

SUMMARY: EXECUTIVE ORDER 2007-3

<u>Page</u>	<u>General Fund Reductions</u>
Agriculture	(\$2,293,200)
Attorney General	(2,116,100)
Civil Rights	(360,900)
Civil Service	(466,100)
Community Colleges	(29,154,000)
Community Health	(33,160,000)
Corrections	(67,551,800)
Education	(313,800)
Environmental Quality	(2,729,700)
Executive Office	(43,000)
Higher Education	(73,390,900)
History, Arts, and Libraries	(886,600)
Human Services	(29,375,700)
Information Technology	0
Labor and Economic Growth	(1,461,200)
Management and Budget	(16,793,700)
Michigan Strategic Fund	(2,253,900)
Military and Veterans Affairs	(1,441,000)
Natural Resources	(469,900)
State	(616,200)
State Police	(7,311,700)
Treasury	<u>(2,055,600)</u>
Subtotal GF	(\$274,245,000)
Higher Education	(\$6,000,000)
Human Services	(3,088,200)
Labor and Economic Growth	(10,660,000)
Michigan Strategic Fund	(20,000,000)
State Police	(4,000,000)
Transportation	(26,584,900)
Treasury	<u>(50,000)</u>
Subtotal Special	(\$70,383,100)
Executive Order Total	(\$344,328,100)

DEPARTMENT DETAIL

AGRICULTURE

Analyst: William E. Hamilton

	<u>FY 2006-007 YTD at 3/23/07</u>	<u>EO 2007-3</u>
IDG/IDT	\$10,382,700	\$0
Federal	23,700,000	
Local	0	
Private	0	
Restricted	48,449,000	(817,400)
GF/GP	<u>30,913,300</u>	<u>(2,293,200)</u>
Gross	\$113,628,800	(\$3,110,600)

EO 2007-3 Change from FY 2006-07 YTD

EO 2007-3

1. Statistical Reporting Service	Gross	(\$130,700)
Reduces GF support for this line used to maintain Michigan's agricultural data base. Reduction may eliminate program.	GF/GP	(\$130,700)
2. Agriculture Development – MSU NW Michigan Horticulture Experiment Station	Gross	(\$15,000)
Reduces by half the boilerplate appropriation.	GF/GP	(\$15,000)
3. Animal Health and Welfare	Gross	(\$125,000)
Eliminates support for department's oversight of aquiculture and captive cervidae industry. (Executive recommends elimination of funding in FY 2007-08)	GF/GP	(\$125,000)
4. Environmental Stewardship—Intercounty Drain Coordination	Gross	(\$234,700)
Eliminates half the funding for department's oversight responsibilities under the Drain Code of 1956. (Executive recommends elimination of funding in FY 2007-08)	GF/GP	(\$234,700)
5. Local Conservation Districts	Gross	(\$758,400)
Reduces by half the grant funding for local conservation districts. (Executive recommends elimination of grant program in FY 2007-08)	GF/GP	(\$758,400)
6. Information Technology Projects – 5% Administrative Reduction	Gross	(\$1,200)
Recognizes IT administrative savings.	GF/GP	(\$1,200)
7. Defined Benefit Actuarial Adjustment	Gross	(\$1,432,600)
Recognizes reduced contribution requirement based on valuation change.	Restricted	(696,300)
	GF/GP	(\$736,300)
8. Defined Benefit Health Contribution	Gross	(\$413,000)
Recognizes reduced contribution requirement based on valuation change.	Restricted	(121,100)
	GF/GP	(\$291,900)

ATTORNEY GENERAL

Analyst: Robin R. Risko

	<u>FY 2006-007 YTD at 3/23/07</u>	<u>EO 2007-3</u>
IDG/IDT	\$13,914,300	\$0
Federal	10,236,500	
Local	0	
Private	0	
Restricted	11,485,500	
GF/GP	<u>32,896,000</u>	<u>(2,116,100)</u>
Gross	\$68,532,300	(\$3,076,600)

Note: EO 2007-3 and Supplemental fund sources may not add to gross amount (full fund source detail is not yet available).

EO 2007-3 Change from FY 2006-07 YTD

EO 2007-3

1. Retirement Savings - Portfolio Revaluation

Reflects savings expected to result from reduced contribution rates for the Defined Benefit pension plan. Actuarial adjustments were made in response to a revaluation of the retirement system's investment portfolio.

Gross (\$1,620,700)
GF/GP (\$807,400)

2. Retirement Savings - Health Advance Subaccount Contribution

Reflects savings expected to result from reduced contribution rates for the health advance funding subaccount, which is used to prefund, on an actuarial basis, health benefits for participants in the State Employees' Retirement System.

Gross (\$454,300)
GF/GP (\$307,100)

3. Administrative Reductions

Reduces amount of funding available for administrative expenses. Savings are anticipated to be generated through administrative efficiencies.

Gross (\$1,001,600)
GF/GP (\$1,001,600)

CIVIL RIGHTS

Analyst: Robin R. Risko

	<u>FY 2006-007 YTD at 3/23/07</u>	<u>EO 2007-3</u>
IDG/IDT	\$0	\$0
Federal	1,566,200	
Local	0	
Private	0	
Restricted	0	
GF/GP	<u>12,454,000</u>	<u>(360,900)</u>
Gross	\$14,020,200	(\$393,900)

Note: EO 2007-3 and Supplemental fund sources may not add to gross amount (full fund source detail is not yet available).

EO 2007-3 Change from FY 2006-07 YTD

EO 2007-3

1. Retirement Savings - Portfolio Revaluation

Reflects savings expected to result from reduced contribution rates for the Defined Benefit pension plan. Actuarial adjustments were made in response to a revaluation of the retirement system's investment portfolio.

Gross (\$285,600)
GF/GP (\$263,300)

2. Retirement Savings - Health Advance Subaccount Contribution

Reflects savings expected to result from reduced contribution rates for the health advance funding subaccount, which is used to prefund, on an actuarial basis, health benefits for participants in the State Employees' Retirement System.

Gross (\$82,600)
GF/GP (\$71,900)

3. Administrative Reductions

Reduces amount of funding available for administrative expenses. Savings are anticipated to be generated through administrative efficiencies.

Gross (\$25,700)
GF/GP (\$25,700)

CIVIL SERVICE

Analyst: Robin R. Risko

	<u>FY 2006-007 YTD at 3/23/07</u>	<u>EO 2007-3</u>
IDG/IDT	\$5,788,100	\$0
Federal	4,779,100	
Local	1,700,000	
Private	150,000	
Restricted	17,157,500	
GF/GP	<u>6,972,400</u>	(466,100)
Gross	\$36,547,100	(\$1,093,700)

Note: EO 2007-3 and Supplemental fund sources may not add to gross amount (full fund source detail is not yet available).

EO 2007-3 Change from FY 2006-07 YTD

EO 2007-3

1. Retirement Savings - Portfolio Revaluation

Reflects savings expected to result from reduced contribution rates for the Defined Benefit pension plan. Actuarial adjustments were made in response to a revaluation of the retirement system's investment portfolio.

Gross (\$711,900)
GF/GP (\$208,900)

2. Retirement Savings - Health Advance Subaccount Contribution

Reflects savings expected to result from reduced contribution rates for the health advance funding subaccount, which is used to prefund, on an actuarial basis, health benefits for participants in the State Employees' Retirement System.

Gross (\$206,500)
GF/GP (\$81,900)

3. Administrative Reductions

Reduces amount of funding available for administrative expenses. Savings are anticipated to be generated through administrative efficiencies.

Gross (\$175,300)
GF/GP (\$175,300)

COMMUNITY COLLEGES

Analyst: Viola Bay Wild

	<u>FY 2006-007 YTD at 3/23/07</u>	<u>EO 2007-3</u>
IDG/IDT	\$0	\$0
Federal	0	0
Local	0	0
Private	0	0
Restricted	0	0
GF/GP	<u>289,879,400</u>	(29,154,000)
Gross	\$289,879,400	(\$29,154,000)

Note: EO 2007-3 and Supplemental fund sources may not add to gross amount (full fund source detail is not yet available).

EO 2007-3 Change from FY 2006-07 YTD

EO 2007-3

1. Operations Reduction - Delayed Payments

The FY 2006-07 appropriation for community college operations would be reduced by \$12.9 million. Executive proposes that community colleges' FY 2006-07 state aid payment be reduced by fifty per cent and that this \$12.9 million be re-appropriated in FY 2007-08.

Gross (\$12,879,900)
GF/GP (\$12,879,900)

2. Operations Reduction – Retirement Rate Reduction

The FY 2006-07 appropriation for community college operations would be reduced by \$16.3 million.

Gross (\$16,274,100)
GF/GP (\$16,274,100)

\$10.9 million of this reduction is based on the savings generated by a revaluation of MPSERS assets. This revaluation would assign actual market value to assets rather than the current system of determining value by smoothing gains and losses over five years. Each college's operations reduction varies and shall equal the MPSERS credit. Executive expects Supplemental boilerplate language will require that each college's pension payment into MPSERS be reduced by the amount of this credit to offset the EO operations reduction. Enabling legislation must be enacted for the rate reduction to occur.

\$5.4 million of this reduction is based on the savings generated by a change in the payment of the MPSERS college pension obligations. The Executive proposes that the minimum required funding payments be made for FY 2006-07. Executive reduces each college's operations appropriation by the amount of MPSERS payment savings they would receive as a result of this proposal.

COMMUNITY HEALTH

Analysts: Margaret Alston, Susan Frey, and Steve Stauff

	<u>FY 2006-007 YTD at 3/23/07</u>	<u>EO 2007-3</u>
IDG/IDT	\$37,286,100	\$0
Federal	6,042,584,700	(5,016,300)
Local	241,177,400	
Private	63,826,900	
Restricted	1,871,199,600	
GF/GP	<u>2,940,082,700</u>	<u>(33,160,000)</u>
Gross	\$11,196,157,400	(\$38,176,300)

Note: EO 2007-3 Summary table does not include financial impact for which fund sourcing is not yet available, which may be reflected in the detail below.

EO 2007-3 Change from FY 2006-07 YTD

EO 2007-3

1. Information Technology (IT) Services and Projects

Reduces GF/GP support for IT services and projects by \$2,700 which represents .03% of the GF/GP supporting this line item. Savings is achieved through administrative efficiencies.

Gross (\$2,700)
GF/GP (\$2,700)

2. Defined Benefit Retirement Costs – Portfolio Revaluation

Projects a savings of \$6,225,800 GF/GP by the revaluation and recalculation of the defined benefit retirement rate for state employees. The impact on federal and state restricted revenue is not known at this time.

Gross (\$11,860,900)
GF/GP (\$6,225,800)

3. Defined Benefit Retirement Costs – Health Advance Subaccount

Projects a savings of \$2,435,900 GF/GP by changing the contribution to the health advance subaccount for the defined benefit retirement program for state employees. The impact on federal and state restricted revenue is not known at this time.

Gross (\$3,386,600)
GF/GP (\$2,435,900)

4. Worker's Compensation Program

Reduces funding for the Worker's Compensation Program by \$864,600. The FY 2007-08 Executive Budget Recommendation for this line item reduces funding for this line item by \$894,000 based upon historical costs and projected future costs.

Gross (\$864,600)
GF/GP (\$864,600)

<p>5. Implement Medicaid Outpatient Reimbursement System The Hospital Services and Therapy line item is reduced by \$2,181,000 GF/GP recognizing partial year saving in implementing the new Outpatient Prospective Payment System (OPPS). This system which is planned to begin in April 2007 will make Medicaid billing compatible with Medicare, and as a result, Medicaid will no longer pay outpatient co-payments for Medicare dual eligibles. The FY 2007-08 Executive Recommendation includes full year savings.</p>	<p>Gross (\$5,000,000) Federal (2,819,000) GF/GP (\$2,181,000)</p>
<p>6. Health Plan Services-Fund Source Shift Reduces GF/GP funding within the Health Plan Services appropriation line by \$12.5 million. A supplemental appropriations request includes an equal offset to this reduction with available Medicaid Benefits Trust Fund revenue.</p>	<p>Gross (\$12,500,000) GF/GP (\$12,500,000)</p>
<p>7. Health Information Technology-Fund Source Shift Reduces GF/GP funding within the Health Information Technology Initiatives appropriation line by \$7,250,000. A supplemental appropriations request includes an equal offset to this reduction with available Health Professional Regulatory Fund (HPRF) revenue. The use of the HPRF revenues for this purpose would require a statutory change.</p>	<p>Gross (\$7,250,000) GF/GP (\$7,250,000)</p>
<p>8. Implement Medicaid Long-Term Care Estate Recovery Reduces the Long-Term Care Services line by \$3.9 million gross (\$1.7 million GF/GP) representing savings generated by statutory changes creating a Medicaid long-term care estate recovery program. Savings are based upon a start date of May 1, 2007. Michigan currently is the only state in the nation without this federally required program.</p>	<p>Gross (\$3,897,300) Federal (2,197,300) GF/GP (\$1,700,000)</p>

CORRECTIONS

Analyst: Marilyn B. Peterson

	FY 2006-007 YTD at 3/23/07	EO 2007-3
IDG/IDT	\$1,238,400	\$0
Federal	11,431,500	0
Local	420,900	0
Private	0	0
Restricted	68,775,700	(991,000)
GF/GP	1,858,555,000	(67,551,800)
Gross	\$1,940,421,500	(\$68,542,800)

Note: EO 2007-3 and Supplemental fund sources may not add to gross amount (full fund source detail is not yet available).

EO 2007-3 Change from FY 2006-07 YTD	EO 2007-3
<p>1. New Corrections Officers Reduces funding for new officer training by \$2.5 million, with the result that the number of new corrections officers hired and trained would be about 200 fewer than the 650 previously planned.</p>	<p>Gross (\$2,500,000) GF/GP (\$2,500,000)</p>
<p>2. Retirement Rate Reductions Recognizes reduced costs of contributions to the defined benefit retirement system. Savings derive from actuarial adjustments made in response to a revaluation of the system's investment portfolio (\$49.8 million GF/GP) and utilization of a contribution from the health advance subaccount (which supports intended pre-funding of employee health care) to the employer contribution fund (\$14.1 million GF/GP).</p>	<p>Gross (\$64,865,600) Restricted (991,000) GF/GP (\$63,874,600)</p>
<p>3. Worker's Compensation Savings Recognizes anticipated savings in worker's compensation program, largely attributed to ongoing efforts to reduce the length of time away from work.</p>	<p>Gross (\$963,100) GF/GP (\$963,100)</p>

4. Project Joshua	Utilizes five months' funding of the \$500,000 allocated to the attorney general under budget act boilerplate for the Parole and Probation Special Operations Program (the Joshua Project), a \$1.3 million line item that funds efforts to reduce violent crime in Detroit through criminal prosecutions and law enforcement escorts for parole and probation agents making after-hours checks of supervised offenders.	Gross GF/GP	(\$208,300) (\$208,300)
5. Information Technology Services and Projects	Incorporates Corrections' half-year share of savings identified by the Department of Information Technology (DIT) and passed through to the departments.	Gross GF/GP	(\$5,800) (\$5,800)

EDUCATION <i>Analysts: Mary Ann Cleary and Bethany Wicksall</i>			
	<u>FY 2006-007 YTD at 3/23/07</u>	<u>EO 2007-3</u>	
IDG/IDT	\$0	\$0	
Federal	67,570,600	0	
Local	5,985,600	0	
Private	2,914,400	0	
Restricted	7,527,000	0	
GF/GP	<u>6,592,500</u>	<u>(313,800)</u>	
Gross	\$90,590,100	(\$313,800)	

Note: EO 2007-3 and Supplemental fund sources may not add to gross amount (full fund source detail is not yet available).

<u>EO 2007-3 Change from FY 2006-07 YTD</u>		<u>EO 2007-3</u>
1. Best Practices Study	Eliminates funding for the National Best Practices Study.	Gross GF/GP
		(\$175,000) (\$175,000)
2. Retirement Savings	Recognizes reduced costs of contributions to the defined benefit retirement system. Savings derive from actuarial adjustments made in response to a revaluation of the system's investment portfolio (\$101,900 GF/GP) and utilization of a contribution from the health advance subaccount (which supports intended pre-funding of employee health care) to the employer contribution fund (\$33,600 GF/GP).	Gross GF/GP
		(\$135,500) (\$135,500)
3. Information Technology Enterprise Services	Savings from statewide information technology changes.	Gross GF/GP
		(\$3,300) (\$3,300)

ENVIRONMENTAL QUALITY

Analyst: Kirk Lindquist

	<u>FY 2006-007 YTD at 3/23/07</u>	<u>EO 2007-3</u>
IDG/IDT	\$18,233,600	\$0
Federal	140,288,500	
Local	0	
Private	450,000	
Restricted	250,944,000	(4,244,200)
GF/GP	<u>33,828,400</u>	<u>(2,729,700)</u>
Gross	\$443,744,500	(\$6,973,900)

Note: EO 2007-3 and Supplemental fund sources may not add to gross amount (full fund source detail is not yet available).

EO 2007-3 Change from FY 2006-07 YTD

EO 2007-3

1. Retirement Savings (Departmentwide)	Gross	(\$4,175,500)
Retirement savings realized through reduction in the contribution rate for the defined benefit pension plan.	Restricted	(3,366,000)
	GF/GP	(\$809,500)
2. Retirement Savings (Departmentwide)	Gross	(\$1,197,700)
Savings to be realized through adjustments in defined benefit health advance payments.	Restricted	(878,200)
	GF/GP	(\$319,500)
3. Water Pollution Control and Drinking Water Revolving Fund	Gross	(\$1,600,000)
Reduced state matching payments into the Drinking Water Revolving Fund.	GF/GP	(\$1,600,000)
4. Information Technology Services and Projects	Gross	(\$700)
Savings to be realized through administrative efficiencies.	GF/GP	(\$700)

EXECUTIVE

Analyst: Robin R. Risko

	<u>FY 2006-007 YTD at 3/23/07</u>	<u>EO 2007-3</u>
IDG/IDT	\$0	\$0
Federal	0	
Local	0	
Private	0	
Restricted	0	
GF/GP	<u>5,509,900</u>	<u>(43,000)</u>
Gross	\$5,509,900	(\$43,000)

Note: EO 2007-3 and Supplemental fund sources may not add to gross amount (full fund source detail is not yet available).

EO 2007-3 Change from FY 2006-07 YTD

EO 2007-3

Retirement Savings - Portfolio Revaluation	Gross	(\$43,000)
Reflects savings expected to result from reduced contribution rates for the Defined Benefit pension plan. Actuarial adjustments were made in response to a revaluation of the retirement system's investment portfolio.	GF/GP	(\$43,000)

HIGHER EDUCATION

Analyst: Kyle I. Jen

	<u>FY 2006-007 YTD at 3/23/07</u>	<u>EO 2007-3</u>
IDG/IDT	\$0	\$0
Federal	3,000,000	0
Local	0	0
Private	0	0
Restricted	159,700,000	(6,000,000)
GF/GP	<u>1,624,791,300</u>	<u>(73,390,900)</u>
Gross	\$1,787,491,300	(79,390,900)

Note: EO 2007-3 and Supplemental fund sources may not add to gross amount (full fund source detail is not yet available).

EO 2007-3 Change from FY 2006-07 YTD

EO 2007-3

1. State University Funding Delay

Reduces operations appropriations for the 15 state universities, as well as the Agricultural Experiment Station and Cooperative Extension Service, by 4.5% to reflect a reduction in the final FY 2006-07 monthly payment on August 16, 2007. Under the FY 2007-08 Executive Recommendation, these funds would be reappropriated in the FY 2007-08 budget and paid to universities on October 16, 2007.

Gross (\$69,368,000)
GF/GP (\$69,368,000)

2. MPSERS Savings

Reduces operations appropriations for the seven state universities with employees in the Michigan Public School Employees Retirement System (MPSERS) by \$4.0 million GF/GP. (Those universities are Central, Eastern, Ferris, Lake Superior, Michigan Tech, Northern, and Western.)

Gross (\$4,022,900)
GF/GP (\$4,022,900)

Of this amount, \$2.8 million is based on the savings generated by a revaluation of MPSERS assets--assigning actual market value to assets rather than determining value by smoothing gains/losses over five years. The remaining \$1.2 million is based on savings generated by making only minimum required pension payments for FY 2006-07.

The appropriation reductions for the seven universities correspond to the amount of MPSERS savings to be credited to each university under anticipated supplemental boilerplate language.

3. Merit Award Program

Reduces appropriation from the Merit Award Trust Fund to reflect funding projected to be in excess of the amount needed for Merit Award payments in FY 2006-07.

Gross (\$6,000,000)
Restricted (\$6,000,000)

HISTORY, ARTS, AND LIBRARIES

Analyst: Al Valenzio

	<u>FY 2006-007 YTD at 3/23/07</u>	<u>EO 2007-3</u>
IDG/IDT	\$79,000	\$0
Federal	8,450,900	
Local	0	
Private	577,400	
Restricted	2,581,200	(67,800)
GF/GP	43,175,200	(886,600)
Gross	\$54,863,700	(\$954,400)

Note: EO 2007-3 and Supplemental fund sources may not add to gross amount (full fund source detail is not yet available).

<u>EO 2007-3 Change from FY 2006-07 YTD</u>		<u>EO 2007-3</u>
1. Departmentwide Retirement Savings, Revalue/Recalculate	Gross	(\$559,900)
Savings from reduced defined benefit retirement contributions by revaluing system assets to actual market value; and a one-time interest only payment on the Unfunded Actuarially Accrued Liability (UAAL) for FY 2006-07.	Restricted	(47,200)
	GF/GP	(\$512,700)
2. Departmentwide Retirement Savings, Health Advance Subaccount	Gross	(\$165,200)
Savings from reduced defined benefit retirement contributions by transferring the available balance in the health advance funding subaccount to the employer's accumulation fund.	Restricted	(20,600)
	GF/GP	(\$144,600)
3. Library of Michigan Operations	Gross	(\$126,500)
Savings can be achieved by reducing collection purchases.	GF/GP	(\$126,500)
4. Michigan Council for Arts and Cultural Affairs Administration	Gross	(\$62,500)
Savings from reduced staffing, travel, and contracting.	GF/GP	(\$62,500)
5. Management Services	Gross	(\$18,900)
Savings from reduced staffing, travel, and contracting.	GF/GP	(\$18,900)
6. Mackinac Island Historic Facilities System	Gross	(\$14,000)
Savings from reduced seasonal hires, maintenance deferrals, and reduced janitorial services.	GF/GP	(\$14,000)
7. DIT Enterprises Services	Gross	(\$7,400)
Savings achieved by a reduction in rates charged to agencies for information technology services.	GF/GP	(\$7,400)

HUMAN SERVICES Analysts: Robert Schneider and Bill Fairgrieve

	<u>FY 2006-07 YTD at 3/23/07</u>	<u>EO 2007-3</u>
IDG/IDT	\$3,102,700	\$0
Federal	3,135,487,200	(3,088,200)
Local	55,519,400	0
Private	8,876,100	0
Restricted	67,702,000	0
GF/GP	<u>1,197,447,900</u>	<u>(29,375,700)</u>
Gross	\$4,468,135,300	(\$32,463,900)

Note: EO 2007-3 and Supplemental fund sources may not add to gross amount (full fund source detail is not yet available).

<u>EO 2007-3 Change from FY 2006-07 YTD</u>		<u>EO 2007-3</u>
1. Day Care Services		Gross (\$1,528,300)
Includes projected savings from a day care case review pilot to address cases opened due to fraud or errors (\$1.0 million); eliminates appropriation for distribution of reading kits (\$250,000 federal), and support for Grand Rapids Youth Commonwealth (\$126,500 TANF); reduces by 50% allocations to Boys and Girls Clubs (\$125,000) and Michigan After-School Partnership (\$12,500 federal).		Federal (389,000)
		GF/GP (1,139,300)
2. Family Independence Program		Gross (\$6,576,000)
Assumes savings from a number of FIP-related policy changes, including: a) proposed change in state law regarding FIP eligibility determinations (\$4.8 million); b) statewide implementation of 90-day sanctions policy (\$800,000); and c) change in sanction procedures that will reduce the time between initial sanction determination and the actual sanction begin date for clients who fail to meet employment-related requirements (\$1.0 million).		GF/GP (6,576,000)
3. Legal Support Contracts		Gross (\$2,000,000)
Removes \$2.0 million in state supplemental support to county friends of the court and county prosecutors for child support enforcement activities.		GF/GP (2,000,000)
4. Retirement Rate Reduction		Gross (\$33,297,000)
Savings related to the statewide reduction in retirement benefit funding due to actuarial changes.		GF/GP (12,862,700)
5. Foster Care Payments		Gross (\$1,226,200)
Removes GF/GP support for foster care payments in anticipation of replacing these funds with other available federal revenues. FY 2006-07 supplemental proposal includes the replacement funding.		GF/GP (1,226,200)
6. Indigent Burial Program		Gross (\$738,700)
Reduces indigent burial payment rates to funeral directors, cemeteries/crematoriums, and vault providers by 25%.		GF/GP (738,700)
7. Demonstration Projects		Gross (\$724,200)
Eliminate funding for Michigan 211 phone system (\$100,000) and MSU Kinship Care Resource Center (\$125,000). Reduce funding for Pontiac School-Based Crisis Intervention Program (\$24,200) and impose a general budgetary reduction.		Federal (149,200)
		GF/GP (575,000)
8. Medical Consultation Program		Gross (\$241,800)
Reduce GF/GP appropriation to reflect actual spending level.		GF/GP (241,800)
9. AFC, Children's Welfare and Daycare Licensure		Gross (\$123,400)
Reduce GF/GP appropriation in lieu of proposed fee increases on licensees. Offsetting appropriation of fee revenue is included in the FY 2006-07 supplemental recommendation.		GF/GP (123,400)
10. State Disability Assistance		Gross (\$213,500)
Reduces assistance program for disabled adults by \$213,500. Offsetting increase of SSI recovery revenue proposed in the FY 2006-07 supplemental recommendation.		GF/GP (213,500)

SUMMARY: EO 2007-3

11. Local Office Contractual Services, Supplies and Materials	Gross	(\$269,300)
Eliminates allocation for audio/video equipment for Child Protective Services workers (\$245,000), recognizes lease savings from vacated office space (\$24,300),	GF/GP	(269,300)
12. Black Child and Family Institute	Gross	(\$50,000)
Reduces GF/GP appropriation for the institute by \$50,000, a 50% reduction in the overall funding level.	GF/GP	(50,000)
13. Youth in Transition	Gross	(\$122,000)
Eliminates 3% partial-year increase for Runaway and Homeless Youth program contracts included in the FY 2006-07 enacted budget.	GF/GP	(122,000)
14. Domestic Violence Prevention and Treatment	Gross	(\$75,000)
Eliminates funding earmarked for Barry County domestic violence programs.	GF/GP	(75,000)
15. Crisis Prevention/Food for the Elderly	Gross	(\$210,000)
Reduces funding budgeted for MiCAFE program which provides outreach to seniors who may be eligible for Food Stamp benefits (\$35,000) and eliminates funding for senior food aid and homeless prevention projects in Kent, Muskegon and Washtenaw Counties as well as the City of Lansing.	Federal	(50,000)
	GF/GP	(160,000)
16. Family Preservation Funding to Wayne County	Gross	(\$2,000,000)
Eliminates \$2.0 million allocation to Wayne County from Family Preservation funds.	Federal	(2,000,000)
17. Community Services Block Grant Funding	Gross	(\$500,000)
Eliminates boilerplate allocation of \$500,000 in TANF funding for outreach efforts aimed at increasing the number of eligible low-income persons who apply for the federal earned income tax credit.	Federal	(500,000)
18. Information Technology Services and Projects	Gross	(\$3,002,800)
Imposes reductions to information technology related expenditures.	GF/GP	(3,002,800)

INFORMATION TECHNOLOGY

Analyst: Robin R. Risko

	<u>FY 2006-007 YTD at 3/23/07</u>	<u>EO 2007-3</u>
IDG/IDT	\$378,222,000	(\$9,296,800)
Federal	0	
Local	0	
Private	0	
Restricted	0	
GF/GP	<u>0</u>	
Gross	\$378,222,000	(\$9,296,800)

Note: EO 2007-3 and Supplemental fund sources may not add to gross amount (full fund source detail is not yet available).

EO 2007-3 Change from FY 2006-07 YTD

EO 2007-3

1. Retirement Savings - Portfolio Revaluation	Gross	(\$4,519,500)
Reflects savings expected to result from reduced contribution rates for the Defined Benefit pension plan. Actuarial adjustments were made in response to a revaluation of the retirement system's investment portfolio.	IDG	(4,519,500)
2. Retirement Savings - Health Advance Subaccount Contribution	Gross	(\$1,280,300)
Reflects savings expected to result from reduced contribution rates for the health advance funding subaccount, which is used to prefund, on an actuarial basis, health benefits for participants in the State Employees' Retirement System.	IDG	(1,280,300)
3. Administrative Reductions	Gross	(\$122,000)
Reduces amount of funding available for administrative expenses. Savings are anticipated to be generated through administrative efficiencies.	IDG	(122,000)

SUMMARY: EO 2007-3

4. DHS - Delay IT Projects

Reduces amount of funding available for the Department of Human Services. Savings are anticipated to be generated through delaying information technology-related projects.

Gross (\$3,375,000)
IDG (3,375,000)

LABOR AND ECONOMIC GROWTH

Analyst: Richard Child

	<u>FY 2006-007 YTD at 3/23/07</u>	<u>EO 2007-3</u>
IDG/IDT	\$23,485,800	\$0
Federal	795,345,800	(10,000,000)
Local	15,824,300	
Private	2,314,300	
Restricted	347,069,300	(660,000)
GF/GP	47,436,700	(\$1,461,200)
Gross	\$1,231,476,200	(\$12,121,200)

Note: EO 2007-3 and Supplemental fund sources may not add to gross amount (full fund source detail is not yet available).

EO 2007-3 Change from FY 2006-07 YTD**EO 2007-3****1. Retirement Savings**

Change in investment assumptions allows funding reduction for defined benefit pensions.

Gross (\$461,200)
GF/GP (\$461,200)

2. Grant and Other Reductions

Two fund shifts consist of replacing \$1.0 million in Fire Protection Grant GF/GP with \$1.0 million from the Fire Protection Fund due to increased bad driver fees, and replacing \$10.0 Federal Temporary Assistance to Needy Families, which is over-appropriated, with \$10.0 million in Federal Workforce Investment Act funds. Also, \$660,000 in restricted funds is saved through reduced support of a corporations database software project.

Gross (\$11,660,000)
Federal (10,000,000)
Restricted (660,000)
GF/GP (1,000,000)

MANAGEMENT AND BUDGET

Analyst: Robin R. Risko

	<u>FY 2006-007 YTD at 3/23/07</u>	<u>EO 2007-3</u>
IDG/IDT	\$155,293,500	\$61,700
Federal	0	
Local	0	
Private	0	
Restricted	52,438,900	
GF/GP	268,409,600	(16,793,700)
Gross	\$476,142,000	(\$18,489,600)

Note: EO 2007-3 and Supplemental fund sources may not add to gross amount (full fund source detail is not yet available).

EO 2007-3 Change from FY 2006-07 YTD**EO 2007-3****1. Retirement Savings - Portfolio Revaluation**

Reflects savings expected to result from reduced contribution rates for the Defined Benefit pension plan. Actuarial adjustments were made in response to a revaluation of the retirement system's investment portfolio.

Gross (\$2,050,600)
GF/GP (\$603,100)

2. Retirement Savings - Health Advance Subaccount Contribution

Reflects savings expected to result from reduced contribution rates for the health advance funding subaccount, which is used to prefund, on an actuarial basis, health benefits for participants in the State Employees' Retirement System.

Gross (\$578,200)
GF/GP (\$268,100)

SUMMARY: EO 2007-3

3. Administrative Reductions	Gross	(\$190,800)
Reduces amount of funding available for administrative expenses. Savings are anticipated to be generated through administrative efficiencies.	GF/GP	(\$190,800)
4. State Building Authority Rent Savings	Gross	(\$15,670,000)
Reflects a savings based on projected rent payments and as a result of renegotiating long-term leases for buildings the Department manages. Rent payments the Department makes for affected leased facilities for FY 2006-07 will be reduced as a result of financial restructuring.	GF/GP	(\$15,670,000)
5. Fund Source Shift	Gross	\$0
Reflects a fund source shift due to charging the Departments of Community Health and Human Services for State Budget Office staff work related to federally funded programs in their budgets. GF/GP will be reduced and replaced with IDGs from DCH and DHS, which they will be able to finance with federal funding.	IDG	61,700
	GF/GP	(\$61,700)

MICHIGAN STRATEGIC FUND

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

	<u>FY 2006-007 YTD at 3/23/07</u>	<u>EO 2007-3</u>
IDG/IDT	\$78,600	\$0
Federal	47,687,000	
Local	0	
Private	700,000	
Restricted	5,000	
GF/GP	<u>32,009,200</u>	<u>(\$2,253,900)</u>
Gross	\$80,479,800	(\$2,253,900)

Note: EO 2007-3 and Supplemental fund sources may not add to gross amount (full fund source detail is not yet available).

<u>EO 2007-3 Change from FY 2006-07 YTD</u>		<u>EO 2007-3</u>
1. Retirement Savings	Gross	(\$528,400)
Change in investment assumptions provides reduced FY 2007-08 for defined Benefit pensions.	GF/GP	(\$528,400)
2. Grant and Administrative Cost Reductions	Gross	(\$1,725,500)
Economic Development Job Training Grants are renamed Upper Hand Training Grants and reduced by \$1.6 million. Administration and Job Creation Services are reduced by a total of \$125,000 through a hiring freeze.	GF/GP	(\$1,725,500)

MILITARY AND VETERANS AFFAIRS

Analyst: Jan Wisniewski

	<u>FY 2006-007 YTD at 3/23/07</u>	<u>EO 2007-3</u>
IDG/IDT	\$1,664,600	\$0
Federal	51,450,700	
Local	1,253,100	
Private	1,441,300	
Restricted	26,452,700	
GF/GP	<u>40,640,200</u>	<u>(1,441,000)</u>
Gross	\$122,902,600	(\$3,146,000)

Note: EO 2007-3 and Supplemental fund sources may not add to gross amount (full fund source detail is not yet available).

EO 2007-3 Change from FY 2006-07 YTD

EO 2007-3

1. Retirement Savings – Revalue and Recalculate	Gross	(\$2,097,700)
Savings due to adjustment in defined benefit retirement valuation.	GF/GP	(\$703,600)
2. Health Advance Subaccount Savings	Gross	(\$578,200)
Savings due to adjustment in defined benefit health advance.	GF/GP	(\$267,300)
3. Grand Rapids Veterans' Home	Gross	(\$185,000)
Reflection of CSS&M reduction including nurse on-call costs, overtime, and in-house shows and entertainment	GF/GP	(\$185,000)
4. Headquarters and Armories	Gross	(\$150,000)
Elimination of four armory maintenance mechanics	GF/GP	(\$150,000)
5. D. J. Jacobetti Veterans' Home	Gross	(\$134,500)
GF/GP savings offset in supplemental	GF/GP	(\$134,500)
6. Information Technology Services and Projects	Gross	(\$600)
Reductions from identifying efficiencies to reduce administrative costs.	GF/GP	(\$600)

NATURAL RESOURCES

Analyst: Kirk Lindquist

	<u>FY 2006-007 YTD at 3/23/07</u>	<u>EO 2007-3</u>
IDG/IDT	\$3,765,900	\$0
Federal	42,964,300	
Local	0	
Private	3,125,100	
Restricted	213,188,300	(5,262,200)
GF/GP	<u>25,269,600</u>	<u>(469,900)</u>
Gross	\$288,313,200	(\$5,732,100)

Note: EO 2007-3 and Supplemental fund sources may not add to gross amount (full fund source detail is not yet available).

EO 2007-3 Change from FY 2006-07 YTD

EO 2007-3

1. Retirement Savings (Department-wide)	Gross	(\$4,450,400)
Retirement savings realized through reduction in the contribution rate for the defined benefit pension plan.	Restricted	(4,107,100)
	GF/GP	(\$343,300)
2. Retirement Savings (Department-wide)	Gross	(\$1,280,300)
Savings to be realized through adjustments in defined benefit health advance payments.	Restricted	(1,155,100)
	GF/GP	(\$125,200)
3. Information Technology Services and Projects	Gross	(\$1,400)
Savings to be realized through administrative efficiencies.	GF/GP	(\$1,400)

SUMMARY: EO 2007-3

STATE

Analyst: Robin R. Risko

	<u>FY 2006-007 YTD at 3/23/07</u>	<u>EO 2007-3</u>
IDG/IDT	\$20,000,000	\$0
Federal	3,052,100	
Local	0	
Private	100	
Restricted	162,608,600	
GF/GP	<u>19,132,700</u>	<u>(616,200)</u>
Gross	\$204,793,500	(\$5,392,600)

Note: EO 2007-3 and Supplemental fund sources may not add to gross amount (full fund source detail is not yet available).

EO 2007-3 Change from FY 2006-07 YTDEO 2007-3**1. Retirement Savings - Portfolio Revaluation**

Reflects savings expected to result from reduced contribution rates for the Defined Benefit pension plan. Actuarial adjustments were made in response to a revaluation of the retirement system's investment portfolio.

Gross (\$4,192,500)
GF/GP (\$449,900)

2. Retirement Savings - Health Advance Subaccount Contribution

Reflects savings expected to result from reduced contribution rates for the health advance funding subaccount, which is used to prefund, on an actuarial basis, health benefits for participants in the State Employees' Retirement System.

Gross (\$1,197,700)
GF/GP (\$163,900)

3. Administrative Reductions

Reduces amount of funding available for information technology-related administrative expenses. Savings are anticipated to be generated through administrative efficiencies.

Gross (\$2,400)
GF/GP (\$2,400)

STATE POLICE

Analyst: Jan Wisniewski

	<u>FY 2006-007 YTD at 3/23/07</u>	<u>EO 2007-3</u>
IDG/IDT	\$22,642,400	\$0
Federal	169,305,000	
Local	8,088,900	
Private	80,300	
Restricted	119,873,200	
GF/GP	<u>249,298,700</u>	<u>(7,311,700)</u>
Gross	\$569,288,500	(\$15,028,400)

Note: EO 2007-3 and Supplemental fund sources may not add to gross amount (full fund source detail is not yet available).

EO 2007-3 Change from FY 2006-07 YTDEO 2007-3**1. Retirement Savings – Revalue and Recalculate**

Savings due to adjustment in defined benefit retirement valuation.

Gross (\$10,399,700)
GF/GP (\$6,761,900)

2. Health Advance Subaccount Savings

Savings due to adjustment in defined benefit health advance.

Gross (\$619,500)
GF/GP (\$540,600)

3. Information Technology Services and Projects

Savings from administrative efficiencies.

Gross (\$9,200)
GF/GP (\$9,200)

4. Auto Theft Prevention Grants

Reduce Auto Theft Prevention Grants.

Gross (\$4,000,000)

TRANSPORTATION

Analyst: William E. Hamilton

	<u>FY 2006-007 YTD at 3/23/07</u>	<u>EO 2007-3</u>	<u>Exec Supplemental</u>
Federal	\$0	\$0	
Local	1,169,336,300		
Private	47,500,000		
Restricted	0		
GF/GP	2,225,029,000	(34,971,300)	
Gross	<u>0</u>	—	
	\$3,441,865,300	(\$34,971,300)	

Note: EO 2007-3 and Supplemental fund sources may not add to gross amount (full fund source detail is not yet available).

EO 2007-3 Change from FY 2006-07 YTD

EO 2007-3

1. Transportation Economic Development Fund (TEDF)

Redirects \$6 million from the TEDF Category A/Target Industries program to the state General Fund. This revenue is derived from a statutory earmark of certain drivers' license fees in Section 819 of the Michigan Vehicle Code (MCL 257.819).

Gross (\$6,000,000)
Restricted (6,000,000)

2. Comprehensive Transportation Fund (CTF) Reductions

Of the \$20.6 million in proposed CTF reductions, \$15.6 million in CTF reductions are not related to the state GF/GP revenue shortfall; these reductions simply bring CTF appropriations down to revised (January 2007) estimates of CTF revenue. In January 2007, the State Budget Office had reduced allotments to various CTF-funded line items by \$15.6 million to reflect the revenue reduction. With regard to this \$15.6 million, the EO simply confirms in the enacted budget (i.e. legal spending authority) the reductions which the State Budget Office had previously made through internal budget controls.

Gross (\$20,584,900)
Restricted (20,584,900)

In addition to the revenue adjustments, the EO would reduce CTF appropriations by an additional \$5.0 million to reflect a proposed redirection of auto-related portion of the state sales tax to the state General Fund. The \$5.0 million reduction in CTF appropriations is allocated as follows:

- Information Technology (\$50,000)
- Specialized Planning Services and Local Studies (\$300,000)
- Rail Passenger Service/Passenger Rail Service (\$813,500)
- Freight Preservation and Development (\$500,000)
- Rail Infrastructure Loan Program (\$500,000)
- Intercity Bus Service Development (\$200,000)
- Terminal Development (\$1,340,900)
- Specialized Services (\$29,800)
- Bus Capital (\$16,317,200)
- Service Initiatives (\$233,500)
- Transportation to Work (\$300,000)

13. Defined Benefit Actuarial Adjustment

Recognizes reduced contribution requirement based on valuation change. The State Budget Office identifies two components of this adjustment: the defined benefits contribution rate reduction, \$6.5 million, and the defined benefits health advance subaccount contribution, \$1.9 million.

Gross (\$8,386,400)
Restricted (8,386,400)

TREASURY

Analysts: Mark Wolf and Robin R. Risko

	<u>FY 2006-007 YTD at 3/23/07</u>	<u>EO 2007-3</u>
IDG/IDT	\$13,748,200	
Federal	35,906,300	
Local	1,066,200	
Private	0	
Restricted	1,411,907,800	(50,000)
GF/GP	<u>133,857,800</u>	<u>(2,055,600)</u>
Gross	\$1,596,486,300	(\$7,161,700)

Note: EO 2007-3 and Supplemental fund sources may not add to gross amount (full fund source detail is not yet available).

<u>EO 2007-3 Change from FY 2006-07 YTD</u>		<u>EO 2007-3</u>
1. Special Census Revenue Sharing Payments (Revenue Sharing)	Gross	(\$892,400)
Eliminates funding for Special Census Revenue Sharing Payments, which would have been distributed as follows: New Baltimore (Macomb) \$181,304; Forsyth Twp. (Marquette) \$52,749; Linden (Genesee) \$37,196; Saugatuck Twp. (Allegan) \$24,170; Grand Blanc Twp. (Genesee) \$216,821; Rockford (Kent) \$24,959; Holly Twp. (Oakland) \$16,726; Union Twp. (Isabella) \$109,321; Grand Haven Twp. (Ottawa) \$50,125; Algoma Twp. (Kent) \$73,806; and Mundy Twp. (Genesee) \$105,222.	GF/GP	(\$892,400)
2. Revenue Enhancement Reduction (Tax Programs)	Gross	(\$350,000)
Savings realized in administrative efficiencies.	GF/GP	(\$350,000)
3. Mail Operations (Banking and Management Services)	Gross	(\$50,000)
Savings realized through administrative efficiencies.	GF/GP	(\$50,000)
4. Collections (Banking and Management Services)	Gross	(\$50,000)
Savings realized through administrative efficiencies.	GF/GP	(\$50,000)
5. DIT Administrative Reductions (Information Technology)	Gross	(\$5,400)
Savings realized through administrative efficiencies.	GF/GP	(\$5,400)
6. Retirement Savings – Defined Benefit Rate Reduction	Gross	(\$4,483,600)
Retirement savings realized through a reduction in the contribution rate for the defined benefit pension plan.	GF/GP	(\$532,600)
6. Retirement Savings – Health Advance Subaccount Contribution	Gross	(\$1,280,300)
Retirement savings realized through a reduction in the contribution rate to the health advance funding subaccount, which is used to prefund, on an actuarial basis, health benefits for participants within the State Employee's Retirement System.	GF/GP	(\$175,200)
7. Michigan Merit Award Administration	Gross	(\$50,000)
Savings realized through administrative efficiencies.	Restricted	(\$50,000)