

**OVERVIEW OF  
GOVERNOR GRANHOLM'S  
FY 2007-08 BUDGET**



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## **Governor Granholm's FY 2007-08 Budget Overview of Recommendations**

The Governor's FY 2007-08 budget recommendation contains proposed revenue increases, proposed fee increases, increases and decreases in State programs, assumptions concerning the amount and utilization of Federal funds, funding for the costs associated with State employee salaries and fringe benefits, and numerous other proposals. Included with the FY 2007-08 budget recommendation is a comprehensive proposal to eliminate projected FY 2006-07 budget deficits.

The Governor's FY 2007-08 budget recommendation is based on the consensus revenue estimates agreed to on January 18, 2007. The FY 2007-08 General Fund/General Purpose (GF/GP) consensus revenue estimate is \$7.01 billion. This represents a 14.8% decline from the consensus estimate of FY 2006-07 GF/GP revenue. The FY 2007-08 School Aid Fund (SAF) consensus revenue estimate is \$11.53 billion. This represents a 2.7% increase from the consensus estimate of FY 2006-07 SAF revenue.

The Governor's FY 2007-08 budget includes several recommended tax policy changes. Included is a replacement for the single business tax, a 2.0% excise tax on services, the imposition of an estate tax, an increase in the rate of the cigarette tax, an increase in the State markup on liquor sales, and numerous other tax policy adjustments. These proposed tax increases will increase FY 2007-08 consensus GF/GP revenue by \$2.65 billion and FY 2007-08 consensus SAF revenue by \$438.9 million.

The Governor's FY 2007-08 budget includes numerous increases in fee revenue. These fee increases, which include the elimination of statutory fee sunsets, fee increases on existing fees, and the imposition of new fees, will total \$115.0 million.

The Governor's FY 2007-08 budget recommendation contains the following level of appropriations:

Adjusted Gross.....	\$42.6 billion
State Spending from State Resources.....	\$28.5 billion
General Fund/General Purpose.....	\$9.6 billion

Adjusted Gross appropriations represent a \$941.3 million or 2.3% increase from FY 2006-07 year-to-date appropriations. State Spending from State Resources appropriations represents a \$496.2 million or 1.8% increase from FY 2006-07 year-to-date appropriations. GF/GP appropriations represent a \$388.0 million or 4.2% increase from FY 2006-07 year-to-date appropriations.

FY 2007-08  
Budget Recommendation  
Proposed Revenue and  
Fee Increases

## **Governor's Proposed Tax Policy Changes**

### **SBT REPLACEMENT (net new revenue of \$1.09 billion in FY 2007-08 from consensus estimate):**

Michigan Business Tax – Tax base would equal income, gross receipts, and assets, and tax rate would equal 0.125%. Businesses with their headquarters in Michigan would receive a special credit. (Effective 1-1-08)

Insurance Tax – Current rate on premiums tax paid by insurance companies would be increased from 1.07% to 1.25% and certain tax credits would be eliminated. (Effective 1-1-08)

Personal Property Tax – Personal property owned by industrial and commercial businesses would be exempt from the 6-mill State education tax and the 18-mill local school tax. (Effective 1-1-08)

### **TAX INCREASES (new revenue totaling \$530 million in FY 2006-07 and \$1,767 million in FY 2007-08):**

Services Tax – A 2.0% tax would be assessed on services excluding medical and educational related services and services purchased by nonprofits and governments. (Effective 6-1-07)

Commercial Rental Property – Commercial rental property would be exempt from the property tax and instead pay a new specific tax that would be adjusted up and down as vacancy rates change. (Effective 1-1-08)

Estate Tax – Michigan's estate tax would be reinstated by basing it on Federal estate tax provisions that preceded the 2001 Federal law changes that ended Michigan's tax. (Effective 4-1-07)

Liquor Markup – State Government is the wholesaler of all liquor in Michigan. Currently it marks up prices by 65.0%. Under this proposal the price markup would increase to 75.0%. (Effective 6-1-07)

Cigarette Tax – The current \$2.00/pack tax on cigarettes would be increased by \$0.05/pack. (Effective 6-1-07)

Other Tobacco Products – The tax on other tobacco products, which is currently equal to 32.0% of the wholesale price, would be increased to 64.0% of the wholesale price. (Effective 6-1-07)

International Telecommunications – Certain interstate and international calls currently are exempt from the use tax, while intrastate calls are taxed. This exemption would be repealed. (Effective 6-1-07)

Truck Purchases – A current sales tax exemption on trucks and trailers purchased for use in interstate travel would be reduced. (Effective 6-1-07)

Prisoner Purchases – Purchases made by prisoners in prison stores are currently exempt from the sales tax. The Governor is proposing that these purchases be subject to the sales tax. (Effective 6-1-07)

Insurance Companies – A current use tax exemption granted to insurance companies on items they purchase in other states but use in Michigan would be repealed. (Effective 6-1-07)

Oil & Gas – Income from oil & gas production is subject to the severance tax and not Michigan's income tax; however, oil and gas production companies are still able to deduct certain production expenses when calculating their Michigan income tax. The Governor is proposing that this deduction be repealed. (Effective 2007 tax year)

Vended Foods – Food sold for immediate consumption is subject to the sales tax; however, certain foods sold by vending machines and mobile vendors are exempt. This current sales tax exemption would be repealed. (Effective 6-1-07)

Water Softeners – A current exemption from the personal property tax for water softener equipment that is rented or leased would be repealed. (Effective 1-1-08)

Affiliate Nexus – Multi-state businesses based in Michigan currently avoid use tax liabilities by establishing out-of-state divisions as separate legal entities. Proposed changes would change the nexus standards to make these out-of-state affiliates subject to the use tax. (Effective 6-1-07)

Tax Penalties – Tax penalties on certain late payments would be restored to their 2002 level. (Effective 6-1-07)

**TAX DECREASES (revenue loss of \$175 million in FY 2007-08):**

Sales Tax on the Difference – The sales tax is currently assessed on the full purchase price of a new vehicle even if another vehicle is traded in as part of the transaction. The Governor is proposing that when a new vehicle is purchased from a new car dealer, the sales tax be based on the price of the new vehicle less the value of any trade-in allowance. (Effective 10-1-07)

**Table 1**

**Governor's Proposed Tax Policy Changes  
FY 2006-07 Estimated Fiscal Impacts  
(Dollars in Millions)**

<b>Tax Proposal</b>	<b>GF/GP</b>	<b>SAF</b>	<b>Revenue Sharing</b>	<b>Medicaid Trust Fund</b>	<b>Other</b>	<b>Total</b>
<b>SBT Replacement</b>						
Michigan Business Tax <sup>1)</sup> .....	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Insurance Tax: Rate Increase <sup>1)</sup> .....	0.0	0.0	0.0	0.0	0.0	0.0
Personal Property Tax Exemption <sup>1)</sup> .....	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal SBT Replacement .....	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<b>Tax Increases</b>						
2.0% Services Tax <sup>2)</sup> .....	\$306.7	\$170.2	\$0.0	\$0.0	\$0.0	\$476.9
Commercial Rental Prop Tax <sup>1)</sup> .....	0.0	0.0	0.0	0.0	0.0	0.0
Estate Tax: Decouple from Fed Tax <sup>3)</sup> .....	0.0	0.0	0.0	0.0	0.0	0.0
Liquor Markup Increase <sup>2)</sup> .....	(0.2)	9.2	0.0	0.0	(0.2)	8.8
Cigarette Tax Increase: \$0.05/pack <sup>2)</sup> .....	0.0	0.0	0.0	8.5	0.0	8.5
Other Tobacco Products Tax <sup>2)</sup> .....	0.0	0.0	0.0	9.6	0.0	9.6
<b>Closing Tax "Loopholes":</b>						
Tax International & Other Calls (use tax) <sup>2)</sup> .....	4.9	2.5	0.0	0.0	0.0	7.4
Interstate Trucks: Cut Sales/Use Exemption <sup>2)</sup> .....	3.7	1.8	0.0	0.0	0.0	5.5
Tax Prisoner Purchases <sup>2)</sup> .....	0.1	0.1	0.0	0.0	0.0	0.2
Tax Insurance Co. Out-of-State Purchases (use tax) <sup>2)</sup> ..	0.8	0.4	0.0	0.0	0.0	1.2
Repeal Oil & Gas Income Tax Exemption <sup>4)</sup> .....	0.0	0.0	0.0	0.0	0.0	0.0
Tax Vended Foods (sales tax) <sup>2)</sup> .....	2.3	6.5	0.0	0.0	0.0	8.8
Tax Water Softeners (property tax) <sup>1)</sup> .....	0.0	0.0	0.0	0.0	0.0	0.0
Tax Affiliates w/Nexus in MI (use tax) <sup>2)</sup> .....	0.8	0.4	0.0	0.0	0.0	1.2
Increase Penalties on Delinquent Taxes <sup>2)</sup> .....	1.7	0.0	0.0	0.0	0.0	1.7
Subtotal Tax "Loophole" Closings .....	14.2	11.7	0.0	0.0	0.0	26.0
Subtotal Tax Increases .....	\$320.7	\$191.1	\$0.0	\$18.1	\$(0.2)	\$529.8
<b>Tax Decreases:</b>						
Sales Tax Exemption on Trade-In Value <sup>5)</sup> .....	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<b>Net Change Due To Tax Policy Changes .....</b>	<b>\$320.7</b>	<b>\$191.1</b>	<b>\$0.0</b>	<b>\$18.1</b>	<b>\$(0.2)</b>	<b>\$529.7</b>

\* Change in revenue from the consensus revenue estimates adopted January 18, 2007.

1) Effective date January 1, 2008. 2) Effective date June 1, 2007. 3) Effective for deaths occurring on or after April 1, 2007. 4) 2007 tax year, but the first impact would be in FY 2007-08 when FY 2007 tax returns are filed. 5) Effective date October 1, 2008.

**Table 2**

**Governor's Proposed Tax Policy Changes  
FY 2007-08 Estimated Fiscal Impacts<sup>1)</sup>  
(Dollars in Millions)**

<b>Tax Proposal</b>	<b>GF/GP</b>	<b>SAF</b>	<b>Revenue Sharing</b>	<b>Medicaid Trust Fund</b>	<b>Other</b>	<b>Total</b>
<b>SBT Replacement</b>						
Michigan Business Tax <sup>1)</sup> .....	\$1,249.4	\$0.0	\$0.0	\$0.0	\$0.0	\$1,249.4
Insurance Tax: Rate Increase <sup>1)</sup> .....	40.0	0.0	0.0	0.0	0.0	40.0
Personal Property Tax Exemption <sup>1)</sup> .....	0.0	(203.4)	0.0	0.0	0.0	(203.4)
Subtotal SBT Replacement .....	\$1,289.4	\$(203.4)	\$0.0	\$0.0	\$0.0	\$1,086.0
<b>Tax Increases</b>						
2.0% Services Tax <sup>2)</sup> .....	\$750.2	\$580.7	\$0.0	\$143.0	\$0.0	\$1,473.9
Commercial Rental Prop Tax <sup>1)</sup> .....	0.0	5.0	0.0	0.0	0.0	5.0
Estate Tax: Decouple from Fed Tax <sup>3)</sup> .....	0.0	119.2	0.0	0.0	0.0	119.2
Liquor Markup Increase <sup>2)</sup> .....	(0.6)	28.3	0.0	0.0	(0.6)	27.1
Cigarette Tax Increase: \$0.05/pack <sup>2)</sup> .....	0.0	0.0	0.0	21.0	0.0	21.0
Other Tobacco Products Tax <sup>2)</sup> .....	0.0	0.0	0.0	36.6	0.0	36.6
<b>Closing Tax "Loopholes":</b>						
Tax International & Other Calls (use tax) <sup>2)</sup> .....	15.2	7.6	0.0	0.0	0.0	22.8
Interstate Trucks: Cut Sales/Use Exemption <sup>2)</sup> .....	11.3	5.6	0.0	0.0	0.0	16.9
Tax Prisoner Purchases <sup>2)</sup> .....	0.0	0.5	0.2	0.0	0.0	0.7
Tax Insurance Co. Out-of-State Purchases (use tax) <sup>2)</sup> ..	2.5	1.2	0.0	0.0	0.0	3.7
Repeal Oil & Gas Income Tax Exemption <sup>4)</sup> .....	2.9	1.0	0.0	0.0	0.0	3.9
Tax Vended Foods (sales tax) <sup>2)</sup> .....	0.6	20.0	6.6	0.0	0.0	27.2
Tax Water Softeners (property tax) <sup>1)</sup> .....	0.0	0.3	0.0	0.0	0.0	0.3
Tax Affiliates w/Nexus in MI (use tax) <sup>2)</sup> .....	2.4	1.2	0.0	0.0	0.0	3.6
Increase Penalties on Delinquent Taxes <sup>2)</sup> .....	5.1	0.0	0.0	0.0	0.0	5.1
Subtotal Tax "Loophole" Closings .....	40.0	37.4	6.8	0.0	0.0	84.2
Subtotal Tax Increases .....	\$789.6	\$770.6	\$6.8	\$200.6	\$(0.6)	\$1,767.0
<b>Tax Decreases:</b>						
Sales Tax Exemption on Trade-In Value <sup>5)</sup> .....	\$(15.0)	\$(128.3)	\$(31.8)	\$0.0	\$0.0	\$(175.0)
<b>Net Change Due To Tax Policy Changes</b>	<b>\$2,064.0</b>	<b>\$438.9</b>	<b>(\$25.0)</b>	<b>\$200.6</b>	<b>(\$0.6)</b>	<b>\$2,677.9</b>

\* Change in revenue from the consensus revenue estimates adopted January 18, 2007. The consensus revenue estimates include the impact of repealing the SBT effective December 31, 2007.

1) Effective date January 1, 2008. 2) Effective date June 1, 2007. 3) Effective for deaths occurring on or after April 1, 2007. 4) 2007 tax year, but the first impact would be in FY 2007-08 when FY 2007 tax returns are filed. 5) Effective date October 1, 2008.

**Table 3**

**State's Compliance with Constitutional Revenue Limit  
Sec. 26, Article IX, State Constitution of 1963  
(Millions of Dollars)**

Fiscal year	Constitutional Revenue Limit	Actual Revenue Collections	Amount Under/(Over) Limit	Actual Revenue Collections Adjusted for Inflation		
				DCPI (FY 1994-95 = 100)	FY 1994-95 Dollars	Percent Change
1994-95	\$18,475.8	\$18,585.4	\$(109.6)	1.000	\$18,585.4	
1995-96	19,982.0	19,798.8	183.2	1.028	19,263.7	3.6%
1996-97	21,672.2	20,694.3	977.9	1.054	19,635.6	1.9
1997-98	22,712.4	22,072.3	640.1	1.077	20,485.1	4.3
1998-99	23,186.8	23,208.5	(21.7)	1.104	21,022.4	2.6
1999-00	24,203.2	24,362.9	(159.7)	1.141	21,349.5	1.6
2000-01	26,315.4	23,907.6	2,407.8	1.179	20,281.1	(5.0)
2001-02	27,463.1	23,546.0	3,917.1	1.204	19,564.0	(3.5)
2002-03	28,243.1	24,061.6	4,181.5	1.234	19,497.5	(0.3)
2003-04	28,825.4	24,384.7	4,440.7	1.251	19,499.5	0.0
2004-05	29,842.3	25,626.8	4,215.5	1.282	19,990.5	2.5
2005-06	30,760.3	25,941.7	4,818.6	1.328	19,528.4	(2.3)
2006-07	31,440.7	26,735.1 <sup>a)</sup>	4,705.6	1.346	19,870.0	1.7
2007-08	32,541.2	28,125.4 <sup>a)</sup>	4,415.8	1.379	20,389.4	2.6
FY 2007-08/ FY 1994-95	76.1%	51.3%	---	37.9%	---	9.7%

<sup>a)</sup> FY 2006-07 and FY 2007-08 actual revenue collections assume the passage of the Governor's tax proposals.

# Fee Increases

**Table 4**

<b>Fee Increases Included in Governor's FY 2007-08 Budget</b>		
<b>Department/ Budget Area</b>	<b>Type of Fee</b>	<b>Estimate of New FY 2007-08 Revenue</b>
Agriculture	Pesticide Applicator Fees	\$112,000
	Pet Shop License Fees	25,200
	Livestock Operations License Fees	20,500
	Horse Riding Stable License Fees	3,000
	Nursery Stock Fees	381,500
Education	Teacher Certification Fees (various)	\$1,504,400
	Teacher College Review Fees	54,000
Environmental Quality	Air Emissions Fees	\$16,576,000
	Groundwater Discharge Permit Fees	3,084,500
	Hazardous Waste User Fees	2,500,000
	Land and Water Permit Fees	6,200,000
	Mineral Well Regulatory Fees	75,000
	On-Site Wastewater Treatment Fees	598,000
	Pollution Prevention Program Fee	2,400,000
	Solid Waste Surcharge Fees	6,000,000
Human Services	Adult Foster Care/Child Day Care/Child Placing Licensing Fees	\$606,800
Judiciary	Court of Appeals Motion Fees	\$87,500
	Judiciary Local User Fees	1,693,000
Labor & Economic Growth	Corporation Fees	\$6,461,800
	Electrical, Mechanical, Plumbers, Inspectors License Fees	708,600
	Liquor License Fees	5,021,500
	Securities Fees	4,257,700
	License and Regulation Fees	2,611,100
Natural Resources	Hunting and Fishing License Fees	\$16,900,000
State Police	Fingerprint Fees	\$1,500,000
	Commercial Mobile Radio System Fees	700,000
	Liquor License Fees	2,597,500
Treasury	Commercial Mobile Radio System Fees	17,982,000
	Liquor License Fees	14,381,000
<b>Total .....</b>		<b>\$115,042,600</b>
	New Fees .....	\$ 4,745,000
	Increases of Existing Fees .....	58,294,800
	Extensions of Sunsets .....	52,002,800
	<b>Total.....</b>	<b>\$115,042,600</b>

FY 2007-08  
General Fund/  
General Purpose  
Budget Recommendation

**Table 5**

**Governor's FY 2007-08 Budget Recommendation  
General Fund/General Purpose Revenue Recommendations  
(Millions of Dollars)**

Consensus Revenue Estimate (January 2007)	\$7,010.0
<b>Revenue Adjustments not Included in the Consensus Estimate:</b>	
Revenue Sharing Adjustments .....	\$ 545.3
Michigan Business Tax .....	1,249.4
Insurance Company Premiums Tax.....	40.0
Consumer Services Tax (2.0%) .....	226.7
Business Services Tax (2.0%) .....	523.5
Sales Tax on the Difference (Auto Purchases).....	(15.0)
Financial Institutions Fund Transfer to General Fund .....	2.0
Shift Short Term Borrowing Costs to School Aid Fund .....	22.8
Transportation Economic Development Revenue to General Fund.....	13.0
Other Tax Policy Changes .....	39.4
<b>Subtotal Revenue Adjustments .....</b>	<b>\$2,647.1</b>
<b>Governor's GF/GP Revenue Recommendation.....</b>	<b>\$9,657.1</b>

**Table 6**

<b>FY 2007-08 General Fund/General Purpose Revenue, Expenditures, and Year-End Balance (Millions of Dollars)</b>	
	<b>Governor's Rec.</b>
<b>Revenue:</b>	
Beginning Balance .....	\$ 2.1
Consensus Revenue Estimate .....	7,010.0
Revenue Sharing Adjustments .....	545.3
<u>Recommended Revenue Adjustments:</u>	
Michigan Business Tax .....	1,249.4
Insurance Company Premiums Tax .....	40.0
Consumer Services Tax (2.0%) .....	226.7
Business Services Tax (2.0%) .....	523.5
Sales Tax on the Difference (Auto Purchases) .....	(15.0)
Financial Institutions Fund Transfer to General Fund .....	2.0
Shift Short Term Borrowing Costs to School Aid Fund .....	22.8
Transportation Economic Development Revenue to General Fund ..	13.0
Other Tax Policy Changes .....	39.4
Subtotal Recommended Revenue Adjustments .....	<u>\$2,101.8</u>
<b>Total Estimated Revenue .....</b>	<b>\$9,659.2</b>
<b>Expenditures:</b>	
Governor's Appropriation Recommendations .....	\$9,610.9
<b>Projected Year-End Balance .....</b>	<b>\$ 48.3</b>

**Table 7**

<b>FY 2007-08 Governor's Appropriation Recommendation Major Proposed Changes from FY 2006-07 Year-to-Date General Fund/General Purpose Appropriations (Millions of Dollars)</b>	
FY 2006-07 Year-To-Date Appropriations .....	\$9,222.8
FY 2007-08 Governor's Appropriation Recommendations .....	<u>9,610.9</u>
Net Increase in Appropriations .....	\$ 388.1
Total Funding Increases .....	\$ 695.8
Total Funding Reductions .....	(336.0)
Total Fund Shifts .....	28.3
<b>Total GF/GP Funding Change .....</b>	<b>\$ 388.1</b>

**Table 8**

<b>FY 2007-08 Governor's Appropriation Recommendation GF/GP Major Funding Increases (Millions of Dollars)</b>	
<b>Department/Program</b>	
<b>Agriculture</b>	
Buy Michigan Promotion.....	\$0.5
<b>Community Colleges</b>	
Operations Funding Increase (2.5%) .....	7.1
Wayne County Community College Adjustment .....	0.2
Renaissance Zone Reimbursements .....	0.2
<b>Community Health</b>	
Medicaid Caseload/Utilization/Inflation.....	98.1
Medicaid Rates for HMOs and Community Mental Health.....	52.0
Medicaid Long-Term Care Expansion.....	14.2
<b>Corrections</b>	
Funding of Additional Beds .....	28.1
Prison Re-entry Program Expansion.....	20.6
Pharmaceutical Costs.....	10.4
Correctional Officer Training School .....	2.7
Correctional Facilities Staffing and Adjustments.....	7.0
Field Operations .....	1.3
Various Other Funding Adjustments .....	12.4
<b>Higher Education</b>	
Operations Funding Increase (2.5%) .....	36.6
Tuition Incentive Program .....	7.1
<b>Human Services</b>	
Family Independence Program Caseload.....	82.4
State Disability Assistance Caseload .....	3.6
Adoption Subsidy Caseload .....	11.0
Jobs Education and Training Program .....	16.1
Information Technology-Bridges Project .....	9.3
Child Welfare Program Expansions .....	35.0
<b>Labor and Economic Growth</b>	
No Worker Left Behind Program .....	40.0
Michigan Nursing Corps .....	15.0
<b>Strategic Fund Agency</b>	
Michigan Promotion Program.....	10.0
Alternative Energy Initiative.....	7.0
<b>Treasury</b>	
General Obligation Bond Debt Service .....	19.9
Neighborhood Enterprise Zones .....	0.2
Renaissance Zone Reimbursements .....	0.5
Revenue Enhancement Program .....	0.4
<b>Department Wide Economic Adjustments</b>	
Wage and Salary Increases .....	76.1
Employee Insurance Costs .....	30.1
Retirement Contributions.....	39.7
All Other Economic Adjustments.....	1.0
<b>Total Major Funding Increases .....</b>	<b>\$695.8</b>

**Table 9**

<b>FY 2007-08 Governor's Appropriation Recommendation GF/GP Major Funding Reductions (Millions of Dollars)</b>	
<b><u>Department/Program</u></b>	
<b>Agriculture</b>	
Eliminate Local Soil Conservation District Grants .....	\$ (1.5)
<b>Community Health</b>	
Disproportionate Share Hospital Payments .....	(2.1)
Medicaid Long-Term Care Reductions.....	(14.4)
Healthy Michigan Fund Reductions.....	(9.9)
<b>Corrections</b>	
Reduction in Population and Intake of Nonviolent Offenders.....	(92.0)
<b>Environmental Quality</b>	
Drinking Water Revolving Loan Fund.....	(1.7)
<b>Higher Education</b>	
Eliminate Tuition Grant Program .....	(58.8)
Reduce Cooperative Extension Service (9.1% Reduction).....	(2.7)
<b>History, Arts, and Libraries</b>	
State Aid to Libraries (50.0% Reduction) .....	(6.1)
Book Distribution Center Funding .....	(0.4)
<b>Human Services</b>	
Foster Care Program.....	(8.1)
Day Care Funding Reductions .....	(28.6)
Family Independence Program Policy Changes .....	(60.4)
Legal Support Contracts.....	(0.7)
Food Stamp Reinvestment.....	(4.0)
Indigent Burial Rate (25.0% Reduction).....	(1.5)
Child Support Payments to Friend of the Court .....	(2.0)
Teenage Parent Counseling Program.....	(3.5)
Community Action Agency Funding .....	(2.3)
Before and After School Programs.....	(5.0)
Early Retirement Sick Leave Payouts .....	(1.5)
Eliminate Various Location Specific Earmarks.....	(3.6)
<b>Management and Budget</b>	
State Building Authority Debt Service .....	(1.0)
<b>Natural Resources</b>	
Payments in Lieu of Property Taxes .....	(0.4)
<b>Strategic Fund Agency</b>	
Economic Development Job Training Grants.....	(1.6)
<b>Treasury</b>	
Qualified Agricultural Loan Payments .....	(2.5)
Revenue Enhancement Program .....	(1.2)
Statewide Operational Reductions .....	(18.5)
<b>Total Major Funding Reductions .....</b>	<b>\$(336.0)</b>

**Table 10**

<b>FY 2007-08 Governor's Appropriation Recommendation GF/GP Major Funding Shifts to Increase/(Reduce) GF/GP (Millions of Dollars)</b>		
<b><u>Department/Program</u></b>		
<b>Community Health</b>		
Medicaid Benefits Trust Fund Revenue Adjustment .....		\$ 45.4
Limitations on Medicaid QAAP Revenue .....		21.4
Increase in Federal Medicaid Match Rate.....		(155.1)
<b>Higher Education</b>		
Funding Delay Repayment .....		69.4
<b>Human Services</b>		
Shift Various Federal to GF/GP .....		45.5
<b>State Police</b>		
Fire Investigation Fund Shift to Liquor License Revenue.....		(1.6)
At-Post Trooper Fund Shift to Liquor License Revenue.....		(1.0)
At-Post Trooper Fund Shift to GF/GP from Restricted.....		6.0
Executive Direction Fund Shift to Restricted.....		(0.5)
Support Service Fund Shift to Restricted.....		(0.2)
Criminal Justice Information Center Fund Shift.....		(1.0)
<b>Total Major Funding Shifts.....</b>		<b>\$ 28.3</b>

**Table 11**

<b>FY 2007-08 State Budget Recommendation Economic Increases Included in Budget (Millions of Dollars)</b>		
	<b>Gross</b>	<b>GF/GP</b>
Wage and Salaries .....	123.5	76.1
Employee Insurance Costs.....	48.0	30.1
Retirement Contributions .....	54.5	39.7
Worker's Compensation.....	(2.7)	(1.8)
All Other Economics .....	3.9	2.8
<b>Total Economics .....</b>	<b>227.2</b>	<b>146.9</b>
<b>Addendum:</b> The cost of the Civil Service 2.0% salary increase on October 1, 2007, and 2.0% salary increase on April 6, 2008, is \$109.9 million in Gross appropriations. Pursuant to Article XI, Section 5 of the Michigan Constitution, the Legislature within 60 days of the budget submission may reject or reduce increases in the proposed salary increases. The rejection or reduction of the salary increases only takes effect if approved by two-thirds votes of the Senate and the House of Representatives.		

## **Michigan Public School Employees' Retirement System (MPERS)**

**Proposal:** The Governor proposes to enact legislation allowing MPERS to re-value its assets according to their market value as of September 30, 2006. This re-valuation will lower the required amount of employer contributions by \$185.0 million for schools and \$10.9 million for community colleges in FY 2006-07. The legislation also resets the five-year smoothing period.

Payments from the School Aid Fund to schools and from the General Fund to community colleges will be reduced by \$185.0 million and \$10.9 million, respectively. These reduced payments will be replaced by credits that meet an equivalent amount of the required pension obligations of each entity and reduce the amount of pension contributions otherwise due from that entity by the amount of the credit.

### **Fiscal Impact:**

- **Schools and Community Colleges.** There will be no net change in local funding levels as a result of this legislation. The level of School Aid Fund or GF/GP payments will decrease by an amount equal to the credit from MPERS.
- **Contribution Rates.** The FY 2006-07 contribution rate will remain unchanged at 17.74%. However, enacting this legislation will reduce the projected FY 2007-08 rate from 18.56% to 16.72% as a result of the increased valuation of assets, saving districts an estimated \$103 per pupil.

## **State Employees' Retirement System (SERS) & State Police Retirement System (SPRS)**

**Proposal:** The Governor proposes a two-part plan to produce \$153.2 million gross and \$82.0 million in GF/GP pension savings in FY 2006-07:

- First, assets in SERS and SPRS will be re-valued to their actual market value as of September 30, 2006. This revaluation will reduce the contribution rate dedicated to paying down the unfunded actuarial accrued liability from 7.80% to 2.59% for SERS and from 6.60% to 1.40% for SPRS.
- Payments into the retirement systems typically cover three separate costs: the normal pension costs, the unfunded actuarial accrued liability (UAAL), and the interest on the UAAL. The second part of the plan suspends payments to the UAAL for FY 2006-07. The current rates for paying down the UAAL are 2.63% for SERS and 1.48% for SPRS.

### **Fiscal Impact:**

- The first part of the proposal will produce savings in FY 2006-07 of \$69.5 million Gross and \$37.2 million GF/GP in reduced interest payments on the UAAL. The second part of the proposal will produce savings in FY 2006-07 of \$83.7 million gross and \$44.8 million GF/GP savings by deferring pension reconciliation payments for one year.
- The second part of the plan will reduce the funded ratios for SERS and SPRS as of September, 30, 2007. This reduced ratio will result in higher employer contribution rates in future fiscal years beginning in FY 2008-09 than would have otherwise occurred without the one-year deferral. However, the plan will reduce contribution rates in FY 2007-08 from 41.32% to 37.77% resulting in an estimated savings of \$74.3 million gross and \$39.8 GF/GP.

**Table 12**

<b>Retirement Contribution Rates as a Percentage of Payroll Under Current Law</b>			
	<b>FY 2006-07</b>	<b>FY 2007-08</b>	<b>FY 2007-08 Change</b>
<b><u>State Employees Retirement System</u></b>			
Defined Benefit Pension	18.10%	22.27%	4.17%
Defined Benefit Health Care	12.20%	11.40%	-0.80%
Total Defined Benefit Costs	30.30%	33.67%	3.37%
Defined Contribution Pension	5.30%	5.30%	0.00%
Defined Contribution Health Care	12.20%	11.40%	-0.80%
Total Defined Contribution Costs	17.50%	16.70%	-0.80%
<b><u>Public School Employees Retirement System</u></b>			
Defined Benefit Pension	11.19%	12.01%	0.82%
Defined Benefit Health Care	6.55%	6.55%	0.00%
Total Defined Benefit Costs	17.74%	18.56%	0.82%
<b>Retirement Contribution Rates as a Percentage of Payroll with New Valuation</b>			
	<b>FY 2006-07</b>	<b>FY 2007-08</b>	<b>FY 2007-08 Change</b>
<b><u>State Employees Retirement System</u></b>			
Defined Benefit Pension	10.26%	18.72%	8.46%
Defined Benefit Health Care	12.20%	11.40%	-0.80%
Total Defined Benefit Costs	22.46%	30.12%	7.66%
Defined Contribution Pension	5.30%	5.30%	0.00%
Defined Contribution Health Care	12.20%	11.40%	-0.80%
Total Defined Contribution Costs	17.50%	16.70%	-0.80%
<b><u>Public School Employees Retirement System</u></b>			
Defined Benefit Pension	11.19%	10.17%	-1.02%
Defined Benefit Health Care	6.55%	6.55%	0.00%
Total Defined Benefit Costs	17.74%	16.72%	-1.02%

**FY 2007-08  
School Aid Fund  
Budget Recommendation**

**Table 13**  
**FY 2007-08 School Aid Fund**  
**Revenue, Expenditures, and Year-End Balance**  
**(Millions of Dollars)**

	<b>Governor's Rec.</b>
<b>Revenue:</b>	
Beginning Balance .....	\$ 11.3
<b>Consensus Revenue Estimate</b> .....	<b>11,532.9</b>
GF/GP Grant .....	35.0
Federal Aid .....	1,410.1
<b>Recommended Revenue Adjustments:</b>	
Consumer Services Tax (2.0%).....	175.5
Business Services Tax (2.0%).....	405.2
Sales Tax on the Difference (Auto Purchases).....	(128.3)
Impose Michigan Estate Tax .....	119.2
Increase Liquor Markup .....	28.9
Exempt Industrial and Commercial Property from Personal Property Taxes .....	(203.4)
Expanded Club Keno Lottery Game .....	15.0
Other Tax Policy Changes .....	41.8
<b>Subtotal Recommended Revenue Adjustments</b> .....	<b>453.9</b>
<b>Total Estimated Revenue</b> .....	<b>\$13,443.2</b>
<b>Expenditures:</b>	
<b>Governor's Appropriation Recommendations</b> .....	<b>\$13,431.0</b>
<b>Projected Year-End Balance</b> .....	<b>\$ 12.2</b>

**Table 14**

<b>Governor's FY 2007-08 Budget Recommendations K-12 School Aid Appropriation Increases (Millions of Dollars)</b>	
FY 2006-07 Governor's Recommended Appropriations <sup>1)</sup> .....	\$13,048.5
FY 2007-08 Governor's Recommended Appropriations.....	13,431.0
Net Increase in Appropriations .....	\$ 382.5
<b>Recommended Appropriation Increases in Existing Programs:</b>	
Basic Foundation Allowance Increase \$178 Per Pupil (2.5%).....	\$125.3
Special Education State Cost Increases .....	51.2
Declining Enrollment Payments .....	16.0
MEAP Testing .....	10.7
Michigan School Readiness Program: Per-pupil increase.....	5.4
School Bond Loan Fund Debt Service .....	3.8
Renaissance Zone Reimbursement .....	3.0
ISD Operational Increase 2.5%.....	2.0
Health/Science Middle College Grants.....	2.0
Economics.....	0.3
Subtotal Appropriation Increases in Existing Programs .....	\$219.7
<b>Recommended New Categorical Programs:</b>	
Full-Day Preschool for Educationally At-Risk Children.....	\$194.6
Services Consolidation Incentives.....	10.0
Subtotal New Categorical Programs .....	\$204.6
<b>Recommended Appropriation Reductions:</b>	
Middle School Math Initiative.....	\$(20.0)
Equity Payment (Was Rolled in to Eligible Districts' Base Funding).....	(20.0)
Conductive Learning Center Study .....	(0.3)
Freedom to Learn: Program ended .....	(1.5)
Subtotal Appropriation Reductions.....	\$(41.8)
<b>Total Recommended Appropriation Changes .....</b>	<b>\$382.5</b>
1) Assumes enactment of Governor's recommended supplemental changes for FY 2006-07.	

**Table 15**

<b>Pupil Membership History FY 1994-95 to FY 2007-08</b>				
<b>Blend Calculation<sup>1)</sup></b>	<b>Fiscal Year</b>	<b>Local Districts</b>	<b>Charter Schools</b>	<b>Total</b>
50/50	1994-95	1,593,306	0	1,593,306
50/50	1995-96	1,610,130	4,790	1,614,920
50/50	1996-97	1,634,074	11,520	1,645,595
60/40	1997-98	1,651,011	19,202	1,670,213
60/40	1998-99	1,656,186	31,109	1,687,295
75/25	1999-2000	1,651,300	45,290	1,696,590
80/20	2000-01	1,649,085	55,072	1,704,157
80/20	2001-02	1,647,459	62,113	1,709,572
80/20	2002-03	1,647,531	67,336	1,714,867
80/20	2003-04	1,640,929	73,473	1,714,403
75/25	2004-05	1,626,289	81,491	1,707,780
75/25	2005-06	1,607,880	89,654	1,697,534
75/25	2006-07	1,585,750	96,850	1,682,600
75/25	2007-08 <sup>2)</sup>	1,562,400	105,100	1,667,500

<sup>1)</sup> Blend is a weighted average of the current school year September pupil count plus the prior school year February pupil count.

<sup>2)</sup> Estimated at the January 2007 Consensus Revenue Estimating Conference.

# Recent State Appropriation History

**Table 16**

<b>Adjusted Gross Appropriation History (Millions of Dollars)</b>				
<b>Fiscal Year</b>	<b>Appropriations</b>	<b>Dollar Change</b>	<b>Percent Change</b>	
1997-98	\$31,472.8	\$1,816.3	6.1%	
1998-99	33,160.3	1,687.5	5.4%	
1999-2000	35,417.7	2,257.4	6.8%	
2000-01	36,953.3	1,535.6	4.3%	
2001-02	38,751.3	1,798.0	4.9%	
2002-03	39,553.1	801.8	2.1%	
2003-04	39,115.3	(437.8)	-1.1%	
2004-05	39,909.5	794.2	2.0%	
2005-06	41,264.3	1,354.8	3.4%	
2006-07	41,657.9	393.6	1.0%	
2007-08 Gov's Rec.	42,599.2	941.3	2.3%	
Change FY 2000-01 to FY 2007-08		5,645.9	15.3%	

<b>State Spending from State Resources Appropriation History (Millions of Dollars)</b>				
<b>Fiscal Year</b>	<b>Appropriations</b>	<b>Dollar Change</b>	<b>Percent Change</b>	
1997-98	22,493.6	941.3	4.4%	
1998-99	23,276.8	783.2	3.5%	
1999-2000	24,579.0	1,302.2	5.6%	
2000-01	25,761.6	1,182.6	4.8%	
2001-02	26,086.8	325.2	1.3%	
2002-03	26,020.5	(66.3)	-0.3%	
2003-04	25,802.5	(218.0)	-0.8%	
2004-05	26,285.3	482.8	1.9%	
2005-06	27,654.0	1,368.7	5.2%	
2006-07	28,009.8	355.8	1.3%	
2007-08 Gov's Rec.	28,506.0	496.2	1.8%	
Change FY 2000-01 to FY 2007-08		2,744.4	10.7%	

<b>General Fund/General Purpose Appropriation History (Millions of Dollars)</b>				
<b>Fiscal Year</b>	<b>Appropriations</b>	<b>Dollar Change</b>	<b>Percent Change</b>	
1997-98	8,735.1	366.0	4.4%	
1998-99	9,415.0	679.9	7.8%	
1999-2000	9,607.7	192.7	2.0%	
2000-01	9,744.4	136.7	1.4%	
2001-02	9,189.3	(555.1)	-5.7%	
2002-03	8,830.9	(358.4)	-3.9%	
2003-04	8,770.1	(60.8)	-0.7%	
2004-05	8,702.8	(67.3)	-0.8%	
2005-06	9,056.6	353.8	4.1%	
2006-07	9,222.8	166.2	1.8%	
2007-08 Gov's Rec.	9,610.9	388.1	4.2%	
Change FY 2000-01 to FY 2007-08		(133.5)	-1.4%	

**Table 17**

<b>School Aid State Spending Appropriation History (Millions of Dollars)</b>				
<b>Fiscal Year</b>	<b>Appropriations</b>	<b>Dollar Change</b>	<b>Percent Change</b>	
1997-98	\$9,307.4	\$749.1	8.8%	
1998-99	9,495.1	187.7	2.0%	
1999-2000	9,957.6	462.5	4.9%	
2000-01	10,732.3	774.7	7.8%	
2001-02	11,220.6	488.3	4.5%	
2002-03	11,334.6	114.0	1.0%	
2003-04	11,059.3	(275.3)	-2.4%	
2004-05	11,113.5	54.2	0.5%	
2005-06	11,308.1	194.6	1.8%	
2006-07 Gov's Rec.	11,637.3	329.2	2.9%	
2007-08 Gov's Rec.	12,020.9	383.6	3.3%	
Change FY 2000-01 to FY 2007-08		1,288.6	12.0%	

**Table 18**

<b>State Spending from State Resources Appropriations Total Compared with Selected Budget Areas (Millions of Dollars)</b>					
<b>Department/Budget Area</b>	<b>FY 2002-03 Appropriations</b>	<b>FY 2007-08 Gov's Rec.</b>	<b>Dollar Change</b>	<b>Percent Change</b>	
Community Health	\$3,259.4	\$4,848.1	\$1,588.7	48.7%	
Corrections	1,655.6	1,989.6	334.0	20.2%	
Human Services	1,199.6	1,352.4	152.8	12.7%	
K-12 School Aid	11,334.6	12,020.9	686.3	6.1%	
Community Colleges	310.9	297.4	(13.5)	-4.3%	
Higher Education	1,839.4	1,806.9	(32.5)	-1.8%	
Revenue Sharing <sup>1)</sup>	1,250.0	1,113.8	(136.2)	-10.9%	
All Other Programs	5,171.0	5,076.9	(94.1)	-1.8%	
Total State Spending	26,020.5	28,506.0	2,485.5	9.6%	
<b>ADDENDUM:</b>					
Federal Government Outlays (millions)	2,160,117	2,901,861		34.3%	
Michigan Personal Income (millions)	314,101	364,597		16.1%	
Detroit Consumer Price Index	182.0	200.1		9.9%	

<sup>1)</sup> Excludes Revenue Sharing paid to counties in FY 2002-03.

**Table 19**

<b>Federal Funds Appropriated in Michigan Budget (Millions of Dollars)</b>				
<b>Fiscal Year</b>	<b>Federal Funds</b>	<b>Adjusted Gross Appropriations</b>	<b>Federal as % of Total Adjusted Gross</b>	
1997-98	\$7,931.5	\$31,472.8	25.20%	
1998-99	8,623.4	33,160.3	26.01%	
1999-2000	9,765.6	35,417.7	27.57%	
2000-01	10,002.2	36,953.3	27.07%	
2001-02	11,242.9	38,751.3	29.01%	
2002-03	12,226.7	39,553.1	30.91%	
2003-04	12,361.6	39,115.3	31.60%	
2004-05	12,855.5	39,909.5	32.21%	
2005-06	12,885.4	41,264.3	31.23%	
2006-07	13,328.0	41,657.9	31.99%	
2007-08 Gov's Rec.	13,610.5	42,599.2	31.95%	
FY 2007-08/FY 1997-98	71.6%	35.5%		

# Major Budget Areas Appropriation Summaries

## Capital Outlay Recommendations

The Governor's FY 2007-08 budget recommendation contains no funding for capital outlay construction projects. In December 2006, the Governor vetoed enrolled Senate Bill 1081 which provided capital outlay appropriations for FY 2006-07. The Governor's veto message stated:

"The State of Michigan continues to face enormous fiscal challenges. The revenues used to support state government operations and provide critical services for our citizens have eroded. The accelerated eliminations of the Single Business Tax by the 93<sup>rd</sup> Legislature coupled with its failure to enact replacement revenues has created fiscal instability. For these reasons, I do not believe now is an appropriate time to advance capital spending that will place additional pressure and obligations on the state's general fund, even though many of the projects are worthwhile."

While the State Building Authority section of the Capital Outlay appropriation bill would have committed the State to millions of dollars in future debt service payments, the Capital Outlay appropriation bill also contained \$148.1 million in Federal funding for various projects throughout the State. The bill also contained \$40.6 million of State Restricted-funded projects throughout the State. The failure to enact a Capital Outlay budget in FY 2006-07 and FY 2007-08 means the State is effectively not taking advantage of over \$377.4 million of Federal and State Restricted funding over two fiscal years for capital outlay projects that could create jobs in the State.

## Community Colleges and Higher Education Recommendations

**Community College Operations:** The Governor's recommendation would maintain the existing base for community college funding (the level prior to implementation of an Executive Order) and provide a 2.5% General Fund inflationary adjustment across-the-board to all community colleges. A special \$225,000 increase is provided to Wayne County Community College to fully restore \$450,000 eliminated in FY 2003-04. A supplemental appropriation bill restored \$225,000 to Wayne County Community Colleges in FY 2005-06.

Table 20 provides a summary of the Governor's recommendation for Community Colleges.

**University Operations:** The Governor's budget includes an increase of 2.5% for each State university for a total increase of \$36.6 million. The Governor recommends no change in the current year \$33.8 million funding level for the Agricultural Experiment Station (AES) but the \$29.2 million appropriation for the Cooperative Extension Service (CES) is reduced by \$2.7 million or 9.1%. The Governor recommends two separate appropriation bills for Higher Education: one bill for Michigan State University, University of Michigan-Ann Arbor, and Wayne State University which are characterized as "research universities" and a separate bill for the other 12 universities and grants and financial aid.

**Financial Aid:** For the fifth consecutive year, the Governor proposes to eliminate the \$58.8 million Tuition Grant Program that provides need-based scholarships for students at independent colleges and universities. There is a \$24.2 million reduction in Michigan Merit Award Trust Fund appropriations to reflect the change in the payment schedule for the new Michigan Promise Grant. The recommendation also includes an increase of \$7.1 million for the Tuition Incentive Program (TIP) due to a caseload increase, \$3.0 million in new Federal funds for Project Gear-Up which provides scholarships to academically at-risk students, and elimination of the \$5.0 million MiLEAD line-item which is now an off-budget work project.

**FY 2006-07 Payment Delay:** A delay of half of the \$138.7 million August 2007 State payment for university operations, AES, and CES is part of the Governor's proposal to balance the FY 2006-07 budget, and would reduce FY 2006-07 Higher Education appropriations by \$69.4 million. The Governor's FY 2007-08 recommendation includes \$69.4 million to restore the payments that are proposed to be delayed in FY 2006-07.

Table 21 provides a summary of the Governor's recommendation for Higher Education; the dollar and percent change calculations in the table do not include the FY 2006-07 payment delay issue.

**Table 20**

**FY 2007-08 Community College Appropriations: Governor's Recommendation**

<b>College</b>	<b>FY 2006-07 Enacted PA 341 of 2006</b>	<b>FY 2007-08 Governor's Recommendation</b>	<b>Dollar Change</b>	<b>Percent Change</b>
Alpena Community College .....	\$4,904,800	\$5,027,400	\$122,600	2.5%
Bay de Noc Community College .....	4,949,900	5,073,600	123,700	2.5
Delta College.....	13,309,200	13,641,900	332,700	2.5
Glen Oaks Community College.....	2,235,500	2,291,400	55,900	2.5
Gogebic Community College .....	4,044,400	4,145,500	101,100	2.5
Grand Rapids Community College .....	16,707,300	17,125,000	417,700	2.5
Henry Ford Community College.....	20,330,000	20,838,300	508,300	2.5
Jackson Community College .....	11,235,100	11,516,000	280,900	2.5
Kalamazoo Valley Community College.....	11,518,600	11,806,600	288,000	2.5
Kellogg Community College.....	9,037,500	9,263,400	225,900	2.5
Kirtland Community College .....	2,749,100	2,817,800	68,700	2.5
Lake Michigan College.....	4,872,600	4,994,400	121,800	2.5
Lansing Community College .....	28,890,800	29,613,100	722,300	2.5
Macomb Community College.....	30,847,300	31,618,500	771,200	2.5
Mid Michigan Community College .....	4,110,400	4,213,200	102,800	2.5
Monroe County Community College .....	4,009,800	4,110,000	100,200	2.5
Montcalm Community College .....	2,890,000	2,962,300	72,300	2.5
C.S. Mott Community College.....	14,587,500	14,952,200	364,700	2.5
Muskegon Community College .....	8,292,400	8,499,700	207,300	2.5
North Central Michigan College .....	2,810,400	2,880,700	70,300	2.5
Northwestern Michigan College .....	8,455,700	8,667,100	211,400	2.5
Oakland Community College .....	19,485,000	19,972,100	487,100	2.5
St. Clair County Community College .....	6,534,700	6,698,100	163,400	2.5
Schoolcraft College.....	11,393,400	11,678,200	284,800	2.5
Southwestern Michigan College .....	6,121,100	6,274,100	153,000	2.5
Washtenaw Community College.....	11,689,400	11,981,600	292,200	2.5
Wayne County Community College.....	15,209,100	15,820,000	610,900	4.0
West Shore Community College.....	2,135,700	2,189,100	53,400	2.5
<b>Subtotal Operations.....</b>	<b>\$283,356,700</b>	<b>\$290,671,300</b>	<b>\$7,314,600</b>	<b>2.6%</b>
At-risk Student Success Program .....	3,322,700	3,322,700	0	0.0
Renaissance Zone Tax Reimbursement.....	3,200,000	3,375,000	175,000	5.5
<b>Total Gross Appropriation .....</b>	<b>\$289,879,400</b>	<b>\$297,369,000</b>	<b>\$7,489,600</b>	<b>2.6%</b>
<b>GF/GP .....</b>	<b>\$289,879,400</b>	<b>\$297,369,000</b>	<b>\$7,489,600</b>	<b>2.6%</b>

Table 21

FY 2007-08 Higher Education Appropriations: Governor's Recommendation										
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
UNIVERSITIES	FY 2006-07 Year-to-Date Appropriation	FY 2006-07 Approp. Per Student*	Increase for MSU, UM-AA, WSU: 2.5%	Increase for 12 Other Universities: 2.5%	Reduce Coop. Extension; Restore Payment Delay	Eliminate Tuition Grants; Increase TIP; Add Gear-Up, Mich. Promise	FY 2007-08 Governor's Rec.	\$ Change from FY 2006-07	% Change from FY 2006-07	FY 2007-08 Approp. Per Student*
Central	\$82,383,700	\$3,818		\$2,059,600			\$84,443,300	\$2,059,600	2.5%	\$3,913
Eastern	78,168,700	4,163		1,954,200			80,122,900	1,954,200	2.5%	4,268
Ferris	50,045,100	4,524		1,251,100			51,296,200	1,251,100	2.5%	4,637
Grand Valley	64,797,700	3,242		1,619,900			66,417,600	1,619,900	2.5%	3,323
Lake Superior	12,928,400	5,048		323,200			13,251,600	323,200	2.5%	5,174
Michigan State	292,185,500	6,886	7,304,600				299,490,100	7,304,600	2.5%	7,058
Michigan Tech	49,219,300	8,037		1,230,500			50,449,800	1,230,500	2.5%	8,238
Northern	46,399,400	5,425		1,160,000			47,559,400	1,160,000	2.5%	5,561
Oakland	52,409,000	3,679		1,310,200			53,719,200	1,310,200	2.5%	3,771
Saginaw Valley	28,874,500	3,711		721,900			29,596,400	721,900	2.5%	3,804
UM-Ann Arbor	325,796,300	8,136	8,144,900				333,941,200	8,144,900	2.5%	8,340
UM-Dearborn	25,456,600	4,078		636,400			26,093,000	636,400	2.5%	4,180
UM-Flint	21,520,300	4,211		538,000			22,058,300	538,000	2.5%	4,316
Wayne State	220,033,000	8,719	5,500,800				225,533,800	5,500,800	2.5%	8,937
Western	112,876,400	4,847		2,821,900			115,698,300	2,821,900	2.5%	4,968
Ag Experiment Station (AES)	33,827,100						33,827,100	0	0.0%	
Cooperative Extension (CES)	29,176,400				(2,655,700)		26,520,700	(2,655,700)	-9.1%	
Payment Delay/Restoration	0				69,368,000		69,368,000	0	na	
Higher Education Database	200,000						200,000	0	0.0%	
Midwest Higher Ed Compact	90,000						90,000	0	0.0%	
King-Chavez-Parks	2,691,500						2,691,500	0	0.0%	
<b>TOTAL UNIVERSITIES</b>	<b>\$1,529,078,900</b>	<b>\$5,783</b>	<b>\$20,950,300</b>	<b>\$15,626,900</b>	<b>\$66,712,300</b>	<b>\$0</b>	<b>\$1,632,368,400</b>	<b>\$33,921,500</b>	<b>2.2%</b>	<b>\$5,927</b>
Merit Award Trust Fund	9,500,000		0	0	0	0	9,500,000	0	0.0%	
State GF/GP	\$1,519,578,900		\$20,950,300	\$15,626,900	\$66,712,300	\$0	\$1,622,868,400	\$33,921,500	2.2%	
<b>GRANTS &amp; FINANCIAL AID</b>										
Competitive Scholarships	\$34,130,500						\$34,130,500	\$0	0.0%	
Tuition Grants	58,768,100					(58,768,100)	0	(58,768,100)	-100.0%	
Work Study	7,326,300						7,326,300	0	0.0%	
Part-time Independent	2,653,300						2,653,300	0	0.0%	
Ed. 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	4,250,000						4,250,000	0	0.0%	
Michigan Merit Award Program	127,700,000					(67,700,000)	60,000,000	(67,700,000)	-53.0%	
Michigan Promise Grant Program	0					43,500,000	43,500,000	43,500,000	na	
Tuition Incentive Program (TIP)	14,000,000					7,100,000	21,100,000	7,100,000	50.7%	
Children of Veterans Tuition	1,000,000						1,000,000	0	0.0%	
Project Gear-Up	0					3,000,000	3,000,000	3,000,000	na	
Mi. Leadership, Ed, Development	5,000,000					(5,000,000)	0	(5,000,000)	-100.0%	
<b>TOTAL FINANCIAL AID</b>	<b>\$258,412,400</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$77,868,100)</b>	<b>\$180,544,300</b>	<b>(\$77,868,100)</b>	<b>-30.1%</b>	
Federal	3,000,000		0	0	0	3,000,000	6,000,000	3,000,000	100.0%	
Merit Award Trust Fund	138,300,000		0	0	0	(24,200,000)	114,100,000	(24,200,000)	-17.5%	
MHEAA/Carry-Forward	5,900,000		0	0	0	(4,700,000)	1,200,000	(4,700,000)	-79.7%	
Veterans Tax Checkoff	1,000,000		0	0	0	0	1,000,000	0	0.0%	
Civilian Conservation Corps	5,000,000		0	0	0	(5,000,000)	0	(5,000,000)	-100.0%	
State GF/GP	\$105,212,400		\$0	\$0	\$0	(\$46,968,100)	\$58,244,300	(\$46,968,100)	-44.6%	
<b>TOTAL HIGHER ED</b>	<b>\$1,787,491,300</b>		<b>\$20,950,300</b>	<b>\$15,626,900</b>	<b>\$66,712,300</b>	<b>(\$77,868,100)</b>	<b>\$1,812,912,700</b>	<b>(\$43,946,600)</b>	<b>-2.5%</b>	
<b>TOTAL FEDERAL</b>	<b>3,000,000</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>3,000,000</b>	<b>6,000,000</b>	<b>3,000,000</b>	<b>100.0%</b>	
<b>TOTAL STATE RESTRICTED</b>	<b>159,700,000</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>(33,900,000)</b>	<b>125,800,000</b>	<b>(33,900,000)</b>	<b>-21.2%</b>	
<b>TOTAL STATE GF/GP</b>	<b>\$1,624,791,300</b>		<b>\$20,950,300</b>	<b>\$15,626,900</b>	<b>\$66,712,300</b>	<b>(\$46,968,100)</b>	<b>\$1,681,112,700</b>	<b>(\$13,046,600)</b>	<b>-0.8%</b>	

## Department of Community Health Recommendations

### Medicaid Base, Caseload, and Payment Rate Issues

The Governor's budget included a \$188.4 million Gross, \$98.1 million GF/GP increase in the overall Medicaid base. This figure includes an adjustment in the base allocation for mental health and substance abuse services, Children's Special Health Care Services (CSHCS) and the Adult Benefits Waiver (ABW). This adjustment in Medicaid base is built upon an assumed average Medicaid caseload of 1,581,000 individuals in FY 2007-08. A Federal mandate to pay "actuarially sound" rates to Medicaid managed care providers would lead to a further increase of over \$50.0 million GF/GP.

### Program Expansions

The State's Home and Community Based Waiver Program would be expanded by \$20.0 million Gross, \$8.4 million GF/GP to accommodate an expansion in program slots and an increase in rates paid for these services. Michigan also received a Federal grant to largely finance the cost of identifying current residents of nursing homes who could be cared for in a home-based setting (\$11.8 million Gross, \$3.0 million GF/GP).

### Program Reductions

Healthy Michigan Fund. A number of reductions were made in programs currently financed through the Healthy Michigan Fund. In FY 2007-08 these funds will be used to support the Medicaid base, reducing Medicaid GF/GP costs by \$9.9 million.

Long-Term Care. The Governor anticipated savings in Medicaid long-term care through greater utilization of home-based care. The savings of \$19.2 million Gross, \$6.0 million GF/GP are based upon the assumption that these individuals can be cared for in a lower cost setting than nursing homes. Additionally, the Governor reduces Medicaid nursing home reimbursement by \$20.0 million Gross, \$8.4 million GF/GP.

Other GF/GP Reductions. Additional reductions of \$45.9 million Gross, \$15.9 million GF/GP are included in the Governor's proposal. GF/GP savings are assumed from implementation of a Medicaid estate recovery program (\$10.0 million Gross, \$4.2 million GF/GP), elimination of a Medicaid Disproportionate Share Hospital (DSH) pool (\$5.0 million Gross, \$2.1 million GF/GP), implementation of a policy change reducing State cost for individuals dually eligible for Medicaid and Medicare (\$10.0 million Gross, \$4.2 million GF/GP), as well as elimination of a number of minor items included in the FY 2006-07 DCH appropriation.

### Fund Source Adjustments

Tobacco Settlement and Tobacco Tax Adjustments. A shortfall in the Medicaid Benefits Trust Fund made a \$45.4 million GF/GP adjustment into the Medicaid base necessary. A reduction in available tobacco settlement funds also made a \$13.9 million GF/GP allocation to the Medicaid base necessary as well.

Federal Match Adjustments. Increases in the Federal Medicaid match rate for Michigan from 56.38% to 58.10% and for SCHIP from 69.47% to 70.67% create a \$155.1 million GF/GP savings to the State.

HMO and CMH QAAP Adjustment. Federal regulatory changes lowering the maximum provider tax rate from 6.0% to 5.5% will increase GF/GP costs for Medicaid HMO and CMH rates by \$21.4 million GF/GP.

## **Summary**

Base Medicaid costs for all Medicaid services are projected to increase by just over \$100.0 million GF/GP. When combined with the requirement for actuarial soundness in managed care rates, the cost increase is over \$150.0 million GF/GP.

The Governor's budget continues to assume that Congress will adopt legislation allowing states to capture pharmaceutical rebates earned by Medicaid managed care organizations. If this legislation is not adopted, Medicaid costs will increase by another \$50.0 million GF/GP.

Fund source shortfalls continue to be an issue in Medicaid, as both the Medicaid Benefits Trust Fund and the Merit Award Trust Fund will have less revenue than budgeted in FY 2006-07, leading to a cost increase of almost \$60.0 million GF/GP. A reduction in the maximum QAAP tax rate from 6.0% to 5.5% will increase costs another \$21 million GF/GP.

In all, Medicaid caseload and fund source cost increases in FY 2007-08 will total at least \$230.0 million GF/GP and likely will be closer to \$280.0 million GF/GP unless Congress takes action on pharmaceutical rebates sometime this year.

There is one very significant piece of positive news, as the Medicaid match rate will increase from 56.38% to 58.10%, which will reduce GF/GP costs by \$155 million. This match rate increase greatly alleviates the cost pressures faced by the Medicaid program.

The net result of these changes is a mostly continuation budget which increases by \$58.4 million GF/GP, or just about 2%, from FY 2006-07 to FY 2007-08.

## Department of Corrections Recommendations

The Governor included a Gross increase of 3.2% and a GF/GP increase of 4.0%. The Gross net increase of \$61.3 million includes \$84.9 million in economic increases, which are partially offset by reductions elsewhere. The Governor also included organizational changes and \$11.1 million in various funding increases that would make the appropriation more congruent with actual departmental operations. The appropriation would fund 1,400 new beds and authorize 404.2 additional FTEs. However, most of these beds already came online, or will come online during FY 2006-07. The supplemental appropriation request addresses funding needs for these additional beds. Assuming no reductions in prison intake or increases in prison exits occur, the prison and camp system is expected to run out of beds during the first quarter of FY 2007-08.

### Policy Proposals

Policy options to address the run-out-of-beds date include modifying sentencing guidelines to reduce intake, amending Truth-in-Sentencing statutes in order to release offenders from prisons and camps who have not yet served their full minimum sentence, paroling additional prisoners, and commuting prisoners' sentences. The Governor included a net \$92.0 million GF/GP reduction based on proposed amendments to sentencing guidelines and truth-in-sentencing statutes. Under the plan, the sentencing guidelines would be amended to move certain nonviolent offenders out of straddle cells and into intermediate sanction cells. Judges are not supposed to sentence offenders in intermediate sanction cells to prison, instead they are sentenced to jail, probation, treatment, or other community-based sanctions. The Governor's proposal did not include details on the specific offenses that would be affected. The Governor included additional funding for supervising these offenders in the community, and the net savings for this measure would be \$37.0 million. The Governor also did not recommend an appropriation for the County Jail Reimbursement Program and left it as a placeholder. If sentencing guidelines were to be amended in any manner, offender eligibility for this program and other community corrections programs may be affected.

The Governor also proposes to parole offenders currently in prison for these same offenses or amend statute in order to place them in the community before serving their full minimum sentence. Funding is included for these offenders to go through the Michigan Prisoner Re-entry Initiative (MPRI), and then be placed on electronic monitoring in the community. The net savings for this measure is \$55.0 million.

Additionally, the Governor proposes to review medically fragile prisoners, foreign nationals who would be deported after their release, parolable lifers, and nonviolent geriatric prisoners for parole or commutation consideration. The budget recommendation did not include savings for this measure.

### Budgetary Options

The budget addresses high prison intake and low prison exits through the MPRI. The goal of the program is to better prepare prisoners for re-entry into the community in order to increase the parole rate, and reduce the number of parolees that are returned to prison. The Governor proposed an additional \$20.6 million in order to operate the program Statewide and \$1.5 million for MPRI-related staff for the Parole Board and at the correctional facilities.

<b>Past and Projected Michigan Department of Corrections Year-end Prison and Camp Population</b>									
<b>Calendar Year</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Prison & Camp Population	47,317	49,459	48,887	48,557	49,377	51,454	52,828	53,554	54,254
<i>Projected populations in italics</i>									

**Source:** MDOC Prison Population Projections, February 2007; MDOC Client Census Reports

## **Department of Human Services Recommendations**

The Department of Human Services budget includes major changes reflected in caseload increases, revenue shortfalls, fund shifts and program reductions to produce savings. The caseload changes include increases in Family Independence Program (FIP) of 18,165 cases, Adoption of 567 cases, State Disability Assistance of 590 cases and a \$5.0 million Gross, GF/GP for a 2.56% increase in the Child Care Fund spending. There are reductions in Foster Care Payments of 30 cases and a 36-cent reduction per recipient in the State Supplement for SSI payment rate. Major funds shifts include adding State funds to replace a \$26.3 million shortfall in TANF, \$16.7 million in Child Support Title IV-D and \$3.3 million less in public assistance recoupment revenue. However the budget includes replacing State funds with \$6.4 million in Title XIX, FMAP, Crime Victim's Rights funds and increased licensing fees, and \$10 million in Workforce Investment Act funds.

The major program increases include \$18.0 million Gross, \$16.0 million GF/GP for the Jobs, Education and Training (JET) Program to be expanded Statewide, \$14.0 million Gross, \$9.3 million for the Bridges technology benefit distribution system, and \$39.5 million Gross, \$35.0 million GF/GP for Child Welfare enhancements, including 257 FTE positions in order to reduce the backlog in out-of-home placements and licensing requirements and program management. The major program reductions include (\$84.0 million) Gross, GF/GP for Day Care Services policy changes including reduction of allowable reimbursed hours from 100 to 90 per pay period per child and 5,100 fewer FIP open cases and 5,000 more case closures. A new program for Day Care case reading reviews is expected to generate \$5.0 million in savings. The budget proposal includes TANF fund reductions to Community Action Agencies of \$2.4 million, Marriage and Fatherhood Initiatives of \$3.2 million, elimination of the 3.0% runaway and homeless youth contract FY 2006-07 rate increase, and other legislative priorities. The major program closures include Teenage Parent Counseling, Black Child and Family Institute, and Before- and After-School Programs.

## **Department of Labor and Economic Growth Recommendations**

### **No Worker Left Behind**

The Executive budget includes a new program that is designed to offer tuition-free training to unemployed workers. The program will provide, for up to two years, free tuition at a Michigan community college or an approved training provider. Fields of study will be limited to those determined to be necessary for employment in a high demand occupation, an emerging industry, or entrepreneurship program. Recipients would be eligible to continue to receive unemployment benefits during training. Funding for this program would be \$37.0 million of Federal Workforce Investment Act (WIA) funds and \$40.0 million GF/GP.

### **Michigan Nursing Corps**

The budget would allocate \$15.0 million of GF/GP over three years for a new program to expand the number of nurses qualified for faculty positions and accelerated second degree registered nurse programs. The funding would be used to cover the cost of tuition, stipends, and other education-related expenses. Eligible institutions include Michigan universities and community colleges with existing accredited nursing baccalaureate and Masters education programs. The institutions may receive one or more grants for a Masters degree nursing faculty, doctoral degree nursing faculty, clinical instructors for nursing education, or an accelerated second bachelors degrees in nursing. All participants must agree to be employed in Michigan after graduation. The program will be run cooperatively with the Department of Community Health.

### **Liquor License Fee Increases**

The budget also assumes an increase in the Liquor License fees, similar to the proposal that was offered in FY 2006-07. The estimated revenue that would be generated would total \$22.0 million, of which \$14.4 million would be used to support public safety grants in the Department of Treasury, and \$2.6 million would be used to support at post troopers and the Fire Investigation Unit in the Department of State Police. The remaining \$5.0 million would be used to support fund shifts from GF/GP or GF/GP like sources in the Fire Services Bureau and the Fire Protection Grants.

### **Occupational License Fees**

The budget also assumes statutory changes to occupational license fees that were increased in 2004 with a sunset on the increase in 2007. Additional occupations are proposed for statutory license fee increases.

### **Welfare-to-Work**

The budget includes a fund shift in the Welfare-to-Work line of \$10.0 million from Federal Temporary Assistance to Needy Families (TANF) to Federal WIA funds. This shift is included for FY 2007-08 as well as in the E.O. and supplemental for FY 2006-07. This change is the result of the over appropriation of the TANF funds in FY 2006-07. Another change to the Welfare-to-Work program includes a new line item called the Jobs, Education, and Training (JET) Statewide Expansion. This new line includes a \$13.5 million IDG from DHS which has accompanying boilerplate that places a contingency on these funds based on the documented level of savings achieved from the 2007 JET program implemented in 50.0% of the State.

## Department of Treasury – Revenue Sharing Recommendations

The Governor's FY 2007-08 budget recommendation contains a continuation of State revenue sharing appropriations to cities, villages, and townships from the levels appropriated in FY 2006-07. State revenue sharing payments to cities, villages, and townships would be frozen in FY 2007-08 at the appropriated FY 2006-07 levels.

Under the Governor's recommendation, revenue sharing payments to each city, village, and township (CVT) will essentially be frozen at the FY 2006-07 level. The freeze will result in an estimated 980 CVTs not receiving any payments in FY 2007-08 under statutory revenue sharing provisions, although these local units would continue to receive constitutional revenue sharing payments. Statutory revenue sharing payments would not occur to these local units because 928 are not expected to receive a statutory payment in FY 2006-07 and another 52 CVTs are expected to receive so little in statutory funds in FY 2006-07 that eliminating the statutory payment would be insufficient to offset the growth the CVT would receive in constitutional payments. Under the recommendation, given current revenue estimates, the City of Detroit would be expected to receive approximately 52.0% of the statutory appropriation for revenue sharing. Enacting the freeze would require additional legislation to alter the current distribution formula.

The Governor's budget recommendation also includes an additional \$27.16 million in restricted revenue payments to CVTs that achieve greater efficiencies in the delivery of essential public services. The exact criteria establishing eligibility for these payments is not specified, but verification would be handled by the Department of Treasury. Counties would not be eligible for the payments. A maximum of \$250,000 of the appropriation is to be distributed through community partnership grants awarded through the centers for regional excellence program. The amount each CVT would be eligible to receive is to be based upon formulas contained in the revenue sharing act. Undistributed funds would lapse to the General Fund. If all local units received payments under this portion of the appropriation, the total would represent a 2.5% increase in total revenue sharing, although not all local units would receive the same percentage increase in their payments compared to their FY 2006-07 payment. If all \$27.16 million were distributed, Detroit would receive approximately 47.0% of this portion of the appropriation.

Under the budget recommendation, counties would continue to make withdrawals from special reserved funds in lieu of revenue sharing payments, although the budget contains \$113,600 in payments to Tuscola County, which is expected to exhaust its reserve fund during FY 2007-08. The reserve funds were created and withdrawals authorized as part of a phased-in shift in the collections date for county property tax collections.

The recommendation also includes \$212,000 of General Fund revenue to hold units under the control of a State-appointed financial manager (Highland Park), harmless from revenue sharing reductions enacted in Executive Order 2003-23.

Special census payments are not funded under the FY 2007-08 budget recommendation.

## **Tobacco Settlement Revenue Issues Governor's FY 2007-08 Budget Recommendation**

The Governor is recommending a FY 2006-07 \$69.6 million GF/GP supplemental in the Medicaid program to offset reductions in tobacco settlement payments. This reduction in payments is due to a dispute involving the enforcement of provisions of the overall tobacco settlement agreement dealing with companies selling cigarettes in Michigan who are not part of the settlement agreement.

The FY 2007-08 estimates of tobacco settlement revenue assume the issues concerning these disputed payments are resolved in favor of the State during the fiscal year.

The FY 2007-08 budget includes the first \$42.9 million payment on the debt service on tobacco securitization bonds that were used to finance the \$400.0 million funding of the 21<sup>st</sup> Century Jobs Fund. These debt service payments will continue for the next 20 years.

The FY 2007-08 budget includes the earmarking of \$75.0 million of tobacco settlement revenue to the 21<sup>st</sup> Century Jobs Fund.

The FY 2007-08 budget includes the appropriation of \$289.1 million of tobacco settlement revenue from the Merit Award Trust Fund. The Merit Award Scholarship and the Michigan Promise Scholarship are funded at \$103.5 million and the Medicaid program is funded at \$151.9 million.

# Departmental Appropriation Recommendation

**Table 22****Adjusted Gross Appropriations  
FY 2006-07 Versus Governor's Recommendation**

<b>Department/Budget Area</b>	<b>FY 2006-07 Year-to-Date Appropriations</b>	<b>FY 2007-08 Governor's Recommendation</b>	<b>Dollar Difference</b>	<b>Percent Change</b>
Agriculture	\$103,246,100	\$95,950,900	(\$7,295,200)	(7.1)%
Attorney General	54,618,000	50,392,500	(4,225,500)	(7.7)
Capital Outlay	0	0	0	0.0
Civil Rights	14,020,200	14,490,700	470,500	3.4
Civil Service	30,759,000	31,109,500	350,500	1.1
Community Colleges	289,879,400	297,369,000	7,489,600	2.6
Community Health	11,158,871,300	11,500,087,700	341,216,400	3.1
Corrections	1,939,183,100	2,000,416,600	61,233,500	3.2
Education	90,590,100	93,144,700	2,554,600	2.8
Environmental Quality	411,099,900	352,552,600	(58,547,300)	(14.2)
Executive	5,509,900	5,509,900	0	0.0
Higher Education	1,787,491,300	1,812,912,700	25,421,400	1.4
History, Arts, and Libraries	54,784,700	47,314,200	(7,470,500)	(13.6)
Human Services	4,465,032,600	4,543,398,900	78,366,300	1.8
Information Technology	0	0	0	0.0
Judiciary	256,864,600	260,708,700	3,844,100	1.5
Labor and Economic Growth	1,207,990,400	1,310,674,600	102,684,200	8.5
Legislative Auditor General	14,546,000	14,546,000	0	0.0
Legislature	116,576,400	116,576,400	0	0.0
Management and Budget	320,848,500	318,010,800	(2,837,700)	(0.9)
Military Affairs	121,238,000	126,180,800	4,942,800	4.1
Natural Resources	284,547,300	283,415,700	(1,131,600)	(0.4)
School Aid	13,093,745,100	13,431,028,400	337,283,300	2.6
State	184,793,500	187,871,200	3,077,700	1.7
State Police	546,646,100	537,791,200	(8,854,900)	(1.6)
Transportation	3,441,865,300	3,365,255,600	(76,609,700)	(2.2)
Treasury (Debt Service)	100,158,200	119,986,400	19,828,200	19.8
Treasury (Operations)	375,065,500	390,115,700	15,050,200	4.0
Treasury (Revenue Sharing)	1,107,514,400	1,113,837,600	6,323,200	0.6
Treasury (Strategic Fund)	80,401,200	178,570,900	98,169,700	122.1
<b>Total Appropriations</b>	<b>\$41,657,886,100</b>	<b>\$42,599,219,900</b>	<b>\$941,333,800</b>	<b>2.3%</b>

**Table 23**

**State Spending From State Resources  
FY 2006-07 Versus Governor's Recommendation**

<b>Department/Budget Area</b>	<b>FY 2006-07 Year-to-Date Appropriations</b>	<b>FY 2007-08 Governor's Recommendation</b>	<b>Dollar Difference</b>	<b>Percent Change</b>
Agriculture	\$79,362,300	\$73,903,300	(\$5,459,000)	(6.9)%
Attorney General	44,381,500	42,478,600	(1,902,900)	(4.3)
Capital Outlay	0	0	0	0.0
Civil Rights	12,454,000	12,436,600	(17,400)	(0.1)
Civil Service	24,129,900	24,480,400	350,500	1.5
Community Colleges	289,879,400	297,369,000	7,489,600	2.6
Community Health	4,811,282,300	4,748,100,300	(63,182,000)	(1.3)
Corrections	1,927,330,700	1,989,646,200	62,315,500	3.2
Education	14,119,500	14,381,000	261,500	1.9
Environmental Quality	270,361,400	219,823,200	(50,538,200)	(18.7)
Executive	5,509,900	5,509,900	0	0.0
Higher Education	1,784,491,300	1,806,912,700	22,421,400	1.3
History, Arts, and Libraries	45,756,400	39,894,400	(5,862,000)	(12.8)
Human Services	1,265,149,900	1,352,425,600	87,275,700	6.9
Information Technology	0	0	0	0.0
Judiciary	247,783,300	249,830,100	2,046,800	0.8
Labor and Economic Growth	394,506,000	454,620,300	60,114,300	15.2
Legislative Auditor General	14,546,000	14,546,000	0	0.0
Legislature	116,176,400	116,176,400	0	0.0
Management and Budget	320,848,500	318,010,800	(2,837,700)	(0.9)
Military Affairs	67,092,900	69,246,100	2,153,200	3.2
Natural Resources	238,457,900	235,914,500	(2,543,400)	(1.1)
School Aid	11,682,508,200	12,020,916,700	338,408,500	2.9
State	181,741,300	186,309,900	4,568,600	2.5
State Police	369,171,900	382,549,400	13,377,500	3.6
Transportation	2,225,029,000	2,121,665,000	(103,364,000)	(4.6)
Treasury (Debt Service)	100,158,200	119,986,400	19,828,200	19.8
Treasury (Operations)	338,093,000	352,609,300	14,516,300	4.3
Treasury (Revenue Sharing)	1,107,514,400	1,113,837,600	6,323,200	0.6
Treasury (Strategic Fund)	32,014,200	122,427,400	90,413,200	282.4
<b>Total Appropriations</b>	<b>\$28,009,849,700</b>	<b>\$28,506,007,100</b>	<b>\$496,157,400</b>	<b>1.8%</b>

**Table 24**

**General Fund/General Purpose  
FY 2006-07 Versus Governor's Recommendation**

<b>Department/Budget Area</b>	<b>FY 2006-07 Year-to-Date Appropriations</b>	<b>FY 2007-08 Governor's Recommendation</b>	<b>Dollar Difference</b>	<b>Percent Change</b>
Agriculture	\$30,913,300	\$28,895,300	(\$2,018,000)	(6.5)%
Attorney General	32,896,000	32,865,500	(30,500)	(0.1)
Capital Outlay	0	0	0	0.0
Civil Rights	12,454,000	12,436,600	(17,400)	(0.1)
Civil Service	6,972,400	6,808,600	(163,800)	(2.3)
Community Colleges	289,879,400	297,369,000	7,489,600	2.6
Community Health	2,940,082,700	2,998,490,700	58,408,000	2.0
Corrections	1,858,555,000	1,932,166,700	73,611,700	4.0
Education	6,592,500	6,580,500	(12,000)	(0.2)
Environmental Quality	33,828,400	32,796,400	(1,032,000)	(3.1)
Executive	5,509,900	5,509,900	0	0.0
Higher Education	1,624,791,300	1,681,112,700	56,321,400	3.5
History, Arts, and Libraries	43,175,200	37,248,800	(5,926,400)	(13.7)
Human Services	1,197,447,900	1,284,897,000	87,449,100	7.3
Information Technology	0	0	0	0.0
Judiciary	160,604,800	161,937,300	1,332,500	0.8
Labor and Economic Growth	47,436,700	99,105,100	51,668,400	108.9
Legislative Auditor General	13,006,100	13,006,100	0	0.0
Legislature	115,066,600	115,066,600	0	0.0
Management and Budget	268,409,600	267,858,600	(551,000)	(0.2)
Military Affairs	40,640,200	40,817,500	177,300	0.4
Natural Resources	25,269,600	24,791,400	(478,200)	(1.9)
School Aid	35,000,000	35,000,000	0	0.0
State	19,132,700	29,337,000	10,204,300	53.3
State Police	249,298,700	268,633,100	19,334,400	7.8
Transportation	0	0	0	0.0
Treasury (Debt Service)	76,243,700	96,071,900	19,828,200	26.0
Treasury (Operations)	56,509,700	54,300,900	(2,208,800)	(3.9)
Treasury (Revenue Sharing)	1,104,400	325,600	(778,800)	(70.5)
Treasury (Strategic Fund)	32,009,200	47,422,200	15,413,000	48.2
<b>Total Appropriations</b>	<b>\$9,222,830,000</b>	<b>\$9,610,851,000</b>	<b>\$388,021,000</b>	<b>4.2%</b>

**Table 25**

**Full-Time Equated Positions  
FY 2006-07 Versus Governor's Recommendation**

<b>Department/Budget Area</b>	<b>FY 2006-07 Year-to-Date Appropriations</b>	<b>FY 2007-08 Governor's Recommendation</b>	<b>Dollar Difference</b>	<b>Percent Change</b>
Agriculture	690.0	674.0	(16.0)	(2.3)%
Attorney General	559.0	556.0	(3.0)	(0.5)
Civil Rights	136.0	136.0	0.0	0.0
Civil Service	240.5	240.5	0.0	0.0
Community Health	4,658.1	4,655.2	(2.9)	(0.1)
Corrections	17,782.0	18,186.2	404.2	2.3
Education	435.5	441.5	6.0	1.4
Environmental Quality	1,561.7	1,561.7	0.0	0.0
Executive	74.2	74.2	0.0	0.0
Higher Education	1.0	1.0	0.0	0.0
History, Arts, and Libraries	232.0	228.0	(4.0)	(1.7)
Human Services	10,343.4	10,609.1	265.7	2.6
Information Technology	1,776.4	1,774.4	(2.0)	(0.1)
Judiciary	509.0	509.0	0.0	0.0
Labor and Economic Growth	4,238.5	4,306.5	68.0	1.6
Management and Budget	752.0	747.5	(4.5)	(0.6)
Military Affairs	1,015.0	1,015.0	0.0	0.0
Natural Resources	2,086.4	2,082.9	(3.5)	(0.2)
State	1,853.8	1,853.8	0.0	0.0
State Police	2,900.0	2,899.0	(1.0)	(0.0)
Transportation	3,030.3	3,029.3	(1.0)	(0.0)
Treasury (Operations)	1,697.5	1,697.5	0.0	0.0
Treasury (Strategic Fund)	152.0	152.0	0.0	0.0
<b>Total Positions</b>	<b>56,724.3</b>	<b>57,430.3</b>	<b>706.0</b>	<b>1.2%</b>