



FY 2005-06
APPROPRIATIONS REPORT
Part II - Initial Appropriations

November 2005



Gary S. Olson, Director - Lansing, Michigan - (517) 373-2768 - TDD (517) 373-0543
Internet Address: <http://www.senate.michigan.gov/sfa>

THE SENATE FISCAL AGENCY

The Senate Fiscal Agency is governed by a board of five members, including the majority and minority leaders of the Senate, the Chairperson of the Appropriations Committee of the Senate, and two other members of the Appropriations Committee of the Senate appointed by the Chairperson of the Appropriations Committee with the concurrence of the Majority Leader of the Senate, one from the minority party.

The purpose of the Agency, as defined by statute, is to be of service to the Senate Appropriations Committee and other members of the Senate. In accordance with this charge, the Agency strives to achieve the following objectives:

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.



Gary S. Olson, Director
Senate Fiscal Agency
P.O. Box 30036

Lansing, Michigan 48909-7536
Telephone (517) 373-2767
TDD (517) 373-0543

Internet Home Page <http://www.senate.michigan.gov/sfa>

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OVERVIEW

FY 2005-06 INITIAL APPROPRIATIONS OVERVIEW

The Legislature completed action on all of the fiscal year (FY) 2005-06 appropriation bills, with the exception of the Capital Outlay bill, by September 30, 2005. Governor Granholm has signed into law all of these appropriation bills approved by the Legislature. The overall budget can be best characterized as a continuation budget with actual program reductions in several areas. In terms of the revenue side of the budget, the overall budget was developed without any tax increases or fee increases, excluding taxes on health care providers. The decision not to include new taxes and fees in the budget has led to a very restrained level of appropriation growth in the budget.

The enacted FY 2005-06 State budget was developed based on a consensus revenue estimate agreed to in August 2005. The consensus revenue estimate provides for \$8.2 billion of General Fund/General Purpose (GF/GP) revenue and \$11.2 billion of School Aid Fund (SAF) revenue. The GF/GP estimate represents a \$218.9 million or 2.7% increase from the prior fiscal year and the SAF estimate represents a \$392.8 million or 3.6% increase from the prior fiscal year. In addition to the GF/GP and SAF revenue estimated at the consensus revenue estimating conference, the enacted budget includes several other additions to GF/GP and SAF revenue. These include revenue generated from the sale of surplus State property, transfers of various restricted revenue funds to the GF/GP budget, interest earnings from the securitization of a portion of the State's tobacco settlement revenue, and increased revenue generated from enhanced enforcement of State tax laws. Total FY 2005-06 GF/GP revenue available to support appropriations is \$8.97 billion and total FY 2005-06 SAF revenue available to support appropriations is \$12.76 billion.

FY 2005-06 APPROPRIATIONS

On an overall basis, the Legislature approved Adjusted Gross appropriations totaling \$40.5 billion. This total assumes that the Legislature enacts the Capital Outlay appropriation bill at the level agreed to by legislative leadership and the Governor. This level of Adjusted Gross appropriations represents a \$570.4 million or a 1.4% increase from the year-to-date level of FY 2004-05 appropriations. Enacted State Spending from State Resources appropriations total \$27.1 billion, an increase of \$836.9 million, or a 3.2% increase from the year-to-date level of FY 2004-05 appropriations. Enacted GF/GP appropriations total \$8.97 billion, an increase of \$295.2 million, or a 3.4% increase from the year-to-date level of FY 2004-05 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 2005-06 appropriations with year-to-date FY 2004-05 appropriations. The tables and figures present appropriation data by State department and program in terms of Adjusted Gross¹⁾, State Spending from State Resources²⁾, and GF/GP appropriations³⁾. The following information contains a brief summary of the major FY 2005-06 appropriation changes in each budget area. All numbers in the summary are GF/GP appropriations unless otherwise noted.

Agriculture: The enacted budget reflects the transfer of the Michigan State Fair to the Department of Management and Budget. The major appropriation issue in the budget was a \$2.0 million reduction in State Restricted funding from the tax on Detroit casinos deposited in the Agriculture Equine Industry Development Fund. This funding reduction led to the elimination of capital improvement funding for racetracks.

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.

Attorney General: The enacted budget largely represents a continuation of spending policies in place during FY 2004-05.

Capital Outlay: The Legislature has enacted only the debt service payments on outstanding State Building Authority bonds. The remaining Capital Outlay appropriations are expected to be enacted over the next several months.

Civil Rights: The enacted budget largely represents a continuation of spending policies in place during FY 2004-05.

Civil Service: The enacted budget contains several recommended administrative reductions from the spending policies in place during FY 2004-05.

Community Colleges: The enacted budget contains operations funding for the community colleges at a level equal to the FY 2004-05 funding after the \$4.9 million of funding reductions contained in Executive Order 2005-7. Supplemental appropriations enacted in FY 2004-05 are expected to fully restore the Executive Order 2005-7 funding reductions leaving the enacted FY 2005-06 operations funding for community colleges \$4.9 million or 1.8% below the final FY 2004-05 levels, if FY 2003-04 tuition restraint funding appropriated in FY 2004-05 is not included.

Community Health: The enacted budget contains caseload funding adjustments in the Medicaid program and caseload adjustments in payments to community mental health agencies. The highlights of the funding of the Medicaid program include base funding adjustments resulting from a loss of Federal funding that is replaced with increased State funding. The Medicaid budget also features new provider assessments on mental health providers and adjustments to the provider assessments for nursing homes. Medicaid cost sharing is also implemented, which will require modest co-payments for services for certain adults. The Medicaid budget also features numerous other cost saving measures that are being implemented.

Corrections: The enacted budget was highlighted by the elimination of the State funding for the privately operated Michigan Youth Correctional Facility in Baldwin. The Governor vetoed this funding and the inmates at this correctional facility have been transferred to other State-operated correctional facilities. Funding for specific health programs targeting Hepatitis C and vaccinations was reduced in the budget.

Education: The enacted budget includes a \$1.6 million funding increase for the school breakfast program. The budget also transfers to the K-12 School Aid appropriation the \$12.3 million of funding for school readiness grants that are awarded to entities that are not school districts.

Environmental Quality: The enacted budget includes \$102.0 million of State restricted funding appropriations from the Refined Petroleum Fund. This program provides funding for petroleum-related environmental cleanup projects and is funded from a 7/8 cent per gallon environmental regulatory fee on refined petroleum products sold. State GF/GP funding for the State match for water pollution control projects is increased by \$5.8 million to reflect the elimination of one-time revenue sources built into the FY 2004-05 budget.

Executive: The enacted budget largely represents a continuation of spending policies in place during FY 2004-05.

Higher Education: The enacted budget contains university operations funding increases ranging from 0.2% to 7.5% after the \$25.1 million of funding reductions contained in Executive Order 2005-7. Supplemental appropriations enacted in FY 2004-05 are expected to fully restore the Executive Order 2005-7 funding reductions leaving the enacted FY 2005-06 operations funding for universities \$8.7 million or 0.6% below the final FY 2004-05 levels, if FY 2003-04 tuition restraint funding appropriated in FY 2004-05 is not included. The overall university operations funding includes \$6.9 million for floor funding and \$6.9 million for the initial implementation of a funding model. The budget provides full funding for the Michigan Merit Award scholarship program and for the need-based tuition grant program for independent colleges and universities.

History, Arts, and Libraries: The enacted budget includes a 17.5% GF/GP funding reduction for the arts and cultural grants program and an 11.3% funding reduction for State aid to local libraries.

Human Services: The enacted budget includes modest caseload adjustments in the Family Independence Program and the Day Care Services Program. The funding of the Family Independence Program includes a small increase in the clothing allowance for eligible children and a pilot program in six areas of the State that will be structured as an intensive effort to reduce barriers to employment for recipients. The budget implements a 30-day waiting period for new low-income families applying for day care services. The Adoption Subsidy Program and the Foster Care Program funding largely reflects caseload adjustments.

Information Technology: The enacted budget includes funding for two new projects in the Department of Human Services designed to deliver better technology to caseworkers. Other information technology initiatives in the budget include the funding of a new procurement system and additional funding for the Human Resources Optimization Project.

Judiciary: The enacted budget largely represents a continuation of spending policies in place during FY 2004-05. The funding of a portion of trial court operations is shifted from GF/GP funding to Court Equity Fund restricted revenue.

Labor and Economic Growth: The enacted budget reflects the elimination of \$30.0 million of FY 2004-05 funding for the Technology Tri-Corridor. This funding is being replaced by proceeds from the proposed tobacco securitization economic development package currently being considered by the Legislature. The funding for the Michigan Economic Development Corporation is reduced by \$3.2 million from the FY 2004-05 level.

Legislature: The enacted budget largely represents a continuation of spending policies in place during FY 2004-05.

Management and Budget: The enacted budget largely represents a continuation of spending policies in place during FY 2004-05. Funding adjustments in the budget include the funding for the initial phase of a new e-procurement system designed to streamline the State procurement process and adjustments in the private rent funding for State agencies to reflect actual office space requirements.

Military and Veterans Affairs: The enacted budget includes the cost savings associated with the closure of State-owned National Guard armories in Charlotte, Lansing, Manistique, Menominee, Saginaw, and Three Rivers.

Natural Resources: The enacted budget includes a \$700,000 funding reduction in the payments in lieu of property taxes on State-owned land. This funding reduction will be prorated over all of the payments Statewide. Other funding in the budget reflects a continuation of the recent trend to replace appropriations funded with GF/GP funds with other State Restricted funding where available.

K-12 School Aid: The enacted budget includes a \$175 increase in the basic foundation allowance that funds local school districts. This represents the first increase in the basic foundation allowance since FY 2002-03. The special foundation allowance supplemental funding of \$15.0 million for the Detroit Public Schools was eliminated and replaced with a one-time \$7.0 million categorical grant for transition costs associated with moving back to an elected school board. The major new funding initiative in the budget is \$3.9 million of funding of a \$10-per-pupil grant for all students in grades 6 to 8 that will be used to improve the performance of students in mathematics.

State: The enacted budget largely represents a continuation of spending policies in place during FY 2004-05.

State Police: The enacted budget includes significant reductions in several programs. Funding reductions in the uniform services program result from the closure of State Police posts in Groveland Township (Oakland County), Grand Haven, and Iron River. The fire investigation program is eliminated with the assumption that other departmental employees will perform the fire investigation tasks done by this program.

Transportation: The enacted budget includes adjustments in Federal and State Restricted appropriations to reflect actual revenue availability. Appropriations for debt service payments on outstanding transportation bonds are increased to reflect actual debt service payments. The funding for passenger transportation services and intercity passenger and freight services is reduced in the comprehensive transportation area to meet appropriation targets.

Treasury-Debt Service: The enacted budget includes a \$7.6 million GF/GP funding increase for debt service payments on outstanding general obligation bonds.

Treasury-Operations: The enacted budget includes a \$6.6 million GF/GP funding increase to allow the Department to increase the auditing of delinquent taxpayers. This funding will allow the Department to hire up to 60 new employees in this area. This funding will result in increased GF/GP and School Aid Fund revenue that is assumed in the overall enacted State budget.

Treasury-Revenue Sharing: The enacted budget provides for a freeze in revenue sharing payments to cities, villages, and townships. This freeze will be implemented by a statutory change in the State Revenue Sharing Act. The budget includes \$500,000 of GF/GP funding for special census revenue sharing payments to local units that conduct a special census and have a certified increase in population of more than 10.0% from the previous Federal decennial census.

GUBERNATORIAL VETOES

Governor Granholm, through her constitutional line item veto authority, vetoed \$43.4 million of Adjusted Gross and \$19.4 million of GF/GP appropriations approved by the Legislature. [Table 5](#) provides a summary of these vetoes by department. The most significant vetoes were in the Corrections and Transportation budgets. The major veto in the Department of Corrections budget involved the veto of \$17.8 million to fund the operation of the privately run Michigan Youth Correctional Facility in Baldwin. The major veto in the Department of Transportation budget involved the veto of \$23.1 million of State restricted and Federal funding for a series of specific road construction projects across the State. The Governor's veto message suggested that the priorities of road construction projects should be determined by the State Transportation Commission and not the Legislature.

FEE AND REVENUE INCREASES

The enacted budget includes \$57.0 million of increased revenue resulting from a combination of a fee increase and provider taxes on Medicaid providers. [Table 6](#) provides a summary of these fee and revenue increases. The only fee increase included in the budget is \$84,500 of increased fee revenue dealing with the critical dune program in the Department of Environmental Quality. This fee increase did not require legislative action and was implemented by the Director of the Department of Environmental Quality. The other increased revenue in the budget results from changes in the provider taxes levied against medical providers serving persons receiving their health care through the State Medicaid program. These provider taxes are referred to as provider assessments in the budget. Federal Medicaid regulations allow states to tax Medicaid providers and to use the proceeds generated from these provider taxes to match Federal Medicaid funds. During FY 2005-06, the State will collect a provider tax from community mental health boards (subject to Federal approval). This provider tax will generate net \$33.5 million GF/GP savings for the State. Existing provider taxes previously levied on nursing homes and health maintenance organizations were adjusted to provide combined \$23.4 million GF/GP savings for the State.

TOBACCO SETTLEMENT APPROPRIATIONS

The enacted budget includes the appropriation of \$289.0 million of revenue generated from the master settlement agreement between the United States tobacco industry and 46 states. Table 7 provides a summary of these appropriations. The appropriations are from two separate trust funds established by State law to receive tobacco settlement revenue. Appropriations from the Merit Award Trust Fund total \$216.6 million and appropriations from the Tobacco Settlement Trust Fund total \$72.4 million. The largest appropriation of tobacco settlement revenue funds the Merit Award Scholarship Program. This program is funded with \$126.4 million of Merit Award Trust Fund revenue. The State Medicaid program is funded with \$108.4 million of tobacco settlement revenue, comprised of \$50.3 million from the Merit Award Trust Fund and \$58.1 million from the Tobacco Settlement Trust Fund.

PROJECTED YEAR-END BALANCES

The level of FY 2005-06 appropriations approved by the Legislature and signed into law by the Governor was based on an August 2005 consensus estimate of GF/GP and SAF revenue available for expenditure. The Legislature has met the constitutional requirement of approving a GF/GP and SAF budget that is balanced between enacted appropriations and estimated revenue. Table 8 provides a summary of the Senate Fiscal Agency estimate of a \$2.0 million FY 2005-06 GF/GP year-end balance. This GF/GP estimate reflects the consensus revenue estimate plus a series of other policy changes that increase GF/GP revenue. These policy changes include revenue sharing adjustments, land sales, restricted fund transfers, revenue from enhanced tax enforcement, and interest earnings. Table 9 provides a summary of the Senate Fiscal Agency estimate of a \$0.2 million FY 2005-06 SAF year-end balance. This SAF estimate includes the consensus revenue estimate plus revenue from an expansion of Keno lottery games, revenue from enhanced tax enforcement, and revenue from statutory changes in the school bond loan fund program.

STATE EMPLOYMENT LEVELS

Table 10 and Figure E provide a summary of State classified full-time equated (FTE) employees appropriated in FY 2005-06 versus the year-to-date level of FTEs appropriated in FY 2004-05. Total appropriated FTE employees in FY 2005-06 equal 56,304.2, a decrease of 717.6 or 1.3% from the prior fiscal year. State departments with the largest employment decreases include the Department of Community Health and the Department of Corrections. The decline in the level of appropriated FTEs in FY 2005-06 marks the continuation of a trend that began after FY 1990-91 when the appropriated level of FTEs peaked at 71,337.6.

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 48.97%. The enacted FY 2005-06 appropriation bills exceed this minimum constitutional requirement by \$2.5 billion. Table 11 provides a summary of the calculations used to determine the State's compliance with this constitutional requirement for FY 2004-05 and FY 2005-06. Table 12 provides a summary of the State appropriations by department counted as payments to local units of government.

Table 1

FY 2005-06 YEAR-TO-DATE APPROPRIATIONS
BY SOURCE OF FUNDS

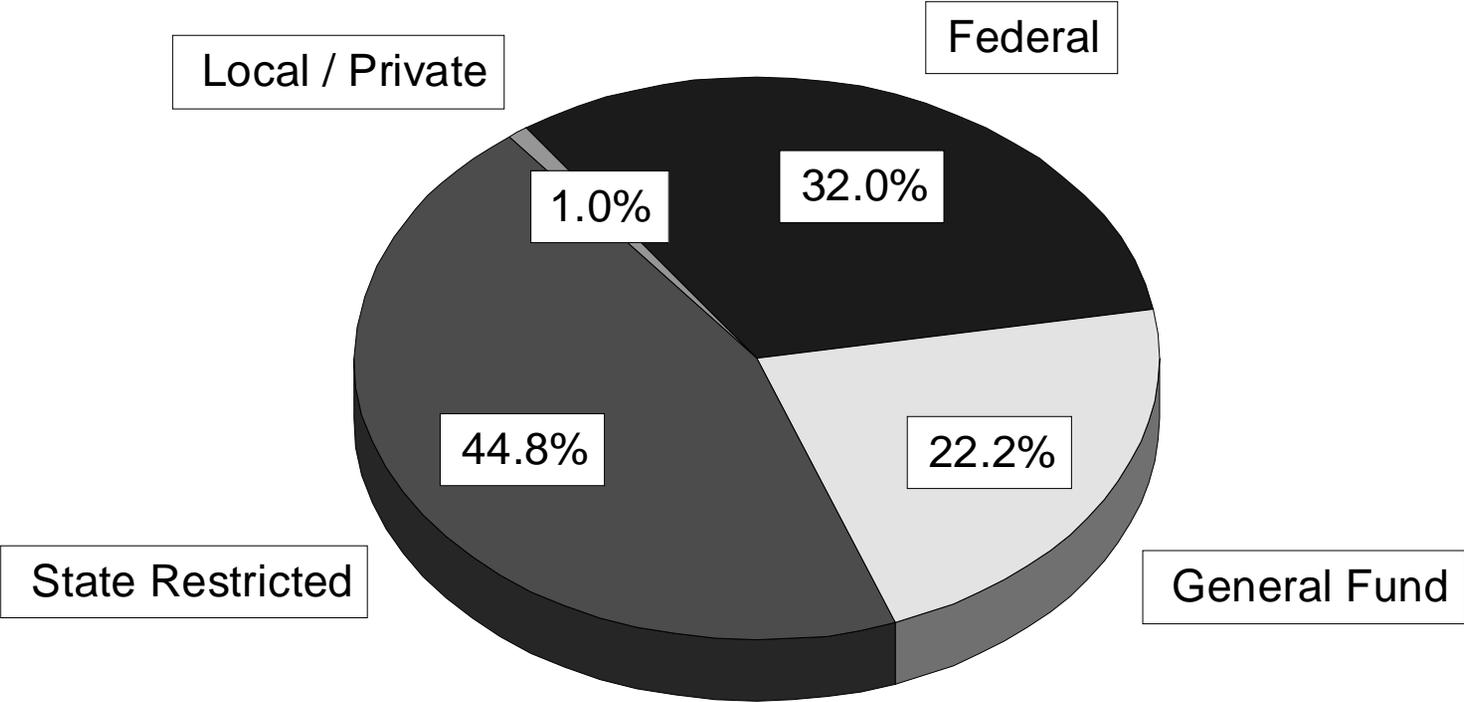
Department/Budget Area	Adjusted Gross	Federal Funds	Local and Private Funds	Other State Restricted	General Funds
Agriculture	\$108,810,200	\$32,581,700	\$138,700	\$47,727,100	\$28,362,700
Attorney General	51,312,000	8,799,400	0	11,011,400	31,501,200
Capital Outlay ¹⁾	502,415,800	155,382,600	20,000,000	71,031,000	256,002,200
Civil Rights	13,158,500	1,049,800	0	0	12,108,700
Civil Service.....	30,270,700	4,779,100	1,850,000	16,539,200	7,102,400
Community Colleges	281,327,400	0	0	0	281,327,400
Community Health.....	10,292,104,000	5,533,597,400	290,598,200	1,516,009,000	2,951,899,400
Corrections	1,859,062,600	11,410,200	411,700	66,590,000	1,780,650,700
Education	117,475,600	70,519,400	7,342,600	23,513,200	16,100,400
Environmental Quality (Operations).....	437,164,900	144,062,700	450,000	260,842,600	31,809,600
Environmental Quality (CMI Bond)	0	0	0	0	0
Executive.....	5,375,500	0	0	0	5,375,500
Higher Education.....	1,733,943,900	3,500,000	0	153,500,000	1,576,943,900
History, Arts, and Libraries.....	52,569,400	8,218,300	577,400	2,583,600	41,190,100
Human Services.....	4,425,535,800	3,213,153,000	59,994,800	71,176,100	1,081,211,900
Information Technology.....	0	0	0	0	0
Judiciary	252,818,400	3,926,400	4,261,600	87,015,900	157,614,500
Labor and Economic Growth.....	1,262,492,900	842,527,600	19,728,800	329,882,200	70,354,300
Legislature.....	127,430,400	0	400,000	2,356,500	124,673,900
Management and Budget.....	78,127,300	0	0	42,909,400	35,217,900
Military and Veterans Affairs	116,042,600	49,537,200	1,355,800	27,360,500	37,789,100
Natural Resources (Operations)	269,251,900	38,990,200	2,090,100	202,578,400	25,593,200
Natural Resources Trust Fund.....	0	0	0	0	0
School Aid	12,757,151,300	1,392,587,300	0	11,301,850,000	62,714,000
State	177,378,400	2,943,300	100	160,937,200	13,497,800
State Police	530,073,800	182,821,000	5,609,100	106,282,100	235,361,600
Transportation	3,387,807,500	1,197,594,100	6,100,000	2,184,113,400	0
Treasury (Debt Service)	89,001,400	0	0	36,114,500	52,886,900
Treasury (Operations)	379,121,900	35,405,400	1,025,400	285,006,600	57,684,500
Treasury (Revenue Sharing).....	1,116,612,000	0	0	1,115,900,000	712,000
TOTAL APPROPRIATIONS.....	\$40,453,836,100	\$12,933,386,100	\$421,934,300	\$18,122,829,900	\$8,975,685,800

¹⁾ Assumes adoption of Target Agreement for Capital Outlay.

Figure A

Appropriations by Source of Funds

FY 2005-06 Year-to-Date Appropriations



Total: \$ 40,453,836,100

Table 2
ADJUSTED GROSS APPROPRIATIONS
FY 2004-05 VERSUS FY 2005-06

Department/Budget Area	FY 2004-05 Year-to-Date Appropriations	FY 2005-06 Year-to-Date Appropriations	Dollar Difference	Percent Change
Agriculture	\$115,739,600	\$108,810,200	\$(6,929,400)	(6.0)%
Attorney General	49,932,200	51,312,000	1,379,800	2.8
Capital Outlay ¹⁾	551,010,200	502,415,800	(48,594,400)	(8.8)
Civil Rights	12,815,200	13,158,500	343,300	2.7
Civil Service.....	29,546,500	30,270,700	724,200	2.5
Community Colleges	292,054,400	281,327,400	(10,727,000)	(3.7)
Community Health.....	10,414,812,700	10,292,104,000	(122,708,700)	(1.2)
Corrections	1,765,543,600	1,859,062,600	93,519,000	5.3
Education	115,925,100	117,475,600	1,550,500	1.3
Environmental Quality (Operations).....	335,895,200	437,164,900	101,269,700	30.1
Environmental Quality (CMI Bond)	48,968,900	0	(48,968,900)	(100.0)
Executive.....	5,205,500	5,375,500	170,000	3.3
Higher Education.....	1,711,719,600	1,733,943,900	22,224,300	1.3
History, Arts, and Libraries.....	58,982,400	52,569,400	(6,413,000)	(10.9)
Human Services.....	4,292,110,600	4,425,535,800	133,425,200	3.1
Information Technology.....	0	0	0	0.0
Judiciary	250,803,200	252,818,400	2,015,200	0.8
Labor and Economic Growth.....	1,253,355,800	1,262,492,900	9,137,100	0.7
Legislature.....	124,930,400	127,430,400	2,500,000	2.0
Management and Budget.....	69,978,700	78,127,300	8,148,600	11.6
Military and Veterans Affairs	114,905,100	116,042,600	1,137,500	1.0
Natural Resources (Operations)	265,117,400	269,251,900	4,134,500	1.6
Natural Resources Trust Fund.....	32,184,000	0	(32,184,000)	(100.0)
School Aid	12,467,062,300	12,757,151,300	290,089,000	2.3
State	203,272,100	177,378,400	(25,893,700)	(12.7)
State Police	463,156,900	530,073,800	66,916,900	14.4
Transportation	3,274,189,100	3,387,807,500	113,618,400	3.5
Treasury (Debt Service)	81,450,400	89,001,400	7,551,000	9.3
Treasury (Operations)	351,985,700	379,121,900	27,136,200	7.7
Treasury (Revenue Sharing).....	1,130,814,600	1,116,612,000	(14,202,600)	(1.3)
TOTAL APPROPRIATIONS	\$39,883,467,400	\$40,453,836,100	\$570,368,700	1.4%

¹⁾ Assumes adoption of Target Agreement for Capital Outlay.

Figure B

Adjusted Gross FY 2005-06 Year-to-Date Appropriations

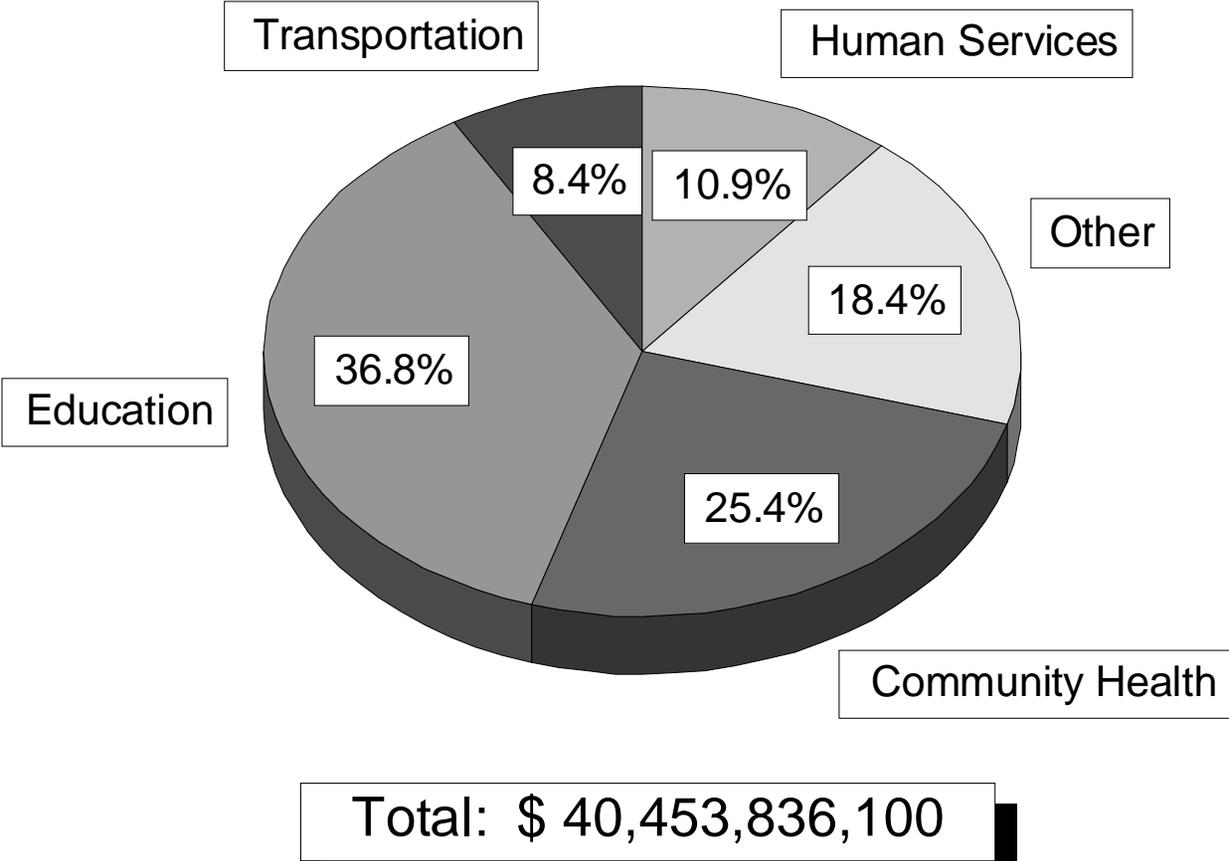


Table 3
STATE SPENDING FROM STATE RESOURCES
FY 2004-05 VERSUS FY 2005-06

Department/Budget Area	FY 2004-05 Year-to-Date Appropriations	FY 2005-06 Year-to-Date Appropriations	Dollar Difference	Percent Change
Agriculture.....	\$81,498,700	\$76,089,800	\$(5,408,900)	(6.6)%
Attorney General	41,537,900	42,512,600	974,700	2.3
Capital Outlay ¹⁾	300,340,000	327,033,200	26,693,200	8.9
Civil Rights.....	11,567,500	12,108,700	541,200	4.7
Civil Service.....	23,717,400	23,641,600	(75,800)	(0.3)
Community Colleges	292,054,400	281,327,400	(10,727,000)	(3.7)
Community Health	4,129,882,100	4,467,908,400	338,026,300	8.2
Corrections	1,755,961,900	1,847,240,700	91,278,800	5.2
Education.....	45,696,700	39,613,600	(6,083,100)	(13.3)
Environmental Quality (Operations)	199,217,300	292,652,200	93,434,900	46.9
Environmental Quality (CMI Bond).....	48,968,900	0	(48,968,900)	(100.0)
Executive	5,205,500	5,375,500	170,000	3.3
Higher Education	1,707,219,600	1,730,443,900	23,224,300	1.4
History, Arts, and Libraries	47,589,100	43,773,700	(3,815,400)	(8.0)
Human Services	1,146,728,000	1,152,388,000	5,660,000	0.5
Information Technology.....	0	0	0	0.0
Judiciary.....	242,647,000	244,630,400	1,983,400	0.8
Labor and Economic Growth	396,938,900	400,236,500	3,297,600	0.8
Legislature	124,530,400	127,030,400	2,500,000	2.0
Management and Budget	69,534,100	78,127,300	8,593,200	12.4
Military and Veterans Affairs.....	62,771,400	65,149,600	2,378,200	3.8
Natural Resources (Operations).....	223,083,900	228,171,600	5,087,700	2.3
Natural Resources Trust Fund	32,184,000	0	(32,184,000)	(100.0)
School Aid.....	11,113,522,200	11,364,564,000	251,041,800	2.3
State	167,070,000	174,435,000	7,365,000	4.4
State Police	345,715,100	341,643,700	(4,071,400)	(1.2)
Transportation	2,135,687,900	2,184,113,400	48,425,500	2.3
Treasury (Debt Service)	81,450,400	89,001,400	7,551,000	9.3
Treasury (Operations)	316,339,600	342,691,100	26,351,500	8.3
Treasury (Revenue Sharing)	1,112,946,100	1,116,612,000	3,665,900	0.3
TOTAL APPROPRIATIONS	\$26,261,606,000	\$27,098,515,700	\$836,909,700	3.2%

¹⁾ Assumes adoption of Target Agreement for Capital Outlay.

Figure C

State Spending from State Resources FY 2005-06 Year-to-Date Appropriations

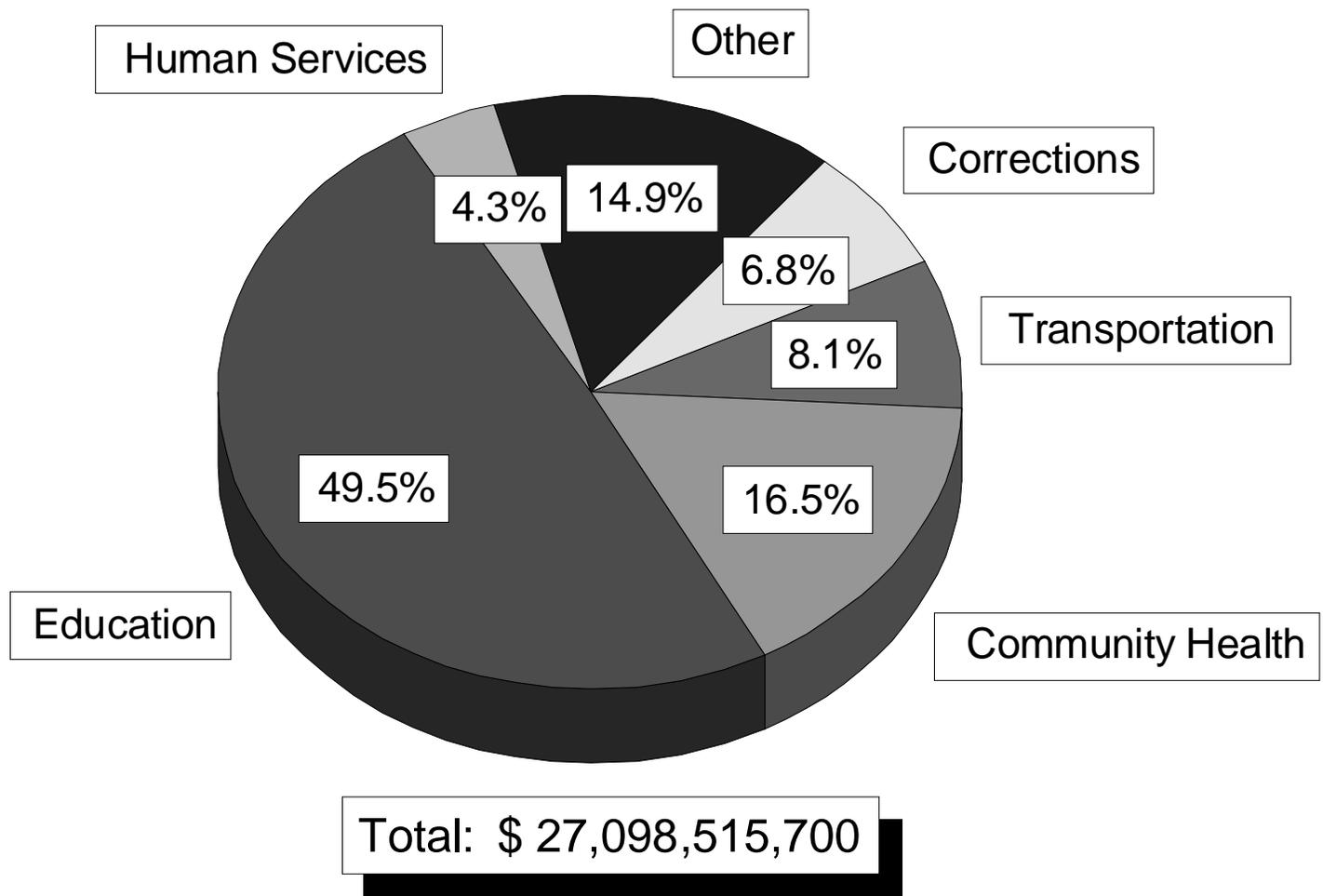


Table 4

**GENERAL FUND/GENERAL PURPOSE APPROPRIATIONS
FY 2004-05 VERSUS FY 2005-06**

Department/Budget Area	FY 2004-05 Year-to-Date Appropriations	FY 2005-06 Year-to-Date Appropriations	Dollar Difference	Percent Change
Agriculture	\$28,427,900	\$28,362,700	(\$65,200)	(0.2)%
Attorney General	31,052,900	31,501,200	448,300	1.4
Capital Outlay ¹⁾	243,197,500	256,002,200	12,804,700	5.3
Civil Rights	11,567,500	12,108,700	541,200	4.7
Civil Service.....	7,442,800	7,102,400	(340,400)	(4.6)
Community Colleges	292,054,400	281,327,400	(10,727,000)	(3.7)
Community Health.....	2,588,837,100	2,951,899,400	363,062,300	14.0
Corrections	1,688,886,300	1,780,650,700	91,764,400	5.4
Education	26,061,700	16,100,400	(9,961,300)	(38.2)
Environmental Quality (Operations).....	26,127,100	31,809,600	5,682,500	21.7
Environmental Quality (CMI Bond)	0	0	0	0.0
Executive.....	5,205,500	5,375,500	170,000	3.3
Higher Education.....	1,622,069,600	1,576,943,900	(45,125,700)	(2.8)
History, Arts, and Libraries.....	45,176,700	41,190,100	(3,986,600)	(8.8)
Human Services.....	1,076,406,600	1,081,211,900	4,805,300	0.4
Information Technology.....	0	0	0	0.0
Judiciary	157,547,300	157,614,500	67,200	0.0
Labor and Economic Growth.....	93,736,300	70,354,300	(23,382,000)	(24.9)
Legislature.....	122,173,900	124,673,900	2,500,000	2.0
Management and Budget.....	35,740,600	35,217,900	(522,700)	(1.5)
Military and Veterans Affairs	36,656,600	37,789,100	1,132,500	3.1
Natural Resources (Operations)	28,501,700	25,593,200	(2,908,500)	(10.2)
Natural Resources Trust Fund.....	0	0	0	0.0
School Aid	165,200,000	62,714,000	(102,486,000)	(62.0)
State	15,191,500	13,497,800	(1,693,700)	(11.1)
State Police	241,224,600	235,361,600	(5,863,000)	(2.4)
Transportation	0	0	0	0.0
Treasury (Debt Service)	42,448,600	52,886,900	10,438,300	24.6
Treasury (Operations)	48,658,300	57,684,500	9,026,200	18.6
Treasury (Revenue Sharing).....	895,300	712,000	(183,300)	(20.5)
TOTAL APPROPRIATIONS.....	\$8,680,488,300	\$8,975,685,800	\$295,197,500	3.4%

¹⁾ Assumes adoption of Target Agreement for Capital Outlay.

Figure D

General Fund/General Purpose FY 2005-06 Year-to-Date Appropriations

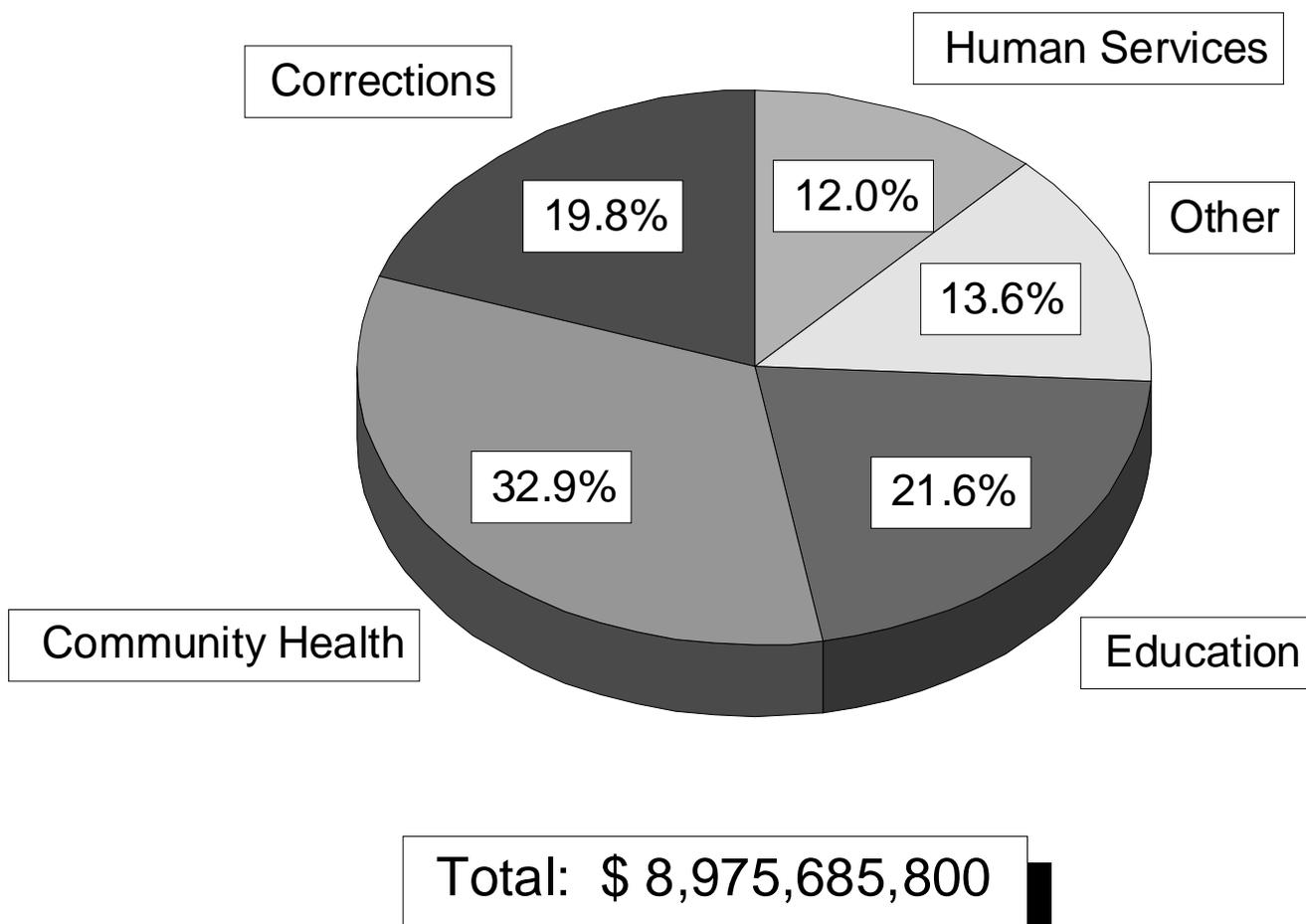


Table 5
FY 2005-06
LINE ITEM VETOES
(Actual Dollars)

Budget Area/Item	Adjusted Gross	General Fund/ General Purpose
Agriculture		
Horse Racing Specific Program	\$ 20,000	\$ 0
Corrections		
Youth Correctional Facilities Contract	17,840,700	17,840,700
Private Vendor Database Project	500,000	500,000
Education		
Private Vendor Database Project	350,000	350,000
Environmental Quality		
White Lake Nutrient Study	36,000	0
Little Black Creek Cleanup Study	35,000	0
History, Arts, and Libraries		
Grants to State and Local Historical Societies	100,000	100,000
Michigan History Day	25,000	25,000
Lighthouse Preservation Grants	25,000	25,000
Preservation and Access for Michigan Project	481,800	481,800
Human Services		
Food Stamp Error Reduction Project	50,000	50,000
School Aid		
Freedom to Learn Program	250,000	0
Transportation		
Specific Road Construction Projects	23,062,500	0
Railroad Improvement Projects	450,000	0
Road Interchange Feasibility Study	100,000	0
Log Truck Study	40,000	0
TOTAL LINE ITEM VETOES	\$43,366,000	\$19,372,500

Table 6
FY 2005-06 FEE/REVENUE INCREASES

Department	Type of Fee/Revenue	Estimate of New FY 2005-06 Revenue
Community Health	Mental Health Provider Assessments	\$33,500,000
	Nursing Home Provider Assessments	18,000,000
	HMO Provider Assessments	5,400,000
Environmental Quality	Critical Dune Management Fees	84,500
TOTAL FEE/REVENUE		\$56,984,500

Table 7

FY 2005-06 TOBACCO SETTLEMENT APPROPRIATIONS (Actual Dollars)	
Budget Area/Program	FY 2005-06 Enacted
Merit Award Trust Fund	
Community Health	
Medicaid Base Funding	\$50,300,000
Education	
Michigan Education Assessment Program	16,359,300
Higher Education	
Merit Award Scholarships	126,400,000
Tuition Incentive Program	6,600,000
Nursing Scholarship Program	4,000,000
University Operations Funding	9,500,000
Treasury	
Merit Award Board	1,636,800
Tuition Incentive Program Administration	399,700
Michigan Education Savings Program	1,000,000
Information Technology	400,400
Total Merit Award Trust Fund Appropriations	\$216,596,200
Tobacco Settlement Trust Fund	
Attorney General	
Legal Services	\$386,800
Community Health	
Senior Prescription Drug Program	3,900,000
Nursing Home Personal Needs Allowance	5,000,000
Senior Respite Care Services	5,000,000
Medicaid Base Funding	58,100,000
Total Tobacco Settlement Trust Fund Appropriations	\$72,386,800
TOTAL TOBACCO SETTLEMENT APPROPRIATIONS.....	\$288,983,000

Table 8
FY 2005-06
GENERAL FUND/GENERAL PURPOSE
REVENUE, EXPENDITURES, AND YEAR-END BALANCE
(Millions of Dollars)

	SFA Estimate
Revenue:	
Beginning Balance.....	\$ 0.0
Consensus Revenue Estimate	8,212.9
Revenue Sharing Adjustments.....	560.1
Non-Use of SBT Pharmaceutical Credit.....	10.0
Cap Interfund Borrowing Rates	20.0
Interest Earnings - Tobacco Securitization	31.0
Escheats Revenue	10.0
Land Sales	60.0
Agriculture Equine Fund Transfer to GF/GP	2.0
Remonumentation Fund Transfer to GF/GP	15.0
Comprehensive Transportation Fund Transfer to GF/GP	11.1
Financial Institutions Fund Transfer to GF/GP	15.0
State Services Fee Fund Transfer to GF/GP	6.0
Enhanced Tax Enforcement Revenue	24.6
Total Revenue	\$8,977.7
Expenditures:	
Enacted Appropriations	8,975.7
Total Expenditures	\$8,975.7
PROJECTED YEAR-END BALANCE	\$ 2.0

Table 9
FY 2005-06
SCHOOL AID FUND
REVENUE, EXPENDITURES, AND YEAR-END BALANCE
(Millions of Dollars)

	SFA Estimate
Revenue:	
Beginning Balance.....	\$ 1.0
Consensus Revenue Estimate	11,233.1
<u>Other Revenue Adjustments:</u>	
Payments in Lieu of Taxes	(2.0)
GF/GP Grant.....	62.7
Keno Expansion.....	13.0
Enhanced Tax Enforcement Revenue	9.5
School Bond Loan Fund Reform Revenue.....	44.5
FY 2003-04 Revenue Receivable.....	3.0
Federal Revenue	1,392.6
Subtotal Other Revenue Adjustments	1,523.3
Total Revenue	\$12,757.4
Expenditures:	
Enacted Appropriations	12,757.2
Total Expenditures	\$12,757.2
PROJECTED YEAR-END BALANCE	\$ 0.2

Table 10
FULL-TIME EQUATED POSITIONS
FY 2004-05 VERSUS FY 2005-06

Department/Budget Area	FY 2004-05 Year-to-Date Positions	FY 2005-06 Year-to-Date Positions	Position Change	Percent Change
Agriculture	743.0	691.0	(52.0)	(7.0)%
Attorney General	558.0	560.0	2.0	0.4
Civil Rights	136.0	136.0	0.0	0.0
Civil Service.....	240.5	240.5	0.0	0.0
Community Colleges	0.0	0.0	0.0	0.0
Community Health.....	5,112.6	4,668.6	(444.0)	(8.7)
Corrections	17,753.8	17,509.2	(244.6)	(1.4)
Education	413.0	423.5	10.5	2.5
Environmental Quality (Operations).....	1,564.2	1,567.2	3.0	0.2
Executive.....	74.2	74.2	0.0	0.0
Higher Education.....	1.0	0.0	(1.0)	(100.0)
History, Arts, and Libraries.....	232.0	232.0	0.0	0.0
Human Services	10,302.0	10,281.0	(21.0)	(0.2)
Information Technology.....	1,756.4	1,760.4	4.0	0.2
Judiciary	582.5	509.0	(73.5)	(12.6)
Labor and Economic Growth.....	4,256.5	4,351.5	95.0	2.2
Legislature.....	0.0	0.0	0.0	0.0
Management and Budget.....	725.0	745.0	20.0	2.8
Military and Veterans Affairs	1,016.0	1,016.0	0.0	0.0
Natural Resources (Operations)	2,070.5	2,073.5	3.0	0.1
School Aid	0.0	0.0	0.0	0.0
State	1,851.8	1,853.8	2.0	0.1
State Police	2,948.0	2,897.0	(51.0)	(1.7)
Transportation	3,031.3	3,022.3	(9.0)	(0.3)
Treasury (Operations)	1,653.5	1,691.5	38.0	2.3
TOTAL POSITIONS.....	57,021.8	56,304.2	(717.6)	(1.3)%

Figure E

Full-Time Equated Positions FY 2005-06 Year-to-Date Appropriations

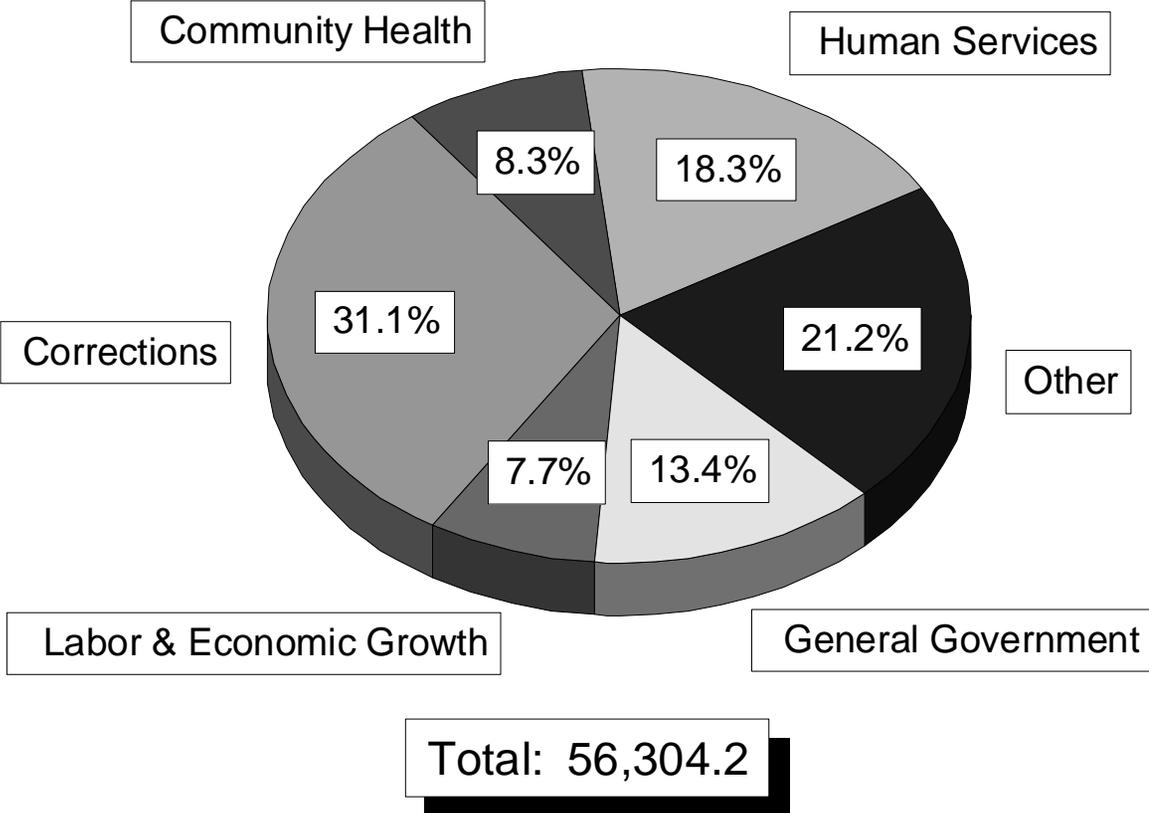


Table 11

STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT ARTICLE IX, SECTION 30 REQUIREMENT (Millions of Dollars)		
	2004-05 Estimate	2005-06 Estimate
State Spending from State Resources ¹⁾	\$26,226.6	\$27,063.5
Required Payments to Local Units of Government (48.97%)	\$12,843.2	\$13,253.0
Estimated Payments to Local Units of Government.....	\$15,441.3	\$15,726.8
Estimated Payments as a Percentage of Total State Spending	58.88%	58.11%
Surplus of Section 30 Payments	\$2,598.1	\$2,473.8
<hr/>		
¹⁾ Excludes \$35.0 million of unrestricted Federal aid.		

Table 12

**STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT
FY 2004-05 VERSUS FY 2005-06**

Department/Budget Area	FY 2004-05 Year-to-Date Appropriations	FY 2005-06 Year-to-Date Appropriations	Dollar Difference	Percent Change
Agriculture	\$3,316,800	\$3,316,800	\$ 0	0.0%
Attorney General	0	0	0	0.0
Capital Outlay ¹⁾	42,875,200	12,625,000	(30,250,200)	(70.6)
Civil Rights	0	0	0	0.0
Civil Service.....	0	0	0	0.0
Community Colleges	292,054,400	281,327,400	(10,727,000)	(3.7)
Community Health.....	1,047,353,900	1,136,168,800	88,814,900	8.5
Corrections	88,507,700	87,830,400	(677,300)	(0.8)
Education	10,765,100	9,625,000	(1,140,100)	(10.6)
Environmental Quality (Operations).....	20,151,200	6,288,700	(13,862,500)	(68.8)
Environmental Quality (CMI Bond)	7,000,000	0	(7,000,000)	(100.0)
Executive.....	0	0	0	0.0
Higher Education.....	3,759,100	3,759,100	0	0.0
History, Arts, and Libraries.....	17,563,400	15,280,600	(2,282,800)	(13.0)
Human Services.....	188,458,500	90,607,800	(97,850,700)	(51.9)
Information Technology.....	0	0	0	0.0
Judiciary	123,214,400	123,762,500	548,100	0.4
Labor and Economic Growth.....	25,112,000	50,012,400	24,900,400	99.2
Legislature.....	0	0	0	0.0
Management and Budget.....	0	0	0	0.0
Military and Veterans Affairs	120,000	120,000	0	0.0
Natural Resources (Operations)	21,481,100	28,662,500	7,181,400	33.4
Natural Resources Trust Fund.....	14,419,000	0	(14,419,000)	(100.0)
School Aid	11,053,272,600	11,341,913,100	288,640,500	2.6
State	846,700	993,800	147,100	17.4
State Police	20,107,800	20,518,700	410,900	2.0
Transportation	1,238,235,200	1,278,168,900	39,933,700	3.2
Treasury (Debt Service)	0	0	0	0.0
Treasury (Operations)	109,772,000	119,249,500	9,477,500	8.6
Treasury (Revenue Sharing).....	1,112,946,100	1,116,612,000	3,665,900	0.3
TOTAL APPROPRIATIONS.....	\$15,441,332,200	\$15,726,843,000	\$285,510,800	1.9%

¹⁾ Assumes adoption of Target Agreement for Capital Outlay.

BUDGET AREA DETAIL

**DEPARTMENT OF AGRICULTURE
P.A. 148 of 2005**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2004-05 YEAR-TO-DATE	FY 2005-06 GOV.'S REC.	FY 2005-06 SENATE	FY 2005-06 HOUSE	FY 2005-06 YEAR-TO-DATE	CHANGES FROM FY 2004-05 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	743.0	694.0	691.0	694.0	691.0	(52.0)	(7.0)
GROSS	126,608,300	113,053,900	120,362,200	120,384,200	119,178,400	(7,429,900)	(5.9)
Less:							
Interdepartmental Grants Received.....	10,868,700	10,318,200	10,318,200	10,368,200	10,368,200	(500,500)	(4.6)
ADJUSTED GROSS	115,739,600	102,735,700	110,044,000	110,016,000	108,810,200	(6,929,400)	(6.0)
Less:							
Federal Funds	34,102,200	32,581,700	32,581,700	32,581,700	32,581,700	(1,520,500)	(4.5)
Local and Private.....	138,700	138,700	138,700	138,700	138,700	0	0.0
TOTAL STATE SPENDING	81,498,700	70,015,300	77,323,600	77,295,600	76,089,800	(5,408,900)	(6.6)
Less:							
Other State Restricted Funds	53,070,800	41,442,700	48,663,900	48,663,900	47,727,100	(5,343,700)	(10.1)
GENERAL FUND/GENERAL PURPOSE ..	28,427,900	28,572,600	28,659,700	28,631,700	28,362,700	(65,200)	(0.2)
PAYMENTS TO LOCALS	3,316,800	3,316,800	3,300,100	3,316,800	3,316,800	0	0.0

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

A. AGRICULTURE POLLUTION PREVENTION PROGRAM

The budget includes anticipated Federal revenue to implement technical assistance for agricultural pollution prevention practices. The FY 2004-05 budget contained \$310,000 in Federal assistance.

Gross	90,000
Federal	90,000
GF/GP	0

B. PROGRAM REDUCTIONS/ELIMINATIONS

1. Emerald Ash Borer

The budget reflects a reduction in Federal appropriations and FTE positions associated with the change in survey techniques. The Department is employing less labor-intensive methods to determine the location and extent of emerald ash borer infestation in Michigan. Total funding for this program in the Agriculture budget is \$23.7 million in Federal resources.

FTE	(43.0)
Gross	(1,849,000)
Federal	(1,849,000)
GF/GP	0

2. Detroit Casino Tax

The budget reduces appropriations from the Agriculture Equine Industry Development Fund by \$2.0 million to reflect the Leadership Target Agreement to shift a portion of the Detroit casino tax revenue that is deposited into the Fund into the General Fund. In the FY 2004-05 budget, \$6.1 million in Detroit casino tax revenue was appropriated for various programs, including \$2.9 million in one-time capital improvement funding for horse racing tracks.

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

The FY 2005-06 budget eliminates the capital improvement funding provided to horse racing tracks. All of the Detroit casino tax revenue that will be deposited in the Agriculture Equine Industry Development Fund, \$4.1 million, is appropriated for horse racing programs. Legislation will be required to effect the shift of \$2.0 million from the Fund to the General Fund.

3. Migrant Labor Housing Grants

The budget eliminates funding for the migrant labor housing grants. This program provides matching funds to agricultural producers to build or rehabilitate housing for migrant workers.

Gross	(255,000)
GF/GP	(255,000)

4. GF/GP Administrative Reductions

The budget reduces \$240,200 GF/GP funding for departmental management services.

Gross	(248,000)
GF/GP	(248,000)

The budget also includes a \$6,000 GF/GP reduction to the Information Technology appropriation and a \$1,800 GF/GP reduction to the Statistical Reporting Service appropriation.

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

5. Office of Racing Commissioner (ORC)

The budget reduces State restricted revenue appropriations in the ORC to offset GF/GP appropriations in other areas of the budget. (See Funding Shifts below.)

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

6. Grape and Wine Program

The budget reflects a reduction in the program associated with revenue availability. In addition, there is a funding shift, replacing interdepartmental grant appropriations with restricted revenue appropriations from nonretail liquor fees.

Gross	(23,000)
IDG	(560,500)
Restricted	537,500
GF/GP	0

7. Future Farmers of America (FFA)

The budget eliminates GF/GP support to Michigan State University for the Future Farmers of America program. However, the budget provides a new \$80,000 appropriation to the Michigan FFA Association from projected FY 2004-05 Agriculture Equine Industry Development Fund carryforward revenue. Boilerplate language restricts this funding from being used to supplant existing resources provided to the FFA by Michigan State University.

Gross	20,000
Restricted	80,000
GF/GP	(60,000)

C. PROGRAM TRANSFERS

The budget reflects the transfer of the Michigan State Fair to the Department of Management and Budget.

FTE	(9.0)
Gross	(5,486,100)
Restricted	(5,486,100)
GF/GP	0

D. FUNDING SHIFTS

1. State Services Fee Fund

The budget reflects restricted revenue funding shifts, replacing GF/GP appropriations with restricted revenue appropriations. The budget reduces funding in the ORC by \$500,000 to offset GF/GP savings elsewhere in the budget. The budget eliminates appropriations from the State Services Fee Fund for the Build and Track Improvement – County and State Fairs and restores the funding with Agriculture Equine Industry Development Fund revenue (item #2 below). The State Services Fee Fund revenue replaces an equal amount of GF/GP appropriations in the Information Technology line item.

Gross	0
Restricted	696,800
GF/GP	(696,800)

		FY 2005-06 Change From FY 2004-05 Year-to-Date	
2. Agriculture Equine Industry Development Fund		Gross	963,200
		Restricted	963,200
		GF/GP	0
<p>The budget replaces State Services Fee Fund appropriations for Build and Track Improvement – County and State Fairs with anticipated FY 2004-05 Agriculture Equine Industry Development Fund carryforward revenue. The program is funded at the same level as in FY 2004-05, \$963,200; the only change is the restricted funding source.</p>			
3. Refined Petroleum Fund		Gross	(335,500)
		GF/GP	(335,500)
<p>The budget replaces GF/GP appropriations with existing Refined Petroleum Fund appropriations contained in the budget. The Refined Petroleum Fund appropriations support the central administrative activities associated with the motor fuel quality and quantity inspection program.</p>			
E. ECONOMIC ADJUSTMENTS		Gross	3,933,100
		IDG	10,000
		Federal	554,500
		Restricted	1,745,100
		GF/GP	1,623,500
<p>The budget includes standard economic adjustments for salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets.</p>			
F. OTHER ISSUES			
1. Contract Savings		Gross	(173,700)
		GF/GP	(173,700)
<p>The budget reflects GF/GP savings associated with reduced or modified contracting.</p>			
2. Aquifer Protection Program		Gross	50,000
		IDG	50,000
		GF/GP	0
<p>The budget includes a grant from the Department of Environmental Quality for its activities associated with aquifer disputes involving agricultural property.</p>			
3. Michigan 4-H Foundation		Gross	20,000
		Restricted	20,000
		GF/GP	0
<p>The budget includes a grant to the Michigan 4-H Foundation from FY 2004-05 Agriculture Equine Industry Development Fund carryforward revenue.</p>			
4. FY 2004-05 Executive Order and Supplemental Appropriations		Gross	(1,635,900)
		Federal	(316,000)
		Restricted	(1,400,200)
		GF/GP	80,300
<p>The budget reflects adjustments to account for Executive Order 2005-7 and one-time supplemental appropriations contained in Public Acts 11 and 109 of 2005.</p>			

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

G. VETOES

The Governor vetoed a \$20,000 grant to the Communications Alliance to Network Thoroughbred Ex-Racehorses (CANTER). This item was funded from projected FY 2004-05 carryforward money in the Agriculture Equine Industry Development Fund.

Gross	0
GF/GP	0

**DEPARTMENT OF ATTORNEY GENERAL
P.A. 146 of 2005**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2004-05 YEAR-TO-DATE	FY 2005-06 GOV.'S REC.	FY 2005-06 SENATE	FY 2005-06 HOUSE	FY 2005-06 YEAR-TO-DATE	CHANGES FROM FY 2004-05 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	558.0	560.0	560.0	560.0	560.0	2.0	0.4
GROSS.....	62,477,700	65,880,300	64,877,100	62,499,300	64,720,400	2,242,700	3.6
Less:							
Interdepartmental Grants Received.....	12,545,500	13,359,300	13,193,500	12,619,700	13,408,400	862,900	6.9
ADJUSTED GROSS	49,932,200	52,521,000	51,683,600	49,879,600	51,312,000	1,379,800	2.8
Less:							
Federal Funds	8,394,300	8,799,400	8,799,400	8,394,300	8,799,400	405,100	4.8
Local and Private.....	0	0	0	0	0	0	0.0
TOTAL STATE SPENDING	41,537,900	43,721,600	42,884,200	41,485,300	42,512,600	974,700	2.3
Less:							
Other State Restricted Funds	10,485,000	11,011,400	11,011,400	10,485,000	11,011,400	526,400	5.0
GENERAL FUND/GENERAL PURPOSE ..	31,052,900	32,710,200	31,872,800	31,000,300	31,501,200	448,300	1.4
PAYMENTS TO LOCALS.....	0	0	0	0	0	0	0.0

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

A. TAX REVERTED PROPERTY – LEGAL SERVICES

The budget includes funding for 2.0 FTE additional attorneys for major litigation involving mineral rights to tax reverted property. The positions are funded from an interdepartmental grant from the Department of Treasury.

FTE	2.0
Gross	240,000
IDG	240,000
GF/GP	0

B. PROGRAM REDUCTIONS/ELIMINATIONS

1. Operations

The Senate reduced General Fund operation line items by 2.5% from the Governor's recommended level of funding. The Leadership Target Agreement maintained the Senate reduction.

Gross	(821,000)
GF/GP	(821,000)

2. Information Technology

The Governor recommended \$2,600 in savings resulting from rate reductions, consolidations, efficiencies, and overhead adjustments to information technology costs. The enacted version of the bill reduces information technology costs by an additional \$16,400 from the Governor's recommendation.

Gross	(19,000)
GF/GP	(19,000)

3. Contract and Group Insurance Savings

Pursuant to the Leadership Agreement, the budget includes reductions of \$265,600 based on lower-than-anticipated insurance costs, and \$106,000 based on contract savings.

Gross	(371,600)
GF/GP	(371,600)

C. ECONOMIC ADJUSTMENTS

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, rent, workers' compensation, and building occupancy charges consistent with factors applied to all budgets, including restoration of FY 2004-05 amounts associated with banked leave time. No economics were included for salary and retirement costs associated with the FY 2005-06 Civil Service cost-of-living adjustment.

Gross	3,165,200
IDG	573,800
Federal	405,100
Restricted	526,400
GF/GP	1,659,900

D. TOBACCO SETTLEMENT REVENUE

Tobacco Settlement Revenue funding was increased by \$18,600, from \$368,200 to \$386,800. The adjustment is reflected in the amount for economics (item C).

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

Gross	49,100
IDG	49,100
GF/GP	0

E. OTHER ISSUES

The interdepartmental grant funding from the Department of Human Services (DHS) was increased by \$49,100 to reflect actual funding available from that Department for legal support. This brings the FY 2005-06 funding from the DHS to \$2,928,000.

F. VETOES

N/A

Prisoner Reimbursement Funds

Section 309 of the bill provides that the Department may spend up to \$421,800 of prisoner reimbursement funds on activities related to the State Correctional Facilities Reimbursement Act. If the Department of Attorney General collects in excess of \$1,131,000, the excess, limited to \$1,000,000, is appropriated and may be spent on the representation of the Department of Corrections and its officers, employees, and agents, including, but not limited to, the defense of civil actions filed by prisoners. The Legislature added carryforward authorization of up to \$500,000. The Governor vetoed the provision that authorized the carryforward of unspent funds.

**CAPITAL OUTLAY
P.A. 146 of 2005**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2004-05 YEAR-TO-DATE	FY 2005-06 GOV.'S REC.	FY 2005-06 SENATE	FY 2005-06 HOUSE	FY 2005-06 YEAR-TO- DATE*	CHANGES FROM FY 2004-05 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	N/A	N/A	N/A	N/A	N/A	N/A	N/A
GROSS	553,010,200	509,415,800	0	0	504,415,800	(48,594,400)	(8.8)
Less:							
Interdepartmental Grants Received.....	2,000,000	2,000,000	0	0	2,000,000	0	(0.0)
ADJUSTED GROSS	551,010,200	507,415,800	0	0	502,415,800	(48,594,400)	(8.8)
Less:							
Federal Funds	227,880,200	382,600	0	0	155,382,600	(72,497,600)	(31.8)
Local and Private.....	22,790,000	20,000,000	0	0	20,000,000	(2,790,000)	(12.2)
TOTAL STATE SPENDING	300,340,000	332,033,200	0	0	327,033,200	26,693,200	8.9
Less:							
Other State Restricted Funds	57,142,500	56,031,000	0	0	71,031,000	13,888,500	24.3
GENERAL FUND/GENERAL PURPOSE ..	243,197,500	276,002,200	0	0	256,002,200	12,804,700	5.3
PAYMENTS TO LOCALS	42,875,200	14,325,000	0	0	14,325,000	(28,550,200)	(66.6)

* Assumes adoption of the Governor's recommendation and Target Agreement.

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

A. FY 2005-06 APPROPRIATIONS

At the time of this report's publication, the only portion of the FY 2005-06 Capital Outlay appropriation that had been enacted was for State Building Authority rent (debt service) and was included in Public Act 146 of 2005, the General Government appropriation bill.

B. STATE BUILDING AUTHORITY RENT (DEBT SERVICE)

Public Act 146 appropriated money for State Building Authority (SBA) rent, which pays for previously authorized building projects that are financed and owned by the SBA, and then leased back to the State. The SBA uses the money to pay off the bonds that were sold to finance construction. Public Act 146 provided Gross appropriations of \$272,797,100, which is an increase of \$22.0 million (8.8%) from FY 2004-05 levels to meet the rent requirements of new building projects coming on line. The Governor had originally recommended Gross appropriations of \$275,797,100, yet the Target Agreement included replacing \$15.0 million in General Fund support with \$15.0 million from the commercial mobile radio suppliers fund, and a \$3.0 million General Fund reduction in anticipated rent savings.

Gross	22,000,000
Restricted	9,000,000
GF/GP	13,000,000

C. OTHER CAPITAL OUTLAY APPROPRIATIONS RECOMMENDED BY THE GOVERNOR PENDING BEFORE THE LEGISLATURE

The following items have been recommended by the Governor and are pending approval by the Legislature. If all of these items were to be approved by the Legislature, as recommended by the Governor, then total FY 2005-06 appropriates for Capital Outlay other than SBA rent, would be \$70.6 million less than FY 2004-05 levels.

Gross	(70,594,400)
Federal	(72,497,600)
Local	(2,790,000)
Restricted	4,888,500
GF/GP	(195,300)

FY 2005-06 CAPITAL OUTLAY APPROPRIATIONS	
As Recommended by the Governor	
	<u>Gross</u>
Department of Agriculture	
Farmland and open space development and acquisition	\$7,500,000
State Agency Special Maintenance	
GF restored after current year escrow reserves funding	\$4,000,000
Department of Military Affairs	
Armory and Training Site Maintenance	\$5,000,000
Camp Grayling - company headquarter complex, phase II	\$18,500,000
Land acquisitions and appraisals	\$200,000
Department of Natural Resources	
State park repair and maintenance	\$2,000,000
Forest roads, bridges, and facilities	\$900,000
Statewide deer range habitat acquisition	\$3,500,000
Statewide turkey habitat acquisition	\$2,000,000
Department of Natural Resources - Waterways	
Infrastructure improvements - state projects	\$2,500,000
Infrastructure improvements - local projects	\$1,500,000
Land acquisitions	\$1,000,000
State Boating Access Site - Crystal Lake, phase III	\$600,000
State Boating Access Site - Hamlin Lake dam repairs	\$1,700,000
State Boating Access Site - Lake Minnawanna dam repairs	\$600,000
State - harbors/docks - Cheboygan lock and dam repairs	\$2,610,200
State - harbors/docks - Mackinaw City marina, phase II	\$5,735,000
Local - harbors/docks - St. Clair marina rehabilitation	\$500,000
Local - harbors/docks - Arcadia marina rehabilitation	\$500,000
Local - harbors/docks - Charlevoix marina, phase II	\$5,075,000

FY 2005-06 CAPITAL OUTLAY APPROPRIATIONS	
As Recommended by the Governor	
	<u>Gross</u>
Department of Natural Resources - Waterways	
Local - harbors/docks - Grand Haven dock replacement	\$500,000
Local - harbors/docks - Leland marina rehabilitation	\$1,750,000
Taylor, transportation service center	\$600,000
Institutional and agency roads	\$750,000
Construct/replace equipment storage buildings, various	\$500,000
Construct/replace wash bays at maintenance garages	\$250,000
Special maintenance projects various locations	\$2,514,000
Department of Transportation - Aeronautics	
Airport Safety, Protection, and Improvement Program	\$157,734,400
Construction Authorizations	
College and university maintenance projects (\$100 million)	\$100
Total	\$233,618,700

**DEPARTMENT OF CIVIL RIGHTS
P.A. 146 of 2005**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2004-05 YEAR-TO-DATE	FY 2005-06 GOV.'S REC.	FY 2005-06 SENATE	FY 2005-06 HOUSE	FY 2005-06 YEAR-TO-DATE	CHANGES FROM FY 2004-05 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	136.0	136.0	136.0	136.0	136.0	0.0	0.0
GROSS	12,815,200	13,335,100	12,818,500	12,481,000	13,158,500	343,300	2.7
Less:							
Interdepartmental Grants Received.....	0	0	0	0	0	0	0.0
ADJUSTED GROSS	12,815,200	13,335,100	12,818,500	12,481,000	13,158,500	343,300	2.7
Less:							
Federal Funds	1,247,700	1,049,800	1,049,800	1,049,800	1,049,800	(197,900)	(15.9)
Local and Private.....	0	0	0	0	0	0	0.0
TOTAL STATE SPENDING	11,567,500	12,285,300	11,768,700	11,431,200	12,108,700	541,200	4.7
Less:							
Other State Restricted Funds	0	0	0	0	0	0	0.0
GENERAL FUND/GENERAL PURPOSE ..	11,567,500	12,285,300	11,768,700	11,431,200	12,108,700	541,200	4.7
PAYMENTS TO LOCALS	0	0	0	0	0	0	0.0

		FY 2005-06 Change From FY 2004-05 Year-to-Date	
A. HUMAN RESOURCES OPTIMIZATION PROJECT			
	Gross		14,700
	GF/GP		14,700
<p>The budget includes an adjustment reflecting the Department of Civil Rights' share of computer hardware and software costs resulting from the Human Resources Optimization Project.</p>			
B. PROGRAM REDUCTIONS/ELIMINATIONS			
1. Quality Control System			
	Gross		(99,900)
	GF/GP		(99,900)
<p>Funding for this position is eliminated. The program ensured the development and implementation of performance measurement related to cycle time, cost, and customer satisfaction. The Department will absorb this function by reapportioning the quality control function to team coordinators.</p>			
2. Contact Management System			
	Gross		(80,000)
	GF/GP		(80,000)
<p>Funding for this system is reduced from \$310,900 to \$230,900. One position will not be filled and the function will be absorbed by remaining staff in this unit.</p>			
3. Office Services Reduction			
	Gross		(21,000)
	GF/GP		(21,000)
<p>The Department plans to achieve savings on rent costs.</p>			
4. Information Technology			
	Gross		(2,600)
	GF/GP		(2,600)
<p>The budget reflects savings resulting from rate reductions, consolidations, efficiencies, and other overhead adjustments to information technology costs.</p>			
5. Contract and Group Insurance Savings			
	Gross		(176,600)
	GF/GP		(176,600)
<p>Pursuant to the Leadership Agreement, the budget includes reductions of \$89,200 based on lower-than-anticipated insurance costs, and \$87,400 based on contract savings.</p>			
C. UNCLASSIFIED SALARIES			
	Gross		10,000
	GF/GP		10,000
<p>This line item includes an adjustment related to the discontinuance of the banked leave time concession.</p>			

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

Gross	896,600
GF/GP	896,600

Gross	(197,900)
Federal	(197,900)
GF/GP	0

D. ECONOMIC ADJUSTMENTS

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, rent, workers' compensation, and building occupancy charges consistent with factors applied to all budgets, including restoration of FY 2004-05 amounts associated with banked leave time. No economics were included for salary and retirement costs associated with the FY 2005-06 Civil Service cost-of-living adjustment.

E. OTHER ISSUES

Other changes include an adjustment to Federal funding related to an FY 2004-05 supplemental appropriation (Public Act 11 of 2005).

**DEPARTMENT OF CIVIL SERVICE
P.A. 146 of 2005**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2004-05 YEAR-TO-DATE	FY 2005-06 GOV.'S REC.	FY 2005-06 SENATE	FY 2005-06 HOUSE	FY 2005-06 YEAR-TO-DATE	CHANGES FROM FY 2004-05 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	240.5	240.5	240.5	240.5	240.5	0.0	0.0
GROSS	34,917,400	36,288,500	36,087,300	35,123,900	35,941,600	1,024,200	2.9
Less:							
Interdepartmental Grants Received.....	5,370,900	5,670,900	5,670,900	5,670,900	5,670,900	300,000	5.6
ADJUSTED GROSS	29,546,500	30,617,600	30,416,400	29,453,000	30,270,700	724,200	2.5
Less:							
Federal Funds	3,979,100	4,779,100	4,779,100	4,779,100	4,779,100	800,000	20.1
Local and Private.....	1,850,000	1,850,000	1,850,000	1,850,000	1,850,000	0	0.0
TOTAL STATE SPENDING	23,717,400	23,988,500	23,787,300	22,823,900	23,641,600	(75,800)	(0.3)
Less:							
Other State Restricted Funds	16,274,600	16,539,200	16,539,200	15,474,600	16,539,200	264,600	1.6
GENERAL FUND/GENERAL PURPOSE ..	7,442,800	7,449,300	7,248,100	7,349,300	7,102,400	(340,400)	(4.6)
PAYMENTS TO LOCALS	0	0	0	0	0	0	0.0

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

A. TRAINING

The budget increases the training line item from \$1.0 million to \$1.3 million. The adjustment is based on projected requests from State departments. Costs are funded through interdepartmental grants from departments requesting the services.

Gross	300,000
IDG	300,000
GF/GP	0

B. HUMAN RESOURCES OPTIMIZATION PROJECT

The budget includes an adjustment reflecting the Department of Civil Service's share of computer hardware and software costs resulting from the Human Resources Optimization Project.

Gross	14,700
Restricted	14,700
GF/GP	0

C. PROGRAM REDUCTIONS/ELIMINATIONS

1. Governor's Workgroup Reductions

The budget includes the following reductions based on administrative efficiencies recommended by the Governor:

Agency Services	\$75,000
Audit and Compliance	\$130,000
Human Resources/Administrative Support.....	\$249,200
Information Technology	\$37,800

Gross	(492,000)
GF/GP	(492,000)

2. Legislative Reductions

The Leadership Target Agreement included an overall 2.5% reduction (\$187,000) to the Governor's recommended level of GF/GP funding for the Department.

Gross	(187,000)
GF/GP	(187,000)

3. Information Technology Overhead Reductions

The budget includes \$2,400 in reductions based on savings recommended by the Governor due to rate reductions, consolidations, efficiencies, and other overhead adjustments. The Leadership Target Agreement reduced funding by an additional \$14,200.

Gross	(16,600)
GF/GP	(16,600)

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

4. Contract and Group Insurance Savings

Pursuant to the Leadership Agreement, the budget includes reductions of \$53,000 based on lower-than-anticipated insurance costs, and \$92,700 based on contract savings.

Gross	(145,700)
GF/GP	(145,700)

D. ECONOMIC ADJUSTMENTS

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, rent, workers' compensation, and building occupancy charges consistent with factors applied to all budgets, including restoration of FY 2004-05 amounts associated with banked leave time. No economics were included for salary and retirement costs associated with the FY 2005-06 Civil Service cost-of-living adjustment.

Gross	1,550,800
Restricted	1,049,900
GF/GP	500,900

E. OTHER ISSUES

1. 1% Charges

The budget includes a funding source adjustment related to FY 2004-05 transfers that adjusted 1% charges based on actual payroll for the previous fiscal year.

Gross	0
Federal	800,000
Restricted	(800,000)
GF/GP	0

2. Political Action Committees

The Conference Report included language in the general section of the bill (Sec. 220) that prohibits use of appropriations in Part 1 to administer a committee, or to solicit, or obtain contributions for a "committee" as defined in the Michigan Campaign Finance Act. The Governor stated in the signing letter for Enrolled Senate Bill 272 that Section 220, as it relates to the Civil Service Commission, conflicts with Article XI, Section 5 of the Michigan Constitution of 1963 and is unenforceable.

N/A

**COMMUNITY COLLEGES
P.A. 154 of 2005**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2004-05 YEAR-TO-DATE	FY 2005-06 GOV.'S REC.	FY 2005-06 HOUSE	FY 2005-06 SENATE	FY 2005-06 YEAR-TO-DATE	CHANGES FROM FY 2004-05 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	N/A	N/A	N/A	N/A	N/A	N/A	N/A
GROSS	292,054,400	281,327,400	281,327,400	278,772,600	281,327,400	(10,727,000)	(3.7)
Less:							
Interdepartmental Grants Received.....	0	0	0	0	0	0	0.0
ADJUSTED GROSS	292,054,400	281,327,400	281,327,400	278,772,600	281,327,400	(10,727,000)	(3.7)
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	292,054,400	281,327,400	281,327,400	278,772,600	281,327,400	(10,727,000)	(3.7)
Less:							
Other State Restricted Funds	0	0	0	18,282,200	0	0	0.0
GENERAL FUND/GENERAL PURPOSE ..	292,054,400	281,327,400	281,327,400	260,490,400	281,327,400	(10,727,000)	(3.7)
PAYMENTS TO LOCALS	292,054,400	281,327,400	281,327,400	278,772,600	281,327,400	(10,727,000)	(3.7)

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

A. FY 2004-05 BASE FUNDING ISSUES

1. Tuition Restraint Incentive Funding

Gross	(8,521,200)
GF/GP	(8,521,200)

Section 251 of Public Act 237 of 2003 appropriated funds to reward community colleges that restrained their tuition in both academic years 2003-04 and 2004-05. During ongoing budget discussions, the decision was made to decouple 2003-04 tuition restraint from 2004-05 tuition restraint, and Section 251 was repealed. Separate criteria were used to determine compliance for each academic year and these criteria were included in Public Act 352 of 2004, signed into law on September 30, 2004. Public Act 358 of 2004 provided \$8,521,200 as a reward for tuition restraint in academic year 2003-04 but due to the timing of the bill signing, these funds were not paid out until FY 2004-05. The FY 2004-05 base funding for college operations should be adjusted to reflect the \$8.5 million as base funding for FY 2003-04.

2. Executive Order 2005-7

Gross	(2,705,800)
GF/GP	(2,705,800)

When Executive Order (EO) 2005-7 was negotiated in early 2005, there was an agreement to restore \$25.1 million of the Higher Education EO reduction and \$4.9 million of the Community College EO reduction if sufficient revenue became available. Public Act 11 of 2005 included two triggers for the restoration of the funds:

- a) If the May 2005 consensus revenue estimate for FY 2004-05 combined GF/GP and School Aid Fund revenue was higher than the January 2005 consensus revenue estimate, then an amount up to \$30.0 million would be appropriated for State community colleges and universities. The revenue estimate did increase and \$2,705,800 was appropriated, on a pro-rata basis, for college operations.

- b) If funds were not fully restored in May, and if there was an unreserved GF/GP balance at the close of FY 2004-05, then an amount, not to exceed a total of \$30.0 million, would be appropriated for State community colleges and universities. Although the final book closing is not expected until December 2005, it is estimated that sufficient revenue will be available to fully restore the EO 2005-7 college and university reductions. This would mean an additional appropriation of \$11,286,200 for universities and \$2,213,800 for community colleges.

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

Gross	0
GF/GP	0

B. COLLEGE OPERATIONS

The Governor's budget recommendation provided a continuation level of support for college operations from the post-Executive Order 2005-07 amount reduced from the originally enacted FY 2004-05 levels.

The Governor indicated that community colleges also would be eligible for \$16.4 million in special maintenance funding in FY 2005-06 to be appropriated in the capital outlay budget based on the proportion of each college's FY 2004-05 enacted level of operating appropriations. The Legislature opted to provide 13 colleges with more traditional capital projects, totaling \$53.7 in State funding commitment, appropriated in Public Act 10 of 2005, rather than the \$16.4 million in special maintenance distributed proportionally to each college as recommended by the Governor.

The House recommended the same level of operational support as the Governor did. The Senate reduced each college's appropriation by 0.9% and also replaced \$18.3 million of General Fund support with an equal amount of School Aid Fund revenue. The enacted budget restores the General Fund support to the levels recommended by the Governor and the House, without the 0.9% across-the-board reduction. A detailed appropriation by college is included in the following table.

C. RENAISSANCE ZONE REIMBURSEMENTS

Gross	500,000
GF/GP	500,000

The Governor recommended a 21% increase in program funds in anticipation of increased reimbursements to local units of government that have designated renaissance zones within their taxing districts. The Senate and House concurred, and the recommendation was included in the enacted bill.

D. AT-RISK STUDENT SUCCESS PROGRAM

Gross	0
GF/GP	0

The Governor recommended a continuation level of funding of \$3,322,700 for this categorical grant program designed to address the special needs of at-risk students. Funds are distributed based on the proportion of developmental and preparatory contact hours provided by each college. The Senate and House agreed with the Governor's recommendation and included it in the enacted bill.

FY 2005-2006 Community College Recommended Appropriations

College	FY 2004-05 Appropriations			FY 2005-06 Governor		FY 2005-06 Senate		FY 2005-06 House		FY 2005-06 Enacted	
	P.A. 358 2004 Enacted	E.O. '05-07 1.8% Reduction	Adjusted Approp.*	Governor Recommend.	% Chg '05 Adjust.	Senate Recommend.	% Chg '05 Adjust.	House Recommend.	% Chg '05 Adjust.	2005 PA 154 Recommend.	% Chg '05 Adjust.
Alpena	4,862,500	(85,400)	4,777,100	4,777,100	0.0%	4,732,700	-0.9%	4,777,100	0.0%	4,777,100	0.0%
Bay de Noc	4,701,100	(82,600)	4,618,500	4,618,500	0.0%	4,575,600	-0.9%	4,618,500	0.0%	4,618,500	0.0%
Delta	13,148,100	(231,000)	12,917,100	12,917,100	0.0%	12,797,100	-0.9%	12,917,100	0.0%	12,917,100	0.0%
Glen Oaks	2,205,900	(38,800)	2,167,100	2,167,100	0.0%	2,147,000	-0.9%	2,167,100	0.0%	2,167,100	0.0%
Gogebic	4,022,200	(70,700)	3,951,500	3,951,500	0.0%	3,914,800	-0.9%	3,951,500	0.0%	3,951,500	0.0%
Grand Rapids	16,538,000	(290,500)	16,247,500	16,247,500	0.0%	16,096,600	-0.9%	16,247,500	0.0%	16,247,500	0.0%
Henry Ford	20,154,800	(354,100)	19,800,700	19,800,700	0.0%	19,616,800	-0.9%	19,800,700	0.0%	19,800,700	0.0%
Jackson	11,156,800	(196,000)	10,960,800	10,960,800	0.0%	10,859,000	-0.9%	10,960,800	0.0%	10,960,800	0.0%
Kalamazoo Valley	11,383,600	(200,000)	11,183,600	11,183,600	0.0%	11,079,700	-0.9%	11,183,600	0.0%	11,183,600	0.0%
Kellogg	8,943,800	(157,100)	8,786,700	8,786,700	0.0%	8,705,100	-0.9%	8,786,700	0.0%	8,786,700	0.0%
Kirtland	2,714,500	(47,700)	2,666,800	2,666,800	0.0%	2,642,000	-0.9%	2,666,800	0.0%	2,666,800	0.0%
Lake Michigan	4,813,500	(84,600)	4,728,900	4,728,900	0.0%	4,685,000	-0.9%	4,728,900	0.0%	4,728,900	0.0%
Lansing	28,599,500	(502,400)	28,097,100	28,097,100	0.0%	27,836,200	-0.9%	28,097,100	0.0%	28,097,100	0.0%
Macomb	30,514,700	(536,100)	29,978,600	29,978,600	0.0%	29,700,200	-0.9%	29,978,600	0.0%	29,978,600	0.0%
Mid Michigan	4,070,600	(71,500)	3,999,100	3,999,100	0.0%	3,962,000	-0.9%	3,999,100	0.0%	3,999,100	0.0%
Monroe	3,960,400	(69,600)	3,890,800	3,890,800	0.0%	3,854,700	-0.9%	3,890,800	0.0%	3,890,800	0.0%
Montcalm	2,864,600	(50,300)	2,814,300	2,814,300	0.0%	2,788,200	-0.9%	2,814,300	0.0%	2,814,300	0.0%
Mott	14,459,400	(254,000)	14,205,400	14,205,400	0.0%	14,073,500	-0.9%	14,205,400	0.0%	14,205,400	0.0%
Muskegon	8,228,500	(144,600)	8,083,900	8,083,900	0.0%	8,008,800	-0.9%	8,083,900	0.0%	8,083,900	0.0%
North Central	2,787,100	(49,000)	2,738,100	2,738,100	0.0%	2,712,700	-0.9%	2,738,100	0.0%	2,738,100	0.0%
Northwestern	8,396,400	(147,500)	8,248,900	8,248,900	0.0%	8,172,300	-0.9%	8,248,900	0.0%	8,248,900	0.0%
Oakland	19,249,100	(338,200)	18,910,900	18,910,900	0.0%	18,735,300	-0.9%	18,910,900	0.0%	18,910,900	0.0%
St. Clair	6,447,600	(113,300)	6,334,300	6,334,300	0.0%	6,275,500	-0.9%	6,334,300	0.0%	6,334,300	0.0%
Schoolcraft	11,297,400	(198,500)	11,098,900	11,098,900	0.0%	10,995,800	-0.9%	11,098,900	0.0%	11,098,900	0.0%
Southwestern	6,064,500	(106,500)	5,958,000	5,958,000	0.0%	5,902,700	-0.9%	5,958,000	0.0%	5,958,000	0.0%
Washtenaw	11,482,300	(201,700)	11,280,600	11,280,600	0.0%	11,175,800	-0.9%	11,280,600	0.0%	11,280,600	0.0%
Wayne County	14,843,000	(260,800)	14,582,200	14,582,200	0.0%	14,446,800	-0.9%	14,582,200	0.0%	14,582,200	0.0%
West Shore	2,114,400	(37,100)	2,077,300	2,077,300	0.0%	2,058,000	-0.9%	2,077,300	0.0%	2,077,300	0.0%
Subtotal Operations	\$280,024,300	(\$4,919,600)	\$275,104,700	\$275,104,700	0.0%	\$272,549,900	-0.9%	\$275,104,700	0.0%	\$275,104,700	0.0%
At Risk	3,322,700	0	3,322,700	3,322,700	0.0%	3,322,700	0.0%	3,322,700	0.0%	3,322,700	0.0%
Renaissance Zone	2,400,000	0	2,400,000	2,900,000	20.8%	2,900,000	20.8%	2,900,000	20.8%	2,900,000	20.8%
Total Gross Approp.	\$285,747,000	(\$4,919,600)	\$280,827,400	\$281,327,400	0.2%	\$278,772,600	-0.7%	\$281,327,400	0.2%	\$281,327,400	0.2%
School Aid Fund	\$0	\$0	\$0	\$0	0.0%	\$18,282,200	NA	0	NA	0	NA
GF/GP	\$285,747,000	(\$4,919,600)	\$280,827,400	\$281,327,400	0.2%	\$260,490,400	-7.2%	\$281,327,400	0.2%	\$281,327,400	0.2%

* FY 2004-05 Adjusted Appropriation does not include the May Revenue Estimating Conference partial restoration of \$2,705,800

**DEPARTMENT OF COMMUNITY HEALTH
P.A. 154 of 2005**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2004-05 YEAR-TO-DATE	FY 2005-06 GOV.'S REC.	FY 2005-06 HOUSE	FY 2005-06 SENATE	FY 2005-06 YEAR-TO-DATE	CHANGES FROM FY 2004-05 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	5,112.6	4,680.1	4,680.6	4,695.1	4,668.6	(444.0)	(8.7)
GROSS.....	10,484,991,800	10,240,883,200	9,879,064,600	10,011,634,500	10,326,194,000	(158,797,800)	(1.5)
Less:							
Interdepartmental Grants Received.....	70,179,100	34,485,400	32,794,800	34,485,400	34,090,000	(36,089,100)	(51.4)
ADJUSTED GROSS	10,414,812,700	10,206,397,800	9,846,269,800	9,977,149,100	10,292,104,000	(122,708,700)	(1.2)
Less:							
Federal Funds	5,690,663,800	5,467,496,800	5,283,772,000	5,310,618,600	5,533,597,400	(157,066,400)	(2.8)
Local and Private.....	594,266,800	294,900,900	290,820,200	294,354,600	290,598,200	(303,668,600)	(51.1)
TOTAL STATE SPENDING	4,129,882,100	4,444,000,100	4,271,677,600	4,372,175,900	4,467,908,400	338,026,300	8.2
Less:							
Other State Restricted Funds	1,541,045,000	1,523,360,600	1,429,078,000	1,505,827,200	1,516,009,000	(25,036,000)	(1.6)
GENERAL FUND/GENERAL PURPOSE ..	2,588,837,100	2,920,639,500	2,842,599,600	2,866,348,700	2,951,899,400	363,062,300	14.0
PAYMENTS TO LOCALS.....	1,047,353,900	1,022,374,900	1,104,451,500	1,000,784,900	1,136,168,800	88,814,900	8.5

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

A. FY 2004-05 SUPPLEMENTAL APPROPRIATIONS INCLUDED IN FY 2005-06 ACT

The budget includes an adjustment to the nursing home Quality Assurance Assessment Program (QAAP) for FY 2004-05 to reflect the final projected revenue from the QAAP.

Gross	18,800,000
Federal	10,638,900
GF/GP	8,161,100

B. MENTAL HEALTH ISSUES

1. Medicaid Mental Health and Substance Abuse Services Base and Caseload

The budget includes an increase in Medicaid base funding for Community Mental Health (CMH) agencies and substance abuse services to reflect increases in utilization and caseload.

Gross	35,500,000
Federal	20,089,400
GF/GP	15,410,600

2. CMH Quality Assurance Assessment Program

The budget recognizes revenue generated through the CMH QAAP implemented during FY 2004-05. Revenue generated by the QAAP will be used to provide a net 2.4% increase in Medicaid reimbursement for CMH agencies and \$33.5 million GF/GP in additional gainsharing retained by the State.

Gross	112,280,600
Federal	63,516,200
Restricted	82,264,400
GF/GP	(33,500,000)

3. Wayne County CMH Non-Medicaid Funding

The House- and Senate-passed versions of the FY 2005-06 Department of Community Health (DCH) appropriation included a \$20.0 million GF/GP reduction in the non-Medicaid allocation to Detroit-Wayne County CMH. This reduction is restored in the enacted FY 2005-06 DCH appropriation.

Gross	0
GF/GP	0

4. State Mental Health Hospitals Base Funding Adjustment

The budget includes adjustments in funding and staff made to reflect the current placements made by CMH agencies to State-operated facilities for the developmentally disabled and mentally ill.

FTE	(88.7)
Gross	(115,100)
Federal	(1,477,100)
Local	1,410,500
Private	(400,000)
Restricted	351,500
GF/GP	0

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

5. Transfer of Forensic Health Services Functions to Department of Corrections

The budget recognizes the transfer of nonclinical mental health services provided to prisoners to the Department of Corrections (DOC). This reorganization reduces the size of the interdepartmental grant provided by DCH to the DOC.

FTE	(390.2)
Gross	(38,851,800)
IDG	(38,851,800)
GF/GP	0

C. PUBLIC HEALTH/AGING ISSUES

1. Local Public Health Hearing and Vision Screening

The budget reduces funding to local health departments for the provision of hearing screening and vision services by 50%. Local health departments are to target these services to preschool and early elementary aged schoolchildren.

Gross	(1,898,000)
GF/GP	(1,898,000)

2. Healthy Michigan Fund (HMF)

Total funding allocated for HMF programming is reduced in FY 2005-06. Major changes include the elimination of funding supporting Children's Arthritis, Migrant Health Care, and Parkinson's Disease programming. Reductions in HMF allocations are made to a number of programs including a \$1.0 million reduction to the Smoking Prevention Program, a \$900,000 reduction in support for Cardiovascular Health, and a \$584,400 reduction in Cancer Prevention and Control. Immunization Program Management received a \$42,700 increase in its HMF allocation.

Gross	(4,100,000)
Federal	100,000
GF/GP	(4,200,000)

3. Children's Special Health Care Services (CSHCS) Base Adjustment

The budget includes an adjustment to reflect changes in the base, caseload, and fund sources associated with the CSHCS program.

Gross	8,696,600
Federal	(1,345,100)
GF/GP	10,041,700

4. Children's Special Health Care Services Reductions

The budget includes savings generated through increasing cost sharing requirements for some individuals enrolled in the CSHCS program. Families with income above 250% of the Federal poverty level (FPL) will have their patient pay requirement double. The enacted DCH appropriation does not include a proposed change in program eligibility standards that would have removed insured adults with hemophilia and cystic fibrosis from the CSHCS program, as initially included in the Executive recommendation.

Gross	0
Restricted	1,350,000
GF/GP	(1,350,000)

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

5. Office of Services to the Aging (OSA) Reductions

Gross	(221,000)
GF/GP	(221,000)

The budget includes reductions in several programs administered through OSA. These reductions are \$200,000 GF/GP in the Community Services line and \$21,000 in the Senior Volunteer Services line.

D. MEDICAID ISSUES

1. Medicaid Base, Caseload, and Utilization Adjustments

Gross	311,753,200
Federal	188,578,200
Local	1,800,000
Restricted	(11,000,000)
GF/GP	132,375,000

The budget includes an increase in funding for the base Medicaid program and the MICHild program due to increases in caseload, costs, and utilization. This adjustment represents about a 5% increase in costs over the year-to-date FY 2004-05 funding.

2. Medicaid Special Financing Adjustments

Gross	(283,903,100)
Federal	(156,048,700)
Local	(332,543,900)
Restricted	46,840,700
GF/GP	157,848,800

Medicaid special financing mechanisms have continued to be phased out, increasing State GF/GP costs by \$207,848,800. The budget includes assumed savings of \$50.0 million GF/GP from a new Medicaid special financing mechanism.

3. Medicare Part D Pharmaceutical Coverage

Gross	(227,944,500)
Federal	(227,944,500)
GF/GP	0

The budget reflects the January 1, 2006, implementation of the Medicare Part D pharmaceutical benefit. The budget shifts GF/GP costs for dual eligibles from the Pharmaceutical Services line to a new Medicare Part D line. As the State will no longer be billing the Federal government for the Medicaid match, but rather making a direct GF/GP payment, the Federal match is no longer reflected in the DCH budget.

4. Quality Assurance Assessment Changes

Gross	82,509,800
Federal	47,266,300
Restricted	58,676,100
GF/GP	(23,432,600)

The budget reflects expansion of the nursing home QAAP with assumed gainsharing savings of \$18.0 million GF/GP. Furthermore, additional health maintenance organization (HMO) QAAP savings are assumed. The proposed physician QAAP was not included in the budget.

5. Restoration of Adult Dental Services

Gross	12,621,700
Federal	7,821,700
GF/GP	4,800,000

The budget includes funding for full restoration of Medicaid adult dental services effective October 1, 2005. These services had been eliminated effective October 1, 2003.

		FY 2005-06 Change From FY 2004-05 Year-to-Date	
6. Third Share Program Expansion		Gross	10,000,000
		Federal	5,659,000
		Local	4,341,000
		GF/GP	0
<p>The budget includes funding for expansion of Third Share programs in various counties. These programs split premium costs for otherwise uninsured individuals among employers, workers, and counties.</p>			
7. Medicaid Provider Rate Increase		Gross	8,429,800
		Federal	4,770,400
		GF/GP	3,659,400
<p>The budget includes a 15% rate increase for ambulance services, at a cost of \$1,519,000 Gross; \$659,400 GF/GP, and a 20% rate increase for obstetrical services, at a cost of \$6,910,800 Gross; \$3,000,000 GF/GP.</p>			
8. Medicaid Provider Rate Reductions		Gross	(22,344,600)
		Federal	(12,447,400)
		GF/GP	(9,897,200)
<p>The budget includes funding to restore 1% of the 4% Medicaid provider rate reductions that went into effect on May 1, 2005. The boilerplate includes language directing that the 1% restoration not take effect until the Federal government approves a proposed hospital case rate for services provided to certain Medicaid optional eligibility groups. The result is a net reduction to FY 2004-05 year-to-date funding as the 4% cut was in effect only for five months in FY 2004-05.</p>			
9. Enrollment Freeze for 19- to 20-Year-Olds		Gross	(9,555,800)
		Federal	(5,407,600)
		GF/GP	(4,148,200)
<p>The budget assumes savings from freezing enrollment for Medicaid Group 2 19- and 20-year-olds. This enrollment freeze would lead to a phasing out of this eligibility group over a two-year period. The budget also includes assumed savings from limits on eligibility for those with other sources of insurance. This measure requires a Federal waiver.</p>			
10. Reduced Benefits for Those in Optional Eligibility Groups		Gross	(43,027,500)
		Federal	(24,349,300)
		GF/GP	(18,678,200)
<p>The budget assumes savings from proposed reductions in benefits for those in the caretaker relative and 19- to 20-year-old optional eligibility groups, including limitations on inpatient hospital days, a case rate for inpatient hospital payments, elimination of certain services, and limits on prescriptions. These changes require a Federal waiver.</p>			
11. Limitation on Retroactive Eligibility		Gross	(28,300,000)
		Federal	(16,015,000)
		GF/GP	(12,285,000)
<p>The budget assumes savings from elimination of the three-month look-back period for newly eligible Medicaid recipients. Boilerplate language would allow retroactive Medicaid eligibility</p>			

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

from the beginning of the month in which a person becomes eligible. This change requires a Federal waiver.

12. Elimination of Long-Term Care Eligibility Loophole

The budget assumes savings from proposed statutory changes to tighten rules associated with the use of trusts, annuities, and other fund-shifting mechanisms used by individuals to qualify for Medicaid coverage for long-term care.

Gross (18,428,900)
Federal (10,428,900)
GF/GP (8,000,000)

13. Medicaid Estate Recovery

The budget includes savings from a proposed statute that would implement a Medicaid estate recovery program.

Gross (10,000,000)
Federal (5,659,000)
GF/GP (4,341,000)

14. Family Planning Waiver

The budget reflects net GF/GP savings from implementation of a family planning waiver. Family planning services are reimbursed at a 90% Federal match rate, so if family planning efforts reduce Medicaid births, there would be net GF/GP savings. This waiver requires Federal approval.

Gross (6,550,000)
Federal 1,250,000
GF/GP (7,800,000)

15. Home and Community Based Waiver Changes

The budget reflects boilerplate language directing that administrative costs for the Home and Community Based Waiver program be reduced by \$2 per day. The budget also assumes savings from the transition of 200 individuals from nursing homes to the waiver program.

Gross (2,994,700)
Federal (1,694,700)
GF/GP (1,300,000)

16. Medicaid Cost Sharing

The budget includes copayments for certain nonexempt adults. These copayments include a \$1 copayment for outpatient hospital services, a \$2 copayment for physician services, a \$3 copayment for emergency room services, and a \$50 copayment for the first day of inpatient hospital services. Boilerplate language directs that Medicaid recipients sign a personal responsibility agreement, outlining expected behavior by recipients.

Gross (5,421,200)
Federal (3,067,900)
GF/GP (2,353,300)

17. Other Assumed Medicaid Cost Savings

The budget includes savings from a number of other Medicaid cost-saving initiatives. These include reduction in eligibility rate (savings of \$9,146,600 GF/GP), recovery of overpayments

Gross (70,253,500)
Federal (39,756,500)
GF/GP (30,497,000)

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

(savings of \$3.8 million GF/GP), prescription fraud recovery (savings of \$4.3 million GF/GP), reduction of provider mispayments (savings of \$2.2 million GF/GP), recoupment of the escrow from a nursing home lawsuit (savings of \$3.0 million GF/GP), changes to refinancing of nursing home capital costs (savings of \$2.0 million GF/GP), changes in reimbursement for psychotropic medications (savings of \$4.0 million GF/GP), and institution of an observation rate for emergency room services (savings of \$2,050,400 GF/GP).

18. HMO Capitation Rates

The budget includes no change in HMO capitation rates, under the assumption that the Federal government will accept the FY 2004-05 rates as being actuarially sound for FY 2005-06.

Gross	0
Federal	0
GF/GP	0

E. PROGRAM REDUCTIONS / ELIMINATIONS

Senior Center Staffing and Equipment

The budget eliminates the Senior Center Staffing and Equipment line.

Gross	(1,068,700)
GF/GP	(1,068,700)

F. UNCLASSIFIED SALARIES

The budget makes no changes in unclassified salaries.

Gross	0
GF/GP	0

G. FUNDING SHIFTS

1. Federal Medicaid Match Rate

The budget includes a GF/GP cost increase due to the decrease in the Federal Medicaid match rate from 56.71% in FY 2004-05 to 56.59% in FY 2005-06. The MICHild match rate also decreases in FY 2005-06.

Gross	0
Federal	(9,931,200)
GF/GP	9,931,200

2. Tobacco Tax Fund Source Shift

The tobacco tax increase of 2004 required that a portion of those funds be shifted from the Medicaid Benefits Trust Fund to the General Fund in FY 2005-06.

Gross	0
Restricted	(143,762,400)
GF/GP	143,762,400

3. Replacement of One-Time Revenue

One-time Restricted revenue from legal settlements is replaced in the FY 2005-06 budget.

Gross	0
Restricted	(7,600,000)
GF/GP	7,600,000

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

H. 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	30,313,800
IDG	3,381,700
Federal	6,217,700
Local	6,923,900
Private	5,200
Restricted	1,202,800
GF/GP	12,582,500

I. TOBACCO SETTLEMENT REVENUE

1. Fund Source Shift

The budget includes a fund source shift reflecting the Leadership Agreement on use of Tobacco Settlement dollars.

Gross	0
Tobacco	(47,500,000)
GF/GP	47,500,000

2. Elder Prescription Insurance Coverage (EPIC) Program

Due to the implementation of the Medicare Part D program, the EPIC program will be eliminated effective January 1, 2006. The \$15.6 million in Tobacco Settlement dollars saved by the elimination will be shifted to supplant GF/GP in the Medicaid program.

Gross	(15,600,000)
Tobacco	0
GF/GP	(15,600,000)

J. OTHER ISSUES

Other changes, including recognition of on-board FTEs, led to minor adjustments in funding.

FTE	36.9
Gross	19,675,100
IDG	(619,000)
Federal	13,237,600
Local	19,596,200
Private	(4,801,500)
Restricted	(5,859,100)
GF/GP	(1,879,100)

**DEPARTMENT OF CORRECTIONS
P.A. 154 of 2005**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2004-05 YEAR-TO-DATE	FY 2005-06 GOV.'S REC.	FY 2005-06 HOUSE	FY 2005-06 SENATE	FY 2005-06 YEAR-TO-DATE	CHANGES FROM FY 2004-05 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	17,753.8	17,529.2	17,185.8	17,508.2	17,509.2	(244.6)	(1.4)
GROSS.....	1,768,907,800	1,883,642,600	1,826,722,400	1,854,358,900	1,860,106,400	91,198,600	5.2
Less:							
Interdepartmental Grants Received.....	3,364,200	1,043,800	1,043,800	1,043,800	1,043,800	(2,320,400)	(69.0)
ADJUSTED GROSS	1,765,543,600	1,882,598,800	1,825,678,600	1,853,315,100	1,859,062,600	93,519,000	5.3
Less:							
Federal Funds	9,188,100	10,316,800	10,316,800	10,316,800	11,410,200	2,222,100	24.2
Local and Private.....	393,600	411,700	411,700	411,700	411,700	18,100	4.6
TOTAL STATE SPENDING	1,755,961,900	1,871,870,300	1,814,950,100	1,842,586,600	1,847,240,700	91,278,800	5.2
Less:							
Other State Restricted Funds	67,075,600	66,590,000	66,442,400	66,442,400	66,590,000	(485,600)	(0.7)
GENERAL FUND/GENERAL PURPOSE ..	1,688,886,300	1,805,280,300	1,748,507,700	1,776,144,200	1,780,650,700	91,764,400	5.4
PAYMENTS TO LOCALS.....	88,507,700	93,233,300	90,233,300	87,830,400	87,830,400	(677,300)	(0.8)

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

A. PRISON OPERATIONS

1. Additional Prison Beds

Gross	18,326,100
GF/GP	18,326,100

The budget includes \$10,321,300 to add one bunk to each six-bunk open-bay unit for a total of 976 new beds at the following facilities: Cotton, Florence Crane, Gus Harrison, Lakeland, Parnall, Pine River, Riverside, and St. Louis. It also includes \$4,127,000 to add 376 beds at Kinross and Ojibway and \$3,877,800 for full-year funding for partially funded beds added in FY 2004-05 at Camp Lehman and the Oaks Correctional Facility.

2. Food Service

Gross	(2,998,100)
IDG	(2,248,100)
GF/GP	(750,000)

Executive Order 2005-7 closed the Jackson production kitchen at savings of \$720,900 GF/GP in FY 2004-05. This budget recognizes a reduction of \$2,768,100 in production kitchen user fees. The budget includes \$520,000 from an interdepartmental grant from the Department of Community Health for providing food to the Huron Valley Forensic Center. Also, savings of \$750,000 were realized through changing from whole milk to skim milk and eliminating coffee from prisoner food service.

3. Other Prison Operations Adjustments

Gross	9,611,600
Federal	1,000,000
GF/GP	8,611,600

The budget includes \$64,000 to provide funding for higher extradition services costs, \$462,400 for equipment and remodeling costs at Huron Valley, and \$8,085,200 to cover the cost of the salary step increases due to increased staff seniority. The budget also appropriates \$1.0 million from a new Federal Prison Rape Elimination Grant to develop a prison rape prevention program. Finally, Executive Order 2005-7 recognized savings due to contract efficiencies in Hospital and Specialty Care Services provided by a managed care contract for hospital and specialty care. This reduced the year-to-date appropriation by \$1,698,200.

B. FIELD OPERATIONS/COMMUNITY CORRECTIONS

1. Prisoner Reintegration Programs

Gross	9,035,000
Federal	1,035,000
GF/GP	8,000,000

The budget includes a \$1,035,000 Federal Department of Justice Reintegration Grant. The budget also provides an additional \$3.0 million for the Mental Health Re-Entry Program, which will provide community re-entry housing and services for mentally ill offenders. Finally, \$5.0 million will be used to fund eight Re-Entry pilot sites to help improve the success rate of parolees in the community.

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

2. Parole/Probation

The budget includes \$454,900 to account for increased rent in Parole/Probation offices and \$1,097,100 to increase the per diem in probation residential centers from \$43 to \$47.50. Additionally, \$2.0 million is provided to community corrections plans and services from Jail Capacity Grants. The budget also shows a reduction of \$500,000 to reflect historical expenditures.

Gross	3,052,000
GF/GP	3,052,000

C. ADMINISTRATIVE ADJUSTMENTS

The budget includes \$386,800 restored to the Department from a one-time fund shift to Capital Outlay in FY 2004-05. It also provides \$644,400 for computer costs for the Human Resources Optimization Project but reflects savings of \$558,200 realized from the Project in FY 2004-05. Additionally, the budget is reduced by \$400,000 as a result of decreased employee drug testing. The budget includes a reduction of \$17,366,700 from insurance and contract savings. Cuts and increases in various Federal grants resulted in a net decrease of \$1.0 million. Additional administrative changes resulted in a net increase of \$2,020,100. Executive Order 2005-7 consolidated facility business and personnel operations to reduce the FY 2004-05 amount by \$445,600. Business office consolidation occurred at: Mound and Ryan, Kinross and Chippewa, Brooks and Muskegon, and Pine River and St. Louis.

Gross	(16,273,600)
Federal	(1,000,000)
Restricted	(2,823,200)
GF/GP	(12,450,400)

D. PROGRAM REDUCTIONS/ELIMINATIONS

1. Health Care

The budget reduces the Hepatitis C testing and treatment program by \$1.0 million and transfers the remaining \$150,000 to prison health clinics. It also eliminates \$300,000 from the Vaccination program budget.

Gross	(1,300,000)
GF/GP	(1,300,000)

2. Conditional Reintegration Program

Executive Order 2005-7 eliminated the Conditional Reintegration Program (CRP II) at savings of \$3,655,700. The budget recognized a \$1,391,400 loss of participant fees. The program would have put more parolees in correction centers and on electronic tether. The program was eliminated because the eligible population was lower than previously anticipated.

Gross	(1,391,400)
GF/GP	(1,391,400)

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

3. Facility and Center Closures

The budget was reduced by \$3,532,200 due to the closure of the Benton Harbor and Saginaw Correction Centers, which housed low-level offenders placed in the community prior to parole. Declines in pre-Truth in Sentencing offenders reduced the need for these centers. Executive Order 2005-7 closed Mangum Farm, Camp Tuscola, and Camp Sauble to save \$3,141,800 GF/GP in FY 2004-05. This budget reflects a \$228,900 reduction in restricted funds due to the closure. Finally, the budget eliminates partial-year funding for beds at the Egeler reception center at savings of \$3,517,900.

Gross	(7,279,000)
Restricted	(1,340,900)
GF/GP	(5,938,100)

E. FTE ADJUSTMENTS

The budget reduces FTEs by 244.6 to reflect reductions made throughout the Department. Some reductions were a result of Executive Order 2005-7. Part of Executive Order 2005-7 called for security level reductions in Bellamy Creek, Boyer Road, Ojibway, Mound, and Ryan Correctional Facilities, which eliminated 84.5 positions.

FTE	(244.6)
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F. UNCLASSIFIED SALARIES

The appropriation recognizes a \$60,000 transfer for unclassified salaries from the Inmate Housing Fund.

Gross	0
GF/GP	0

G. FUNDING SHIFTS

The budget replaces a \$136,300 Michigan Justice Training Fund interdepartmental grant from the Michigan State Police with GF/GP support due to the elimination of the Jail Services Unit. This Unit reviews jail plans and inspects jails for compliance with statutory and promulgated jail standards, and will be shifted to the Department of Labor and Economic Growth through statutory change. The budget also replaces \$1.0 million GF/GP with additional parole/probation oversight fee revenue, and \$1,093,400 GF/GP with Federal Residential Substance Abuse Treatment (RSAT) funds.

Gross	0
IDG/IDT	(136,300)
Federal	1,093,400
Restricted	1,000,000
GF/GP	(1,957,100)

H. ECONOMIC ADJUSTMENTS

The economic adjustments include 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. The budget also includes \$53,414,200 in order to restore funding to the salary base. This marks the end of savings related to banked leave time from FY 2004-05.

Gross	99,756,700
IDG/IDT	64,000
Federal	93,700
Local	18,100
Restricted	2,678,500
GF/GP	96,902,400

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

I. VETOES

1. Michigan Youth Correctional Facility

The Governor vetoed \$17,840,700 for the Michigan Youth Correctional Facility's management and lease contracts. This private facility is operated by the Geo Group and houses 480 prisoners who are 14 to 19 years of age. This saves \$18,840,700, which includes both the amount vetoed and the appropriation reduction of \$1.0 million created through contract renegotiation and savings.

Gross	(18,840,700)
GF/GP	(18,840,700)

2. Legislative Council

The Governor vetoed \$500,000 for a grant to the Legislative Council to pay for a prison facility evaluation by Standard and Poors.

Gross	(500,000)
GF/GP	(500,000)

**DEPARTMENT OF EDUCATION
P.A. 154 of 2005**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2004-05 YEAR-TO-DATE	FY 2005-06 GOV.'S REC.	FY 2005-06 HOUSE	FY 2005-06 SENATE	FY 2005-06 YEAR-TO-DATE	CHANGES FROM FY 2004-05 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	414.5	422.0	425.0	423.5	423.5	9.0	2.2
GROSS	116,997,200	125,141,800	113,766,800	117,025,940	117,475,600	478,400	0.4
Less:							
Interdepartmental Grants Received.....	1,072,100	0	0	0	0	(1,072,100)	(100.0)
ADJUSTED GROSS	115,925,100	125,141,800	113,766,800	117,025,940	117,475,600	1,550,500	1.3
Less:							
Federal Funds	63,305,000	67,519,400	67,519,400	70,519,400	70,519,400	7,214,400	11.4
Local and Private.....	6,923,400	6,342,600	6,342,600	7,342,600	7,342,600	419,200	6.1
TOTAL STATE SPENDING	45,696,700	51,279,800	39,904,800	39,163,940	39,613,600	(6,083,100)	(13.3)
Less:							
Other State Restricted Funds	19,635,000	23,188,200	23,363,200	23,338,200	23,513,200	3,878,200	19.8
GENERAL FUND/GENERAL PURPOSE ..	26,061,700	28,091,600	16,541,600	15,825,740	16,100,400	(9,961,300)	(38.2)
PAYMENTS TO LOCALS	10,765,100	11,242,000	9,625,000	9,625,000	9,625,000	(1,140,100)	(10.6)

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

A. FEDERAL FUNDING ADJUSTMENTS

The FY 2005-06 budget includes many Federal funding adjustments, including special education funding of alternative assessments, increased Title VI MEAP testing dollars, changes in Title I and Reading First grants, and a new grant to support a longitudinal student data system.

Gross	7,189,600
Federal	7,189,600
GF/GP	0

B. SCHOOL BREAKFAST PROGRAM

Due to increasing costs and numbers of breakfasts served, the FY 2005-06 budget includes an increase of \$1.6 million (all GF/GP) to fully reimburse districts the costs of providing breakfasts.

Gross	1,600,000
GF/GP	1,600,000

C. NEW INITIATIVES

1. Middle School Math Project

The FY 2005-06 budget includes a new \$100,000 program to provide a \$50,000 grant to both Michigan Virtual University and Wayne State University for the provision of teacher professional development for middle school math teachers or for the development or enhancement of middle school math curricula.

Gross	100,000
Restricted	100,000
GF/GP	0

2. New Private Funds Anticipated

Private grants are anticipated for programs to improve student outcomes for special education pupils (\$100,000). Also, \$67,000 in additional grants is expected from the Mott and Robert Wood Johnson Foundations, along with \$25,000 in Federal matching funds for the Michigan After School Partnership Program.

Gross	192,000
Federal	25,000
Private	167,000
GF/GP	0

3. Best Practices in Education Study

The FY 2005-06 budget includes \$350,000 for the State Board of Education to undertake a study on the best practices in State and national education arenas, and to disseminate the information to the Legislature and the Governor.

Gross	350,000
GF/GP	350,000

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

D. PROGRAM REDUCTIONS/ELIMINATIONS

Funding for Wayne State University's Limited License to Instruct Pilot Project was eliminated (\$75,000). Funding for National Board Certification Grants was eliminated (\$100,000). Also, two Federal grants (Urgent School Renovation and Community Service State Grants) are discontinued in the FY 2005-06 budget (\$1,000,000 and \$1,750,000, respectively).

Gross	(2,925,000)
Federal	(2,750,000)
Restricted	(175,000)
GF/GP	0

E. PROGRAM TRANSFERS

The competitive portion of the Michigan School Readiness Program (awarded to non-districts) is transferred out of the Department's budget and into the School Aid budget.

Gross	(12,250,000)
GF/GP	(12,250,000)

F. FTE ADJUSTMENTS

The budget increases classified FTEs by 9.0. The budget increases authorization for 12.0 seasonal FTEs at the Michigan Schools for the Deaf and Blind due to increasing enrollment and transfers 3.0 FTEs to the Department of Labor and Economic Growth due to Executive Order 2005-1, which consolidated administrative hearings and rules functions.

FTE	9.0
Gross	735,700
Federal	735,700
GF/GP	0

G. UNCLASSIFIED SALARIES

Unclassified salaries are not changed from FY 2004-05 levels.

Gross	0
GF/GP	0

H. FUNDING SHIFTS

The Department of Corrections no longer will rent a building at the Michigan School for the Blind former site, thereby eliminating interdepartmental grant revenue in the Department of Education's budget (\$1,072,100). Instead, the revenue source becomes "rent" at the former site.

Gross	0
IDG	(1,072,100)
Restricted	1,072,100
GF/GP	0

I. 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. The numbers shown here include Information Technology economics, and net out economics funded with tobacco settlement dollars (below).

Gross	2,781,800
Federal	2,014,100
Local	235,200
Private	17,000
Restricted	57,000
GF/GP	458,500

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

J. TOBACCO SETTLEMENT REVENUE

A total of \$16,359,300 is appropriated from the Merit Award Trust Fund for FY 2005-06 to help support the Michigan Educational Assessment Program (MEAP), an increase of \$2,674,100 over FY 2004-05, reflecting economics and the additional pilot cost of providing the augmented high school Merit Exam. Future years' costs will grow as all high school students (not just the pilot students) take the Merit Exam.

Gross	2,674,100
Restricted	2,674,100
GF/GP	0

K. OTHER ISSUES

Other issues include \$150,000 in anticipated rent from leasing the buildings previously used by the Department of Corrections; a \$14,700 human resources optimization charge standard across budgets; a reduction of \$91,200 for group insurance and contract savings; and reductions of \$43,300 in miscellaneous areas.

Gross	30,200
Restricted	150,000
GF/GP	(119,800)

L. VETOES

The Governor vetoed a \$350,000 appropriation for a contract with a third party to perform benchmarking training services and provide school district-level written reports.

Gross	0
GF/GP	0

**DEPARTMENT OF ENVIRONMENTAL QUALITY
P.A. 154 of 2005**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2004-05 YEAR-TO-DATE	FY 2005-06 GOV.'S REC.	FY 2005-06 HOUSE	FY 2005-06 SENATE	FY 2005-06 YEAR-TO-DATE	CHANGES FROM FY 2004-05 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	1,564.2	1,565.2	1,560.7	1,567.2	1,567.2	3.0	0.2
GROSS	350,842,200	375,516,300	373,629,500	373,963,800	455,196,000	104,353,800	29.7
Less:							
Interdepartmental Grants Received.....	14,947,000	18,058,300	17,096,900	18,031,100	18,031,100	3,084,100	20.6
ADJUSTED GROSS	335,895,200	357,458,000	356,532,600	355,932,700	437,164,900	101,269,700	30.1
Less:							
Federal Funds	136,232,000	143,969,700	143,088,700	144,062,700	144,062,700	7,830,700	5.7
Local and Private.....	445,900	450,000	450,000	450,000	450,000	4,100	0.9
TOTAL STATE SPENDING	199,217,300	213,038,300	212,993,900	211,420,000	292,652,200	93,434,900	46.9
Less:							
Other State Restricted Funds	173,090,200	182,528,000	183,551,500	180,578,600	260,842,600	87,752,400	50.7
GENERAL FUND/GENERAL PURPOSE ..	26,127,100	30,510,300	29,442,400	30,841,400	31,809,600	5,682,500	21.7
PAYMENTS TO LOCALS	20,151,200	4,575,000	15,547,500	5,988,700	6,288,700	(13,862,500)	(68.8)

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

A. REFINED PETROLEUM PRODUCT CLEANUP PROGRAM

Public Act 390 of 2004 created the Refined Petroleum Fund, transferred the balance of approximately \$60.0 million from the Michigan Underground Storage Tank Financial Assurance Fund to the new Fund, and directed all future revenue from a 7/8-cent-per-gallon environmental regulatory fee on refined petroleum products to the new Fund. The budget includes the initial annual appropriation of \$22.0 million for petroleum-related cleanup projects and an additional \$80.0 million from the balance in the Refined Petroleum Fund for cleanup projects and reimbursements to owners and operators of underground storage tanks for cleanup activities undertaken independently.

Gross	102,000,000
Restricted	102,000,000
GF/GP	0

B. STATE REVOLVING FUND

In FY 2004-05, one-day revenue bonds of \$16.3 million were used instead of General Fund money for the State required match to Federal dollars for the State Water Pollution Control Revolving Fund. Those revenue bonds are not available at the same level for a second fiscal year. The budget increases the General Fund appropriation to support the required match and accept all of the available Federal funding.

Gross	900,000
Restricted	(4,900,000)
GF/GP	5,800,000

C. AQUIFER CONFLICT RESOLUTION PROGRAM

In order to reduce General Fund appropriations, the Aquifer Conflict and Dispute Resolution program will be entirely supported with \$400,000 from the Aquifer Protection Revolving Fund. The budget also directs \$50,000 of this funding to the Department of Agriculture to cover its expenses for aquifer conflict resolution activities involving agricultural wells.

Gross	(250,000)
Restricted	(50,000)
GF/GP	(200,000)

D. LABORATORY BILLING

Instead of providing a separate appropriation for the laboratory testing of samples from cleanup projects and other needs, the laboratory will begin billing other divisions for services provided. Much of the previous appropriation for the laboratory is replaced with an interdepartmental transfer to authorize the payments from department divisions to the laboratory.

Gross	502,000
IDG	3,119,000
Federal	(606,300)
Restricted	(2,010,700)
GF/GP	0

E. NONFERROUS METALLIC MINERAL MINING

Public Act 449 of 2004 created a new permit program for nonferrous metallic mineral mining. The budget includes the initial annual appropriation of the fee revenue for this new program.

FTE	2.0
Gross	200,000
Restricted	200,000
GF/GP	0

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

F. HOUSEHOLD HAZARDOUS WASTE PROGRAM

The budget includes funding from the Clean Michigan Initiative Pollution Prevention Fund to support grants for local units of government to develop a household hazardous waste collection strategy at the municipal level.

Gross	100,000
Restricted	100,000
GF/GP	0

G. REAL-TIME WATER QUALITY MONITORING

The budget includes a grant to Macomb County and St. Clair County to support a real-time water quality monitoring program in the St. Clair watershed. This funding will supplement a grant of \$2.5 million provided for a related project in FY 2002-03. The program is coordinated by the Macomb County Health Department with the purpose of collecting data on the water quality and flow of pollutants to Lake St. Clair.

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

H. CRITICAL DUNE FEES

To offset a reduction of General Fund support, the Director of the Department of Environmental Quality increased the permit fees for projects in critical dune areas. Projects include deck installation, sand removal, building structures, and roadways. The permit fees were increased midway through FY 2004-05 without needing legislative action and the balance of the full-year fund shift is reflected in the budget.

Gross	0
Restricted	84,500
GF/GP	(84,500)

I. PROGRAM REDUCTIONS/ELIMINATIONS

Dam Safety Program

In order to reduce General Fund appropriations, the budget removes funding supporting the dam maintenance activities that the Department of Environmental Quality was providing to the Department of Natural Resources (DNR). The dam maintenance will continue to be carried out by the DNR within its operating budget. The dam safety program was reduced midway through FY 2004-05 and the budget is adjusted to reflect a full year of expenses.

Gross	40,500
GF/GP	40,500

J. PROGRAM TRANSFERS

Administrative Hearings

Executive Order 2005-1 created the State Office of Administrative Hearings and Rules in the Department of Labor and Economic Growth. With this action, positions within the Department of Environmental Quality administrative hearings section were transferred to the new office.

FTE	(4.0)
Gross	0
GF/GP	0

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

K. 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	8,363,100
IDG	99,700
Federal	1,187,600
Private	4,100
Restricted	6,203,400
GF/GP	868,300

L. OTHER ISSUES

The budget makes other adjustments for the removal of supplemental appropriations made in FY 2004-05, the removal of one-time items in FY 2004-05, changes in Federal grants, and reductions in information technology.

FTE	5.0
Gross	(7,751,800)
IDG	(134,600)
Federal	7,249,400
Restricted	(14,124,800)
GF/GP	(741,800)

M. VETOES

The Governor vetoed two special projects totaling \$71,000 from the Environmental Response Fund. A nutrient study on White Lake in Muskegon County had been budgeted \$36,000 and a study on Little Black Creek had been provided \$35,000.

**EXECUTIVE OFFICE
P.A. 146 of 2005**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2004-05 YEAR-TO-DATE	FY 2005-06 GOV.'S REC.	FY 2005-06 SENATE	FY 2005-06 HOUSE	FY 2005-06 YEAR-TO-DATE	CHANGES FROM FY 2004-05 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	74.2	74.2	74.2	74.2	74.2	0.0	0.0
GROSS	5,205,500	5,205,500	5,092,000	5,205,500	5,375,500	170,000	3.3
Less:							
Interdepartmental Grants Received.....	0	0	0	0	0	0	0.0
ADJUSTED GROSS	5,205,500	5,205,500	5,092,000	5,205,500	5,375,500	170,000	3.3
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	5,205,500	5,205,500	5,092,000	5,205,500	5,375,500	170,000	3.3
Less:							
Other State Restricted Funds	0	0	0	0	0	0	0.0
GENERAL FUND/GENERAL PURPOSE..	5,205,500	5,205,500	5,092,000	5,205,500	5,375,500	170,000	3.3
PAYMENTS TO LOCALS	0	0	0	0	0	0	0.0

ECONOMIC ADJUSTMENTS

The Governor did not include any adjustment for the Executive Office in her budget recommendation for FY 2005-06. Pursuant to the Leadership Target Agreement, an overall 3.3% increase was provided to the Executive Office.

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

Gross	170,000
GF/GP	170,000

**HIGHER EDUCATION
P.A. 154 of 2005**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2004-05 YEAR-TO-DATE	FY 2005-06 GOV.'S REC.	FY 2005-06 HOUSE	FY 2005-06 SENATE	FY 2005-06 YEAR-TO-DATE	CHANGES FROM FY 2004-05 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	1.0	1.0	1.0	1.0	1.0	0.0	0.0
GROSS.....	1,711,719,600	1,642,834,100	1,715,388,900	1,706,938,100	1,733,943,900	22,224,300	1.3
Less:							
Interdepartmental Grants Received.....	0	0	0	0	0	0	0.0
ADJUSTED GROSS	1,711,719,600	1,642,834,100	1,715,388,900	1,706,938,100	1,733,943,900	22,224,300	1.3
Less:							
Federal Funds	4,500,000	3,500,000	3,500,000	3,500,000	3,500,000	(1,000,000)	(22.2)
Local and Private.....	0	0	0	0	0	0	0.0
TOTAL STATE SPENDING	1,707,219,600	1,639,334,100	1,711,888,900	1,703,438,100	1,730,443,900	23,224,300	1.4
Less:							
Other State Restricted Funds	85,150,000	146,500,000	166,500,000	146,500,000	153,500,000	68,350,000	80.3
GENERAL FUND/GENERAL PURPOSE ..	1,622,069,600	1,492,834,100	1,545,388,900	1,556,938,100	1,576,943,900	(45,125,700)	(2.8)
PAYMENTS TO LOCALS.....	3,759,100	0	0	3,759,100	3,759,100	0	0.0

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

A. FY 2004-05 BASE FUNDING ISSUES

1. Tuition Restraint Incentive Funding

Gross	(43,008,200)
GF/GP	(43,008,200)

Section 452 of Public Act 237 of 2003 appropriated funds to reward public universities that restrained their tuition in both academic years 2003-04 and 2004-05. During ongoing budget discussions, the decision was made to decouple 2003-04 tuition restraint from 2004-05 tuition restraint, and Section 452 was repealed. Separate criteria were used to determine compliance for each academic year and these criteria were included in Public Act 352 of 2004, signed into law on September 30, 2004. Public Act 352 of 2004 provided \$43,008,200 as a reward for tuition restraint in academic year 2003-04 but due to the timing of the bill signing, these funds were not paid out until FY 2004-05. The FY 2004-05 base funding for university operations should be adjusted to reflect the \$43.0 million as base funding for FY 2003-04.

2. Executive Order 2005-7

Gross	(13,794,200)
GF/GP	(13,794,200)

When Executive Order (EO) 2005-7 was negotiated in early 2005, there was an agreement to restore \$25.1 million of the Higher Education EO reduction and \$4.9 million of the Community College EO reduction if sufficient revenue became available. Public Act 11 of 2005 included two triggers for the restoration of the funds:

- a) If the May 2005 consensus revenue estimate for FY 2004-05 combined GF/GP and School Aid Fund revenue was higher than the January 2005 consensus revenue estimate, then an amount up to \$30.0 million would be appropriated for State community colleges and universities. The revenue estimate did increase and \$13,794,200 was appropriated, on a pro-rata basis, for university operations.

- b) If funds were not fully restored in May, and if there is an unreserved GF/GP balance at the close of FY 2004-05, then an amount, not to exceed a total of \$30.0 million, would be appropriated for State community colleges and universities. Although the final book-closing is not expected until December 2005, it is estimated that sufficient revenue will be available to fully restore the EO 2005-7 college and university reductions. This would mean an additional appropriation of \$11,286,200 for universities and \$2,213,800 for community colleges.

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

B. ACROSS-THE-BOARD INCREASE FOR UNIVERSITY OPERATIONS

Gross	2,500,000
GF/GP	2,500,000

The FY 2005-06 appropriation includes an across-the-board \$2.5 million allocation based on each university's post-EO 2005-7 Operations line item. The amounts range from \$22,200 for Lake Superior State University to \$561,200 for the University of Michigan - Ann Arbor and the numbers for all 15 universities are displayed in Table 1, column 3.

C. SENATE FUNDING FLOOR

Gross	6,900,000
GF/GP	6,900,000

The budget reinstates the floor funding concept by providing a minimum of \$3,650 per fiscal-year-equated student (FYES). Total 2003-04 FYES for each university, the most recent actual data available, are used as the basis for calculation. Three universities – Grand Valley, Oakland, and Saginaw Valley – received a total of \$6.9 million. Due to funding constraints, the floor funding amount for Grand Valley was limited to approximately half of the \$6.9 million total floor funding.

D. HOUSE FUNDING MODEL

Gross	6,951,700
GF/GP	6,951,700

The budget includes partial funding, in the months of July and August, for a model that distributes dollars to the universities based on FYES enrollment, number and types of degrees granted, and research activity. The model limits the amount of research funding that any one university may receive and includes hold-harmless provisions for two universities that would lose money under the House calculations.

E. PROGRAM TRANSFERS

Gross	NA
GF/GP	NA

Executive Order 2005-7 (item A2 above) eliminated \$5.6 million in Higher Education funding for the Joseph F. Young, Sr. Psychiatric Research and Training Program but the program functions were transferred to the Department of Community Health.

F. MIDWESTERN HIGHER EDUCATION COMPACT DUES

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

Public Act 195 of 1990 allowed Michigan to join the Midwestern Higher Education Compact, whose purpose is to provide better Higher Education opportunities and services in the Midwestern region. The work of the Compact is financed through annual member state dues and foundation grants. The Governor vetoed the dues payment in FY 2003-04 and did not recommend it for FY 2004-05 or FY 2005-06. The Legislature included annual dues payments of \$82,500 for each of the fiscal years 2003-04 and 2004-05 in the FY 2004-05 appropriation. The FY 2004-05 appropriation of \$165,000 was reduced in FY 2005-06 to reflect payment for only one year at a new higher rate of \$90,000.

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

G. STATE COMPETITIVE SCHOLARSHIPS

Federal funds for State Competitive Scholarships, which are need-based grants for students who perform well on the American College Test (ACT), are reduced by \$1.0 million. A \$3.0 million fund shift from State GF/GP to the Michigan Higher Education Assistance Authority Operating Fund is new for FY 2005-06. Total FY 2005-06 funding is \$34,630,500 of which \$2.0 million is Federal revenue and \$3.0 million is State restricted revenue.

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

H. PROGRAM REDUCTION: MICHIGAN TUITION GRANT PROGRAM

The Governor recommended elimination of this need-based grant program for students attending Michigan independent colleges and universities, and the Legislature wished to keep the program intact. As part of the FY 2005-06 budget negotiations, the Michigan Tuition Grant Program was reduced by \$3.0 million to \$58,768,100. State GF/GP support for the program was reduced by \$7.0 million due to the use of \$4.0 million in unspent FY 2004-05 Tuition Grant funds that are carried forward into FY 2005-06. The intent is that the appropriation will allow an individual grant maximum amount of at least \$2,000 for FY 2005-06. Section 302(3) of the appropriation act requires the Michigan Higher Education Assistance Authority to report to the Legislature and the State Budget Director by December 15, 2005, if it estimates that additional funds are necessary to establish a grant maximum of \$2,000.

Gross	(3,000,000)
Restricted	4,000,000
GF/GP	(7,000,000)

I. TOBACCO SETTLEMENT REVENUE

1. Nursing Scholarship and Grant Programs

The \$4.0 million in funding for the Program is maintained but the previous name of the line item, "Nursing Scholarship Program," is changed to "Nursing Scholarship and Grant Programs" to reflect the potential for expansion of the purposes of the funding.

Gross	66,750,000
Restricted	61,350,000
GF/GP	5,400,000

2. Michigan Merit Award Program

There were no policy changes in the Program for the class of 2005 but the appropriation was increased by \$65.0 million over the prior year to reflect full-year funding of \$126.4 million. Full-year funding had not been required for the last two years due to accounting changes.

3. Tuition Incentive Program (TIP)

Due to an increase in TIP students attending college, an additional \$1.75 million is required for FY 2005-06. TIP 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. TIP pays for two years of community college and up to an additional \$2,000 for study at a four-year institution. There was also a change in the TIP fund sources for FY 2005-06: of the \$12.0 million total TIP appropriation, \$6.6 million is from the Merit Award Trust Fund and \$5.4 million is State GF/GP; TIP had previously been funded completely from the Merit Award Trust Fund.

J. TUITION RESTRAINT

Section 436 of the act outlines the FY 2005-06 tuition restraint policy, which is legislative intent that if a university increases its resident undergraduate tuition and required fees from academic year 2004-05 to 2005-06, then it also must increase its student financial aid expenditures by the same percentage.

Table 1: FY 2005-06 Higher Education Appropriations in Public Act 154 of 2005

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	FY 2004-05 Post EO 2005-7 Year-to-Date	2004-05 Approp Per Student*	Across the Board Funding of \$2,500,000	Senate Funding Floor of \$3,650	House Funding Model	Midwest Compact; Finan. Aid Adjustments	FY 2005-06 Public Act 154 of 2005	\$ Change From 2004-05	% Change From 2004-05	2005-06 Approp Per Student*
UNIVERSITIES										
Central	78,507,600	3,661	139,800	0	1,414,500		80,061,900	1,554,300	2.0%	3,733
Eastern	75,938,400	3,878	135,300	0	66,900		76,140,600	202,200	0.3%	3,889
Ferris	48,108,900	4,653	85,700	0	440,100		48,634,700	525,800	1.1%	4,704
Grand Valley	56,887,300	3,072	101,300	3,108,500	1,032,800		61,129,900	4,242,600	7.5%	3,302
Lake Superior	12,462,100	4,447	22,200	0	22,000		12,506,300	44,200	0.4%	4,463
Michigan State	282,466,900	8,289	503,200	0	760,200		283,730,300	1,263,400	0.4%	8,320
Michigan Tech	47,867,400	7,918	85,300	0	66,100		48,018,800	151,400	0.3%	7,943
Northern	44,971,500	5,415	80,100	0	0		45,051,600	80,100	0.2%	5,425
Oakland	47,261,300	3,462	84,200	2,484,300	855,900		50,685,700	3,424,400	7.2%	3,713
Saginaw Valley	25,681,200	3,467	45,700	1,307,200	465,700		27,499,800	1,818,600	7.1%	3,713
UM-Ann Arbor	315,030,900	8,104	561,200	0	776,400		316,368,500	1,337,600	0.4%	8,139
UM-Dearborn	24,256,400	3,754	43,200	0	439,600		24,739,200	482,800	2.0%	3,828
UM-Flint	20,855,200	4,263	37,100	0	10,800		20,903,100	47,900	0.2%	4,273
Wayne State	214,284,600	8,665	381,700	0	0		214,666,300	381,700	0.2%	8,681
Western	108,900,500	4,349	194,000	0	600,700		109,695,200	794,700	0.7%	4,381
Ag Experiment Station (AES)	33,163,800						33,163,800	0	0.0%	
Cooperative Extension (CES)	28,604,300						28,604,300	0	0.0%	
Higher Education Database	200,000						200,000	0	0.0%	
Midwest Higher Ed Compact	165,000					(75,000)	90,000	(75,000)	-45.5%	
King-Chavez-Parks	2,691,500						2,691,500	0	0.0%	
TOTAL UNIVERSITIES	1,468,304,800	5,870	2,500,000	6,900,000	6,951,700	(75,000)	1,484,581,500	16,276,700	1.1%	5,936
Merit Award Trust Fund	9,500,000		0	0	0	0	9,500,000	0	0.0%	
State GF/GP	1,458,804,800		2,500,000	6,900,000	6,951,700	(75,000)	1,475,081,500	16,276,700	1.1%	
GRANTS & FINANCIAL AID										
Competitive Scholarships	35,630,500					(1,000,000)	34,630,500	(1,000,000)	-2.8%	
Tuition Grants	61,768,100					(3,000,000)	58,768,100	(3,000,000)	-4.9%	
Work Study	7,326,300						7,326,300	0	0.0%	
Part-time Independent	2,653,300						2,653,300	0	0.0%	
Ed.Opportunity 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	4,000,000						4,000,000	0	0.0%	
Michigan Merit Award Program	61,400,000					65,000,000	126,400,000	65,000,000	105.9%	
Tuition Incentive Program(TIP)	10,250,000					1,750,000	12,000,000	1,750,000	17.1%	
TOTAL FINANCIAL AID	186,612,400		0	0	0	62,750,000	249,362,400	62,750,000	33.6%	
Federal	4,500,000		0	0	0	(1,000,000)	3,500,000	(1,000,000)	-22.2%	
Merit Award Trust Fund	75,650,000		0	0	0	61,350,000	137,000,000	61,350,000	81.1%	
MHEAA/Carry-Forward	0		0	0	0	7,000,000	7,000,000	7,000,000	na	
State GF/GP	106,462,400		0	0	0	(4,600,000)	101,862,400	(4,600,000)	-4.3%	
TOTAL HIGHER ED	1,654,917,200		2,500,000	6,900,000	6,951,700	62,675,000	1,733,943,900	79,026,700	4.8%	
TOTAL FEDERAL	4,500,000		0	0	0	(1,000,000)	3,500,000	(1,000,000)	-22.2%	
TOTAL STATE RESTRICTED	85,150,000		0	0	0	68,350,000	153,500,000	68,350,000	80.3%	
TOTAL STATE GF/GP	1,565,267,200		2,500,000	6,900,000	6,951,700	(4,675,000)	1,576,943,900	11,676,700	0.7%	

* FY 2003-04 Fiscal-Year-Equated Students; MSU's calculation includes funding for AES and CES.

**DEPARTMENT OF HISTORY, ARTS, AND LIBRARIES
P.A. 157 of 2005**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2004-05 YEAR-TO-DATE	FY 2005-06 GOV.'S REC.	FY 2005-06 SENATE	FY 2005-06 HOUSE	FY 2005-06 YEAR-TO-DATE	CHANGES FROM FY 2004-05 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	232.0	232.0	232.0	232.0	232.0	0.0	0.0
GROSS	59,121,400	56,178,900	52,983,300	55,565,800	53,219,100	(5,902,300)	(10.0)
Less:							
Interdepartmental Grants Received.....	139,000	149,700	139,000	399,700	649,700	510,700	367.4
ADJUSTED GROSS	58,982,400	56,029,200	52,844,300	55,166,100	52,569,400	(6,413,000)	(10.9)
Less:							
Federal Funds	10,815,900	8,218,300	8,218,300	8,218,300	8,218,300	(2,597,600)	(24.0)
Local and Private.....	577,400	577,400	577,400	577,400	577,400	0	0.0
TOTAL STATE SPENDING	47,589,100	47,233,500	44,048,600	46,370,400	43,773,700	(3,815,400)	(8.0)
Less:							
Other State Restricted Funds	2,412,400	4,082,700	2,583,600	4,082,700	2,583,600	171,200	7.1
GENERAL FUND/GENERAL PURPOSE ..	45,176,700	43,150,800	41,465,000	42,287,700	41,190,100	(3,986,600)	(8.8)
PAYMENTS TO LOCALS	17,563,400	17,863,400	15,543,100	17,518,600	15,280,600	(2,282,800)	(13.0)

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

A. BOOK DISTRIBUTION CENTERS

Gross	22,500
GF/GP	22,500

The budget includes an increase for this grant program. Two organizations receive these funds for the distribution of books donated by publishers to eligible recipients. The total appropriation for FY 2005-06 is \$350,000.

B. FILM OFFICE

Gross	43,900
GF/GP	43,900

The budget includes an increase for this line bringing the total appropriation in FY 2005-06 to \$174,700. This office is charged with bringing more film and television productions into Michigan by working with production companies to provide staffing support and site locations.

C. MACKINAC ISLAND

Gross	500,000
IDG	500,000

The budget includes a new interdepartmental grant from the Department of Transportation for road maintenance on the island. This funding was vetoed by the Governor in the Transportation budget.

D. PROGRAM REDUCTIONS/ELIMINATIONS

1. Michigan Council for Arts and Cultural Grants

Gross	(1,942,900)
GF/GP	(1,942,900)

The budget includes a reduction for this grant program. These grants are provided competitively to arts organizations, including museums, playgroups, and artists around the State. The gross appropriation for FY 2005-06 is \$9,828,400.

2. Wayne County Library for the Blind and Physically Handicapped

Gross	(44,800)
GF/GP	(44,800)

The budget eliminates the supplemental funding for this library.

3. State Aid to Libraries

Gross	(1,500,000)
GF/GP	(1,500,000)

The budget reduces the funding that is used to support the library system in the State by 11.3%. All eligible libraries receive State funding for operational costs. This reduction is specified to be taken only in the State Aid grants, maintaining the Cooperative Libraries at the current-year funding level of \$4,649,800. State Aid grants will be funded at \$7,177,300.

4. Freedom Trail Commission

Gross	(24,700)
GF/GP	(24,700)

The budget includes a 50.0% reduction in funding for this commission, which works to preserve the heritage of the antislavery movement and the Underground Railroad in Michigan.

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

5. Educational Programs

The budget includes the reduction of \$200,000 previously used for Michigan history curriculum and \$100,000 from the Library of Michigan for educational programs conducted around the State.

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

E. 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 1,559,000
IDG 10,500
Federal 67,000
Restricted 168,400
GF/GP 1,313,100

F. OTHER ISSUES

The budget contains various adjustments including Federal fund sources, Human Resources Optimization program changes, and a base adjustment to the unclassified salary line item.

Gross (3,125,300)
IDG 200
Federal (2,664,600)
Restricted 2800
GF/GP (463,700)

G. VETOES

1. Preservation and Access for Michigan

The Legislature included and the Governor vetoed \$481,800 for this grant program, which awarded funding on a competitive basis to local libraries for digitization of special collections. The Governor had recommended eliminating funding for this program, but the Legislature reinstated it at 50.0% of the previous year's funding.

Gross (965,000)
GF/GP (965,000)

2. Historical Grants

The Legislature included and the Governor vetoed funding for this program at the FY 2004-05 level. The Governor had recommended eliminating funding for the program. The program provided grant funding on a competitive basis to local historical societies for local projects, including capital improvements, restorations, research, education, and publications.

Gross (100,000)
GF/GP (100,000)

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

3. Michigan History Day

The Legislature included and the Governor vetoed funding for this program at the FY 2004-05 level. The Governor had recommended eliminating funding for the program. This program provided funding to local school districts to compete in a history competition, patterned after National History Day.

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

4. Lighthouse Preservation Grants

The Legislature included and the Governor vetoed \$25,000 for these grants, which were eliminated in Executive Order 2005-7. These grants were available for the preservation of lighthouses around the State or to transfer them from Federal to private ownership.

Gross	0
GF/GP	0

**DEPARTMENT OF HUMAN SERVICES
P.A. 147 of 2005**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2004-05 YEAR-TO-DATE	FY 2005-06 GOV.'S REC.	FY 2005-06 SENATE	FY 2005-06 HOUSE	FY 2005-06 YEAR-TO-DATE	CHANGES FROM FY 2004-05 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	10,302.0	10,250.0	10,201.3	10,153.5	10,281.0	(21.0)	(0.2)
GROSS	4,293,195,000	4,428,975,200	4,374,452,700	4,249,869,200	4,427,975,000	134,780,000	3.1
Less:							
Interdepartmental Grants Received.....	1,084,400	1,109,800	1,109,800	1,094,800	2,439,200	1,354,800	124.9
ADJUSTED GROSS	4,292,110,600	4,427,865,400	4,373,342,900	4,248,774,400	4,425,535,800	133,425,200	3.1
Less:							
Federal Funds	3,062,602,900	3,189,359,700	3,173,213,200	3,093,050,500	3,213,153,000	150,550,100	4.9
Local and Private.....	82,779,700	61,507,900	53,426,800	57,007,700	59,994,800	(22,784,900)	(27.5)
TOTAL STATE SPENDING	1,146,728,000	1,176,997,800	1,146,702,900	1,098,716,200	1,152,388,000	5,660,000	0.5
Less:							
Other State Restricted Funds	70,321,400	70,394,200	70,394,200	70,357,700	71,176,100	854,700	1.2
GENERAL FUND/GENERAL PURPOSE ..	1,076,406,600	1,106,603,600	1,076,308,700	1,028,358,500	1,081,211,900	4,805,300	0.4
PAYMENTS TO LOCALS	188,458,500	174,650,400	173,786,700	172,843,100	90,607,800	(97,850,700)	(51.9)

A. TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)

The Federal welfare reform block grant, created by the Personal Responsibility and Work Opportunity Act of 1996, provides support for poor and low-income families through work incentives, such as employment placement and training opportunities and other related state incentive programs. The five-year Federal authorization expired at the end of FY 2001-02 and the authorization was extended 11 times through December 3, 2005. The reduction of welfare caseloads over the past eight years allowed for a cost shift from General Fund/General Purpose (GF/GP) to TANF until FY 2002-03, when an overestimate of TANF funds resulted in a number of fund source shifts and program reductions in the FY 2003-04, FY 2004-05, and FY 2005-06 budget assumptions to adjust TANF spending.

The State receives a basic grant allotment of \$775,353,000. The State is allowed to carry forward any unspent block grant funds from the previous year. It is estimated that Michigan will have \$843,845,900 in TANF funds to spend in FY 2005-06, approximately 26.3% of the appropriated Federal funding for the Department of Human Services (DHS). The funds are appropriated in the State budgets for the DHS, the Department of Labor and Economic Growth (DLEG), and the Department of Community Health (DCH). Each year, states are required to maintain spending for qualified state expenditures of at least 80% (or 75% if a state meets Federal work participation requirements) of the state's historic expenditure level. Michigan meets the work participation requirements, is required to spend at least \$468,518,400 in State funds, and may count State General Fund (GF) spending for FY 2005-06 in the following State departments toward meeting this requirement: DHS, DCH, Education, and Transportation. The DHS appropriation assumes use of TANF funds in FY 2005-06 to include continuation of FY 2004-05 spending and the adjustments described below.

1. Family Independence Program (FIP)

The appropriation includes a projected FIP caseload increase of 2,000 to an average of 79,000 cases and assumes an increase in the cost per case of \$1 to an average of \$419 per month. An increase in the school clothing allowance funding of \$2.50 to approximately \$45.50 per eligible child is included. The budget reflects a FIP self-sufficiency intensive pilot project, placing 22 new Department workers in six counties to review, identify, and address barriers to employment, resulting in \$300,000 Gross, GF/GP savings.

FTEs	22.0
Gross	2,917,500
Federal	2,017,500
GF/GP	900,000

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

2. Day Care Services

The budget reflects a reduction of 2,000 cases in the average caseload to 65,800 cases and no change in the average cost of \$605 per case per month. A policy change to institute a 30-day waiting period for new low-income families applying for cost reimbursement is included for estimated savings of \$21.0 million Gross, \$10.0 million GF/GP, generating \$11.0 million TANF savings for use elsewhere in the budget. The appropriation includes a reduction of \$1,814,200 Gross, GF/GP to achieve needed savings and an increase of \$6.1 million Gross, \$0 GF/GP in the expectation that additional Child Care and Development Fund dollars will be available.

Gross	(12,933,400)
Federal	(11,119,200)
GF/GP	(1,814,200)

3. Other Issues

The appropriation of employment and training TANF funds is increased by \$300,000 for the Fatherhood Initiative; \$250,000 for the Marriage Initiative; and \$250,000 for the Community Services Block Grant appropriation for competitive grants to organizations for programs combining Earned Income Tax Credit education with building strong marriage, fatherhood, or parenting skills for low-income individuals. The appropriation for the Michigan Housing and Community Development Fund, to fund the development and coordination of public and private sources intended to meet the housing needs of low-income families, is eliminated for savings of \$2.0 million in TANF funds. The domestic violence services appropriation is reduced by \$75,000 for Barry County services. The Strong Families/Safe Children administrative rate is reduced from 15% to 10%, \$700,000 TANF funds savings to be used to offset GF/GP dollars in other budget areas. A fund shift of \$3,653,500 TANF is used to offset GF dollars in the Child Care Fund and a shift of \$1,745,300 for homeless shelter contracts reflects an increase in claims against TANF funds.

Gross	(3,675,000)
Federal	23,800
GF/GP	(3,698,800)

B. CHILD AND FAMILY SERVICES

1. Adoption and Foster Care

The appropriation includes an increase of 1,000 cases in the Adoption Subsidies caseload for an average of 26,300 cases. The out-of-state Foster Care is increased by 115 to 7,000 average cases, and the Wayne County Foster Care caseload is decreased by 1,015 to 3,600 average cases. An increase of \$1,233,000 Gross, \$568,400 GF/GP is appropriated for a specialized foster care rate increase for providers that received a reimbursement of less than \$34 per day, and an increase of \$20,000 Gross, GF/GP is appropriated for a study on the impact of smoking and related health risks in households of foster care providers. The appropriation includes a \$2.4 million Gross, GF/GP increase for the Child Care Fund services provided by counties to

Gross	(14,220,200)
Federal	(14,697,600)
Local	(3,021,000)
GF/GP	3,498,400

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

foster and delinquent community cases. The budget reflects a reduction of nine out of 10 temporary adoption caseworker positions for savings of \$219,500 Gross, \$101,000 GF/GP; temporary positions are not included in the appropriated authorization for FTE positions. The Department will implement new strategies to reduce the cost of foster care caseloads, for savings of \$12,821,600 Gross, \$5.0 million GF/GP.

2. Juvenile Justice Services

The appropriation for State Juvenile Justice facility operations is reduced by \$9,486,300 Gross, \$4,599,500 GF/GP reflecting anticipated efficiencies in operation. The Federal Juvenile Accountability Incentive Block Grant is reduced by \$3,757,900 Gross, \$441,500 GF/GP to reflect the actual FY 2004-05 award and by \$1,957,000 Gross, \$57,000 GF/GP for the anticipated level of the FY 2005-06 award. The appropriation includes \$235,000 in the Juvenile Justice Day Program appropriation for a pilot program to facilitate the re-entry of juvenile offenders into the community. The State facilities' appropriations are rolled into three appropriation lines: high-, medium-, and low-security levels, The Community Juvenile Justice Centers line title is revised to Juvenile Justice Day Program. An increase in community support services of \$150,000 Gross, GF/GP is appropriated for increased Department of Corrections' charges for electronic tethering services.

Gross	(14,208,200)
Federal	(6,933,400)
Local	(2,865,700)
GF/GP	(4,409,100)

C. CHILD SUPPORT ENFORCEMENT

The budget includes reduced funding authority of \$12,320,000 Gross, \$3,766,000 GF/GP in anticipated lower contract costs for the child support distribution system (CSDS); approximately 69% of the savings are appropriated in the information technology unit. The appropriation includes a reduction of \$5,596,600 Gross, \$1,231,400 GF/GP in Friend of the Court funding for legal support contracts for increased GF savings. A funding shift of \$1,691,000 in retained Child Support Incentive Payments for GF savings is appropriated. The budget reflects increases of \$17.8 million Gross, \$0 GF/GP for fixes and improvements in the Michigan Child Support Enforcement System (MiCSES) and \$497,100 Gross, \$0 GF/GP for the administration of a child support arrearage settlement program, creating a new appropriation line. The appropriation includes \$1,530,800 Gross, \$1.0 million GF/GP to match local Friend of the Court services through legal support contracts and to make payments to county prosecutors for related legal services.

Gross	13,069,600
Federal	5,094,500
Restricted	6,980,800
GF/GP	944,300

D. INFORMATION TECHNOLOGY

The interdepartmental transfer to the Department of Information Technology for DHS reflects consolidated DHS information technology services and projects. This appropriation line includes an increase of \$278,300 Gross, \$113,600 GF/GP for Human Resource Optimization hardware and

Gross	2,898,900
Federal	3,448,500
Local	(549,600)
GF/GP	

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

software costs for the data systems enhancement appropriation. The appropriation includes a reduction of \$3,879,400 Gross, \$2,239,000 GF in contracts for security adjustments and administrative overhead. The child support incentives restricted funds of \$2,674,200 replace GF dollars in the child support automation appropriation. Approximately \$8.5 million Gross, \$4.25 million GF/GP of the CSDS savings is appropriated to support county office caseworkers' relief and integrated services delivery efforts that will reduce the need for additional staff. The client services system and data system enhancement appropriation lines are rolled into the information technology services and projects line.

E. OTHER STATE ASSISTANCE

The appropriation includes a caseload increase of 100 to 11,500 cases and a monthly cost-per-case decrease of \$3 to \$251 per case for the State Disability Assistance (SDA) Program; the reduction of \$159,100 results in GF/GP savings. The budget reflects a projected caseload increase of 2,200 to 222,400 cases for the State supplement to Supplemental Security Income (SSI) recipients and an increase of 60 cents to \$59.50 per case in the cost per case. The appropriation includes an SSI Advocacy Program that increases SSI eligibility establishment for SDA recipients in order to convert them to SSI recipients, resulting in GF savings.

FTEs	10.0
Gross	1,341,000
Restricted	4,883,300
GF/GP	(3,492,300)

F. FEDERALLY FUNDED PROGRAMS

The budget includes increases in the Food Assistance Program of 88,700 to 526,800 cases and \$14.23 to \$192.79 in the monthly cost per case, reflecting a 2.88% cost-of-living increase. The appropriation includes an increase of \$291,100 Gross, \$0 GF/GP in Federal authorization for an anticipated increase in eligibility determination services for people who are attempting to make Federal claims. The budget reflects an increase of \$2,749,200 Gross, \$0 GF/GP in Federal weatherization program authorization outlined in the FY 2004-05 State spending plan. Other appropriated increases in Federal funds include \$900,100 Gross, \$0 GF/GP for the Nutrition Education Program; \$660,700 Gross, \$0 GF/GP for the domestic violence grant; \$708,700 Gross, \$0 GF/GP for education vouchers to the youth-in-transition program; \$291,100 Gross, \$0 GF/GP for disability determination operations; and \$203,200 Gross, \$0 GF/GP to restore demonstration projects funding authority in order to obtain available funds for new programs, including privately funded projects.

FTEs	(3.0)
Gross	108,091,500
Federal	108,018,300
Private	73,200
GF/G	0

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

G. PROGRAM REDUCTIONS/ELIMINATIONS

Gross	235,500
GF/G	235,500

A 2.2% reduction is appropriated in the Food Stamp reinvestment line, a decrease in the expenditure of State funds based on the State plan to improve efficient and accurate program performance and the Federal government's forgiveness of State penalties, if the DHS successfully achieves a Federally mandated error rate. The appropriation for the indigent burial services reimbursement for burial, cemetery, and vault services includes a net 2.3% rate reduction.

H. PROGRAM TRANSFERS

Gross	250,000
GF/GP	250,000

The appropriation includes a transfer of \$250,000 Gross, GF/GP for Volunteer Investment Grants from the State Department of Labor and Economic Growth (DLEG) to the volunteer services and reimbursement appropriation; the DLEG grant program, the funding of which went to the United Way to encourage volunteer activities, was eliminated in FY 2004-05. The outstationed eligibility workers appropriation and the associated 29.0 FTE positions are rolled into the Local Office Staff and Operations field staff salaries and wages appropriation line.

I. FTE ADJUSTMENTS

FTEs	(71.0)
Gross	5,125,400
IDG	1,329,400
Federal	4,142,100
GF/GP	(346,100)

The appropriation reflects a reduction of 17.0 FTE positions in the Department's central office, eliminating 3.0 human resource optimization office positions, 11.0 personnel management assistants, and 3.0 personnel management analysts. A reduced authorization is appropriated for regional zone offices of 31.0 FTEs and \$832,100 Gross, \$461,900 GF/GP. The appropriation includes an increase of 12.0 FTEs and \$2,658,900 Gross, \$0 GF/GP for a new policy that includes an assets test for caretaker relatives, new applicants, and current cases at the time of case review, in order to qualify for Medicaid coverage. The budget reflects a reduction of 35.0 average FTE positions, reflecting what can be supported by the appropriation.

J. FUNDING SHIFTS

Gross	0
IDG	(4,600)
Federal	27,188,000
Local	(17,826,900)
Private	(1,123,800)
Restricted	(11,011,900)
GF/GP	2,779,200

An increase in Federal funds shifts spending from local and private dollars based on anticipated foster care claims from local governments and increases funding adjustments in private donated funds for local office operations.

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

K. ECONOMIC ADJUSTMENTS

The economic adjustment amount includes a 5% restoration increase for FY 2004-05 applied to salaries and wages. Other standard economic factors are applied to retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets.

Gross	56,456,400
IDG	30,000
Federal	34,693,400
Local	1,767,700
Private	211,600
Restricted	52,500
GF/GP	19,701,200

L. OTHER ISSUES

The appropriation includes an increase of \$50,000 to \$100,000 Gross, GF/GP for the MiCAFE program, which provides access to food services for elderly Michigan residents. A reduction in the contractual services, supplies, and materials appropriation of \$2,771,200 Gross, \$777,200 GF/GP is appropriated. The budget includes a \$150,000 Gross, GF/GP reduction in the wage employment verification line and a \$100,000 Gross, GF/GP reduction in the office of Professional Development. The appropriation includes savings of \$7,547,800 Gross, \$8,216,000 GF/GP from 1) an eligibility project operated by the Department's Office of Inspector General that targets error-prone FIP cases for prior investigations on eligibility recertification or initial application approval, and 2) contract and information technology reductions throughout the Department's budget.

FTEs	21.0
Gross	(10,519,000)
Federal	(1,325,800)
GF/GP	(9,193,200)

M. VETOES

The Governor vetoed Section 423(3), which provided \$50,000 for food stamp error rate projects, \$25,000 in Muskegon County and \$25,000 in Kent County. The veto message also indicates that an amendment in Section 273, which imposed limitations on the Department's rule-making authority, was in violation of the State Constitution, Article 4, Sections 24 and 25, and was unenforceable.

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

**DEPARTMENT OF INFORMATION TECHNOLOGY
P.A. 146 of 2005**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2004-05 YEAR-TO-DATE	FY 2005-06 GOV.'S REC.	FY 2005-06 SENATE	FY 2005-06 HOUSE	FY 2005-06 YEAR-TO-DATE	CHANGES FROM FY 2004-05 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	1,756.4	1,760.4	1,760.4	1,760.4	1,760.4	4.0	0.2
GROSS.....	353,858,400	373,405,100	389,104,000	367,505,200	365,194,400	11,336,000	3.2
Less:							
Interdepartmental Grants Received.....	353,858,400	373,405,100	389,104,000	367,505,200	365,194,400	11,336,000	3.2
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 2005-06 Change From
FY 2004-05 Year-to-Date**

A. DEPARTMENT OF HUMAN SERVICES (DHS)

The budget includes funding for two new projects for the DHS: \$5.5 million for an Integrated Service Delivery Project and \$3.0 million for a Caseworker Relief Project. Both projects are expected to reduce the need for additional DHS staff. The budget also includes an increase of \$428,000 based on actual billings to the Department for information technology (IT) costs.

Gross	8,928,000
IDG	8,928,000
GF/GP	0

B. MANAGEMENT AND BUDGET E-PROCUREMENT PROJECT

Funding is included for application development and implementation of an e-Procurement System. The goals of the system include: providing an online statewide marketplace that reaches out to small, minority, and woman-owned businesses; providing a user-friendly, Internet-based purchasing system with automated workflows and operational efficiencies for buyers and suppliers; and providing streamlined reporting capabilities. This new system is a major part of the Department of Management and Budget's plan to reduce contract costs by \$30.0 million in FY 2005-06.

Gross	1,150,000
IDG	1,150,000
GF/GP	0

C. HUMAN RESOURCES OPTIMIZATION PROJECT

This project (having a total cost of \$4.5 million capitalized over three years) includes hardware, software, and development costs. The Human Resources Optimization Project was implemented in FY 2004-05. The project consolidates and standardizes certain human resource transactions throughout State government. Fiscal Year 2004-05 savings from the project totaled \$2.0 million and projected savings for FY 2005-06 total \$1.2 million. Through FY 2008-09, the project is estimated to have cumulative savings of \$25.0 million.

Gross	1,520,000
IDG	1,520,000
GF/GP	0

D. PROGRAM REDUCTIONS/ELIMINATIONS

1. Program Reductions

Reductions include \$328,300 based on consulting savings, maintaining vacancies, delaying replacement of equipment, application maintenance delays, and sharing server space, and \$330,000 in overhead and security reductions.

Gross	(658,300)
IDG	(658,300)
GF/GP	0

2. Contract and Group Insurance Savings

Pursuant to the Leadership Agreement, the budget includes reductions of \$372,800 based on lower-than-anticipated insurance costs, and \$7,837,900 based on contract savings.

Gross	(8,210,700)
IDG	(8,210,700)
GF/GP	0

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

E. PROGRAM TRANSFERS

The budget includes the transfer of 4.0 FTE positions and \$342,800 from the Department of State Police to the Department of Information Technology (2.0 FTEs related to system security and 2.0 FTE developer/trainer positions involved with the Public Safety Communications System).

FTE	2.0
Gross	342,800
IDG	342,800
GF/GP	0

F. ECONOMIC ADJUSTMENTS

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, rent, workers' compensation, and building occupancy charges consistent with factors applied to all budgets, including restoration of FY 2004-05 amounts associated with banked leave time. No economics were included for salary and retirement costs associated with the FY 2005-06 Civil Service cost-of-living adjustment.

Gross	8,800,100
IDG	8,800,100
GF/GP	0

G. OTHER ISSUES

1. Current Costs/Available Revenue

The budget includes \$716,900 to reflect actual costs of software licenses and server maintenance for the Department of Corrections. Technical changes for the Department of State Police include \$400 in available Law Enforcement Information Network (LEIN) fees to support the LEIN system. Adjustments for the Department of Community Health (DCH) include \$335,900 in Federal WIC funds to expand electronic benefits transfer compatibility and \$400,000 in Health Professions Regulatory Fee revenue based on actual costs. The DCH budget also includes a \$100 placeholder for an upgrade to the Medicaid Information System. If the DCH identifies the necessary matching funds, corresponding Federal Medicaid revenue will be available at a 90/10 match rate.

Gross	1,453,300
IDG	1,453,300
GF/GP	0

2. Other Changes

Other adjustments include the reduction of \$1,247,700 to match IT appropriations contained in other budgets, and \$741,500 in adjustments related to Executive Order 2005-7 and FY 2004-05 supplemental appropriations.

Gross	(1,989,200)
IDG	(1,989,200)
GF/GP	0

**JUDICIARY
P.A. 149 of 2005**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2004-05 YEAR-TO-DATE	FY 2005-06 GOV.'S REC.	FY 2005-06 SENATE	FY 2005-06 HOUSE	FY 2005-06 YEAR-TO-DATE	CHANGES FROM FY 2004-05 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	582.5	582.5	509.0	509.0	509.0	(73.5)	(12.6)
GROSS.....	255,436,700	257,728,800	253,464,500	254,816,300	255,381,900	(54,800)	(0.0)
Less:							
Interdepartmental Grants Received.....	4,633,500	2,563,500	2,563,500	2,563,500	2,563,500	(2,070,000)	(44.7)
ADJUSTED GROSS	250,803,200	255,165,300	250,901,000	252,252,800	252,818,400	2,015,200	0.8
Less:							
Federal Funds	4,015,600	3,933,900	3,909,000	3,933,900	3,926,400	(89,200)	(2.2)
Local and Private.....	4,140,600	4,308,500	4,177,300	4,308,500	4,261,600	121,000	2.9
TOTAL STATE SPENDING	242,647,000	246,922,900	242,814,700	244,010,400	244,630,400	1,983,400	0.8
Less:							
Other State Restricted Funds	85,099,700	86,935,000	87,004,400	87,022,500	87,015,900	1,916,200	2.3
GENERAL FUND/GENERAL PURPOSE ..	157,547,300	159,987,900	155,810,300	156,987,900	157,614,500	67,200	0.0
PAYMENTS TO LOCALS.....	123,214,400	124,962,500	122,962,500	123,462,500	123,762,500	548,100	0.4

		FY 2005-06 Change From FY 2004-05 Year-to-Date	
A. JUSTICES' AND JUDGES' COMPENSATION		Gross	417,600
		GF/GP	417,600
	The budget includes net full-year funding adjustments related to changes in the number of Circuit and Probate Court judgeships, projected increases in defined contribution and FICA costs for judges, and costs associated with the conversion of two part-time probate judgeships to full-time status.		
B. STATE COURT ADMINISTRATIVE OFFICE		Gross	120,000
		Restricted	120,000
		GF/GP	0
	The budget recognizes \$120,000 additional State restricted funds available from the 2003 judicial fee increases due to increased case filings.		
C. INDIGENT CIVIL LEGAL ASSISTANCE		Gross	600,000
		Restricted	600,000
		GF/GP	0
	The budget recognizes additional State restricted funds available from the 2003 judicial fee increases due to increased case filings, increasing funding for Indigent Civil Legal Assistance from \$7,337,000 to \$7,937,000.		
D. COURT OF APPEALS FEES		Gross	62,500
		Restricted	62,500
		GF/GP	0
	Due to the delayed sunset on certain fee increases for the Court of Appeals as well as increased collection of other fee revenue, funding is increased by \$62,500.		
E. PROGRAM REDUCTIONS/ELIMINATIONS			
1. Federal Grant Reduction		Gross	(2,185,300)
		IDG	(2,070,000)
		Federal	(115,300)
		GF/GP	0
	Funding is decreased by \$2,185,300 due to adjustments to three Federal grants. The \$2,015,000 interdepartmental grant from the Michigan State Police and \$115,300 Federal grant from the National Highway Traffic Safety Program that supported the development of the Statewide Telecommunications Network are eliminated due to completion of the project. The interdepartmental grant from the Department of Labor and Economic Growth that funds Work First programs for noncustodial parents through local Friend of the Court offices was reduced from \$95,000 to \$40,000.		
2. Office Rent/Lease Changes		Gross	(10,800)
		GF/GP	(10,800)
	The budget reflects net rent savings lease adjustments.		

		FY 2005-06 Change From FY 2004-05 Year-to-Date	
3. Contract and Group Insurance Savings		Gross	(373,400)
		GF/GP	(373,400)
	Pursuant to the Leadership Agreement, the budget includes reductions based on lower-than-anticipated insurance costs and contract savings.		
F. FTE ADJUSTMENTS		FTE	(73.5)
	The budget reduces FTE positions based on attrition and budget reductions over recent years.		
G. FUNDING SHIFTS			
1. Trial Court Operations		Gross	300,000
		Restricted	3,651,200
		GF/GP	(3,351,200)
	The Governor proposed using increased State restricted revenue from the 2003 judicial fee increases to replace \$2,151,200 in GF/GP funds for Court Equity Fund Reimbursements as well as to increase the total appropriation for Trial Court Operations by \$1.5 million. The Conference Committee used the restricted revenue to reduce GF/GP support by an additional \$1.2 million from the Governor's recommendation, leaving a net increase of \$300,000.		
2. Drug Treatment Courts		Gross	100,000
		Restricted	232,200
		GF/GP	(132,200)
	Increased State restricted revenue from the 2003 judicial fee increases is used to replace \$132,200 in GF/GP funds for drug courts and to increase the total appropriation for the line by \$100,000, resulting in an FY 2005-06 appropriation of \$4,735,000.		
H. ECONOMIC ADJUSTMENTS		Gross	3,134,600
		Federal	26,100
		Local	121,000
		Restricted	16,300
		GF/GP	2,971,200
	The Governor recommended economic adjustments including standard economic factors applied to salaries and wages, retirement, insurance, rent, workers' compensation, and building occupancy charges consistent with factors applied to all budgets, including restoration of FY 2004-05 amounts associated with banked leave time. No economics were included for salary and retirement costs associated with the FY 2005-06 Civil Service cost-of-living adjustment. The Conference Committee reduced the \$1,496,900 included by the Governor for restoration of funds related to FY 2004-05 employee concessions by \$861,000.		
I. OTHER ISSUES		Gross	(2,220,000)
		Restricted	(2,766,000)
		GF/GP	546,000
	Other changes include adjustments related to FY 2004-05 supplemental appropriations (Public Acts 11 and 109 of 2005).		

**DEPARTMENT OF LABOR AND ECONOMIC GROWTH
P.A. 156 of 2005**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2004-05 YEAR-TO-DATE	FY 2005-06 GOV.'S REC.	FY 2005-06 SENATE	FY 2005-06 HOUSE	FY 2005-06 YEAR-TO-DATE	CHANGES FROM FY 2004-05 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	4,256.5	4,351.5	4,354.5	4,266.5	4,351.5	95.0	2.2
GROSS.....	1,253,871,000	1,485,921,100	1,389,766,800	1,271,714,700	1,273,315,300	19,444,300	1.6
Less:							
Interdepartmental Grants Received.....	515,200	10,022,400	10,022,400	489,700	10,822,400	10,307,200	2,000.6
ADJUSTED GROSS	1,253,355,800	1,475,898,700	1,379,744,400	1,271,225,000	1,262,492,900	9,137,100	0.7
Less:							
Federal Funds	836,607,200	842,527,600	842,527,600	852,527,600	842,527,600	5,920,400	0.7
Local and Private.....	19,809,700	19,728,800	19,728,800	19,728,800	19,728,800	(80,900)	(0.4)
TOTAL STATE SPENDING	396,938,900	613,642,300	517,488,000	398,968,600	400,236,500	3,297,600	0.8
Less:							
Other State Restricted Funds	303,202,600	539,793,800	429,712,200	327,989,500	329,882,200	26,679,600	8.8
GENERAL FUND/GENERAL PURPOSE ..	93,736,300	73,848,500	87,775,800	70,979,100	70,354,300	(23,382,000)	(24.9)
PAYMENTS TO LOCALS.....	25,112,000	65,519,700	67,471,400	59,318,600	50,012,400	24,900,400	99.2

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

A. INCREASES IN SPENDING AUTHORITY

1. Low Income Energy Efficiency Assistance

The budget includes an increase in restricted funding spending authority to support this program. This program provides grants to various organizations and the Department of Human Services to help provide utility shutoff protection and other energy-related financial assistance for low-income customers and to promote energy efficiency.

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

2. Federal Funding

Various Federal funding sources were increased to reflect more accurately the level of Federal funds that will be available for FY 2005-06. These increases include \$2,172,500 in Workforce Investment Act funds for the Regional Skills Alliance Program, \$1.0 million in Federal Department of Energy funds for Energy Grants, \$3.0 million in Adult Education funding, and \$10.0 million for Michigan State Housing Development Authority Payments on Behalf of Tenants.

Gross	16,172,500
Federal	16,172,500
GF/GP	0

B. OFFICE OF FIRE SAFETY

Fire Inspection Program

The budget includes a new interdepartmental grant from the Department of State Police, Homeland Security Funds to support the Fire Inspection Program. This funding is contingent upon a waiver from the Federal government to use these dollars for this program.

Gross	800,000
IDG	800,000
GF/GP	0

C. CHILDREN'S PROTECTION REGISTRY ADMINISTRATION

Pursuant to Public Act 241 of 2004, this new office is created under the Michigan Public Service Commission.

FTE	2.0
Gross	250,000
Restricted	250,000
GF/GP	0

D. INCREASES FOR REGULATORY ACTIVITY

The budget includes increases for staff and restricted funding to support additional examinations of regulated institutions in the Office of Financial Institutions, and for Security Businesses, Prepaid Funerals, Boiler Inspections, Elevator Inspections, and Boxing Regulation under the Occupational Regulation unit.

FTE	16.0
Gross	2,660,000
Restricted	2,660,000
GF/GP	0

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

E. PROGRAM REDUCTIONS/ELIMINATIONS

1. Job Creation Services

Gross (2,760,000)
GF/GP (2,760,000)

The budget includes a GF/GP reduction to this line item in the Michigan Strategic Fund budget. Programs funded in this line include but are not limited to the Travel Bureau, Business Development Program, International Development Program, and Account Management Program.

2. Strategic Fund Administration

Gross (500,000)
GF/GP (500,000)

The budget includes a GF/GP reduction to this agencywide administrative line item.

3. Contract and Insurance Savings

Gross (494,200)
GF/GP (494,200)

The budget includes GF/GP reductions to numerous staffing line items to reflect renegotiated amounts for group insurance and contracts.

F. PROGRAM TRANSFERS

1. State Office of Administrative Hearings and Rules

FTE 83.0
Gross 9,532,700
IDG 9,532,700
GF/GP 0

Pursuant to Executive Order 2005-1, the budget includes transfers of staff and funding from all departments that performed administrative hearings.

2. Michigan Virtual University

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

This grant was transferred into the School Aid budget.

3. Wine Industry Council

Gross (457,200)
Restricted (457,200)
GF/GP 0

This grant was transferred into the Department of Agriculture budget.

G. FTE ADJUSTMENTS

FTE (6.0)

These reductions eliminate unfunded FTE positions in the Michigan Strategic Fund.

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

H. 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	25,673,100
IDG	3,600
Federal	12,867,700
Private	3,600
Local	68,600
Restricted	11,053,500
GF/GP	1,676,100

I. TOBACCO SETTLEMENT REVENUE

The budget does not include any funding for the Technology Tri-Corridor: Life Sciences Initiative. This program will be addressed with the proposed Securitization package.

Gross	(30,000,000)
Restricted	(10,000,000)
GF/GP	(20,000,000)

J. OTHER ISSUES

The budget includes various fund source and other technical adjustments.

Gross	(5,432,600)
IDG	(29,100)
Federal	(23,119,800)
Private	(153,100)
Restricted	18,173,300
GF/GP	(303,900)

**LEGISLATURE
P.A. 146 of 2005**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2004-05 YEAR-TO-DATE	FY 2005-06 GOV.'S REC.	FY 2005-06 SENATE	FY 2005-06 HOUSE	FY 2005-06 YEAR-TO-DATE	CHANGES FROM FY 2004-05 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	N/A	N/A	N/A	N/A	N/A	N/A	N/A
GROSS	126,731,900	126,731,900	125,064,100	125,909,900	129,731,900	3,000,000	2.4
Less:							
Interdepartmental Grants Received.....	1,801,500	1,801,500	2,301,500	1,801,500	2,301,500	500,000	27.8
ADJUSTED GROSS	124,930,400	124,930,400	122,762,600	124,108,400	127,430,400	2,500,000	2.0
Less:							
Federal Funds	0	0	0	0	0	0	0.0
Local and Private.....	400,000	400,000	400,000	400,000	400,000	0	0.0
TOTAL STATE SPENDING	124,530,400	124,530,400	122,362,600	123,708,400	127,030,400	2,500,000	2.0
Less:							
Other State Restricted Funds	2,356,500	2,356,500	2,356,500	2,356,500	2,356,500	0	0.0
GENERAL FUND/GENERAL PURPOSE ..	122,173,900	122,173,900	120,006,100	121,351,900	124,673,900	2,500,000	2.0
PAYMENTS TO LOCALS	0	0	0	0	0	0	0.0

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

Gross	500,000
IDG	500,000
GF/GP	0

A. CORRECTIONAL FACILITIES EVALUATION

The Legislature included an interdepartmental grant from the Department of Corrections to the Legislative Auditor General to fund a contract for an evaluation of correctional facilities. Section 615 of the boilerplate expresses legislative intent that the Legislative Auditor General contract with Standard and Poors for an evaluation and comparison of each correctional facility including but not limited to its physical plant, staffing, programming, security levels, and costs. However, the Governor vetoed the funding for this evaluation in the Department of Corrections budget (Public Act 154 of 2005). Therefore, while the Legislature has the authorization to receive funding from the Department of Corrections, no funding is available from the Department of Corrections for this purpose.

B. ECONOMIC ADJUSTMENTS

Gross	2,500,000
GF/GP	2,500,000

The Governor did not include any adjustment for the Legislature in her budget recommendation for FY 2005-06. Pursuant to the Leadership Target Agreement, an overall 2.0% General Fund increase was provided to the Legislature.

**DEPARTMENT OF MANAGEMENT AND BUDGET
P.A. 146 of 2005**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2004-05 YEAR-TO-DATE	FY 2005-06 GOV.'S REC.	FY 2005-06 SENATE	FY 2005-06 HOUSE	FY 2005-06 YEAR-TO-DATE	CHANGES FROM FY 2004-05 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	725.0	745.0	745.0	745.0	745.0	20.0	2.8
GROSS	213,255,400	233,146,800	231,941,900	227,699,800	231,914,100	18,658,700	8.7
Less:							
Interdepartmental Grants Received.....	143,276,700	153,786,800	153,785,400	152,490,700	153,786,800	10,510,100	7.3
ADJUSTED GROSS	69,978,700	79,360,000	78,156,500	75,209,100	78,127,300	8,148,600	11.6
Less:							
Federal Funds	444,600	0	0	444,600	0	(444,600)	(100.0)
Local and Private.....	0	0	0	0	0	0	0.0
TOTAL STATE SPENDING	69,534,100	79,360,000	78,156,500	74,764,500	78,127,300	8,593,200	12.4
Less:							
Other State Restricted Funds	33,793,500	42,909,400	42,909,400	40,484,900	42,909,400	9,115,900	27.0
GENERAL FUND/GENERAL PURPOSE ..	35,740,600	36,450,600	35,247,100	34,279,600	35,217,900	(522,700)	(1.5)
PAYMENTS TO LOCALS	0	0	0	0	0	0	0.0

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

A. E-PROCUREMENT SYSTEM

The budget includes positions and funding to develop an e-Procurement System. The system will reduce costs by increasing competition in the bidding process, improve purchasing workflow and oversight, and improve data collection for reporting purposes. Of the total appropriation, \$1,150,000 will be transferred to the Department of Information Technology.

FTE	3.0
Gross	1,450,000
Restricted	1,450,000
GF/GP	0

B. RETIREMENT BUSINESS CONTINUITY/DISASTER PLANNING BACKUP

The budget includes funding from Pension Trust Funds to hire external consultants to develop and implement a Disaster Recovery/Business Continuity Plan for the State retirement systems. Funding will support development of the plan, collection of data, training, application recovery plans, and testing.

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

C. BUILDING OPERATION SERVICES

Adjustments include net private rental adjustments of \$349,300, a reduction of \$1.5 million related to the State's purchase of Constitutional Hall and replacing private services with 4.0 FTEs (State employees), a \$10,140,000 net adjustment for Cadillac Place related to rent restructuring, \$604,500 in rental payments from a private tenant in the One Division Building (Grand Rapids), savings of \$180,000 in security guard services related to the installation of high-speed gates in parking ramps, and 5.0 FTEs and savings of \$65,000 related to in-sourcing a portion of the contract for maintenance of building energy controls and central monitoring systems.

FTE	9.0
Gross	9,348,800
IDG	9,348,800
GF/GP	0

D. PROGRAM REDUCTIONS/ELIMINATIONS

1. ID Mail Runs/Consolidations

The Department will reduce funding for transportation services related to interdepartmental (ID) mail by examining existing mail routes and either reducing the number of daily deliveries or eliminating mail routes in outlying areas where postage cost would be less than the cost of ID runs. The Department will also look at opportunities to expand participation by local units and schools to reduce State costs.

Gross	(337,800)
GF/GP	(337,800)

2. Information Technology

The Governor included \$194,100 in savings related to information technology reductions. The Senate reduced General Fund support for information technology by 2% (\$288,800) from the Governor's recommended level of funding. The enacted version of the budget maintains the Governor's recommended level of funding.

Gross	(194,100)
GF/GP	(194,100)

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

3. Contract and Group Insurance Savings

Pursuant to the Leadership Agreement, the budget includes reductions of \$200,500 based on lower-than-anticipated insurance costs, and \$891,500 based on contract savings.

Gross (1,092,000)
GF/GP (1,092,000)

4. Other Reductions

Adjustments include the reduction of 1.0 FTE/\$68,100 due to ongoing savings from the Human Resources Optimization Project, elimination of the amounts related to FY 2004-05 supplemental appropriation bills (\$1,188,000), and a \$280,000 reduction in professional development funds resulting from collective bargaining agreements. Pursuant to the Leadership Target Agreement, an additional \$140,700 in program reductions was included for the Department.

FTE (1.0)
Gross (1,811,200)
IDG (280,000)
Restricted (587,400)
GF/GP (943,800)

E. PROGRAM TRANSFERS

Michigan State Fair

Pursuant to Public Act 468 of 2004, the State Fair is transferred to the Department of Management and Budget from the Department of Agriculture.

FTE 9.0
Gross 5,486,100
Restricted 5,486,100
GF/GP 0

F. ECONOMIC ADJUSTMENTS

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, rent, workers' compensation, and building occupancy charges consistent with factors applied to all budgets, including restoration of FY 2004-05 amounts associated with banked leave time. No economics were included for salary and retirement costs associated with the FY 2005-06 Civil Service cost-of-living adjustment.

Gross 5,294,200
IDG 1,783,000
Restricted 1,480,900
GF/GP 2,030,300

G. OTHER ISSUES

Other adjustments include \$14,700 related to the Department's share of the Human Resources Optimization Project cost, funding source adjustments related to the Statewide Cost Allocation Plan, and the consolidation of certain funding sources.

Gross 14,700
IDG (341,700)
Federal (444,600)
Restricted 786,300
GF/GP 14,700

**DEPARTMENT OF MILITARY AND VETERANS AFFAIRS
P.A. 145 of 2005**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2004-05 YEAR-TO-DATE	FY 2005-06 GOV.'S REC.	FY 2005-06 SENATE	FY 2005-06 HOUSE	FY 2005-06 YEAR-TO-DATE	CHANGES FROM FY 2004-05 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	1,016.0	1,016.0	1,016.0	1,016.0	1,016.0	0.0	0.0
GROSS.....	116,547,600	117,858,500	117,890,800	118,258,500	117,699,400	1,151,800	1.0
Less:							
Interdepartmental Grants Received.....	1,642,500	1,256,800	1,656,800	1,656,800	1,656,800	14,300	0.9
ADJUSTED GROSS	114,905,100	116,601,700	116,234,000	116,601,700	116,042,600	1,137,500	1.0
Less:							
Federal Funds	50,851,400	49,537,200	49,537,200	49,537,200	49,537,200	(1,314,200)	(2.6)
Local and Private.....	1,282,300	1,355,800	1,355,800	1,355,800	1,355,800	73,500	5.7
TOTAL STATE SPENDING	62,771,400	65,708,700	65,341,000	65,708,700	65,149,600	2,378,200	3.8
Less:							
Other State Restricted Funds	26,114,800	27,360,500	27,360,500	27,360,500	27,360,500	1,245,700	4.8
GENERAL FUND/GENERAL PURPOSE ..	36,656,600	38,348,200	37,980,500	38,348,200	37,789,100	1,132,500	3.1
PAYMENTS TO LOCALS.....	120,000	50,000	120,000	120,000	120,000	0	0.0

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

A. PROGRAM INCREASES OR ADJUSTMENTS

1. Training Sites

The FY 2005-06 Military and Veterans Affairs budget includes additional Federal funds for maintenance and operations of State military training sites (\$2.0 million) and Headquarters and Armories (\$200,000).

Gross	2,200,000
Federal	2,200,000
GF/GP	0

2. Homeland Security Funds

Under the FY 2005-06 budget, the Department is to receive additional Federal Homeland Security grant funds for training and equipment to be provided via a pass-through grant from the Department of State Police.

Gross	600,000
IDG	600,000
GF/GP	0

3. Family Relief Fund

The budget includes funding for a new program, created by Public Acts 363 and 364 of 2004, which is designed to assist families of those in military service. The fund source is donations from Michigan taxpayers who designate contributions on their Michigan tax returns.

Gross	750,000
Restricted	750,000
GF/GP	0

4. Military Retirement

The budget includes additional GF/GP funding to pay for FY 2005-06 estimated costs of Michigan National Guard and Michigan Air Guard retirement payments, pursuant to Public Act 150 of 1967.

Gross	131,000
GF/GP	131,000

5. Starbase Grant

The budget includes additional Federal funds available to the Starbase educational program for elementary school students for additional job responsibilities of the State's Starbase Director.

Gross	40,000
Federal	40,000
GF/GP	0

6. Veterans Homes

The budget includes additional Medicaid/Medicare revenue (\$128,000) available for the D.J. Jacobetti Veterans Home and additional Private fund donations (\$40,000) for the Grand Rapids Veterans Home.

Gross	168,000
Federal	128,000
Private	40,000
GF/GP	0

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

7. Increase Adjustments

The budget includes an increase of \$14,700 to reflect human resources optimization and \$15,000 to reflect increased National Guard participation in security for the annual Mackinac Bridge Walk event.

Gross	29,700
Federal	5,500
Restricted	19,000
GF/GP	5,200

B. PROGRAM REDUCTIONS/ELIMINATIONS

1. Closure of Armories

The FY 2005-06 Military and Veterans Affairs budget includes savings associated with the closure of State-owned National Guard armories. The armories cited for closure are the Charlotte, Lansing Maintenance, Manistique, Menominee, Saginaw, and Three Rivers Armories.

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

2. National Guard Tuition Program

The budget includes a reduction in necessary GF/GP expenditures for the program due to a new Federal educational program that helps to pay for Army National Guard tuitions.

Gross	(200,000)
GF/GP	(200,000)

3. Technology Adjustments

The budget contains a reduction of \$57,800 Federal to reflect technology cost distribution and a reduction of \$13,900 GF/GP as a result of Department of Information Technology rate changes.

Gross	(71,700)
Federal	(57,800)
GF/GP	(13,900)

4. Insurance and Contractual Savings

The budget includes additional GF/GP reductions from various budget lines reflecting savings from lower costs for insurance and contractual obligations.

Gross	(559,100)
GF/GP	(559,100)

5. Adjustment for FY 2004-05 Supplemental Appropriations and Executive Order

An adjustment is made for Executive Order 2005-07, which reduced the FY 2004-05 budget by \$714,100; supplemental appropriations contained in Public Act 11 of 2005, which added \$3,115,000; and supplemental appropriations in Public Act 109 of 2005, which added \$3,433,300.

Gross	(5,834,200)
IDG	(600,000)
Federal	(5,433,300)
Restricted	(515,000)
GF/GP	714,100

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

Gross	4,198,100
IDG	14,300
Federal	1,803,400
Private	33,500
Restricted	991,700
GF/GP	1,355,200

C. ECONOMIC ADJUSTMENTS

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

**DEPARTMENT OF NATURAL RESOURCES
P.A. 154 of 2005**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2004-05 YEAR-TO-DATE	FY 2005-06 GOV.'S REC.	FY 2005-06 HOUSE	FY 2005-06 SENATE	FY 2005-06 YEAR-TO-DATE	CHANGES FROM FY 2004-05 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	2,070.5	2,078.2	2,048.2	2,069.5	2,073.5	3.0	0.1
GROSS.....	268,646,100	272,499,100	275,399,100	272,540,800	272,943,100	4,297,000	1.6
Less:							
Interdepartmental Grants Received.....	3,528,700	3,691,200	3,691,200	3,691,200	3,691,200	162,500	4.6
ADJUSTED GROSS	265,117,400	268,807,900	271,707,900	268,849,600	269,251,900	4,134,500	1.6
Less:							
Federal Funds	40,009,200	38,990,200	38,990,200	38,990,200	38,990,200	(1,019,000)	(2.5)
Local and Private.....	2,024,300	2,090,100	2,090,100	2,090,100	2,090,100	65,800	3.3
TOTAL STATE SPENDING	223,083,900	227,727,600	230,627,600	227,769,300	228,171,600	5,087,700	2.3
Less:							
Other State Restricted Funds	194,582,200	201,194,300	205,023,000	201,828,400	202,578,400	7,996,200	4.1
GENERAL FUND/GENERAL PURPOSE ..	28,501,700	26,533,300	25,604,600	25,940,900	25,593,200	(2,908,500)	(10.2)
PAYMENTS TO LOCALS.....	21,481,100	27,729,600	27,729,600	28,313,100	28,662,500	7,181,400	33.4

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

A. OFF-ROAD VEHICLE GRANTS

The statute creating the Off-Road Vehicle (ORV) Trail Improvement Fund provides specific percentages of the revenue to the Fund that must be used for grants, trail improvement and restoration activities, enforcement, and administration. Due to a fund shift in law enforcement that increases the appropriation from the ORV Trail Improvement Fund for conservation officers, the amount available for trail improvement and enforcement grants is also increased to maintain the statutory spending formula.

Gross	982,900
Restricted	982,900
GF/GP	0

B. CAPTIVE CERVIDAE LICENSING AND INSPECTION

The budget increases the funding for licensing and inspection of captive cervidae facilities. An audit of the facilities in 2004 revealed violations of fencing, animal tracking, and paperwork requirements. With the threat of chronic wasting disease (CWD) nearby, the additional funds will be used to address the violations and prevent the introduction of CWD in the Michigan captive and wild cervidae populations.

Gross	115,800
GF/GP	115,800

C. PURCHASED LAND PAYMENTS IN LIEU OF TAXES

The State makes payments in lieu of taxes on land purchased by the Department of Natural Resources. Until 2009, the amount of each payment is based on the value of property in 2004 and the number of mills assessed in 2004. In order to meet reduced estimates for General Fund revenue, the appropriation for these payments is reduced. The actual reduction will be \$700,000, twice the General Fund reduction, since statutory provisions require that at least 50% of the aggregate payments be supported with General Fund dollars. The reduction will be prorated over all of the payments statewide.

Gross	(350,000)
GF/GP	(350,000)

D. SCHOOL AID FUND PAYMENTS IN LIEU OF TAXES

Statutory changes in 2004 specified that school-related mills assessed on land owned by the Department of Natural Resources will be paid from the State School Aid Fund beginning in FY 2005-06. That funding is provided in the School Aid budget instead of the natural resources operating budget. The change will not affect the amount of the payments made to local units of government or schools.

Gross	(2,400,000)
Restricted	(1,200,000)
GF/GP	(1,200,000)

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

E. STATE GAME AREA MAINTENANCE

Many maintenance activities on State game areas are multiyear projects. For this reason, this funding has been included in the capital outlay budget for many years. Since these activities are coordinated by the Department with other land management responsibilities, the FY 2005-06 budget moves this funding back to the operating budget for administrative efficiencies.

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

F. GENERAL FUND REDUCTIONS

The annual revenue to the General Fund has been declining for several years and reductions to programs supported with General Fund dollars are continuing. This budget includes incremental reductions to General Fund appropriations for fire outreach services, aerial photography, mapping, and booths at State and local fairs.

Gross	(293,000)
GF/GP	(293,000)

G. PROGRAM REDUCTIONS/ELIMINATIONS

General Law Enforcement

In order to meet declining General Fund revenue estimates, the appropriation for law enforcement activities is reduced. The Department will implement the reduction by revising responsibilities of conservation officers. While they have general law enforcement authority similar to that of State Police troopers, the conservation officers will focus almost exclusively on enforcement of game and wildlife laws and will address other law violations only in severely limited circumstances.

Gross	(691,100)
GF/GP	(691,100)

H. FUNDING SHIFTS

1. General Law Enforcement

To reduce further the General Fund appropriation for the Department, the budget offsets a reduction with \$300,000 from the Off-Road Vehicle Trail Improvement Fund and \$300,000 from the Snowmobile Registration Fee Fund. This fund shift will focus the responsibilities of conservation officers on ORV and snowmobile laws and away from general law violations.

Gross	0
Restricted	600,000
GF/GP	(600,000)

2. Forest Fire Protection

The budget includes a shift from the General Fund to the Forest Development Fund for forest fire protection activities. The fund shift should not have an impact on the ability of the Department's fire-fighting personnel to address fires on State or private forest land.

Gross	0
Restricted	350,000
GF/GP	(350,000)

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

I. 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	10,130,500
IDG	129,300
Federal	1,182,100
Private	65,800
Restricted	8,142,300
GF/GP	611,000

J. OTHER ISSUES

The budget makes other adjustments for the removal of supplemental appropriations made in FY 2004-05, the removal of one-time items in FY 2004-05, incremental changes in Federal grants, reductions in information technology services, and the addition of FTEs for timber marking.

FTE	3.5
Gross	(3,497,300)
IDG	33,200
Federal	(2,201,100)
Restricted	(1,179,000)
GF/GP	(150,400)

**SCHOOL AID
P.A. 155 of 2005**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2004-05 YEAR-TO-DATE	FY 2005-06 GOV.'S REC.	FY 2005-06 HOUSE	FY 2005-06 SENATE	FY 2005-06 YEAR-TO-DATE	CHANGES FROM FY 2004-05 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	N/A	N/A	N/A	N/A	N/A	N/A	N/A
GROSS	12,467,062,300	12,808,781,900	12,783,178,500	12,736,578,650	12,757,151,300	290,089,000	2.3
Less:							
Interdepartmental Grants Received.....	0	0	0	0	0	0	0.0
ADJUSTED GROSS	12,467,062,300	12,808,781,900	12,783,178,500	12,736,578,650	12,757,151,300	290,089,000	2.3
Less:							
Federal Funds	1,353,540,100	1,389,587,300	1,392,587,300	1,389,587,300	1,392,587,300	39,047,200	2.9
Local and Private.....	0	0	0	0	0	0	0.0
TOTAL STATE SPENDING	11,113,522,200	11,419,194,600	11,390,591,200	11,346,991,350	11,364,564,000	251,041,800	2.3
Less:							
Other State Restricted Funds	10,948,322,200	11,398,994,600	11,294,171,100	11,276,595,150	11,301,850,000	353,527,800	3.2
GENERAL FUND/GENERAL PURPOSE ..	165,200,000	20,200,000	96,420,100	70,396,200	62,714,000	(102,486,000)	(62.0)
PAYMENTS TO LOCALS	11,053,272,600	11,356,594,600	11,236,288,100	11,274,967,950	11,341,913,100	288,640,500	2.6

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

A. NON-DURANT DEBT SERVICE PAYMENTS

These payments return to the full amount after two years of much-lowered payments due to refinancing of the obligation.

Gross	34,820,000
Restricted	0
GF/GP	34,820,000

B. SCHOOL BOND LOAN FUND DEBT SERVICE PAYMENTS

The appropriation to make payments to the School Bond Loan Fund on behalf of local and intermediate school districts is increased in accordance with the increase of the debt service payments on those bonds.

Gross	3,400,000
Restricted	3,400,000
GF/GP	0

C. DISCRETIONARY PAYMENT

Funding for this line item is increased to reflect the \$175 per-pupil increase in the basic foundation allowance for FY 2005-06, increasing the basic foundation allowance to \$6,875 per pupil. In addition, the \$15.0 million supplemental payment to the Detroit Public Schools is not included in the FY 2005-06 appropriation.

Gross	274,536,800
Restricted	274,536,800
GF/GP	0

D. PAYMENT IN LIEU OF TAXES (PILT) REIMBURSEMENT

A new line item is added to reimburse local and intermediate school districts as well as community colleges that lose local revenue due to PILT. If the appropriation is insufficient to pay the obligations fully, payments must be prorated on an equal basis among the recipients.

Gross	2,400,000
Restricted	0
GF/GP	2,400,000

E. SCHOOL LUNCH – STATE AND FEDERAL

The State portion of funding for this line item is increased by \$1.4 million to pay for higher lunch costs. The Federal portion of funding is raised by \$17,190,000 due to the increase in the allotment of Federal funds to the State.

Gross	18,590,000
Restricted	1,400,000
Federal	17,190,000
GF/GP	0

F. DETROIT TRANSITION GRANT

A new line item is added to provide for a one-time grant to the Detroit Public Schools to aid in the district's transition back to having an elected school board.

Gross	7,000,000
Restricted	7,000,000
GF/GP	0

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

G. SPECIAL EDUCATION – STATE AND FEDERAL

The State portion of funding for this line item is increased by \$59.5 million to account for taxable value, pupil estimate, and special education program cost changes. The Federal portion of funding is increased by \$16.0 million according to the increased allotment of Federal funds to the State.

Gross	75,500,000
Restricted	59,500,000
Federal	16,000,000
GF/GP	0

H. LENDING LIBRARY

A new line item is added to provide funding for a lending library to be located at Central Michigan University to provide special education assessment tools to local and intermediate school districts across the State.

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

I. CENTER FOR EDUCATIONAL PERFORMANCE AND INFORMATION (CEPI) – STATE AND FEDERAL

The State portion of funding is increased by \$500,000 while the Federal portion is raised by nearly \$1.5 million according to the increased allotment of Federal funds to the State. The increased Federal funds support the development of a K-12 longitudinal student data tracking system.

Gross	1,996,900
Restricted	0
Federal	1,496,900
GF/GP	500,000

J. COMPETITIVE MATH GRANTS

A new line item is added to provide funding for intermediate school districts estimated to receive \$10 per pupil for students enrolled in grades 6 to 8. The additional funds must be used to improve pupil performance on the MEAP mathematics assessments and to help meet adequate yearly progress (AYP) requirements for mathematics.

Gross	3,850,000
Restricted	3,850,000
GF/GP	0

K. PROGRAM REDUCTIONS/ELIMINATIONS

1. Proposal A Obligation Payment. This line item is reduced for FY 2005-06 to reflect changes in pupil estimates, taxable value estimates, and consensus revenue estimates.

Gross	(156,000,000)
Restricted	(156,000,000)
GF/GP	0

2. Freedom to Learn. The State portion of funding was reduced by the Legislature from \$3.7 million to \$250,000, which was to be allocated to Ferris State University for the statewide administration of the program. (The funding was vetoed by the Governor, as noted below.) The Federal portion of funding is reduced by nearly \$11,850,000. The total Federal appropriation is \$5.5 million of which \$3.0 million is carry-forward funding.

Gross	(15,293,200)
Restricted	(3,450,000)
Federal	(11,843,200)
GF/GP	0

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

L. PROGRAM TRANSFERS

School Readiness to Non-Districts. A new line item provides funding for School Readiness programs to recipients that are not districts. This line item and its corresponding funding were transferred into the K-12 School Aid budget from the Department of Education budget.

Gross	12,250,000
Restricted	0
GF/GP	12,250,000

M. FUNDING SHIFTS

General Fund/School Aid Fund. Due to budgetary changes and target agreements, the General Fund/General Purpose portion of K-12 funding was reduced and replaced with increased funding from the State School Aid Fund (SAF).

Gross	0
Restricted	153,456,000
GF/GP	(153,456,000)

N. OTHER ISSUES

Seven other items in the budget were adjusted to meet target agreements. Items that were increased include: Renaissance Zones (\$8.0 million; all SAF), Federal "No Child Left Behind" (NCLB) Grants (\$15,109,900), Michigan Virtual High School (\$2.0 million; \$1.0 million GF/GP and \$1.0 million Federal), Advanced and Accelerated pupils (\$35,000; all SAF), Math and Science Centers (\$874,700; all Federal), and Adult Education (\$1.0 million; all SAF). Federal non-NCLB grants (\$781,100) were decreased.

Gross	27,038,500
Restricted	9,835,000
Federal	16,203,500
GF/GP	1,000,000

O. VETOES

The Governor vetoed all of the State funding for the Freedom to Learn line item. The State funding of \$250,000 was to be allocated to Ferris State University for the statewide administration of the program.

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

**DEPARTMENT OF STATE
P.A. 146 of 2005**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2004-05 YEAR-TO-DATE	FY 2005-06 GOV.'S REC.	FY 2005-06 SENATE	FY 2005-06 HOUSE	FY 2005-06 YEAR-TO-DATE	CHANGES FROM FY 2004-05 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	1,851.8	1,853.8	1,851.8	1,851.8	1,853.8	2.0	0.1
GROSS.....	223,272,100	198,145,700	196,490,700	187,288,300	197,378,400	(25,893,700)	(11.6)
Less:							
Interdepartmental Grants Received.....	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	0	0.0
ADJUSTED GROSS	203,272,100	178,145,700	176,490,700	167,288,300	177,378,400	(25,893,700)	(12.7)
Less:							
Federal Funds	36,202,000	2,943,300	2,333,300	2,241,000	2,943,300	(33,258,700)	(91.9)
Local and Private.....	100	100	100	100	100	0	0.0
TOTAL STATE SPENDING	167,070,000	175,202,300	174,157,300	165,047,200	174,435,000	7,365,000	4.4
Less:							
Other State Restricted Funds	151,878,500	160,937,200	160,287,200	151,877,500	160,937,200	9,058,700	6.0
GENERAL FUND/GENERAL PURPOSE ..	15,191,500	14,265,100	13,870,100	13,169,700	13,497,800	(1,693,700)	(11.1)
PAYMENTS TO LOCALS.....	846,700	993,800	993,800	993,800	993,800	147,100	17.4

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

A. ABANDONED VEHICLES

The June 22, 2005, Department of Management and Budget revision letter included 2.0 FTEs and restricted funding from fees for the administration of the Abandoned Vehicle Program. New and existing functions were transferred from the Department of State Police to the Department of State pursuant to recent legislation.

FTE	2.0
Gross	650,000
Restricted	650,000
GF/GP	0

B. COMMERCIAL DRIVER LICENSE

The June 22, 2005, revision letter included Federal funding for meeting requirements of the United States Patriot Act related to commercial driver licenses.

Gross	610,000
Federal	610,000
GF/GP	0

C. PROGRAM REDUCTIONS/ELIMINATIONS

1. Contract and Group Insurance Savings

Pursuant to the Leadership Agreement, the budget includes reductions of \$143,200 based on lower-than-anticipated insurance costs, and \$229,100 based on contract savings.

Gross	(372,300)
GF/GP	(372,300)

2. Information Technology Overhead Reductions

The budget includes savings of \$5,800 recommended by the Governor related to Department of Information Technology rate reductions, consolidation savings, efficiencies, and other overhead adjustments. Pursuant to the Leadership Target Agreement, the Conference Committee reduced General Fund support for information technology by 2% (\$37,000) from the Governor's recommended level of funding.

Gross	(42,800)
GF/GP	(42,800)

3. Other Reductions

The Senate included an overall 2.5% reduction (\$358,000) to the Governor's recommended level of GF/GP funding for operation lines in the Department of State. The House reduced GF/GP operations funding by \$131,000. The Conference Committee concurred with the Senate reductions.

Gross	(358,000)
GF/GP	(358,000)

**DEPARTMENT OF STATE POLICE
P.A. 159 of 2005**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2004-05 YEAR-TO-DATE	FY 2005-06 GOV.'S REC.	FY 2005-06 SENATE	FY 2005-06 HOUSE	FY 2005-06 YEAR-TO-DATE	CHANGES FROM FY 2004-05 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	2,948.0	2,897.0	2,906.0	2,913.0	2,897.0	(51.0)	(1.7)
GROSS.....	483,073,700	544,081,500	543,575,100	548,630,700	550,810,100	67,736,400	14.0
Less:							
Interdepartmental Grants Received.....	19,916,800	20,736,300	20,295,700	20,736,300	20,736,300	819,500	4.1
ADJUSTED GROSS	463,156,900	523,345,200	523,279,400	527,894,400	530,073,800	66,916,900	14.4
Less:							
Federal Funds	112,110,400	170,821,000	170,821,000	170,821,000	182,821,000	70,710,600	63.1
Local and Private.....	5,331,400	5,609,100	5,609,100	5,609,100	5,609,100	277,700	5.2
TOTAL STATE SPENDING	345,715,100	346,915,100	346,849,300	351,464,300	341,643,700	(4,071,400)	(1.2)
Less:							
Other State Restricted Funds	104,490,500	107,946,900	112,782,100	107,712,100	106,282,100	1,791,600	1.7
GENERAL FUND/GENERAL PURPOSE ..	241,224,600	238,968,200	234,067,200	243,752,200	235,361,600	(5,863,000)	(2.4)
PAYMENTS TO LOCALS.....	20,107,800	20,451,900	20,518,700	20,158,500	20,518,700	410,900	2.0

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

A. PROGRAM INCREASES OR ADJUSTMENTS

1. Federal Grant Increases

The FY 2005-06 budget includes an additional \$60.0 million for Homeland Security grants, \$1,735,900 for Motor Carrier border grants, \$1.0 million for traffic crash data collection, and \$717,800 and 3.0 FTEs for drunken driving reduction efforts.

FTE	3.0
Gross	63,453,700
Federal	63,453,700
GF/GP	0

2. Program Increases from Recently Adjusted Fees

The budget contains restricted revenue increases due to a previous increase in Law Enforcement Information Network (LEIN) operation fees totaling \$563,000 and \$250,000 from a previously enacted fee for sex offender registrants.

Gross	813,000
Restricted	813,000
GF/GP	0

3. Katrina Disaster Funds

The budget includes authorization for the Emergency Management Division to receive and allocate Federal disaster compact funds for services performed for states affected by hurricane Katrina to various State departments, including State Police, Agriculture, Transportation, Environmental Quality, and Military and Veterans Affairs.

Gross	12,000,000
Federal	12,000,000
GF/GP	0

4. Drunken Driving Detection

The budget includes restricted revenue for the distribution of new alcohol breath detection kits.

Gross	120,000
Restricted	120,000
GF/GP	0

B. PROGRAM REDUCTIONS/ELIMINATIONS

1. Post Closures

The budget includes a reduction to Uniform Services to reflect the planned closure of Michigan State Police posts at Groveland Township, Grand Haven, and Iron River.

Gross	(1,050,000)
GF/GP	(1,050,000)

2. Fire Investigation

The budget reflects the decision to eliminate a separate fire investigation unit and to retain two fire investigators to cross-train the general population of departmental investigators in the task of fire investigation.

FTE	(27.0)
Gross	(3,381,000)
GF/GP	(3,381,000)

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

3. Operational Reduction

The budget includes GF/GP operational savings in the form of vacant position eliminations from Criminal Investigations (20.0 FTEs and \$1,673,800), Criminal Justice Information Center Division (2.0 FTEs and \$170,100), Human Resources (2.0 FTEs and \$171,700), Management Services (1.0 FTE and \$87,700), Training Administration (2.0 FTEs and \$170,100), and Uniform Services (8.0 FTEs and \$822,400).

FTE	(35.0)
Gross	(3,095,800)
GF/GP	(3,095,800)

4. Other Realized Savings

The budget contains other GF/GP savings realized for FY 2005-06, including from Training Administration (\$250,000), Fleet Leasing (\$200,000), the sale of two aircraft (\$400,000), the Deferred Retirement Option Plan (\$1,500,000), human resources optimization (\$24,000), Department of Information Technology rate reduction (\$594,800), and Traffic Safety (\$21,500).

Gross	(2,990,300)
IDG	(21,500)
Restricted	(4,400)
GF/GP	(2,964,400)

5. Insurance and Contractual Savings

The budget contains additional reductions from various budget lines reflecting savings from lower costs for insurance and contractual obligations.

Gross	(3,606,600)
GF/GP	(3,606,600)

6. Savings to Continue Programs

The budget contains additional GF/GP savings from administrative line items to provide for full funding and continuance of no-cost criminal history look-ups for non-profit organizations (\$500,000) and continuation of the School Bus Inspection Unit (\$1,284,800).

Gross	(1,784,800)
GF/GP	(1,784,800)

7. Adjustment for FY 2004-05 Supplemental

An adjustment is made for the Executive Order 2005-7 reduction (\$3,455,000), and supplemental appropriations in Public Act 11 (\$4,838,100) and Public Act 109 (\$5,844,700) of 2005.

Gross	(7,227,800)
Federal	(5,855,300)
Local	(562,600)
Private	(77,000)
Restricted	(3,888,500)
GF/GP	3,155,600

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

C. FUNDING SHIFTS

Fund Shifts from GF/GP to Restricted Revenue

The budget contains a shift of GF/GP support to the following units and restricted fund sources: \$200,000 in LEIN fees for the Law Enforcement Information Network; \$450,000 in Forensic Science Laboratory Fees for Forensic Sciences; \$387,000 in Highway Safety Fund revenue for At-post Troopers; and \$1,974,300 in Justice Training Funds to the Michigan Commission on Law Enforcement Standards.

Gross	0
Restricted	3,011,300
GF/GP	(3,011,300)

D. FTE ADJUSTMENTS

DNA Analysis

The budget contains an additional 8.0 FTEs for DNA Analysis to reflect actual FTE levels.

FTE	8.0
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E. ECONOMIC ADJUSTMENTS

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

Gross	14,486,000
IDG	841,000
Federal	1,078,500
Local	148,000
Private	500
Restricted	2,542,700
GF/GP	9,875,300

**DEPARTMENT OF TRANSPORTATION
P.A. 158 of 2005**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2004-05 YEAR-TO-DATE	FY 2005-06 GOV.'S REC.	FY 2005-06 SENATE	FY 2005-06 HOUSE	FY 2005-06 YEAR-TO-DATE	CHANGES FROM FY 2004-05 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	3,031.3	3,030.3	3,030.3	3,030.3	3,022.3	(9.0)	(0.3)
GROSS.....	3,274,189,100	3,412,674,300	3,406,897,300	3,416,309,000	3,387,807,500	113,618,400	3.5
Less:							
Interdepartmental Grants Received.....	0	0	0	0	0	0	0.0
ADJUSTED GROSS	3,274,189,100	3,412,674,300	3,406,897,300	3,416,309,000	3,387,807,500	113,618,400	3.5
Less:							
Federal Funds	1,132,701,200	1,207,642,100	1,207,642,100	1,207,642,100	1,197,594,100	64,892,900	5.7
Local and Private.....	5,800,000	6,100,000	6,100,000	6,100,000	6,100,000	300,000	5.2
TOTAL STATE SPENDING	2,135,687,900	2,198,932,200	2,193,155,200	2,202,566,900	2,184,113,400	48,425,500	2.3
Less:							
Other State Restricted Funds	2,135,687,900	2,198,932,200	2,193,155,200	2,202,566,900	2,184,113,400	48,425,500	2.3
GENERAL FUND/GENERAL PURPOSE ..	0	0	0	0	0	0	0.0
PAYMENTS TO LOCALS.....	1,238,235,200	1,278,389,700	1,272,339,600	1,282,368,900	1,278,168,900	39,933,700	3.2

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

A. DEBT SERVICE

The budget reflects an increase associated with scheduled debt service payments.

Gross	72,993,400
Federal	59,200,000
Restricted	13,793,400
GF/GP	0

B. GRANTS TO OTHER DEPARTMENTS

The budget includes a net increase in the amount of transportation funding provided to other State departments and agencies for transportation services. The budget funded \$400,000 of the \$616,900 increase in Michigan Transportation Fund appropriations to the Department of Treasury requested by the Governor.

Gross	1,240,300
Restricted	1,240,300
GF/GP	0

C. PLANNING AND RESEARCH

The budget includes authorization to spend available carryforward revenue for State transportation planning and research activities.

Gross	6,000,000
Federal	5,000,000
Restricted	1,000,000
GF/GP	0

D. INTELLIGENT TRANSPORTATION SYSTEMS

The budget includes State funding to replace Federal funding for the operations of Intelligent Transportation Systems (ITS) across the State. The budget includes a separate line item for these operations.

Gross	8,485,500
Restricted	8,485,500
GF/GP	0

E. HIGHWAY MAINTENANCE

The budget includes an increase for highway maintenance costs. The increase also reflects the additional lane miles under State control.

Gross	3,128,600
Restricted	3,128,600
GF/GP	0

F. STATE ROAD AND BRIDGE FUNDING

The budget includes adjustments to Federal and State restricted appropriations to reflect revenue availability. The budget transfers \$12,576,300 from the State Bridge Program to the Local Bridge Program as part of the second year of the two-year phase-in to split the revenue from one cent of the State gasoline tax between State and local bridges. Adjustments are reflective of various vetoes (discussed below).

Gross	(33,874,200)
Federal	(1,364,100)
Restricted	(32,510,100)
GF/GP	0

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

G. LOCAL ROAD AND BRIDGE FUNDING

The budget includes adjustments to Federal and State restricted appropriations to reflect revenue availability. The budget transfers \$12,576,300 from the State Bridge Program to the Local Bridge Program as part of the second year of the two-year phase-in to split the revenue from one cent of the State gasoline tax between State and local bridges. These adjustments are reflective of the vetoes affecting local road and bridge funding (discussed below).

Gross	31,537,800
Federal	2,089,000
Restricted	29,448,800
GF/GP	0

H. ECONOMIC DEVELOPMENT FUND

Debt service costs paid from the Transportation Economic Development Fund (TEDF) are scheduled to decrease in FY 2005-06 by \$2,074,800. This funding will be available for distribution pursuant to the TEDF statutory formula, 50% to Category A projects and 25% each to Category C and Category D projects. The budget includes increases for Category C and Category D projects, \$518,700 each. The additional funding for Category A projects, \$1,037,400, is not included in the budget.

Gross	1,037,400
Restricted	1,037,400
GF/GP	0

I. LOCAL BUS OPERATING ASSISTANCE GRANTS

The budget includes additional funding to reimburse local transit agencies for a portion of their operating costs. Total funding for these grants is \$163,276,100 in FY 2005-06.

Gross	1,596,100
Restricted	1,596,100
GF/GP	0

J. BUS CAPITAL ASSISTANCE

The budget includes additional State revenue to match Federal funds for local transit agency capital projects.

Gross	8,352,200
Restricted	8,352,200
GF/GP	0

K. PROGRAM REDUCTIONS/ELIMINATIONS

1. Enhancement Program Administration

In FY 2005-06 the Department of Transportation will no longer be able to charge a portion of the administrative costs of the Enhancement Program to Federal funds. The Governor requested a funding shift to replace the Federal resources with State Trunkline Fund money, totaling \$181,800. The budget does not include this funding shift, effectively reducing the Enhancement Program by \$181,800.

Gross	(181,800)
Restricted	(181,800)
GF/GP	0

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

2. Information Technology

The budget reduces funding for information technology projects and services provided by the Department of Information Technology. The Governor had requested a small increase of \$88,200. The budget redirects the funding to the State road and bridge construction line item.

Gross	(2,372,300)
Restricted	(2,372,300)
GF/GP	0

3. Passenger Transportation Services

The budget reduces funding for the Passenger Transportation Services Division. This division is responsible for the development and management of operating, capital, and technical assistance programs and projects for coordinated local public transit, marine, and intercity bus transportation services and facilities statewide. The division is also responsible for the regulation of intercity buses and limousines. The budget includes a total of 30.0 FTEs and \$2,992,900 after the reduction.

FTE	(8.0)
Gross	(895,000)
Restricted	(895,000)
GF/GP	0

4. Intercity Passenger and Freight

The budget includes reductions to various programs to reflect Comprehensive Transportation Fund revenue availability.

Gross	(1,600,000)
Restricted	(1,600,000)
GF/GP	0

5. Human Resources Consolidation

The budget reflects the reduction of one position associated with the statewide human resources consolidation project.

FTE	(1.0)
Gross	(68,100)
Restricted	(68,100)
GF/GP	0

L. UNCLASSIFIED SALARIES

The budget provides the same level of Gross appropriations for the six unclassified positions as in the FY 2004-05 budget. However, a 4.0% increase is provided to the Director, Chief Deputy Director, Communications Director, Governmental Affairs Director, and Commission Advisor positions. These increases are funded from the appropriation for the salary of the Director of the Bureau of Urban and Public Transportation, which is currently vacant.

Gross	0
GF/GP	0

M. 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	18,220,200
Restricted	18,220,200
GF/GP	0

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

Gross	608,300
Local	300,000
Restricted	308,300
GF/GP	0

N. OTHER CHANGES

The budget reflects adjustments for State and local restricted funding.

O. VETOES

1. Specific Road Projects

The Governor vetoed various sections of boilerplate language that contained appropriations for specific road projects. The vetoes total \$23,062,500 in Federal and State restricted revenue for 21 road and bridge projects. The vetoed amounts are included in the changes listed in items F and G above. The specific projects and their costs include:

- Sec. 617 – Construct full interchange at M-48 I-75 in Chippewa County (\$100,000)
- Sec. 621 – Install traffic light on US-31 at Bay Harbor in Emmet County (\$52,000)
- Sec. 622 – Construct corridor improvements to M-37 in Kent County (\$1,100,000)
- Sec. 623 – Remove Tienken Road barricade in Rochester (\$137,500)
- Sec. 624 – Address structural problems on M-25 bridge in Hume Township (\$200,000)
- Sec. 633 – Install traffic light on M-99 at Spicerville Highway in Eaton County (\$52,000)
- Sec. 636 – Construct full interchange on I-69/Graham Road in Lapeer County (\$100,000)
- Sec. 637 – Construct nonmotorized bridge over Boardman River in Traverse City (\$50,000)
- Sec. 638 – Construct full interchange on I-96 and Latson Road, Livingston County (\$2,300,000)
- Sec. 641 – Reconstruct interchange on US-27 and Mission Road, Isabella County (\$100,000)
- Sec. 643 – Construct two segments on US-127 limited access freeway (\$200,000)
- Sec. 644 – Improve I-75 from 8 Mile Road to M-24 (\$5,000,000)
- Sec. 645 – Improve intersection at Woodward/Lincoln in Birmingham (\$700,000)
- Sec. 646 – Improve intersection at Square Lake Road, Bloomfield Township (\$500,000)
- Sec. 647 – Preserve trails/roads on Mackinac Island (\$500,000)
- Sec. 648 – Improve intersection on US-2 at CR 521, Delta County (\$350,000)
- Sec. 649 – Reconstruct I-96/Wixom Road interchange, Oakland County (\$10,000,000)
- Sec. 650 – Improve intersection at Ford Road/Beck Road, Canton Township (\$500,000)
- Sec. 651 – Construct additional lanes on M-59 from Crooks Road to Ryan Road (\$1,000,000)
- Sec. 652 – Construct interchange on I-75 at Milbocker/McCoy and construct bridge over I-75 connecting Van Tyle Road and South Wisconsin Avenue, Gaylord (\$120,000)
- Sec. 653 – Address flooding problems with Flint River Bridge (\$1,000)

		FY 2005-06 Change From FY 2004-05 Year-to-Date	
2. Railroad Improvements		Gross	(450,000)
		Restricted	(450,000)
		GF/GP	0
	The Governor vetoed Sections 728 and 738, which directed funding for three railroad projects.		
3. Feasibility Study		Gross	(100,000)
		Restricted	(100,000)
		GF/GP	0
	The Governor vetoed Section 625, which directed the Department to conduct a feasibility study regarding an interchange on I-75 in Ogemaw County.		
4. Log Truck Study		Gross	(40,000)
		Federal	(32,000)
		Restricted	(8,000)
		GF/GP	0
	The Governor vetoed Section 363, which directed funding to Michigan Technological University for a log truck study.		

**DEPARTMENT OF TREASURY - DEBT SERVICE
P.A. 146 of 2005**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2004-05 YEAR-TO-DATE	FY 2005-06 GOV.'S REC.	FY 2005-06 SENATE	FY 2005-06 HOUSE	FY 2005-06 YEAR-TO-DATE	CHANGES FROM FY 2004-05 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	N/A	N/A	N/A	N/A	N/A	N/A	N/A
GROSS	81,450,400	89,001,400	89,001,400	89,001,400	89,001,400	7,551,000	9.3
Less:							
Interdepartmental Grants Received.....	0	0	0	0	0	0	0.0
ADJUSTED GROSS	81,450,400	89,001,400	89,001,400	89,001,400	89,001,400	7,551,000	9.3
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	81,450,400	89,001,400	89,001,400	89,001,400	89,001,400	7,551,000	9.3
	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Less:	81,450,400	89,001,400	89,001,400	89,001,400	89,001,400	7,551,000	9.3
Other State Restricted Funds							
GENERAL FUND/GENERAL PURPOSE ..	0	0	0	0	0	0	0.0
PAYMENTS TO LOCALS	81,450,400	89,001,400	89,001,400	89,001,400	89,001,400	7,551,000	9.3

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

A. WATER POLLUTION CONTROL BOND AND INTEREST REDEMPTION

Gross	(58,000)
GF/GP	(58,000)

This line item supports the debt service payments for the general obligation bonds that created the Water Pollution Control Revolving Fund. The bonds for the revolving fund were issued in 1992 and 1993. The appropriation is reduced from \$2,650,400 to \$2,592,400, based on estimated debt service requirements.

B. QUALITY OF LIFE BOND

Gross	3,800,000
Restricted	(2,887,300)
GF/GP	10,438,300

This line supports the debt service payments for two general obligation bonds approved by voters in 1988, one for Environmental Protection purposes and one for Recreation purposes.

Environmental Protection bond: Voters authorized the issuance of \$660.0 million in general obligation bonds to support environmental protection activities. The enabling legislation for this bond issue is Public Act 326 of 1988.

Recreation bond: Voters authorized the issuance of \$140.0 million in general obligation bonds to support the development of recreation activities and facilities. Bonds have been issued for this entire amount. The enabling legislation for this bond issue is Public Act 329 of 1988.

Adjustments for FY 2005-06 include an increase of \$3.8 million based on estimated debt service payments and a \$2,887,300 funding shift from the Clean-up and Redevelopment Fund to the State General Fund.

C. CLEAN MICHIGAN INITIATIVE

Gross	3,809,000
GF/GP	3,809,000

This line supports the debt service payments for a general obligation bond approved by voters in 1994. Voters authorized the issuance of \$675.0 million in bonds. The proceeds for Clean Michigan Initiative (CMI) bonds are used for environmental cleanup, pollution prevention, and redevelopment projects, including non-point source pollution control and waterfront redevelopment.

Adjustments for FY 2005-06 include an increase of \$1,309,000 based on estimated debt service payments, and a \$2.5 million increase based on new bond issues.

DEPARTMENT OF TREASURY - OPERATIONS
P.A. 146 of 2005

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2004-05 YEAR-TO-DATE	FY 2005-06 GOV.'S REC.	FY 2005-06 SENATE	FY 2005-06 HOUSE	FY 2005-06 YEAR-TO-DATE	CHANGES FROM FY 2004-05 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	1,653.5	1,638.5	1,683.5	1,623.5	1,691.5	38.0	2.3
GROSS	365,158,500	386,883,500	389,274,300	372,828,100	392,578,300	27,419,800	7.5
Less:							
Interdepartmental Grants Received.....	13,172,800	13,456,400	12,828,200	12,082,600	13,456,400	283,600	2.2
ADJUSTED GROSS	351,985,700	373,427,100	376,446,100	360,745,500	379,121,900	27,136,200	7.7
Less:							
Federal Funds	34,681,800	35,405,400	35,405,400	34,681,800	35,405,400	723,600	2.1
Local and Private.....	964,300	1,025,400	1,025,400	964,300	1,025,400	61,100	6.3
TOTAL STATE SPENDING	316,339,600	336,996,300	340,015,300	325,099,400	342,691,100	26,351,500	8.3
Less:							
Other State Restricted Funds	267,681,300	284,369,500	284,214,700	275,673,500	285,006,600	17,325,300	6.5
GENERAL FUND/GENERAL PURPOSE..	48,658,300	52,626,800	55,800,600	49,425,900	57,684,500	9,026,200	18.6
PAYMENTS TO LOCALS	109,772,000	119,239,500	119,249,500	119,239,500	119,249,500	9,477,500	8.6

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

A. AUDITING ENHANCEMENTS

The Governor included a separate \$1.0 million/15.0 FTE line item for Personal Property Tax Auditors. The Senate and House removed that line item. The Senate included \$5.6 million for auditing enhancements. The Conference Committee created a new Revenue Enhancement Program line item consisting of \$6,590,000 and authorization to hire up to 60.0 FTEs. Section 947 requires that \$5,840,000 be used for revenue collection enhancement activities performed by State employees, with the exception of current contract obligations being performed under the supervision of the Department of Treasury. The balance, \$750,000, must be used for the Principal Residence Exemption Compliance Program. Quarterly progress reports are required and a joint General Government Subcommittee hearing will be held within six months regarding progress and complaints related to personal property tax audits. A performance audit by the Auditor General is required for the Principal Residence Exemption Compliance Program.

FTE	60.0
Gross	6,590,000
GF/GP	6,590,000

B. CLUB KENO

The budget includes positions and funding related to the Leadership Agreement regarding the expansion of Club Keno games, which are projected to increase revenue to the School Aid Fund by approximately \$13.9 million in FY 2005-06.

FTE	8.0
Gross	637,100
Restricted	637,100
GF/GP	0

C. LEGAL SERVICES

Additional funding for the Attorney General is included to support legal services related to major litigation involving mineral rights to tax reverted property.

Gross	240,000
Restricted	240,000
GF/GP	0

D. INVESTMENTS

The budget includes 3.0 FTEs to assist in the investment of State funds. The Department of Treasury states that "a more actively managed portfolio" will generate an additional \$3.0 million in FY 2005-06.

FTE	3.0
Gross	500,000
Restricted	500,000
GF/GP	0

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

E. PROGRAM REDUCTIONS/ELIMINATIONS

1. Program Reductions

Gross (560,000)
GF/GP (560,000)

The budget reflects the elimination of audits for county compliance with auditing standards, \$60,000; elimination of State collection of the State education tax for certain local units (MCL 211.905b), \$50,000; consolidation of certain oversight functions, \$200,000; and streamlined review of certain tax exemptions, \$250,000.

2. Information Technology Overhead Reductions

Gross (29,400)
GF/GP (29,400)

The budget includes reductions based on savings recommended by the Governor due to rate reductions, consolidations, efficiencies, and other overhead adjustments.

3. Contract and Group Insurance Savings

Gross (542,300)
GF/GP (542,300)

Pursuant to the Leadership Agreement, the budget includes reductions of \$166,000 based on lower-than-anticipated insurance costs, and \$376,300 based on contract savings.

F. FTE ADJUSTMENTS

FTE 5.0

The budget includes a 2.0 FTE adjustment for the Unclaimed Property Program and a 3.0 FTE adjustment related to seasonal hiring for the Collections Program.

G. UNCLASSIFIED SALARIES

Gross 11,700
Restricted 11,700
GF/GP 0

The budget includes an adjustment for the unclassified position for the Gaming Control Board based on actual costs.

H. ECONOMIC ADJUSTMENTS

Gross 11,881,200
IDG 737,900
Federal 723,600
Local 61,100
Restricted 8,500,700
GF/GP 1,857,900

The economic adjustment amount includes standard economic factors applied to salaries and wages, retirement, insurance, rent, workers' compensation, and building occupancy charges consistent with factors applied to all budgets, including restoration of FY 2004-05 amounts associated with banked leave time. No economics were included for salary and retirement costs associated with the FY 2005-06 Civil Service cost-of-living adjustment.

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

I. TOBACCO SETTLEMENT REVENUE

N/A

Funding from the Merit Award Trust Fund is increased by \$78,400, from \$3,358,500 to \$3,436,900. This funding supports Merit Award Administration, \$1,636,800; Tuition Incentive Program Administration, \$399,700; the Michigan Education Savings Program, \$1,000,000; and related information technology costs, \$400,400. The \$78,400 increase is reflected in Item H above.

J. OTHER ISSUES

Other adjustments include: increases based on available revenue and statutory payments, \$10,880,000; elimination of one-time funding for School Bond Loan Program reform, \$1,000,000; elimination of one-time funding associated with the State Sports Tourism Grant, \$1,075,000; a reduction to reflect available interdepartmental grant revenue, \$222,300; a net adjustment to the Tobacco Tax Collection Enforcement, \$50,000; and an adjustment to reflect the Department's share of the Human Resources Optimization hardware and software costs, \$58,800.

Gross	8,691,500
IDG	(454,300)
Restricted	7,435,800
GF/GP	1,710,000

**DEPARTMENT OF TREASURY - REVENUE SHARING
P.A. 146 of 2005**

FULL-TIME EQUATED (FTE) POSITIONS/FUNDING SOURCE	FY 2004-05 YEAR-TO-DATE	FY 2005-06 GOV.'S REC.	FY 2005-06 SENATE	FY 2005-06 HOUSE	FY 2005-06 YEAR-TO-DATE	CHANGES FROM FY 2004-05 YEAR-TO-DATE	
						AMOUNT	PERCENT
FTE Positions	N/A	N/A	N/A	N/A	N/A	N/A	N/A
GROSS	1,130,814,600	1,121,312,000	1,115,203,300	1,115,871,700	1,116,612,000	(14,202,600)	(1.3)
Less:							
Interdepartmental Grants Received.....	0	0	0	0	0	0	0.0
ADJUSTED GROSS	1,130,814,600	1,121,312,000	1,115,203,300	1,115,871,700	1,116,612,000	(14,202,600)	(1.3)
Less:							
Federal Funds	0	0	0	0	0	0	0.0
Local and Private.....	17,868,500	0	0	0	0	(17,868,500)	(100.0)
TOTAL STATE SPENDING	1,112,946,100	1,121,312,000	1,115,203,300	1,115,871,700	1,116,612,000	3,665,900	0.3
Less:							
Other State Restricted Funds	1,112,050,800	1,121,100,000	1,114,900,000	1,114,900,000	1,115,900,000	3,849,200	0.3
GENERAL FUND/GENERAL PURPOSE..	895,300	212,000	303,300	971,700	712,000	(183,300)	(20.5)
PAYMENTS TO LOCALS	1,112,946,100	1,121,312,000	1,115,203,300	1,115,871,700	1,116,612,000	3,665,900	0.3

**FY 2005-06 Change From
FY 2004-05 Year-to-Date**

Gross	(14,202,600)
Restricted	3,849,200
GF/GP	(183,300)
Local	(17,868,500)

A. REVENUE SHARING PAYMENTS IN FY 2005-06

Public Act 146 of 2005 appropriates revenue sharing payments for FY 2005-06. Gross revenue sharing payments are estimated and appropriated at \$1,116,612,000 in FY 2005-06, a decrease of \$14,202,600, or 1.3%, from FY 2004-05 actual payments. The gross appropriation includes \$212,000 in General Fund appropriations to a local unit under the control of an emergency financial manager (Highland Park) in order to hold it harmless from the FY 2003-04 Executive Order reductions to revenue sharing. The appropriation also includes \$500,000 in special census revenue sharing payments.

The remaining \$1,115,900,000 appropriated for revenue sharing payments is restricted State revenue and includes payments required under the State Constitution as well as payments authorized under statute. The total restricted appropriated amount will 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 the amount above the constitutional appropriation that is distributed will be subtracted from the statutory payments. If actual sales tax revenue is less than the adopted estimate, then constitutional revenue sharing payments will be lower.

The appropriated amount of restricted funds is approximately \$560,100,000 less than the amount suggested by the statutory formula to “fully fund” revenue sharing payments. Compared with FY 2004-05, the restricted fund appropriation for revenue sharing is \$3.8 million higher, or an increase of approximately 0.3%. The Governor's recommendation was for FY 2005-06 total restricted revenue sharing payments to each city, village, and township to be at the same level as for FY 2004-05. To accomplish this goal, the Governor also recommended that supplementary legislation be adopted to alter the distribution of revenue sharing payments from what would otherwise occur under the revenue sharing formula.

The estimated revenue sharing payments by distribution type are summarized in Table 1. The figures in Table 1 are based on the August 2005 consensus estimates of State revenue.

B. CHANGES TO THE REVENUE SHARING PAYMENT DISTRIBUTION FORMULA FOR CITIES, VILLAGES, AND TOWNSHIPS

The Governor's FY 2005-06 budget recommended that changes be made to the Glenn Steil State Revenue Sharing Act (MCL 141.901) to alter the distribution of payments from what would otherwise occur under the proposed level of funding for statutory revenue sharing payments. Under the recommended legislation, represented by Public Act 196 of 2005, each local unit is scheduled to

receive the same total payment received during FY 2004-05. Public Act 196 of 2005 also provides an adjustment mechanism to allocate payments if sales tax collections differ from the estimates. This adjustment mechanism will ensure that any reductions needed during the fiscal year will be applied by a uniform percentage of total payments, regardless of the local unit. The reductions will be taken from statutory payments only, so constitutional payments will not be reduced, but the reductions will be computed against an amount that includes both types of payments.

Because the appropriation may not reduce constitutional revenue sharing payments, which are expected to increase by 3.6% in FY 2005-06, certain local units that receive very little payment under the statutory provisions cannot be held at the same combined payment received in FY 2004-05. Under these circumstances, the statutory payment to the local unit is eliminated and the unit only receives constitutional revenue sharing payments. The FY 2004-05 revenue sharing provisions eliminated statutory payments to 517 local units. Under the current revenue forecast, Public Act 196 of 2005 will eliminate statutory revenue sharing payments to 847 cities, villages, and townships in FY 2005-06.

C. SPECIAL CENSUS REVENUE SHARING PAYMENTS

Public Act 109 of 2005 provided a General Fund supplemental appropriation of \$453,000 in special census revenue sharing payments for FY 2004-05. Public Act 146 of 2005 provides a General Fund appropriation of \$500,000 for special census revenue sharing payments in FY 2005-06.

To receive special census payments, a city, village, or township must be certified as eligible by June 30, 2006. To be eligible, the city, village, or township must have a population increase of 10.0% or more from the previous Federal decennial census, as determined by a special census.

REVENUE SHARING PAYMENTS FOR FY 2003-04 THROUGH ESTIMATED FY 2005-06
(Millions of Dollars)

	FY 2004-05				FY 2005-06, As Enacted		
	FY 2003-04 Actual	FY 2004-05 Actual	Change from FY 2003-04		FY 2005-06 Estimate ¹⁾	Change from FY 2004-05	
			Dollar	Percent		Dollar	Percent
Sales Tax Constitutional:							
Counties	\$0.0	\$0.0	\$0.0	---	\$0.0	\$0.0	---
<u>Cities, Villages, & Townships</u>							
Cities	\$338.9	\$347.0	\$8.1	2.4%	\$359.4	\$12.4	3.6%
Detroit	62.6	64.1	1.5	2.4	66.4	2.3	3.6
Townships	295.6	302.6	7.0	2.4	313.3	10.7	3.5
Villages	18.7	19.1	0.4	2.4	19.8	0.7	3.6
Cities, Villages, & Townships Subtotal	653.1	668.7	15.6	2.4	692.5	23.8	3.6
Subtotal Constitutional	\$653.1	\$668.7	\$15.6	2.4%	\$692.5	\$23.8	3.6%
Sales Tax Statutory:							
Counties	\$182.1	\$0.0	(\$182.1)	(100.0)%	\$0.0	\$0.0	---
<u>Cities, Villages, & Townships</u>							
Cities	\$422.7	\$406.3	(\$16.4)	(3.9)%	\$393.8	(\$12.4)	(3.1)%
Detroit	224.8	220.2	(4.6)	(2.1)	217.9	(2.3)	(1.0)
Townships	37.4	28.4	(9.0)	(24.2)	21.4	(6.9)	(24.3)
Villages	9.5	8.7	(0.7)	(7.9)	8.0	(0.7)	(7.7)
Cities, Villages, & Townships Subtotal	469.5	443.3	(26.2)	(5.6)	423.3	(20.0)	(4.5)
Subtotal Statutory	\$651.6	\$443.3	(\$208.3)	(32.0)%	\$423.3	(\$20.0)	(4.5)%
Total Restricted Revenue Sharing¹⁾	\$1,304.7	\$1,112.1	(\$192.7)	(14.8)%	\$1,115.9	\$3.8	0.3%
Counties	\$182.1	\$0.0	(\$182.1)	(100.0)%	\$0.0	\$0.0	---
<u>Cities, Villages, & Townships</u>							
Cities	\$761.5	\$753.2	(\$8.3)	(1.1)%	\$753.2	\$0.0	0.0%
Detroit	287.4	284.2	(3.1)	(1.1)	284.2	0.0	0.0
Townships	333.0	331.0	(2.0)	(0.6)	334.8	3.8	1.1
Villages	28.1	27.8	(0.3)	(1.1)	27.8	0.0	0.0
Cities, Villages, & Townships Subtotal	\$1,122.6	\$1,112.1	(\$10.6)	(0.9)%	\$1,115.9	\$3.8	0.3%
Special Census Payments (General Fund)	0.0	0.5	0.5	---	0.5	0.0	10.4
Total Revenue Sharing Under Appropriation	\$1,304.7	\$1,112.5	(\$192.2)	(14.7)%	\$1,116.4	\$3.9	0.3%

1) Revenue sharing payments are based on consensus sales tax estimates adopted at the August 2005 Consensus Revenue Estimating Conference, subject to any existing appropriations. The appropriated levels represent the maximum amount that will be distributed for restricted revenue sharing. If actual sales tax collections are lower, then the revenue sharing distributions will be reduced. If actual sales tax collections are higher than estimated, then constitutional payments will be increased and statutory payments will be reduced.

APPENDICES

**FY 2005-06
APPROPRIATION BILL INDEX**

<u>BUDGET AREA</u>	<u>BILL NUMBER</u>	<u>PUBLIC ACT NUMBER</u>	<u>LINE-ITEM VETOES</u>
Agriculture.....	S.B. 264	P.A. 148 of 2005	YES
Attorney General.....	S.B. 272	P.A. 146 of 2005	NO
Capital Outlay	S.B. 236	PENDING	---
Civil Rights.....	S.B. 272	P.A. 146 of 2005	NO
Civil Service	S.B. 272	P.A. 146 of 2005	NO
Community Colleges.....	H.B. 4831	P.A. 154 of 2005	NO
Community Health	H.B. 4831	P.A. 154 of 2005	NO
Corrections	H.B. 4831	P.A. 154 of 2005	YES
Education.....	H.B. 4831	P.A. 154 of 2005	YES
Environmental Quality.....	H.B. 4831	P.A. 154 of 2005	YES
Executive	S.B. 272	P.A. 146 of 2005	NO
Higher Education	H.B. 4831	P.A. 154 of 2005	NO
History, Arts, and Libraries	S.B. 274	P.A. 157 of 2005	YES
Human Services	S.B. 271	P.A. 147 of 2005	YES
Information Technology	S.B. 272	P.A. 146 of 2005	NO
Judiciary.....	S.B. 275	P.A. 149 of 2005	NO
Labor and Economic Growth.....	S.B. 276	P.A. 156 of 2005	NO
Legislature	S.B. 272	P.A. 146 of 2005	NO
Management and Budget	S.B. 272	P.A. 146 of 2005	NO
Military and Veterans Affairs.....	S.B. 277	P.A. 145 of 2005	NO
Natural Resources	H.B. 4831	P.A. 154 of 2005	NO
School Aid.....	H.B. 4887	P.A. 155 of 2005	YES
State	S.B. 272	P.A. 146 of 2005	NO
State Police.....	S.B. 280	P.A. 159 of 2005	NO
Transportation.....	S.B. 281	P.A. 158 of 2005	YES
Treasury.....	S.B. 272	P.A. 146 of 2005	NO

ECONOMIC FORECAST AND REVENUE ESTIMATES

A. ECONOMIC FORECAST

The economic forecast on which the enacted FY 2005-06 State Budget was based was the consensus economic forecast adopted at the August 2005 Consensus Revenue Estimating Conference. Under this consensus forecast, both the U.S. and Michigan economies are expected to experience a moderate pace of economic growth in 2006.

1. U.S. Economy

Real Gross Domestic Product (GDP), which measures the value of the nation's total output of goods and services, adjusted for inflation, will grow at an estimated rate of 3.6% in 2005, which will be down slightly from the 4.2% increase posted in 2004. In 2006, the pace of growth will moderate slightly to an estimated 3.0%.

Most of the expected growth in overall economic activity will be spurred by continued increases in consumer spending and business investment in new equipment. While employment is expected to continue to edge up in 2006, businesses also will continue to invest in new equipment in order to stay competitive in the world economy. As a result, productivity gains and other downsizing changes, particularly in manufacturing businesses, will offset some of the employment gains that will be realized in other sectors of the economy. The unemployment rate, which fell to an estimated 5.5% in 2004 from 6.0% in 2003, is expected to decline to 5.1% in 2005. In 2006, overall employment is expected to continue to increase modestly, but increases in the number of people entering the job market will keep the unemployment rate from falling from the 2005 level. The significant increases in the price of oil and natural gas which are occurring in 2005 are putting upward pressures on inflation. As a result, inflation as measured by the U.S. Consumer Price Index will increase 3.2% in 2005, from 2.7% in 2004, and then in 2006 it will remain around the 3.0% level.

The Federal Reserve is expected to continue gradually boosting the Federal Funds rate, which will make it more expensive for consumers and businesses to borrow money. The three-month Treasury bill rate will rise from an average level of 1.4% in 2004 to an estimated 3.2% in 2005 and 4.3% in 2006. Long-term rates also are expected to edge up as inflationary expectations pick up slightly. For example, the Aaa corporate bond rate is expected to increase from 5.6% in 2005 to 6.4% in 2006. Light vehicle sales are not expected to change much through 2006. After totaling 16.9 million units in 2004, light vehicle sales will edge up slightly to an estimated 17.0 million units in 2005 due to the significant price incentives offered by the U.S. auto companies during the summer. In 2006, light vehicle sales will total an estimated 16.8 million units.

Some factors that could result in slower growth than expected in 2005 are even higher oil prices, a higher-than-expected boost in interest rates in reaction to higher inflation, and stronger-than-expected productivity growth which could undercut short-term employment growth.

2. Michigan Economy

While the pace of economic growth is expected to moderate slightly nationally in 2006 compared with 2005, Michigan's pace of economic growth is expected to pick up in 2006 compared with 2005, but still remain at historically modest levels. This renewed economic growth will be most evident in employment and personal income. Payroll employment fell 0.4% in 2004 and is expected to decline another 0.3% in 2005. These declines are due primarily to ongoing decreases in the number of employees working for manufacturing businesses. Since June 2000, Michigan has lost about 25.0% of its manufacturing jobs. While manufacturing employment is expected to continue to edge down through this

forecast horizon, stronger growth in the rest of the labor market is expected to generate a modest increase in total wage and salary employment of 0.5% in 2006. Despite this increase, by the end of 2006, employment in Michigan still would be below its previous peak level reached in 2000 by over 6.0% or about 300,000 jobs. In 2005, the unemployment rate is expected to edge up to 7.2% from 7.1% in 2004. In 2006, the modest increase in employment will not be strong enough to keep pace with the number of people seeking jobs, so the unemployment rate is expected to increase to 7.4%.

The improvement in employment forecast in 2006 also will help boost personal income, which is the income received by individuals from all sources including wages and salaries, dividends, interest, rent, self employment income, and welfare. In 2004, real Michigan personal income increased only 0.9%, but the pace of growth is expected to accelerate to 2.0% in 2005 and 2.7% in 2006. Inflation, as measured by the Detroit Consumer Price Index, is expected to increase from 1.6% in 2004 to 2.7% in 2005, and then level off to around 2.5% in 2006.

B. GENERAL FUND/GENERAL PURPOSE AND SCHOOL AID FUND REVENUE ESTIMATES

General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) available revenue will total an estimated \$21.7 billion in FY 2005-06, which represents a 3.4% increase from the estimated total revenue level for FY 2004-05, as shown in Table 1. This projected level of total revenue in FY 2005-06 includes the revenue from ongoing taxes and nontax sources, Federal aid, transfers from other funds, and one-time and ongoing revenue adjustments. The estimate of total GF/GP and SAF revenue from ongoing sources was unanimously adopted by the Senate Fiscal Agency, the House Fiscal Agency, and the Treasury Department at the August 2005 Consensus Revenue Estimating Conference. Table 1 compares the total GF/GP and SAF revenue estimates for FY 2004-05 and FY 2005-06.

Table 1
GENERAL FUND/GENERAL PURPOSE AND SCHOOL AID FUND
REVENUE ESTIMATES FOR FY 2004-05 AND FY 2005-06
(Millions of Dollars)

	FY 2004-05	FY 2005-06	% Change
GENERAL FUND/GENERAL PURPOSE			
Beginning Balance	\$0.0	\$0.0	---
<u>Revenue From Ongoing Sources¹⁾</u>			
Net Income	4,021.8	4,123.9	2.5%
Single Business	1,885.7	1,913.8	1.5
Sales	107.6	114.7	6.6
Use	923.7	963.7	4.3
Cigarette	117.5	228.1	94.1
Insurance Company Premiums	236.3	240.0	1.6
Telephone & Telegraph	97.3	81.3	(16.4)
Estate/Inheritance	30.0	8.0	(73.3)
Casino Wagering	42.5	43.1	
All Other Taxes	179.0	174.5	(2.5)
Subtotal Taxes	7,641.4	7,891.1	3.3
Nontax Revenue	352.5	321.8	(8.7)
Subtotal Consensus Estimates Ongoing Revenue ¹⁾	\$7,994.0	\$8,212.9	2.7%

GENERAL FUND/GENERAL PURPOSE AND SCHOOL AID FUND REVENUE ESTIMATES FOR FY 2004-05 AND FY 2005-06 (CONTINUED) (Millions of Dollars)			
	FY 2004-05	FY 2005-06	% Change
<u>Ongoing Revenue Adjustments</u>			
Interfund Borrowing Cost Savings	\$20.0	\$20.0	0.0%
Revenue Sharing Reductions	506.3	560.1	10.6
SBT Pharmaceutical Credit Adjustment	<u>10.0</u>	<u>10.0</u>	---
Subtotal Ongoing Revenue Adjustments	536.3	590.1	10.0
<u>One-Time Revenue Adjustments</u>			
Unclaimed Property Enforcement	2.5	10.0	300.0
BSF Transfer	83.3	0.0	(100.0)
Restricted Fund Transfers to GF	16.4	49.1	199.4
Sale of Surplus State Property	15.5	60.0	287.1
Interest Earnings Tobacco Securitization	0.0	31.0	---
Enhanced Tax Enforcement	0.0	24.6	---
Other Revenue Adjustments	<u>7.0</u>	<u>0.0</u>	---
Subtotal One-Time Revenue Adjustments	124.7	174.7	40.7
TOTAL GF/GP REVENUE	\$8,655.0	\$8,977.7	3.7%
SCHOOL AID FUND			
Beginning Balance	\$74.1	\$1.0	(98.7)
<u>Revenue From Ongoing Sources¹⁾</u>			
Sales & Use Taxes	5,286.2	5,510.2	4.2
Income Tax	1,992.3	2,051.0	2.9
State Education Property Tax	1,854.0	1,956.9	5.6
Real Estate Transfer Tax	316.0	316.0	0.0
Tobacco Tax	470.7	463.1	(1.6)
Casino Wagering Tax	98.4	99.7	1.3
Other Tax Revenue	<u>181.8</u>	<u>181.8</u>	0.0
Subtotal Taxes	10,199.3	10,578.8	3.7
Lottery	<u>641.0</u>	<u>654.3</u>	2.1
Subtotal Consensus Estimates Ongoing Revenue ¹⁾	\$10,840.3	\$11,233.1	3.6%

GENERAL FUND/GENERAL PURPOSE AND SCHOOL AID FUND REVENUE ESTIMATES FOR FY 2004-05 AND FY 2005-06 (CONTINUED) (Millions of Dollars)			
	FY 2004-05	FY 2005-06	% Change
<u>Other Revenue</u>			
General Fund Grant	\$165.2	\$62.7	(62.0)%
Enhanced Enforcement of Delinquent Taxes	0.0	9.5	---
School Bond Loan Fund Reform	41.1	44.5	---
Keno Lottery Expansion	0.0	13.0	---
Federal Aid	1,353.6	1,392.6	2.9
Other Revenue	(6.2)	1.0	(116.1)
Subtotal Other Revenue	1,553.7	1,523.3	(2.0)
TOTAL SAF REVENUE	\$12,468.1	\$12,757.4	2.3%
TOTAL GF/GP AND SAF			
Consensus Estimate Ongoing Revenue	\$18,834.3	\$19,446.0	3.2%
Beginning Balances	74.1	1.0	(98.7)
Other Revenue ²⁾	2,049.5	2,225.4	8.6
TOTAL REVENUE²⁾	\$20,957.9	\$21,672.4	3.4%
¹⁾ Revenue estimates adopted at the August 2005 Consensus Revenue Estimating Conference.			
²⁾ Total and other revenue excludes GF/GP grant to SAF.			

1. General Fund/General Purpose Revenue

Total GF/GP revenue available to spend in FY 2005-06 will amount to an estimated \$9.0 billion, which represents an increase of \$322.7 million or 3.7% from the FY 2004-05 level. General Fund/General Purpose revenue includes the revenue from ongoing revenue sources, one-time and ongoing revenue adjustments, and tax policy and fee changes. Revenue from ongoing revenue sources is expected to total \$8.2 billion, which will be up \$218.9 million or 2.7% from the estimated FY 2004-05 level. The two largest sources of GF/GP revenue are the income and single business taxes and in FY 2005-06 their revenue collections are expected to increase 2.5% and 1.5%, respectively. Cigarette tax revenue going to the GF/GP budget is expected to jump 94.1% from \$117.5 million in FY 2004-05 to \$228.1 million in FY 2005-06 due to a scheduled increase in the amount earmarked to the GF/GP budget. These gains will be offset slightly by a projected drop in estate tax revenue due to the repeal of this tax.

In addition to the revenue generated from ongoing taxes and nontax revenue sources, GF/GP revenue in FY 2005-06 will include some revenue adjustments, as shown in [Table 1](#). These revenue adjustments include both ongoing and one-time adjustments. The revenue adjustments that will have revenue impacts for more than one year will generate an estimated \$590.1 million in FY 2005-06. The largest component of these ongoing revenue adjustments is a \$560.1 million gain in GF/GP revenue due to enacted reductions in the amount of sales tax revenue shared with local governments. (For a detailed description of the revenue sharing changes, see the Revenue Sharing section presented earlier in this report.) The one-time revenue adjustments included in the FY 2004-05 GF/GP budget total \$174.7 million and include an estimated \$60.0 million from the sale of State property, \$49.1 million that will be transferred from restricted funds, and \$24.6 million from an enhanced revenue collection effort. In addition, GF/GP revenue in FY 2005-06 includes an estimated \$31.0 million that would be generated from interest earnings on the

money generated by securitizing a portion of the State's tobacco settlement revenue; however, while the securitization of this revenue has been agreed to, it has not yet been enacted. The enacted budget for FY 2005-06 does not include any changes in the major taxes.

2. School Aid Fund

School Aid Fund revenue available to spend will total an estimated \$12.76 billion in FY 2005-06. This represents an increase of \$289.2 million or 2.3%, compared with the estimated level for FY 2004-05, as shown in Table 1. This estimate for SAF revenue includes an increase in earmarked taxes and lottery revenue, an increase in Federal aid, and a decrease in the grant from the General Fund.

Ongoing revenue from the taxes and net lottery revenue earmarked to the SAF will total an estimated \$11.2 billion in FY 2005-06, which represents an increase of \$392.8 million or 3.6%, compared with FY 2004-05. This estimated gain in earmarked tax and lottery revenue includes a 4.2% increase in sales and use tax revenue, a 2.9% increase in income tax revenue, and a 5.6% increase in State education property tax revenue. In addition, Federal aid will increase an estimated 2.9% to almost \$1.4 billion. An enacted decline in the grant from the General Fund will offset a portion of these revenue gains in the earmarked taxes and Federal Aid. In FY 2004-05, the grant from the General Fund to the SAF totaled \$165.2 million, but in FY 2005-06, the grant is scheduled to total \$62.7 million, representing a decline of \$102.5 million. School Aid Fund revenue in FY 2005-06 also will include an estimated \$9.5 million from an enhanced tax collection effort and \$13.0 million from an expansion of the keno lottery game.

C. BUDGET AND ECONOMIC STABILIZATION FUND AND SCHOOL AID FUND RESERVE

1. Budget 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.

After the balance in the BSF fell to zero in FY 2002-03, the ending balance in the GF/GP budget in FY 2003-04, which totaled \$81.3 million, was deposited into the BSF. With interest earnings the balance grew to \$83.3 million in FY 2004-05 and this was withdrawn and transferred to the GF/GP budget. No pay-in is included in the FY 2005-06 enacted budget, so the balance in the BSF will remain at zero.

Table 2

ECONOMIC AND BUDGET STABILIZATION FUND TRANSFERS, EARNINGS, AND FUND BALANCE				
FY 1995-96 TO FY 2005-06				
(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
1999-00	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 (estimate)	0.0	2.0	83.3	0.0
2005-06 (estimate)	0.0	0.0	0.0	0.0

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 2005-06. In FY 2003-04, revenue subject to the limit fell below the limit by \$4.4 billion or 15.4%. In FY 2004-05, it is estimated that the gap between revenue and the limit increased to \$5.2 billion or 17.4% below the limit. In FY 2005-06, revenue subject to the limit will fall below the revenue limit by an estimated \$5.1 billion or 16.7%.

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	23,384.1	28,825.4	4,440.7
2004-05 (estimate)	24,652.6	29,842.2	5,189.6
2005-06 (estimate)	25,512.0	30,618.2	5,106.2



RECENT SENATE FISCAL AGENCY REPORTS

<p>MI ECONOMIC OUTLOOK & BUDGET REVIEW FY 2004-05 & FY 2005-06 - REVISED August 2005</p>	<p>FY 2003-04 APPROPRIATIONS REPORT PART III YEAR END APPROPRIATIONS January 2005</p>	<p>PROPOSED CHANGES TO MICHIGAN'S ELECTRIC RESTRUCTURING LAW by Julie Koval September 2004</p>
<p>THE MI ECONOMY & STATE BUDGET FY 1994-95 TO FY 2003-04 TEN YEARS OF SIGNIFICANT CHANGES by Gary S. Olson & Talat Mangla July 2005</p>	<p>DISPOSAL OF SOLID WASTE IN MI LANDFILLS: IMPORTED WASTE & ENVIRONMENTAL CONCERNS by Suzanne Lowe January 2005</p>	<p>PROPOSAL A: ARE WE BETTER OFF? A TEN-YEAR ANALYSIS 1993-94 THROUGH 2003-04 by Kathryn Summers-Coty June 2004</p>
<p>MI ECONOMIC OUTLOOK & BUDGET REVIEW FY 2003-04, FY 2004-05 & FY 2005-06 May 2005</p>	<p>MI ECONOMIC OUTLOOK & BUDGET REVIEW FY 2003-04, 2004-05 & 2005-06 January 2005</p>	<p>MI ECONOMIC OUTLOOK & BUDGET REVIEW ISSUE 2004-2 May 2004</p>
<p>STATUS OF LAWSUITS AGAINST THE STATE OF MI FY 2003-04 UPDATE March 2005</p>	<p>AGRICULTURAL BIOFUELS: OPPORTUNITIES & CHALLENGES IN MICHIGAN by Claire Layman January 2005</p>	<p>STATUS OF LAWSUITS AGAINST THE STATE OF MI FY 2002-03 UPDATE April 2004</p>
<p>MEDICAID ENROLLMENT IN STATE OF MI 1999-2004 by David Fosdick March 2005</p>	<p>FY 2004-05 HIGHER ED APPROPRIATIONS REPORT by Ellen Jeffries December 2004</p>	<p>FY 2004-05 APPROPRIATIONS REPORT PART I-GOV'S RECOMMENDATIONS March 2004</p>
<p>FY 2005-06 APPROPRIATIONS REPORT PART I GOV'S RECOMMENDATIONS February 2005</p>	<p>FY 2004-05 APPROPRIATIONS REPORT PART II INITIAL APPROPRIATIONS October 2004</p>	<p>FY 2003-04 APPROPRIATIONS REPORT YEAR-END APPROPRIATIONS February 2004</p>

RECURRING SENATE FISCAL AGENCY REPORTS

Appropriations Report - Governor's Recommendations	Produced Annually
Appropriations Report - Initial Appropriations	Produced Annually
Appropriations Report - Year-End Appropriations	Produced Annually
Estimated State Spending by County	Produced Annually
Status of Lawsuits Against the State	Produced Annually
Higher Education Appropriations Report	Produced Annually
Michigan's Economic Outlook and Budget Review	Produced Twice a Year
Monthly Revenue Report	Produced Monthly
Michigan Economic Indicators	Produced Monthly
State Notes: Topics of Legislative Interest	Produced Six Times a Year
U.S. and Michigan Motor Vehicle Statistical Report	Produced Annually