 2007-08 and FY 2008-09. A complete list of BSF historical data is available from the HFA upon request.

The final BSF fund balance was \$2.1 million for FY 2006-07. Based on Executive-recommended changes for FY 2007-08, the fund balance is forecast to be \$102.2 million for FY 2007-08 and \$106.3 million for FY 2008-09.

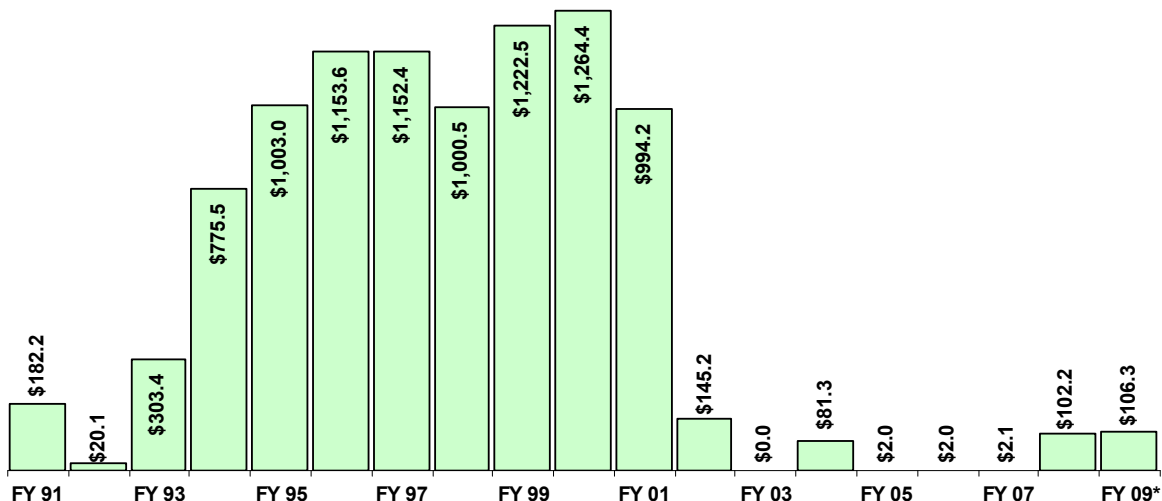
BUDGET STABILIZATION FUND HISTORY
(Millions of Dollars)

<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	0.7	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	59.2	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	0.0	0.0	0.0	2.0
2006-07	0.0	0.0	0.1	2.1
2007-08*	100.0	0.0	0.1	102.2
2008-09*	0.0	0.0	4.1	106.3

* HFA Estimates

NOTE: Numbers may not add due to rounding.

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



*Consensus Estimates

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 (CY) prior to the fiscal year in which the revenue is 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 2006-07</u>	<u>FY 2007-08</u>	<u>FY 2008-09</u>
Personal Income	CY 2005	CY 2006	CY 2007
Amount	\$331,304	\$341,075	\$351,648
X Limit Ratio	9.49%	9.49%	9.49%
State Revenue Limit	31,440.8	32,368.0	33,371.4
Total Revenue Subject to Revenue Limit	\$25,995.4	\$27,300.6	\$27,923.5
Amount Under (Over) State Revenue Limit	\$5,445.4	\$5,067.4	\$5,447.9

Implications of Exceeding the State Revenue Limit

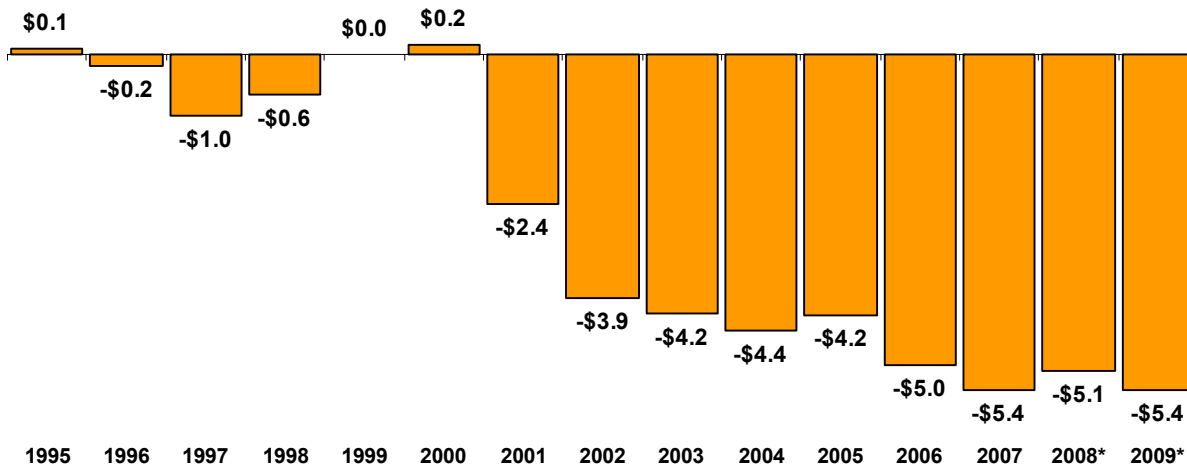
Article IX, Section 26, Constitution of the State of Michigan, provides that:

... For any fiscal year in the event that Total State Revenue exceed the limit established in this section by 1% or more, the excess revenues 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 will be well under the revenue limit. For both FY 2007-08 and FY 2008-09, state revenue is estimated to be substantially below the revenue limit—by \$5.1 billion and \$5.4 billion, respectively.

Constitutional Revenue Limit
(Billions of Dollars)



*Consensus Estimates



Mitchell E. Bean, Director
Bill Fairgrieve, Deputy Director
517.373.8080

- Agriculture..... William E. Hamilton, Senior Analyst
- Capital Outlay..... Al Valenzio, Associate Director
- Community Colleges Kyle I. Jen, Senior Analyst
- Community Health
 - Medicaid Steve Stauff, Senior Analyst
 - Mental Health/Substance Abuse Margaret Alston, Senior Analyst
 - Public Health/Aging..... Susan Frey, Senior Analyst
- Corrections..... Marilyn Peterson, Senior Analyst
- Education (Department)..... Mary Ann Cleary, Associate Director; Bethany Wicksall, Senior Analyst
- Environmental Quality..... Kirk Lindquist, Senior Analyst
- General Government
 - Attorney General/Executive/Information Technology/Legislature/
Legislative Auditor General/Lottery/State/Treasury..... Viola Bay Wild, Fiscal Analyst
 - Civil Rights, Management and Budget..... Kim O’Berry, Fiscal Analyst
- Higher Education Kyle I. Jen, Senior Analyst
- Human Services (Department)..... Robert Schneider, Senior Analyst; Bill Fairgrieve, Deputy Director
- History, Arts, and Libraries Mark Wolf, Fiscal Analyst
- Judiciary Bethany Wicksall, Senior Analyst
- Labor and Economic Growth..... Mark Wolf, Fiscal Analyst
- Military and Veterans Affairs Jan Wisniewski, Senior Analyst
- Natural Resources Kirk Lindquist, Senior Analyst
- State Police..... Jan Wisniewski, Senior Analyst
- School Aid Mary Ann Cleary, Associate Director; Bethany Wicksall, Senior Analyst
- Transportation..... William E. Hamilton, Senior Analyst

- Economic/Revenue Forecast; Tax Analysis; Revenue Sharing Rebecca Ross, Senior Economist;
Jim Stansell, Economist

- Legislative Analysis..... Chris Couch, Associate Director;
Edith Best, Joan Hunault, Shannan Kane, Sue Stutzky, Legislative Analysts

- Legislative Transfers Margaret Alston, Senior Analyst
- Oversight & Investigations William E. Hamilton, Senior Analyst
- Retirement..... Al Valenzio, Associate Director
- Supplementals Al Valenzio, Associate Director; Kyle I. Jen, Senior Analyst

- Administrative Assistant..... Jeanne Dee

- Unit Support
 - Agriculture/Community Colleges/Education/Higher Education/School Aid/
Transportation/Transfers/HFA Internet/Bill Analysis Barbara Graves, Budget Assistant
 - Capital Outlay/Environmental Quality/General Government/History, Arts, and Libraries/
Labor and Economic Growth/Military and Veterans Affairs/Natural Resources/
Retirement/State Police/Supplementals Amber Fox, Budget Assistant
 - Community Health/Corrections/Human Services/Judiciary/HFA Library..... Tumai Burris, Budget Assistant
- Facilities Coordinator..... Holly Spitzley, Receptionist



P.O. Box 30014 ■ Lansing, MI 48909-7514
(517) 373-8080 ■ FAX (517) 373-5874
www.house.mi.gov/hfa