



FY 2007-08
APPROPRIATIONS REPORT
Part II - Initial Appropriations

November 2007



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1. To provide technical, analytical, and preparatory support for all appropriations bills.
2. To provide written analyses of all Senate bills, House bills, and Administrative Rules considered by the Senate.
3. To review and evaluate proposed and existing State programs and services.
4. To provide economic and revenue analysis and forecasting.
5. To review and evaluate the impact of Federal budget decisions on the State.
6. To review and evaluate State issuance of long-term and short-term debt.
7. To review and evaluate the State's compliance with constitutional and statutory fiscal requirements.
8. To prepare special reports on fiscal issues as they arise and at the request of members of the Senate.

The Agency is located on the 8th floor of the Victor Office Center. The Agency is an equal opportunity employer.



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OVERVIEW

FY 2007-08 INITIAL ENACTED APPROPRIATIONS OVERVIEW

On February 8, 2007, Governor Jennifer Granholm presented her fiscal year (FY) 2007-08 State budget recommendation to the Legislature. This budget recommendation was based on significant changes in State tax policy, highlighted by a proposed 2.0% tax on most services. Over the next seven months, the Legislature debated the outline of the FY 2007-08 State budget, with the most difficult issue being the size and scope of any potential increase in State revenue. On October 1, 2007, the first day of FY 2007-08, the Legislature approved and the Governor signed into law an increase in the rate of the State income tax and the expansion of the State use tax to a select list of services. Also on October 1, 2007, the Governor signed into law two measures, Public Act (P.A.) 91 of 2007 and P.A. 92 of 2007, that authorized the expenditure of State revenue for the period October 1, 2007, through October 31, 2007.

During the month of October 2007, the Governor and the Legislature debated the final parameters of the FY 2007-08 annual appropriation bills. On October 31, 2007, the Legislature completed action on the FY 2007-08 appropriation bills. On November 8, 2007, the Governor signed into law the final FY 2007-08 initial annual appropriation bill, ending the longest annual State budget process in the past 25 years. This Senate Fiscal Agency (SFA) FY 2007-08 Appropriations Report - Initial Appropriations, provides a summary of the major issues involved in the FY 2007-08 State budget process.

FISCAL YEAR 2007-08 ENACTED REVENUE CHANGES

The enacted FY 2007-08 State budget includes significant new revenue from an increase in the rate of the State income tax and the expansion of the base of the State use tax to a list of services. The State income tax was increased from 3.9% to 4.35%, effective on October 1, 2007. It is estimated that this income tax rate increase will lead to \$744.8 million of increased revenue in FY 2007-08 and \$826.7 million of increased revenue in FY 2008-09. The base of the use tax was expanded to add the 6.0% tax to a group of services, effective December 1, 2007. This use tax expansion is estimated to generate \$613.8 million of increased revenue in FY 2007-08 and \$751.3 million of increased revenue in FY 2008-09. The Appendices of this report contain a more detailed discussion on these revenue increases and a complete discussion of all of the revenue assumptions included in the enacted budget.

FISCAL YEAR 2007-08 APPROPRIATIONS

On an overall basis, the Legislature approved Adjusted Gross appropriations totaling \$42.8 billion. This level of Adjusted Gross appropriations represents a \$945.4 million or 2.3% increase from the year-to-date level of FY 2006-07 appropriations. Enacted State Spending from State Resources appropriations total \$28.3 billion, an increase of \$430.3 million or 1.5% from the year-to-date level of FY 2006-07 appropriations. Enacted General Fund/General Purpose (GF/GP) appropriations total \$9.9 billion, an increase of \$745.5 million or 8.2% from the year-to-date level of FY 2006-07 appropriations. [Table 1](#) and [Figure A](#) summarize these appropriations by source of funds.

MAJOR CHANGES IN STATE APPROPRIATIONS

[Tables 2, 3, and 4](#) and [Figures B, C, and D](#) provide a detailed comparison of enacted FY 2007-08 appropriations with year-to-date FY 2006-07 appropriations. The tables and figures present appropriation data by State departments and programs in terms of Adjusted Gross¹⁾, State Spending from State Resources²⁾, and GF/GP³⁾ appropriations. The following information contains a brief summary of the major appropriation changes in each budget area.

¹⁾ Adjusted Gross appropriations are defined as Gross appropriations less interdepartmental grants received.

²⁾ State Spending from State Resources appropriations are defined as Adjusted Gross appropriations less Federal, Local, and Private funds.

³⁾ General Fund/General Purpose appropriations are defined as State Spending from State Resources appropriations less State Restricted appropriations.

Agriculture: The enacted budget represents a 1.1% decrease in Adjusted Gross appropriations. The budget includes funding reductions in the local conservation district grants and the emerald ash borer program, and a funding increase in the bovine tuberculosis program.

Attorney General: The enacted budget represents a 0.5% decrease in Adjusted Gross appropriations. The budget includes adjustments for economic costs of employees, which were offset by administrative reductions. The level of interdepartmental grants received by the Department was adjusted to more accurately align payments by other departments to the Attorney General's office for legal services rendered.

Capital Outlay: The Governor has not recommended and the Legislature has not enacted an FY 2007-08 Capital Outlay appropriation bill. It is anticipated that action on a Capital Outlay appropriation bill could occur in December 2007.

Civil Rights: The enacted budget represents a 6.3% increase in Adjusted Gross appropriations. The majority of this funding increase reflects increased employee costs.

Civil Service: The enacted budget represents a 4.7% increase in Adjusted Gross appropriations. The majority of this funding increase reflects increased employee costs.

Community Colleges: The enacted budget represents a 28.7% increase in Adjusted Gross appropriations. The vast majority of this funding increase is related to a FY 2006-07 budget decision to delay the final payments to community colleges until FY 2007-08. The budget includes this delayed payment along with an average 1.2% annual increase in the payments to the 28 community colleges. The funding increases were distributed through the Performance Indicators Task Force Formula, special adjustments to four colleges with low property tax bases, and restoration of funds to Wayne County Community College related to reductions in FY 2003-04. Increases for the community colleges range between 0.9% and 4.0%.

Community Health: The enacted budget represents a 5.6% increase in Adjusted Gross appropriations. The budget largely reflects a continuation of spending policies that were previously in place. In the Medicaid portion of the budget, there were no changes in eligibility and no reductions in provider reimbursement rates. The Medicaid budget does include adjustments for costs and utilization along with adjustments in the quality assurance assessment program payments by hospitals. Savings in the Medicaid program were assumed through the enactment of an estate recovery program, citizenship verification, the shifting of Medicaid-eligible foster care children to managed care, the expansion of the pharmacy quality improvement program, changes in the treatment of nursing home prepaid costs, and an expansion of third party liability savings.

Corrections: The enacted budget represents a 6.4% increase in Adjusted Gross appropriations. The majority of this funding increase can be attributed to increased costs associated with the Department's 17,637 full-time equated (FTE) employees along with additional prisoner re-entry funding. The budget reflects the closure of the Southern Michigan Correctional Facility, the Riverside Correctional Facility, and Camp Manistique. The prisoners in these facilities were transferred to other State prison facilities or were paroled.

Education: The enacted budget represents a 7.9% increase in Adjusted Gross appropriations. The majority of this funding increase reflects the transfer of \$3.8 million and 25.0 FTE positions in the Career and Technical Education program from the Department of Labor and Economic Growth. Other funding adjustments in the budget include increased employee costs and cost increases at the Michigan School for the Deaf and Blind due to enrollment increases.

Environmental Quality: The enacted budget represents a 14.4% decrease in Adjusted Gross appropriations. The majority of this funding decrease can be attributed to a reduction in the Drinking Water Revolving Loan Fund Program and the removal of several one-time environmental cleanup projects funded in the prior fiscal year. The major issue pending in this Department is the final resolution of \$12.5 million of fee increases assumed in the budget, but not yet enacted by the Legislature. This issue is expected to be revisited by the Legislature and the Governor in January 2008.

Executive: The enacted budget represents an increase of 0.8% in Adjusted Gross appropriations.

Higher Education: The enacted budget represents a 17.7% increase in Adjusted Gross appropriations. The vast majority of this funding increase is related to an FY 2006-07 budget decision to delay the final State payments to universities until FY 2007-08. The budget includes this delayed payment along with an average 1.0% annual increase in operations payments to the universities. The budget includes a format change with a separate appropriation article for three research universities and a separate appropriation article for the remaining 12 universities. Financial aid programs were funded at the prior fiscal year levels.

History, Arts, and Libraries: The enacted budget represents a 1.7% decrease in Adjusted Gross appropriations. The budget includes a \$2.1 million reduction in State aid to libraries and a \$1.2 million increase in arts and cultural grants.

Human Services: The enacted budget represents a 1.8% increase in Adjusted Gross appropriations. The budget includes funding increases to add 276 new FTE positions in child welfare programs in the Department. The juvenile justice area of the budget includes the transition of 80 beds at the Maxey State facility to private nonprofit providers. The reimbursement rates paid to residential foster care and juvenile justice providers were increased by 4.0% and the private adoption agency reimbursement rates were increased by 4.0%. Funding increases were included across the budget to reflect updated caseload estimates in Child Day Care Services, the State Disability Assistance Program, and the Family Independence Program.

Information Technology: The enacted budget includes a 14.4% increase in the Gross appropriations for information technology programs in all State departments and agencies. Major funding increases include the Integrated Service Delivery Project in the Department of Human Services and funding for the Michigan Medicaid Information System in the Department of Community Health.

Judiciary: The enacted budget represents a 0.4% increase in Adjusted Gross appropriations. The budget includes funding for employee cost increases, but these funding adjustments were offset by programmatic funding reductions in many Judiciary programs and a reduction in Court Equity Fund reimbursements to local courts.

Labor and Economic Growth: The enacted budget represents a 0.4% decrease in Adjusted Gross appropriations. The budget includes the transfer of the Career Education Program to the Department of Education, increases in the appropriation of Federal funds for workforce training programs, and the expansion of the Jobs, Education and Training Program to a statewide basis. This program is designed to move Family Independence Program participants into employment status.

Legislative Auditor General: The enacted budget represents a 5.4% increase in Adjusted Gross appropriations. The budget includes the funding of increased employee costs along with the expansion of audit funding.

Legislature: The enacted budget represents a 2.9% increase in Adjusted Gross appropriations. The budget includes funding for increased employee costs.

Management and Budget: The enacted budget represents a 2.1% decrease in Adjusted Gross appropriations. The major funding adjustment in the budget is an \$11.0 million reduction in the level of debt service payments on bonds issued by the State Building Authority. This adjustment reflects updated estimates based on debt outstanding and the refinancing of existing bonds.

Military and Veterans Affairs: The enacted budget represents a 4.6% increase in Adjusted Gross appropriations. The budget includes the operational funding of the new Regional Training Institute in Battle Creek and increased Federal funding for National Guard facilities in Michigan. Administrative funding reductions were included for the Grand Rapids and the D.J. Jacobetti Veterans Homes.

Natural Resources: The enacted budget represents a 1.7% increase in Adjusted Gross appropriations. The budget includes funding reductions resulting from a decline in Forest Development Fund revenue. The major issue pending in this Department is the final resolution of \$8.0 million of fee increases assumed in the budget, but not yet enacted by the Legislature. This issue is expected to be revisited by the Legislature and the Governor in January 2008.

School Aid: The enactment of \$13.0 billion of Adjusted Gross appropriations represents a \$2.2 million reduction from the prior fiscal year. The budget provides for increases in the basic foundation allowance funding of between \$48 and \$96. Districts whose FY 2006-07 basic foundation allowance was at or above \$8,433 will receive a \$48 increase and districts whose FY 2006-07 basic foundation allowance equaled \$7,108 will receive a \$96 increase. Districts whose FY 2006-07 basic foundation allowance was between \$7,108 and \$8,433 will receive an increase between \$48 and \$96. Special education funding was increased by \$34.5 million to reflect anticipated cost increases. The majority of the other categorical aid programs in the budget were funded at the prior fiscal year levels.

State: The enacted budget represents a 5.0% increase in Adjusted Gross appropriations. The budget includes the funding of employee cost increases as well as administrative reductions spread across the Department.

State Police: The enacted budget represents a 0.1% decrease in Adjusted Gross appropriations. The budget includes a reduction in Federal funds to reflect actual funds to be received and includes the funding of employee cost increases. The major program reduction included in the budget is reduced funding for laboratory operations. This funding reduction may lead to the closure of existing State Police laboratories in Sterling Heights and Marquette County.

Transportation: The enacted budget represents a 1.4% decrease in Adjusted Gross appropriations. The overall funding decrease in the Department can be attributed to reductions in the amount of State Restricted revenue funding the Department. The budget also redirects \$13.0 million of Transportation Economic Development Fund revenue and \$5.0 million Comprehensive Transportation Fund revenue to the General Fund budget.

Treasury - Debt Service: The enacted budget represents a 19.8% increase in Adjusted Gross appropriations. This increase is needed to fully fund the debt service obligation on outstanding State general obligation bonds.

Treasury - Operations: The enacted budget represents a 2.4% increase in Adjusted Gross appropriations. The budget includes administrative funding for the implementation of the new Michigan business tax, funding the payment of a lawsuit settlement, and funding of a potential contract for secondary tax collection activities.

Treasury - Strategic Fund Agency: The enacted budget represents a 94.0% increase in Adjusted Gross appropriations. The majority of this increase can be attributed to the appropriation of \$75.0 million of tobacco settlement revenue to the 21st Century Jobs Fund. This funding will be used for economic development activities in the State, as allocated by the 21st Century Jobs Fund board.

GUBERNATORIAL VETOES

Governor Granholm, through her constitutional line-item veto authority, vetoed \$14.9 million of Adjusted Gross appropriations and \$5.8 million of GF/GP appropriations. [Table 5](#) provides a summary of these vetoes by department. The majority of the vetoes were in the Department of Human Services budget. The Human Services vetoes include funding for various special projects and a funding increase for indigent burials. The vetoes also include a new \$1.3 million categorical aid program in the School Aid budget for transportation costs in geographically large school districts.

FEE INCREASES

The enacted FY 2007-08 budget includes one fee increase and one new fee requiring statutory authorization. The Department of Education budget includes appropriations supported by an increase in teacher certification fees of \$1.7 million, and a new teacher college review fee generates \$54,000. These fee adjustments were enacted by P.A. 144 of 2007.

TOBACCO SETTLEMENT APPROPRIATIONS

The enacted budget includes the appropriation of \$271.1 million of revenue generated from the master settlement agreement between the United States tobacco industry and 46 states. [Table 6](#) provides a summary of the appropriations made from tobacco settlement revenue deposited into the Merit Award Trust Fund. The majority of the tobacco settlement revenue appropriations fall into two categories: A total of \$123.6 million is appropriated for financial aid programs in the Higher Education budget, and \$144.0 million is appropriated for Medicaid and respite care programs in the Department of Community Health budget. During FY 2007-08, an additional \$75.0 million of tobacco settlement revenue is earmarked to the 21st Century Jobs Fund for economic development programs.

PROJECTED YEAR-END BALANCES

The level of the FY 2007-08 appropriations was based on the May 2007 consensus estimate of GF/GP and School Aid Fund revenue along with enacted tax changes. The enacted GF/GP and School Aid Fund budgets have met the constitutional requirement of being in balance between estimated revenue and enacted appropriations. [Table 7](#) provides a summary of the Senate Fiscal Agency estimate of the FY 2007-08 GF/GP year-end balance. Estimated FY 2007-08 GF/GP revenue will total \$10.1 billion. This revenue estimate includes \$219.4 million of one-time revenue from the implementation of the new Michigan business tax (MBT). Enacted FY 2007-08 GF/GP appropriations total \$9.9 billion, resulting in a projected \$226.8 million balance. The budget agreement provides that the portion of the year-end balance attributed to the one-time MBT revenue will be transferred to the Budget Stabilization Fund. This leaves the final projected GF/GP year-end balance at \$7.4 million. [Table 8](#) provides a summary of the Senate Fiscal Agency estimate of the FY 2007-08 School Aid Fund year-end balance. A comparison of estimated revenue with enacted appropriations leads to a \$12.1 million year-end balance.

STATE EMPLOYMENT LEVELS

[Table 9](#) and [Figure E](#) provide a summary of State classified FTE employees appropriated in FY 2007-08 versus the year-to-date level of FTEs appropriated in FY 2006-07. Total appropriated FTEs in FY 2007-08 equal 57,026.7, an increase of 260.4 or 0.5% from the prior fiscal year level. State departments with the largest employment increases include Human Services and Community Health. The State department with the largest employment decrease is the Department of Corrections. Department of Corrections employees still account for 30.9% of the total State workforce.

STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT

Article IX, Section 30 of the State Constitution of 1963 prohibits the State from reducing the portion of State appropriations paid to units of local government below the FY 1978-79 level of 48.79%. The enacted FY 2007-08 appropriation bills exceed this minimum constitutional requirement by \$2.1 billion. [Table 10](#) provides a summary of the calculations used to determine the State's compliance with this constitutional requirement for FY 2006-07 and FY 2007-08. [Table 11](#) provides a summary of State appropriations by department counted as payments to local units of government.

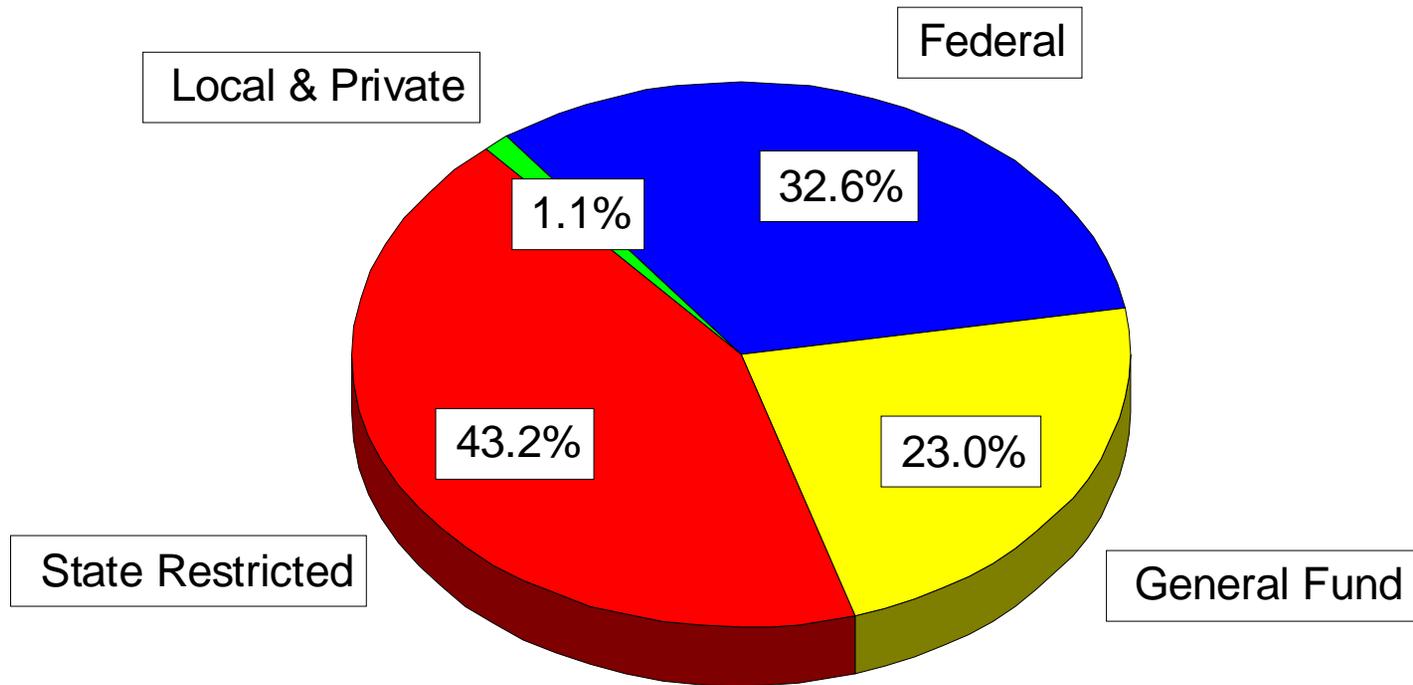
Table 1

| APPROPRIATIONS BY SOURCE OF FUNDS FY 2007-08 INITIAL ENACTED | | | | | |
|---|-------------------------|-------------------------|-----------------------|-------------------------|------------------------|
| Department/Budget Area | Adjusted Gross | Federal Funds | Local & Private Funds | Other State Restricted | General Fund |
| Agriculture..... | \$98,753,900 | \$21,240,600 | \$233,500 | \$46,121,700 | \$31,158,100 |
| Attorney General..... | 51,343,900 | 7,816,000 | 0 | 11,491,300 | 32,036,600 |
| Capital Outlay | 0 | 0 | 0 | 0 | 0 |
| Civil Rights | 14,491,300 | 2,054,100 | 0 | 0 | 12,437,200 |
| Civil Service | 30,945,700 | 4,779,100 | 1,850,000 | 17,671,800 | 6,644,800 |
| Community Colleges..... | 318,928,800 | 0 | 0 | 0 | 318,928,800 |
| Community Health | 12,008,915,900 | 6,708,510,700 | 312,757,200 | 1,862,336,400 | 3,125,311,600 |
| Corrections | 2,077,004,500 | 10,340,700 | 429,700 | 70,149,600 | 1,996,084,500 |
| Education | 96,482,400 | 72,749,800 | 9,620,700 | 7,036,500 | 7,075,400 |
| Environmental Quality (Operations) | 346,268,300 | 131,750,500 | 455,100 | 182,299,500 | 31,763,200 |
| Environmental Quality (CMI Bond) | 5,663,200 | 0 | 0 | 5,663,200 | 0 |
| Executive | 5,317,300 | 0 | 0 | 0 | 5,317,300 |
| Higher Education | 1,896,375,700 | 7,400,000 | 0 | 127,200,000 | 1,761,775,700 |
| History, Arts, and Libraries | 49,363,700 | 7,307,400 | 112,400 | 2,645,600 | 39,298,300 |
| Human Services | 4,574,977,200 | 3,147,497,400 | 59,371,100 | 59,698,600 | 1,308,410,100 |
| Information Technology | 0 | 0 | 0 | 0 | 0 |
| Judiciary..... | 256,768,000 | 4,626,400 | 6,252,200 | 87,892,700 | 157,996,700 |
| Labor and Economic Growth | 1,266,757,900 | 820,712,500 | 21,199,000 | 378,843,700 | 46,002,700 |
| Legislative Auditor General | 14,026,700 | 0 | 0 | 1,539,900 | 12,486,800 |
| Legislature | 114,504,000 | 0 | 400,000 | 1,109,800 | 112,994,200 |
| Management and Budget | 311,264,100 | 0 | 0 | 50,429,700 | 260,834,400 |
| Military and Veteran Affairs..... | 127,749,800 | 56,187,500 | 2,747,200 | 28,428,600 | 40,386,500 |
| Natural Resources (Operations)..... | 284,387,100 | 47,968,900 | 3,166,500 | 210,508,500 | 22,743,200 |
| Natural Resources Trust Fund | 0 | 0 | 0 | 0 | 0 |
| School Aid..... | 13,006,025,100 | 1,479,326,300 | 0 | 11,491,789,200 | 34,909,600 |
| State..... | 187,681,400 | 1,911,200 | 100 | 156,972,900 | 28,797,200 |
| State Police..... | 540,139,900 | 146,240,200 | 9,001,600 | 111,318,800 | 273,579,300 |
| Transportation..... | 3,360,195,600 | 1,200,740,600 | 42,850,000 | 2,116,605,000 | 0 |
| Treasury (Debt Service)..... | 119,986,400 | 0 | 0 | 23,914,500 | 96,071,900 |
| Treasury (Operations)..... | 388,153,100 | 36,405,700 | 1,100,700 | 287,227,400 | 63,419,300 |
| Treasury (Revenue Sharing) | 1,072,990,600 | 0 | 0 | 1,072,665,000 | 325,600 |
| Treasury (Strategic Fund)..... | 166,342,500 | 55,430,700 | 712,800 | 80,705,200 | 29,493,800 |
| TOTAL APPROPRIATIONS | \$42,791,804,000 | \$13,970,996,300 | \$472,259,800 | \$18,492,265,100 | \$9,856,282,800 |

Figure A

Appropriations by Source of Funds

FY 2007-08 Initial Enacted



Total: \$ 42,791,804,000

Table 2
ADJUSTED GROSS APPROPRIATIONS
FY 2006-07 VERSUS FY 2007-08

| Department/Budget Area | FY 2006-07 Year-to-Date Appropriations | FY 2007-08 Initial Enacted Appropriations | Dollar Difference | Percent Change |
|--|--|---|----------------------|-------------------|
| Agriculture | \$99,864,490 | \$98,753,900 | \$(1,110,590) | (1.1)% |
| Attorney General | 51,607,500 | 51,343,900 | (263,600) | (0.5) |
| Capital Outlay | 222,572,800 | 0 | (222,572,800) | (100.0) |
| Civil Rights | 13,631,300 | 14,491,300 | 860,000 | 6.3 |
| Civil Service | 29,564,500 | 30,945,700 | 1,381,200 | 4.7 |
| Community Colleges | 247,845,500 | 318,928,800 | 71,083,300 | 28.7 |
| Community Health | 11,368,484,300 | 12,008,915,900 | 640,431,600 | 5.6 |
| Corrections | 1,951,514,600 | 2,077,004,500 | 125,489,900 | 6.4 |
| Education | 89,432,300 | 96,482,400 | 7,050,100 | 7.9 |
| Environmental Quality (Operations) | 404,659,100 | 346,268,300 | (58,390,800) | (14.4) |
| Environmental Quality (CMI Bond) | 25,411,000 | 5,663,200 | (19,747,800) | (77.7) |
| Executive | 5,272,900 | 5,317,300 | 44,400 | 0.8 |
| Higher Education | 1,610,750,400 | 1,896,375,700 | 285,625,300 | 17.7 |
| History, Arts, and Libraries | 50,230,300 | 49,363,700 | (866,600) | (1.7) |
| Human Services | 4,495,883,900 | 4,574,977,200 | 79,093,300 | 1.8 |
| Information Technology | 0 | 0 | 0 | 0.0 |
| Judiciary | 255,764,100 | 256,768,000 | 1,003,900 | 0.4 |
| Labor and Economic Growth | 1,271,711,800 | 1,266,757,900 | (4,953,900) | (0.4) |
| Legislative Auditor General | 13,305,600 | 14,026,700 | 721,100 | 5.4 |
| Legislature | 111,282,500 | 114,504,000 | 3,221,500 | 2.9 |
| Management and Budget | 317,984,200 | 311,264,100 | (6,720,100) | (2.1) |
| Military and Veteran Affairs | 122,097,400 | 127,749,800 | 5,652,400 | 4.6 |
| Natural Resources (Operations) | 279,610,200 | 284,387,100 | 4,776,900 | 1.7 |
| Natural Resources Trust Fund | 36,148,100 | 0 | (36,148,100) | (100.0) |
| School Aid | 13,008,200,100 | 13,006,025,100 | (2,175,000) | (0.0) |
| State | 178,783,000 | 187,681,400 | 8,898,400 | 5.0 |
| State Police | 540,626,100 | 540,139,900 | (486,200) | (0.1) |
| Transportation | 3,408,192,000 | 3,360,195,600 | (47,996,400) | (1.4) |
| Treasury (Debt Service) | 100,158,200 | 119,986,400 | 19,828,200 | 19.8 |
| Treasury (Operations) | 378,954,300 | 388,153,100 | 9,198,800 | 2.4 |
| Treasury (Revenue Sharing) | 1,071,104,341 | 1,072,990,600 | 1,886,259 | 0.2 |
| Treasury (Strategic Fund) | 85,747,600 | 166,342,500 | 80,594,900 | 94.0 |
| TOTAL APPROPRIATIONS | \$41,846,394,431 | \$42,791,804,000 | \$945,409,569 | 2.3% |

Figure B

Adjusted Gross FY 2007-08 Initial Enacted Appropriations

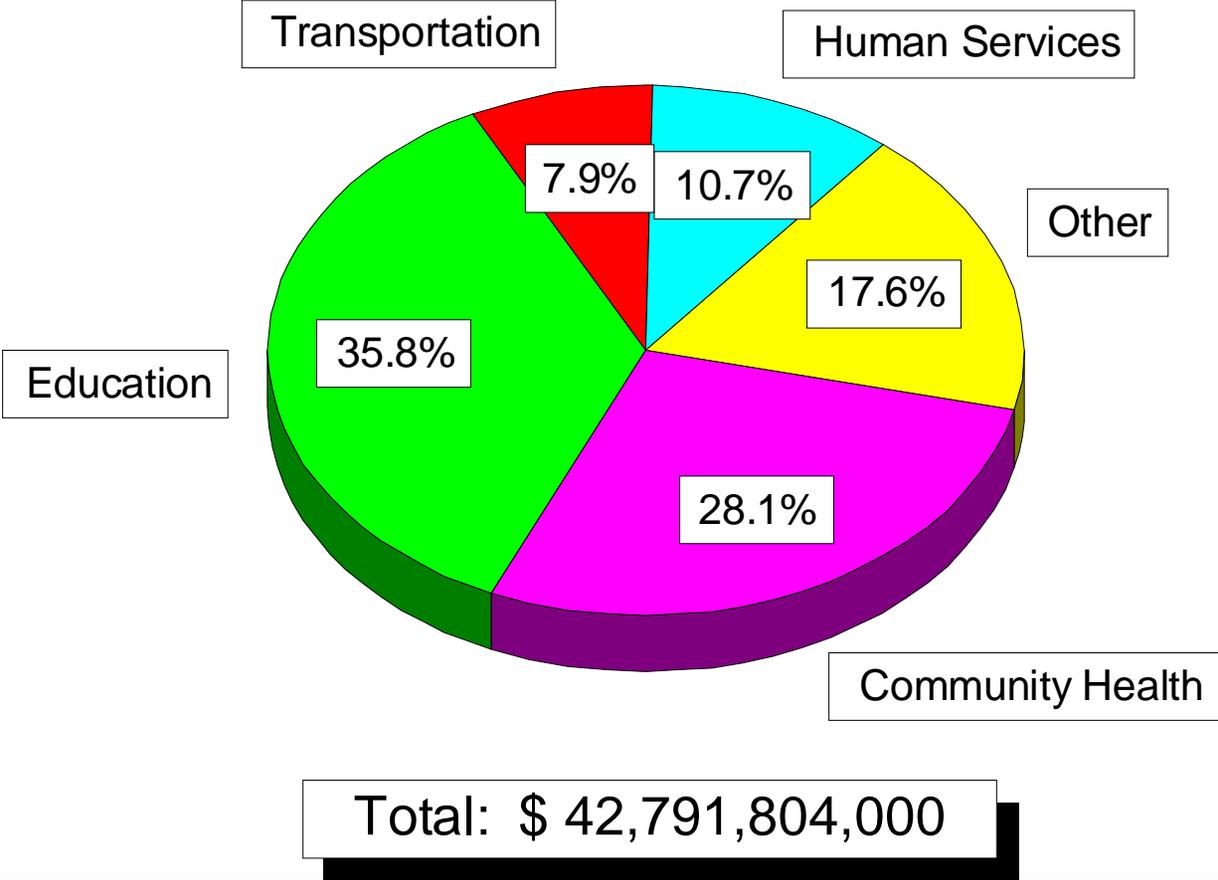


Table 3

| STATE SPENDING FROM STATE RESOURCES FY 2006-07 VERSUS FY 2007-08 | | | | |
|---|---|--|------------------------------|---------------------------|
| Department/Budget Area | FY 2006-07 Year-to-Date Appropriations | FY 2007-08 Initial Enacted Appropriations | Dollar Difference | Percent Change |
| Agriculture | \$76,137,859 | \$77,279,800 | \$1,141,941 | 1.5% |
| Attorney General | 41,646,800 | 43,527,900 | 1,881,100 | 4.5 |
| Capital Outlay | 58,694,300 | 0 | (58,694,300) | (100.0) |
| Civil Rights | 12,098,100 | 12,437,200 | 339,100 | 2.8 |
| Civil Service | 24,551,100 | 24,316,600 | (234,500) | (1.0) |
| Community Colleges | 247,845,500 | 318,928,800 | 71,083,300 | 28.7 |
| Community Health | 4,926,416,700 | 4,987,648,000 | 61,231,300 | 1.2 |
| Corrections | 1,939,662,200 | 2,066,234,100 | 126,571,900 | 6.5 |
| Education | 13,835,600 | 14,111,900 | 276,300 | 2.0 |
| Environmental Quality (Operations) | 266,641,300 | 214,062,700 | (52,578,600) | (19.7) |
| Environmental Quality (CMI Bond) | 25,411,000 | 5,663,200 | (19,747,800) | (77.7) |
| Executive | 5,272,900 | 5,317,300 | 44,400 | 0.8 |
| Higher Education | 1,607,750,400 | 1,888,975,700 | 281,225,300 | 17.5 |
| History, Arts, and Libraries | 41,269,000 | 41,943,900 | 674,900 | 1.6 |
| Human Services | 1,326,854,300 | 1,368,108,700 | 41,254,400 | 3.1 |
| Information Technology | 0 | 0 | 0 | 0.0 |
| Judiciary | 244,369,200 | 245,889,400 | 1,520,200 | 0.6 |
| Labor and Economic Growth | 411,401,300 | 424,846,400 | 13,445,100 | 3.3 |
| Legislative Auditor General | 13,305,600 | 14,026,700 | 721,100 | 5.4 |
| Legislature | 110,882,500 | 114,104,000 | 3,221,500 | 2.9 |
| Management and Budget | 317,984,200 | 311,264,100 | (6,720,100) | (2.1) |
| Military and Veteran Affairs | 66,095,200 | 68,815,100 | 2,719,900 | 4.1 |
| Natural Resources (Operations) | 233,911,600 | 233,251,700 | (659,900) | (0.3) |
| Natural Resources Trust Fund | 36,148,100 | 0 | (36,148,100) | (100.0) |
| School Aid | 11,596,963,200 | 11,526,698,800 | (70,264,400) | (0.6) |
| State | 175,590,800 | 185,770,100 | 10,179,300 | 5.8 |
| State Police | 362,344,000 | 384,898,100 | 22,554,100 | 6.2 |
| Transportation | 2,192,012,300 | 2,116,605,000 | (75,407,300) | (3.4) |
| Treasury (Debt Service) | 100,158,200 | 119,986,400 | 19,828,200 | 19.8 |
| Treasury (Operations) | 342,385,700 | 350,646,700 | 8,261,000 | 2.4 |
| Treasury (Revenue Sharing) | 1,071,104,341 | 1,072,990,600 | 1,886,259 | 0.2 |
| Treasury (Strategic Fund) | 29,462,700 | 110,199,000 | 80,736,300 | 274.0 |
| TOTAL APPROPRIATIONS | \$27,918,206,000 | \$28,348,547,900 | \$430,341,900 | 1.5% |

Figure C

State Spending From State Resources

FY 2007-08 Initial Enacted Appropriations

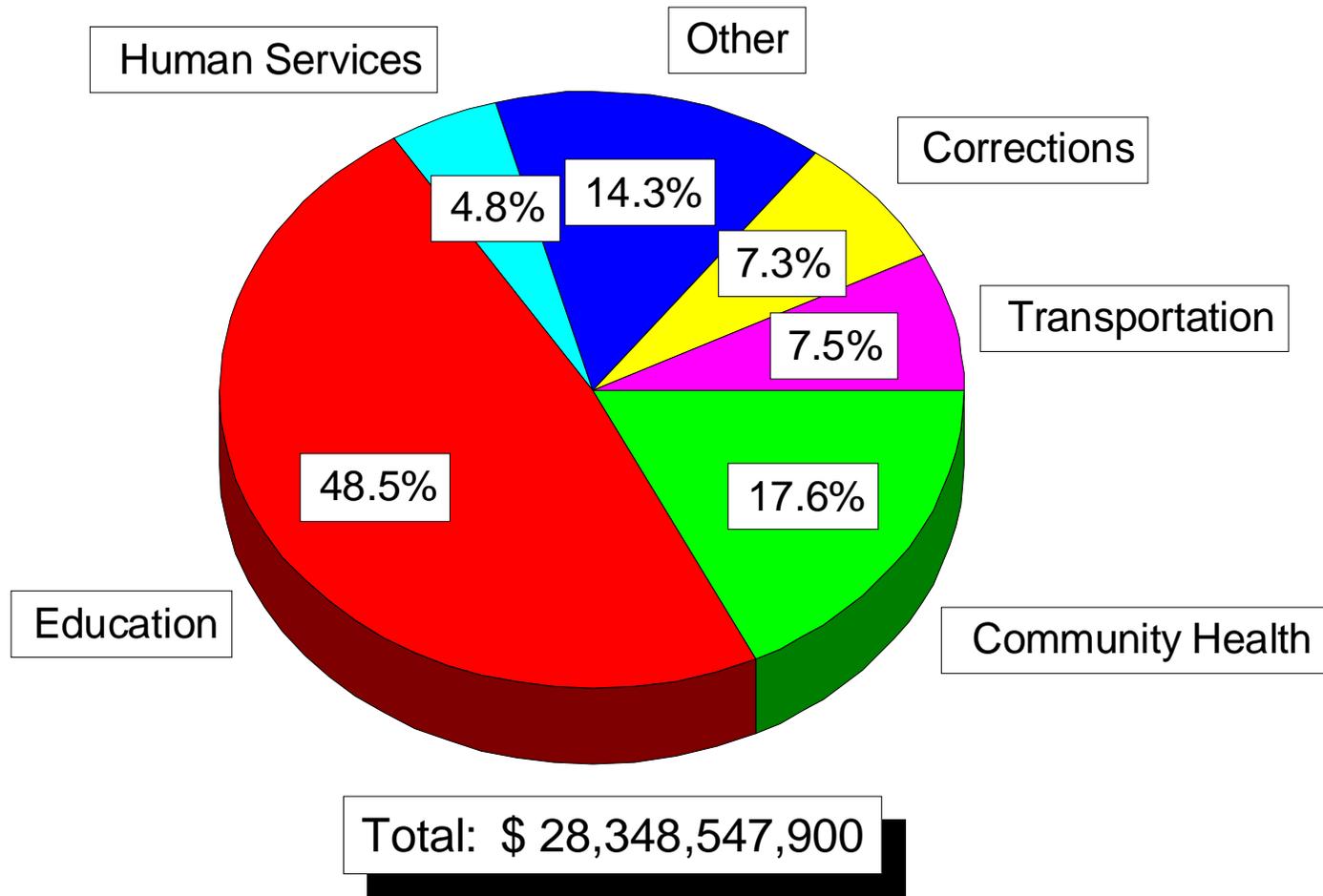


Table 4

| GENERAL FUND/GENERAL PURPOSE APPROPRIATIONS FY 2006-07 VERSUS FY 2007-08 | | | | |
|---|---|--|------------------------------|---------------------------|
| Department/Budget Area | FY 2006-07 Year-to-Date Appropriations | FY 2007-08 Initial Enacted Appropriations | Dollar Difference | Percent Change |
| Agriculture | \$28,333,900 | \$31,158,100 | \$2,824,200 | 10.0% |
| Attorney General | 30,471,000 | 32,036,600 | 1,565,600 | 5.1 |
| Capital Outlay | 5,000,000 | 0 | (5,000,000) | (100.0) |
| Civil Rights | 12,043,100 | 12,437,200 | 394,100 | 3.3 |
| Civil Service | 6,337,600 | 6,644,800 | 307,200 | 4.8 |
| Community Colleges | 247,845,500 | 318,928,800 | 71,083,300 | 28.7 |
| Community Health | 3,145,328,500 | 3,125,311,600 | (20,016,900) | (0.6) |
| Corrections | 1,871,877,500 | 1,996,084,500 | 124,207,000 | 6.6 |
| Education | 6,188,300 | 7,075,400 | 887,100 | 14.3 |
| Environmental Quality (Operations) | 30,787,700 | 31,763,200 | 975,500 | 3.2 |
| Environmental Quality (CMI Bond) | 0 | 0 | 0 | 0.0 |
| Executive | 5,272,900 | 5,317,300 | 44,400 | 0.8 |
| Higher Education | 1,364,050,400 | 1,761,775,700 | 397,725,300 | 29.2 |
| History, Arts, and Libraries | 38,688,600 | 39,298,300 | 609,700 | 1.6 |
| Human Services | 1,267,636,600 | 1,308,410,100 | 40,773,500 | 3.2 |
| Information Technology | 0 | 0 | 0 | 0.0 |
| Judiciary | 156,501,200 | 157,996,700 | 1,495,500 | 1.0 |
| Labor and Economic Growth | 45,975,500 | 46,002,700 | 27,200 | 0.1 |
| Legislative Auditor General | 11,765,700 | 12,486,800 | 721,100 | 6.1 |
| Legislature | 109,772,700 | 112,994,200 | 3,221,500 | 2.9 |
| Management and Budget | 266,265,900 | 260,834,400 | (5,431,500) | (2.0) |
| Military and Veteran Affairs | 39,299,200 | 40,386,500 | 1,087,300 | 2.8 |
| Natural Resources (Operations) | 24,289,700 | 22,743,200 | (1,546,500) | (6.4) |
| Natural Resources Trust Fund | 0 | 0 | 0 | 0.0 |
| School Aid | 35,000,000 | 34,909,600 | (90,400) | (0.3) |
| State | 17,758,600 | 28,797,200 | 11,038,600 | 62.2 |
| State Police | 243,187,000 | 273,579,300 | 30,392,300 | 12.5 |
| Transportation | 0 | 0 | 0 | 0.0 |
| Treasury (Debt Service) | 6,243,700 | 96,071,900 | 89,828,200 | 1,438.7 |
| Treasury (Operations) | 65,144,000 | 63,419,300 | (1,724,700) | (2.6) |
| Treasury (Revenue Sharing) | 212,000 | 325,600 | 113,600 | 53.6 |
| Treasury (Strategic Fund) | 29,457,700 | 29,493,800 | 36,100 | 0.1 |
| TOTAL APPROPRIATIONS | \$9,110,734,500 | \$9,856,282,800 | \$745,548,300 | 8.2% |

Figure D

General Fund/General Purpose FY 2007-08 Initial Enacted Appropriations

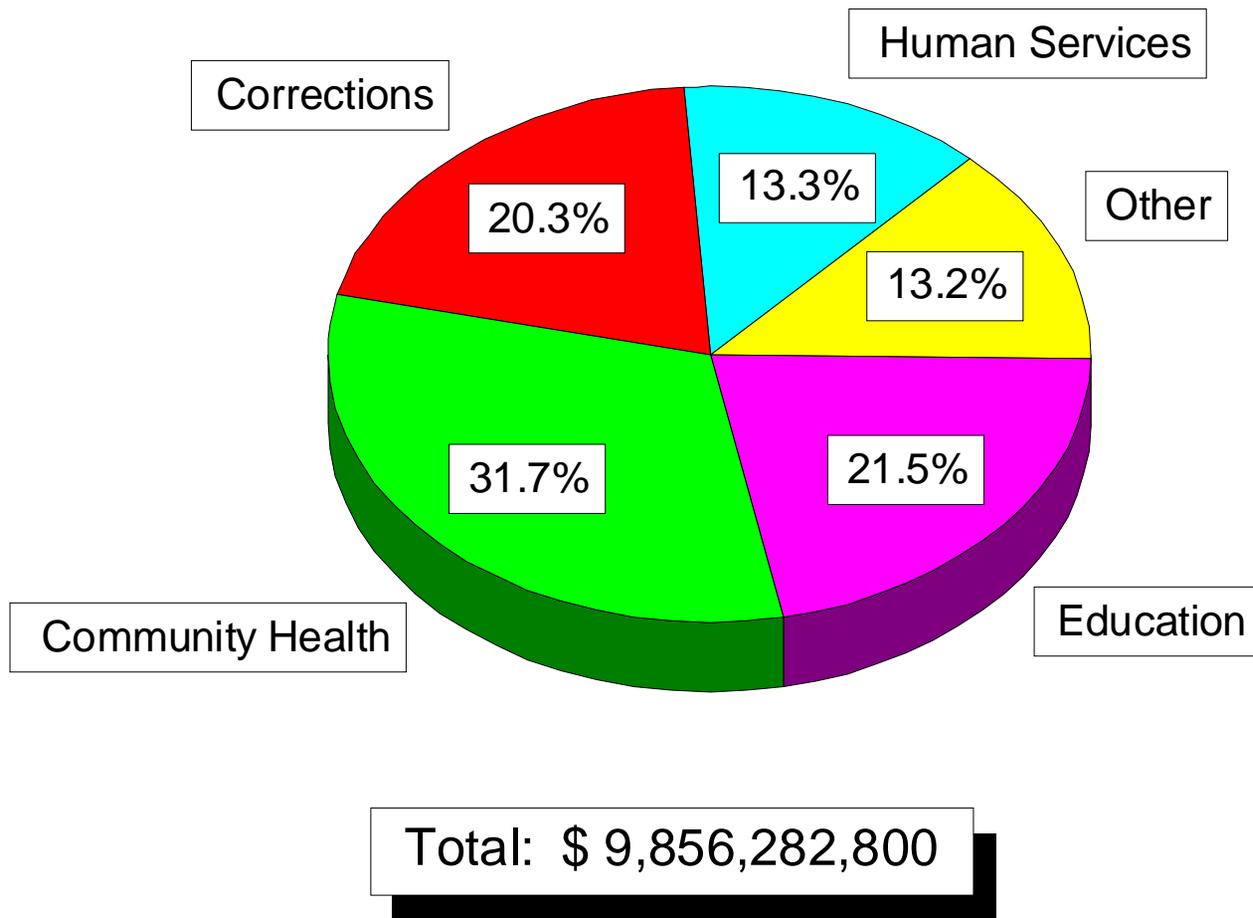


Table 5
FY 2007-08
LINE ITEM VETOES
(Actual Dollars)

| Budget Area/Item | Adjusted Gross | General Fund/ General Purpose |
|---|-----------------------|----------------------------------|
| Agriculture | | |
| Cooperative Resource Management Initiative Program IDG from DNR | \$ 0 | \$ 0 |
| Northwest Michigan Horticultural Research Station | (30,000) | 0 |
| Attorney General | | |
| Veto of Language on the Carry Forward of Unspent Funds | 0 | 0 |
| Environmental Quality | | |
| St. Clair Watershed Monitoring Program..... | (250,000) | 0 |
| Human Services | | |
| Earned Income Tax Credit Initiative | (250,000) | 0 |
| Pontiac School - Crisis Project | (78,500) | 0 |
| Michigan State University - Kinship Care | (200,000) | 0 |
| Newberry Community Action Agencies | (300,000) | (300,000) |
| Title IV-E Revenue for Counties | (5,000,000) | 0 |
| Foster Care Licensing by Private Certified Public Accountants | (2,890,900) | (1,445,500) |
| Adoption Contract Rate Adjustments | (374,600) | (236,000) |
| Midland County Counseling Program..... | (11,500) | (11,500) |
| Indigent Burial Rate Adjustments | (2,359,300) | (2,359,300) |
| Child Support Arrearage Collections | (500,000) | (170,000) |
| Management and Budget | | |
| Report on Personal Property and Equipment Owned by the State..... | (2,500) | 0 |
| Natural Resources | | |
| Cooperative Resource Management Initiative Program | (1,000,000) | (1,000,000) |
| School Aid | | |
| Transportation Funding for Certain Local School Districts..... | (1,275,000) | 0 |
| State Police | | |
| Law Enforcement Study | (250,000) | (250,000) |
| Transportation | | |
| Language Requiring a Cost Allocation Study..... | (100,000) | 0 |
| Treasury | | |
| National Conference of Commissioners on Uniform State Laws Dues..... | (51,000) | 0 |
| Total Line-Item Vetoes | \$(14,923,300) | \$(5,802,000) |

Table 6

| FY 2007-08 TOBACCO SETTLEMENT APPROPRIATIONS MICHIGAN MERIT AWARD TRUST FUND (Actual Dollars) | |
|--|-------------------------------------|
| Budget Area/Program | FY 2007-08 Initial Appropriation |
| Attorney General | |
| Administration | \$406,700 |
| Community Health | |
| Medicaid Base | \$134,000,000 |
| Medicaid Nursing Home Personal Needs Allowance | 5,000,000 |
| Aging: Respite Care | <u>5,000,000</u> |
| Total Community Health | \$144,000,000 |
| Higher Education | |
| Merit Award Scholarships | \$60,000,000 |
| Promise Grants | 43,500,000 |
| Tuition Incentive Program | 15,850,000 |
| Nursing Scholarship Program | <u>4,250,000</u> |
| Total Higher Education | \$123,600,000 |
| Department of Treasury | |
| Merit Award Administration | \$1,468,900 |
| Michigan Education Savings Plan | 800,000 |
| Tuition Incentive Program Administration | 424,400 |
| Information Technology | <u>415,300</u> |
| Total Treasury | \$3,108,600 |
| Total Merit Award Trust Fund Appropriations | <u>\$271,115,300</u> |

Table 7
FY 2007-08
GENERAL FUND/GENERAL PURPOSE
INITIAL ENACTED BUDGET
(Millions of Dollars)

| | SFA Estimate |
|---|---------------------|
| Revenue: | |
| Consensus Revenue Estimate | \$6,919.7 |
| Revenue Sharing Freeze | 555.9 |
| Ongoing Revenue from Michigan Business Tax | 1,189.5 |
| One-Time Revenue from Michigan Business Tax..... | 219.4 |
| Income Tax Rate Increase (P.A. 94 of 2007)..... | 744.8 |
| Use Tax on Services (P.A. 93 of 2007) | 409.2 |
| Juror Compensation Fund Transfer to General Fund | \$2.3 |
| Comprehensive Transportation Fund Transfer to General Fund | 5.0 |
| Transportation Economic Development Fund Transfer to General Fund | 13.0 |
| Veterans Income Tax Deduction (P.A. 94 of 2007)..... | (0.5) |
| Shift of Short-Term Borrowing Costs to School Aid Fund..... | 22.8 |
| Financial Institutions Fund Shift to General Fund | 2.0 |
| Total Revenue | \$10,083.1 |
| Expenditures: | |
| Enacted Appropriations | \$9,856.3 |
| Projected Year-End Balance | \$226.8 |
| Transfer of One-Time MBT Revenue to BSF | \$(219.4) |
| Adjusted Year-End Balance | \$7.4 |

Table 8
FY 2007-08
SCHOOL AID FUND
INITIAL ENACTED BUDGET
(Millions of Dollars)

| | SFA Estimate |
|---|---------------------|
| Revenue: | |
| Consensus Revenue Estimate | \$11,285.0 |
| Other Revenue Adjustments | 15.0 |
| Use Tax on Services (P.A. 93 of 2007) | 204.6 |
| Betten Motors Judgment (P.A. 103 of 2007) | (0.7) |
| Federal Revenue | 1,479.3 |
| GF/GP Grant to School Aid Fund | 34.9 |
| Total Revenue | \$13,018.1 |
| Expenditures: | |
| Enacted Appropriations | \$13,006.0 |
| Projected Year-End Balance | \$12.1 |

**Table 9
FULL-TIME EQUATED POSITIONS
FY 2006-07 VERSUS FY 2007-08**

| Department/Budget Area | FY 2006-07 Year-to-Date Positions | FY 2007-08 Initial Enacted Positions | Position Change | Percent Change |
|------------------------------------|--|---|----------------------------|---------------------------|
| Agriculture | 679.0 | 686.5 | 7.5 | 1.1% |
| Attorney General | 559.0 | 556.0 | (3.0) | (0.5) |
| Civil Rights | 136.0 | 136.0 | 0.0 | 0.0 |
| Civil Service | 240.5 | 240.5 | 0.0 | 0.0 |
| Community Health | 4,666.1 | 4,761.6 | 95.5 | 2.0 |
| Corrections | 17,782.0 | 17,637.4 | (144.6) | (0.8) |
| Education | 435.5 | 466.5 | 31.0 | 7.1 |
| Environmental Quality (Operations) | 1,561.7 | 1,561.7 | 0.0 | 0.0 |
| Executive | 74.2 | 74.2 | 0.0 | 0.0 |
| Higher Education | 1.0 | 1.0 | 0.0 | 0.0 |
| History, Arts, and Libraries | 232.0 | 230.0 | (2.0) | (0.9) |
| Human Services | 10,388.4 | 10,575.4 | 187.0 | 1.8 |
| Information Technology | 1,776.4 | 1,774.4 | (2.0) | (0.1) |
| Judiciary | 509.0 | 519.0 | 10.0 | 2.0 |
| Labor and Economic Growth | 4,238.5 | 4,282.5 | 44.0 | 1.0 |
| Management and Budget | 752.0 | 747.5 | (4.5) | (0.6) |
| Military and Veteran Affairs | 1,015.0 | 1,015.0 | 0.0 | 0.0 |
| Natural Resources (Operations) | 2,086.4 | 2,082.9 | (3.5) | (0.2) |
| State | 1,853.8 | 1,853.8 | 0.0 | 0.0 |
| State Police | 2,900.0 | 2,899.0 | (1.0) | (0.0) |
| Transportation | 3,030.3 | 3,029.3 | (1.0) | (0.0) |
| Treasury (Operations) | 1,697.5 | 1,744.5 | 47.0 | 2.8 |
| Treasury (Strategic Fund) | 152.0 | 152.0 | 0.0 | 0.0 |
| TOTAL POSITIONS | 56,766.3 | 57,026.7 | 260.4 | 0.5% |

Figure E

Full-Time Equated Positions FY 2007-08 Initial Enacted Appropriations

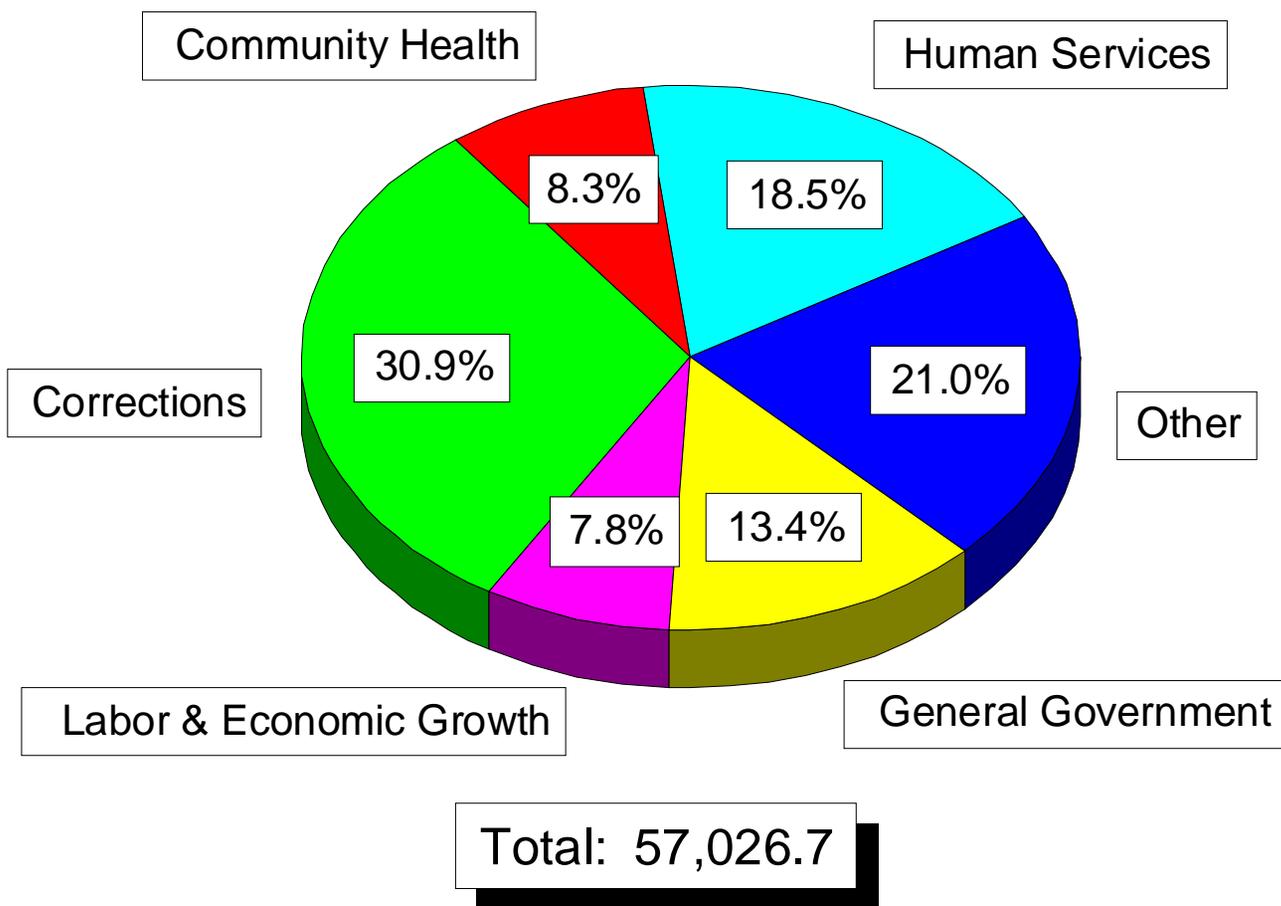


Table 10

| STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT ARTICLE IX, SECTION 30 REQUIREMENT (Millions of Dollars) | | |
|---|-----------------------------|-----------------------------|
| | 2006-07 Estimate | 2007-08 Estimate |
| State Spending from State Resources ¹⁾ | \$27,883.2 | \$28,313.5 |
| Required Payments to Local Units of Government (48.97%) | \$13,654.4 | \$13,865.1 |
| Estimated Payments to Local Units of Government..... | \$16,021.5 | \$15,978.0 |
| Estimated Payments as a Percentage of Total State Spending | 57.45% | 56.43% |
| Surplus of Section 30 Payments | \$2,367.1 | \$2,112.9 |

¹⁾ Excludes \$35.0 million of unrestricted Federal aid.

Table 11

| STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT FY 2006-07 VERSUS FY 2007-08 | | | | |
|---|--|---|-----------------------|-------------------|
| Department/Budget Area | FY 2006-07 Year-to-Date Appropriations | FY 2007-08 Initial Enacted Appropriations | Dollar Difference | Percent Change |
| Agriculture..... | \$3,216,800 | \$2,616,800 | (\$600,000) | (18.7)% |
| Attorney General..... | 0 | 0 | 0 | 0.0 |
| Capital Outlay..... | 28,546,600 | 0 | (28,546,600) | (100.0) |
| Civil Rights..... | 0 | 0 | 0 | 0.0 |
| Civil Service..... | 0 | 0 | 0 | 0.0 |
| Community Colleges..... | 247,845,500 | 318,928,800 | 71,083,300 | 28.7 |
| Community Health..... | 1,250,435,700 | 1,290,792,300 | 40,356,600 | 3.2 |
| Corrections..... | 90,341,500 | 91,440,000 | 1,098,500 | 1.2 |
| Education..... | 0 | 0 | 0 | 0.0 |
| Environmental Quality (Operations)..... | 5,758,700 | 4,050,000 | (1,708,700) | (29.7) |
| Environmental Quality (CMI Bond)..... | 0 | 0 | 0 | 0.0 |
| Executive..... | 0 | 0 | 0 | 0.0 |
| Higher Education..... | 3,759,100 | 3,759,100 | 0 | 0.0 |
| History, Arts, and Libraries..... | 14,058,900 | 11,536,300 | (2,522,600) | (17.9) |
| Human Services..... | 113,717,400 | 123,730,400 | 10,013,000 | 8.8 |
| Information Technology..... | 0 | 0 | 0 | 0.0 |
| Judiciary..... | 124,373,500 | 123,725,200 | (648,300) | (0.5) |
| Labor and Economic Growth..... | 51,370,500 | 51,470,500 | 100,000 | 0.2 |
| Legislative Auditor General..... | 0 | 0 | 0 | 0.0 |
| Legislature..... | 0 | 0 | 0 | 0.0 |
| Management and Budget..... | 0 | 0 | 0 | 0.0 |
| Military and Veteran Affairs..... | 120,000 | 120,000 | 0 | 0.0 |
| Natural Resources (Operations)..... | 29,182,500 | 19,241,100 | (9,941,400) | (34.1) |
| Natural Resources Trust Fund..... | 21,392,700 | 0 | (21,392,700) | (100.0) |
| School Aid..... | 11,492,472,200 | 11,457,218,300 | (35,253,900) | (0.3) |
| State..... | 1,469,800 | 1,225,200 | (244,600) | (16.6) |
| State Police..... | 19,899,200 | 20,594,700 | 695,500 | 3.5 |
| Transportation..... | 1,304,085,600 | 1,240,293,900 | (63,791,700) | (4.9) |
| Treasury (Debt Service)..... | 0 | 0 | 0 | 0.0 |
| Treasury (Operations)..... | 138,504,000 | 136,869,900 | (1,634,100) | (1.2) |
| Treasury (Revenue Sharing)..... | 1,071,104,341 | 1,072,990,600 | 1,886,259 | 0.2 |
| Treasury (Strategic Fund)..... | 9,798,000 | 7,441,200 | (2,356,800) | (24.1) |
| TOTAL APPROPRIATIONS..... | \$16,021,452,541 | \$15,978,044,300 | (\$43,408,241) | (0.3)% |

BUDGET AREA DETAIL

**DEPARTMENT OF AGRICULTURE
P.A. 128 of 2007**

| FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE | FY 2006-07 YEAR-TO-DATE | FY 2007-08 GOV.'S REC. | FY 2007-08 SENATE | FY 2007-08 HOUSE | FY 2007-08 YEAR-TO-DATE | CHANGES FROM FY 2006-07 YEAR-TO-DATE | |
|---|----------------------------|---------------------------|----------------------|---------------------|----------------------------|---|---------------|
| | | | | | | AMOUNT | PERCENT |
| FTE Positions | 679.0 | 674.0 | 673.0 | N/A | 686.5 | 7.5 | 1.1 |
| GROSS | 110,232,000 | 106,330,600 | 109,164,700 | 0 | 108,369,300 | (1,862,700) | (1.7) |
| Less: | | | | | | | |
| Interdepartmental Grants Received..... | 10,367,510 | 9,390,400 | 9,390,600 | 0 | 9,615,400 | (752,110) | (7.3) |
| ADJUSTED GROSS | 99,864,490 | 96,940,200 | 99,774,100 | 0 | 98,753,900 | (1,110,590) | (1.1) |
| Less: | | | | | | | |
| Federal Funds | 23,542,831 | 21,990,600 | 21,115,600 | 0 | 21,240,600 | (2,302,231) | (9.8) |
| Local and Private..... | 183,800 | 188,500 | 188,500 | 0 | 233,500 | 49,700 | 27.0 |
| TOTAL STATE SPENDING | 76,137,859 | 74,761,100 | 78,470,000 | 0 | 77,249,800 | 1,111,941 | 1.5 |
| Less: | | | | | | | |
| Other State Restricted Funds | 47,803,959 | 45,423,700 | 49,671,800 | 0 | 46,121,700 | (1,682,259) | (3.5) |
| GENERAL FUND/GENERAL PURPOSE .. | 28,333,900 | 29,337,400 | 28,798,200 | 0 | 31,158,100 | 2,824,200 | 10.0 |
| PAYMENTS TO LOCALS | 3,216,800 | 1,700,000 | 2,616,800 | 0 | 2,616,800 | (600,000) | (18.7) |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

A. NEW PROGRAMS - NONE

B. PROGRAM ELIMINATIONS - NONE

C. PROGRAM TRANSFERS - NONE

D. FUNDING SHIFTS

1. Agriculture Statistics

The budget reduces the General Fund appropriation by \$274,500 for FY 2007-08, but partially offsets the reduction with \$75,000 in private funds. Boilerplate language was added to require that private organizations match State funding for studies at a rate of not less than 50%.

| | |
|---------|-----------|
| FTE | (2.0) |
| Gross | (199,500) |
| Private | 75,000 |
| GF | (274,500) |

2. Aquaculture/Cervid Culture

A reduction in the General Fund appropriation of \$150,000 is partially offset by an interdepartmental grant (IDG) of \$75,000 from the Department of Natural Resources. In addition, added boilerplate directs the Michigan Department of Agriculture (MDA) to inspect and test aquaculture facilities and researchers as required by statute.

| | |
|-------|-----------|
| FTE | (1.0) |
| Gross | (75,000) |
| IDG | 75,000 |
| GF | (150,000) |

3. Laboratory Program

A reduction in the General Fund appropriation of \$150,000 is partially offset by an increase of \$75,000 in expenditure authority from restricted fees. Boilerplate language was added to require that appropriations from the Licensing and Inspection Fee Fund be used to maintain the feed testing program.

| | |
|------------|-----------|
| FTE | (2.0) |
| Gross | (75,000) |
| Restricted | 75,000 |
| GF | (150,000) |

4. Pesticide and Plant Pest Management

The budget reduces the General Fund appropriation by \$553,400 for FY 2007-08, but partially offsets the reduction with increased expenditure authority from restricted funds. Boilerplate language was added to voice the intent of the Legislature that increases in commodity fees be used to offset the GF reduction.

| | |
|------------|-----------|
| FTE | (3.0) |
| Gross | (180,400) |
| Restricted | 373,000 |
| GF | (553,400) |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

5. Michigan Agriculture Surplus System

A reduction in the General Fund appropriation of \$150,000 is offset by an interdepartmental grant from the Department of Human Services to maintain the overall funding level.

| | |
|-------|-----------|
| Gross | 0 |
| IDG | 150,000 |
| GF | (150,000) |

6. Environmental Stewardship

The budget reduces the General Fund appropriation by \$50,000, but offsets the reduction with increased expenditure authority from the Freshwater Protection Fund.

| | |
|------------|----------|
| Gross | 0 |
| Restricted | 50,000 |
| GF | (50,000) |

E. UNCLASSIFIED SALARIES - NONE

F. FEE INCREASES - NONE

G. ECONOMIC ADJUSTMENTS

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets.

| | |
|------------|-----------|
| Gross | 2,411,000 |
| IDG | 7,700 |
| Federal | 428,100 |
| Private | 4,700 |
| Restricted | 891,900 |
| GF | 1,078,600 |

H. PROGRAM REDUCTIONS

The budget includes reductions in General Fund financing for various programs in the Department of Agriculture:

| | |
|-------|-------------|
| FTE | (5.5) |
| Gross | (1,278,800) |
| GF | (1,278,800) |

- Local Conservation Districts – (\$600,000). The FY 2007-08 appropriation will provide grants of \$11,605 for each district.
- Intercounty Drain Program – (\$269,300) and (2.5) FTEs.
- Right to Farm – (\$10,000).
- Commissions and Boards – (\$29,500).
- Management Services – (\$300,000) and (3.0) FTEs.

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

- Information Technology – (\$40,000).
- Agriculture Development – (\$30,000).

I. PROGRAM EXPANSIONS

| | |
|-------|-----------|
| FTE | 10.0 |
| Gross | 1,900,000 |
| GF | 1,900,000 |

The General Fund appropriation was increased for two programs:

- Bovine TB - \$1.6 million and 10.0 FTEs.
- Technical Assistance for the Natural Resources Conservation Service - \$300,000.

J. REVENUE-RELATED ADJUSTMENTS

| | |
|------------|-------------|
| Gross | (6,541,700) |
| Federal | (2,887,500) |
| Restricted | (3,654,200) |
| GF | 0 |

Various programs were adjusted to reflect changes in revenue:

- Emerald Ash Borer – reduction of \$3.8 million in Federal funds.
- Horse Racing Line Items – reduction of \$3.7 million in Agriculture Equine Industry Development Fund (AEIDF) funding.
- Bovine TB – reduction of \$215,500 in AEIDF funding.
- Future Farmers of America (FFA) and 4H Grants – elimination of \$100,000 in AEIDF funds. The FFA grant was funded through the MSU budget.
- Food Safety – increase of \$200,000 in civil penalty revenue.
- Migrant Housing – increase of \$250,000 in Federal funds.
- Miscellaneous Adjustments - \$808,300 from various funding sources.

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

K. OTHER REDUCTIONS AND ADJUSTMENTS

The budget includes adjustments for one-time reductions enacted in FY 2006-07 and administrative adjustments and reductions.

| | |
|------------|-----------|
| FTE | 11.0 |
| Gross | 3,206,700 |
| IDG | 15,190 |
| Federal | 157,169 |
| Restricted | 582,041 |
| GF | 2,452,300 |

L. VETOES

1. Cooperative Resources Management Initiative Program

The Governor vetoed the appropriation for the Cooperative Resources Management Initiative Program, which provides financial incentives to farmers in exchange for implementation of conservation practices. The funding source was an IDG from the Forest Development Fund in the Department of Natural Resources. Revenue to that Fund had decreased to the point that it could no longer support the transfer.

| | |
|-------|-------------|
| Gross | (1,000,000) |
| IDG | (1,000,000) |
| GF/GP | 0 |

2. Northwest Michigan Horticulture Research Station

The Governor vetoed Sec. 703, which directed the MDA to provide a grant to the research station.

| | |
|---------|----------|
| Gross | (30,000) |
| Private | (30,000) |

**DEPARTMENT OF ATTORNEY GENERAL
P.A. 127 of 2007**

| FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE | FY 2006-07 YEAR-TO-DATE | FY 2007-08 GOV.'S REC. | FY 2007-08 SENATE | FY 2007-08 HOUSE | FY 2007-08 YEAR-TO-DATE | CHANGES FROM FY 2006-07 YEAR-TO-DATE | |
|---|----------------------------|---------------------------|----------------------|---------------------|----------------------------|---|--------------|
| | | | | | | AMOUNT | PERCENT |
| FTE Positions | 559.0 | 556.0 | 556.0 | N/A | 556.0 | (3.0) | (0.5) |
| GROSS | 65,146,800 | 73,630,800 | 68,910,800 | 0 | 73,124,200 | 7,977,400 | 12.2 |
| Less: | | | | | | | |
| Interdepartmental Grants Received..... | 13,539,300 | 21,780,300 | 14,364,500 | 0 | 21,780,300 | 8,241,000 | 60.9 |
| ADJUSTED GROSS | 51,607,500 | 51,850,500 | 54,546,300 | 0 | 51,343,900 | (263,600) | (0.5) |
| Less: | | | | | | | |
| Federal Funds | 9,960,700 | 7,816,000 | 10,179,300 | 0 | 7,816,000 | (2,144,700) | (21.5) |
| Local and Private..... | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| TOTAL STATE SPENDING | 41,646,800 | 44,034,500 | 44,367,000 | 0 | 43,527,900 | 1,881,100 | 4.5 |
| Less: | | | | | | | |
| Other State Restricted Funds | 11,175,800 | 11,169,000 | 12,173,500 | 0 | 11,491,300 | 315,500 | 2.8 |
| GENERAL FUND/GENERAL PURPOSE .. | 30,471,000 | 32,865,500 | 32,193,500 | 0 | 32,036,600 | 1,565,600 | 5.1 |
| PAYMENTS TO LOCALS | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

A. NEW PROGRAMS

Real Estate Fraud Investigations

New funding was added for the Department to conduct real estate fraud investigations and prosecutions.

| | |
|------------|---------|
| Gross | 322,300 |
| Restricted | 322,300 |
| GF/GP | 0 |

B. PROGRAM ELIMINATIONS

1. Federal Funding Reductions

Federal funding was eliminated in four areas: Student Loan Lender Allowances (\$320,200); Unemployment Insurance (\$1,564,500); OSHA Grants (\$274,700); and EPA Grants (\$280,800).

| | |
|---------|-------------|
| Gross | (2,440,200) |
| Federal | (2,440,200) |
| GF/GP | 0 |

2. Early Retirement Sick Leave Payout.

The final payment of the five-year payout for sick leave associated with the early retirement incentive in 2002 was made in FY 2006-07; thus, funding is no longer necessary and this funding was eliminated.

| | |
|-------|----------|
| Gross | (71,300) |
| GF/GP | (71,300) |

C. PROGRAM TRANSFERS - NONE

D. FUNDING SHIFTS - NONE

E. UNCLASSIFIED SALARIES - NONE

F. FEE INCREASES - NONE

G. ECONOMIC ADJUSTMENTS

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets.

| | |
|------------|-----------|
| Gross | 2,645,000 |
| IDG | 767,600 |
| Federal | 247,900 |
| Restricted | 285,600 |
| GF/GP | 1,343,900 |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

H. INTERDEPARTMENTAL GRANTS

Interdepartmental grant payments were adjusted to more accurately align payments by departments to the Attorney General's office for legal services rendered.

| | |
|-------|-----------|
| Gross | 6,654,500 |
| IDG | 6,654,500 |
| GF/GP | 0 |

I. FY 2006-07 YEAR-TO-DATE ADJUSTMENTS

Adjustments to the year-to-date figure for FY 2006-07 were made to reflect changes in appropriations due to Executive Order 2007-3 and Public Acts 17 and 41 of 2007.

| | |
|------------|-----------|
| Gross | 3,385,500 |
| IDG | 375,000 |
| Federal | 275,800 |
| Restricted | 309,700 |
| GF/GP | 2,425,000 |

J. ADMINISTRATIVE AND OTHER GF REDUCTIONS

The Governor made an administrative reduction to the Operations line totaling \$1.3 million. The Conference Report made further reductions to line items including: Operations (\$770,900); Child Support Enforcement (\$24,800); and Prosecuting Attorneys Coordinating Council (\$33,200).

| | |
|-------|-------------|
| Gross | (2,128,900) |
| GF/GP | (2,128,900) |

K. OTHER ADJUSTMENTS

Other changes, including reducing the Department by 3.0 FTEs, led to minor adjustments in funding.

| | |
|------------|-----------|
| FTE | (3.0) |
| Gross | (389,500) |
| IDG | 443,900 |
| Federal | (228,200) |
| Restricted | (602,100) |
| GF/GP | (3,100) |

L. VETOES

The Governor vetoed boilerplate language that would have allowed up to \$250,000 of unexpended Antitrust revenue to be carried forward for expenditure in the next fiscal year.

**DEPARTMENT OF CIVIL RIGHTS
P.A. 127 of 2007**

| FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE | FY 2006-07 YEAR-TO-DATE | FY 2007-08 GOV.'S REC. | FY 2007-08 SENATE | FY 2007-08 HOUSE | FY 2007-08 YEAR-TO-DATE | CHANGES FROM FY 2006-07 YEAR-TO-DATE | |
|---|----------------------------|---------------------------|----------------------|---------------------|----------------------------|---|------------|
| | | | | | | AMOUNT | PERCENT |
| FTE Positions | 136.0 | 136.0 | 136.0 | N/A | 136.0 | 0.0 | 0.0 |
| GROSS..... | 13,852,300 | 14,490,700 | 13,759,400 | 0 | 14,491,300 | 639,000 | 4.6 |
| Less: | | | | | | | |
| Interdepartmental Grants Received..... | 221,000 | 0 | 0 | 0 | 0 | (221,000) | (100.0) |
| ADJUSTED GROSS | 13,631,300 | 14,490,700 | 13,759,400 | 0 | 14,491,300 | 860,000 | 6.3 |
| Less: | | | | | | | |
| Federal Funds | 1,533,200 | 2,054,100 | 2,054,100 | 0 | 2,054,100 | 520,900 | 34.0 |
| Local and Private..... | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| TOTAL STATE SPENDING | 12,098,100 | 12,436,600 | 11,705,300 | 0 | 12,437,200 | 339,100 | 2.8 |
| Less: | | | | | | | |
| Other State Restricted Funds | 55,000 | 0 | 0 | 0 | 0 | (55,000) | (100.0) |
| GENERAL FUND/GENERAL PURPOSE .. | 12,043,100 | 12,436,600 | 11,705,300 | 0 | 12,437,200 | 394,100 | 3.3 |
| PAYMENTS TO LOCALS | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

A. NEW PROGRAMS - NONE

B. PROGRAM ELIMINATIONS

Early Retirement Sick Leave Payout

| | |
|-------|----------|
| Gross | (69,000) |
| GF/GP | (69,000) |

The final payment of the five-year payout for sick leave associated with the early retirement incentive in 2002 was made in FY 2006-07; thus, funding is no longer necessary and this funding was eliminated.

C. PROGRAM TRANSFERS - NONE

D. FUNDING SHIFTS

| | |
|---------|-----------|
| Gross | 0 |
| Federal | 400,000 |
| GF/GP | (400,000) |

The Department was able to capture \$400,000 in additional Federal funding, offsetting GF/GP dollars.

E. UNCLASSIFIED SALARIES

| | |
|-------|-----|
| Gross | 600 |
| GF/GP | 600 |

This line item was increased from \$264,100 to \$264,700.

F. FEE INCREASES - NONE

G. ECONOMIC ADJUSTMENTS

| | |
|---------|---------|
| Gross | 605,500 |
| Federal | 87,900 |
| GF/GP | 517,600 |

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets.

H. FY 2006-07 YEAR-TO-DATE ADJUSTMENTS

| | |
|------------|-----------|
| Gross | 167,900 |
| IDG | (221,000) |
| Federal | 33,000 |
| Restricted | (55,000) |
| GF/GP | 410,900 |

Adjustments to the year-to-date figure for FY 2006-07 were made to reflect changes in appropriations due to Executive Order 2007-3 and Public Acts 17 and 41 of 2007.

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

I. ADMINISTRATIVE REDUCTION

Gross (50,000)
GF/GP (50,000)

The Governor made an administrative reduction to the Operations line.

J. OTHER ADJUSTMENTS

Gross (16,000)
GF/GP (16,000)

Other changes led to minor adjustments in funding.

K. VETOES - NONE

**DEPARTMENT OF CIVIL SERVICE
P.A. 127 of 2007**

| FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE | FY 2006-07 YEAR-TO-DATE | FY 2007-08 GOV.'S REC. | FY 2007-08 SENATE | FY 2007-08 HOUSE | FY 2007-08 YEAR-TO-DATE | CHANGES FROM FY 2006-07 YEAR-TO-DATE | |
|---|----------------------------|---------------------------|----------------------|---------------------|----------------------------|---|--------------|
| | | | | | | AMOUNT | PERCENT |
| FTE Positions | 240.5 | 240.5 | 240.5 | N/A | 240.5 | 0.0 | 0.0 |
| GROSS | 35,284,700 | 36,985,400 | 36,786,300 | 0 | 36,821,600 | 1,536,900 | 4.4 |
| Less: | | | | | | | |
| Interdepartmental Grants Received | 5,720,200 | 5,875,900 | 5,875,900 | 0 | 5,875,900 | 155,700 | 2.7 |
| ADJUSTED GROSS | 29,564,500 | 31,109,500 | 30,910,400 | 0 | 30,945,700 | 1,381,200 | 4.7 |
| Less: | | | | | | | |
| Federal Funds | 3,163,400 | 4,779,100 | 4,779,100 | 0 | 4,779,100 | 1,615,700 | 51.1 |
| Local and Private | 1,850,000 | 1,850,000 | 1,850,000 | 0 | 1,850,000 | 0 | 0.0 |
| TOTAL STATE SPENDING | 24,551,100 | 24,480,400 | 24,281,300 | 0 | 24,316,600 | (234,500) | (1.0) |
| Less: | | | | | | | |
| Other State Restricted Funds | 18,213,500 | 17,671,800 | 17,671,800 | 0 | 17,671,800 | (541,700) | (3.0) |
| GENERAL FUND/GENERAL PURPOSE .. | 6,337,600 | 6,808,600 | 6,609,500 | 0 | 6,644,800 | 307,200 | 4.8 |
| PAYMENTS TO LOCALS | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

A. NEW PROGRAMS - NONE

B. PROGRAM ELIMINATIONS - NONE

C. PROGRAM TRANSFERS - NONE

D. FUNDING SHIFTS

A legislative transfer in FY 2006-07 decreased Federal spending by \$1.3 million and increased restricted spending by \$1.3 million due to higher-than-expected revenue received from other departments from a 1.0% restricted revenue authorization. The FY 2007-08 enacted budget returns the authorizations for both Federal and Restricted funds to prior-year levels, creating a funding shift between Federal and Restricted funds.

| | |
|------------|-------------|
| Gross | 0 |
| Federal | 1,300,000 |
| Restricted | (1,300,000) |
| GF/GP | 0 |

E. UNCLASSIFIED SALARIES - NONE

F. FEE INCREASES - NONE

G. ECONOMIC ADJUSTMENTS

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets.

| | |
|------------|---------|
| Gross | 818,300 |
| IDG | 87,800 |
| Restricted | 539,500 |
| GF/GP | 191,000 |

H. FY 2006-07 YEAR-TO-DATE ADJUSTMENTS

Adjustments to the year-to-date figure for FY 2006-07 were made to reflect changes in appropriations due to Executive Order 2007-3 and Public Acts 17 and 41 of 2007.

| | |
|------------|-----------|
| Gross | 1,262,400 |
| IDG | 67,900 |
| Federal | 315,700 |
| Restricted | 244,000 |
| GF/GP | 634,800 |

I. ADMINISTRATIVE AND OTHER GF REDUCTIONS

The Governor made an administrative reduction to the Executive Direction Operations line totaling \$348,600. The Conference Report made further reductions to the line item totaling \$163,800.

| | |
|-------|-----------|
| Gross | (512,400) |
| GF/GP | (512,400) |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

J. OTHER ADJUSTMENTS

Other changes led to minor adjustments in funding.

| | |
|------------|----------|
| Gross | (31,400) |
| Restricted | (25,200) |
| GF/GP | (6,200) |

K. VETOES - NONE

**COMMUNITY COLLEGES
P.A. 120 of 2007**

| FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE | FY 2006-07 YEAR-TO-DATE | FY 2007-08 GOV.'S REC. | FY 2007-08 SENATE | FY 2007-08 HOUSE | FY 2007-08 YEAR-TO-DATE | CHANGES FROM FY 2006-07 YEAR-TO-DATE | |
|---|----------------------------|---------------------------|----------------------|---------------------|----------------------------|---|-------------|
| | | | | | | AMOUNT | PERCENT |
| FTE Positions | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| GROSS | 247,845,500 | 323,128,800 | 3,200 | 333,839,600 | 318,928,800 | 71,083,300 | 28.7 |
| Less: | | | | | | | |
| Interdepartmental Grants Received..... | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| ADJUSTED GROSS | 247,845,500 | 323,128,800 | 3,200 | 333,839,600 | 318,928,800 | 71,083,300 | 28.7 |
| Less: | | | | | | | |
| Federal Funds | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| Local and Private..... | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| TOTAL STATE SPENDING | 247,845,500 | 323,128,800 | 3,200 | 333,839,600 | 318,928,800 | 71,083,300 | 28.7 |
| Less: | | | | | | | |
| Other State Restricted Funds | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| GENERAL FUND/GENERAL PURPOSE .. | 247,845,500 | 323,128,800 | 3,200 | 333,839,600 | 318,928,800 | 71,083,300 | 28.7 |
| PAYMENTS TO LOCALS | 247,845,500 | 323,128,800 | 3,200 | 333,839,600 | 318,928,800 | 71,083,300 | 28.7 |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

A. NEW PROGRAMS

Property Tax Base Disparity

| | |
|-------|---------|
| Gross | 350,000 |
| GF/GP | 350,000 |

The House added funding to three community college districts (Alpena \$125,700; Bay de Noc \$121,400; Gogebic \$258,500) that have property tax bases of less than \$1.4 billion and assess at least 2.5 mills. The Conference Report included adjustments to four community colleges (Alpena \$85,000; Bay de Noc \$85,000; Gogebic \$130,000; Mid Michigan \$50,000) with property tax bases of less than \$1.8 billion and a taxable value per fiscal-year-equated student below \$900.

B. PROGRAM ELIMINATIONS - NONE

C. PROGRAM TRANSFERS - NONE

D. FUNDING SHIFTS - NONE

E. UNCLASSIFIED SALARIES - NONE

F. FEE INCREASES - NONE

G. ECONOMIC ADJUSTMENTS

Inflationary Adjustment

| | |
|-------|-----------|
| Gross | 2,889,600 |
| GF/GP | 2,889,600 |

The Governor included a 2.5% General Fund across-the-board increase for community college operations. The House maintained the increase, but distributed the funding through the Performance Indicators Task Force Formula. Based on the Leadership Target Agreement, the Conference Report included a 1.0% increase and allocated funds pursuant to the Task Force Formula. Table 1 details formula allocations and other adjustments to each college.

H. WAYNE COUNTY COMMUNITY COLLEGE

| | |
|-------|---------|
| Gross | 225,000 |
| GF/GP | 225,000 |

The Conference Report included \$225,000 for Wayne County Community College (WCCC). There was a \$450,000 reduction incurred by WCCC in FY 2003-04. Public Act 153 of 2006 restored \$225,000 in FY 2005-06. This increase fully restores the base for WCCC.

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

I. RENAISSANCE ZONES TAX REIMBURSEMENTS

| | |
|-------|-----------|
| Gross | (175,000) |
| GF/GP | (175,000) |

Funding is decreased from \$3,200,000 to \$3,025,000 based on projected payments pursuant to Public Act 376 of 1996.

J. EXECUTIVE ORDER 2007-3 - RETIREMENT SAVINGS

| | |
|-------|------------|
| Gross | 16,274,100 |
| GF/GP | 16,274,100 |

A portion of Executive Order 2007-3 was based on credits that community colleges would receive by reducing defined benefit contributions to the Michigan Public School Employees' Retirement System through revaluation of the system's assets and a one-year deferral of payments toward the system's unfunded liabilities. This adjustment restores funding related to the one-time reduction.

K. EXECUTIVE ORDER 2007-3 AND PUBLIC ACT 17 OF 2007 - PAYMENT DELAYS

| | |
|-------|------------|
| Gross | 51,519,600 |
| GF/GP | 51,519,600 |

Executive Order 2007-3 and Public Act 17 of 2007 contained State payment delays for community college operations equal to the August, 2007 payment (\$25,759,800). This adjustment restores funding to the FY 2007-08 base and provides for reimbursement of the FY 2006-07 delayed payment.

L. VETOES - NONE

Table 1: FY 2007-08 COMMUNITY COLLEGES - PUBLIC ACT 120 of 2007

| College | FY 2006-07 Year-To-Date* | FY 2007-08 GOV REC | | FY 2007-08 House Passed | | | | | FY 2007-08 Conference | | | |
|-----------------------------|-----------------------------|--------------------|-------------------|-------------------------|----------------------|----------------------|---------------------|-------------------|-----------------------|-----------------------|--------------------|-------------------|
| | | Increase | Percent Change | Task Force Formula | Parity Adjustment | Other Adjustments | Total Increase | Percent Change | Adjustments | Task Force Formula | Total Increase | Percent Change |
| Alpena | 4,904,800 | 122,600 | 2.5% | 110,400 | 55,700 | 125,700 | 291,800 | 5.9% | 85,000 | 45,000 | 130,000 | 2.7% |
| Bay de Noc | 4,949,900 | 123,700 | 2.5% | 121,300 | 53,800 | 121,400 | 296,500 | 6.0% | 85,000 | 49,500 | 134,500 | 2.7% |
| Delta | 13,309,200 | 332,700 | 2.5% | 366,400 | 150,500 | | 516,900 | 3.9% | | 149,200 | 149,200 | 1.1% |
| Glen Oaks | 2,235,500 | 55,900 | 2.5% | 57,900 | 25,200 | | 83,100 | 3.7% | | 23,600 | 23,600 | 1.1% |
| Gogebic | 4,044,400 | 101,100 | 2.5% | 81,800 | 46,000 | 258,500 | 386,300 | 9.6% | 130,000 | 33,300 | 163,300 | 4.0% |
| Grand Rapids | 16,707,300 | 417,700 | 2.5% | 421,700 | 189,300 | | 611,000 | 3.7% | | 171,700 | 171,700 | 1.0% |
| Henry Ford | 20,330,000 | 508,300 | 2.5% | 476,400 | 230,700 | | 707,100 | 3.5% | | 194,100 | 194,100 | 1.0% |
| Jackson | 11,235,100 | 280,900 | 2.5% | 253,700 | 127,700 | | 381,400 | 3.4% | | 103,400 | 103,400 | 0.9% |
| Kalamazoo Valley | 11,518,600 | 288,000 | 2.5% | 305,900 | 130,300 | | 436,200 | 3.8% | | 124,700 | 124,700 | 1.1% |
| Kellogg | 9,037,500 | 225,900 | 2.5% | 226,300 | 102,400 | | 328,700 | 3.6% | | 92,100 | 92,100 | 1.0% |
| Kirtland | 2,749,100 | 68,700 | 2.5% | 78,500 | 31,100 | | 109,600 | 4.0% | | 31,900 | 31,900 | 1.2% |
| Lake Michigan | 4,872,600 | 121,800 | 2.5% | 115,900 | 55,100 | | 171,000 | 3.5% | | 47,200 | 47,200 | 1.0% |
| Lansing | 28,890,800 | 722,300 | 2.5% | 719,100 | 327,400 | | 1,046,500 | 3.6% | | 293,000 | 293,000 | 1.0% |
| Macomb | 30,847,300 | 771,200 | 2.5% | 764,300 | 349,300 | | 1,113,600 | 3.6% | | 311,300 | 311,300 | 1.0% |
| Mid Michigan | 4,110,400 | 102,800 | 2.5% | 102,600 | 46,600 | | 149,200 | 3.6% | 50,000 | 41,800 | 91,800 | 2.2% |
| Monroe | 4,009,800 | 100,200 | 2.5% | 109,500 | 45,300 | | 154,800 | 3.9% | | 44,500 | 44,500 | 1.1% |
| Montcalm | 2,890,000 | 72,300 | 2.5% | 72,300 | 32,800 | | 105,100 | 3.6% | | 29,500 | 29,500 | 1.0% |
| Mott | 14,587,500 | 364,700 | 2.5% | 350,200 | 165,500 | | 515,700 | 3.5% | | 142,700 | 142,700 | 1.0% |
| Muskegon | 8,292,400 | 207,300 | 2.5% | 188,000 | 94,200 | | 282,200 | 3.4% | | 76,600 | 76,600 | 0.9% |
| North Central | 2,810,400 | 70,300 | 2.5% | 67,800 | 31,900 | | 99,700 | 3.5% | | 27,600 | 27,600 | 1.0% |
| Northwestern | 8,455,700 | 211,400 | 2.5% | 187,100 | 96,100 | | 283,200 | 3.3% | | 76,200 | 76,200 | 0.9% |
| Oakland | 19,485,000 | 487,100 | 2.5% | 523,300 | 220,300 | | 743,600 | 3.8% | | 213,200 | 213,200 | 1.1% |
| St. Clair | 6,534,700 | 163,400 | 2.5% | 161,300 | 73,800 | | 235,100 | 3.6% | | 65,700 | 65,700 | 1.0% |
| Schoolcraft | 11,393,400 | 284,800 | 2.5% | 301,600 | 129,300 | | 430,900 | 3.8% | | 122,900 | 122,900 | 1.1% |
| Southwestern | 6,121,100 | 153,000 | 2.5% | 129,900 | 69,400 | | 199,300 | 3.3% | | 52,900 | 52,900 | 0.9% |
| Washtenaw | 11,689,400 | 292,200 | 2.5% | 373,800 | 131,400 | | 505,200 | 4.3% | | 152,400 | 152,400 | 1.3% |
| Wayne County** | 15,209,100 | 610,900 | 4.0% | 370,700 | 169,900 | 225,000 | 765,600 | 5.0% | 225,000 | 152,400 | 377,400 | 2.5% |
| West Shore | 2,135,700 | 53,400 | 2.5% | 51,900 | 24,200 | | 76,100 | 3.6% | | 21,200 | 21,200 | 1.0% |
| SUBTOTAL OPERATIONS: | \$283,356,700 | \$7,314,600 | 2.6% | \$7,089,600 | \$3,205,200 | \$730,600 | \$11,025,400 | 3.9% | \$575,000 | \$2,889,600 | \$3,464,600 | 1.2% |
| At Risk | 3,322,700 | 0 | 0.0% | | | | 0 | 0.0% | | | 0 | 0.0% |
| Renaissance Zone | 3,200,000 | 175,000 | 5.5% | | | 175,000 | 175,000 | 5.5% | (175,000) | | (175,000) | -5.5% |
| Nursing Programs | 0 | 0 | 0.0% | | | 7,000,000 | 7,000,000 | --- | | 0 | 0 | 0.0% |
| TOTAL APPROPRIATION: | \$289,879,400 | \$7,489,600 | 2.6% | \$7,089,600 | \$3,205,200 | \$7,905,600 | \$18,200,400 | 6.3% | \$400,000 | \$2,889,600 | \$3,289,600 | 1.1% |
| GF/GP | | | | | | | | | 0 | 0 | 0 | 0.0% |
| GF/GP | \$289,879,400 | \$7,489,600 | 2.6% | \$7,089,600 | \$3,205,200 | \$7,905,600 | \$18,200,400 | 6.3% | \$400,000 | \$2,889,600 | \$3,289,600 | 1.1% |

Notes:

* The FY 2006-07 Year-To-Date amount reflects the restoration of retirement savings and delayed payments (Executive Order 2007-3 and 2007 PA 17).

**The Governor's recommendation for Wayne County Community College includes an adjustment of \$225,000 to fully restore a \$450,000 FY 2003-04 reduction and a \$385,900 (2.5%) increase.

Due to the Senate passing a bill with \$100 placeholders for each line item, no column is included for the Senate Passed version of the budget.

**DEPARTMENT OF COMMUNITY HEALTH
P.A. 123 of 2007**

| FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE | FY 2006-07 YEAR-TO-DATE | FY 2007-08 GOV.'S REC. | FY 2007-08 HOUSE | FY 2007-08 SENATE | FY 2007-08 YEAR-TO-DATE | CHANGES FROM FY 2006-07 YEAR-TO-DATE | |
|---|----------------------------|---------------------------|-----------------------|----------------------|----------------------------|---|--------------|
| | | | | | | AMOUNT | PERCENT |
| FTE Positions | 4,666.1 | 4,743.0 | 4,671.6 | N/A | 4,761.6 | 95.5 | 2.0 |
| GROSS..... | 11,404,451,600 | 11,968,716,800 | 11,879,614,800 | (100) | 12,048,326,100 | 643,874,500 | 5.6 |
| Less: | | | | | | | |
| Interdepartmental Grants Received..... | 35,967,300 | 38,850,900 | 39,966,900 | 0 | 39,410,200 | 3,442,900 | 9.6 |
| ADJUSTED GROSS | 11,368,484,300 | 11,929,865,900 | 11,839,647,900 | (100) | 12,008,915,900 | 640,431,600 | 5.6 |
| Less: | | | | | | | |
| Federal Funds | 6,136,544,700 | 6,656,090,400 | 6,600,405,500 | 0 | 6,708,510,700 | 571,966,000 | 9.3 |
| Local and Private..... | 305,522,900 | 311,935,200 | 312,191,300 | 0 | 312,757,200 | 7,234,300 | 2.4 |
| TOTAL STATE SPENDING | 4,926,416,700 | 4,961,840,300 | 4,927,051,100 | (100) | 4,987,648,000 | 61,231,300 | 1.2 |
| Less: | | | | | | | |
| Other State Restricted Funds | 1,781,088,200 | 1,797,066,000 | 1,726,469,100 | 0 | 1,862,336,400 | 81,248,200 | 4.6 |
| GENERAL FUND/GENERAL PURPOSE .. | 3,145,328,500 | 3,164,774,300 | 3,200,582,000 | (100) | 3,125,311,600 | (20,016,900) | (0.6) |
| PAYMENTS TO LOCALS | 1,250,435,700 | 1,328,133,200 | 1,289,592,400 | 0 | 1,290,792,300 | 40,356,600 | 3.2 |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

A. NEW PROGRAMS

1. Medication History Pilot Project Grant to Covisint

Gross 0
GF/GP 0

Budget boilerplate language instructs the Department to work with Covisint, a Michigan-based technology firm, to implement a medication management pilot project for Medicaid recipients in southeastern Michigan. Covisint may receive up to \$2.5 million GF/GP from the Department if comparable Medicaid savings are attributed to implementation of this pilot program.

2. Bay Mills Health Center Grant

Gross 150,000
GF/GP 150,000

The budget provides \$150,000 GF/GP to the Bay Mills Health Center in Brimley, Michigan.

3. Rural Health Funding

Gross 150,000
GF/GP 150,000

The budget provides \$150,000 GF/GP for expansion of health capacity in rural communities.

4. Consolidation of Local Health Services Staff Costs

Gross 150,000
GF/GP 150,000

Boilerplate included in the budget requires the DCH to study changes in Department policies and reimbursement methodology to encourage greater consolidation of services provided through local public health departments, substance abuse coordinating agencies, community mental health, and area agencies on aging. The budget provides \$150,000 GF/GP for staff to complete this process.

5. Native American Tribal Elders Grant

Gross 60,000
GF/GP 60,000

The budget provides \$5,000 to the tribal elders for each of the 12 native American tribes located in Michigan.

6. Reverse 9-1-1 at Caro Regional Mental Health Center

Gross 50,000
GF/GP 50,000

The budget provides \$50,000 GF/GP for the purchase and installation of a reverse 9-1-1 system at the Caro Regional Mental Health Center. This system will provide an automated alert to nearby residents of any walk-away by a patient at the facility.

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

7. Special Needs Vision Clinic Grant

The budget provides \$50,000 GF/GP to a vision clinic in Saginaw, Michigan, that provides vision services to mentally and physically handicapped children and adults.

Gross 50,000
GF/GP 50,000

B. PROGRAM ELIMINATIONS

1. Elimination of Pine Rest Alzheimer's Grant

General Fund support for specialized Alzheimer's services at the Pine Rest facility in Grand Rapids is eliminated in the FY 2007-08 budget.

Gross (360,000)
Federal (204,200)
GF/GP (155,800)

2. Elimination of Community Health Advisory Council

Executive Order 2007-16 eliminated the Community Health Advisory Council in the Department of Community Health. The FY 2007-08 DCH budget eliminates GF/GP support for the advisory council.

Gross (7,000)
GF/GP (7,000)

3. State Match for Federal Pandemic Flu Grant

The FY 2006-07 DCH appropriation included about \$15.7 million in GF/GP match funds to claim one-time Federal support for the establishment of a State stockpile of flu vaccine. The FY 2007-08 budget reflects that these funds are no longer necessary.

Gross (15,670,000)
GF/GP (15,670,000)

4. Southeastern Michigan Health Information Technology Project

The budget reflects that one-time funding for a pilot project in southeastern Michigan for an online Medicaid enrollment system is no longer necessary.

Gross (4,500,000)
Federal (2,250,000)
GF/GP (2,250,000)

5. Dental Sealant

The budget reflects the loss of one-time FY 2006-07 Private grant revenue for the provision of dental sealant for school-based dental services.

Gross (250,000)
Private (250,000)
GF/GP 0

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

6. City of Muskegon Diabetes Program

| | |
|-------|----------|
| Gross | (25,000) |
| GF/GP | (25,000) |

Funds available for the creation of a diabetes program in the City of Muskegon are eliminated in the FY 2007-08 DCH appropriation.

7. Safe Delivery of Newborns Website

| | |
|-------|----------|
| Gross | (30,000) |
| GF/GP | (30,000) |

One-time funding made available to the Department for the creation of a website that would encourage safe delivery of newborns is not included in the FY 2007-08 DCH appropriation.

C. PROGRAM TRANSFERS

1. Medicaid Eligibility Funding Shift

| | |
|---------|-------------|
| Gross | (2,000,000) |
| Federal | (1,000,000) |
| GF/GP | (1,000,000) |

Prior-year funds made available to the DCH for improvements in Medicaid enrollment processes are transferred to the Department of Human Services appropriation in FY 2007-08.

2. Department Reorganization

| | |
|---------|---------|
| FTE | 1.0 |
| Gross | 113,000 |
| Federal | 56,500 |
| GF/GP | 56,500 |

The budget reflects several transfers of functions within the DCH. The most significant of these changes is the creation of the Office of Long-Term Care Supports and Services, a new office within the Department that will oversee State long-term care policy.

D. FUNDING SHIFTS

1. Change in Medicaid Match Rate

| | |
|---------|---------------|
| Gross | 0 |
| Federal | 152,517,400 |
| GF/GP | (152,517,400) |

The rate of Federal Medicaid matching funds, also known as the Federal Medical Assistance Percentage (FMAP), has changed from 56.38% in FY 2006-07 to 58.10% in FY 2007-08. The budget reflects the GF/GP savings associated with this change.

2. Change in State Children's Health Insurance Program (SCHIP) Match Rate

| | |
|---------|-------------|
| Gross | 0 |
| Federal | 2,616,800 |
| GF/GP | (2,616,800) |

The Federal SCHIP match rate has changed from 69.47% in FY 2006-07 to 70.67% in FY 2007-08. The budget reflects the GF/GP savings associated with this change.

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

| | | |
|---|------------|--------------|
| 3. Merit Award Trust Fund Adjusted to Revenue | Gross | 0 |
| | Tobacco | 13,042,000 |
| | GF/GP | (13,042,000) |
| The budget reflects anticipated tobacco settlement revenue dedicated by the State to support Medicaid in FY 2007-08. | | |
| 4. CMH Quality Assurance Assessment Program (QAAP) Rate Adjustment | Gross | 0 |
| | Restricted | (8,844,000) |
| | GF/GP | 8,844,000 |
| Changes in Federal requirements governing the structure of Medicaid provider assessment programs have made it necessary to reduce the CMH QAAP rate from 6.0% to 5.5%. The budget provides GF/GP funds to replace the lost QAAP assessment revenue associated with this change. | | |
| 5. Civil Monetary Fund Adjusted to Revenue | Gross | 0 |
| | Restricted | (200,000) |
| | GF/GP | 200,000 |
| The budget reflects an anticipated reduction in available civil monetary penalty revenue. | | |
| 6. Health Maintenance Organization (HMO) QAAP Rate Adjustment | Gross | 0 |
| | Restricted | (12,590,900) |
| | GF/GP | 12,590,900 |
| Changes in Federal requirements governing the structure of Medicaid provider assessment programs have made it necessary to reduce the HMO QAAP rate from 6.0% to 5.5%. The budget provides GF/GP support to replace the lost QAAP assessment revenue associated with this change. | | |
| 7. Medicaid Benefits Trust Fund Adjusted to Revenue | Gross | 0 |
| | Restricted | (57,900,000) |
| | GF/GP | 57,900,000 |
| The budget reflects actual anticipated tobacco tax revenue collected by the State for FY 2007-08. | | |
| 8. Available Healthy Michigan Fund Adjusted to Revenue | Gross | 0 |
| | Restricted | (1,787,800) |
| | GF/GP | 1,787,800 |
| The budget accounts for anticipated tax collection revenue used to support Healthy Michigan Fund. | | |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

9. Recognition of Revenue from Legal Settlement with Omnicare Inc.

The Michigan Attorney General reached a legal settlement with the pharmaceutical firm Omnicare for fraudulent Medicaid billing. The revenue from this settlement is recognized in the FY 2007-08 appropriation.

| | |
|------------|-------------|
| Gross | 0 |
| Restricted | 2,000,000 |
| GF/GP | (2,000,000) |

10. Removal of One-Time Executive Order 2007-3 Changes

The budget reflects reinstatement of policy changes used to create \$7.3 million in GF/GP savings in FY 2006-07.

| | |
|------------|-------------|
| Gross | 0 |
| Restricted | (7,250,000) |
| GF/GP | 7,250,000 |

E. UNCLASSIFIED SALARIES

Increase in Funds Available for Unclassified Salaries

Funds available for unclassified salaries are increased to reflect an agreement reached between the Governor and the Legislature.

| | |
|-------|--------|
| Gross | 17,100 |
| GF/GP | 17,100 |

F. FEE INCREASES - NONE

G. ECONOMIC ADJUSTMENTS

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets.

| | |
|------------|------------|
| Gross | 26,144,400 |
| IDG | 1,739,800 |
| Federal | 5,177,900 |
| Local | 6,594,100 |
| Private | 5,800 |
| Restricted | 2,861,500 |
| GF/GP | 9,765,300 |

H. PROGRAM ENHANCEMENTS

1. Medicaid Adult Home Help Direct Care Worker Wage Adjustment

The budget includes funding to increase the wages of Adult Home Help program direct care workers to a minimum of \$7.50 per hour, effective April 1, 2008.

| | |
|---------|-----------|
| Gross | 2,342,200 |
| Federal | 1,360,800 |
| GF/GP | 981,400 |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

2. Restoration of FY 2006-07 Healthy Michigan Fund Grant Reductions

| | |
|-------|-----------|
| Gross | 3,164,200 |
| GF/GP | 3,164,200 |

Reductions in Healthy Michigan Fund-supported programs were included in Public Act 17 of 2007, a negative supplemental enacted in June 2007. The FY 2007-08 Department of Community Health (DCH) appropriation process restored the reduced amounts in Healthy Michigan Fund.

3. Expansion of Medicaid Healthy Kids Dental Program

| | |
|---------|-----------|
| Gross | 2,625,300 |
| Federal | 1,525,300 |
| GF/GP | 1,100,000 |

The budget provides funds to expand the Medicaid Healthy Kids Dental program to Saginaw and Genesee Counties, effective July 1, 2008.

4. Targeted Expansion of Community Mental Health (CMH) Multicultural Grants

| | |
|-------|---------|
| Gross | 600,000 |
| GF/GP | 600,000 |

General Fund grants to the Jewish Federation of Metropolitan Detroit, the Arab Community Center for Economic and Social Services (ACCESS), and the Arab-Chaldean Council to provide services to recipients of mental health services are each increased by \$150,000. An additional \$150,000 grant is provided to the Chaldean Chamber Foundation for the operation of a museum at the Shenandoah Country Club in West Bloomfield, Michigan.

I. PROGRAM REDUCTIONS

1. Healthy Michigan Fund (HMF) Grant Reductions

| | |
|-------|-----------|
| Gross | (900,000) |
| GF/GP | (900,000) |

The FY 2007-08 budget includes \$900,000 in Healthy Michigan Fund grant reductions. The budget achieves GF/GP savings through complete elimination of HMF support for early hearing screening (\$250,000), funds for the printing of materials to implement the State abortion informed consent law (\$23,500), and reductions in the pregnancy prevention program (\$400,000) and family planning local agreements (\$226,500).

2. Office of Drug Control Policy (ODCP) Drug Abuse Grants Reduction

| | |
|-------|-------------|
| Gross | (1,235,100) |
| GF/GP | (1,235,100) |

The FY 2006-07 DCH appropriation provided an increase for drug abuse grants of \$1.2 million GF/GP. These funds were provided to counteract losses in Federal grant funds. The budget eliminates the GF/GP in this line.

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

3. Methamphetamine Cleanup Fund Reduction

| | |
|-------|----------|
| Gross | (75,000) |
| GF/GP | (75,000) |

The budget reduces the GF/GP funding available to local governments for cleanup of sites used for the illegal production of methamphetamine from \$175,000 to \$100,000.

4. Medicaid Nursing Home Prepaid Cost Savings

| | |
|---------|-------------|
| Gross | (4,773,300) |
| Federal | (2,773,300) |
| GF/GP | (2,000,000) |

The budget assumes savings through a modification in how funds prepaid to nursing homes will be treated when an individual's eligibility for Medicaid long-term care services is determined.

5. Public Act 133 of 1993 Adjustment

| | |
|-------|----------|
| Gross | (26,500) |
| GF/GP | (26,500) |

The budget reduces funding to actual expenditure for the creation of literature necessary to implement P.A. 133 of 1993, the State abortion informed consent law.

J. GENERAL ISSUES

1. Annualization of FY 2006-07 Adjustments and General Base Adjustments

| | |
|------------|------------|
| FTE | (42.0) |
| Gross | 28,801,400 |
| IDG | 678,100 |
| Federal | 14,871,000 |
| Local | 339,800 |
| Private | 40,100 |
| Restricted | 2,414,300 |
| GF/GP | 10,458,100 |

Several policy changes implemented during FY 2006-07 are continued into FY 2007-08, with annualized savings being recognized. Additionally, one-time retirement savings of approximately \$15.2 million Gross and \$8.7 million GF/GP are removed, as are savings from administrative reductions and Human Resources Optimization and other efforts. Adjustments are also made to reflect statutory changes in the minimum wage and to reflect actual on-board FTEs.

2. Adjustments in Federal and Other Funds

| | |
|------------|-----------|
| FTE | 9.5 |
| Gross | 6,416,300 |
| Federal | 765,400 |
| Local | 5,000 |
| Private | 47,000 |
| Restricted | 5,598,900 |
| GF/GP | 0 |

There are a number of adjustments reflecting changes in available non-GF/GP fund sources, such as Federal and Restricted funds. In particular, new Federal grants are reflected while other Federal grants are phased out and new Restricted dollars are allocated to support expired Federal dollars used to conduct background checks for nursing home and other employees.

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

3. Medicaid, Community Mental Health, and Children's Special Health Care Services Caseload and Expenditure Consensus

The budget reflects the consensus Medicaid caseload and expenditure estimate, including adjustments for past years and based on the Governor's original budget and consensus meetings in May and September 2007.

| | |
|------------|-------------|
| Gross | 304,054,200 |
| Federal | 187,672,700 |
| Local | 3,715,200 |
| Private | 400,000 |
| Restricted | 60,768,900 |
| GF/GP | 51,497,400 |

4. Quality Assurance Assessment Program Adjustments

Adjustments are made to reflect actual available CMH QAAP revenue (a reduction of approximately \$1.3 million Gross and Restricted), an increase in the hospital QAAP to the Federal upper payment limit, and an expansion of the HMO QAAP pass-through to hospitals.

| | |
|------------|-------------|
| Gross | 146,405,400 |
| Federal | 74,805,700 |
| Restricted | 79,527,800 |
| GF/GP | (7,928,100) |

5. Managed Care Actuarial Soundness Requirements

The budget makes reimbursement for Medicaid CMH services by 2.5% and for Medicaid HMOs by 4.2% to meet Federal requirements that rates paid to Medicaid managed care organizations be actuarially sound.

| | |
|------------|-------------|
| Gross | 130,208,200 |
| Federal | 75,651,000 |
| Restricted | 2,568,500 |
| GF/GP | 51,988,700 |

K. MENTAL HEALTH ISSUES

1. Rebasing of State Hospitals and Centers

The budget includes adjustments in funding for State hospitals and centers to reflect placements made by CMHs to State facilities for the mentally ill and developmentally disabled.

| | |
|------------|-----------|
| Gross | 6,639,600 |
| Federal | 1,619,000 |
| Local | 2,040,400 |
| Restricted | 183,200 |
| GF/GP | 2,797,000 |

2. Forensic Center Staffing

The budget includes funding to increase staffing at the Forensic Center to meet Medicare certification requirements.

| | |
|------------|-----------|
| FTE | 90.0 |
| Gross | 9,130,000 |
| Local | 560,900 |
| Restricted | 641,000 |
| GF/GP | 7,928,100 |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

3. Expansion of Pharmacy Quality Improvement Program (PQIP)

The budget assumes savings from expansion of PQIP. This program achieves savings by educating physicians who write an excessive number of prescriptions for expensive mental health medications.

| | |
|---------|-------------|
| Gross | (4,500,000) |
| Federal | (2,600,000) |
| GF/GP | (1,900,000) |

4. Outpatient Team at Thumb Correctional Facility

The budget includes interdepartmental grant funding from the Department of Corrections for an outpatient mental health team at the Thumb Correctional Facility.

| | |
|-------|-----------|
| FTE | 10.0 |
| Gross | 1,025,000 |
| IDG | 1,025,000 |
| GF/GP | 0 |

L. PUBLIC HEALTH ISSUES

1. Kellogg Foundation Grant and Surgeon General Funding

The budget reflects a private grant from the Kellogg Foundation to support healthy lifestyles. Some of this money will be used to support the State Surgeon General, thus supplanting GF/GP dollars.

| | |
|---------|-----------|
| Gross | 150,000 |
| Private | 300,000 |
| GF/GP | (150,000) |

2. New Health Professions Staff

The budget includes Restricted funding to support new Health Professions staff to help reduce backlogs and to license providers newly regulated by State statute.

| | |
|------------|---------|
| FTE | 12.0 |
| Gross | 945,800 |
| Restricted | 945,800 |
| GF/GP | 0 |

3. Insourcing of Certain Public Health Services Performed by DCH

The DCH will perform in-house a number of functions, including sexually transmitted disease programs, cancer and diabetes programs, and early hearing detection programs. There will be no net cost from these changes.

| | |
|-------|------|
| FTE | 10.0 |
| Gross | 0 |
| GF/GP | 0 |

M. MEDICAID ISSUES

1. Special Financing Adjustments

The budget recognizes GF/GP savings from adjustments to various Medicaid special financing mechanisms. Such mechanisms continue to be phased out by the Federal government.

| | |
|------------|--------------|
| Gross | (39,704,400) |
| Federal | 32,785,400 |
| Local | (6,764,000) |
| Restricted | (60,931,000) |
| GF/GP | (4,794,800) |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

| | | |
|--|--|--|
| 2. Family Planning Waiver Savings | <p>The budget assumes greater savings from expansion of the Family Planning Waiver, which provides family planning services to childless women under 185% of the poverty level who otherwise would not be eligible for Medicaid.</p> | <p>Gross (12,605,700) Federal (5,497,700) GF/GP (7,108,000)</p> |
| 3. Savings from Transition from Nursing Homes and Expansion of Single Points of Entry Program | <p>The budget assumes savings of \$7,359,600 Gross and \$3,064,800 GF/GP from the projected transition of 330 individuals from nursing homes to the community. These GF/GP savings and \$3,064,800 of Federal Medicaid administrative match will be used to expand the Single Points of Entry Program.</p> | <p>FTE 4.0 Gross (1,230,000) Federal (1,230,000) GF/GP 0</p> |
| 4. Expansion of Home and Community Based Waiver | <p>Funding for the Home and Community Based Waiver program, also known as MIChoice, is increased in the budget. Total funding for the program in the FY 2007-08 budget is approximately \$123.0 million.</p> | <p>Gross 5,000,000 Federal 2,905,000 GF/GP 2,095,000</p> |
| 5. Medicaid Estate Recovery | <p>The budget reflects assumed savings from Medicaid estate recovery, related to the implementation of P.A. 74 of 2007. These savings are in addition to the \$1.9 million GF/GP savings built into the FY 2006-07 budget.</p> | <p>FTE 1.0 Gross (5,902,700) Federal (3,612,700) GF/GP (2,290,000)</p> |
| 6. Shift of Medicaid-Eligible Foster Children to Managed Care | <p>The budget assumes savings from transferring Medicaid-eligible foster children from fee-for-service Medicaid to managed care.</p> | <p>Gross (1,749,900) Federal (1,016,700) GF/GP (733,200)</p> |
| 7. Restored Guardianship Payment | <p>The budget restores guardianship and conservator payments that were reduced in FY 2006-07, raising the rate from \$45 per month back to the FY 2005-06 level of \$60 per month.</p> | <p>Gross 540,000 Federal 313,700 GF/GP 226,300</p> |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

8. Assumed Savings from Citizenship Verification

The budget assumes significant savings from the April 1, 2007, implementation of citizenship verification for Medicaid.

| | |
|---------|--------------|
| Gross | (33,412,800) |
| Federal | (19,412,800) |
| GF/GP | (14,000,000) |

9. Assumed Increased Third Party Liability Savings

The budget assumes savings due to increased third party liability collections.

| | |
|---------|-------------|
| Gross | (3,747,000) |
| Federal | (2,177,000) |
| GF/GP | (1,570,000) |

10. Expansion of Hospital QAAP and Creation of New Disproportionate Share Hospital (DSH) Pool

The budget increases the hospital QAAP by \$60.0 million. Of this money, \$17,450,000 will be retained to supplant GF/GP dollars. The remaining revenue will be used to increase payments to hospitals. There will be a \$41,646,800 Gross, \$17,450,000 GF/GP increase in payments to hospitals. There will also be a \$60.0 million Gross and \$25.1 million GF/GP new DSH pool created, with the majority of the funding being targeted to small and rural community hospitals.

| | |
|------------|--------------|
| Gross | 101,646,800 |
| Federal | 59,096,800 |
| Restricted | 60,000,000 |
| GF/GP | (17,450,000) |

N. VETOES - NONE

DEPARTMENT OF CORRECTIONS
P.A. 124 of 2007

| FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE | FY 2006-07 YEAR-TO-DATE | FY 2007-08 GOV.'S REC. | FY 2007-08 HOUSE | FY 2007-08 SENATE | FY 2007-08 YEAR-TO-DATE | CHANGES FROM FY 2006-07 YEAR-TO-DATE | |
|---|----------------------------|---------------------------|----------------------|----------------------|----------------------------|---|------------|
| | | | | | | AMOUNT | PERCENT |
| FTE Positions | 17,782.0 | 18,186.2 | 18,275.2 | N/A | 17,637.4 | (144.6) | (0.8) |
| GROSS | 1,953,623,000 | 2,035,560,900 | 2,115,220,900 | (100) | 2,078,269,100 | 124,646,100 | 6.4 |
| Less: | | | | | | | |
| Interdepartmental Grants Received..... | 2,108,400 | 1,264,600 | 1,264,600 | 0 | 1,264,600 | (843,800) | (40.0) |
| ADJUSTED GROSS | 1,951,514,600 | 2,034,296,300 | 2,113,956,300 | (100) | 2,077,004,500 | 125,489,900 | 6.4 |
| Less: | | | | | | | |
| Federal Funds | 11,431,500 | 10,340,700 | 10,340,700 | 0 | 10,340,700 | (1,090,800) | (9.5) |
| Local and Private..... | 420,900 | 429,700 | 429,700 | 0 | 429,700 | 8,800 | 2.1 |
| TOTAL STATE SPENDING | 1,939,662,200 | 2,023,525,900 | 2,103,185,900 | (100) | 2,066,234,100 | 126,571,900 | 6.5 |
| Less: | | | | | | | |
| Other State Restricted Funds | 67,784,700 | 57,479,500 | 70,285,900 | 0 | 70,149,600 | 2,364,900 | 3.5 |
| GENERAL FUND/GENERAL PURPOSE .. | 1,871,877,500 | 1,966,046,400 | 2,032,900,000 | (100) | 1,996,084,500 | 124,207,000 | 6.6 |
| PAYMENTS TO LOCALS | 90,341,500 | 92,940,000 | 92,940,000 | 0 | 91,440,000 | 1,098,500 | 1.2 |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

A. NEW PROGRAMS

1. Mental Health Awareness Training

| | |
|-------|---------|
| Gross | 100,000 |
| GF/GP | 100,000 |

The budget provides for an interdepartmental grant of \$100,000 to the Michigan State Police. The grant is to be used for the provision of mental health awareness training to teams of law enforcement officers and mental health treatment providers.

2. Stab-Proof Vests

| | |
|-------|---------|
| Gross | 100,000 |
| GF/GP | 100,000 |

The appropriation provides \$100,000 for purchasing stab-proof vests. Expenditure of the funds is contingent on the Michigan Department of Corrections (MDOC) entering into a contract for the construction or manufacture of the vests.

3. Kiosk Reporting Pilot Program

| | |
|-------|---------|
| Gross | 136,000 |
| GF/GP | 136,000 |

The budget includes \$136,000 for installing kiosk reporting stations in field offices to supervise low-risk offenders. In order to enable field agents to spend more time on high-risk parolees and probationers, the kiosks will allow low-risk offenders to report information and pay fees without interaction with a field agent. The kiosks would notify field agents in real-time of any potential violations identified.

4. Mental Health and Substance Abuse Study

| | |
|-------|---------|
| Gross | 400,000 |
| GF/GP | 400,000 |

The appropriation provides \$400,000 for the MDOC to contract for an independent study on mental health and substance abuse disorder prevalence and treatment in the prison system.

B. PROGRAM ELIMINATIONS

1. Project Joshua and Project Safe Neighborhoods

| | |
|-------|-----------|
| Gross | (650,000) |
| GF/GP | (650,000) |

The budget eliminates funding for the parole and probation special operations program, which funded both Project Joshua and Project Safe Neighborhoods. During FY 2006-07, half of the funding for this line item was eliminated through Executive Order 2007-3 and a negative supplemental in Public Act 17 of 2007. The budget removes the remaining \$650,000.

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

2. Facility Closures

The appropriation reflects the closure of the 1,481-bed Southern Michigan Correctional Facility for savings of \$36,693,800 and 434.8 FTEs, and the 483-bed Egeler Reception and Guidance Center Annex (7-block) for savings of \$9,322,900 and 100.0 FTEs. Camp Manistique also closed for savings of \$4,641,300 and 47.0 FTEs and a reduction of 264 beds, but \$120,000 is included for mothballing the facility and a feasibility study of closed MDOC facilities in the Upper Peninsula.

| | |
|------------|--------------|
| FTE | (581.8) |
| Gross | (50,537,900) |
| Restricted | (265,700) |
| GF/GP | (50,272,200) |

C. PROGRAM TRANSFERS - NONE

D. FUNDING SHIFTS

The budget replaces \$950,600 in lost Federal funding with GF/GP support for the Residential Substance Abuse Treatment (RSAT) program. Currently, Cooper Street's RSAT program has 152 beds and Huron Valley Women's RSAT program has 40 beds.

| | |
|------------|-------------|
| Gross | 0 |
| Federal | (950,600) |
| Restricted | (1,600,000) |
| GF/GP | 2,550,600 |

The appropriation includes \$1.6 million GF/GP to replace two months of telephone fee and commission revenue, in accordance with boilerplate language that expresses intent that the MDOC's next contract for prisoner telephone service, which would begin in August 2008, not include telephone fee and commission revenue beyond what is used to pay for special telephone equipment costs. In FY 2006-07, about \$12.7 million in telephone fee and commission revenue was appropriated. The MDOC usually collects approximately \$10.0 million, which is less than appropriated. Since prisoner telephone calls are collect calls, the telephone contractor does not collect a fee from the prisoner, but instead collects a fee from the person the prisoner calls. Some of the fee goes to the MDOC to cover special equipment costs and to fund other programs such as community corrections and field operations programs.

E. UNCLASSIFIED SALARIES - NONE

F. FEE INCREASES

The appropriation doubles public works user fees. Government and nonprofit agencies currently pay \$1.875 per hour, per offender, for offender work crews supervised by MDOC staff and \$1.75 for offender work crews supervised by non-MDOC staff. The increased rates are \$3.75 per hour and \$3.50 per hour, respectively. The budget includes \$1,286,900 in additional fees, which offset GF/GP support.

| | |
|------------|-------------|
| Gross | 0 |
| Restricted | 1,286,900 |
| GF/GP | (1,286,900) |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

G. ECONOMIC ADJUSTMENTS

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, workers' compensation, fuel and utilities, food, and building occupancy charges consistent with factors applied to all budgets.

| | |
|------------|------------|
| Gross | 84,890,100 |
| IDT/IDG | 26,200 |
| Federal | 21,400 |
| Local | 8,800 |
| Restricted | 1,953,200 |
| GF/GP | 82,880,500 |

H. NEW PRISON BEDS

The appropriation reflects the closure of Riverside Correctional Facility and the reopening of Michigan Reformatory, for net savings of \$1,794,400 and 26.1 FTEs. The move will allow the MDOC to operate 127 more beds at Michigan Reformatory than it did at Riverside. The appropriation also funds the opening of 160-bed Camp White Lake, formerly Gilman Technical Rule Violator Center, for \$4,175,200 and 40.0 FTEs. At Parnall, the budget provides for the closure of 8-block and the opening of A and B units, because operating 8-block is expensive under Hadix consent decree requirements. The net impact is 177 additional beds, for \$2,600,500 and 22.0 FTEs. The appropriation adds 2,115 new beds throughout the system, including the addition of seventh beds to six-bunk open bays and eighth beds to seven-bunk open bays, for an additional \$32,236,700 and 263.4 FTEs. In FY 2006-07, a portion of this funding for new beds as well as funding for other correctional facility costs were appropriated as a supplemental appropriation of \$36,171,900.

| | |
|-------|-----------|
| FTE | 299.3 |
| Gross | 1,046,100 |
| GF/GP | 1,046,100 |

I. FIELD OPERATIONS AND RE-ENTRY PROGRAMS

The budget expands the Michigan Prisoner Re-entry Initiative (MPRI) from the current 15 pilot sites to include 18 additional counties in order to serve 43 counties and 9,223 parolees, as well as funding for five new sites to serve 40 counties. Funds for this expansion total \$20,620,800. In support of the MPRI, the budget includes \$1,368,400 for 16.0 FTE field agents to work in correctional facilities with prisoners before their parole. The agents will work with an offender for about four months, developing his or her placement plan, assessing what services he or she will need in the community, and working to link the offender with those services. Each field agent will work with about 120 offenders at a time. The budget also includes \$89,300 for a Parole Board file screener to review files of potential MPRI participants who have been granted parole. If a correctional facility with MPRI services that fit an offender's care and security needs is found, the screener will arrange for the offender to be transferred there before parole. If the screener determines that no facility is available for the offender's needs, the file will go back to the Parole Board for determination. Additionally, the appropriation includes \$315,000 for 4.0 FTEs to perform risk assessments on incoming prisoners at the Reception and Guidance Center at Egeler, which receives an average of 300 new prisoners per

| | |
|-------|------------|
| FTE | 57.0 |
| Gross | 26,388,100 |
| GF/GP | 26,388,100 |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

week. The assessment tool, Correctional Offender Management Profiling for Alternative Sanctions (COMPAS), is used to develop prison programming and treatment for the offenders.

The budget reduces parolee loans by \$115,000. Historically, expenditures for parolee loans were less than what was appropriated. The appropriation increases funds for field office leased space by \$90,600 for garage space at the Lawton field office, and additional office space in Mt. Clemens and Lansing. The budget also provides \$4,019,000 and 36.0 FTEs for 500 active Global Positioning System tethers, beginning in December 2007.

J. STAFFING

| | |
|-------|-------------|
| FTE | 105.4 |
| Gross | (1,104,400) |
| GF/GP | (1,104,400) |

The budget provides a \$1,680,100 increase from FY 2006-07 for correctional officer training. In FY 2006-07, Executive Order 2007-3 reduced correctional officer training by \$2.5 million, so the appropriation restores a portion of the reduced amount. The budget includes a \$100 placeholder for compensatory buyout and union leave bank, which was eliminated by a negative supplemental appropriation in FY 2006-07. The appropriation also provides about \$2.9 million and 39.6 FTEs to fund guard tower staffing at Mound and Ryan. This funding previously had been removed under the assumption that the guard towers would no longer be staffed at certain facilities. However, due to the location of Mound and Ryan in Detroit, the guard towers have remained. The majority of this funding had been provided as a supplemental appropriation in FY 2006-07. The budget also provides \$1.1 million for hospital security coverage. During hospital stays in the community, each prisoner must be accompanied by two officers. As a result of increased inpatient days, overtime used to cover hospital security rose. In order to reduce overtime hours, the budget includes 138.0 FTE correctional officers for hospital coverage, which will have the effect of reducing hospital security-related overtime by up to 287,040 hours. The budget also adds \$698,400 to cover an increase in overtime hours that result from the need to replace staff who have been deployed on military leave. Those on military leave are still on the State's payroll, so the MDOC continues to provide their insurance and financial support when their military pay is below their standard salary.

The MDOC converted 83.0 FTE prison counselor positions to Assistant Resident Unit Supervisor (ARUS) positions in order to provide additional supervisory staff in housing units that were lacking supervision due to the reduction in sergeant positions. Assistant Resident Unit Supervisors supervise Resident Unit Officers and Corrections Officers. The budget provides an additional \$481,400 (\$5,800 per FTE) to fund the conversion. Additionally, the budget provides \$79,400 for an additional ARUS at Pugsley Correctional Facility, in order to reduce its prisoner-to-ARUS ratio to 145:1. Pugsley's prisoner-to-ARUS ratio, 165:1, is high in comparison to the ratio in other Level I facilities. The budget also provides \$418,000 at Huron Valley for 4.8 FTE sergeant positions, as well

as for food carts to feed the prisoners in the Residential Treatment Program (RTP) for mentally ill prisoners. The RTP program was moved to Huron Valley from Scott, and other RTP expenses were moved through internal transfers.

In FY 2006-07, the appropriation eliminated high security premiums of \$.50 for Corrections Transportation Officers (CTOs). The CTOs appealed this pay cut and through a letter of understanding with the Michigan Corrections Organization, all CTOs are now eligible for this premium. The budget restores this \$207,000. The appropriation also provides \$105,400 for a Statewide Transportation Coordinator. The coordinator will plan, evaluate, and coordinate the prisoner transportation system, which includes interdepartmental transportation, court hearings, hospital and medical appointments, and interstate transport and extradition. The appropriation standardizes facility staffing for savings of \$5,877,400 and a reduction of 79.0 FTEs.

K. HEALTH CARE AND SUBSTANCE ABUSE TREATMENT

The budget provides \$10,420,300 for pharmaceuticals due to an increase in both cost and demand. The budget also includes reductions in hospital and specialty care services of about \$13.8 million and prison clinics of about \$2.3 million, based on projected expenditures. The appropriation requires the MDOC to give prisoners a Hepatitis C (HCV) antibody test and an HIV test at prison exit, as well as a HCV risk screening to prisoners at intake, and to offer an antibody test to high-scoring prisoners. Until now, the MDOC has provided HIV tests only at admission, and provided alanine aminotransferase tests, which test for symptoms of HCV, at prison exit. The appropriation includes \$1,692,900 for the additional testing, and for the additional HCV treatment that is likely to be necessary as a result of the additional testing.

The appropriation also includes \$742,300 for one new outpatient mental health treatment team for part of the fiscal year. Department of Community Health employees provide outpatient mental health services to prisoners. Each team consists of a psychiatrist, psychologist, social worker, nurse, and secretary. A normal caseload is 175 cases per team. The budget also includes a \$789,400 increase for substance abuse treatment. Contracts with residential substance abuse treatment providers will be re-bid for FY 2007-08 and a 10.0% economic increase in the proposals for the three-year contracts is projected. The budget also provides substance abuse treatment with an additional 18.0 FTE authorization, so programming can be carried out by State employees.

| | |
|---------|-------------|
| FTE | 18.0 |
| Gross | (2,405,000) |
| IDG/IDT | (870,000) |
| GF/GP | (1,535,000) |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

| | |
|------------|------------|
| FTE | (42.5) |
| Gross | 65,400,800 |
| Federal | (161,600) |
| Restricted | 991,000 |
| GF/GP | 64,571,400 |

L. OPERATIONS

Beyond what was requested for economic increases, the budget includes \$4.0 million in additional funding for previously underfunded fuel and utility increases. Additionally, the budget provides Oaks Correctional Facility with \$99,700 to defray water and sewage cost and use increases. The facility's contract for water with the City of Manistee is for \$14.28 per gallon, along with a 15% surcharge on water and sewer services. Due to increased population, Oaks expects to use 67,100 gallons of water during FY 2007-08, up from 55,700 gallons. The amount will not fully fund the projected expenditures.

The appropriation provides \$3,341,700 to fully fund the annual uniform cleaning allowance for uniformed MDOC employees. The negotiated contract between the Office of the State Employer and the Michigan Corrections Organization included an increase in October 2005 from \$250 to \$575 annually, but the increase was not funded.

The appropriation includes an additional \$402,900 GF/GP for housing inmates in Federal institutions. The MDOC has reduced the number of Federal prisoners it houses in its facilities from 11 or 12 inmates to six inmates. At \$96.33 per day, the MDOC projects to receive \$211,000 in Federal revenue, which is \$161,600 less than what was appropriated in FY 2006-07. The MDOC expects to house 29 of its prisoners in Federal facilities, at a cost of \$75 per day. The appropriation also includes \$400,000 for additional law library funding. As required by the *Knop v Johnson* court order, every MDOC facility contains a law library in order to allow prisoners access to the courts. Cost increases for published hard copies that the MDOC needs for prisoners in segregation resulted from decreased demand for nonelectronic versions. The appropriation reinstitutes public works projects, but assumes there will be a delay before they commence, for \$1.5 million savings. The MDOC eliminated public works projects at the end of FY 2006-07.

The budget saves \$672,500 through a plan for the food service staff to debone chicken in-house instead of purchasing boneless chicken, and serve hot breakfast instead of cold breakfast. The appropriation also reflects a reduction of \$408,100 because the MDOC no longer provides athletic shoes to higher-level security prisoners.

Regionalization at the facilities in Jackson, Ionia, and Kincheloe saves \$2,631,700 and 46.5 FTEs. The budget does not include \$2.7 million in one-time Hadix consent decree funding from FY 2006-07, and includes \$58,200 and 1.0 FTE in other savings to Hadix.

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

The appropriation provides \$2.0 million to cover previously underfunded employee insurance costs. Additionally, the budget provides \$146,300 and 2.0 FTEs in order to comply with P.A. 184 of 2005, which requires the MDOC to register all victims of felony crimes that are committed by offenders who are sentenced to probation, in addition to those incarcerated. There are currently more than 55,000 offenders on probation. The appropriation also adds 3.0 FTE research staff positions for an additional \$202,300. The budget includes savings and an economic increase for the Human Resources Optimization, which amounts to a \$956,600 reduction. The appropriation saves \$1,232,100 as a result of the completion of sick leave time payouts for employees who took the early-out retirements offered in FY 2001-02. The appropriation reduced workers' compensation by \$700,000 from the Governor's recommendation, but is \$263,100 more than the FY 2006-07 appropriation as a result of Executive Order reductions. The budget does not include a \$64,865,600 Executive Order reduction from FY 2006-07 that reduced defined benefit contributions to the State Employees' Retirement System.

M. INFORMATION TECHNOLOGY

| | |
|------------|---------|
| Gross | 882,300 |
| Restricted | (500) |
| GF/GP | 882,800 |

The appropriation upgrades the MDOC's telecommunications infrastructure to Department of Information Technology (DIT) standard equipment for \$1,115,800. As a result of the conversion to the system, the MDOC will save \$200,000 that funded two DIT employees. The budget also provides funding to upgrade the timekeeping system to a centralized system that is compatible with Windows XP. The new system will be able to automatically load into the Data Collections and Distribution System (DCDS) and will cost \$572,800. The budget includes a 5% administrative reduction. Executive Order 2007-3 included half-year savings in FY 2006-07, so the budget includes the \$12,100 full-year savings. In FY 2006-07, the MDOC appropriation included \$800,000 for information technology projects. The budget removes one-time funding for these projects.

N. VETOES - NONE

**DEPARTMENT OF EDUCATION
P.A. 119 of 2007**

| FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE | FY 2006-07 YEAR-TO-DATE | FY 2007-08 GOV.'S REC. | FY 2007-08 HOUSE | FY 2007-08 SENATE | FY 2007-08 YEAR-TO-DATE | CHANGES FROM FY 2006-07 YEAR-TO-DATE | |
|---|----------------------------|---------------------------|---------------------|----------------------|----------------------------|---|-------------|
| | | | | | | AMOUNT | PERCENT |
| FTE Positions | 435.5 | 441.5 | 473.5 | N/A | 466.5 | 31.0 | 7.1 |
| GROSS | 89,432,300 | 97,464,800 | 97,794,900 | (100) | 96,482,400 | 7,050,100 | 7.9 |
| Less: | | | | | | | |
| Interdepartmental Grants Received..... | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| ADJUSTED GROSS | 89,432,300 | 97,464,800 | 97,794,900 | (100) | 96,482,400 | 7,050,100 | 7.9 |
| Less: | | | | | | | |
| Federal Funds | 66,745,000 | 72,749,800 | 72,749,800 | 0 | 72,749,800 | 6,004,800 | 9.0 |
| Local and Private..... | 8,851,700 | 9,620,700 | 9,620,700 | 0 | 9,620,700 | 769,000 | 8.7 |
| TOTAL STATE SPENDING | 13,835,600 | 15,094,300 | 15,424,400 | (100) | 14,111,900 | 276,300 | 2.0 |
| Less: | | | | | | | |
| Other State Restricted Funds | 7,647,300 | 7,836,500 | 7,236,500 | 0 | 7,036,500 | (610,800) | (8.0) |
| GENERAL FUND/GENERAL PURPOSE .. | 6,188,300 | 7,257,800 | 8,187,900 | (100) | 7,075,400 | 887,100 | 14.3 |
| PAYMENTS TO LOCALS | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

A. NEW PROGRAMS - NONE

B. PROGRAM ELIMINATIONS

Michigan School for the Blind Former Site

Since all property at the former site of the Michigan School for the Blind was declared surplus property and sold, appropriation authority for receiving and spending rent was eliminated.

| | |
|------------|-------------|
| Gross | (1,821,100) |
| Restricted | (1,821,100) |
| GF/GP | 0 |

C. PROGRAM TRANSFERS

Executive Order 2007-1 transferred 25.0 FTEs and more than \$4.2 million for Career and Technical Education out of the Department of Labor and Economic Growth and into the Department of Education.

| | |
|---------|-----------|
| FTEs | 25.0 |
| Gross | 4,220,100 |
| Federal | 3,542,800 |
| GF/GP | 677,300 |

D. FUNDING SHIFTS - NONE

E. UNCLASSIFIED SALARIES - NONE

F. FEE INCREASES

1. Teacher Certification Fees

Increases in teacher certification fees were enacted in many categories, including a \$35 increase for the standard teaching permit (from \$125 to \$160 for a five-year permit). The increases in fees were necessary to restore the Teacher Certification Fee Fund to solvency. (Two previous Executive Orders had taken a total of \$2.4 million out of the Fund to assist the General Fund.) The increases also were needed to maintain programs and related staffing. In addition, a portion of the increased revenue will fund an upgrade of the database used to track and assist with teaching certificates and licenses. This new licensure database is estimated to cost \$700,000 each year for three years.

| | |
|------------|---------|
| Gross | 777,400 |
| Restricted | 777,400 |
| GF/GP | 0 |

2. Teacher College Review Fees

A new teacher college review fee was implemented to pay for the cost of periodically reviewing teacher colleges and their programs.

| | |
|------------|--------|
| Gross | 54,000 |
| Restricted | 54,000 |
| GF/GP | 0 |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

G. ECONOMIC ADJUSTMENTS

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets.

| | |
|------------|-----------|
| Gross | 1,704,000 |
| Federal | 1,211,000 |
| Local | 167,100 |
| Private | 22,400 |
| Restricted | 113,900 |
| GF/GP | 189,600 |

H. RESTORATION OF RETIREMENT RATE SAVINGS IN FY 2006-07

In FY 2006-07, reductions across departments were taken to reflect savings due to a lower-than-anticipated mandatory contribution based on the retirement rate assessed. In FY 2007-08, these reductions are restored.

| | |
|------------|-----------|
| Gross | 1,116,100 |
| Federal | 825,600 |
| Local | 48,300 |
| Restricted | 106,700 |
| GF/GP | 135,500 |

I. MICHIGAN SCHOOLS FOR THE DEAF AND BLIND

Due to increasing enrollment at the Michigan Schools for the Deaf and Blind in Flint, staffing is increased and paid for via Federal funds.

| | |
|---------|-----------|
| FTES | 7.0 |
| Gross | 1,390,300 |
| Federal | 718,700 |
| Local | 471,200 |
| Private | 200,400 |
| GF/GP | 0 |

J. INFORMATION TECHNOLOGY OPERATIONS

The budget increases hosting costs by \$176,000, but includes a 5% reduction to Department of Information Technology (DIT) enterprises (\$18,800) and a reduction of \$100,000 in general DIT funding.

| | |
|---------|-----------|
| Gross | 57,200 |
| Federal | 176,000 |
| GF/GP | (118,800) |

K. FEDERAL FUNDS ADMINISTRATIVE REDUCTIONS

Special Education Operations and School Improvement Operations are reduced \$120,000 and \$60,000, respectively, in Federal funds to align with anticipated revenue and expenditures.

| | |
|---------|-----------|
| Gross | (180,000) |
| Federal | (180,000) |
| GF/GP | 0 |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

L. OTHER ADJUSTMENTS

Other adjustments, including restoring cuts in Public Act 17 of 2007 to Central Support (\$65,000) and to Early Childhood (\$25,000), and eliminating funding that provided partial support for a longitudinal study of the Michigan School Readiness Program, netted reductions totaling \$267,900 compared with FY 2006-07 appropriations.

| | |
|------------|-----------|
| FTEs | (1.0) |
| Gross | (267,900) |
| Federal | (289,300) |
| Local | (175,000) |
| Private | 34,600 |
| Restricted | 158,300 |
| GF/GP | 3,500 |

M. VETOES - NONE

**DEPARTMENT OF ENVIRONMENTAL QUALITY - CLEAN MICHIGAN INITIATIVE
P.A. 121 of 2007**

| FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE | FY 2006-07 YEAR-TO-DATE | FY 2007-08 GOV.'S REC. | FY 2007-08 SENATE | FY 2007-08 HOUSE | FY 2007-08 YEAR-TO-DATE | CHANGES FROM FY 2006-07 YEAR-TO-DATE | |
|---|----------------------------|---------------------------|----------------------|---------------------|----------------------------|---|---------------|
| | | | | | | AMOUNT | PERCENT |
| FTE Positions | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| GROSS | 25,411,000 | 5,663,200 | 0 | 5,663,200 | 5,663,200 | (19,747,800) | (77.7) |
| Less: | | | | | | | |
| Interdepartmental Grants Received..... | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| ADJUSTED GROSS | 25,411,000 | 5,663,200 | 0 | 5,663,200 | 5,663,200 | (19,747,800) | (77.7) |
| Less: | | | | | | | |
| Federal Funds | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| Local and Private..... | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| TOTAL STATE SPENDING | 25,411,000 | 5,663,200 | 0 | 5,663,200 | 5,663,200 | (19,747,800) | (77.7) |
| Less: | | | | | | | |
| Other State Restricted Funds | 25,411,000 | 5,663,200 | 0 | 5,663,200 | 5,663,200 | (19,747,800) | (77.7) |
| GENERAL FUND/GENERAL PURPOSE .. | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| PAYMENTS TO LOCALS | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

- A. NEW PROGRAMS - NONE**
- B. PROGRAM ELIMINATIONS - NONE**
- C. PROGRAM TRANSFERS - NONE**
- D. FUNDING SHIFTS - NONE**
- E. UNCLASSIFIED SALARIES - NONE**
- F. FEE INCREASES - NONE**
- G. ECONOMIC ADJUSTMENTS - NONE**
- H. ENVIRONMENTAL CLEANUP SITES**

The budget appropriates the last remaining funds from the Clean Michigan Initiative 1998 general obligation bond that are designated for corrective actions at environmental cleanup sites. The total appropriation for this purpose is \$5,663,200, a significant reduction from the FY 2006-07 appropriation. The budget also lists nine sites that will receive funding from this appropriation.

| | |
|------------|--------------|
| Gross | (19,747,800) |
| Restricted | (19,747,800) |
| GF/GP | 0 |

- I. VETOES - NONE**

DEPARTMENT OF ENVIRONMENTAL QUALITY - OPERATIONS
P.A. 121 of 2007

| FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE | FY 2006-07 YEAR-TO-DATE | FY 2007-08 GOV.'S REC. | FY 2007-08 SENATE | FY 2007-08 HOUSE | FY 2007-08 YEAR-TO-DATE | CHANGES FROM FY 2006-07 YEAR-TO-DATE | |
|---|----------------------------|---------------------------|----------------------|---------------------|----------------------------|---|---------------|
| | | | | | | AMOUNT | PERCENT |
| FTE Positions | 1,561.7 | 1,561.7 | N/A | 1,561.7 | 1,561.7 | 0.0 | 0.0 |
| GROSS | 422,668,600 | 365,964,400 | (100) | 367,246,400 | 364,931,200 | (57,737,400) | (13.7) |
| Less: | | | | | | | |
| Interdepartmental Grants Received..... | 18,009,500 | 18,411,800 | 0 | 18,411,800 | 18,662,900 | 653,400 | 3.6 |
| ADJUSTED GROSS | 404,659,100 | 347,552,600 | (100) | 348,834,600 | 346,268,300 | (58,390,800) | (14.4) |
| Less: | | | | | | | |
| Federal Funds | 137,567,800 | 132,274,300 | 0 | 132,739,700 | 131,750,500 | (5,817,300) | (4.2) |
| Local and Private..... | 450,000 | 455,100 | 0 | 455,100 | 455,100 | 5,100 | 1.1 |
| TOTAL STATE SPENDING | 266,641,300 | 214,823,200 | (100) | 215,639,800 | 214,062,700 | (52,578,600) | (19.7) |
| Less: | | | | | | | |
| Other State Restricted Funds | 235,853,600 | 182,026,800 | 0 | 166,018,700 | 182,299,500 | (53,554,100) | (22.7) |
| GENERAL FUND/GENERAL PURPOSE .. | 30,787,700 | 32,796,400 | (100) | 49,621,100 | 31,763,200 | 975,500 | 3.2 |
| PAYMENTS TO LOCALS | 5,758,700 | 4,050,000 | 0 | 4,300,000 | 4,050,000 | (1,708,700) | (29.7) |

A. NEW PROGRAMS - NONE

B. PROGRAM ELIMINATIONS - NONE

C. PROGRAM TRANSFERS - NONE

D. FUNDING SHIFTS

1. Environmental Site Cleanup Funding

Declining revenue to the Environmental Response Fund (ERF) is offset by additional appropriations from other restricted funds that support environmental site cleanups. A \$3.0 million reduction in ERF appropriations is replaced with \$1.0 million from the Cleanup and Redevelopment Fund and \$2.0 million from the Refined Petroleum Fund. The shift among restricted funds to support oversight of ongoing cleanup projects reduces the funding available for new projects under the Refined Petroleum Cleanup Program from \$22.0 million to \$20.0 million.

| | |
|------------|-------------|
| Gross | (2,000,000) |
| Restricted | (2,000,000) |
| GF/GP | 0 |

2. Clean Michigan Initiative Funding

The amount of funding available from the Clean Michigan Initiative (CMI) bond for administrative costs is running out. The budget replaces \$351,600 in CMI funding for oversight of cleanup projects with money from the Cleanup and Redevelopment Fund. Also, a reduction of \$264,500 in CMI funding for administration of water quality monitoring programs is partially offset with \$100,000 from the Environmental Protection Fund.

| | |
|------------|-----------|
| Gross | (164,500) |
| Restricted | (164,500) |
| GF/GP | 0 |

E. UNCLASSIFIED SALARIES

The budget moves \$160,000 in State restricted dollars from Environmental cleanup support to provide additional funding for unclassified salaries and fringe benefits.

| | |
|------------|---|
| Gross | 0 |
| Restricted | 0 |
| GF/GP | 0 |

F. FEE INCREASES

1. Air Emissions Fees

Air emissions fees are paid by facilities seeking a New Source Review or Renewable Operating Permit under the Federal Clean Air Act Title V permitting program. Revenue from these fees is insufficient to support the current level of program operations. The budget continues funding the program at the current level, although fee increases have not been enacted yet to generate the revenue necessary to support that level of operation.

| | |
|------------|---|
| Gross | 0 |
| Restricted | 0 |
| GF/GP | 0 |

2. Groundwater Discharge Fees

Groundwater discharge fees are paid by businesses and individuals for the right to discharge wastewater into the groundwater of the State. Revenue from these fees is insufficient to support the current level of program operations. The budget continues funding the program at the current level, although fee increases have not been enacted yet to generate the revenue necessary to support that level of operation. The budget also includes an increase in the funding for the program for a compliance sampling inspection enhancement to conduct random sampling of permittees to verify accuracy in self-reporting.

| | |
|------------|---------|
| Gross | 300,000 |
| Restricted | 300,000 |
| GF/GP | 0 |

3. Hazardous Waste User Charges

User charges from site ID registration numbers, handlers, and manifest processing of hazardous waste are used to support the regulation of the disposal of hazardous waste. Revenue from these fees is insufficient to support the current level of program operations. The budget continues funding the program at the current level, although fee increases have not been enacted yet to generate the revenue necessary to support that level of operation.

| | |
|------------|---|
| Gross | 0 |
| Restricted | 0 |
| GF/GP | 0 |

4. Land and Water Permit Fees

Applicants pay a fee for a variety of use and impact permits for inland lakes and streams, wetlands, floodplains, dams, shorelands, and Great Lakes bottomlands. Revenue from these fees is insufficient to support the current level of program operations. The budget continues funding the program at the current level, although fee increases have not been enacted yet to generate the revenue necessary to support that level of operation.

| | |
|------------|---|
| Gross | 0 |
| Restricted | 0 |
| GF/GP | 0 |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

5. Mineral Well Regulatory Fees

Application and regulatory fees are assessed for mineral wells and subject test wells to support the Mineral Wells Regulatory Program. Revenue from these fees is insufficient to support the current level of program operations. The budget continues funding the program at the current level, although fee increases have not been enacted yet to generate the revenue necessary to support that level of operation.

| | |
|------------|---|
| Gross | 0 |
| Restricted | 0 |
| GF/GP | 0 |

6. On-Site Wastewater Treatment Fee

The Governor proposed a new fee to support a current program for which General Fund dollars have gradually eroded over several years. A new fee would be assessed for the siting and installation of on-site wastewater treatment systems for residential and commercial property. The budget includes revenue from this new fee, although it has not been enacted yet.

| | |
|------------|---------|
| Gross | 592,500 |
| Restricted | 592,500 |
| GF/GP | 0 |

7. Pollution Prevention Fee

The Governor proposed a new fee on hazardous waste disposal filings for the Toxic Release Inventory to support ongoing pollution prevention activities. The revenue from the new fee would supplement revenue from an existing fee on hazardous waste disposal that is insufficient to support current waste reduction activities. The budget continues funding the waste reduction activities at the current level, although the new fee has not been enacted yet.

| | |
|------------|---|
| Gross | 0 |
| Restricted | 0 |
| GF/GP | 0 |

8. Solid Waste Program Surcharge

Owners and operators of landfills pay 7 cents per cubic yard as a solid waste surcharge, which supports the Solid Waste Management Program. Revenue from the surcharge is insufficient to support the current level of program operations. The budget continues funding the program at the current level, although an increase in the surcharge has not been enacted yet to generate the revenue necessary to support that level of operation.

| | |
|------------|---|
| Gross | 0 |
| Restricted | 0 |
| GF/GP | 0 |

G. ECONOMIC ADJUSTMENTS

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets.

| | |
|------------|-----------|
| Gross | 5,500,700 |
| IDG | 178,200 |
| Federal | 1,334,600 |
| Private | 5,100 |
| Restricted | 3,231,900 |
| GF/GP | 750,900 |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

H. CONTAMINATED SITE ADMINISTRATION REDUCTION

| | |
|-------|-----------|
| Gross | (311,000) |
| GF/GP | (311,000) |

In order to meet reduced General Fund revenue estimates, funding for the oversight of contaminated site cleanup projects was reduced.

I. DRINKING WATER REVOLVING LOAN PROGRAM REDUCTION

| | |
|------------|--------------|
| Gross | (10,870,600) |
| Federal | (8,457,000) |
| Restricted | 0 |
| GF/GP | (2,413,600) |

The Federal government provides capitalization grants for states to provide low-interest loans to local units of government for the construction and upgrade of drinking water facilities. A state match of 20% is required to receive the Federal funding. In order to meet reduced General Fund revenue estimates, the budget includes a reduction in General Fund support for Michigan's state match and the loss of Federal dollars as a result of fewer matching funds provided.

J. EXPEDITED PERMITS

| | |
|------------|---------|
| Gross | 400,000 |
| Restricted | 400,000 |
| GF/GP | 0 |

Public Acts 601 and 602 of 2006 created a new expedited permit process for selected water and wastewater permits. Permit processing may be expedited for a fee, which is deposited into the Infrastructure Construction Fund. To support operations, 3.0 FTEs also are shifted into the expedited permit program from another program in the Water Bureau.

K. BIOWATCH GRANT

| | |
|---------|---------|
| Gross | 575,000 |
| Federal | 575,000 |
| GF/GP | 0 |

The budget includes an increase in Federal funding to expand the outdoor biowatch network to indoor monitoring at places such as airports and train stations.

L. GREAT LAKES BALLAST WATER

| | |
|------------|--------|
| Gross | 45,000 |
| Federal | 22,500 |
| Restricted | 22,500 |
| GF/GP | 0 |

The budget includes additional Federal funding and State matching dollars from the Great Lakes Protection Fund for a best practice management program to reduce aquatic invasive species entering the Great Lakes from ship ballast water.

M. LIFECYCLE PILOT PROJECT

| | |
|------------|---------|
| Gross | 500,000 |
| Restricted | 500,000 |
| GF/GP | 0 |

The budget appropriates funding for a pilot project for document management, imaging, retrieval, automation, and interfacing. It is a joint program with the Departments of Information Technology, History, Arts, and Libraries, and Transportation. The project is supported with appropriations from several restricted fund sources.

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

N. ADMINISTRATIVE REDUCTIONS

The budget includes a reduction in funding for administrative functions. The savings are to be realized in many different restricted fund sources that support departmentwide administrative activities.

| | |
|------------|-----------|
| Gross | (200,000) |
| Restricted | (200,000) |
| GF/GP | 0 |

O. OTHER ADJUSTMENTS

The budget makes other adjustments for human resources capitalization charges, reductions or increases to grant programs based on revenue estimates in restricted fund sources, elimination of one-time appropriations in FY 2006-07, restoration of one-time retirement savings, and removal of bond revenue supporting environmental cleanup projects.

| | |
|------------|--------------|
| Gross | (51,854,500) |
| IDG | 475,200 |
| Federal | 707,100 |
| Restricted | (55,986,500) |
| GF/GP | 2,979,200 |

P. VETOES

Real-Time Water Quality Monitoring

The Governor vetoed funding for a real-time water quality monitoring project in Macomb County. The money from the Settlement Funds account would have supported various testing and monitoring studies in the St. Clair River watershed.

| | |
|------------|-----------|
| Gross | (250,000) |
| Restricted | (250,000) |
| GF/GP | 0 |

**EXECUTIVE OFFICE
P.A. 127 of 2007**

| FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE | FY 2006-07 YEAR-TO-DATE | FY 2007-08 GOV.'S REC. | FY 2007-08 SENATE | FY 2007-08 HOUSE | FY 2007-08 YEAR-TO-DATE | CHANGES FROM FY 2006-07 YEAR-TO-DATE | |
|---|----------------------------|---------------------------|----------------------|---------------------|----------------------------|---|------------|
| | | | | | | AMOUNT | PERCENT |
| FTE Positions | 74.2 | 74.2 | 74.2 | N/A | 74.2 | 0.0 | 0.0 |
| GROSS | 5,272,900 | 5,509,900 | 5,305,600 | 0 | 5,317,300 | 44,400 | 0.8 |
| Less: | | | | | | | |
| Interdepartmental Grants Received | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| ADJUSTED GROSS | 5,272,900 | 5,509,900 | 5,305,600 | 0 | 5,317,300 | 44,400 | 0.8 |
| Less: | | | | | | | |
| Federal Funds | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| Local and Private | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| TOTAL STATE SPENDING | 5,272,900 | 5,509,900 | 5,305,600 | 0 | 5,317,300 | 44,400 | 0.8 |
| Less: | | | | | | | |
| Other State Restricted Funds | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| GENERAL FUND/GENERAL PURPOSE .. | 5,272,900 | 5,509,900 | 5,305,600 | 0 | 5,317,300 | 44,400 | 0.8 |
| PAYMENTS TO LOCALS | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

A. NEW PROGRAMS - NONE

B. PROGRAM ELIMINATIONS - NONE

C. PROGRAM TRANSFERS - NONE

D. FUNDING SHIFTS - NONE

E. UNCLASSIFIED SALARIES - NONE

F. FEE INCREASES - NONE

G. ECONOMIC ADJUSTMENTS

| | |
|-------|--------|
| Gross | 11,700 |
| GF/GP | 11,700 |

The House included a 1.5% adjustment of \$65,400. The Governor and Senate did not include any adjustment and the Conference Report reduced the amount included by the House.

H. FY 2006-07 YEAR-TO-DATE ADJUSTMENTS

| | |
|-------|---------|
| Gross | 237,000 |
| GF/GP | 237,000 |

Adjustments to the year-to-date figure for FY 2006-07 were made to reflect changes in appropriations due to Executive Order 2007-3 and Public Acts 17 and 41 of 2007.

I. GENERAL FUND REDUCTION

| | |
|-------|-----------|
| Gross | (204,300) |
| GF/GP | (204,300) |

The Senate made a 4% reduction, which was included in the Conference Report. The Governor and House did not make any reductions.

J. VETOES - NONE

**HIGHER EDUCATION
P.A. 136 of 2007**

| FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE | FY 2006-07 YEAR-TO-DATE | FY 2007-08 GOV.'S REC. | FY 2007-08 SENATE | FY 2007-08 HOUSE | FY 2007-08 YEAR-TO-DATE | CHANGES FROM FY 2006-07 YEAR-TO-DATE | |
|---|----------------------------|---------------------------|----------------------|----------------------|----------------------------|---|-------------|
| | | | | | | AMOUNT | PERCENT |
| FTE Positions | 1.0 | 1.0 | N/A | 1.0 | 1.0 | 0.0 | 0.0 |
| GROSS | 1,610,750,400 | 1,883,680,700 | 3,700 | 1,985,243,300 | 1,896,375,700 | 285,625,300 | 17.7 |
| Less: | | | | | | | |
| Interdepartmental Grants Received..... | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| ADJUSTED GROSS | 1,610,750,400 | 1,883,680,700 | 3,700 | 1,985,243,300 | 1,896,375,700 | 285,625,300 | 17.7 |
| Less: | | | | | | | |
| Federal Funds | 3,000,000 | 7,400,000 | 200 | 6,000,000 | 7,400,000 | 4,400,000 | 146.7 |
| Local and Private..... | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| TOTAL STATE SPENDING | 1,607,750,400 | 1,876,280,700 | 3,500 | 1,979,243,300 | 1,888,975,700 | 281,225,300 | 17.5 |
| Less: | | | | | | | |
| Other State Restricted Funds | 243,700,000 | 125,800,000 | 400 | 125,800,000 | 127,200,000 | (116,500,000) | (47.8) |
| GENERAL FUND/GENERAL PURPOSE .. | 1,364,050,400 | 1,750,480,700 | 3,100 | 1,853,443,300 | 1,761,775,700 | 397,725,300 | 29.2 |
| PAYMENTS TO LOCALS | 3,759,100 | 3,759,100 | 300 | 3,759,100 | 3,759,100 | 0 | 0.0 |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

A. NEW PROGRAMS

1. Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP)

The mission of GEAR UP, a Federal project enacted in 1998 but appropriated for the first time in Michigan in the FY 2007-08 Higher Education budget, is to increase the number of low-income students who are prepared to enter and succeed in postsecondary education. The GEAR UP project will supplement and expand Michigan's existing Martin Luther King, Jr.-Cesar Chavez-Rosa Parks College Day Program. This collaborative effort will include dissemination of college preparation publications, academic advising, mentoring, financial aid information, career exploration, college visits, test preparation, educational transitions workshops, and introduction to technology.

| | |
|---------|-----------|
| Gross | 3,000,000 |
| Federal | 3,000,000 |
| GF/GP | 0 |

2. Indian Tuition Waivers

Although technically not a new program, specific funding for Indian Tuition Waivers has not been included in the budget since FY 1996-97 when a total of \$2.5 million was added to the base funding for public universities. For FY 2007-08, a total of \$1.4 million is added for Indian Tuition Waivers and is distributed to each public university proportionately, based on the difference between its FY 2005-06 expenditure for the waivers and the amount added to its base for the waivers in FY 1996-97. Column 4 of [Table 1](#) lists the amount for each university.

| | |
|-------|-----------|
| Gross | 1,400,000 |
| GF/GP | 1,400,000 |

B. PROGRAM ELIMINATIONS

Michigan Leadership, Education, and Development

The Michigan Leadership, Education, and Development (MiLEAD) initiative was a new program in the FY 2006-07 budget and was never implemented. The MiLEAD initiative was proposed as an academic and conservation-based work training program (to be administered by the Michigan Department of Natural Resources) for at-risk individuals between the ages of 18 and 25. The program would have been funded from the Michigan Civilian Conservation Corps Endowment Fund but as a result of FY 2006-07 budget-balancing negotiations, the Fund was depleted.

| | |
|------------|-------------|
| Gross | (5,000,000) |
| Restricted | (5,000,000) |
| GF/GP | 0 |

C. PROGRAM TRANSFERS - NONE

D. FUNDING SHIFTS - NONE

E. UNCLASSIFIED SALARIES - NONE

F. FEE INCREASES - NONE

G. ECONOMIC ADJUSTMENTS - NONE

H. FORMAT CHANGE

The Governor and the House both recommended two separate Higher Education appropriation bills: one bill for the three "research" universities and another bill for the other 12 public universities. The Senate retained one appropriation bill for all 15 universities. During Conference Committee deliberations, a compromise was adopted: one appropriation bill with four separate articles. The four articles are designated as: 1) summary and general provisions; 2) research universities; 3) State universities; and 4) State and regional programs, grants, and financial aid.

I. FY 2006-07 ONE-TIME ADJUSTMENTS

| | |
|------------|--------------|
| Gross | 281,494,900 |
| Restricted | (90,000,000) |
| GF/GP | 371,494,900 |

There were three adjustments to the Higher Education budget during FY 2006-07 that can be characterized as one-time in nature. In order to properly compare FY 2007-08 to FY 2006-07, these adjustments should be noted: 1) restoration of the FY 2006-07 August payment delay required a \$138.7 million repayment and a \$138.7 million base reinstatement, for a total adjustment of \$277.5 million; 2) defined benefit contributions to the Michigan Public School Employees Retirement System (MPSERS) were reduced by \$4.0 million in FY 2006-07 due to a one-time revaluation of MPSERS assets; and 3) a one-time transfer of \$90.0 million from the Michigan Higher Education Student Loan Authority replaced GF/GP funding within the grants and financial aid appropriation unit with Michigan Merit Award Trust Fund revenue.

J. UNIVERSITY OPERATIONS

| | |
|------------|-------------|
| Gross | 14,115,400 |
| Restricted | (9,500,000) |
| GF/GP | 23,615,400 |

An increase of 1.0% is added to each university's operations line item. Column 3 of Table 1 outlines the dollar amount each university receives.

There is also a technical adjustment to the fund sources for university operations. Since FY 2002-03, \$9.5 million in revenue from the Michigan Merit Award Trust Fund has been used as a fund source for four of the universities. In FY 2007-08, this \$9.5 million of Trust Fund revenue was shifted to fund grants and financial aid and was replaced by \$9.5 million in GF/GP revenue from the grants and financial aid appropriation unit.

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

K. AGRICULTURAL EXPERIMENT STATION (AES) AND COOPERATIVE EXTENSION SERVICE (CES)

| | |
|-------|---------|
| Gross | 315,000 |
| GF/GP | 315,000 |

The AES and CES are agriculture economic programs operated by Michigan State University that provide services throughout the State. The Governor recommended no change for AES but reduced CES by 9.1%; the House retained AES and CES at their FY 2006-07 funding levels of \$33.8 million and \$29.2 million, respectively. The enacted budget provides an increase of 0.5% for each: \$169,100 for AES and \$145,900 for CES.

L. STATE COMPETITIVE SCHOLARSHIPS

| | |
|------------|-------------|
| Gross | 1,400,000 |
| Federal | 1,400,000 |
| Restricted | (1,800,000) |
| GF/GP | 1,800,000 |

State Competitive Scholarships are need-based grants for students who perform well on the American College Test (ACT). The Governor, House, and Senate agreed to add \$1.4 million in new Federal Supplemental Leveraging Educational Assistance Partnership (SLEAP) funding, and to reduce by \$1.8 million the amount of Michigan Higher Education Assistance Authority (MHEAA) operating revenue used to fund the scholarships. These changes result in a total FY 2007-08 appropriation for State Competitive Scholarships of \$35.5 million, with \$2.9 million financed from Federal revenue, \$1.2 million from MHEAA revenue, and \$31.4 million from GF/GP revenue.

M. TUITION GRANTS

| | |
|------------|-------------|
| Gross | 0 |
| Restricted | (1,500,000) |
| GF/GP | 1,500,000 |

For the fifth year in a row, the Governor recommended elimination of Michigan Tuition Grants, which are need-based awards for students attending Michigan independent colleges and universities, and the Legislature did not concur. The FY 2006-07 year-to-date appropriation of \$56.7 million is retained for FY 2007-08, financed from \$1.4 million in Tuition Grant funds carried forward from FY 2006-07 and \$55.3 million in GF/GP revenue. Boilerplate language (Sec. 302(3)) requires that the maximum Tuition Grant award per student be no less than \$2,100.

N. MICHIGAN MERIT AWARDS

| | |
|------------|--------------|
| Gross | (61,700,000) |
| Restricted | (61,700,000) |
| GF/GP | 0 |

Public Act 94 of 1999 created the Michigan Merit Award Program, which provides merit-based grants of up to \$3,000 to students who score well on the middle school and high school MEAP test or Merit Exam. The high school class of 2000 was the first eligible graduating class. Beginning with the high school graduating class of 2007, Michigan Merit Awards are replaced by the new Michigan Promise Grants (next item). The FY 2006-07 total appropriation for Merit Awards was \$121.7 million financed from the Michigan Merit Award Trust Fund. In order to fulfill Merit Award commitments for previous graduating classes, \$60.0 million is estimated to be needed for FY 2007-08 Merit Awards; \$43.5 million is transferred to the new Promise Grant Program; and \$18.2 million of temporary cost savings are achieved due to the payment schedule of the Promise Grants.

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

O. MICHIGAN PROMISE GRANTS

Public Act 479 of 2006 created the Michigan Promise Grant Program to provide merit-based grants of up to \$4,000 to students who score well on the high school Merit Exam and/or who complete two years of postsecondary education with at least a 2.5 grade point average. The \$43.5 million FY 2007-08 appropriation is based on an estimate of 43,500 students eligible for a \$1,000 grant at the beginning of their first year of postsecondary education.

| | |
|------------|------------|
| Gross | 43,500,000 |
| Restricted | 43,500,000 |
| GF/GP | 0 |

P. TUITION INCENTIVE PROGRAM (TIP)

Due to an increase in TIP students attending college, an additional \$7.1 million is required for FY 2007-08. The Program provides an incentive to Medicaid-eligible middle school and high school students by promising to pay for their college tuition if they graduate from high school. It pays for two years of community college and up to an additional \$2,000 for study at a four-year institution. There were 10,462 TIP students in FY 2006-07 compared to 9,046 in FY 2005-06. The FY 2007-08 TIP appropriation is \$21.1 million, financed from \$15.85 million in Merit Award Trust Fund revenue and \$5.25 million in State GF/GP revenue.

| | |
|------------|-------------|
| Gross | 7,100,000 |
| Restricted | 9,500,000 |
| GF/GP | (2,400,000) |

Q. RESEARCH AND TECHNOLOGY COMMERCIALIZATION

Boilerplate language (Sec. 464) in the FY 2007-08 appropriation act requires each of the 15 public universities to submit a plan by January 15, 2008, to the State Budget Director, the House and Senate Appropriations Subcommittees on Higher Education, and the fiscal agencies on its process to inform both the private and public sectors regarding research and technology that could be developed commercially.

R. VETOES - NONE

Table 1: FY 2007-08 HIGHER EDUCATION APPROPRIATIONS - PUBLIC ACT 136 OF 2007

| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
|-----------------------------------|--------------------------------------|---|--|---|-----------------------------------|--|-------------------------------------|--------------------------------------|--------------------------------------|
| | 2006-07 Approp Per Student* | FY 2006-07 Year-To-Date Appropriation | University Operations Increase 1.0%; AES/CES 0.5% | Indian Tuition Waivers \$1,400,000 | Financial Aid/Other Changes | FY 2007-08 Initial Appropriation | Dollar Change From 2006-07 | Percent Change From 2006-07 | 2007-08 Approp Per Student* |
| UNIVERSITIES | | | | | | | | | |
| Central | \$3,753 | \$80,994,600 | \$795,500 | \$151,000 | | \$81,941,100 | \$946,500 | 1.2% | \$3,797 |
| Eastern | 4,099 | 76,955,400 | 755,800 | 62,900 | | 77,774,100 | 818,700 | 1.1% | 4,142 |
| Ferris | 4,447 | 49,201,300 | 483,200 | 46,300 | | 49,730,800 | 529,500 | 1.1% | 4,495 |
| Grand Valley | 3,132 | 62,603,400 | 614,900 | 169,200 | | 63,387,500 | 784,100 | 1.3% | 3,172 |
| Lake Superior | 4,950 | 12,675,900 | 124,500 | 181,500 | | 12,981,900 | 306,000 | 2.4% | 5,069 |
| Michigan State | 6,767 | 287,127,000 | 2,820,000 | 192,800 | | 290,139,800 | 3,012,800 | 1.0% | 6,838 |
| Michigan Tech | 7,920 | 48,501,100 | 476,300 | 50,800 | | 49,028,200 | 527,100 | 1.1% | 8,006 |
| Northern | 5,331 | 45,593,100 | 447,800 | 130,600 | | 46,171,500 | 578,400 | 1.3% | 5,398 |
| Oakland | 3,606 | 51,378,000 | 504,600 | 50,300 | | 51,932,900 | 554,900 | 1.1% | 3,645 |
| Saginaw Valley | 3,605 | 28,052,100 | 275,500 | 28,600 | | 28,356,200 | 304,100 | 1.1% | 3,644 |
| UM-Ann Arbor | 7,995 | 320,156,000 | 3,144,400 | 139,500 | | 323,439,900 | 3,283,900 | 1.0% | 8,077 |
| UM-Dearborn | 4,009 | 25,027,400 | 245,800 | 21,800 | | 25,295,000 | 267,600 | 1.1% | 4,052 |
| UM-Flint | 4,138 | 21,151,100 | 207,700 | 21,100 | | 21,379,900 | 228,800 | 1.1% | 4,183 |
| Wayne State | 8,592 | 216,822,300 | 2,129,500 | 94,700 | | 219,046,500 | 2,224,200 | 1.0% | 8,680 |
| Western | 4,765 | 110,973,200 | 1,089,900 | 58,900 | | 112,122,000 | 1,148,800 | 1.0% | 4,814 |
| Ag Experiment Station(AES) | | 33,827,100 | 169,100 | | | 33,996,200 | 169,100 | 0.5% | |
| Cooperative Extension(CES) | | 29,176,400 | 145,900 | | | 29,322,300 | 145,900 | 0.5% | |
| Payment Delay Restoration | | 0 | | | 138,736,000 | 138,736,000 | 138,736,000 | na | |
| Higher Education Database | | 200,000 | | | | 200,000 | 0 | 0.0% | |
| Midwest Higher Ed Compact | | 90,000 | | | | 90,000 | 0 | 0.0% | |
| King-Chavez-Parks | | 2,691,500 | | | | 2,691,500 | 0 | 0.0% | |
| TOTAL UNIVERSITIES | \$5,680 | \$1,503,196,900 | \$14,430,400 | \$1,400,000 | \$138,736,000 | \$1,657,763,300 | \$154,566,400 | 10.3% | \$5,742 |
| Merit Award Trust Fund | | 9,500,000 | 0 | 0 | (9,500,000) | 0 | (9,500,000) | -100.0% | |
| State GF/GP | | \$1,493,696,900 | \$14,430,400 | \$1,400,000 | \$148,236,000 | \$1,657,763,300 | \$164,066,400 | 11.0% | |
| GRANTS & FINANCIAL AID | | | | | | | | | |
| Competitive Scholarships | | \$34,130,500 | | | \$1,400,000 | \$35,530,500 | \$1,400,000 | 4.1% | |
| Tuition Grants | | 56,668,100 | | | | 56,668,100 | 0 | 0.0% | |
| Work Study | | 7,326,300 | | | | 7,326,300 | 0 | 0.0% | |
| Part-time Independent | | 2,653,300 | | | | 2,653,300 | 0 | 0.0% | |
| Ed.Oppportunity Grants(MEOG) | | 2,084,200 | | | | 2,084,200 | 0 | 0.0% | |
| Byrd Scholarship Program | | 1,500,000 | | | | 1,500,000 | 0 | 0.0% | |
| Nursing Scholarship Program | | 4,250,000 | | | | 4,250,000 | 0 | 0.0% | |
| Michigan Merit Award Program | | 121,700,000 | | | (61,700,000) | 60,000,000 | (61,700,000) | -50.7% | |
| Michigan Promise Grant Program | | 0 | | | 43,500,000 | 43,500,000 | 43,500,000 | na | |
| Tuition Incentive Program(TIP) | | 14,000,000 | | | 7,100,000 | 21,100,000 | 7,100,000 | 50.7% | |
| Children of Veterans Tuition | | 1,000,000 | | | | 1,000,000 | 0 | 0.0% | |
| Project Gear-Up | | 0 | | | 3,000,000 | 3,000,000 | 3,000,000 | na | |
| Mi. Leadership, Ed, Development | | 5,000,000 | | | (5,000,000) | 0 | (5,000,000) | -100.0% | |
| TOTAL FINANCIAL AID | | \$250,312,400 | \$0 | \$0 | (\$11,700,000) | \$238,612,400 | (\$11,700,000) | -4.7% | |
| Federal | | 3,000,000 | 0 | 0 | 4,400,000 | 7,400,000 | 4,400,000 | 146.7% | |
| Merit Award Trust Fund | | 132,300,000 | 0 | 0 | (8,700,000) | 123,600,000 | (8,700,000) | -6.6% | |
| MHEAA/Carry-Forward | | 5,900,000 | 0 | 1,400,000 | (4,700,000) | 2,600,000 | (3,300,000) | -55.9% | |
| Veterans Tax Checkoff | | 1,000,000 | 0 | 0 | 0 | 1,000,000 | 0 | 0.0% | |
| Civilian Conservation Corps | | 5,000,000 | 0 | 0 | (5,000,000) | 0 | (5,000,000) | -100.0% | |
| State GF/GP | | \$103,112,400 | \$0 | (\$1,400,000) | \$2,300,000 | \$104,012,400 | \$900,000 | 0.9% | |
| TOTAL HIGHER ED | | \$1,753,509,300 | \$14,430,400 | \$1,400,000 | \$127,036,000 | \$1,896,375,700 | \$142,866,400 | 8.1% | |
| TOTAL FEDERAL | | 3,000,000 | 0 | 0 | 4,400,000 | 7,400,000 | 4,400,000 | 146.7% | |
| TOTAL STATE RESTRICTED | | 153,700,000 | 0 | 1,400,000 | (27,900,000) | 127,200,000 | (26,500,000) | -17.2% | |
| TOTAL STATE GF/GP | | \$1,596,809,300 | \$14,430,400 | \$0 | \$150,536,000 | \$1,761,775,700 | \$164,966,400 | 10.3% | |

* FY 2005-06 Fiscal-Year-Equated Students (FYES); MSU calculation does not include funding for AES and CES.

**DEPARTMENT OF HISTORY, ARTS, AND LIBRARIES
P.A. 117 of 2007**

| FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE | FY 2006-07 YEAR-TO-DATE | FY 2007-08 GOV.'S REC. | FY 2007-08 SENATE | FY 2007-08 HOUSE | FY 2007-08 YEAR-TO-DATE | CHANGES FROM FY 2006-07 YEAR-TO-DATE | |
|---|----------------------------|---------------------------|----------------------|---------------------|----------------------------|---|---------------|
| | | | | | | AMOUNT | PERCENT |
| FTE Positions | 232.0 | 228.0 | 228.0 | N/A | 230.0 | (2.0) | (0.9) |
| GROSS | 50,309,300 | 47,453,400 | 43,555,100 | 0 | 49,502,900 | (806,400) | (1.6) |
| Less: | | | | | | | |
| Interdepartmental Grants Received..... | 79,000 | 139,200 | 139,200 | 0 | 139,200 | 60,200 | 76.2 |
| ADJUSTED GROSS | 50,230,300 | 47,314,200 | 43,415,900 | 0 | 49,363,700 | (866,600) | (1.7) |
| Less: | | | | | | | |
| Federal Funds | 8,383,900 | 7,307,400 | 7,307,400 | 0 | 7,307,400 | (1,076,500) | (12.8) |
| Local and Private..... | 577,400 | 112,400 | 112,400 | 0 | 112,400 | (465,000) | (80.5) |
| TOTAL STATE SPENDING | 41,269,000 | 39,894,400 | 35,996,100 | 0 | 41,943,900 | 674,900 | 1.6 |
| Less: | | | | | | | |
| Other State Restricted Funds | 2,580,400 | 2,645,600 | 2,645,600 | 0 | 2,645,600 | 65,200 | 2.5 |
| GENERAL FUND/GENERAL PURPOSE .. | 38,688,600 | 37,248,800 | 33,350,500 | 0 | 39,298,300 | 609,700 | 1.6 |
| PAYMENTS TO LOCALS | 14,058,900 | 7,987,400 | 7,443,600 | 0 | 11,536,300 | (2,522,600) | (17.9) |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

A. NEW PROGRAMS

Michigan History Day

| | |
|-------|--------|
| Gross | 25,000 |
| GF/GP | 25,000 |

The budget provides a grant of \$25,000 GF/GP to this statewide educational competition, which encourages students in grades 4 - 12 to study history.

B. PROGRAM ELIMINATIONS - NONE

C. PROGRAM TRANSFERS - NONE

D. FUNDING SHIFTS - NONE

E. UNCLASSIFIED SALARIES

| | |
|-------|-------|
| Gross | 6,300 |
| GF/GP | 6,300 |

The line item for unclassified salaries was increased from \$222,300 to \$228,600.

F. FEE INCREASES - NONE

G. ECONOMIC ADJUSTMENTS

| | |
|------------|---------|
| Gross | 652,500 |
| IDG | 7,400 |
| Federal | 28,300 |
| Restricted | 55,000 |
| GF/GP | 561,800 |

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets.

H. STATE AID TO LIBRARIES

| | |
|-------|-------------|
| Gross | (2,143,000) |
| GF/GP | (2,143,000) |

State Aid to Libraries was reduced by \$2,143,000 or 17.6%, from \$12,143,000 in FY 2006-07 to \$10.0 million in FY 2007-08.

I. ARTS AND CULTURAL GRANTS

| | |
|-------|-----------|
| Gross | 1,209,700 |
| GF/GP | 1,209,700 |

Funding for Arts and Cultural Grants was increased by \$1,209,700 or 18.5%, from the year-to-date appropriation of \$6,544,300 in FY 2006-07 to \$7,754,000 in FY 2007-08.

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

J. ARTS AND CULTURAL AFFAIRS ADMINISTRATION

Funding for Arts and Cultural Affairs Administration was reduced by \$229,700 and 4.0 FTEs. Of this reduction, 2.0 FTEs were transferred within the Department to the Management Services Unit to continue work on cultural economic development and 2.0 vacant positions were eliminated. The line item totals \$434,400 in FY 2007-08.

| | |
|-------|-----------|
| FTE | (4.0) |
| Gross | (229,700) |
| GF/GP | (229,700) |

K. LIBRARY OF MICHIGAN OPERATIONS

The budget reduced funding for the Library of Michigan operations by \$646,400. This reflects the reallocation of General Fund money within the Department, moving \$300,000 from Library Operations to Management Services and \$200,000 from Library Operations to Historical Administration and Services. An additional \$126,500 was removed from collection purchases. The appropriation for Library of Michigan Operations totals \$6,022,600 in FY 2007-08.

| | |
|-------|-----------|
| Gross | (646,400) |
| GF/GP | (646,400) |

L. HISTORICAL ADMINISTRATION AND SERVICES

The line was increased by an internal transfer of \$200,000 from Library of Michigan Operations and an interdepartmental grant from the Department of Transportation to reflect additional costs of plan review. The line item is \$1,948,500 in FY 2007-08.

| | |
|-------|---------|
| Gross | 240,000 |
| IDG | 40,000 |
| GF/GP | 200,000 |

M. MANAGEMENT SERVICES

The line received an internal transfer of \$300,000 from Library of Michigan Operations, 2.0 FTEs and \$315,000 for cultural economic development from the line for Arts and Cultural Grants Administration, and absorbed administrative reductions of \$18,900. After these and other adjustments, the line item is \$2,786,400 in FY 2007-08.

| | |
|-------|---------|
| FTE | 2.0 |
| Gross | 596,100 |
| GF/GP | 596,100 |

N. BOOK DISTRIBUTION CENTERS

The budget maintains funding for this program at \$350,000, the same level as in FY 2006-07.

| | |
|-------|---|
| Gross | 0 |
| GF/GP | 0 |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

O. OTHER ADJUSTMENTS

Other adjustments made in the budget include an increase of \$171,000 to fund the cost of relocating Historical Museum artifact storage into new leased space; an increase of \$140,000 in the Department of Information Technology (DIT) line to fund the cost of the Department web portal; DIT economics of \$34,900; Human Resources Optimization cost adjustments; retirement cost adjustments; and revised estimates of Federal, private, and restricted funds.

| | |
|------------|-------------|
| Gross | (516,900) |
| IDG | 12,800 |
| Federal | (1,104,800) |
| Private | (465,000) |
| Restricted | 10,200 |
| GF/GP | 1,029,900 |

P. VETOES - NONE

**DEPARTMENT OF HUMAN SERVICES
P.A. 131 of 2007**

| FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE | FY 2006-07 YEAR-TO-DATE | FY 2007-08 GOV.'S REC. | FY 2007-08 SENATE | FY 2007-08 HOUSE | FY 2007-08 YEAR-TO-DATE | CHANGES FROM FY 2006-07 YEAR-TO-DATE | |
|---|----------------------------|---------------------------|----------------------|---------------------|----------------------------|---|------------|
| | | | | | | AMOUNT | PERCENT |
| FTE Positions | 10,388.4 | 10,609.1 | 9,524.4 | N/A | 10,575.4 | 187.0 | 1.8 |
| GROSS | 4,500,286,600 | 4,566,873,400 | 4,504,192,300 | (100) | 4,577,393,200 | 77,106,600 | 1.7 |
| Less: | | | | | | | |
| Interdepartmental Grants Received..... | 4,402,700 | 2,416,000 | 2,416,000 | 0 | 2,416,000 | (1,986,700) | (45.1) |
| ADJUSTED GROSS | 4,495,883,900 | 4,564,457,400 | 4,501,776,300 | (100) | 4,574,977,200 | 79,093,300 | 1.8 |
| Less: | | | | | | | |
| Federal Funds | 3,096,784,900 | 3,109,378,300 | 3,107,934,700 | 0 | 3,147,497,400 | 50,712,500 | 1.6 |
| Local and Private..... | 72,244,700 | 75,295,000 | 69,275,600 | 0 | 59,371,100 | (12,873,600) | (17.8) |
| TOTAL STATE SPENDING | 1,326,854,300 | 1,379,784,100 | 1,324,566,000 | (100) | 1,368,108,700 | 41,254,400 | 3.1 |
| Less: | | | | | | | |
| Other State Restricted Funds | 59,217,700 | 59,528,600 | 72,298,600 | 0 | 59,698,600 | 480,900 | 0.8 |
| GENERAL FUND/GENERAL PURPOSE .. | 1,267,636,600 | 1,320,255,500 | 1,252,267,400 | (100) | 1,308,410,100 | 40,773,500 | 3.2 |
| PAYMENTS TO LOCALS | 113,717,400 | 123,730,383 | 123,730,383 | 0 | 123,730,400 | 10,013,000 | 8.8 |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

A. NEW PROGRAMS

1. Child Welfare Improvements (CWI) and Staff Support

The appropriation includes an increase in funding for foster care, including protective services, adoption, licensing, and information technology to improve the protection of State wards and increase the permanent placement of children. The appropriation funds training and support of case workers to reduce the caseload backlog and increase the monthly case worker visits to families and their children. The budget includes \$2,576,700 Gross, \$1,833,500 GF/GP and 33.0 full time equated (FTE) positions for CWI service support. A new Subsidized Guardianship Program also is included at an appropriation of \$4,575,000 Gross and GF/GP. The appropriation of approximately \$7.3 million Gross, \$6.0 GF/GP and 138.0 FTE positions is included for backlog cases, licensing of relatives as foster parents, and contract monitoring. Funds of \$400,000 Gross, \$211,200 GF/GP and 5.0 FTE positions are included to establish a new Department office entitled Title IV-E Compliance and Accountability Office in order to increase Federal reimbursement for eligible cases. Funds of \$5,364,300 Gross, \$4,375,900 GF/GP are included for 100.0 FTE Title IV-E specialist positions to increase the number of cases eligible for Federal Title IV-E reimbursement. In addition, \$1,524,300 Gross, \$11,500 GF is added in the Strong Families/Safe Children appropriation line for monthly case worker family visits and approximately \$8.0 million Gross, \$5.8 million GF/GP for new staff benefits.

| | |
|---------|------------|
| FTEs | 276.0 |
| Gross | 29,726,500 |
| Federal | 6,945,500 |
| GF/GP | 22,781,000 |

2. Jobs, Education and Training (JET) Program

The JET Program was developed in partnership with the Department of Labor and Economic Growth to help the State Family Independence Program (FIP) population overcome barriers to becoming self-sufficient through increased income. The Program began in the third quarter of FY 2006-07 as a pilot program in four sites in Michigan serving 10% of the FIP population, and since September 2007 has been implemented statewide, serving 100% of the FIP population. The FY 2007-08 expansion funding includes an economic increase for the Michigan Rehabilitation Services workers in the Employment and Training staff associated with the JET Program.

| | |
|---------|------------|
| FTEs | 30.0 |
| Gross | 18,103,100 |
| Federal | 1,836,000 |
| GF/GP | 16,267,100 |

3. Legal Services Contracts

The Supplemental Security Income (SSI) advocacy appropriation includes \$1,275,000 Gross and GF/GP for a contract with the Michigan State Bar Foundation for SSI cases' legal services provided by the Legal Services Association of Michigan (LSAM). The LSAM will provide legal

| | |
|---------|-----------|
| Gross | 1,475,000 |
| Federal | 1,475,000 |
| GF/GP | 0 |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

representation to low-income adults who have been denied disability benefits by the Federal Social Security Administration (SSA), in order to demonstrate to the SSA that the clients are eligible for benefits. The appropriation includes estimated SSI advocacy payment savings from contract services of \$71,600 Gross and GF and estimated State disability assistance (SDA) savings of \$886,100 Gross and GF/GP. The appropriation also includes \$200,000 Gross and GF/GP for a demonstration project contract with University of Detroit Mercy Legal Services to provide legal services for disabled veterans who apply for Federal disability programs, such as SSI.

B. PROGRAM ELIMINATIONS - NONE

C. PROGRAM TRANSFERS

| | |
|-------|---------|
| Gross | 150,000 |
| GF/GP | 150,000 |

The funds from the Department of Agriculture of \$150,000 for the Food Bank Council are transferred to the Public Assistance Food Bank funding appropriation line for consolidated funding of \$675,000 Gross, \$425,000 GF/GP FY 2007-08 appropriations.

D. FUNDING SHIFTS

Changes in Federal Fund Sources

| | |
|------------|--------------|
| Gross | (213,500) |
| IDG | (2,000,000) |
| Federal | (19,611,100) |
| Local | (5,000,000) |
| Private | (600,000) |
| Restricted | (36,800) |
| GF/GP | 27,034,400 |

The appropriation includes a shift of approximately \$34.8 million in State funds to offset a shortage in available Federal Temporary Assistance for Needy Families (TANF) funds in the FIP and Day Care programs, Child Care and Development Funds, Child Support Incentive Payments, and child welfare-related Federal funding. The Federal Medicaid Adjustment Percentage rate change increase from 56.38% to 58.10% reduces the GF/GP need by approximately \$7.4 million. Other offsets to State funds include an increase in the domestic violence grant assumption.

E. UNCLASSIFIED SALARIES

| | |
|-------|-----|
| Gross | 700 |
| GF/GP | 700 |

The appropriation includes an increase for the Executive Operations Unclassified salaries and wages that is part of the Leadership Target Agreement.

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

F. FEE INCREASES

The budget reflects increases of \$383,500 in health fees and collections and \$186,500 in licensing fees for facilities, group and family homes, and centers regulated by the Office of Children and Adult Licensing, which accordingly reduce State funds.

| | |
|------------|-----------|
| Gross | 0 |
| Restricted | 570,000 |
| GF/GP | (570,000) |

G. ECONOMIC ADJUSTMENTS

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, food, fuel, building leases and rent, and workers' compensation charges consistent with factors applied to all budgets.

| | |
|------------|------------|
| Gross | 48,403,200 |
| IDG | 13,300 |
| Federal | 10,527,400 |
| Local | 940,000 |
| Private | 139,600 |
| Restricted | 61,100 |
| GF/GP | 36,721,800 |

H. CASELOAD ADJUSTMENTS

The budget includes funding decreases for a projected FIP caseload reduction of 12,300 to an average of 76,000 cases and assumes a decrease in the cost per case of \$5 to an average of \$409 per month. The appropriation includes a reduction of 204 to 10,933 cases and a monthly cost per case increase of \$3.98 to \$264.37 for the State Disability Assistance Program. The budget reflects a projected caseload increase of 3,011 to 227,800 cases for the State supplement to Supplemental Security Income recipients and a reduction of \$0.33 cents to \$21.32 per case. The appropriation reflects a reduction of 2,167 cases in the average monthly caseload to 57,333 cases and a reduction in the cost per case of \$14.90 to \$409.90 per case per month for the Day Care caseload. The appropriation for the Foster Care caseload includes a decrease of 83 cases to 9,817 average monthly cases and a \$117 decrease in the cost to \$18,183 annually per case. The budget includes an increase of 987 average cases in the Adoption Subsidies caseload for an average 27,400 and an average cost increase of \$0.92 to \$679 per case. The appropriation includes \$17.0 million Gross and GF/GP for an increase in Child Care Fund expenditures.

| | |
|---------|-------------|
| Gross | (380,700) |
| Federal | (7,712,800) |
| Local | 10,040,800 |
| Private | 297,400 |
| GF/GP | (3,006,100) |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

I. JUVENILE JUSTICE AND ADOPTION SERVICES RESTRUCTURING

The appropriation reflects a policy change to increase the number of adoption and juvenile justice cases assigned to private placement agencies. As a result, several Department of Human Services (DHS) organizational changes are reflected in the budget: The Woodland-East medium-security 80-bed wing in the Maxey Boys Training School is closed, resulting in a transfer of closed medium-security services cases to private agencies' direct service responsibility effective May 1, 2008. A reduction of 131.0 FTE positions at the Training School, 10.0 FTE positions in Juvenile justice field staff, administration and maintenance and projected net savings of approximately \$4.7 million Gross, \$2.0 million GF/GP for DHS direct service responsibility costs are reflected in the budget. The increased private agency responsibility for adoption placement services assumes a staff reduction in DHS local offices of 47.0 FTE adoption case workers, 12.0 FTE support and supervisory positions, and the transfer to private agencies' placement responsibility of approximately 615 adoption cases. Additional Bureau of Juvenile Justice changes include reductions in high- and low-security and community centers and field staff spending, including a reduction of 77.0 FTE positions. A reduction of \$1,313,400 in the Federal Juvenile Accountability Incentive Block Grant authorization is appropriated.

| | |
|---------|-------------|
| FTEs | (277.0) |
| Gross | (4,728,300) |
| Federal | (691,400) |
| Local | (2,438,700) |
| GF/GP | (1,598,200) |

J. CHILD WELFARE SERVICES RATES AND REFORMS

The budget includes increased general and specialized foster care placement and residential foster care contract rates. The appropriation language permits agencies to continue at their FY 2006-07 foster care administrative rates or change to a flat \$25 per case rate. The legislative intent is to eventually achieve a blended or single rate for placements. A 4% adoption rate increase also is included in the budget. The appropriation reflects the conversion of 3,180 foster care cases from non-Title IV-E-funded placements to Title IV-E eligible cases. The shift will result in a reduction in Child Care Fund State and local costs by approximately \$12.1 million Gross and GF/GP for foster care services and an increase in the Federal reimbursement for these services. The Local Office Staff appropriation is increased by 150.0 FTEs at a cost of \$12.0 million Gross, \$5.0 million GF/GP.

| | |
|---------|--------------|
| FTEs | 150.0 |
| Gross | 45,629,700 |
| Federal | 59,241,000 |
| Local | (16,252,700) |
| GF/GP | 2,641,400 |

K. CHILD SUPPORT ENFORCEMENT

The budget includes funds for a contract to collect child support payments that are in arrears and owed to custodial parents and owed to the State as reimbursement for previous public assistance support payments.

| | |
|---------|---------|
| Gross | 500,000 |
| Federal | 330,000 |
| GF/GP | 170,000 |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

L. PUBLIC ASSISTANCE POLICY CHANGES

The appropriation reflects policy changes in the FIP for increased family case screenings with a Family Automated Screening Tool system, revision of the effective date of case opening and beginning of assistance payments, a three-tier revised sanction (three months, three months, 12 months) for families who are noncompliant in meeting the outlined responsibilities in the Family Self Sufficiency Plan (FSSP), and more quickly applying a negative action against a case for noncompliance with the FSSP, for projected savings of approximately \$53.8 million Gross, \$52.4 million GF/GP. The appropriation includes a Day Care Program reduction for program provider reimbursement from 100 to 90 hours every two weeks for estimated savings of approximately \$18.0 million Gross and GF/GP, and an additional 15.0 FTE positions for a day care reading review project expected to generate \$5.0 million in savings. The appropriation language permits the Department to reimburse providers up to 100 hours if sufficient funds are available.

| | |
|---------|--------------|
| FTEs | 15.0 |
| Gross | (76,244,700) |
| Federal | (1,484,000) |
| GF/GP | (74,760,700) |

M. INDIGENT BURIAL

The budget reflects an increase of approximately 33.6% in the reimbursement to funeral directors, providers of cemetery plots, and providers of vaults. A FY 2006-07 pilot project was discontinued due to excessive appropriation demands; however language in the budget requires the Department to work with funeral directors to establish a statewide program that allows flexibility in alternative payment options.

| | |
|-------|-----------|
| Gross | 1,738,700 |
| GF/GP | 1,738,700 |

N. INFORMATION TECHNOLOGY

The appropriation includes funds for the continued development and implementation of BRIDGES, the Integrated Service Delivery System, that attempts to consolidate three computer applications related to cash assistance eligibility application, case monitoring, and the issue of benefits.

| | |
|---------|------------|
| Gross | 20,377,800 |
| Federal | 5,042,600 |
| GF/GP | 15,335,200 |

O. OTHER ADJUSTMENTS

The budget includes an increase of approximately \$4.1 million Gross, \$1.4 million GF in legislative initiatives including Wayne County family preservation, child support incentives, and Earned Income Tax credit education outreach. The funding for Federal audits, Human Resources Optimization, reductions in the juvenile justice and child abuse and neglect Federal grants, including related FTE positions, and a transfer to the Department of Community Health for the Medicaid Lookback project, are appropriated.

| | |
|------------|-----------|
| FTEs | (7.0) |
| Gross | 4,533,900 |
| Federal | 2,256,800 |
| Restricted | (113,400) |
| GF/GP | 2,390,500 |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

| | |
|---------|--------------|
| Gross | (11,964,800) |
| Federal | (7,442,500) |
| GF/GP | (4,522,300) |

P. VETOES

1. Earned Income Tax Credit (EITC) Initiative

The Governor vetoed Section 303(3), which included up to \$250,000 in TANF funds for competitive grants to organizations for programs that combine EITC education with building skills for strong marriages, fatherhood, or parenting.

2. City of Pontiac Project

The Governor vetoed Section 304, which included up to \$78,500 in TANF funds for a school-based crisis intervention demonstration project.

3. Michigan State University (MSU) Kinship Care Center

The Governor vetoed Section 306, which allocated \$200,000 in TANF funds to support the MSU School of Social Work resource center, which provides counseling, respite care, and other services, including information on kinship care.

4. Newberry Community Action Agency (CAA)

The Governor vetoed Section 309, which allocated \$300,000 in Community Services Block Grant funds to the Newberry CAA to support social services programs.

5. Federal Title IV-E Revenue Distribution

The Governor vetoed Section 531, which required the DHS to make claims for and pay to local units of government the full benefit of this Federal revenue, projected at \$5.0 million.

6. Contracts to Facilitate Licensure of Relative Foster Parents

The Governor vetoed Section 574(1), which included an allocation projected at \$2,809,900 Gross, \$1,445,500 GF/GP to facilitate the licensing of relative foster parents by certified public accountants.

7. New Adoption Contracted Rates

The Governor vetoed Section 576, which included \$374,600 Gross, \$236,000 GF/GP for an increase in reimbursement rates for private child placing agencies for adoption placements or finalized adoptions. The language listed each rate by type of adoption.

8. Midland County Strong Families Safe Children Program Funds

The Governor vetoed Section 581, which included \$11,500 for counseling and support program services in Midland County for kinship families.

9. Indigent Burial Services

The Governor vetoed Section 613, which included a 56% increase in provider rates of \$2,359,300 Gross and GF/GP for reimbursement to funeral directors, cemeteries or crematoriums, and providers of vaults.

10. Child Support Collections

The Governor vetoed Section 908, which included \$500,000 Gross, \$170,000 GF/GP for a contract to facilitate the collection of past-due child support collections owed to custodial parents and the Department as reimbursement for public assistance payments.

**DEPARTMENT OF INFORMATION TECHNOLOGY
P.A. 127 of 2007**

| FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE | FY 2006-07 YEAR-TO-DATE | FY 2007-08 GOV.'S REC. | FY 2007-08 SENATE | FY 2007-08 HOUSE | FY 2007-08 YEAR-TO-DATE | CHANGES FROM FY 2006-07 YEAR-TO-DATE | |
|---|----------------------------|---------------------------|----------------------|---------------------|----------------------------|---|-------------|
| | | | | | | AMOUNT | PERCENT |
| FTE Positions | 1,776.4 | 1,774.4 | 1,774.4 | N/A | 1,774.4 | (2.0) | (0.1) |
| GROSS | 374,846,400 | 409,955,600 | 409,110,400 | 0 | 428,868,100 | 54,021,700 | 14.4 |
| Less: | | | | | | | |
| Interdepartmental Grants Received..... | 374,846,400 | 409,955,600 | 409,110,400 | 0 | 428,868,100 | 54,021,700 | 14.4 |
| ADJUSTED GROSS | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| Less: | | | | | | | |
| Federal Funds | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| Local and Private..... | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| TOTAL STATE SPENDING | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| Less: | | | | | | | |
| Other State Restricted Funds | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| GENERAL FUND/GENERAL PURPOSE .. | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| PAYMENTS TO LOCALS | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

A. NEW PROGRAMS - NONE

B. PROGRAM ELIMINATIONS - NONE

C. PROGRAM TRANSFERS

1. Transfers In

These include: \$568,900 for the Chandler Building lease from the Department of Community Health (DCH); \$405,300 in various costs for the DCH from other line items; \$1.0 million for the Juvenile Justice Information System from the Department of Human Services (DHS); and \$500,000 from the Department of State for costs associated with the Uniform Commercial Code.

| | |
|-------|-----------|
| Gross | 2,474,200 |
| IDG | 2,474,200 |
| GF/GP | 0 |

2. Transfers Out

These include the transfer of 2.0 FTEs and \$200,700 associated with security personnel in the DHS and 1.0 FTE and \$125,000 to Tax Processing in the Department of Treasury.

| | |
|-------|-----------|
| FTE | (3.0) |
| Gross | (325,700) |
| IDG | (325,700) |
| GF/GP | 0 |

D. FUNDING SHIFTS - NONE

E. UNCLASSIFIED SALARIES - NONE

F. FEE INCREASES - NONE

G. ECONOMIC ADJUSTMENTS

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets.

| | |
|-------|-----------|
| Gross | 6,342,100 |
| IDG | 6,342,100 |
| GF/GP | 0 |

H. PROGRAM ENHANCEMENTS

1. Michigan Medicaid Information System

Funding is included for this system from the DCH budget; 90% of this funding is Federal.

| | |
|-------|------------|
| Gross | 16,801,100 |
| IDG | 16,801,100 |
| GF/GP | 0 |

2. Integrated Service Delivery Project

A planned increase of \$14.0 million is included for the Bridges project in the DHS.

| | |
|-------|------------|
| Gross | 14,000,000 |
| IDG | 14,000,000 |
| GF/GP | 0 |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

3. Other Program Enhancements

These include: \$2,108,500 in Federal funding for Women, Infants, and Children programs in the DCH; \$1,115,800 for telecommunications infrastructure in the Department of Corrections (DOC); \$572,800 for the timekeeping system in the DOC; \$288,000 for desktop maintenance and other computer costs in the DOC; \$176,000 for the Department of Education security controls; \$500,000 in the Department of Environmental Quality for the Information Lifecycle Management System; \$2,182,100 in increased Federal funding for child support automation in the DHS; \$485,700 for children's welfare improvement in the DHS; \$74,600 for the Daycare Case Review project in the DHS; \$712,000 and 1.0 FTE for system improvements in the Department of Management and Budget (DMB); approximately \$1.5 million for a projected State Police shortfall; \$400,000 for the PowerBuilder development program in the Michigan Department of Transportation (MDOT); and \$1.5 million for secondary collection activities in Treasury.

| | |
|-------|------------|
| FTE | 1.0 |
| Gross | 11,755,300 |
| IDG | 11,755,300 |
| GF/GP | 0 |

I. PROGRAM REDUCTIONS

These include: the removal of one-time funding of \$800,000 in the DOC; a \$1.0 million overall reduction in the Department of Labor and Economic Growth (DLEG); the removal of one-time funding of \$580,000 for the retirement system in the DMB; \$150,000 savings for the Michigan Administrative Information Network in the DMB; a decrease of \$50,000 in restricted revenue in the MDOT; a decrease of \$20,000 in restricted revenue in Treasury; a net reduction of \$6,700 in the DOC; a \$100,000 decrease in DLEG to reflect the transfer of Career Preparation to the Department of Education; a decrease of \$609,700 in State Police to reflect the closure of State laboratories; a decrease of \$4,500 in the Department of Natural Resources for the Civilian Conservation Corps; and reductions of \$672,100 in various departments as part of overall GF/GP reductions.

| | |
|-------|-------------|
| Gross | (3,993,000) |
| IDG | (3,993,000) |
| GF/GP | 0 |

J. OTHER ADJUSTMENTS

These include the restoration of approximately \$8.9 million in retirement adjustments and project delays from FY 2006-07; the restoration of \$251,800 in unrealized savings in the DCH; the removal of \$281,200 in sick leave payments from the 2002 early retirement program; the removal of \$1,481,000 in costs from human resources optimization; and general administrative reductions of \$443,700.

| | |
|-------|-----------|
| Gross | 6,967,700 |
| IDG | 6,967,700 |
| GF/GP | 0 |

K. VETOES - NONE

JUDICIARY
P.A. 125 of 2007

| FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE | FY 2006-07 YEAR-TO-DATE | FY 2007-08 GOV.'S REC. | FY 2007-08 SENATE | FY 2007-08 HOUSE | FY 2007-08 YEAR-TO-DATE | CHANGES FROM FY 2006-07 YEAR-TO-DATE | |
|---|----------------------------|---------------------------|----------------------|---------------------|----------------------------|---|--------------|
| | | | | | | AMOUNT | PERCENT |
| FTE Positions | 509.0 | 509.0 | 519.0 | N/A | 519.0 | 10.0 | 2.0 |
| GROSS | 258,327,600 | 263,232,200 | 260,660,100 | 0 | 259,291,500 | 963,900 | 0.4 |
| Less: | | | | | | | |
| Interdepartmental Grants Received | 2,563,500 | 2,523,500 | 2,523,500 | 0 | 2,523,500 | (40,000) | (1.6) |
| ADJUSTED GROSS | 255,764,100 | 260,708,700 | 258,136,600 | 0 | 256,768,000 | 1,003,900 | 0.4 |
| Less: | | | | | | | |
| Federal Funds | 6,126,400 | 4,626,400 | 4,626,400 | 0 | 4,626,400 | (1,500,000) | (24.5) |
| Local and Private | 5,268,500 | 6,252,200 | 6,252,200 | 0 | 6,252,200 | 983,700 | 18.7 |
| TOTAL STATE SPENDING | 244,369,200 | 249,830,100 | 247,258,000 | 0 | 245,889,400 | 1,520,200 | 0.6 |
| Less: | | | | | | | |
| Other State Restricted Funds | 87,868,000 | 87,892,800 | 87,892,700 | 0 | 87,892,700 | 24,700 | 0.0 |
| GENERAL FUND/GENERAL PURPOSE .. | 156,501,200 | 161,937,300 | 159,365,300 | 0 | 157,996,700 | 1,495,500 | 1.0 |
| PAYMENTS TO LOCALS | 124,373,500 | 125,187,300 | 124,535,300 | 0 | 123,725,200 | (648,300) | (0.5) |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

A. NEW PROGRAMS - NONE

B. PROGRAM ELIMINATIONS - NONE

C. PROGRAM TRANSFERS - NONE

D. FUNDING SHIFTS - NONE

E. UNCLASSIFIED SALARIES - NONE

F. FEE INCREASES - NONE

G. ECONOMIC ADJUSTMENTS

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets.

| | |
|------------|-----------|
| Gross | 1,618,300 |
| Local | 104,300 |
| Restricted | 14,300 |
| GF/GP | 1,499,700 |

H. PROGRAM ENHANCEMENTS

1. Direct Trial Court Automation Support

Local user fees are increased for a new judicial information system. A portion of the increase was included in P.A. 41 of 2007.

| | |
|-------|---------|
| FTE | 10.0 |
| Gross | 803,000 |
| Local | 803,000 |
| GF/GP | 0 |

2. Changes in Judgeships

Compensation, defined contribution, and FICA are increased to reflect full-year judgeship changes as of January 2, 2007. These include four new circuit judges and seven part-time probate judges converted to full time.

| | |
|-------|---------|
| Gross | 731,100 |
| GF/GP | 731,100 |

3. Appellate Public Defender Program

After GF/GP reductions, \$250,000 was added to this program.

| | |
|-------|---------|
| Gross | 250,000 |
| GF/GP | 250,000 |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

I. PROGRAM REDUCTIONS

| | |
|-------|-------------|
| Gross | (1,993,500) |
| GF/GP | (1,993,500) |

These include: Supreme Court administration (\$257,200), Judicial Institute (\$51,800), State Court Administrative Office (\$141,500), Judicial information systems (\$61,200), Foster Care Review Board (\$17,900), Drug treatment courts (\$16,200), Court of Appeals (\$423,000), Judicial Tenure Commission (\$20,400), Appellate Public Defender program (\$88,600), Appellate Assigned Counsel administration (\$15,700), and Court Equity Fund payments (\$900,000).

J. OTHER ADJUSTMENTS

| | |
|------------|-------------|
| Gross | (445,000) |
| IDG | (40,000) |
| Federal | (1,500,000) |
| Local | 76,400 |
| Restricted | 10,400 |
| GF/GP | 1,008,200 |

These include: retirement adjustments of \$1,243,400 related to P.A. 17 of 2007; the removal of \$1.5 million in one-time Federal funding for information systems; the removal of a \$100 placeholder for transcript fee reimbursement; the removal of \$148,300 related to sick leave from the 2002 early retirement program; and the removal of an IDG from the Department of Labor and Economic Growth due to the lack of Federal Temporary Assistance for Needy Families (TANF) funds.

K. VETOES - NONE

**DEPARTMENT OF LABOR AND ECONOMIC GROWTH
P.A. 118 of 2007**

| FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE | FY 2006-07 YEAR-TO-DATE | FY 2007-08 GOV.'S REC. | FY 2007-08 SENATE | FY 2007-08 HOUSE | FY 2007-08 YEAR-TO-DATE | CHANGES FROM FY 2006-07 YEAR-TO-DATE | |
|---|----------------------------|---------------------------|----------------------|---------------------|----------------------------|---|--------------|
| | | | | | | AMOUNT | PERCENT |
| FTE Positions | 4,238.5 | 4,281.5 | 4,277.5 | N/A | 4,282.5 | 44.0 | 1.0 |
| GROSS | 1,294,751,600 | 1,349,627,300 | 1,294,045,000 | 0 | 1,301,230,700 | 6,479,100 | 0.5 |
| Less: | | | | | | | |
| Interdepartmental Grants Received..... | 23,039,800 | 34,472,800 | 34,472,800 | 0 | 34,472,800 | 11,433,000 | 49.6 |
| ADJUSTED GROSS | 1,271,711,800 | 1,315,154,500 | 1,259,572,200 | 0 | 1,266,757,900 | (4,953,900) | (0.4) |
| Less: | | | | | | | |
| Federal Funds | 842,202,300 | 820,712,500 | 820,712,500 | 0 | 820,712,500 | (21,489,800) | (2.6) |
| Local and Private..... | 18,108,200 | 18,199,000 | 18,199,000 | 0 | 21,199,000 | 3,090,800 | 17.1 |
| TOTAL STATE SPENDING | 411,401,300 | 476,243,000 | 420,660,700 | 0 | 424,846,400 | 13,445,100 | 3.3 |
| Less: | | | | | | | |
| Other State Restricted Funds | 365,425,800 | 377,815,200 | 374,025,100 | 0 | 378,843,700 | 13,417,900 | 3.7 |
| GENERAL FUND/GENERAL PURPOSE .. | 45,975,500 | 98,427,800 | 46,635,600 | 0 | 46,002,700 | 27,200 | 0.1 |
| PAYMENTS TO LOCALS | 51,370,500 | 51,470,500 | 51,470,500 | 0 | 51,470,500 | 100,000 | 0.2 |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

A. NEW PROGRAMS

1. Michigan Nursing Corps

| | |
|-------|-----------|
| Gross | 1,500,000 |
| GF/GP | 1,500,000 |

The budget contains a new line item to fund a scholarship program for educational institutions and hospitals in an effort to increase the number of nurses and nursing faculty.

2. Michigan Housing and Community Development

| | |
|-------|-----------|
| Gross | 2,163,400 |
| GF/GP | 2,163,400 |

The budget contains first-time funding for this housing and community development fund, which was created by Public Act (P.A.) 480 and P.A. 481 of 2004. The purpose of the fund is to increase the amount of affordable housing for low- and very low-income households. Funding will be awarded to not-for-profit corporations, for-profit corporations, or partnerships that are determined to be eligible applicants as outlined by the Michigan State Housing Development Authority in a statutorily required allocation plan.

3. Workforce Training Subgrantees

| | |
|---------|-------------|
| Gross | 20,635,100 |
| Federal | 24,985,100 |
| GF/GP | (4,350,000) |

The budget includes approximately \$15.0 million in additional Workforce Investment Act (WIA) Federal funding. This increase along with other Federal fund source adjustments increases the appropriation in this line to \$185.0 million from \$164.0 million in FY 2006-07. This funding along with additional WIA funds that were made available late in FY 2006-07 will be used for a new \$37.0 million No Worker Left Behind Program. This program will provide free tuition for up to two years to eligible recipients for training in a high-demand field. As a result of the increase in Federal funding available for these job training programs, the budget eliminates the \$4,250,000 in General Fund support that had been appropriated to supplement Federal job training programs.

B. PROGRAM ELIMINATIONS - NONE

C. PROGRAM TRANSFERS

Career Education

| | |
|---------|--------------|
| FTE | (25.0) |
| Gross | (32,820,100) |
| Federal | (32,142,800) |
| GF/GP | (677,300) |

Pursuant to Executive Order 2007-04, the Career Education program was transferred to the Department of Education.

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

D. FUNDING SHIFTS

1. Fire Protection Grants

Due to a projected increase in the Driver Responsibility Fees, the budget includes a fund shift of \$5.0 million. The additional revenue allows the elimination of the \$3.7 million in General Fund revenue and a reduction of \$1.3 million in Liquor Purchase Revolving Fund revenue, which is now available to lapse to the General Fund.

| | |
|------------|-------------|
| Gross | 0 |
| Restricted | 3,700,000 |
| GF/GP | (3,700,000) |

2. Bureau of Fire Services

The budget includes a fund shift from restricted corporation and securities fees to General Fund to support this bureau. The Governor originally recommended a fund shift from corporation and securities fees to liquor license fees, which would have required an increase in the liquor license fees. Legislation providing these fee increases has not been enacted.

| | |
|------------|-------------|
| Gross | 0 |
| Restricted | (3,121,500) |
| GF/GP | 3,121,500 |

E. UNCLASSIFIED SALARIES - NONE

F. FEE INCREASES - NONE

G. ECONOMIC ADJUSTMENTS

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets.

| | |
|------------|------------|
| Gross | 14,746,600 |
| IDG | 510,300 |
| Federal | 7,150,600 |
| Restricted | 6,598,000 |
| Local | 60,400 |
| GF/GP | 427,300 |

H. PROGRAM EXPANSIONS

1. Jobs, Education and Training (JET) Statewide Expansion Program

The budget includes a new line item and additional funding from an interdepartmental grant from the Department of Human Services. This funding will provide for a statewide expansion of the previous \$9.4 million pilot program started in FY 2006-07. The program is designed to decrease the caseloads for cash assistance recipients by assisting them in entering the workforce or other training programs in accordance with Federal guidelines.

| | |
|-------|------------|
| FTE | 62.0 |
| Gross | 13,476,700 |
| IDG | 13,476,700 |
| GF/GP | 0 |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

2. Auctioneer Regulation

The budget includes an additional FTE and restricted funds to implement the regulation of auctioneers as required by P.A. 489 of 2006.

| | |
|------------|--------|
| FTE | 1.0 |
| Gross | 50,000 |
| Restricted | 50,000 |
| GF/GP | 0 |

3. Welfare-to-Work Pilot Project

The budget includes funding for a pilot project at Focus: HOPE in Detroit to improve the job placement and retention rates of welfare recipients.

| | |
|-------|---------|
| Gross | 140,000 |
| GF/GP | 140,000 |

I. OTHER ADJUSTMENTS

The budget includes various fund source adjustments, economics for the Department of Information Technology, and reductions in the Human Resources Optimization charges.

| | |
|------------|--------------|
| FTE | 6.0 |
| Gross | (13,412,600) |
| IDG | (2,554,000) |
| Federal | (21,482,700) |
| Local | 30,400 |
| Private | 3,000,000 |
| Restricted | 6,191,400 |
| GF/GP | 1,402,300 |

J. VETOES - NONE

**LEGISLATIVE AUDITOR GENERAL
P.A. 127 of 2007**

| FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE | FY 2006-07 YEAR-TO-DATE | FY 2007-08 GOV.'S REC. | FY 2007-08 SENATE | FY 2007-08 HOUSE | FY 2007-08 YEAR-TO-DATE | CHANGES FROM FY 2006-07 YEAR-TO-DATE | |
|---|----------------------------|---------------------------|----------------------|---------------------|----------------------------|---|------------|
| | | | | | | AMOUNT | PERCENT |
| FTE Positions | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| GROSS | 15,107,100 | 16,347,500 | 16,636,900 | 0 | 15,828,200 | 721,100 | 4.8 |
| Less: | | | | | | | |
| Interdepartmental Grants Received | 1,801,500 | 1,801,500 | 1,801,500 | 0 | 1,801,500 | 0 | 0.0 |
| ADJUSTED GROSS | 13,305,600 | 14,546,000 | 14,835,400 | 0 | 14,026,700 | 721,100 | 5.4 |
| Less: | | | | | | | |
| Federal Funds | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| Local and Private | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| TOTAL STATE SPENDING | 13,305,600 | 14,546,000 | 14,835,400 | 0 | 14,026,700 | 721,100 | 5.4 |
| Less: | | | | | | | |
| Other State Restricted Funds | 1,539,900 | 1,539,900 | 1,539,900 | 0 | 1,539,900 | 0 | 0.0 |
| GENERAL FUND/GENERAL PURPOSE .. | 11,765,700 | 13,006,100 | 13,295,500 | 0 | 12,486,800 | 721,100 | 6.1 |
| PAYMENTS TO LOCALS | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

A. NEW PROGRAMS - NONE

B. PROGRAM ELIMINATIONS - NONE

C. PROGRAM TRANSFERS - NONE

D. FUNDING SHIFTS - NONE

E. UNCLASSIFIED SALARIES - NONE

F. FEE INCREASES - NONE

G. ECONOMIC ADJUSTMENTS

| | | |
|--|-------|---------|
| | Gross | 131,000 |
| | GF/GP | 131,000 |

The Governor did not include any funding adjustments. The Conference Report provided for economic adjustments.

H. FY 2006-07 YEAR-TO-DATE ADJUSTMENTS

| | | |
|--|-------|---------|
| | Gross | 590,100 |
| | GF/GP | 590,100 |

Adjustments to the year-to-date figure for FY 2006-07 to restore one-time appropriation reductions for retirement contributions included in Public Act 17 of 2007.

I. VETOES - NONE

**LEGISLATURE
P.A. 127 of 2007**

| FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE | FY 2006-07 YEAR-TO-DATE | FY 2007-08 GOV.'S REC. | FY 2007-08 SENATE | FY 2007-08 HOUSE | FY 2007-08 YEAR-TO-DATE | CHANGES FROM FY 2006-07 YEAR-TO-DATE | |
|---|----------------------------|---------------------------|----------------------|---------------------|----------------------------|---|------------|
| | | | | | | AMOUNT | PERCENT |
| FTE Positions | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| GROSS | 111,282,500 | 116,576,400 | 112,576,400 | 0 | 114,504,000 | 3,221,500 | 2.9 |
| Less: | | | | | | | |
| Interdepartmental Grants Received..... | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| ADJUSTED GROSS | 111,282,500 | 116,576,400 | 112,576,400 | 0 | 114,504,000 | 3,221,500 | 2.9 |
| Less: | | | | | | | |
| Federal Funds | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| Local and Private..... | 400,000 | 400,000 | 400,000 | 0 | 400,000 | 0 | 0.0 |
| TOTAL STATE SPENDING | 110,882,500 | 116,176,400 | 112,176,400 | 0 | 114,104,000 | 3,221,500 | 2.9 |
| Less: | | | | | | | |
| Other State Restricted Funds | 1,109,800 | 1,109,800 | 1,109,800 | 0 | 1,109,800 | 0 | 0.0 |
| GENERAL FUND/GENERAL PURPOSE .. | 109,772,700 | 115,066,600 | 111,066,600 | 0 | 112,994,200 | 3,221,500 | 2.9 |
| PAYMENTS TO LOCALS | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

A. NEW PROGRAMS - NONE

B. PROGRAM ELIMINATIONS - NONE

C. PROGRAM TRANSFERS - NONE

D. FUNDING SHIFTS - NONE

E. UNCLASSIFIED SALARIES - NONE

F. FEE INCREASES - NONE

G. ECONOMIC ADJUSTMENTS

| | |
|-------|-----------|
| Gross | 1,782,100 |
| GF/GP | 1,782,100 |

The Conference Report provided for economic adjustments to various legislative appropriation line-items.

H. FY 2006-07 YEAR-TO-DATE ADJUSTMENTS

| | |
|-------|-----------|
| Gross | 1,439,400 |
| GF/GP | 1,439,400 |

Adjustments to the year-to-date figure for FY 2006-07 to restore one-time appropriation reductions for retirement contributions included in Public Act 17 of 2007.

I. VETOES - NONE

**DEPARTMENT OF MANAGEMENT AND BUDGET
P.A. 127 of 2007**

| FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE | FY 2006-07 YEAR-TO-DATE | FY 2007-08 GOV.'S REC. | FY 2007-08 SENATE | FY 2007-08 HOUSE | FY 2007-08 YEAR-TO-DATE | CHANGES FROM FY 2006-07 YEAR-TO-DATE | |
|---|----------------------------|---------------------------|----------------------|---------------------|----------------------------|---|--------------|
| | | | | | | AMOUNT | PERCENT |
| FTE Positions | 752.0 | 747.5 | 747.5 | N/A | 747.5 | (4.5) | (0.6) |
| GROSS | 472,302,400 | 474,821,000 | 472,471,000 | 0 | 468,069,800 | (4,232,600) | (0.9) |
| Less: | | | | | | | |
| Interdepartmental Grants Received..... | 154,318,200 | 156,810,200 | 156,810,200 | 0 | 156,805,700 | 2,487,500 | 1.6 |
| ADJUSTED GROSS | 317,984,200 | 318,010,800 | 315,660,800 | 0 | 311,264,100 | (6,720,100) | (2.1) |
| Less: | | | | | | | |
| Federal Funds | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| Local and Private..... | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| TOTAL STATE SPENDING | 317,984,200 | 318,010,800 | 315,660,800 | 0 | 311,264,100 | (6,720,100) | (2.1) |
| Less: | | | | | | | |
| Other State Restricted Funds | 51,718,300 | 50,152,200 | 50,152,200 | 0 | 50,429,700 | (1,288,600) | (2.5) |
| GENERAL FUND/GENERAL PURPOSE .. | 266,265,900 | 267,858,600 | 265,508,600 | 0 | 260,834,400 | (5,431,500) | (2.0) |
| PAYMENTS TO LOCALS | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

A. NEW PROGRAMS

Technology Improvements

Funding was increased by \$300,000 for implementation of legislation related to beneficiary changes, \$412,000 for new software for the Call Center, and \$300,000 for technology improvements, including the hiring of one additional staff person.

| | |
|------------|-----------|
| FTE | 1.0 |
| Gross | 1,012,000 |
| Restricted | 1,012,000 |
| GF/GP | 0 |

B. PROGRAM ELIMINATIONS

1. Call Center Funding

The Governor eliminated \$580,000 of one-time funding for improvements to the Call Center and for privacy requirements related to Social Security numbers.

| | |
|------------|-----------|
| Gross | (580,000) |
| Restricted | (580,000) |
| GF/GP | 0 |

2. Early Retirement Sick Leave Payout

The final payment of the five-year payout for sick leave associated with the early retirement incentive in 2002 was made in FY 2006-07; thus, funding is no longer necessary and this funding was eliminated.

| | |
|-------|----------|
| Gross | (79,400) |
| GF/GP | (79,400) |

C. PROGRAM TRANSFERS - NONE

D. FUNDING SHIFTS - NONE

E. UNCLASSIFIED SALARIES

This line item was increased from \$621,800 to \$636,500.

| | |
|-------|--------|
| Gross | 14,700 |
| GF/GP | 14,700 |

F. FEE INCREASES - NONE

G. ECONOMIC ADJUSTMENTS

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets.

| | |
|------------|-----------|
| Gross | 3,383,700 |
| IDG | 1,187,100 |
| Restricted | 955,700 |
| GF/GP | 1,240,900 |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

H. FY 2006-07 YEAR-TO-DATE ADJUSTMENTS

Adjustments to the year-to-date figure for FY 2006-07 were made to reflect changes in appropriations due to Executive Order 2007-3 and Public Acts 17 and 41 of 2007.

| | |
|------------|-----------|
| Gross | 3,839,600 |
| IDG | 975,300 |
| Restricted | 720,600 |
| GF/GP | 2,143,700 |

I. ADMINISTRATIVE AND OTHER GENERAL FUND REDUCTIONS

The Governor made administrative reductions totaling \$230,000 in the Financial Services, Human Resources, and Internal Audit Functions, affecting mail delivery services, financial reporting, and accounting analysis, which will reduce staff by 2.5 FTEs. The Conference Report made \$344,200 in further reductions.

| | |
|-------|-----------|
| FTE | (2.5) |
| Gross | (574,200) |
| GF/GP | (574,200) |

J. STATE BUILDING AUTHORITY RENT

The Governor initially reduced the amount of "rent" the State pays for State-financed building projects based on projected payments by \$4,575,000. The Conference Report further reduced these payments by an additional \$6,400,000.

| | |
|------------|--------------|
| Gross | (10,975,000) |
| Restricted | (3,575,000) |
| GF/GP | (7,400,000) |

K. OTHER ADJUSTMENTS

Other changes led to minor adjustments in funding and the reduction of 3.0 FTEs.

| | |
|------------|-----------|
| FTE | (3.0) |
| Gross | (267,000) |
| IDG | 329,600 |
| Restricted | 180,600 |
| GF/GP | (777,200) |

L. VETOES

The Governor's veto of Section 724b resulted in the reduction of \$3,500 in Administrative Services and \$3,500 in Building Operations.

| | |
|------------|---------|
| Gross | (7,000) |
| IDG | (4,500) |
| Restricted | (2,500) |
| GF/GP | 0 |

**DEPARTMENT OF MILITARY AND VETERANS AFFAIRS
P.A. 126 of 2007**

| FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE | FY 2006-07 YEAR-TO-DATE | FY 2007-08 GOV.'S REC. | FY 2007-08 SENATE | FY 2007-08 HOUSE | FY 2007-08 YEAR-TO-DATE | CHANGES FROM FY 2006-07 YEAR-TO-DATE | |
|---|----------------------------|---------------------------|----------------------|---------------------|----------------------------|---|------------|
| | | | | | | AMOUNT | PERCENT |
| FTE Positions | 1,015.0 | 1,015.0 | 1,015.0 | N/A | 1,015.0 | 0.0 | 0.0 |
| GROSS..... | 123,762,000 | 127,861,700 | 126,999,700 | 0 | 129,430,700 | 5,668,700 | 4.6 |
| Less: | | | | | | | |
| Interdepartmental Grants Received | 1,664,600 | 1,680,900 | 1,680,900 | 0 | 1,680,900 | 16,300 | 1.0 |
| ADJUSTED GROSS | 122,097,400 | 126,180,800 | 125,318,800 | 0 | 127,749,800 | 5,652,400 | 4.6 |
| Less: | | | | | | | |
| Federal Funds | 53,307,800 | 54,187,500 | 54,187,500 | 0 | 56,187,500 | 2,879,700 | 5.4 |
| Local and Private | 2,694,400 | 2,747,200 | 2,747,200 | 0 | 2,747,200 | 52,800 | 2.0 |
| TOTAL STATE SPENDING | 66,095,200 | 69,246,100 | 68,384,100 | 0 | 68,815,100 | 2,719,900 | 4.1 |
| Less: | | | | | | | |
| Other State Restricted Funds | 26,796,000 | 28,428,600 | 28,428,600 | 0 | 28,428,600 | 1,632,600 | 6.1 |
| GENERAL FUND/GENERAL PURPOSE .. | 39,299,200 | 40,817,500 | 39,955,500 | 0 | 40,386,500 | 1,087,300 | 2.8 |
| PAYMENTS TO LOCALS | 120,000 | 120,000 | 120,000 | 0 | 120,000 | 0 | 0.0 |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

A. NEW PROGRAMS

Regional Training Institute

The budget includes restricted revenue for the purpose of funding the departmental operation of a new National Guard Regional Training Center in Battle Creek.

| | |
|------------|-----------|
| Gross | 1,500,000 |
| Restricted | 1,500,000 |
| GF/GP | 0 |

B. PROGRAM ELIMINATIONS - NONE

C. PROGRAM TRANSFERS - NONE

D. FUNDING SHIFTS

Fund Shifts for the State Veterans Homes

The budget shifts GF/GP funding for the Grand Rapids Veterans Home (\$630,300 Federal) and the D. J. Jacobetti Home (\$8,400 Federal, \$269,000 Restricted) and shifts funds from Federal to Restricted for the D. J. Jacobetti Home (\$190,700).

| | |
|------------|-----------|
| Gross | 0 |
| Federal | 448,000 |
| Restricted | 459,700 |
| GF/GP | (907,700) |

E. UNCLASSIFIED SALARIES - NONE

F. FEE INCREASES - NONE

G. ECONOMIC ADJUSTMENTS

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets.

| | |
|------------|-----------|
| Gross | 3,295,700 |
| IDG | 16,300 |
| Federal | 1,463,700 |
| Local | 30,800 |
| Private | 22,000 |
| Restricted | 39,000 |
| GF/GP | 1,723,900 |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

H. PROGRAM INCREASES

1. Military Retirement

| | |
|-------|--------|
| Gross | 74,200 |
| GF/GP | 74,200 |

The budget includes an additional \$74,200 to cover anticipated FY 2007-08 costs of Michigan National Guard and Michigan Air Guard retirement payments, pursuant to Public Act (P.A.) 150 of 1967.

2. Special Duty Pay

| | |
|-------|-------|
| Gross | 4,700 |
| GF/GP | 4,700 |

The budget includes additional funds to provide for a 2.2% pay increase for Special Duty officers pursuant to the FY 2006-07 John Warner National Defense Authorization Act (H.R. 5122, Sec. 601b).

3. Mackinac Bridge Walk Costs

| | |
|------------|-------|
| Gross | 5,000 |
| Restricted | 5,000 |
| GF/GP | 0 |

The budget includes additional restricted revenue to cover Department security costs provided for the annual Mackinac Labor Day Bridge Walk.

4. Human Resources

| | |
|-------|-------|
| Gross | 1,700 |
| GF/GP | 1,700 |

The budget includes an adjustment to the Human Resources Optimization user charges.

5. Increased Federal Revenue for Facilities

| | |
|---------|-----------|
| Gross | 2,775,000 |
| Federal | 2,775,000 |
| GF/GP | 0 |

The budget includes additional funds from the National Guard Bureau for Headquarters and Armories communications, maintenance, and personnel costs (\$2.6 million) and for security contracts at various military sites and logistical facilities (\$175,000).

6. Starbase Grant Increase

| | |
|---------|--------|
| Gross | 57,000 |
| Federal | 57,000 |
| GF/GP | 0 |

The budget includes additional funding for the federally funded Starbase program, an educational program that provides elementary school students with math and science experiences in the Mt. Clemens and Detroit areas. The total appropriation for FY 2007-08 is \$1,771,000.

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

I. PROGRAM REDUCTIONS

1. Grand Rapids and D. J. Jacobetti Veterans Homes Reduction

Gross (801,000)
GF/GP (801,000)

The budget makes administrative reductions to the Grand Rapids Veterans Home (\$629,000) and the D. J. Jacobetti Veterans Home (\$172,000).

2. Headquarters and Armories Reduction

Gross (300,000)
GF/GP (300,000)

The budget eliminates four vacant armory maintenance mechanic positions for FY 2007-08.

3. Sick Leave Payout

Gross (43,100)
GF/GP (43,100)

The budget removes non-Department of Information Technology GF/GP savings related to FY 2001-02 early retirement payout of sick leave.

4. Human Resources

Gross (14,700)
Federal (5,500)
Restricted (4,000)
GF/GP (5,200)

The budget includes an adjustment due to capitalization of previous hardware and software costs.

5. Grand Rapids Lease Revenue Adjustment

Gross (22,800)
Restricted (22,800)
GF/GP 0

The budget includes an adjustment to reflect the actual lease revenue projected to be collected in FY 2007-08.

6. Information Technology

Gross (3,600)
Federal (1,400)
Restricted (1,000)
GF/GP (1,200)

The budget includes a 5% administrative reduction for Information Technology.

J. SHIFT OF GF/GP FROM MILITARY TRAINING SITES AND SUPPORT FACILITIES TO SPECIAL MAINTENANCE - STATE

Gross 0
GF/GP 0

The budget includes a shift of \$500,000 GF/GP from a tuition assistance program for National Guard members to the special maintenance unit to assist in the repair and maintenance of armories.

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

K. FY 2006-07 EXECUTIVE ORDER AND SUPPLEMENTALS

The budget reflects adjustments to account for Executive Order 2007-03 reductions (\$3,146,000 Gross, \$1,170,200 Federal, \$534,800 Restricted, \$1,441,000 GF/GP); and appropriations in P.A. 17 of 2007 (\$134,500 Restricted), and P.A. 41 of 2007 (\$3,870,900 Gross, \$3,027,300 Federal, \$743,600 Restricted, \$100,000 GF/GP).

| | |
|------------|-------------|
| Gross | (859,400) |
| Federal | (1,857,100) |
| Restricted | (343,300) |
| GF/GP | 1,341,000 |

L. VETOES - NONE

DEPARTMENT OF NATURAL RESOURCES
P.A. 122 of 2007

| FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE | FY 2006-07 YEAR-TO-DATE | FY 2007-08 GOV.'S REC. | FY 2007-08 SENATE | FY 2007-08 HOUSE | FY 2007-08 YEAR-TO-DATE | CHANGES FROM FY 2006-07 YEAR-TO-DATE | |
|---|----------------------------|---------------------------|----------------------|---------------------|----------------------------|---|---------------|
| | | | | | | AMOUNT | PERCENT |
| FTE Positions | 2,086.4 | 2,082.9 | N/A | 2,082.9 | 2,082.9 | (3.5) | (0.2) |
| GROSS | 283,229,100 | 290,109,400 | (100) | 311,940,800 | 288,195,400 | 4,966,300 | 1.8 |
| Less: | | | | | | | |
| Interdepartmental Grants Received | 3,618,900 | 3,808,300 | 0 | 3,808,300 | 3,808,300 | 189,400 | 5.2 |
| ADJUSTED GROSS | 279,610,200 | 286,301,100 | (100) | 308,132,500 | 284,387,100 | 4,776,900 | 1.7 |
| Less: | | | | | | | |
| Federal Funds | 42,574,200 | 47,834,700 | 0 | 47,834,700 | 47,968,900 | 5,394,700 | 12.7 |
| Local and Private | 3,124,400 | 3,166,500 | 0 | 3,166,500 | 3,166,500 | 42,100 | 1.3 |
| TOTAL STATE SPENDING | 233,911,600 | 235,299,900 | (100) | 257,131,300 | 233,251,700 | (659,900) | (0.3) |
| Less: | | | | | | | |
| Other State Restricted Funds | 209,621,900 | 210,508,500 | 0 | 230,767,800 | 210,508,500 | 886,600 | 0.4 |
| GENERAL FUND/GENERAL PURPOSE .. | 24,289,700 | 24,791,400 | (100) | 26,363,500 | 22,743,200 | (1,546,500) | (6.4) |
| PAYMENTS TO LOCALS | 29,182,500 | 28,409,100 | 0 | 28,409,100 | 19,241,100 | (9,941,400) | (34.1) |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

A. NEW PROGRAMS - NONE

B. PROGRAM ELIMINATIONS - NONE

C. PROGRAM TRANSFERS - NONE

D. FUNDING SHIFTS

Captive Cervidae Funding

Public Act 561 of 2006 increased the registration fees for private cervidae farms. The budget uses the additional fee revenue to offset a reduction in General Fund support for the program.

| | |
|------------|----------|
| Gross | 0 |
| Restricted | 69,300 |
| GF/GP | (69,300) |

E. UNCLASSIFIED SALARIES - NONE

F. FEE INCREASES

Hunting and Fishing License Fees

Revenue from hunting and fishing licenses is collected in the Game and Fish Protection account of the constitutional Conservation and Recreation Legacy Fund. The Governor proposed an increase to hunting and fishing license fees since the annual revenue from the fees is insufficient to support the current level of operations. Although fee increases have not been enacted, the budget does not reduce appropriations from this account; thus, lower revenue estimates are not reflected in the budget.

| | |
|------------|---|
| Gross | 0 |
| Restricted | 0 |
| GF/GP | 0 |

G. ECONOMIC ADJUSTMENTS

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets.

| | |
|------------|-----------|
| Gross | 7,052,800 |
| IDG | 108,700 |
| Federal | 838,000 |
| Private | 41,400 |
| Restricted | 5,675,000 |
| GF/GP | 389,700 |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

H. FOREST DEVELOPMENT FUND REDUCTIONS

Due to changes in the timber market and the use of Forest Development Fund revenue for nonrevenue-generating purposes, less timber marking and harvesting has occurred on State forest land, resulting in less revenue to the Forest Development Fund. The budget reduces appropriations from this restricted fund to reflect the lower revenue estimates.

| | |
|------------|-------------|
| Gross | (7,679,800) |
| Restricted | (7,679,800) |
| GF/GP | 0 |

I. OFF-ROAD VEHICLE TRAIL DEVELOPMENT

To compensate partially for the reduction in Forest Development Fund-supported activities, the budget increases funding from the Off-Road Vehicle Trail Improvement Fund. Forest officers will spend more time developing and maintaining ORV trails on State forest land.

| | |
|------------|---------|
| Gross | 250,000 |
| Restricted | 250,000 |
| GF/GP | 0 |

J. ADMINISTRATIVE AND PROGRAM REDUCTIONS

In order to meet lower General Fund revenue estimates, budget reductions are included in central administration functions, wildlife habitat activities, and forest recreation projects.

| | |
|------------|-----------|
| Gross | (800,000) |
| Restricted | (250,000) |
| GF/GP | (550,000) |

K. FOREST CAMPGROUND REDUCTIONS

In order to meet reduced General Fund revenue estimates, a reduction is taken in the operation of State forest campgrounds. As part of FY 2006-07 budget reductions, 20 State forest campgrounds were closed. During FY 2007-08, those campgrounds will remain closed and up to 10 more will be closed. Many trailways in State forests will not be groomed or maintained.

| | |
|-------|-----------|
| Gross | (348,200) |
| GF/GP | (348,200) |

L. LAW ENFORCEMENT REDUCTION

In order to meet reduced General Fund revenue estimates, the budget removes part of the General Fund support for conservation officers. As a result, the officers will be required to focus more time on enforcing game and fish and recreational laws and will have a diminished ability to respond to general law enforcement situations or to serve as backup to State Police or local sheriffs.

| | |
|-------|-----------|
| Gross | (700,000) |
| GF/GP | (700,000) |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

M. PURCHASED LAND PAYMENTS IN LIEU OF TAXES REDUCTION

The Department of Natural Resources makes payments to local units of government as a replacement for foregone tax revenue for DNR-owned land in each jurisdiction. In order to meet reduced General Fund revenue estimates, the appropriation for these payments was reduced. Payments to local units of government are not expected to be affected by this reduction since appropriations were overstated in previous years.

| | |
|------------|-----------|
| Gross | (950,000) |
| Restricted | (350,000) |
| GF/GP | (600,000) |

N. DEER HABITAT IMPROVEMENTS

The budget increases the appropriation from the Deer Range Improvement Fund, a subfund of the Game and Fish Protection account, for additional deer range habitat projects.

| | |
|------------|---------|
| Gross | 300,000 |
| Restricted | 300,000 |
| GF/GP | 0 |

O. CIVILIAN CONSERVATION CORPS REDUCTION

As part of the budget resolution for FY 2006-07, the \$20.0 million endowment for the Michigan Civilian Conservation Corps program was transferred to the General Fund. The program operated from the interest earnings on the Endowment Fund, so the balance transfer discontinued the interest earnings. There remains \$525,000 in appropriations for this program. After the remaining funds are spent during FY 2007-08, the Corps program will end.

| | |
|------------|-----------|
| Gross | (606,200) |
| Restricted | (606,200) |
| GF/GP | 0 |

P. CLEAN VESSEL GRANTS

The budget includes an increase in Federal funding for sewage and pump-out projects at marinas.

| | |
|---------|---------|
| Gross | 400,000 |
| Federal | 400,000 |
| GF/GP | 0 |

Q. FOREST STEWARDSHIP GRANT

The budget includes an increase in Federal funding to reflect a grant to purchase conservation easements on the former Kamehamaha property in the Upper Peninsula.

| | |
|---------|-----------|
| Gross | 3,500,000 |
| Federal | 3,500,000 |
| GF/GP | 0 |

R. OTHER ADJUSTMENTS

The budget makes other adjustments for human resources capitalization charges, reductions or increases to grant programs based on revenue estimates in restricted fund sources, elimination of one-time appropriations in FY 2006-07, and restoration of one-time retirement savings.

| | |
|------------|-----------|
| FTE | (3.5) |
| Gross | 5,547,700 |
| IDG | 80,700 |
| Federal | 656,700 |
| Private | 700 |
| Restricted | 3,478,300 |
| GF/GP | 1,331,300 |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

S. VETOES

Cooperative Resources Management Initiative

| | |
|-------|-------------|
| Gross | (1,000,000) |
| GF/GP | (1,000,000) |

The Governor vetoed \$1.0 million that was designated as an interdepartmental grant to the Michigan Department of Agriculture (MDA). The MDA distributes the funding as a grant to soil conservation districts that provide forest management services to private foresters.

**SCHOOL AID
P.A. 137 of 2007**

| FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE | FY 2006-07 YEAR-TO-DATE | FY 2007-08 GOV.'S REC. | FY 2007-08 HOUSE | FY 2007-08 SENATE | FY 2007-08 YEAR-TO-DATE | CHANGES FROM FY 2006-07 YEAR-TO-DATE | |
|---|----------------------------|---------------------------|-----------------------|----------------------|----------------------------|---|--------------|
| | | | | | | AMOUNT | PERCENT |
| FTE Positions | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| GROSS | 13,008,200,100 | 13,500,243,000 | 13,311,270,000 | 100 | 13,006,025,100 | (2,175,000) | (0.0) |
| Less: | | | | | | | |
| Interdepartmental Grants Received..... | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| ADJUSTED GROSS | 13,008,200,100 | 13,500,243,000 | 13,311,270,000 | 100 | 13,006,025,100 | (2,175,000) | (0.0) |
| Less: | | | | | | | |
| Federal Funds | 1,411,236,900 | 1,479,326,300 | 1,479,326,300 | 0 | 1,479,326,300 | 68,089,400 | 4.8 |
| Local and Private..... | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| TOTAL STATE SPENDING | 11,596,963,200 | 12,020,916,700 | 11,831,943,700 | 100 | 11,526,698,800 | (70,264,400) | (0.6) |
| Less: | | | | | | | |
| Other State Restricted Funds | 11,561,963,200 | 11,985,916,700 | 11,796,943,700 | 100 | 11,491,789,200 | (70,174,000) | (0.6) |
| GENERAL FUND/GENERAL PURPOSE .. | 35,000,000 | 35,000,000 | 35,000,000 | 0 | 34,909,600 | (90,400) | (0.3) |
| PAYMENTS TO LOCALS | 11,492,472,200 | 11,861,170,300 | 11,760,334,300 | 100 | 11,457,218,300 | (35,253,900) | (0.3) |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

A. NEW PROGRAMS

1. Foundation Allowance Formula

| | |
|------------|-------------|
| Gross | 136,000,000 |
| Restricted | 136,000,000 |
| GF/GP | 0 |

The formula to increase the foundation allowance for those school districts receiving less than the basic foundation allowance at a greater rate than those school districts at or above the basic has not been used since fiscal year (FY) 1999-2000. In the interim years, all school districts have received the same dollar increase, regardless of their foundation allowance. However, the FY 2007-08 budget marks a return to this formula (first instituted in FY 1994-95), which gives a standard increase to all districts, plus an "equity" increase (built into the base funding), on a sliding scale, with districts at the low end of per-pupil funding receiving more than those at the higher end. In this year, the appropriation provides a \$48 increase to all districts, and another \$48 per pupil to those school districts at the minimum foundation allowance (\$7,208). For districts above the minimum, but below the basic (\$8,433), they will receive, in addition to the standard \$48 given to all districts, an extra per-pupil amount between \$1 and \$48. In this manner, the formula returns to "closing the gap" in per-pupil funding among districts.

2. Specific District Grants

| | |
|------------|-----------|
| Gross | 2,750,000 |
| Restricted | 2,750,000 |
| GF/GP | 0 |

This budget added a total of \$2.75 million in district-specific grants. Specifically, \$300,000 was added for an anti-bullying/crisis intervention project at Pontiac Schools; \$350,000 for demonstration projects in math and science instruction at Grosse Pointe Schools; \$150,000 for initiatives to increase opportunities for gifted students, allocated to Harper Woods Schools; and grants to Clintondale Schools (\$250,000), Redford Union (\$900,000), Chippewa Valley (\$400,000), and Pontiac (\$400,000) for issues related to school district deficits or deficit millages.

3. Transportation Grants

| | |
|------------|-----------|
| Gross | 1,275,000 |
| Restricted | 1,275,000 |
| GF/GP | 0 |

The Legislature added a new \$1,275,000 grant to provide funding to school districts for transportation costs. Specifically, districts that are larger than 200 square miles and have fewer than five pupils per square mile would have received the grants. The Governor vetoed this new program.

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

B. PROGRAM ELIMINATIONS

1. Middle School Math

The Engineering Michigan's Future (middle school math) grants, begun in FY 2006-07, were eliminated for FY 2007-08.

| | |
|------------|--------------|
| Gross | (20,000,000) |
| Restricted | (20,000,000) |
| GF/GP | 0 |

2. FIRST Robotics and Conductive Learning Center Study

FIRST Robotics grants (\$150,000) and a study of the Conductive Learning Center (\$250,000), begun in FY 2006-07, were eliminated for FY 2007-08.

| | |
|------------|-----------|
| Gross | (400,000) |
| Restricted | (400,000) |
| GF/GP | 0 |

3. MEAP Online Practice Testing

Funding to the Michigan Virtual High School to provide online practice assessments for the Michigan Educational Assessment Program (MEAP) exams was eliminated in FY 2007-08.

| | |
|------------|-----------|
| Gross | (500,000) |
| Restricted | (500,000) |
| GF/GP | 0 |

C. PROGRAM TRANSFERS

1. Career and Technical Education

This program was transferred out of the Department of Labor and Economic Growth and into School Aid and the Department of Education. The portion transferred to School Aid was \$28.5 million in Federal Career and Technical Education grants.

| | |
|---------|------------|
| Gross | 28,500,000 |
| Federal | 28,500,000 |
| GF/GP | 0 |

2. Michigan School Readiness Study

A portion of the longitudinal study of the Michigan School Readiness Program previously funded in the Department of Education budget was transferred to School Aid.

| | |
|-------|--------|
| Gross | 79,100 |
| GF/GP | 79,100 |

D. FUNDING SHIFTS

A funding shift of \$90,400 General Fund/General Purpose to School Aid Fund in the Discretionary Payment line item was made, implementing a reduction in GF/GP to achieve the target appropriation.

| | |
|------------|-----------|
| Gross | 0 |
| Restricted | 169,500 |
| GF/GP | (169,500) |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

E. UNCLASSIFIED SALARIES - NONE

F. FEE INCREASES - NONE

G. ECONOMIC ADJUSTMENTS

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets.

| | |
|------------|---------|
| Gross | 280,400 |
| Restricted | 280,400 |
| GF/GP | 0 |

H. COST AND CASELOAD ADJUSTMENTS

Due to increases in local taxable values (which generate additional local funding to support a district's foundation allowance and conversely decrease, by the same amount, State funding), the State realized savings of \$192.7 million in foundation allowance funding. Refinancing of School Bond Loan Fund debt saved another \$40.6 million. Increased costs are funded in Special Education, totaling \$34.5 million. Also, costs for MEAP and Merit Exam testing increased (just under \$6.3 million), and Renaissance Zone reimbursements fell by \$200,000.

| | |
|------------|---------------|
| Gross | (192,725,200) |
| Federal | 374,800 |
| Restricted | (193,100,000) |
| GF/GP | 0 |

I. FEDERAL GRANTS

Federal grants increased by a total of more than \$39.2 million, with the largest increases seen in Title I funding (over \$28.0 million) and School Lunch (\$10.0 million).

| | |
|---------|------------|
| Gross | 39,214,600 |
| Federal | 39,214,600 |
| GF/GP | 0 |

J. EARLY CHILDHOOD

Per-pupil funding in the Michigan School Readiness Program was increased by \$100, which cost \$2.7 million. Also, funding was increased for Interagency Early Childhood Grants (\$750,000) and for Early Childhood Investment Corporation Grants (\$375,000).

| | |
|------------|-----------|
| Gross | 3,825,000 |
| Restricted | 3,825,000 |
| GF/GP | 0 |

K. INTERMEDIATE SCHOOL DISTRICT OPERATIONAL FUNDING

A 1% increase in operational funding was provided to intermediate school districts.

| | |
|------------|---------|
| Gross | 801,100 |
| Restricted | 801,100 |
| GF/GP | 0 |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

L. VETOES

The Governor vetoed one item in the School Aid budget, a new \$1,275,000 grant to provide funding to school districts for transportation costs. Specifically, districts that are larger than 200 square miles and have fewer than five pupils per square mile would have received the grants.

| | |
|------------|-------------|
| Gross | (1,275,000) |
| Restricted | (1,275,000) |
| GF/GP | 0 |

**DEPARTMENT OF STATE
P.A. 127 of 2007**

| FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE | FY 2006-07 YEAR-TO-DATE | FY 2007-08 GOV.'S REC. | FY 2007-08 SENATE | FY 2007-08 HOUSE | FY 2007-08 YEAR-TO-DATE | CHANGES FROM FY 2006-07 YEAR-TO-DATE | |
|---|----------------------------|---------------------------|----------------------|---------------------|----------------------------|---|---------------|
| | | | | | | AMOUNT | PERCENT |
| FTE Positions | 1,853.8 | 1,853.8 | 1,853.8 | N/A | 1,853.8 | 0.0 | 0.0 |
| GROSS | 198,783,000 | 207,871,200 | 204,529,300 | 0 | 207,681,400 | 8,898,400 | 4.5 |
| Less: | | | | | | | |
| Interdepartmental Grants Received | 20,000,000 | 20,000,000 | 20,000,000 | 0 | 20,000,000 | 0 | 0.0 |
| ADJUSTED GROSS | 178,783,000 | 187,871,200 | 184,529,300 | 0 | 187,681,400 | 8,898,400 | 5.0 |
| Less: | | | | | | | |
| Federal Funds | 3,192,100 | 1,561,200 | 1,561,200 | 0 | 1,911,200 | (1,280,900) | (40.1) |
| Local and Private | 100 | 100 | 100 | 0 | 100 | 0 | 0.0 |
| TOTAL STATE SPENDING | 175,590,800 | 186,309,900 | 182,968,000 | 0 | 185,770,100 | 10,179,300 | 5.8 |
| Less: | | | | | | | |
| Other State Restricted Funds | 157,832,200 | 156,972,900 | 156,972,900 | 0 | 156,972,900 | (859,300) | (0.5) |
| GENERAL FUND/GENERAL PURPOSE .. | 17,758,600 | 29,337,000 | 25,995,100 | 0 | 28,797,200 | 11,038,600 | 62.2 |
| PAYMENTS TO LOCALS | 1,469,800 | 1,225,200 | 1,225,200 | 0 | 1,225,200 | (244,600) | (16.6) |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

A. NEW PROGRAMS - NONE

B. PROGRAM ELIMINATIONS

Early Retirement Sick Leave Payout

| | |
|-------|----------|
| Gross | (44,700) |
| GF/GP | (44,700) |

The final payment of the five-year payout for sick leave associated with the early retirement incentive in 2002 was made in FY 2006-07; thus, funding is no longer necessary and this funding was eliminated.

C. PROGRAM TRANSFERS - NONE

D. FUNDING SHIFTS

| | |
|------------|-------------|
| Gross | 0 |
| Restricted | (6,000,000) |
| GF/GP | 6,000,000 |

General Fund dollars were added to make up for the annual shortfall in the Transportation Administration and Collection Fund (TACF) due to lower-than-anticipated revenue into the TACF. This resulted in a corresponding reduction in restricted revenue. In previous years, \$6.0 million in supplemental funding was necessary in order to compensate for the shortfall in the TACF revenue collections.

E. UNCLASSIFIED SALARIES - NONE

F. FEE INCREASES - NONE

G. ECONOMIC ADJUSTMENTS

| | |
|------------|-----------|
| Gross | 6,615,400 |
| Federal | 101,200 |
| Restricted | 1,346,300 |
| GF/GP | 5,167,900 |

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets.

H. FY 2006-07 YEAR-TO-DATE ADJUSTMENTS

| | |
|------------|-----------|
| Gross | 6,010,500 |
| Federal | (140,000) |
| Restricted | 4,776,400 |
| GF/GP | 1,374,100 |

Adjustments to the year-to-date figure for FY 2006-07 were made to reflect changes in appropriations due to Executive Order 2007-3 and Public Acts 17 and 41 of 2007.

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

I. ADMINISTRATIVE AND OTHER GF REDUCTIONS

The Governor made administrative reductions totaling \$2,546,200 in Branch Operations (\$1,797,300); Central Operations (\$485,900); Regulatory Services (\$166,500); Department Services (\$94,200); and Executive Operations (\$2,300). The Conference Report made further reductions totaling \$539,800.

| | |
|---------|-------------|
| Gross | (3,086,000) |
| Federal | (1,592,100) |
| GF/GP | (1,493,900) |

J. HELP AMERICA VOTE ACT

Additional Federal funding was captured to finish the implementation of the Help America Vote Act.

| | |
|---------|---------|
| Gross | 350,000 |
| Federal | 350,000 |
| GF/GP | 0 |

K. OTHER ADJUSTMENTS

Other changes led to minor adjustments in funding.

| | |
|------------|-----------|
| Gross | (946,800) |
| Restricted | (982,000) |
| GF/GP | 35,200 |

L. VETOES - NONE

**DEPARTMENT OF STATE POLICE
P.A. 130 of 2007**

| FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE | FY 2006-07 YEAR-TO-DATE | FY 2007-08 GOV.'S REC. | FY 2007-08 SENATE | FY 2007-08 HOUSE | FY 2007-08 YEAR-TO-DATE | CHANGES FROM FY 2006-07 YEAR-TO-DATE | |
|---|----------------------------|---------------------------|----------------------|---------------------|----------------------------|---|--------------|
| | | | | | | AMOUNT | PERCENT |
| FTE Positions | 2,900.0 | 2,899.0 | 2,899.0 | N/A | 2,899.0 | (1.0) | (0.0) |
| GROSS | 566,481,600 | 563,834,900 | 559,209,400 | 0 | 566,283,600 | (198,000) | (0.0) |
| Less: | | | | | | | |
| Interdepartmental Grants Received..... | 25,855,500 | 26,043,700 | 26,143,700 | 0 | 26,143,700 | 288,200 | 1.1 |
| ADJUSTED GROSS | 540,626,100 | 537,791,200 | 533,065,700 | 0 | 540,139,900 | (486,200) | (0.1) |
| Less: | | | | | | | |
| Federal Funds | 169,341,200 | 146,240,200 | 146,240,200 | 0 | 146,240,200 | (23,101,000) | (13.6) |
| Local and Private..... | 8,940,900 | 9,001,600 | 9,001,600 | 0 | 9,001,600 | 60,700 | 0.7 |
| TOTAL STATE SPENDING | 362,344,000 | 382,549,400 | 377,823,900 | 0 | 384,898,100 | 22,554,100 | 6.2 |
| Less: | | | | | | | |
| Other State Restricted Funds | 119,157,000 | 113,916,300 | 111,318,800 | 0 | 111,318,800 | (7,838,200) | (6.6) |
| GENERAL FUND/GENERAL PURPOSE .. | 243,187,000 | 268,633,100 | 266,505,100 | 0 | 273,579,300 | 30,392,300 | 12.5 |
| PAYMENTS TO LOCALS | 19,899,200 | 20,594,700 | 20,594,700 | 0 | 20,594,700 | 695,500 | 3.5 |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

A. NEW PROGRAMS

1. Purchase of Calumet State Police Post Building

Gross 450,000
GF/GP 450,000

The budget includes funding for the purchase of a building in Calumet that had previously been leased by the Department for use as a State Police Post.

2. Mental Health Awareness Training

Gross 100,000
IDG 100,000

The budget includes funds transferred from the Department of Corrections for the purpose of training law enforcement personnel on effective and safe ways to assisting people with a mental illness.

B. PROGRAM ELIMINATIONS

Laboratory Operations Reduction

Gross (2,000,000)
GF/GP (2,000,000)

The budget includes a reduction to Forensic Sciences, which may result in the closure of the Marquette and Sterling Heights crime labs. The Marquette closure could result in the layoff of six employees, while the functions and personnel from the Sterling Heights lab would be transferred to the State's Northville Crime Lab.

C. PROGRAM TRANSFERS - NONE

D. FUNDING SHIFTS

At-Post Trooper Funding

Gross 0
Restricted (6,000,000)
GF/GP 6,000,000

The budget includes a fund shift of State Services Fees in the Traffic Law Enforcement and Safety Fund to the GF/GP budget for FY 2007-08.

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

E. UNCLASSIFIED SALARIES

Unclassified Salary Increase

| | |
|-------|-------|
| Gross | 8,000 |
| GF/GP | 8,000 |

The budget includes an adjustment of \$8,000 for Unclassified Salaries for FY 2007-08.

F. FEE INCREASES - NONE

G. ECONOMIC ADJUSTMENTS

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets.

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

H. PROGRAM INCREASES

1. Fleet Leasing

| | |
|-------|-----------|
| Gross | 1,300,400 |
| GF/GP | 1,300,400 |

The budget includes additional GF/GP funds for car fleet costs to help prevent a structural deficit that could force the Department to restrict the current level of road patrols.

2. Increase in State Restricted Authorization

| | |
|------------|---------|
| Gross | 975,300 |
| IDG | 200,000 |
| Restricted | 775,300 |
| GF/GP | 0 |

The budget reflects a number of increases in restricted revenue, including Michigan Justice Training Fund Grants directed to the Department (\$200,000), Nuclear Power Plant Emergency Planning funds (\$200,000), and registration fees for the Homeland Security Conference (\$110,800) and Motor Carrier Fees (\$464,500).

3. Baseline Adjustments

| | |
|-------|-----------|
| Gross | 1,900,000 |
| GF/GP | 1,900,000 |

The budget includes current services baseline adjustments to cover a shortfall in Information Technology (\$1.5 million) and a reversal of the one-time removal of GF/GP funds for the sale of aircraft during FY 2005-06 (\$400,000).

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

4. At-Post Trooper Increase

The budget includes additional GF/GP support to help solve a structural deficit and prevent the layoff of troopers in FY 2007-08.

| | |
|-------|-----------|
| Gross | 3,200,000 |
| GF/GP | 3,200,000 |

5. Law Enforcement Resource Study

The budget includes funding for the commission of an outside study to analyze the allocation of law enforcement resources in the State.

| | |
|-------|---------|
| Gross | 250,000 |
| GF/GP | 250,000 |

6. Michigan Youth Leadership Academy

The budget makes additional authorization to receive private donations to support the Department's Michigan Youth Leadership Academies.

| | |
|---------|---------|
| Gross | 169,700 |
| Private | 169,700 |
| GF/GP | 0 |

7. Adjustment in Cost Allocations

The budget makes use of additional non-GF/GP funds for administrative costs throughout the Department.

| | |
|------------|---------|
| Gross | 500,000 |
| IDG | 90,900 |
| Federal | 152,300 |
| Local | 35,900 |
| Restricted | 220,900 |
| GF/GP | 0 |

I. PROGRAM REDUCTIONS

1. Reduction to Reflect Actual Federal Funds Received

The budget includes reductions to meet the expected receipt of Federal funds, including Homeland Security (\$20.0 million) and Department of Justice grants (\$4,223,300).

| | |
|---------|--------------|
| Gross | (24,223,300) |
| Federal | (24,223,300) |
| GF/GP | 0 |

2. Reduction to Reflect Actual Restricted Funds Received

The budget includes reductions to reflect changes in expected restricted revenue, including Michigan Justice Training Fund (\$1.0 million), State Services Fee from FY 2006-07 that had been targeted to be used for a trooper school (\$2.5 million), Forensic Sciences Reimbursement Fees (\$750,000), and aircraft rental fees (\$125,900).

| | |
|------------|-------------|
| Gross | (4,375,900) |
| Restricted | (4,375,900) |
| GF/GP | 0 |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

3. Information Technology Savings

The budget includes an administrative efficiency reduction for Information Technology Services and Projects for FY 2007-08.

| | |
|-------|-----------|
| Gross | (633,500) |
| Local | (5,400) |
| GF/GP | (628,100) |

4. Human Resource Optimization

The budget includes reductions due to Human Resources Optimization and removal of previous hardware costs.

| | |
|------------|-----------|
| FTE | (1.0) |
| Gross | (115,400) |
| Federal | (2,200) |
| Local | (5,800) |
| Restricted | (14,300) |
| GF/GP | (93,100) |

5. Early Retirement Sick Leave Payouts

The budget includes a reduction to reflect the completion of FY 2001-02 early retirement sick leave payouts.

| | |
|-------|-----------|
| Gross | (307,600) |
| GF/GP | (307,600) |

J. FY 2006-07 EXECUTIVE ORDER AND SUPPLEMENTALS

The budget reflects adjustments to account for Executive Order 2007-03 reductions (\$15,028,400 Gross, \$293,900 IDG, \$678,300 Federal, \$128,300 Local, \$6,616,200 Restricted, and \$7,311,700 GF/GP), appropriations within P.A. 7 of 2007 (\$400,000 Private), P.A. 17 of 2007 (\$1.2 million, GF/GP), and P.A. 41 of 2007 (\$7,795,800 Gross, \$1,181,300 IDG, \$714,500 Federal, and \$5.9 million Restricted).

| | |
|------------|-----------|
| Gross | 5,632,600 |
| IDG | (887,400) |
| Federal | (36,200) |
| Local | 128,300 |
| Private | (400,000) |
| Restricted | 716,200 |
| GF/GP | 6,111,700 |

K. VETOES

Law Enforcement Resource Study

The Governor vetoed the appropriation for this study, along with accompanying boilerplate Section 233.

| | |
|-------|-----------|
| Gross | (250,000) |
| GF/GP | (250,000) |

**DEPARTMENT OF TRANSPORTATION
P.A. 129 of 2007**

| FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE | FY 2006-07 YEAR-TO-DATE | FY 2007-08 GOV.'S REC. | FY 2007-08 SENATE | FY 2007-08 HOUSE | FY 2007-08 YEAR-TO-DATE | CHANGES FROM FY 2006-07 YEAR-TO-DATE | |
|---|----------------------------|---------------------------|----------------------|---------------------|----------------------------|---|--------------|
| | | | | | | AMOUNT | PERCENT |
| FTE Positions | 3,030.3 | 3,029.3 | 3,029.3 | N/A | 3,029.3 | (1.0) | (0.0) |
| GROSS | 3,408,192,000 | 3,365,255,600 | 3,378,255,700 | 0 | 3,360,195,600 | (47,996,400) | (1.4) |
| Less: | | | | | | | |
| Interdepartmental Grants Received..... | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| ADJUSTED GROSS | 3,408,192,000 | 3,365,255,600 | 3,378,255,700 | 0 | 3,360,195,600 | (47,996,400) | (1.4) |
| Less: | | | | | | | |
| Federal Funds | 1,168,679,700 | 1,200,740,600 | 1,200,740,600 | 0 | 1,200,740,600 | 32,060,900 | 2.7 |
| Local and Private..... | 47,500,000 | 42,850,000 | 42,850,000 | 0 | 42,850,000 | (4,650,000) | (9.8) |
| TOTAL STATE SPENDING | 2,192,012,300 | 2,121,665,000 | 2,134,665,100 | 0 | 2,116,605,000 | (75,407,300) | (3.4) |
| Less: | | | | | | | |
| Other State Restricted Funds | 2,192,012,300 | 2,121,665,000 | 2,134,665,100 | 0 | 2,116,605,000 | (75,407,300) | (3.4) |
| GENERAL FUND/GENERAL PURPOSE .. | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| PAYMENTS TO LOCALS | 1,304,085,600 | 1,242,823,900 | 1,250,118,900 | 0 | 1,240,293,900 | (63,791,700) | (4.9) |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

A. NEW PROGRAMS - NONE

B. PROGRAM ELIMINATIONS - NONE

C. PROGRAM TRANSFERS - NONE

D. FUNDING SHIFTS - NONE

E. UNCLASSIFIED SALARIES - NONE

F. FEE INCREASES - NONE

G. ECONOMIC ADJUSTMENTS

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets.

| | |
|------------|-----------|
| Gross | 8,998,000 |
| Federal | 707,600 |
| Restricted | 8,290,400 |
| GF/GP | 0 |

H. DEBT SERVICE ADJUSTMENTS

The budget reflects an increase associated with scheduled debt service payments, primarily for the debt service on the State Trunkline bonds. The total amount appropriated for all debt service obligations is \$223,612,200.

| | |
|------------|------------|
| Gross | 15,992,200 |
| Federal | 80,000 |
| Restricted | 15,912,200 |
| GF/GP | 0 |

I. GRANTS TO OTHER STATE DEPARTMENTS

The budget includes a net increase in the amount of transportation funding provided to other State departments and agencies for transportation services. The total amount appropriated is \$47,239,800. The major change was an increase in the grant to the Department of State Police of \$1,298,400.

| | |
|------------|-----------|
| Gross | 1,227,600 |
| Restricted | 1,227,600 |
| GF/GP | 0 |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

J. TRANSPORTATION ECONOMIC DEVELOPMENT FUND

The budget includes a transfer of \$13.0 million from the Transportation Economic Development Fund to the General Fund. Specific amounts transferred include: \$6.5 million from Targeted Industries; \$3.25 million from Urban County Congestion; and \$3.25 million from Rural County Primary. This reduction is partially offset by an increase in revenue to the Fund of \$407,500 and \$40,000 in expenditure authority for Forest Roads.

| | |
|------------|--------------|
| Gross | (12,552,500) |
| Restricted | (12,552,500) |
| GF/GP | 0 |

K. COMPREHENSIVE TRANSPORTATION FUND

The overall reduction in expenditures from the Comprehensive Transportation Fund (CTF) consists of two factors: a reduction of \$14.0 million due to lower anticipated revenue and a transfer of \$5.0 million from the CTF to the General Fund.

| | |
|------------|--------------|
| Gross | (19,047,700) |
| Restricted | (19,047,700) |
| GF/GP | 0 |

L. ROAD AND BRIDGE PROGRAMS

The budget includes adjustments to Federal and State restricted appropriations to reflect revenue availability.

| | |
|------------|---------------|
| Gross | (73,594,500) |
| Federal | 28,716,700 |
| Restricted | (102,311,200) |
| GF/GP | 0 |

M. OTHER ADJUSTMENTS

The budget includes adjustments for one-time reductions enacted in FY 2006-07, changes to reflect anticipated revenue, and administrative adjustments and reductions.

| | |
|------------|-------------|
| Gross | 31,080,500 |
| Federal | 2,556,600 |
| Local | (4,650,000) |
| Restricted | 33,173,900 |
| GF/GP | 0 |

N. VETOES

Cost Allocation Plan

The Governor vetoed Section 306(3), which directed the Department of Treasury to conduct a cost allocation study to identify the costs of collecting constitutionally restricted motor fuel taxes. Funding from the Michigan Transportation Fund was removed from the grant to the Department of Treasury.

| | |
|------------|-----------|
| Gross | (100,000) |
| Restricted | (100,000) |
| GF/GP | 0 |

DEPARTMENT OF TREASURY - DEBT SERVICE
P.A. 127 of 2007

| FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE | FY 2006-07 YEAR-TO-DATE | FY 2007-08 GOV.'S REC. | FY 2007-08 SENATE | FY 2007-08 HOUSE | FY 2007-08 YEAR-TO-DATE | CHANGES FROM FY 2006-07 YEAR-TO-DATE | |
|---|----------------------------|---------------------------|----------------------|---------------------|----------------------------|---|----------------|
| | | | | | | AMOUNT | PERCENT |
| FTE Positions | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| GROSS | 100,158,200 | 119,986,400 | 119,986,400 | 0 | 119,986,400 | 19,828,200 | 19.8 |
| Less: | | | | | | | |
| Interdepartmental Grants Received..... | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| ADJUSTED GROSS | 100,158,200 | 119,986,400 | 119,986,400 | 0 | 119,986,400 | 19,828,200 | 19.8 |
| Less: | | | | | | | |
| Federal Funds | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| Local and Private..... | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| TOTAL STATE SPENDING | 100,158,200 | 119,986,400 | 119,986,400 | 0 | 119,986,400 | 19,828,200 | 19.8 |
| Less: | | | | | | | |
| Other State Restricted Funds | 93,914,500 | 23,914,500 | 23,914,500 | 0 | 23,914,500 | (70,000,000) | (74.5) |
| GENERAL FUND/GENERAL PURPOSE .. | 6,243,700 | 96,071,900 | 96,071,900 | 0 | 96,071,900 | 89,828,200 | 1,438.7 |
| PAYMENTS TO LOCALS | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

A. NEW PROGRAMS - NONE

B. PROGRAM ELIMINATIONS - NONE

C. PROGRAM TRANSFERS - NONE

D. FUNDING SHIFTS

A one-time transfer in FY 2006-07 from the Refined Petroleum Fund to the Environmental Protection Fund supplanted GF/GP dollars for the debt service for these bonds. Fiscal Year 2007-08 appropriations restore the restricted funding sources to FY 2006-07 enacted appropriation levels.

| | |
|------------|--------------|
| Gross | 0 |
| Restricted | (70,000,000) |
| GF/GP | 70,000,000 |

E. UNCLASSIFIED SALARIES - NONE

F. FEE INCREASES - NONE

G. ECONOMIC ADJUSTMENTS

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets.

H. DEBT SERVICE FOR NEW ISSUES

1. Clean Michigan Initiative

This line item supports the debt service payments for a general obligation bond approved by voters in 1994. New bond issues will require an additional \$8.1 million in debt service obligations.

| | |
|-------|-----------|
| Gross | 8,100,000 |
| GF/GP | 8,100,000 |

2. Great Lakes Water Quality Bond

This line item supports the debt service payments for a general obligation bond approved by voters in 2002. New bond issues will require an additional \$4.3 million in debt service obligations.

| | |
|-------|-----------|
| Gross | 4,300,000 |
| GF/GP | 4,300,000 |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

I. DEBT SERVICE ADJUSTMENTS FOR PRIOR ISSUES

1. Water Pollution Control Bond and Interest Redemption

| | |
|-------|----------|
| Gross | (71,800) |
| GF/GP | (71,800) |

This line item supports the debt service payments for the general obligation bonds issued in 1992 and 1993 that funded the Water Pollution Control Revolving Fund. The appropriation is reduced based on estimated payments.

2. Quality of Life Bond

| | |
|-------|-----------|
| Gross | 1,600,000 |
| GF/GP | 1,600,000 |

This line item supports the debt service payments for two general obligation bonds approved by voters in 1988, one for environmental protection and one for recreation. The increase is based on estimated payments.

3. Clean Michigan Initiative

| | |
|-------|-----------|
| Gross | 5,000,000 |
| GF/GP | 5,000,000 |

An increase is required for payments on current debt service obligations.

4. Great Lakes Water Quality Bond

| | |
|-------|---------|
| Gross | 900,000 |
| GF/GP | 900,000 |

An increase is required for payments on current debt service obligations.

J. VETOES - NONE

DEPARTMENT OF TREASURY - OPERATIONS
P.A. 127 of 2007

| FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE | FY 2006-07 YEAR-TO-DATE | FY 2007-08 GOV.'S REC. | FY 2007-08 SENATE | FY 2007-08 HOUSE | FY 2007-08 YEAR-TO-DATE | CHANGES FROM FY 2006-07 YEAR-TO-DATE | |
|---|----------------------------|---------------------------|----------------------|---------------------|----------------------------|---|--------------|
| | | | | | | AMOUNT | PERCENT |
| FTE Positions | 1,697.5 | 1,697.5 | 1,697.5 | N/A | 1,744.5 | 47.0 | 2.8 |
| GROSS | 392,341,900 | 401,667,100 | 350,054,200 | 0 | 399,704,500 | 7,362,600 | 1.9 |
| Less: | | | | | | | |
| Interdepartmental Grants Received..... | 13,387,600 | 11,551,400 | 11,551,400 | 0 | 11,551,400 | (1,836,200) | (13.7) |
| ADJUSTED GROSS | 378,954,300 | 390,115,700 | 338,502,800 | 0 | 388,153,100 | 9,198,800 | 2.4 |
| Less: | | | | | | | |
| Federal Funds | 35,522,900 | 36,405,700 | 36,405,700 | 0 | 36,405,700 | 882,800 | 2.5 |
| Local and Private..... | 1,045,700 | 1,100,700 | 1,100,700 | 0 | 1,100,700 | 55,000 | 5.3 |
| TOTAL STATE SPENDING | 342,385,700 | 352,609,300 | 300,996,400 | 0 | 350,646,700 | 8,261,000 | 2.4 |
| Less: | | | | | | | |
| Other State Restricted Funds | 277,241,700 | 298,308,400 | 248,978,400 | 0 | 287,227,400 | 9,985,700 | 3.6 |
| GENERAL FUND/GENERAL PURPOSE .. | 65,144,000 | 54,300,900 | 52,018,000 | 0 | 63,419,300 | (1,724,700) | (2.6) |
| PAYMENTS TO LOCALS | 138,504,000 | 146,447,500 | 102,294,400 | 0 | 136,869,900 | (1,634,100) | (1.2) |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

A. NEW PROGRAMS - NONE

B. PROGRAM ELIMINATIONS

Qualified Agricultural Loan Payments

| | |
|-------|-------------|
| Gross | (2,500,000) |
| GF/GP | (2,500,000) |

This loan program ended on October 1, 2007.

C. PROGRAM TRANSFERS

Transfers Out

| | |
|-------|-------------|
| Gross | (1,637,500) |
| IDG | (1,545,000) |
| GF/GP | (92,500) |

These include the transfer of new hires reporting to the Department of Human Services (\$1,545,000) and rent for the records center to the Department of History, Arts, and Libraries (\$92,500).

D. FUNDING SHIFTS - NONE

E. UNCLASSIFIED SALARIES - NONE

F. FEE INCREASES - NONE

G. ECONOMIC ADJUSTMENTS

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets.

| | |
|------------|-----------|
| Gross | 7,116,300 |
| IDG | 380,200 |
| Federal | 500,800 |
| Local | 34,500 |
| Restricted | 5,245,100 |
| GF/GP | 955,700 |

H. PROGRAM INCREASES

These include: \$250,000 for the Cybershame initiative; \$150,000 for the Neighborhood Enterprise Zone program; \$33,200 for the Revenue enhancement program; \$465,000 for Renaissance zone reimbursement; \$100,000 for Investments; \$150,000 and 2.0 FTEs for the expansion of Club Keno in Lottery; and \$51,000 in Restricted funds for dues to the National Conference of Commissioners on Uniform State Laws (NCCUSL).

| | |
|------------|-----------|
| Gross | 1,199,200 |
| Restricted | 551,000 |
| GF/GP | 648,200 |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

I. PROGRAM REDUCTIONS

These include: \$200,000 for the Michigan education savings program; \$3,020,000 for land reutilization to reflect actual costs; \$690,800 for Customer contact; \$340,200 for Tax processing; \$100,000 for Mail operations; \$50,000 for Collections; \$50,000 for Merit award administration; \$74,100 for information technology; \$399,100 for Senior citizen cooperative housing; \$100,000 for Rent/building occupancy charges; \$200,000 for telephone/telegraph appraisals; \$50,000 for Human Resources and Purchasing; and \$100,000 for Program management.

| | |
|------------|-------------|
| Gross | (5,374,200) |
| IDG | (1,032,000) |
| Federal | (1,400) |
| Restricted | (3,336,300) |
| GF/GP | (1,004,500) |

J. SECONDARY COLLECTION ACTIVITIES

Funding was added to support the implementation of a private contract for secondary collection efforts of State debt. Of this funding, \$1.8 million will be spent on oversight of the contract, and the remaining \$1.5 million on necessary information technology changes.

| | |
|------------|-----------|
| FTE | 17.0 |
| Gross | 3,300,000 |
| Restricted | 3,300,000 |
| GF/GP | 0 |

K. BLACKSTONE SETTLEMENT

Funding was included to make the first \$2.0 million payment for the Blackstone settlement. The settlement, related to a lawsuit over mineral rights, will require \$2.0 million per year for three years, and \$1.0 million in the fourth year.

| | |
|-------|-----------|
| Gross | 2,000,000 |
| GF/GP | 2,000,000 |

L. TAX RESTRUCTURING INITIATIVE

In FY 2006-07, \$11.2 million GF/GP was appropriated for the implementation of the changes to the tax structure, primarily for the Michigan business tax (MBT). That amount was reduced to a total \$8,920,000 for FY 2007-08: \$8.4 million and 28.0 FTEs for the MBT, \$120,000 for the increase in the income tax, and \$400,000 and 2.0 FTEs to implement the expansion of the services tax.

| | |
|-------|-------------|
| FTE | 30.0 |
| Gross | (2,280,000) |
| GF/GP | (2,280,000) |

M. OTHER ADJUSTMENTS

These include approximately \$5.8 million in retirement adjustments related to Executive Order 2007-3; the removal of \$115,300 associated with sick leave payments from the 2002 early retirement; and a reduction related to Human Resources Optimization of \$58,800.

| | |
|------------|-----------|
| Gross | 5,589,800 |
| IDG | 360,600 |
| Federal | 383,400 |
| Local | 20,500 |
| Restricted | 4,276,900 |
| GF/GP | 548,400 |

N. VETOES

The Governor vetoed \$51,000 in escheats revenue for dues for the NCCUSL.

| | |
|------------|----------|
| Gross | (51,000) |
| Restricted | (51,000) |
| GF/GP | 0 |

**DEPARTMENT OF TREASURY - REVENUE SHARING
P.A. 127 of 2007**

| FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE | FY 2006-07 YEAR-TO-DATE | FY 2007-08 GOV.'S REC. | FY 2007-08 SENATE | FY 2007-08 HOUSE | FY 2007-08 YEAR-TO-DATE | CHANGES FROM FY 2006-07 YEAR-TO-DATE | |
|---|----------------------------|---------------------------|----------------------|---------------------|----------------------------|---|-------------|
| | | | | | | AMOUNT | PERCENT |
| FTE Positions | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| GROSS | 1,071,104,341 | 1,113,837,600 | 1,086,677,600 | 0 | 1,072,990,600 | 1,886,259 | 0.2 |
| Less: | | | | | | | |
| Interdepartmental Grants Received..... | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| ADJUSTED GROSS | 1,071,104,341 | 1,113,837,600 | 1,086,677,600 | 0 | 1,072,990,600 | 1,886,259 | 0.2 |
| Less: | | | | | | | |
| Federal Funds | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| Local and Private..... | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| TOTAL STATE SPENDING | 1,071,104,341 | 1,113,837,600 | 1,086,677,600 | 0 | 1,072,990,600 | 1,886,259 | 0.2 |
| Less: | | | | | | | |
| Other State Restricted Funds | 1,070,892,341 | 1,113,512,000 | 1,086,352,000 | 0 | 1,072,665,000 | 1,772,659 | 0.2 |
| GENERAL FUND/GENERAL PURPOSE .. | 212,000 | 325,600 | 325,600 | 0 | 325,600 | 113,600 | 53.6 |
| PAYMENTS TO LOCALS | 1,071,104,341 | 1,113,837,600 | 1,086,677,600 | 0 | 1,072,990,600 | 1,886,259 | 0.2 |

- A. NEW PROGRAMS - NONE**
- B. PROGRAM ELIMINATIONS - NONE**
- C. PROGRAM TRANSFERS - NONE**
- D. FUNDING SHIFTS - NONE**
- E. UNCLASSIFIED SALARIES - NONE**
- F. FEE INCREASES - NONE**
- G. ECONOMIC ADJUSTMENTS - NONE**

H. REVENUE SHARING PAYMENTS IN FY 2007-08

| | |
|------------|-----------|
| Gross | 1,886,259 |
| Restricted | 1,772,659 |
| GF/GP | 113,600 |

Public Act 127 of 2007 appropriates revenue sharing payments for FY 2007-08. Gross revenue sharing payments are estimated and appropriated at \$1,072,990,600 in FY 2007-08, an increase of \$1,886,259, or 0.2%, from FY 2006-07 actual payments. The gross appropriation includes \$212,000 in General Fund appropriations to local units under the control of an emergency financial manager (Highland Park) in order to hold them harmless from the FY 2003-04 executive order reductions to revenue sharing. The gross appropriation also includes \$113,600 in General Fund appropriations to counties.

The remaining \$1,072,665,000 appropriated for revenue sharing payments is restricted State revenue and includes payments required under the State Constitution as well as payments authorized under statute. Unlike in previous years, the total restricted appropriated amount will no longer be a limit on total revenue sharing distributions: If actual sales tax revenue exceeds the consensus figure and produces a higher constitutional revenue sharing total than the appropriated amount, then a portion of that increase will be distributed without an offsetting reduction in statutory payments. If actual sales tax revenue is less than the adopted estimate, then constitutional revenue sharing payments will be lower and statutory payments will be increased.

The appropriated amount of restricted funds is approximately \$558,300,000 less than the amount suggested by the statutory formula to "fully fund" revenue sharing payments.

The estimated revenue sharing payments by distribution type are summarized in [Table 1](#). The figures in [Table 1](#) are based on the May 2007 consensus estimates of State revenue.

I. CHANGES TO THE REVENUE SHARING PAYMENT DISTRIBUTION FORMULA FOR CITIES, VILLAGES, AND TOWNSHIPS

The Glenn Steil State Revenue Sharing Act (MCL 141.901-141.921) does not specify a distribution formula for statutory revenue sharing payments to cities, villages, and townships for FY 2007-08 and later years. The Act does make provisions for statutory revenue sharing payments to counties. The Governor's FY 2007-08 Budget recommended changes to the Act to specify the distribution of statutory revenue sharing payments to cities, villages, and townships. The recommended legislation has not yet been adopted, nor has alternative legislation that also would specify a distribution formula. Instead, the distribution formula is specified in the boilerplate language of the appropriation.

The distribution formula presented in boilerplate attempts to fix the combined total of constitutional and statutory revenue sharing payments to some local units regardless of sales tax collections. Due to previous changes in the revenue sharing distribution formula, approximately 868 local units, mostly townships, did not receive a payment under statutory revenue sharing provisions during FY 2006-07. The boilerplate formula allows these local units to receive any increase in constitutional payments, but specifies that any unit receiving a payment under the statutory provisions may not receive more in combined constitutional and statutory revenue sharing payments than it received during FY 2006-07. As a result, in FY 2007-08, the remaining units will receive whatever statutory payment is necessary to bring their combined constitutional and statutory revenue sharing payments up to the same combined level received during FY 2006-07. The boilerplate language increases the statutory appropriation to accomplish this if sales tax collections are below the forecasted level.

Because the appropriation may not reduce constitutional revenue sharing payments, which are expected to increase by 1.2% in FY 2007-08, certain local units that receive very little payment under the statutory provisions cannot be held at the same combined payment received in FY 2006-07 because the constitutional payment during FY 2007-08 will exceed the combined constitutional and statutory payments received during FY 2006-07. Under these circumstances, the statutory payment to the local unit will be eliminated and the unit will receive only constitutional revenue sharing payments. The FY 2006-07 revenue sharing provisions eliminated statutory payments to 868 local units. Under the current revenue forecast, the recommended legislation would eliminate statutory revenue sharing payments to 954 cities, villages, and townships in FY 2007-08.

J. REVENUE SHARING PAYMENTS TO COUNTIES

In FY 2004-05, the State required counties to accelerate their collection of operating taxes over a period of three years and place the revenue into a reserve fund that would replace restricted revenue historically distributed to counties under the State Revenue Sharing Act. If appropriated, the Act provides for a distribution to counties that have depleted the reserve fund. During FY 2007-08, at least one county (Tuscola County) is expected to deplete the reserve fund. The budget appropriates \$113,600 in General Fund money in an effort to ensure that the combination of the payment plus any withdrawals will total the amount a county would be allowed to withdraw if the reserve fund had a sufficient balance.

Historically, revenue sharing payments to counties have been made from restricted sales tax revenue. Any restricted revenue not appropriated to local units has reverted to the General Fund. However, the \$113,600 appropriated to counties is appropriated from the General Fund.

K. SPECIAL CENSUS REVENUE SHARING PAYMENTS

Public Act 345 of 2006 provided an appropriation of \$892,400 in special census revenue sharing payments for FY 2006-07, although these were later eliminated under Executive Order 2007-3. Special census payments are made from appropriated General Fund revenue. No special census payments were appropriated for FY 2007-08.

To receive special census payments, a city, village, or township must have been certified to be eligible by June 30, 2007. To be eligible, the city, village, or township must have had a population increase of 10.0% or more from the previous Federal decennial census, as determined by a special census.

L. VETOES - NONE

Table 1

**REVENUE SHARING PAYMENTS FOR FY 2005-06 THROUGH ESTIMATED FY 2007-08
(Millions of Dollars)**

| | FY 2006-07 | | | | FY 2007-08, As Enacted | | |
|--|----------------------|----------------------|------------------------|-----------------|--------------------------------------|------------------------|---------------|
| | FY 2005-06 Actual | FY 2006-07 Actual | Change from FY 2005-06 | | FY 2007-08 Estimate ¹⁾ | Change from FY 2006-07 | |
| | | | Dollar | Percent | | Dollar | Percent |
| Sales Tax Constitutional: | | | | | | | |
| Counties | \$0.0 | \$0.0 | \$0.0 | --- | \$0.0 | \$0.0 | --- |
| <u>Cities, Villages, & Townships</u> | | | | | | | |
| Cities | 353.0 | 345.6 | (7.3) | (2.1)% | 349.9 | 4.2 | 1.2% |
| Detroit | 65.2 | 63.8 | (1.4) | (2.1) | 64.6 | 0.8 | 1.2 |
| Townships | 307.7 | 301.3 | (6.4) | (2.1) | 304.8 | 3.5 | 1.2 |
| Villages | 19.4 | 19.0 | (0.4) | (2.1) | 19.3 | 0.2 | 1.2 |
| Cities, Villages, & Townships Subtotal | 680.1 | 666.0 | (14.1) | (2.1) | 674.0 | 8.0 | 1.2 |
| Subtotal Constitutional | \$680.1 | \$666.0 | (\$14.1) | (2.1)% | \$674.0 | \$8.0 | 1.2% |
| Sales Tax Statutory: | | | | | | | |
| Counties | \$0.0 | \$0.0 | \$0.0 | --- | \$0.0 | \$0.0 | --- |
| <u>Cities, Villages, & Townships</u> | | | | | | | |
| Cities | 391.9 | 377.0 | (14.9) | (3.8)% | 372.8 | (4.2) | (1.1)% |
| Detroit | 215.9 | 208.9 | (7.0) | (3.2) | 208.1 | (0.8) | (0.4) |
| Townships | 22.4 | 20.2 | (2.2) | (9.9) | 18.5 | (1.8) | (8.7) |
| Villages | 8.1 | 7.7 | (0.4) | (5.1) | 7.4 | (0.2) | (2.9) |
| Cities, Villages, & Townships Subtotal | 422.4 | 404.9 | (17.5) | (4.1) | 398.7 | (6.2) | (1.5) |
| Subtotal Statutory | \$422.4 | \$404.9 | (\$17.5) | (4.1)% | \$398.7 | (\$6.2) | (1.5)% |
| Total Restricted Revenue Sharing¹⁾ | \$1,102.5 | \$1,070.9 | (\$31.6) | (2.9)% | \$1,072.7 | \$1.8 | 0.2% |
| Counties | \$0.0 | \$0.0 | \$0.0 | --- | \$0.0 | \$0.0 | --- |
| <u>Cities, Villages, & Townships</u> | | | | | | | |
| Cities | 744.9 | 722.7 | (22.2) | (3.0)% | 722.7 | 0.0 | 0.0% |
| Detroit | 281.1 | 272.7 | (8.4) | (3.0) | 272.7 | 0.0 | 0.0 |
| Townships | 330.2 | 321.5 | (8.6) | (2.6) | 323.3 | 1.8 | 0.6 |
| Villages | 27.5 | 26.7 | (0.8) | (3.0) | 26.7 | 0.0 | 0.0 |
| Cities, Villages, & Townships Subtotal | \$1,102.5 | \$1,070.9 | \$(31.6) | (2.9)% | \$1,072.7 | \$1.8 | 0.0% |
| Special Census Payments (General Fund)²⁾ | \$0.9 | \$0.0 | \$(0.9) | (100.0)% | \$0.0 | \$0.0 | --- |
| Total Revenue Sharing Under Appropriation | \$1,103.4 | \$1,070.9 | (\$32.5) | (2.9)% | \$1,072.7 | \$1.8 | 0.2% |

1) Revenue sharing payments are based on consensus sales tax estimates adopted at the May 2007 Consensus Revenue Estimating Conference, subject to any existing appropriations.

2) Reduction in Special Census payments in FY 2006-07 reflects approval of Executive Order 2007-3.

**DEPARTMENT OF TREASURY - STRATEGIC FUND AGENCY
P.A. 127 of 2007**

| FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE | FY 2006-07 YEAR-TO-DATE | FY 2007-08 GOV.'S REC. | FY 2007-08 SENATE | FY 2007-08 HOUSE | FY 2007-08 YEAR-TO-DATE | CHANGES FROM FY 2006-07 YEAR-TO-DATE | |
|---|----------------------------|---------------------------|----------------------|---------------------|----------------------------|---|-----------------|
| | | | | | | AMOUNT | PERCENT |
| FTE Positions | 152.0 | 152.0 | 152.0 | N/A | 152.0 | 0.0 | 0.0 |
| GROSS | 85,826,200 | 178,650,900 | 164,352,000 | 0 | 166,422,500 | 80,596,300 | 93.9 |
| Less: | | | | | | | |
| Interdepartmental Grants Received..... | 78,600 | 80,000 | 80,000 | 0 | 80,000 | 1,400 | 1.8 |
| ADJUSTED GROSS | 85,747,600 | 178,570,900 | 164,272,000 | 0 | 166,342,500 | 80,594,900 | 94.0 |
| Less: | | | | | | | |
| Federal Funds | 55,584,900 | 55,430,700 | 55,430,700 | 0 | 55,430,700 | (154,200) | (0.3) |
| Local and Private..... | 700,000 | 712,800 | 712,800 | 0 | 712,800 | 12,800 | 1.8 |
| TOTAL STATE SPENDING | 29,462,700 | 122,427,400 | 108,128,500 | 0 | 110,199,000 | 80,736,300 | 274.0 |
| Less: | | | | | | | |
| Other State Restricted Funds | 5,000 | 75,005,200 | 80,005,200 | 0 | 80,705,200 | 80,700,200 | 1,614,004. 0 |
| GENERAL FUND/GENERAL PURPOSE .. | 29,457,700 | 47,422,200 | 28,123,300 | 0 | 29,493,800 | 36,100 | 0.1 |
| PAYMENTS TO LOCALS | 9,798,000 | 4,500,000 | 8,197,500 | 0 | 7,441,200 | (2,356,800) | (24.1) |

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

A. NEW PROGRAMS

Jobs for Michigan Investment Program: 21st Century Jobs Fund

| | |
|------------|------------|
| Gross | 75,000,000 |
| Restricted | 75,000,000 |
| GF/GP | 0 |

This program was funded in the annual budget for the first time since the initial appropriations were made at the program's creation in FY 2005-06. A total of \$75.0 million from the 21st Century Jobs Trust Fund was appropriated. The funding comes from the tobacco settlement revenue deposited into the 21st Century Jobs Trust Fund pursuant to statute. Out of the total appropriation, \$1.4 million was granted to the Michigan Small Business and Technology Development Centers to be used for the Small Business Innovation Research and Small Business Technical Transfer Matching Grant Program, which assists small businesses in obtaining Federal research contracts. Remaining funds will be distributed according to the requirements of Chapter 8A of the Michigan Strategic Fund Act.

B. PROGRAM ELIMINATIONS – NONE

C. PROGRAM TRANSFERS - NONE

D. FUNDING SHIFTS – NONE

E. UNCLASSIFIED SALARIES – NONE

F. FEE INCREASES – NONE

G. ECONOMIC ADJUSTMENTS

| | |
|------------|---------|
| Gross | 413,000 |
| IDG | 1,400 |
| Federal | 43,700 |
| Private | 12,800 |
| Restricted | 200 |
| GF/GP | 354,900 |

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets.

H. MICHIGAN PROMOTION PROGRAM

| | |
|------------|-----------|
| Gross | 5,700,000 |
| Restricted | 5,700,000 |
| GF/GP | 0 |

The Michigan Promotion Program was increased by \$5.7 million, from \$5,717,500 in FY 2006-07 to \$11,417,500 in FY 2007-08. The additional funding comes from Investment Fund - Returns to Fund, which consists of repayments made from previous life science and technology tri-corridor programs.

**FY 2007-08 Change From
FY 2006-07 Year-to-Date**

The additional funds are to accelerate State tourism and business marketing and are established as a work project that will carry forward to the estimated completion date of September 30, 2010.

I. ECONOMIC DEVELOPMENT JOB TRAINING (EDJT) GRANTS

| | |
|-------|-----------|
| Gross | (737,400) |
| GF/GP | (737,400) |

The appropriation for Economic Development Job Training Grants was reduced by \$737,400 or 9.0%, from \$8,178,400 in FY 2006-07 to \$7,441,000 in FY 2007-08. A new grant program for Aerospace Certification Grants is funded with an allocation of \$500,000 from this line, or, at the discretion of the Michigan Economic Development Corporation, a total of \$500,000 from a combination of EDJT funds and funds from the work project for the Defense Contract Coordination Center. The grant will be awarded in two parts: \$250,000 for the Michigan Aerospace Manufacturers Association to provide organizational assistance and promotion for the Michigan aerospace manufacturing community, and \$250,000 for grants of up to \$10,000 to assist manufacturers in obtaining the necessary certifications to obtain aerospace contracts.

J. PLACEHOLDER APPROPRIATIONS

| | |
|-------|-----|
| Gross | 700 |
| GF/GP | 700 |

The budget includes \$100 placeholder appropriations for each of the following: Business Incubators for distressed communities, Detroit Institute of Arts, Detroit Historical Museum, Detroit Zoological Institute, Michigan State University Bioenergy Research Center, McBain Township in Missaukee County for infrastructure improvement, and Berrien County Brownfield Redevelopment Authority for an ethanol project.

K. OTHER ADJUSTMENTS

| | |
|---------|-----------|
| Gross | 220,000 |
| Federal | (197,900) |
| GF/GP | 417,900 |

The budget includes changes in Human Resources Optimization Charges, retirement costs, reduction of obsolete Federal expenditure authority, reductions due to sick leave payout related to State employee early retirements, and other adjustments.

L. VETOES - NONE

APPENDICES

**FY 2007-08
APPROPRIATION BILLS INDEX**

| <u>BUDGET AREA</u> | <u>BILL NUMBER</u> | <u>PUBLIC ACT NUMBER</u> | <u>LINE-ITEM VETOES</u> |
|------------------------------------|------------------------|------------------------------|-----------------------------|
| Agriculture..... | S.B. 222 | P.A. 128 of 2007 | YES |
| Attorney General..... | S.B. 229 | P.A. 127 of 2007 | NO |
| Civil Rights..... | S.B. 229 | P.A. 127 of 2007 | NO |
| Civil Service..... | S.B. 229 | P.A. 127 of 2007 | NO |
| Community Colleges..... | H.B. 4360 | P.A. 120 of 2007 | NO |
| Community Health..... | H.B. 4344 | P.A. 123 of 2007 | NO |
| Corrections..... | H.B. 4348 | P.A. 124 of 2007 | NO |
| Education..... | H.B. 4346 | P.A. 119 of 2007 | NO |
| Environmental Quality..... | H.B. 4358 | P.A. 121 of 2007 | YES |
| Executive..... | S.B. 229 | P.A. 127 of 2007 | NO |
| Higher Education..... | H.B. 4350 | P.A. 136 of 2007 | NO |
| History, Arts, and Libraries..... | S.B. 231 | P.A. 117 of 2007 | NO |
| Human Services..... | S.B. 232 | P.A. 131 of 2007 | YES |
| Information Technology..... | S.B. 229 | P.A. 127 of 2007 | NO |
| Judiciary..... | S.B. 233 | P.A. 125 of 2007 | NO |
| Labor and Economic Growth..... | S.B. 234 | P.A. 118 of 2007 | NO |
| Legislative Auditor General..... | S.B. 229 | P.A. 127 of 2007 | NO |
| Legislature..... | S.B. 229 | P.A. 127 of 2007 | NO |
| Management and Budget..... | S.B. 229 | P.A. 127 of 2007 | NO |
| Military and Veterans Affairs..... | S.B. 235 | P.A. 126 of 2007 | NO |
| Natural Resources..... | H.B. 4354 | P.A. 122 of 2007 | YES |
| School Aid..... | H.B. 4359 | P.A. 137 of 2007 | YES |
| State..... | S.B. 229 | P.A. 127 of 2007 | NO |
| State Police..... | S.B. 238 | P.A. 130 of 2007 | YES |
| Strategic Fund Agency..... | S.B. 229 | P.A. 127 of 2007 | NO |
| Transportation..... | S.B. 240 | P.A. 129 of 2007 | YES |
| Treasury..... | S.B. 229 | P.A. 127 of 2007 | NO |

ECONOMIC FORECAST AND REVENUE ESTIMATES

A. ECONOMIC FORECAST

The economic forecast on which the enacted FY 2007-08 State budget was based was the consensus economic forecast adopted at the May 2007 Consensus Revenue Estimating Conference. Under this consensus forecast, the U.S. economy is expected to expand in 2008 at a slightly faster pace than forecast for 2007, but more slowly than the growth experienced in 2005 and 2006. Michigan's economy is expected to continue to experience structural changes that will further reduce employment and generate only a modest increase in personal income. The highlights of the economic outlook for both the U.S. and Michigan economies are as follows:

1. U.S. Economy

- Real Gross Domestic Product (GDP) will rise an estimated 2.8% in 2008, representing an improvement from the 2.0% increase forecast for 2007, but a slower rate than the 3.1% and 2.9% rates of growth experienced in 2005 and 2006, respectively. Rising energy prices and weakness in the housing market will keep the national economy from growing at a faster pace.
- While employment is expected to continue to increase in 2008, it will not keep pace with the increase in the number of people actively looking for work, and as a result, the U.S. unemployment rate is expected to edge up to 4.7% in 2008 from 4.6% in 2007.
- Light vehicle sales are expected to have declined to 16.3 million units in 2007 from the 16.5 million units sold in 2006. In 2008, light vehicle sales are expected to increase back to a level of 16.5 million units.
- Inflation is expected to remain under control, despite rising energy prices. In 2006, the general price level, as measured by the U.S. Consumer Price Index, rose 3.2%, but in both 2007 and 2008, the rate of inflation is expected to moderate to a pace of 2.2%.

2. Michigan Economy

- Employment in Michigan will continue to trend down. In 2006, wage and salary employment declined 1.1% to 4,390,000 workers. In 2007, wage and salary employment will have declined another 1.5% to an estimated 4,276,000 workers. In 2008, employment will continue to trend down to an estimated 4,225,000, which represents a decline of 1.2%.
- The projected decline in employment is expected to have pushed Michigan's unemployment rate up to an estimated 7.2% in 2007, from 6.9% in 2006, and to push the rate to an estimated 7.6% in 2008.
- Despite the projected downward trend in wage and salary employment, total wage and salary payments to workers in Michigan are expected to rebound modestly in 2008. After remaining essentially unchanged in 2007 from the 2006 level, wage and salary payments will increase 0.7% in 2008 due to modest improvements in the average earnings paid per worker.
- Personal income will increase at an estimated rate of 2.3% in 2008, which will be up from the 1.9% increase expected in 2007. This increase will be led by increases in unearned income.
- Inflation in Michigan, as measured by the Detroit Consumer Price Index, is expected to remain around 2.0% in both 2007 and 2008.

B. GENERAL FUND/GENERAL PURPOSE AND SCHOOL AID FUND REVENUE ESTIMATES

General Fund/General Purpose and School Aid Fund revenue will total an estimated \$23.1 billion in FY 2007-08, which is up 6.3% from the \$21.7 billion generated in FY 2006-07. The revenue that will be generated in FY 2007-08 includes three types of revenue: 1) revenue from ongoing revenue sources, 2) revenue from newly enacted tax changes, and 3) revenue from various revenue adjustments and one-time sources. The estimates of revenue from ongoing revenue sources for these two fiscal years are the estimates adopted at the May 2007 Consensus Revenue

Estimating Conference. The estimates of total revenue, as well as a breakdown between these three types of revenue, are presented in Table 1 for both the General Fund/General Purpose budget and the School Aid Fund for FY 2006-07 and FY 2007-08.

Table 1

| GENERAL FUND/GENERAL PURPOSE AND SCHOOL AID FUND REVENUE ESTIMATES FOR FY 2006-07 AND FY 2007-08 (Millions of Dollars) | | | | |
|---|-------------------|-------------------|------------------|-----------------|
| | FY 2006-07 | FY 2007-08 | \$ Change | % Change |
| GENERAL FUND/GENERAL PURPOSE | | | | |
| Beginning Balance..... | \$2.5 | \$2.3 | \$(0.2) | --- |
| <u>Consensus Estimate From Ongoing Sources:</u> ¹⁾ | | | | |
| Net Income..... | 4,249.9 | 4,209.2 | (40.7) | (1.0)% |
| Single Business..... | 1,810.3 | 677.4 | (1,132.9) | (62.6) |
| Sales | 83.3 | 97.0 | 13.7 | 16.4 |
| Use | 929.7 | 956.3 | 26.6 | 2.9 |
| Cigarette..... | 227.0 | 223.2 | (3.8) | (1.7) |
| Insurance Company Premiums..... | 216.0 | 162.2 | (53.8) | (24.9) |
| Telephone & Telegraph..... | 78.0 | 72.0 | (6.0) | (7.7) |
| Casino Wagering..... | 47.1 | 18.6 | (28.5) | (60.5) |
| All Other Taxes | 204.3 | 191.2 | (13.1) | (6.4) |
| Subtotal Taxes..... | \$7,845.6 | \$6,607.1 | \$(1,238.5) | (15.8)% |
| Nontax Revenue..... | 341.9 | 312.6 | (29.3) | (8.6) |
| Subtotal Consensus Estimates Ongoing Revenue ¹⁾ | \$8,187.5 | \$6,919.7 | \$(1,267.8) | (15.5)% |
| <u>Enacted Tax Changes:</u> | | | | |
| Michigan Business Tax - Ongoing Revenue | 0.0 | 1,189.4 | 1,189.4 | --- |
| Michigan Business Tax - One-Time Revenue | 0.0 | 219.4 | 219.4 | --- |
| Income Tax Rate Increase | 0.0 | 744.8 | 744.8 | --- |
| Veterans' Income Tax Deduction | 0.0 | (0.5) | (0.5) | --- |
| Use Tax on Selected Services | 0.0 | 409.2 | 409.2 | --- |
| Subtotal New Taxes | 0.0 | 2,562.3 | 2,562.3 | --- |
| <u>Revenue Adjustments:</u> | | | | |
| Revenue Sharing Reductions..... | 544.6 | 555.9 | 11.3 | 2.1 |
| Tobacco Securitization Borrowing..... | 207.2 | 0.0 | (207.2) | (100.0) |
| 21st Century Jobs Fund Transfer..... | 50.0 | 0.0 | (50.0) | (100.0) |
| Conservation Corps Transfer | 20.0 | 0.0 | (20.0) | (100.0) |
| Jury Compensation Fund Transfer..... | 0.0 | 2.3 | 2.3 | --- |
| Comprehensive Transportation Fund Transfer | 0.0 | 5.0 | 5.0 | --- |
| Transportation Economic Development Fund Transfer | 0.0 | 13.0 | 13.0 | --- |
| Financial Institutions Fund Transfer | 0.0 | 2.0 | 2.0 | --- |
| Shift Short-Term Borrowing Costs to SAF..... | 0.0 | 22.8 | 22.8 | --- |
| Subtotal Revenue Adjustments | \$821.8 | \$601.0 | \$(220.8) | (26.9)% |
| TOTAL GF/GP REVENUE..... | \$9,011.8 | \$10,085.3 | \$1,073.5 | 11.9% |

**GENERAL FUND/GENERAL PURPOSE AND SCHOOL AID FUND
REVENUE ESTIMATES FOR FY 2006-07 AND FY 2007-08
(Millions of Dollars)**

| | FY 2006-07 | FY 2007-08 | \$ Change | % Change |
|--|-------------------|-------------------|----------------|-------------|
| SCHOOL AID FUND | | | | |
| Beginning Balance..... | \$0.0 | \$0.0 | \$0.0 | --- |
| <u>Consensus Estimate From Ongoing Sources:</u> ¹⁾ | | | | |
| Sales & Use Taxes | 5,240.7 | 5,326.5 | 85.8 | 1.6% |
| Income Tax | 2,085.7 | 2,097.0 | 11.3 | 0.5 |
| State Education Property Tax..... | 2,069.1 | 2,173.7 | 104.6 | 5.1 |
| Real Estate Transfer Tax..... | 226.2 | 231.0 | 4.8 | 2.1 |
| Tobacco Tax | 454.9 | 445.8 | (9.1) | (2.0) |
| Casino Wagering Tax | 109.1 | 118.4 | 9.3 | 8.5 |
| Other Tax Revenue | 181.5 | 185.6 | 4.1 | 2.3 |
| Subtotal Taxes..... | \$10,367.2 | \$10,578.0 | \$210.8 | 2.0% |
| Lottery..... | 710.0 | 707.0 | (3.0) | (0.4) |
| Subtotal Consensus Estimates Ongoing Revenue ¹⁾ | \$11,077.2 | \$11,285.0 | \$207.8 | 1.9% |
| <u>Enacted Tax Changes:</u> | | | | |
| MBT - State Education Tax Reduction | 0.0 | (68.8) | (68.8) | --- |
| MBT - Industrial Facilities Tax Reduction..... | 0.0 | (67.2) | (67.2) | --- |
| MBT - School Aid Fund Reimbursement..... | 0.0 | 136.0 | 136.0 | --- |
| Use Tax on Selected Services | 0.0 | 204.6 | 204.6 | --- |
| Subtotal Enacted Tax Changes..... | 0.0 | 204.6 | 204.6 | --- |
| <u>Other Revenue:</u> | | | | |
| General Fund Grant..... | 35.0 | 34.9 | (0.1) | (0.3) |
| Tobacco Securitization Borrowing..... | 207.8 | 0.0 | (207.8) | (100.0) |
| Federal Aid | 1,411.2 | 1,479.3 | 68.1 | 4.8 |
| Other Revenue | 0.0 | 14.3 | 14.3 | --- |
| Subtotal Other Revenue | \$1,654.0 | \$1,528.5 | \$(125.5) | (7.6)% |
| TOTAL SAF REVENUE | \$12,731.2 | \$13,018.1 | \$286.9 | 2.3% |
| TOTAL GF/GP AND SAF: | | | | |
| Beginning Balances..... | \$2.5 | \$2.3 | \$(0.2) | (8.0)% |
| Consensus Estimate Ongoing Revenue | \$19,264.7 | \$18,204.7 | \$(1,060.0) | (5.5)% |
| Other Revenue ²⁾ | \$2,440.8 | \$4,861.5 | \$2,420.7 | 99.2% |
| Total Revenue ²⁾ | \$21,708.0 | \$23,068.5 | \$1,360.5 | 6.3% |

¹⁾ Revenue estimates adopted at the May 2007 Consensus Revenue Estimating Conference.

²⁾ Total and other revenue excludes GF/GP grant to SAF.

1. General Fund/General Purpose Revenue

- In FY 2007-08, General Fund/General Purpose (GF/GP) revenue will total an estimated \$10.1 billion, representing an increase of 11.9% or \$1.07 billion from the revenue level in FY 2006-07.
- Of this total, an estimated \$6.9 billion will be generated from ongoing revenue sources. This is down 15.5% from the FY 2006-07 level of revenue from ongoing sources and most of this decline will be due to the repeal of the single business tax, effective December 31, 2007.
- Tax changes will generate an estimated \$2.56 billion in GF/GP revenue in FY 2007-08. These tax changes include the following:
 - Michigan Business Tax (MBT). The GF/GP revenue from the new MBT, which takes effect January 1, 2008, will total an estimated \$1.41 billion, of which \$219.4 million represents a one-time gain in revenue. Other than the \$219.4 million in one-time new revenue, the MBT is expected to bring in the same amount of revenue the single business tax would have generated if it had not been repealed.
 - Income Tax. The income tax rate was increased from 3.9% to 4.35%, effective October 1, 2007. This 11.5% increase in the income tax will generate an additional \$744.3 million in FY 2007-08 and all of this new revenue will go to the GF/GP budget.
 - Use Tax on Selected Services. The use tax was broadened to include some selected services. This broadening of the use tax base, effective December 1, 2007, will generate an estimated \$613.8 million in FY 2007-08; two-thirds of this amount is earmarked to the General Fund. As a result, GF/GP revenue will increase an estimated \$409.2 million in FY 2007-08 due to the increase in the use tax.
- Various revenue adjustments also will generate an estimated \$601.3 million in GF/GP revenue in FY 2007-08. Most of this revenue will be due to a reduction in revenue sharing payments totaling \$555.9 million. In addition, \$22.3 million will be transferred to GF/GP revenue from other funds, and short-term borrowing costs (negative interest revenue) will be shifted to the School Aid Fund.

2. School Aid Fund

- Revenue going to the School Aid Fund (SAF) will total an estimated \$13.0 billion in FY 2007-08. This represents a 2.3% increase from the SAF revenue level in FY 2006-07. The SAF revenue estimate is presented in [Table 1](#).
- Revenue from ongoing taxes earmarked to the SAF plus the revenue from the lottery, will total an estimated \$11.29 billion, up 1.9% from FY 2006-07. Most of this earmarked revenue comes from the sales, use, income, and State education taxes, as shown in [Table 1](#).
- In addition to the revenue from ongoing revenue sources, the SAF will receive an estimated \$204.6 million from newly enacted tax changes.
 - As part of the new Michigan business tax, industrial personal property is exempt from the State education tax and the comparable portions of the industrial facilities tax. These new exemptions will reduce the revenue the SAF otherwise would have received from these taxes by an estimated \$136.0 million in FY 2007-08. In order to hold the SAF harmless from these tax changes, \$136.0 million of MBT revenue will be earmarked to the SAF in FY 2007-08.
 - Use Tax on Selected Services. One-third of the revenue from the new tax on certain services will go to the SAF, which will receive an estimated \$204.6 million in FY 2007-08.
- In addition to the revenue from the ongoing earmarked taxes and the newly enacted tax changes, the SAF will receive an estimated \$1.53 billion from various other sources. These other revenue sources include Federal aid of \$1.48 billion, a \$34.9 million grant from the General Fund, and \$14.3 million in other revenue.

C. BUDGET AND ECONOMIC STABILIZATION FUND

Michigan's cyclical economy can produce significant swings in the rate of growth, or decline, in tax revenue from one year to the next. To help smooth the flow of revenue over the economic cyclical swings, Michigan created the Counter-Cyclical Budget and Economic Stabilization Fund in 1977. This fund, more commonly referred to as the Budget Stabilization Fund (BSF), is designed to be a cash reserve to which the State adds money during good

economic times and from which it withdraws money during poor economic years. Having the money available during poor economic years helps the State avoid having to cut spending and/or increase taxes, and therefore helps stabilize the State budget and the tax structure.

All transfers into and out of the BSF must be appropriated by the Legislature. There are formulas that indicate when it is appropriate to put money into and take money from the BSF, but historically, most of the BSF transactions have not been directly tied to the formulas, but have simply been made at the will of the Legislature and Governor.

- As shown in Table 2, the BSF ended FY 2005-06 with a balance of only \$2.0 million and the ending balance for FY 2006-07 is expected to remain at \$2.0 million.
- As part of the FY 2007-08 budget, \$219.4 million will be appropriated to the BSF; this is the estimated amount of the one-time gain in revenue that the new MBT will generate in FY 2007-08. Assuming this transfer into the BSF will be made at the end of the fiscal year, it is estimated that the BSF will close FY 2007-08 with a \$221.5 million balance.

Table 2
ECONOMIC AND BUDGET STABILIZATION FUND TRANSFERS, EARNINGS, AND FUND BALANCE
FY 1995-96 TO FY 2007-08
(Millions of Dollars)

| Fiscal Year | Pay-In | Interest Earned | Pay-Out | Fund Balance |
|--------------------|---------------|------------------------|----------------|---------------------|
| 1995-96 | \$91.3 | \$59.2 | \$0.0 | \$1,153.6 |
| 1996-97 | 0.0 | 67.8 | 69.0 | 1,152.4 |
| 1997-98 | 0.0 | 60.1 | 212.0 | 1,000.5 |
| 1998-99 | 244.4 | 51.2 | 73.7 | 1,222.5 |
| 1999-2000 | 100.0 | 73.9 | 132.0 | 1,264.4 |
| 2000-01 | 0.0 | 66.7 | 337.0 | 994.1 |
| 2001-02 | 0.0 | 20.8 | 869.8 | 145.1 |
| 2002-03 | 0.0 | 1.8 | 147.0 | 0.0 |
| 2003-04 | 81.3 | 0.0 | 0.0 | 81.3 |
| 2004-05 | 0.0 | 2.0 | 81.3 | 2.0 |
| 2005-06 | 0.0 | 0.1 | 0.0 | 2.0 |
| 2006-07 (estimate) | 0.0 | 0.1 | 0.0 | 2.0 |
| 2007-08 (estimate) | 219.4 | 0.1 | 0.0 | 221.5 |

D. CONSTITUTIONAL REVENUE LIMIT

The Michigan Constitution places a limit on the amount of revenue State government can collect in any fiscal year. The limit essentially requires that total revenue, excluding Federal aid, not exceed 9.49% of personal income.

- As shown in Table 3, revenue subject to the limit has been well below the limit in recent years and revenue is expected to remain considerably below the constitutional limit in FY 2007-08, although the amount by which revenue falls below the limit will be reduced in FY 2007-08 compared with FY 2006-07.

- In FY 2006-07, revenue subject to the limit fell below the limit by an estimated \$5.5 billion or 17.6%.
- In FY 2007-08, it is estimated that the gap between revenue and the limit will decline to \$4.6 billion or 14.3%. This projected reduction in the amount by which revenue will fall below the limit will be due to the recently enacted increases in the income and use taxes.

Table 3

| COMPLIANCE WITH CONSTITUTIONAL REVENUE LIMIT | | | |
|---|------------------------------|----------------------|---------------------------|
| (Millions of Dollars) | | | |
| Fiscal Year | Rev. Subject to Limit | Revenue Limit | Under (Over) Limit |
| 1994-95 | \$18,585.4 | \$18,475.8 | (\$109.6) |
| 1995-96 | 19,798.8 | 19,982.0 | 183.2 |
| 1996-97 | 20,694.3 | 21,672.2 | 977.9 |
| 1997-98 | 22,072.3 | 22,712.4 | 640.1 |
| 1998-99 | 23,208.5 | 23,186.8 | (21.7) |
| 1999-2000 | 24,362.9 | 24,203.2 | (159.7) |
| 2000-01 | 23,907.6 | 26,315.4 | 2,407.8 |
| 2001-02 | 23,546.0 | 27,463.1 | 3,917.1 |
| 2002-03 | 24,061.6 | 28,243.1 | 4,181.5 |
| 2003-04 | 23,384.7 | 28,825.4 | 4,440.7 |
| 2004-05 | 25,626.8 | 29,842.2 | 4,215.5 |
| 2005-06 | 25,814.1 | 30,760.3 | 4,946.2 |
| 2006-07 (estimate) | 25,900.2 | 31,440.8 | 5,540.6 |
| 2007-08 (estimate) | 27,779.8 ^{a)} | 32,428.3 | 4,648.5 |

^{a)} May 2007 consensus revenue estimate plus tax increases enacted after the revenue conference.



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