

PRELIMINARY REVIEW

of the

FY 2007-08

Executive Budget Recommendation



Mitchell E. Bean, Director
February 12, 2007

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The FY 2007-08 Executive Budget Recommendation calls for \$42.60 billion in adjusted gross appropriations. This includes \$9.61 billion in General Fund/General Purpose (GF/GP), \$18.90 billion in restricted funds, and \$13.61 billion in federal funds. Of the \$28.51 billion of state resources available in FY 2007-08, \$16.46 billion (57.7% of the total) is designated for payments to local units of government and \$1.11 billion is designated for revenue sharing payments. (Article IX, Section 30 of Michigan's *Constitution* requires that at least 48.97% of spending from state resources must be paid to local government.)

The Executive Recommendation is based on revenue received from the Governor's proposed tax restructuring.

Proposed revenue enhancements include:

- ◆ New Michigan Business Tax—\$1,046.0 million
- ◆ 2% excise tax on services—\$1,473.9 million
- ◆ Decoupling from the federal estate tax—\$119.2 million
- ◆ Eliminating certain tax expenditures (credits and exemptions)—\$84.2 million
- ◆ WPW Fix (change General Property Tax Act)—\$5.0 million
- ◆ Increasing taxes on cigarette and other tobacco products—\$57.6 million
- ◆ 1.25% tax on insurance premiums—\$40.0 million
- ◆ Increasing the liquor mark-up—\$27.1 million
- ◆ Expand Club Keno—\$15.0 million

Proposed reductions include:

- ◆ Headquarters credit—\$150.0 million
- ◆ Research innovation credit—\$8.8 million
- ◆ 24-mill exemption for industrial/commercial property—\$203.4 million
- ◆ Sales tax on the difference (new cars)—\$175.0 million

The Governor's tax restructuring proposal would replace \$1,167.2 million of revenue lost by elimination of the SBT, and generate an additional \$1,510.6 million in revenue for FY 2007-08. Pages 7–10 of this report provide more detail on the Governor's tax restructuring proposal.

This preliminary review provides a quick look at the Executive Budget Recommendation for FY 2007-08. The House Fiscal Agency's full **Review and Analysis** of the Governor's FY 2007-08 Budget Proposal will be available in approximately two weeks, and will contain a detailed analysis and discussion, by budget area, of major budget and boilerplate changes proposed in the Executive's FY 2007-08 budget.

A list of House Fiscal Agency staff is included; please do not hesitate to call me, or the Fiscal Analyst responsible for a specific budget area, if you have questions regarding this information.



Mitchell E. Bean, Director

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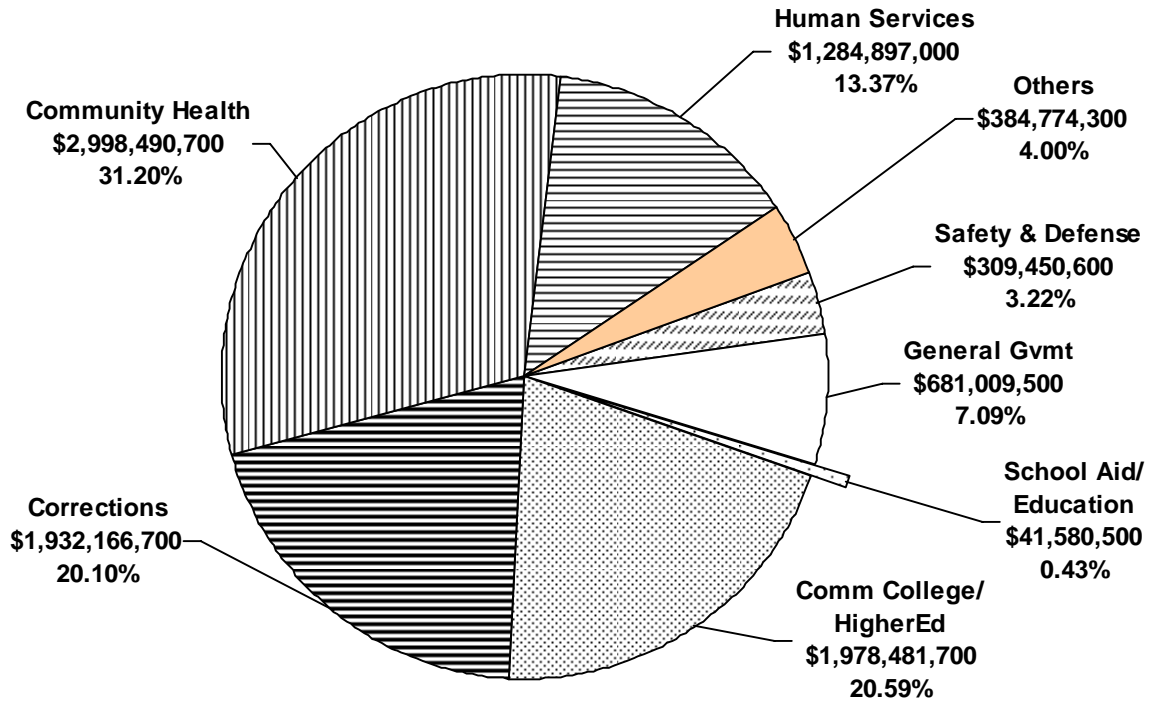
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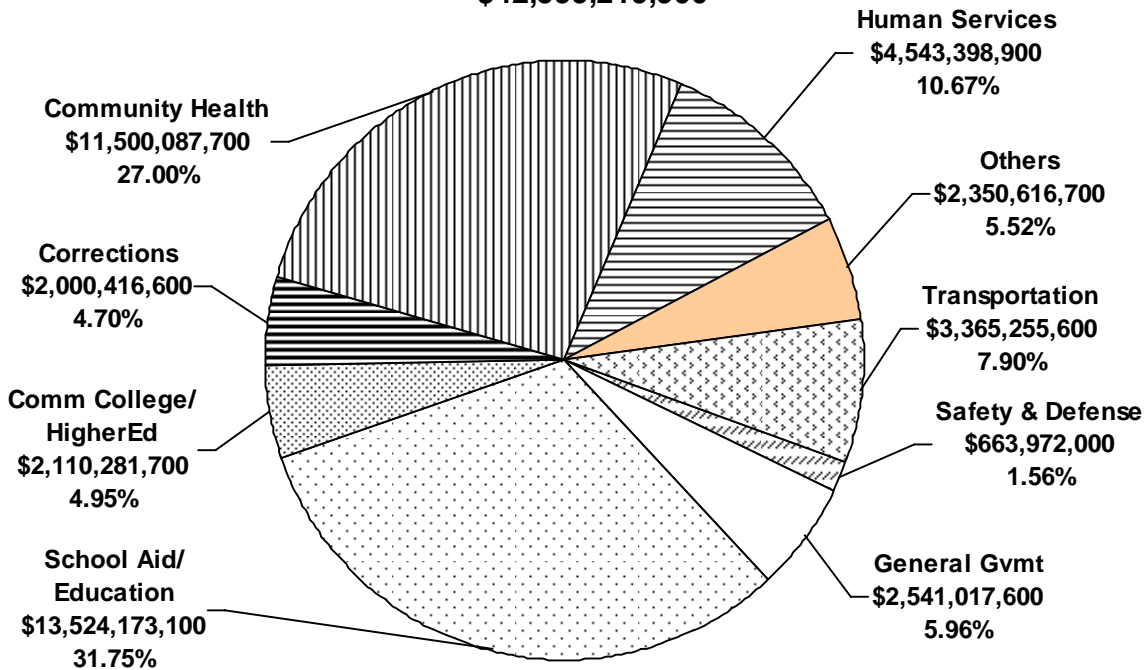
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**FY 2007-08 GF/GP Executive Recommendation
\$9,610,851,000**



**FY 2007-08 Adjusted Gross Executive Recommendation
\$42,599,219,900**



**CHANGE IN ADJUSTED GROSS APPROPRIATIONS
FY 2006-07 Year-to-Date and FY 2007-08 Executive Recommendation**

The Executive Budget Recommendation for FY 2007-08 increases adjusted gross appropriations by \$926.92 million (2.2%), GF/GP appropriations by \$388.02 million (4.2%), and state restricted appropriations by \$93.73 million (0.5%) from year-to-date FY 2006-07 levels. Total state spending from state sources increases \$481.75 million (1.7%).

	Millions of Dollars			
	Year-to-Date FY 2006-07	Executive Recommendation FY 2007-08	Amount Change	% Change
General Fund/General Purpose	\$9,222.83	\$9,610.85	\$388.02	4.2%
State Restricted	<u>18,801.43</u>	<u>18,895.16</u>	<u>93.73</u>	0.5%
Total State Spending from State Sources	\$28,024.26	\$28,506.01	\$481.75	1.7%
Federal	13,180.01	13,610.50	430.49	3.3%
Local	382.15	395.73	13.58	3.6%
Private	<u>85.88</u>	<u>86.98</u>	<u>1.10</u>	1.3%
Total Adjusted Gross	\$41,672.30	\$42,599.22	\$926.92	2.2%

General Fund/General Purpose: The state's primary operating fund; the portion of the state's General Fund that does not include restricted revenue

State Restricted: State revenue dedicated to a specific fund; revenue which results from state mandates or initiatives

Adjusted Gross: Total of all line item appropriations; gross appropriations less (or minus) interdepartmental grants (IDGs) and intradepartmental transfers (IDTs)

RESOURCES USED IN THE EXECUTIVE BUDGET RECOMMENDATION

Resources used to fund General Fund/General Purpose, School Aid Fund, Medicaid Benefits Trust Fund, and Merit Award Trust Fund expenditures in the Executive Budget Recommendation are reported below.

FY 2007-08 EXECUTIVE RECOMMENDATION ESTIMATES GENERAL FUND/GENERAL PURPOSE (Millions of Dollars)

Beginning Balance	\$2.1
FY 2007-08 Consensus Revenue Estimate	\$7,010.0
Adjustments to Consensus	
Revenue Sharing adjustment	\$545.3
Shift short-term borrowing costs to SAF	22.8
Consumer Finance Fees transfer to GF/GP	2.0
Proposed reduction/redirect of Transportation Economic Development Fund to GF/GP	13.0
Subtotal	\$583.1
Proposed Tax Restructuring	
Michigan Business Tax	\$1,249.4
Insurance Premiums Tax	40.0
Close tax loopholes	40.0
Loss to GF/GP from increased liquor mark-up	(\$0.6)
Sales tax on the difference for new cars	(\$15.0)
2% tax on consumer services	226.7
2% tax on business services	523.5
Subtotal	\$2,064.0
Available GF/GP Resources	\$9,659.2
FY 2007-08 Executive Recommendation Appropriations	<u>(\$9,610.9)</u>
Estimated GF/GP Balance	\$48.3

Beginning Balance: Beginning balance estimate assumes passage of the Governor's tax restructuring proposal (effective by June 1, 2007), passage of Executive Order budget reductions contained in EO 2007-1, and passage of the Governor's proposed FY 2006-07 supplemental appropriations.

FY 2007-08 Consensus Revenue Estimate: Revenue estimate agreed to by the Consensus Conference in January 2007.

Revenue sharing adjustment: Assumes the Executive Recommendation of freezing total revenue sharing payments at FY 2006-07 levels and providing \$27.2 million for local units that collaborate on services.

Short-Term Borrowing Costs: Uses School Aid Fund revenue to pay a portion of the GF/GP cost of short-term notes required to manage state cash flow.

Consumer Finance Fees: Transfers fund surplus to GF/GP.

Proposed Reduction/Redirect of Transportation Economic Development Fund: Statutory change in the distribution of driver's license fees redirects money to GF/GP.

Proposed Tax Restructuring: See *Executive Recommendation for FY 2006-07 and FY 2007-08 Revenue Changes* on pages 7–10.

FY 2007-08 EXECUTIVE RECOMMENDATION ESTIMATES
SCHOOL AID FUND
(Millions of Dollars)

Beginning fund balance		\$11.4
FY 2007-08 Consensus Revenue Estimate		11,532.9
Expand Club Keno		15.0
General Fund subsidy		35.0
Federal funds		1,410.1
	Subtotal	\$13,004.4
Proposed Tax Restructuring		
Exempt Personal Property Tax from State Education Tax		(\$203.4)
Close tax loopholes		37.4
Increased liquor mark-up		28.3
Estate Tax decouple		119.2
WPW fix		5.0
Sales Tax on the difference for new cars		(128.3)
2% tax on consumer services		175.5
2% tax on business services		405.2
	Subtotal	\$438.9
Total SAF Resources		\$13,443.3
FY 2007-08 Executive Recommendation Appropriations		<u>(\$13,431.0)</u>
Estimated SAF Ending Balance		\$12.3

Beginning Balance: Beginning balance estimate assumes passage of the Governor's tax restructuring proposal (effective by June 1, 2007), passage of Executive Order budget reductions contained in EO 2007-1, and passage of the Governor's proposed FY 2006-07 supplemental appropriations.

FY 2007-08 Consensus Revenue Estimate: Revenue estimates agreed to by the Consensus Conference in January 2007.

Proposed Tax Restructuring: See *Executive Recommendation for FY 2006-07 and FY 2007-08 Revenue Changes* on pages 7–10.

**FY 2007-08 EXECUTIVE RECOMMENDATION ESTIMATES
 MEDICAID BENEFITS TRUST FUND
 (Millions of Dollars)**

Beginning balance	\$0.0
Estimated interest	4.1
Estimated deposit:	
Revenue from current cigarette tax	344.6
Revenue from current other tobacco products tax	34.5
Revenue from proposed excise tax on services	143.0
Proposed tobacco products tax increase	<u>57.6</u>
Available Funds	\$583.8
FY 2007-08 Executive Recommendation Expenditures	(\$383.2)
Estimated Ending Balance	<u>\$200.6</u>

**FY 2007-08 EXECUTIVE RECOMMENDATION ESTIMATES
 TOBACCO SETTLEMENT REVENUE/EXPENDITURES
 (Millions of Dollars)**

Prior-year balance	\$0.0
Interest	1.0
Master Settlement Agreement (MSA) payment	321.4
Payments withheld in April 2006 and 2007 become available	<u>84.6</u>
Total Estimated Revenue	\$407.0
Proposed Expenditures:	
Interest on securitization bonds	(\$42.9)
Deposit to 21st Century Jobs Fund	(75.0)
Merit awards	(60.0)
MI Promise scholarships	(43.5)
Tuition Incentive Program (TIP)	(6.4)
Higher Education	(9.5)
Nursing scholarships	(4.3)
Administration of TIP and merit awards	(2.3)
MI Education Savings Plan	(0.8)
Medicaid nursing home personal needs allowance	(5.0)
Medicaid base	(151.9)
Respite care	(5.0)
Attorney General administration	<u>(0.4)</u>
Total Proposed Expenditures	(\$407.0)
Estimated Ending Balance	<u>\$0.0</u>

FY 2007-08 EXECUTIVE RECOMMENDATION REVENUE CHANGES

<u>Extend Fee Sunset Dates</u>	<u>Revenue Loss If Not Extended (Thousands)</u>
Agriculture	\$542.2
Pesticide Applicator Fees, Pet Shop License Fees, Livestock Operations License Fees, Horse Riding Stables Licensing Fees, Nursery Stock Fees	
Community Health	\$137,400.0
Nursing Home QAAP; HMO QAAP; Specialty Pre-Paid Health	
Environmental Quality	\$17,800.0
Air Emissions Fees, Solid Waste Program Fees, Groundwater Discharge Permit Fees, Manifest Processing User Charge	
Judiciary	\$87.5
Motion Fees	
Labor and Economic Growth	\$13,396.9
Securities Fees, Corporation Fees, Licensing and Regulation Fees (Professional Engineer, Surveyor, Architect, Barber [various], Collection Agency, Community Planner, Cosmetologist [various], Forester, Hearing Aid, Real Estate [various], Residential Builder, Mortuary Science, Funeral Director, Occularist [various])	
State Police	\$1,500.0
Fingerprint Fees	
State Police/Treasury	18,682.0
Commercial Mobile Radio System Fees	
Total (Extend Fee Sunset Dates)	\$189,408.6
<u>Increase Current Fees</u>	<u>FY 2007-08 New Revenue (Thousands)</u>
Education	\$1,504.4
Teacher Certification Fees (various)	
Environmental Quality	\$16,575.0
Mineral Well Regulatory Fees, Manifest/Site Identification/Handler User Charges, Solid Waste Surcharge Fees, Groundwater Discharge Permit Fees	
Human Services	\$606.8
Adult Foster Care, Homes for the Aged, Child Day Care Centers, Child Placing Agencies	
Labor and Economic Growth	\$708.6
Plumbing/Electrical/Mechanical License Fees, State Plat Review Fees	
Natural Resources	\$16,900.0
Game and Fish License Fees (various)	
Treasury	\$14,381.0
Liquor License Fees	
Total (Increase Current Fees)	\$50,675.8
<u>Create New Fees</u>	
Education	\$54.0
Teacher College Review Fee	
Environmental Quality	\$2,998.0
On-Site Wastewater Treatment Fund, Pollution Prevention Program Fee	
Judiciary	\$1,693.0
Judiciary Local User Fees	
Labor and Economic Growth	\$7,619.0
Liquor License Fees	
Total (Create New Fees)	\$12,364.0

EXECUTIVE RECOMMENDATION FY 2006-07 and FY 2007-08 REVENUE CHANGES

The Executive Recommendation for FY 2007-08 (and FY 2006-07 for some revenue items) includes the following changes:

- ◆ SBT replacement
- ◆ 2% excise tax on services
- ◆ Decoupling from the federal estate tax
- ◆ Elimination of various loopholes or tax expenditures
- ◆ Increases in the liquor markup and tobacco products tax
- ◆ Sales tax cut on the difference of the price of a new vehicle and the value of the trade-in vehicle
- ◆ Expansion of Club Keno games

These proposed changes are described below; the table that follows indicates which funds would be affected.

Single Business Tax (SBT) Replacement

The Michigan Business Tax (MBT) would replace the SBT. The MBT would be a broad-based business tax with a 0.125% tax rate on gross receipts, assets, and weighted profits. It maintains the \$350,000 gross receipts filing threshold that exists in the SBT, and softens the \$350,000 cliff that exists with the current SBT by phasing in the rate between \$350,000 and \$700,000 of gross receipts. Insurance firms would continue to pay the insurance premiums tax, but at a higher 1.25% rate.

The proposal would also eliminate the 6-mill State Education Tax and 18-mill non-homestead levy for industrial and commercial personal property, and retain existing SBT economic development credits (such as MEGA, Historic, Brownfield, and Renaissance Zone). In addition, two new credits would be created: the first would target large businesses that have their headquarters located in Michigan, and the second would provide a credit for research innovation up to \$500,000 (matched by MEGA) used for small business research and development.

When considered in conjunction with the repeal of the SBT on December 1, 2007, the combined effect of these changes would provide a net tax reduction of \$81.2 million in FY 2007-08. When compared with current law, the new MBT would increase revenue by an estimated \$1,086.0 million in FY 2007-08.

2% Excise Tax on Services

A 2% tax would be levied on selected services such as:

- ◆ Professional entertainment
- ◆ Construction services
- ◆ Legal, accounting, and personal services
- ◆ Repair and maintenance services

The tax would not apply to such services as health care or education, daycare, religious services, sales to non-profit entities or state/local governments, high school or college sports admissions, or services currently taxed under the sales/use tax acts. Both consumers and businesses would be subject to the tax.

Should the excise tax become effective on June 1, 2007, as proposed, the tax would generate an estimated \$477.0 million in FY 2006-07 and \$1,473.9 million in FY 2007-08.

Decoupling From the Federal Estate Tax

Michigan would decouple from the federal estate tax, which is scheduled to sunset in 2010. The tax would apply to estates with a taxable value in excess of \$2.0 million if the decedent's date of death is on or after April 1, 2007. Assets of family-owned businesses (including family farms) would be exempt in accordance with section 2057(e) of the IRS code. The Michigan Department of Treasury estimates that, on average, about 350 estates would be subject to the tax in any given year.

Because the estate tax return would not need to be filed until nine months after the date of death, the estate tax would not yield any revenue in FY 2006-07. This change would increase estate tax revenue by an estimated \$119.2 million in FY 2007-08.

EXECUTIVE RECOMMENDATION FY 2006-07 and FY 2007-08 REVENUE CHANGES

Elimination of Loopholes/Tax Expenditures

Telecommunications

International and certain interstate telecommunications (e.g., toll-free calls, WATTS lines, interstate private networks, and international calls) are currently exempt from the use tax. Making such telecommunications subject to the use tax would increase revenue by an estimate \$7.4 million in FY 2006-07 and \$22.8 million in FY 2007-08.

Interstate Trucks and Trailers

Purchases of trucks, trailers, and parts by interstate motor companies are exempt from sales and use taxes as long as at least 10% of the company's total mileage driven occurs outside of Michigan. Eliminating this condition would mean subjecting a percentage of these purchases to the same percentage as the number of miles driven in Michigan relative to total miles; that is, if 30% of the carrier's total miles are in Michigan, 30% of its previously exempt purchases would be taxable. This would increase sales/use tax revenue by an estimated \$5.5 million in FY 2006-07 and \$16.9 million in FY 2007-08.

Purchases Made by Department of Corrections Inmates

Under current law, purchases made by inmates at prison stores are exempt from the sales tax. Eliminating this exemption would increase sales tax revenue by an estimated \$0.2 million in FY 2006-07 and \$0.7 million in FY 2007-08.

Insurance Company Use Tax

Under current law, insurance companies pay a tax under the SBT that is "in lieu of other taxes except taxes on real and personal property." This "in lieu of" provision exempts insurance companies from the use tax on items purchased from out-of-state retailers and from the sales tax when they sell property at retail. Although the Executive Recommendation would subject the insurance companies to the sales and use tax, it would primarily be a use tax issue to eliminate the incentive for insurance companies to purchase tangible personal property from out of state. This change would increase use tax revenue by an estimated \$1.2 million in FY 2006-07 and \$3.7 million in FY 2007-08.

Oil and Gas Double Exemption

Oil and gas production are subject to a severance tax. As such, royalty income (which is taxable at the federal level) is subtracted from federal adjusted gross income (AGI) on the MI-1040, Schedule 1. Court rulings have permitted additional subtractions for certain indirect costs (such as depreciation) from the federal AGI—in essence, providing for a double exclusion. Eliminating the explicit subtraction on Schedule 1 would eliminate this double exemption and increase income tax revenue by an estimated \$3.9 million in FY 2007-08.

Penalties and Interest

In 2002, penalties were reduced for taxpayers that fail to file a tax return, or pay a tax on time, or pay a tax with a check that bounces. Restoring penalties for late payments of certain income tax withholding, sales tax, and use tax generates an estimated \$1.7 million in FY 2006-07 and \$5.1 million in FY 2007-08.

Vended Food

Most food sold for immediate consumption is subject to the sales tax. Hot or cold foods dispensed from vending machines are also subject to the sales tax—except for some foods sold through vending machines (non-alcoholic beverages, milk, and food products at or near room temperature) which are specifically exempt. Eliminating this exemption to put vended foods on a par with other foods sold for immediate consumption would increase sales tax revenue by an estimated \$8.8 million in FY 2006-07 and \$27.2 million in FY 2007-08.

Water Softener Property Tax

Currently, water coolers and water softeners that are leased are exempt from the personal property tax. Eliminating this exemption would subject this property to the 6-mill State Education Tax (SET) as well as the 18-mill non-homestead millage. The 6-mill SET would directly increase the SAF; the 18-mill non-homestead millage would be dedicated to pupil funding at the local level. This change would result in an estimated \$0.3 million increase in revenue in FY 2007-08.

EXECUTIVE RECOMMENDATION FY 2006-07 and FY 2007-08 REVENUE CHANGES

Affiliate Nexus for Use Tax

The recommendation is to create "affiliate nexus" standard for nonresident affiliates. Nexus, an economic presence within the state that establishes tax liability, is established by certain business activities or real and tangible personal property held in the state. The "affiliate nexus" standard would disregard the legal business form in opposing nexus for nonresident affiliate companies without a physical presence in Michigan. This change attempts to take into account business activities of businesses that have a close connection (for example: XYZ company and XYZ.com). This change would increase use tax revenue by an estimated \$1.2 million in FY 2006-07 and \$3.6 million in FY 2007-08.

WPW Fix

A 2002 Michigan Supreme Court decision (*WPW Acquisition v City of Troy*) barred the implementation of Proposal A (School Finance Reform) legislation regarding property taxation on commercial rental property. The Michigan Supreme Court ruled that an increase in value due to an increase in a commercial rental property's occupancy could not be used to increase the property's taxable value beyond the constitutional assessment cap established by Proposal A. As a result of this decision, commercial rental property taxes are based on occupancy decreases and are not adjusted upward if the property's occupancy rate increases. The Executive proposal would remove commercial rental property from the General Property Tax Act and create a new specific tax that generates a FY 2007-08 estimated savings of \$5.0 million.

Increase Liquor Markup

The Michigan Liquor Control Commission (MLCC) is the wholesaler of all spirits in Michigan. The MLCC currently sells liquor with a 65% markup (which is approximately 20% of the retail price) prior to selling to licensees. Profits from the sale of liquor are transferred to the General Fund. The Executive Recommendation would increase the liquor markup to 75%. This change would increase revenue by an estimated \$8.8 million in FY 2006-07 and \$27.1 million in FY 2007-08.

Increase Tobacco Products Tax

The current tax on cigarettes is \$2.00 per pack; the tax rate on other tobacco products (OTP) is 32% of the wholesale price. The Executive Recommendation would increase the cigarette tax by 5 cents per pack and would double the OTP tax. This change would increase revenue by an estimated \$18.1 million (\$8.5 million from cigarettes and \$9.6 million from OTP) in FY 2006-07 and \$57.6 million (\$21.0 million from cigarettes and \$36.6 million from OTP) in FY 2007-08.

Sales Tax on the Difference

Michigan is one of only a few states that allow no trade-in allowance for the purchase of new vehicles. The Executive Recommendation would allow a trade-in allowance for new vehicle purchases at dealers that sell new vehicles. This change would decrease sales tax revenue by an estimated \$175.1 million in FY 2007-08.

Lottery

State Lottery is expected to expand the Club Keno game to pre-existing private organizations. It is estimated that the expansion of the game would generate \$7.5 million in FY 2006-07 and \$15.0 million in FY 2007-08.

EXECUTIVE RECOMMENDATION
FY 2006-07 and FY 2007-08 REVENUE CHANGES
(Millions of Dollars)

	FY 2006-07					FY 2007-08				
	<u>GF/GP</u>	<u>SAF</u>	<u>MBTF</u>	<u>Other</u>	<u>Total</u>	<u>GF/GP</u>	<u>SAF</u>	<u>MBTF</u>	<u>Other</u>	<u>Total</u>
Michigan Business Tax (MBT)						\$1,249.4				\$1,046.0
24-mill Exemption (Commercial/Industrial Property)								(\$203.4)		
1.25% Tax on Insurance Premiums						\$40.0				\$40.0
2% Excise Tax on Services	\$306.7	\$170.3			\$477.0	\$750.2	\$580.7	\$143.0		\$1,473.9
Decoupling from the Federal Estate Tax							\$119.2			\$119.2
Elimination of Loopholes/Tax Expenditures	\$14.2	\$11.7			\$25.9	\$40.0	\$37.4		\$6.8	\$84.2
WPW Fix							\$5.0			\$5.0
Increase Liquor Markup	(\$0.2)	\$9.2		(\$0.2)	\$8.8	(\$0.6)	\$28.3		(\$0.6)	\$27.1
Increase Tobacco Products Tax			\$18.1		\$18.1			\$57.6		\$57.6
Sales Tax on the Difference						(\$15.0)	(\$128.3)		(\$31.8)	(\$175.1)
Lottery		\$7.5	\$0.0		\$7.5		\$15.0			\$15.0
Total	\$320.7	\$198.7	\$18.1	(\$0.2)	\$537.3	\$2,064.0	\$453.9	\$200.6	(\$25.6)	\$2,692.9

*Note: **MBTF** is the Medicaid Benefits Trust Fund; **Other** is revenue sharing for sales tax changes and the Convention Facility Development Fund for the liquor changes.*

FY 2007-08 ECONOMIC INCREASES BY DEPARTMENT/AGENCY

(Thousands of Dollars)

	Employee-Related Economics		Building Occupancy Charges & Rent		Food & Fuel at 24-Hour Institutions		Total	
	Gross	GF/GP	Gross	GF/GP	Gross	GF/GP	Gross	GF/GP
Agriculture	\$1,254.6	\$576.6	\$101.1	\$59.5	\$0.0	\$0.0	\$1,355.7	\$636.1
Attorney General	2,384.5	1,083.4	229.2	229.2	0.0	0.0	2,613.7	1,312.6
Civil Rights	621.4	533.5	(36.2)	(36.2)	0.0	0.0	585.2	497.3
Civil Service	765.3	174.5	(12.6)	(3.8)	0.0	0.0	752.7	170.7
Community Health	19,764.3	9,590.0	(265.5)	(152.9)	242.6	174.5	19,741.4	9,611.6
Corrections	81,940.4	79,950.0	(15.9)	(15.9)	2,458.8	2,458.8	84,383.3	82,392.9
Education	1,602.6	160.3	20.4	4.8	0.0	0.0	1,623.0	165.1
Environmental Quality	5,667.5	816.0	(379.6)	(82.1)	0.0	0.0	5,287.9	733.9
Executive Office	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
History, Arts, and Libraries	818.4	727.7	(165.9)	(165.9)	0.0	0.0	652.5	561.8
Human Services	34,818.1	23,394.0	(533.3)	(331.4)	0.0	0.0	34,284.8	23,062.6
Information Technology	6,203.0	2,856.5	139.1	139.1	71.6	38.3	6,413.7	3,033.9
Judiciary	2,052.4	1,926.3	(434.1)	(426.6)	0.0	0.0	1,618.3	1,499.7
Labor and Economic Growth	15,228.1	412.7	(488.4)	14.6	0.0	0.0	14,739.7	427.3
Legislature	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Management and Budget	2,835.0	840.2	(1.2)	(27.2)	0.0	0.0	2,833.8	813.0
Michigan Strategic Fund	413.0	354.9	0.0	0.0	0.0	0.0	413.0	354.9
Military and Veterans Affairs	3,157.7	1,640.3	0.0	0.0	93.9	62.2	3,251.6	1,702.5
Natural Resources	6,694.0	354.2	74.6	1.6	0.0	0.0	6,768.6	355.8
State	5,478.3	4,131.7	804.7	759.8	0.0	0.0	6,283.0	4,891.5
State Police	16,270.0	13,579.4	359.7	329.5	0.0	0.0	16,629.7	13,908.9
Transportation	8,619.2	0.0	1,735.3	0.0	0.0	0.0	10,354.5	0.0
Treasury	6,699.2	1,026.7	(137.2)	(200.2)	0.0	0.0	6,562.0	826.5
TOTAL	\$223,287.0	\$144,128.9	\$994.2	\$95.9	\$2,866.9	\$2,733.8	\$227,148.1	\$146,958.6

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

FY 2007-08 EXECUTIVE BUDGET HIGHLIGHTS
Major Features and Changes Proposed

BUDGET AREA: EDUCATION

Community Colleges

FY 2007-08

Analyst: Viola Bay Wild

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Exec to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$0	\$0	\$0	0.0
Federal	0	0	0	0.0
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	0	0	0	0.0
GF/GP	289,879,400	297,369,000	7,489,600	2.6
Gross	\$289,879,400	\$297,369,000	\$7,489,600	2.6
FTEs				

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 31, 2007.

Operations Funding

Includes \$7.3 million additional GF/GP funding which represents a 2.6% increase compared to FY 2006-07 enacted appropriations. Funding includes \$225,000 to Wayne County Community College to complete the restoration of the \$450,000 reduction made in FY 2003-04 which was allocated to three other colleges that year (2006 PA 153 previously restored \$225,000 of this reduction). The remaining operations increase of \$7.1 million is distributed across the board to all 28 colleges.

Renaissance Zone Reimbursement

Includes \$175,000 to increase funds for statutorily-required reimbursement to colleges with renaissance zones in their districts to reflect expected increases in taxable value in those zones. Funding represents a 5.5% increase from FY 2006-07.

Education (Department)

FY 2007-08

Analysts: Mary Ann Cleary and Bethany Wicksall

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Exec to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$0	\$0	\$0	0.0
Federal	67,570,600	69,181,000	1,610,400	2.4
Local	5,985,600	6,410,900	425,300	7.1
Private	2,914,400	3,171,800	257,400	8.8
Restricted	7,527,000	7,800,500	273,500	3.6
GF/GP	6,592,500	6,580,500	(12,000)	(0.2)
Gross	\$90,590,100	\$93,144,700	\$2,554,600	2.8
FTEs	435.5	441.5	6.0	1.4

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 31, 2007.

Professional Preparation Services

Provides an additional \$1.6 million from a proposed increase in teacher certification fees and new teacher college review fees, as well as \$200,000 available from the carryforward of teacher testing fees. The additional revenue would fund the conversion of the teacher licensing database and reimburse the Department for reviewing teacher college programs.

Michigan School for the Deaf and Blind (MSDB)

Includes the addition of 7.0 FTEs at the MSDB in anticipation of growth in student membership as well as an increase for summer programs: additional \$973,400 in local and private revenues.

Lansing School for the Blind – Former Site

Reflects the sale of the Lansing School for the Blind and the elimination of \$1.8 million in lease revenue and maintenance costs associated with the property.

Other Increases

Recognizes an increase of \$160,900 from additional restricted revenue available for Central Support as well as an added \$134,000 for increased information technology costs.

Administrative/Program Reductions

Recognizes the savings from not filling vacancies in Special Education Operations and School Improvement Operations as well as the elimination of funding for the National Best Practices Study: reduction of \$175,000 in federal funds and \$175,000 GF/GP.

Alternative Certification Programs

Eliminates the boilerplate earmark of \$100,000 each for the Central Michigan University Alternative Route to Certification Program and the Wayne State University Pathways to Teaching Program.

Economics

Provides a gross increase of \$1.7 million (\$189,600 GF/GP) for economic increases in salaries and wages, retirement, insurance, workers compensation, and building occupancy charges.

Higher Education

FY 2007-08

Analyst: Kyle I. Jen

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Exec to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$0	\$0	\$0	0.0
Federal	3,000,000	6,000,000	3,000,000	100.0
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	159,700,000	125,800,000	(33,900,000)	(21.2)
GF/GP	1,624,791,300	1,681,112,700	56,321,400	3.5
Gross	\$1,787,491,300	\$1,812,912,700	\$25,421,400	1.4
FTEs	1.0	1.0	0.0	0.0

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 31, 2007.

Research Universities Budget Bill

Proposes separate budget bill for Michigan State University (including Agricultural Experiment Station and Cooperative Extension), University of Michigan – Ann Arbor, and Wayne State University.

State University Operations

Increases each state university operations line item by 2.5%; total increase of \$36.6 million GF/GP.

Restoration of FY 2006-07 Reductions

Provides \$69.4 million GF/GP, to be paid to state universities in October 2007, offsetting reductions proposed to August 2007 payments as part of FY 2006-07 budget reductions.

Cooperative Extension Service

Reduces Cooperative Extension Service line item by \$2.7 million GF/GP, equal to 10.0% of non-project GREEN funding, as a continuation of a proposed FY 2006-07 reduction of the same amount under Executive Order 2007-1.

Tuition Grant Program

Eliminates \$58.8 million appropriation (\$55.9 million GF/GP; \$2.9 million carryforward) for the Tuition Grant Program, a need-based financial aid program for students attending independent colleges and universities.

Michigan Merit Award and Promise Grant Programs

Reduces Merit Award line item by \$67.7 million; adds \$43.5 million appropriation for new Michigan Promise Grant program that takes effect with high school class of 2007; net reduction of \$24.2 million (Merit Trust Fund) reflecting lower exam-based award amount over first two years of college.

Tuition Incentive Program

Increases appropriation for Tuition Incentive Program by \$7.1 million GF/GP for projected increase in Medicaid-eligible students claiming financial aid awards under program.

School Aid

FY 2007-08

Analysts: Mary Ann Cleary and Bethany Wicksall

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Exec to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$0	\$0	\$0	0.0
Federal	1,411,236,900	1,410,111,700	(1,125,200)	(0.1)
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	11,647,508,200	11,985,916,700	338,408,500	2.9
GF/GP	35,000,000	35,000,000	0	0.0
Gross	\$13,093,745,100	\$13,431,028,400	\$337,283,300	2.6
FTEs	0.0	0.0	0.0	0.0

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 31, 2007.

Foundation Allowance Increase

Proposes a 2.5% or \$178 per pupil increase plus rolls in the \$23 per pupil equity payment made in FY 2006-07, thus increasing the basic foundation from \$7,085 to \$7,286; assumes lower pupil counts and taxable values growth for a cost of \$104.1 million.

ISD Operations

Includes \$2.0 million for a 2.5% increase for ISD operations to provide a comparable increase as for the foundation allowance.

Declining Enrollment

Provides an additional \$16.0 million for a total of \$36.0 million for declining enrollment payments based on three-year average pupil memberships.

Consolidation of Business, Administrative, and Instructional Services

Provides \$10.0 million for incentive payments to districts that consolidate services with their ISDs.

New Full-Day School Readiness Program

Creates a new full-day preschool program for districts to be funded with a foundation allowance for up to 26,000 children at a cost of \$194.6 million. In the following year, districts must make available full-day kindergarten program for these pre-schoolers.

Michigan School Readiness Program

Increases the per-child allocation from \$3,300 to \$3,500 for both the district and competitive half-day preschool programs increasing the appropriation by \$5.4 million to a total of \$83.4 million.

Education Assessment Costs

Provides an increase of \$10.7 million for increased costs associated with state- and federally-required assessments.

Other Cost Increases

Provides an additional \$7.8 million for cost increases associated with School Bond Loan Fund debt service, Renaissance Zones, and Payments in Lieu of Taxes.

Middle School Math

Eliminates the \$20.0 million middle school math categorical added in FY 2006-07.

Equity Grant

Eliminates the \$20.0 million equity grant added in FY 2006-07 because it has been rolled into the foundation.

Other Categorical Eliminations

Eliminates a number of other small categoricals totaling \$6.75 million.

Retirement Rate

Proposes revaluing the Michigan Public School Employee Retirement System (MPERS) assets to their fair market value, thus allowing the rate charged to districts to decline from 17.74% of payroll in FY 2006-07 to 16.72% in FY 2007-08. If such legislation is not adopted, the retirement rate would be 18.56%.

BUDGET AREA: GENERAL GOVERNMENT

FY 2007-08

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Exec to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$588,767,600	\$631,919,000	\$43,151,400	7.3
Federal	55,540,200	108,144,700	52,604,500	94.7
Local	2,766,200	2,800,700	34,500	1.2
Private	550,100	1,262,900	712,800	129.6
Restricted	1,658,248,000	1,747,799,800	89,551,800	5.4
GF/GP	607,305,100	681,009,500	73,704,400	12.1
Gross	\$2,913,177,200	\$3,172,936,600	\$259,759,400	8.9
FTEs	7,138.4	7,280.9	142.5	2.0

The Executive recommendation totals \$3.2 billion gross and \$681.0 million GF/GP.

The budget is \$259.7 million gross, or 8.9%, and \$73.7 million GF/GP, or 12.1% over current-year appropriated levels.

Primarily, the large increase over current-year appropriations can be attributed to the transfer of the Michigan Strategic Fund into the Department of Treasury. The transfer accounts for \$178.7 million of the gross increase and \$47.4 million of the GF/GP increase.

Attorney General

Analyst: Robin R. Risko

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Exec to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$13,914,300	\$25,839,900	\$11,925,600	85.7
Federal	10,236,500	7,913,900	(2,322,600)	(22.7)
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	11,485,500	9,613,100	(1,872,400)	(16.3)
GF/GP	32,896,000	32,865,500	(30,500)	(0.1)
Gross	\$68,532,300	\$76,232,400	\$7,700,100	11.2
FTEs	565.0	562.0	(3.0)	(0.5)

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 31, 2007.

Fund Source Adjustments

Adjusts IDG, federal, and state restricted fund sources in order to more accurately reflect how legal services provided by the Department of Attorney General are paid for; \$6.7 million gross.

Administrative Reductions

Reduces amount of funding available for administrative expenses by \$1.3 million gross and GF/GP. Savings are anticipated to be generated through administrative efficiencies.

Eliminate Byrne Grant Funding

Eliminates federal Byrne grant funding; \$225,000 federal.

Eliminate Funding for Early Retirement Sick Leave Payouts

Eliminates \$71,300 gross and GF/GP associated with early retirement sick leave payouts. Employees who retired under the Early Out in 2002 received sick leave payouts over a five-year period of time. FY 2007 was the last year of payments.

Economic Adjustments

Includes \$2.6 million gross and \$1.4 million GF/GP for economics; (increased funding for salaries and wages, insurances, retirement, worker's compensation, and building occupancy charges).

Civil Rights

Analyst: Robin R. Risko

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Exec to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$0	\$0	\$0	0.0
Federal	1,566,200	2,054,100	487,900	31.2
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	0	0	0	0.0
GF/GP	12,454,000	12,436,600	(17,400)	(0.1)
Gross	\$14,020,200	\$14,490,700	\$470,500	3.4
FTEs	141.0	141.0	0.0	0.0

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 31, 2007.

Increased Federal Funding

Includes authorization for the Department to receive additional federal grant funding made available from the United States Department of Housing and Urban Development (\$200,000) and the Equal Employment Opportunity Commission (\$200,000); reduces GF/GP by a like amount.

Administrative Reductions

Reduces amount of funding available for administrative expenses by \$51,300 gross and GF/GP. Savings are anticipated to be generated through administrative efficiencies.

Eliminate Funding for Early Retirement Sick Leave Payouts

Eliminates \$69,000 gross and GF/GP associated with early retirement sick leave payouts. Employees who retired under the Early Out in 2002 received sick leave payouts over a five-year period of time. FY 2007 was the last year of payments.

Human Resources Optimization Project

Reduces funding by \$14,700 gross and GF/GP in order to more accurately reflect the Department's portion of Human Resources Optimization user charges.

Economic Adjustments

Includes \$605,500 gross and \$517,600 GF/GP for economics; (increased funding for salaries and wages, insurances, retirement, and worker's compensation; reduced funding for building occupancy charges).

Civil Service

Analyst: Robin R. Risko

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Exec to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$5,788,100	\$5,875,900	\$87,800	1.5
Federal	4,779,100	4,779,100	0	0.0
Local	1,700,000	1,700,000	0	0.0
Private	150,000	150,000	0	0.0
Restricted	17,157,500	17,671,800	514,300	3.0
GF/GP	6,972,400	6,808,600	(163,800)	(2.3)
Gross	\$36,547,100	\$36,985,400	\$438,300	1.2
FTEs	240.5	240.5	0.0	0.0

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 31, 2007.

Administrative Reductions

Reduces amount of funding available for administrative expenses by \$361,100 gross and \$350,600 GF/GP. Savings are anticipated to be generated through administrative efficiencies.

Eliminate Funding for Early Retirement Sick Leave Payouts

Eliminates \$4,200 gross and GF/GP associated with early retirement sick leave payouts. Employees who retired under the Early Out in 2002 received sick leave payouts over a five-year period of time. FY 2007 was the last year of payments.

Human Resources Optimization Project

Reduces funding by \$14,700 gross and state restricted in order to more accurately reflect the Department's portion of Human Resources Optimization user charges.

Economic Adjustments

Includes \$818,300 gross and \$191,000 GF/GP for economics; (increased funding for salaries and wages, insurances, and retirement; reduced funding for worker's compensation and building occupancy charges).

Executive

Analyst: Robin R. Risko

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Exec to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$0	\$0	\$0	0.0
Federal	0	0	0	0.0
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	0	0	0	0.0
GF/GP	5,509,900	5,509,900	0	0.0
Gross	\$5,509,900	\$5,509,900	\$0	0.0
FTEs	84.2	84.2	0.0	0.0

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 31, 2007.

No changes to current-year appropriations.

Information Technology

Analyst: Robin R. Risko

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Exec to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$378,222,000	\$409,960,100	\$31,738,100	8.4
Federal	0	0	0	0.0
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	0	0	0	0.0
GF/GP	0	0	0	0.0
Gross	\$378,222,000	\$409,960,100	\$31,738,100	8.4
FTEs	1,782.4	1,780.4	(2.0)	(0.1)

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 31, 2007.

Current Services Base Adjustments and Administrative Reductions

Makes the following adjustments to more accurately reflect what has been appropriated for information technology services and projects in other state department budgets:

- Additional \$17.0 million for the Department of Human Services
- Additional \$7.0 million for the Department of State Police
- Additional \$1.3 million for the Department of Community Health
- Additional \$1.2 million for the Department of Corrections
- Additional \$500,000 for the Department of State
- Additional \$140,000 for the Department of History, Arts, and Libraries
- Reduction of \$1.0 million for the Department of Labor and Economic Growth
- Reduction of \$730,000 for the Department of Management and Budget
- Reduction of \$145,000 for the Department of Treasury
- Reduction of \$50,000 for the Department of Transportation

Program Enhancements

Makes the following adjustments to reflect appropriations for program enhancements made in other state department budgets:

- Additional \$712,000 for the Department of Management and Budget
- Additional \$560,300 for the Department of Human Services
- Additional \$500,000 for the Department of Environmental Quality
- Additional \$400,000 for the Department of Transportation
- Additional \$176,000 for the Department of Education

Eliminate Funding for Early Retirement Sick Leave Payouts

Eliminates \$281,200 gross associated with early retirement sick leave payouts. Employees who retired under the Early Out in 2002 received sick leave payouts over a five-year period of time. FY 2007 was the last year of payments.

Human Resources Optimization Project

Reduces funding by \$1.5 million in order to more accurately reflect the Department's portion of Human Resources Optimization user charges.

Economic Adjustments

Includes \$6.3 million for economics; (increased funding for salaries and wages, insurances, retirement, worker's compensation, and building occupancy charges).

Legislature

Analyst: Robin R. Risko

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Exec to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$0	\$0	\$0	0.0
Federal	0	0	0	0.0
Local	0	0	0	0.0
Private	400,000	400,000	0	0.0
Restricted	1,109,800	1,109,800	0	0.0
GF/GP	115,066,600	115,066,600	0	0.0
Gross	\$116,576,400	\$116,576,400	\$0	0.0
FTEs	0.0	0.0	0.0	0.0

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 31, 2007.

No changes to current-year appropriations.

Office of the Auditor General

Analyst: Robin R. Risko

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Exec to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$1,801,500	\$1,801,500	\$0	0.0
Federal	0	0	0	0.0
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	1,539,900	1,539,900	0	0.0
GF/GP	13,006,100	13,006,100	0	0.0
Gross	\$16,347,500	\$16,347,500	\$0	0.0
FTEs	0.0	0.0	0.0	0.0

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 31, 2007.

No changes to current-year appropriations.

Management and Budget

Analyst: Robin R. Risko

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Exec to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$155,293,500	\$156,810,200	\$1,516,700	1.0
Federal	0	0	0	0.0
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	52,438,900	50,152,200	(2,286,700)	(4.4)
GF/GP	268,409,600	267,858,600	(551,000)	(0.2)
Gross	\$476,142,000	\$474,821,000	(\$1,321,000)	(0.3)
FTEs	759.0	754.5	(4.5)	(0.6)

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 31, 2007.

Office of Retirement Services

Includes \$1.1 million gross for program enhancements: \$300,000 for ability to add a new spouse as pension beneficiary, \$150,000 for security officer for information technology systems, \$150,000 for electronic deposit of retirement payments from schools, and \$412,000 for software to record customer contacts and improve quality; eliminates one-time appropriation of \$580,000 gross for the Social Security Number Privacy project and for inter-active voice equipment at the customer call center.

State Building Authority Rent

Reduces funding for State Building Authority Rent payments by \$4.6 million gross and \$1.0 million GF/GP.

Building Occupancy Adjustments

Includes additional \$335,300 gross to cover costs of increased rent payments for leased facilities and \$71,300 gross to cover operational costs of new Joint Operations Center (building in downtown Lansing).

Administrative Reductions

Reduces amount of funding available for administrative expenses by \$952,200 gross and \$499,800 GF/GP. Savings are anticipated to be generated through staffing reductions, fund source shifts, real estate optimization, changes to building security and changes to the ID Mail Delivery Program.

Eliminate Funding for Early Retirement Sick Leave Payouts

Eliminates \$79,400 gross and GF/GP associated with early retirement sick leave payouts. Employees who retired under the Early Out in 2002 received sick leave payouts over a five-year period of time. FY 2007 was the last year of payments.

Human Resources Optimization Project

Reduces funding by \$90,700 gross and \$34,300 GF/GP in order to more accurately reflect the Department's portion of Human Resources Optimization user charges.

Economic Adjustments

Includes \$3.4 million gross and \$1.2 million GF/GP for economics; (increased funding for salaries and wages, insurances, retirement, and worker's compensation; reduced funding for building occupancy charges).

State

Analyst: Robin R. Risko

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Exec to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$20,000,000	\$20,000,000	\$0	0.0
Federal	3,052,100	1,561,200	(1,490,900)	(48.8)
Local	0	0	0	0.0
Private	100	100	0	0.0
Restricted	162,608,600	156,972,900	(5,635,700)	(3.5)
GF/GP	19,132,700	29,337,000	10,204,300	53.3
Gross	\$204,793,500	\$207,871,200	\$3,077,700	1.5
FTEs	1,859.8	1,859.8	0.0	0.0

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 31, 2007.

Transportation Administration Collection Fund (TACF)

Includes \$6.0 million GF/GP to cover the shortfall of TACF revenue collected.

Increased Funding for Fees to Local Units

Includes additional \$40,000 gross and GF/GP to reimburse counties for their costs associated with training deputy registrars and processing voter registration applications.

Fund Source Adjustments

Adjusts state restricted fund sources in order to more accurately reflect the amount of revenues collected; reduction of \$950,000 gross.

Administrative Reductions

Reduces amount of funding available for administrative expenses by \$2.6 million gross and \$958,900 GF/GP. Savings are anticipated to be generated through administrative efficiencies.

Eliminate Funding for Early Retirement Sick Leave Payouts

Eliminates \$44,700 gross and GF/GP associated with early retirement sick leave payouts. Employees who retired under the Early Out in 2002 received sick leave payouts over a five-year period of time. FY 2007 was the last year of payments.

Economic Adjustments

Includes \$6.6 million gross and \$5.2 million GF/GP for economics; (increased funding for salaries and wages, insurances, retirement, and building occupancy charges; reduced funding for worker's compensation).

Treasury

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

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Exec to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$13,826,800	\$11,631,400	(\$2,195,400)	(15.9)
Federal	83,593,300	91,836,400	8,243,100	9.9
Local	1,066,200	1,100,700	34,500	3.2
Private	700,000	712,800	12,800	1.8
Restricted	1,411,912,800	1,510,740,100	98,827,300	7.0
GF/GP	165,867,000	198,120,600	32,253,600	19.4
Gross	\$1,676,966,100	\$1,814,142,000	\$137,175,900	8.2
FTEs	1,858.5	1,858.5	0.0	0.0

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 31, 2007.

Treasury Executive Recommendation

The Executive Recommendation for Department of Treasury operations (excluding the Revenue Sharing, Debt Service, and the MSF) is \$401.7 million gross, \$11.6 million IDG/IDT, \$36.4 million federal, \$1.1 million local, \$298.3 million restricted; and \$54.3 million GF/GP. The Executive Recommendation for Revenue Sharing and Debt Service is \$1,233.8 million gross: \$1,137.4 million restricted and \$96.4 million GF/GP.

Revenue Sharing

Increases funding for the revenue sharing appropriation unit by \$6.3 million gross (\$778,800 GF/GP reduction); reduces constitutional revenue sharing line by \$13.5 million and statutory revenue sharing line by \$6.6 million based on findings of the Consensus Revenue Estimating Conference (note that January Consensus Estimate reduces constitutional and statutory revenue sharing lines by approximately \$20.0 million), provides \$27.2 million for local government collaborative efforts, eliminates \$892,400 in special census revenue sharing payments, and provides \$113,600 GF/GP in county revenue sharing payments (Tuscola County).

Debt Service

Increases funding for debt service by \$19.8 million gross and GF/GP: reduces debt service on the water pollution control bonds by \$71,800, increases debt service on the Quality of Life bonds by \$1.6 million, increases debt service on the Clean Michigan Initiative bonds by \$13.1 million, and increases debt service on the Great Lakes Water Quality bonds by \$5.2 million.

Grants

Increases funding for the Grants line by \$12.3 million gross (\$2.0 million GF/GP reduction): creates a new grant program funded by an increase in liquor license fees for local public safety projects (\$14.4 million), eliminates the \$2.5 million GF/GP appropriation for qualified agricultural loan payments, and increases renaissance zone reimbursement payments to local libraries by \$465,000 GF/GP.

Administrative Reductions

Includes reductions in revenue enhancement of \$589,400 GF/GP.

Program Enhancements

Includes \$250,000 gross and restricted to fund start-up costs of the cybershame program, whereby the Department notifies taxpayers owing at least \$25,000 of the amount delinquent and the potential public disclosure. Statutory change is needed to enable the Department to disclose names. Also includes \$150,000 gross and restricted to fund two FTEs in the State Lottery to expand the Club Keno game to pre-existing private organizations. It is estimated that expansion of the game would generate \$15.0 million in additional School Aid Fund revenue.

Treasury Economic Adjustments

Adds \$7.1 million gross (\$955,700 GF/GP) in economic adjustments for departmental (not including MSF) and DIT salaries and wages, insurance, retirement, worker's compensation, and rent and building occupancy charges.

Michigan Strategic Fund Executive Recommendation

The Michigan Strategic Fund (MSF) has been transferred to the Department of Treasury from the Department of Labor and Economic Growth under 2005 PA 225. The Michigan Economic Development Corporation administers the programs and funds of the MSF. The FY 2007-08 Executive Recommendation for the MSF is \$178.6 million gross: \$80,000 IDG, \$55.4 million federal, \$712,800 private, \$75.0 million restricted, and \$47.4 million GF/GP.

Michigan 21st Century Jobs Fund

Under 2005 PA 232, allocates the first of eight annual \$75.0 million appropriations of the tobacco settlement revenue remaining after the 2006 securitization. These funds are to be used to diversity Michigan's economy in four competitive edge technology areas: alternative energy, advanced manufacturing, homeland security and life sciences technology.

Community Development Block Grants

Adds \$8.0 million in increased federal funds to reimburse local communities for infrastructure improvements based on a competitive grant process administered by the Michigan Economic Development Corporation.

Cost Reductions

Reduces the Upper Hand Training program line, formerly known as Economic Development Job Training Grants, by \$1.6 million GF/GP. Reduces administrative costs by \$250,000 GF/GP total from the Administration and Job Creation Services lines. Both reductions are part of Governor's overall 5% reduction plan.

Increased Michigan Promotion Programs Funding

Recommends an additional \$10.0 million GF/GP for the Michigan Promotion line to be used to promote tourism and business retention, expansion and attraction.

Alternative Energy Initiative

Provides \$7.0 million GF/GP for a competitive grant program to assist gas stations in adding ethanol fuel pumps throughout Michigan.

Michigan Strategic Fund Economic Adjustments

A total of \$413,000 gross (\$354,900 GF/GP) is added for contractual salary and wage increases of 4% and other economic increases. Economic increases are also included for the cost of employee benefits, which has risen 7.2%, and increases in pensions and worker's compensation.

BUDGET AREA: HUMAN SERVICES

Community Health

FY 2007-08

Analysts: Margaret Alston, Sue Frey, and Steve Stauff

	FY 2006-07 YTD as of 2/8/07	FY 2007-08 Executive	Difference: Exec to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$37,286,100	\$38,850,900	\$1,564,800	4.2
Federal	6,042,584,700	6,440,613,100	398,028,400	6.6
Local	241,177,400	246,671,500	5,494,100	2.3
Private	63,826,900	64,702,800	875,900	1.4
Restricted	1,871,199,600	1,749,609,600	(121,590,000)	(6.5)
GF/GP	2,940,082,700	2,998,490,700	58,408,000	2.0
Gross	\$11,196,157,400	\$11,538,938,600	\$342,781,200	3.1
FTEs	4,664.1	4,661.2	(2.9)	0.1

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 31, 2007.

Medicaid Cost Increases

Includes a gross increase of \$243.1 million (\$102.3 million GF/GP) to cover caseload, utilization, and inflation changes within the Medicaid, Mental Health/Substance Abuse, Children's Special Health Care Services and Adult Benefits

Waiver programs. To maintain actuarial soundness within the Medicaid and Mental Health/Substance Abuse programs managed care systems, an additional \$130.2 million gross (\$52.0 million GF/GP) is included.

QAAP Adjustments

Includes an additional \$21.4 million GF/GP for Health Plans and CMHSPs to offset reductions in the quality assurance assessment program (QAAP) fee that has been lowered through federal legislation from 6.0% to 5.5%, effective January 1, 2008. Includes an additional \$20.9 million QAAP revenue for hospitals to adjust to the calculated upper payment limit for the Medicaid program.

Wage Increases

Adds \$7.3 million gross (\$3.7 million GF/GP) to fully fund the 2.0% wage increase provided to CMH direct care workers in the current fiscal year. Adds \$3.6 million gross (\$1.5 million GF/GP) to annualize and recognize wage increases for adult home help workers.

Criminal Background Check Program

Offsets a future loss in federal pilot grant revenue for the criminal background check program for employees of health facilities by utilizing \$3.4 million health systems fees and collections and \$1.1 million federal Medicaid revenue to support this program. This budgetary adjustment requires a change to the Public Health Code.

Healthy Michigan Fund Shift to Medicaid

Reduces or eliminates Healthy Michigan Fund (HMF) appropriations to 22 of 29 projects totaling \$11.7 million, to reflect a \$1.8 million revenue reduction and to redirect \$9.9 million to Medicaid services for GF/GP savings. Medicaid uses 64% of the \$41.8 million HMF FY 2007-08 appropriation, an increase from 39% in FY 2006-07.

Drug Control Reductions

Reduces funding by \$6.7 million for drug control grants and programs, including law enforcement support, drug abuse prevention education, and residential substance abuse treatment programs to reflect declining federal grants.

Medicaid Special Financing Adjustments

Medicaid special financing payments are reduced by \$39.7 million gross (\$4.8 million GF/GP) reflecting a base authorization correction, physician adjustor payments, and anticipated school-based services expenditures.

Medicaid Long-Term Care Changes

Increasing enrollment in the MIChoice program and an increase in the cost per case is projected to cost \$20.0 million gross (\$8.4 million GF/GP), but the cost is offset by an equal amount of savings achieved by reducing the growth of nursing homes variable cost component from 4.4% to 2.6%. The new Money Follows the Person federal grant requires a \$3.0 million state match, that is funded from savings achieved in the long-term care appropriation line.

Disproportionate Share Hospital (DSH) Payments Reduction

Special payments to hospitals for uncompensated care are reduced by \$5.0 million gross (\$2.1 million GF/GP), from \$50.0 million to \$45.0 million.

Medicaid Estate Recovery Program

Savings of \$10.0 million gross (\$4.2 million GF/GP) are proposed through statutory changes creating a Medicaid long-term care estate recovery program. Savings reflect the cost of establishing and supporting 1.0 FTE to begin the program. Michigan currently is the only state in the nation without an estate recovery initiative.

Other Fund Source Adjustments

An increase of federal Medicaid and SCHIP funds would offset \$155.1 million of GF/GP due to changes in federal match rates. Statutory changes would allow available health systems fee revenue to replace \$9.9 million of GF/GP. Unavailable Medicaid Benefits Trust Fund revenue would be replaced with \$45.4 million of GF/GP. A reduction of available Tobacco Settlement revenue would be made up by \$13.9 million of GF/GP.

Corrections

FY 2007-08

Analyst: Marilyn Peterson

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Exec to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$1,238,400	\$1,264,600	\$26,200	2.1
Federal	11,431,500	10,340,700	(1,090,800)	(9.5)
Local	420,900	429,700	8,800	2.1
Private	0	0	0	0.0
Restricted	68,775,700	57,479,500	(11,296,200)	(16.4)
GF/GP	1,858,555,000	1,932,166,700	73,611,700	4.0
Gross	\$1,940,421,500	\$2,001,681,200	\$61,259,700	3.2
FTEs	17,798.0	18,202.2	404.2	2.3
Avg. Pop.	51,490	52,890	1,400	2.7

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 31, 2007.

Criminal Justice Policy Changes

Incorporates net savings of \$92.0 million through negative appropriation of \$122.0 million, representing savings anticipated under changes to sentencing law, offset by \$30.0 million in appropriations for "field operations reinvestment" and "community and local investment."

Additional Prison Beds

Provides full-year funding of \$28.1 million for 1,400 unfunded or partially-funded beds being added in FY 2006-07 to accommodate unanticipated growth in the prisoner population.

Michigan Prisoner Re-Entry Initiative (MPRI)

Increases MPRI funding by \$20.6 million to provide full-year funding for the original eight local pilot sites and fund expansion of the program to the entire state. Also adds \$1.4 million for 16.0 parole agent positions to be placed in correctional facilities to provide case management for prisoners transitioning from prison to parole.

Pharmaceutical Cost Increases

Increases appropriations for prison clinics by \$10.4 million to fund cost increases deriving from both price and population increases. Estimated unfunded costs were \$12.4 million in FY 2005-06; Executive offsets with estimated savings of \$2.0 million to be gained through changes in the formulary and new contract for pharmaceutical services.

County Jail Reimbursement Program

Reduces funding for the \$13.2 million county jail reimbursement program, which is funded through state restricted revenues, to a \$100 placeholder.

New Officer Training

Provides additional \$2.9 million for training new corrections officers; Executive funds training for 776 new officers, up from 650 in the FY 2006-07 enacted budget.

Mental Health Treatment

Provides \$2.0 million for two additional mental health outpatient treatment teams.

Fuel/Utilities Cost Increases

Provides \$4.0 million for unfunded costs of fuel and utilities.

Human Services

FY 2007-08

Analysts: Bob Schneider and Bill Fairgrieve

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Exec to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$3,102,700	\$2,416,000	(\$686,700)	(22.1)
Federal	3,135,487,200	3,116,678,300	(18,808,900)	(0.6)
Local	55,519,400	65,255,800	9,736,400	17.5
Private	8,876,100	9,039,200	163,100	1.8
Restricted	67,702,000	67,528,600	(173,400)	(0.3)
GF/GP	1,197,447,900	1,284,897,000	87,449,100	7.3
Gross	\$4,468,135,300	\$4,545,814,900	\$77,679,600	1.7
FTEs	10,343.4	10,609.1	265.7	2.6

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 31, 2007.

Family Independence Program (FIP)

Increases net funding for cash assistance payments by \$23.5 million gross to cover recent spike in FIP caseload, which has increased from 78,198 in April 2006 to 88,795 in December 2006. Much of the increase is thought to be due to a recent policy change related to FIP eligibility determination. The budget proposes a change to the relevant eligibility policy as well as increased savings from a statewide expansion of the Jobs Education and Training pilot program to minimize the overall FIP increase.

Day Care Services Maximum Hours Reduction

Reduces day care funding by \$23.6 million GF/GP to reflect reduction in maximum hours of day care support available during each two-week pay period. Budget proposes reducing maximum hours from 100 to 90 hours per period. Action would reduce cost per day care case.

Child Welfare Staffing Increases

Supports an increase of 257 FTE positions and \$22.3 million gross to address child welfare issues. These include 151 limited-term field staff positions dedicated to finding permanent placements for foster children that have remained in the system for an extended period of time. Also includes 41 licensing staff positions that will focus on converting current relative care providers to licensed foster care providers.

Subsidized Guardianship Program

Includes \$4.5 million GF/GP to establish a new Subsidized Guardianship Program. Program would provide support to relatives who become legal permanent guardians of children in the foster care system.

Jobs Education and Training (JET) Program Statewide Expansion

Provides an additional \$18.0 million in support for the statewide expansion of the JET program. Program aims to increase engagement of public assistance recipients in employment and other work activity.

Replacement of Federal Child Support Funding

Includes \$16.7 million GF/GP to replace the loss of federal child support funding. Recent federal legislation eliminated the ability of states to use federal child support incentive awards to draw additional federal matching funds.

Information Technology Initiative

Includes \$14.0 million gross, \$9.3 million GF/GP in additional support for Integrated Service Delivery System (often referred to as the "Bridges" project). Project aims to integrate DHS computer systems in a manner which eases workload on caseworkers.

Other Major Program Reductions

Eliminates Teenage Parent Counseling contracts (\$3.8 million), Before- and After-School Programs (\$5.0 million), and earmark of family preservation funding to Wayne County (\$2.0 million). Reduces appropriation for Indigent Burial payments by 25%. Also eliminates numerous other smaller funding earmarks.

BUDGET AREA: RESOURCE PROTECTION

Agriculture

FY 2007-08

Analyst: William E. Hamilton

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Exec to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$10,382,700	\$9,387,000	(\$995,700)	(9.6)
Federal	23,700,000	21,861,600	(1,838,400)	(7.8)
Local	0	0	0	0.0
Private	183,800	186,000	2,200	1.2
Restricted	48,449,000	45,008,000	(3,441,000)	(7.1)
GF/GP	30,913,300	28,895,300	(2,018,000)	(6.5)
Gross	\$113,628,800	\$105,337,900	(\$8,290,900)	(7.3)
FTEs	696.0	680.0	(16.0)	(2.3)

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 31, 2007.

Reduction in Agriculture Equine Industry Development Fund (AEIDF) Revenue

Budget reflects anticipated reductions in AEIDF revenue due to anticipated construction of two permanent Detroit casinos in 2008 which will reduce fund revenue by \$4.0 million. Reductions are taken in Fairs and Expositions lines (\$3.7 million), and Bovine TB program (\$215,500), and support for FFA association and 4-H foundation (\$100,000).

Emerald Ash Borer (EAB)

Reflects anticipated continuing reductions in federal grants for state EAB program. Program funding would be \$10.2 million federal, a reduction of \$3.8 million.

Agricultural Statistics (Statistical Reporting Service)

Reduces authorization to \$67,500 and 1.0 FTE position, a reduction of \$308,500 gross, \$258,500 GF/GP, and 3.0 FTEs. Executive Order 2007-1 would cut \$130,700 GF/GP from the current year.

Local Conservation Districts

Executive recommends elimination of grants to local conservation districts, a reduction of \$1.5 million GF/GP. Executive Order 2007-1 would cut \$758,400 GF/GP from the current year.

Intercounty Drains

Eliminates support for the Department oversight responsibilities under the Drain Code of 1956. Reduction is \$469,300 GF/GP. Executive Order 2007-1 would cut \$234,700 GF/GP from the current year.

Cooperative Resource Management Initiative

Eliminates grant program for local conservation district forest management activities due to revenue shortfall in MDNR Forest Development Fund.

Other Program Changes

Eliminates funding for MSU Northwest Horticultural Research Station (\$30,000 GF/GP), Aquiculture and Captive Cervid programs in Animal Industry (\$250,000 GF/GP); reduces funding for Pesticide and Plant Pest Management (\$200,000), Right-to-Farm in Environmental Stewardship (\$150,000 GF/GP), and food testing in Laboratory Services (\$150,000 GF/GP). Redirects \$500,000 in additional GF/GP funding to "Buy Michigan" program in Agriculture Development.

Environmental Quality

FY 2007-08

Analyst: Kirk Lindquist

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Exec to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$18,233,600	\$18,411,800	\$178,200	1.0
Federal	140,288,500	132,274,300	(8,014,200)	(5.7)
Local	0	0	0	0.0
Private	450,000	455,100	5,100	1.1
Restricted	250,944,000	187,026,800	(63,917,200)	(25.5)
GF/GP	33,828,400	32,796,400	(1,032,000)	(3.1)
Gross	\$443,744,500	\$370,964,400	(\$72,780,100)	(16.4)
FTEs	1,567.7	1,567.7	0.0	0.0

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 31, 2007.

One-time FY 2006-07 restricted and federal fund appropriations eliminated: (\$66,061,000).

Reduce Drinking Water Revolving Fund program: (\$10,148,400 gross, \$1,691,400, GF/GP).

Restricted Fund fee increases and sunset extensions: \$19,573,000.

Natural Resources

FY 2007-08

Analyst: Kirk Lindquist

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Exec to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$3,765,900	\$3,808,300	\$42,400	1.1
Federal	42,964,300	44,334,700	1,370,400	3.2
Local	0	0	0	0.0
Private	3,125,100	3,166,500	41,400	1.3
Restricted	213,188,300	211,123,100	(2,065,200)	(1.0)
GF/GP	25,269,600	24,791,400	(478,200)	(1.9)
Gross	\$288,313,200	\$287,224,000	(\$1,089,200)	(0.4)
FTEs	2,092.4	2,088.9	(3.5)	(0.2)

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 31, 2007.

One-time FY 2006-07 restricted and federal fund appropriations eliminated: (\$445,000).

Forest Development Fund program reductions (revenue shortfall): (\$7,679,800).

Game and Fish Fund license fee increase is assumed: \$7,952,500.

BUDGET AREA: SAFETY AND DEFENSE
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Military Affairs

FY 2007-08

Analyst: Jan Wisniewski

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Exec to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$1,664,600	\$1,680,900	\$16,300	1.0
Federal	51,450,700	54,187,500	2,736,800	5.3
Local	1,253,100	1,283,900	30,000	2.4
Private	1,441,300	1,463,300	22,000	1.5
Restricted	26,452,700	28,428,600	1,975,900	7.5
GF/GP	40,640,200	40,817,500	177,300	0.4
Gross	\$122,902,600	\$127,861,700	\$4,959,100	4.0
FTEs	1,022.0	1,022.0	0.0	0.0

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 31, 2007.

Increased Federal Revenues

Expected federal revenue increase of \$832,000 from the National Guard Bureau for communications and personnel costs, security contracts at various military sites and facilities, and for expanding the Starbase program to Battle Creek.

Also expected Federal Department of Veterans Affairs increase of \$163,600 for a federal 6.8% per diem increase, which will be offset by the same amount of GF/GP funds for the Grand Rapids Veterans' Home.

Medicare/Medicaid Adjustments

Adjust Medicare/Medicaid participation for the Grand Rapids Veterans' Home and the D.J. Jacobetti Veterans' Home for the Medicare D drug program, resulting in an additional \$475,100 federal revenue increase which is offset by the same amount of GF/GP funds for the homes.

Reduction Proposals

Reduce GF/GP funds for contractual services, supplies, and materials for the Grand Rapids Veterans' Home (\$370,000); eliminate four armory maintenance mechanic vacancies (\$300,000); and a GF/GP offset with restricted funds (\$269,000) for the D.J. Jacobetti Veterans' Home.

Program Enhancements

Requested authority to receive and expend estimated revenue of \$1.5 million generated from the use of the new Michigan Regional Training Institute located at Fort Custer in Battle Creek.

Economic Adjustments

Increases departmental and DIT economics by \$3.3 million gross and \$1.7 million GF/GP for salaries and wages, retirement, insurance, workers compensation, food, fuel and utility, and building occupancy charges.

State Police

FY 2007-08

Analyst: Jan Wisniewski

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Exec to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$22,642,400	\$26,043,700	\$3,401,300	15.0
Federal	169,305,000	146,240,200	(23,064,800)	(13.6)
Local	8,088,900	8,739,100	650,200	8.0
Private	80,300	262,500	182,200	226.9
Restricted	119,873,200	113,916,300	(5,956,900)	(5.0)
GF/GP	249,298,700	268,633,100	19,334,400	7.8
Gross	\$569,288,500	\$563,834,900	(\$5,453,600)	(2.2)
FTEs	2,903.0	2,902.0	(1.0)	0.0

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 31, 2007.

GF/GP Increase

Increase GF/GP \$1.5 million to cover a shortfall for Information Technology; \$400,000 to reverse a one-time removal for the sale of departmental aircraft in the FY 2005-06 budget; and \$6.0 million to reverse a fund shift of State Services Fee Fund revenue in the Traffic Law Enforcement and Safety fund, resulting in an overall increase of \$1.9 million.

Restricted Fund Authorization Increase

Total increase of \$4.5 million in restricted fund authorization for items such as local subscriber fees for the Michigan Public Safety Communication System, Michigan Justice Training Fund competitive grants for the State Police, and nuclear power plant emergency planning services reimbursement. Additional authorization for State Trunkline Funds, Motor Carrier Fees, the Crime Victims Rights Fund, and cost allocation of administrative lines to restricted funding will offset projected GF/GP deficits for the FY 2007-08 budget.

Federal/Restricted Fund Authorization Decrease

Total reduction of \$28.6 million in federal and restricted funds in items such as the Michigan Justice Training Fund to reflect actual expenditures, Federal Homeland Security and Department of Justice authorization to reflect anticipated expenditures, removal of State Services Fee Fund authorization designated for operation of a 50-recruit trooper school in the FY 2006-07 budget, and Forensic Science Reimbursement Fees to reflect anticipated revenues.

Liquor License Revenue Fund Shift

Total GF/GP savings of \$2.6 million replaced with liquor license revenue funds for the Fire Investigation, Fire Investigation Training to Locals, and At-Post Troopers line items.

Economic Adjustments

Increases departmental and DIT economics by \$17.2 million gross and \$14.5 million GF/GP for salaries and wages, retirement, insurance, workers compensation, food, fuel and utility, and building occupancy charges.

Department Overspending Adjustments

Plans for the Department living within its means due to overspending the FY 2005-06 budget include a reduction of force for Forensic Science and Enlisted Command staff, resulting in possible post closures; fleet savings by reducing the fleet size and miles driven; and information technology savings. Total internal reductions of \$12.2 million will result from this plan, which the Department will begin implementing in FY 2006-07.

BUDGET AREA: ALL OTHER

Capital Outlay

FY 2007-08

Analyst: Al Valenzio

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Exec to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$0	\$0		
Federal	0	0		
Local	0	0		
Private	0	0		
Restricted	0	0		
GF/GP	0	0		
Gross	\$0	\$0		
FTEs				

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 31, 2007.

Enrolled Senate Bill 1081, FY 2006-07 appropriations for Capital Outlay vetoed by the Governor on 12/21/06.

Executive Recommendation for the FY 2007-08 Capital Outlay budget not presented at this time.

History, Arts, and Libraries

FY 2007-08

Analyst: Al Valenzio

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Exec to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$79,000	\$139,200	\$60,200	76.2
Federal	8,450,900	7,307,400	(1,143,500)	(13.5)
Local	0	0	0	0.0
Private	577,400	112,400	(465,000)	(80.5)
Restricted	2,581,200	2,645,600	64,400	2.5
GF/GP	43,175,200	37,248,800	(5,926,400)	(13.7)
Gross	\$54,863,700	\$47,453,400	(\$7,410,300)	(13.5)
FTEs	238.0	234.0	(4.0)	(1.7)

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 31, 2007.

Recommends cut to State Aid to Libraries by 50%, \$6,071,500 GF/GP.

Recommends reduction of funds for Library collection purchases, \$252,900 GF/GP.

Recommends elimination of funding for Book Distribution Centers, \$350,000 GF/GP.

Recommends reduction of funds for Arts Council administration, \$125,000 GF/GP.

Judiciary

FY 2007-08

Analyst: Viola Bay Wild

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Exec to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$2,563,500	\$2,523,500	(\$40,000)	(1.6%)
Federal	4,626,400	4,626,400	0	0.0
Local	3,612,400	5,409,700	1,797,300	49.8
Private	842,500	842,500	0	0.0
Restricted	87,178,500	87,892,800	714,300	0.8
GF/GP	160,604,800	161,937,300	1,332,500	0.8
Gross	\$259,428,100	\$263,232,200	\$3,804,100	1.5
FTEs	509.0	509.0	0.0	0.0

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 31, 2007.

Judgeship Changes

Provides \$339,700 gross and GF/GP for the full-year funding of judgeship changes that received nine-month funding in FY 2006-07. Includes additional funding for increased costs associated with seven probate judgeships which were converted from part-time to full-time as of January 1, 2007. Provides full-year funding for four new circuit judgeships that commenced on January 1, 2007.

Administrative Reductions

Includes administrative savings totaling \$750,000 gross and GF/GP to be realized by not filling vacancies in positions other than justices' and judge's positions and by reducing personnel costs.

Drunk Driving Case-flow Assistance Fund Increase

Increases funding appropriation by \$700,000 gross to recognize increased fee collections and provide sufficient spending authority to disburse the funds to the appropriate courts as required by statute.

Justice Information System Software Enhancement

Includes \$1.7 million of restricted funding for the development and implementation of a new software system for trial court case management. Project is projected to be completed over the next four years with an estimated cost of \$8.0 million to \$12.0 million.

Judicial Defined Contribution and FICA Costs

Increases funds for judges' FICA and defined contribution retirement costs by \$391,400 gross and GF/GP. Reflects additional defined contribution plan costs due to judgeship changes as well. Increases are recommended separately from other economic increases due to constitutional/statutory obligation to fund judgeships.

Economic Adjustments

Increases funding for salary and wage, insurance, retirement, and rent by \$2.2 million gross (\$2.1 million GF/GP). Reduces funding for workers' compensation and building occupancy charges by \$617,800 gross (\$610,300 GF/GP).

Labor and Economic Growth

FY 2007-08

Analyst: Richard Child

	FY 2006-07 YTD as of 2/8/07	FY 2007-08 Executive	Difference: Exec to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$23,485,800	\$34,472,800	\$10,987,000	46.8
Federal	795,345,800	837,855,300	42,509,500	5.3
Local	15,824,300	15,884,700	60,400	0.4
Private	2,314,300	2,314,300	0	0.0
Restricted	347,069,300	355,515,200	8,445,900	2.4
GF/GP	47,436,700	99,105,100	51,668,400	108.9
Gross	\$1,231,476,200	\$1,345,147,400	\$113,671,200	9.2
FTEs	4,297.0	4,365.0	68.0	1.6

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 31, 2007.

No Worker Left Behind Program

Using \$77.0 million gross (\$40.0 million GF/GP), creates a new program providing up to two years of tuition at a Michigan community college or other approved training program for displaced Michigan workers. Funding will support education that leads to either an Associate's degree or occupational certificate.

Cost Reductions

Reduces state restricted fund expenditures by \$7.1 million through a combination of eliminating one-time Information Technology system improvements, postponing other improvements, and reduced charges from the Department of Information Technology.

Liquor License Fee Proposal

Liquor license fee increase will yield \$22.0 million in state restricted funds, \$3.1 million of which is designated for the DLEG Bureau of Fire Services to replace corporation and securities fees, and \$1.9 million to partially replace GF/GP in Fire Protection Grants.

Fee Sunsets/Increases

Proposes elimination of sunsets for various types of securities fees, corporation fees and licensing and regulation fees. Also eliminates sunset and provides increases for construction code licenses, such as plumbers, electricians, mechanical contractors, and building inspectors in order to maintain current service level.

Michigan Nursing Corps

Addresses shortage of trained nurses using \$15.0 million GF/GP to prepare 500 new nursing faculty and recruit up to 200 dislocated workers who have bachelor's degrees in science for admission to accelerated one-year nursing programs.

Increased Federal Funds

Adds \$5.0 million to Michigan State Housing Development Authority for available federal Housing and Urban Development conversion housing choice vouchers.

FY 2008 Economic Adjustments

A total of \$15.6 million gross (\$427,300 GF/GP) is added for contractual salary and wage increases of 4% and other economic increases. Economic increases are also included for the cost of employee benefits, which has risen 7.2%, and increases in pensions, worker's compensation and building occupancy.

Transportation

FY 2007-08

Analyst: William E. Hamilton

	FY 2006-07 Year-to-Date	FY 2007-08 Executive	Difference: Exec to FY 2006-07 YTD	
			Amount	%
IDG/IDT	\$0	\$0	\$0	0.0
Federal	1,169,336,300	1,200,740,600	31,404,300	2.7
Local	47,500,000	42,850,000	(4,650,000)	(9.8)
Private	0	0	0	0.0
Restricted	2,225,029,000	2,121,665,000	(103,364,000)	(4.6)
GF/GP	0	0	0	0.0
Gross	\$3,441,865,300	\$3,365,255,600	(\$76,609,700)	(2.2)
FTEs	3,036.3	3,035.3	(1.0)	(.03)

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through January 31, 2007.

Adjustment to Estimated Revenue

Executive budget is primarily a continuation budget; it proposes no new taxes, programs, or tax increases. The reduction from the current-year budget reflects a net decrease in dedicated transportation revenues; anticipated increases in federal revenue are offset by reduced state restricted and local revenue. With one exception, the reductions in state restricted revenue are simply due to lowered revenue estimates from the prior year. The exception is the Executive proposal to redirect \$13.0 million in certain drivers' license fees from the Transportation Economic Development Fund (TEDF) to the state General Fund. Executive Order 2007-1 recommends redirection of \$6.0 million from the TEDF in the current year. This proposed redirection would be effected through an amendment of the Michigan Vehicle Code.

Debt Service

Appropriated debt service would be \$223.6 million, a \$16.0 million increase, to reflect anticipated debt service schedules.

Transportation Economic Development Fund (TEDF)

The \$13.0 million transfer from the TEDF to the state General Fund noted above would be reflected in reductions to the Target Industries Program (\$6.5 million), and to the Urban County Congestion and Rural County Primary programs (a \$3.25 million reduction to each program). Executive Order 2007-1 would cut \$6.0 million from the Target Industries program in the current year.

Public Transportation Programs

To reflect estimated Comprehensive Transportation Fund (CTF) revenue, the budget reduced CTF funding for Bus Capital by \$13.6 million, a 50% reduction from current-year appropriated levels. Note that in January 2007 the State Budget Office reduced current-year allotments for certain CTF-funded appropriation line items, including Bus Capital, to adjust the budget to reductions in CTF revenue. As a result, amounts appropriated in the current-year budget for Bus Capital do not reflect the amounts that will actually be expended.

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**TABLE 1
FY 2007-08 EXECUTIVE RECOMMENDATION BY SOURCE OF FUNDS**

<u>Department/Budget Area</u>	<u>Gross</u>	<u>IDG/IDT</u>	<u>Adjusted Gross</u>	<u>Federal</u>	<u>Local</u>	<u>Private</u>	<u>State Restricted</u>	<u>GF/GP</u>
Community Colleges	297,369,000	0	297,369,000	0	0	0	0	297,369,000
Education	93,144,700	0	93,144,700	69,181,000	6,410,900	3,171,800	7,800,500	6,580,500
Higher Education	1,812,912,700	0	1,812,912,700	6,000,000	0	0	125,800,000	1,681,112,700
School Aid	<u>13,431,028,400</u>	<u>0</u>	<u>13,431,028,400</u>	<u>1,410,111,700</u>	<u>0</u>	<u>0</u>	<u>11,985,916,700</u>	<u>35,000,000</u>
EDUCATION	\$15,634,454,800	\$0	\$15,634,454,800	\$1,485,292,700	\$6,410,900	\$3,171,800	\$12,119,517,200	\$2,020,062,200
Attorney General	76,232,400	25,839,900	50,392,500	7,913,900	0	0	9,613,100	32,865,500
Civil Rights	14,490,700	0	14,490,700	2,054,100	0	0	0	12,436,600
Civil Service	36,985,400	5,875,900	31,109,500	4,779,100	1,700,000	150,000	17,671,800	6,808,600
Executive Office	5,509,900	0	5,509,900	0	0	0	0	5,509,900
Information Technology	409,960,100	409,960,100	0	0	0	0	0	0
Office of the Auditor General	16,347,500	1,801,500	14,546,000	0	0	0	1,539,900	13,006,100
Legislature	116,576,400	0	116,576,400	0	0	400,000	1,109,800	115,066,600
Management and Budget	474,821,000	156,810,200	318,010,800	0	0	0	50,152,200	267,858,600
Michigan Strategic Fund	178,650,900	80,000	178,570,900	55,430,700	0	712,800	75,005,200	47,422,200
State	207,871,200	20,000,000	187,871,200	1,561,200	0	100	156,972,900	29,337,000
Treasury: Operations	401,667,100	11,551,400	390,115,700	36,405,700	1,100,700	0	298,308,400	54,300,900
Treasury: Debt/Revenue Sharing	<u>1,233,824,000</u>	<u>0</u>	<u>1,233,824,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,137,426,500</u>	<u>96,397,500</u>
GENERAL GOVERNMENT	\$3,172,936,600	\$631,919,000	\$2,541,017,600	\$108,144,700	\$2,800,700	\$1,262,900	\$1,747,799,800	\$681,009,500
Community Health	11,538,938,600	38,850,900	11,500,087,700	6,440,613,100	246,671,500	64,702,800	1,749,609,600	2,998,490,700
Corrections	2,001,681,200	1,264,600	2,000,416,600	10,340,700	429,700	0	57,479,500	1,932,166,700
Human Services	<u>4,545,814,900</u>	<u>2,416,000</u>	<u>4,543,398,900</u>	<u>3,116,678,300</u>	<u>65,255,800</u>	<u>9,039,200</u>	<u>67,528,600</u>	<u>1,284,897,000</u>
HUMAN SERVICES	\$18,086,434,700	\$42,531,500	\$18,043,903,200	\$9,567,632,100	\$312,357,000	\$73,742,000	\$1,874,617,700	\$6,215,554,400
Agriculture	105,337,900	9,387,000	95,950,900	21,861,600	0	186,000	45,008,000	28,895,300
Environmental Quality	370,964,400	18,411,800	352,552,600	132,274,300	0	455,100	187,026,800	32,796,400
Natural Resources	<u>287,224,000</u>	<u>3,808,300</u>	<u>283,415,700</u>	<u>44,334,700</u>	<u>0</u>	<u>3,166,500</u>	<u>211,123,100</u>	<u>24,791,400</u>
RESOURCE PROTECTION	\$763,526,300	\$31,607,100	\$731,919,200	\$198,470,600	\$0	\$3,807,600	\$443,157,900	\$86,483,100
Military and Veterans Affairs	127,861,700	1,680,900	126,180,800	54,187,500	1,283,900	1,463,300	28,428,600	40,817,500
State Police	<u>563,834,900</u>	<u>26,043,700</u>	<u>537,791,200</u>	<u>146,240,200</u>	<u>8,739,100</u>	<u>262,500</u>	<u>113,916,300</u>	<u>268,633,100</u>
SAFETY AND DEFENSE	\$691,696,600	\$27,724,600	\$663,972,000	\$200,427,700	\$10,023,000	\$1,725,800	\$142,344,900	\$309,450,600
Capital Outlay	0	0	0	0	0	0	0	0
History, Arts, and Libraries	47,453,400	139,200	47,314,200	7,307,400	0	112,400	2,645,600	37,248,800
Judiciary	263,232,200	2,523,500	260,708,700	4,626,400	5,409,700	842,500	87,892,800	161,937,300
Labor and Economic Growth	1,345,147,400	34,472,800	1,310,674,600	837,855,300	15,884,700	2,314,300	355,515,200	99,105,100
Transportation	<u>3,365,255,600</u>	<u>0</u>	<u>3,365,255,600</u>	<u>1,200,740,600</u>	<u>42,850,000</u>	<u>0</u>	<u>2,121,665,000</u>	<u>0</u>
ALL OTHERS	\$5,021,088,600	\$37,135,500	\$4,983,953,100	\$2,050,529,700	\$64,144,400	\$3,269,200	\$2,567,718,600	\$298,291,200
TOTAL APPROPRIATIONS	\$43,370,137,600	\$770,917,700	\$42,599,219,900	\$13,610,497,500	\$395,736,000	\$86,979,300	\$18,895,156,100	\$9,610,851,000

TABLE 2
ADJUSTED GROSS APPROPRIATIONS
FY 2007-08 Executive Recommendation Compared with FY 2006-07 Year-to-Date

<u>Department/Budget Area</u>	<u>Year-To-Date</u>	<u>Exec Rec</u>	<u>FY 2007-08 vs. FY 2006-07</u>	
	<u>FY 2006-07</u>	<u>FY 2007-08</u>	<u>Amount Different</u>	<u>Percent Different</u>
Community Colleges	289,879,400	297,369,000	7,489,600	2.6%
Education	90,590,100	93,144,700	2,554,600	2.8%
Higher Education	1,787,491,300	1,812,912,700	25,421,400	1.4%
School Aid	<u>13,093,745,100</u>	<u>13,431,028,400</u>	<u>337,283,300</u>	2.6%
EDUCATION	\$15,261,705,900	\$15,634,454,800	\$372,748,900	2.4%
Attorney General	54,618,000	50,392,500	(4,225,500)	-7.7%
Civil Rights	14,020,200	14,490,700	470,500	3.4%
Civil Service	30,759,000	31,109,500	350,500	1.1%
Executive Office	5,509,900	5,509,900	0	0.0%
Information Technology	0	0	0	0.0%
Office of the 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%
Michigan Strategic Fund	80,401,200	178,570,900	98,169,700	122.1%
State	184,793,500	187,871,200	3,077,700	1.7%
Treasury: Operations	375,065,500	390,115,700	15,050,200	4.0%
Treasury: Debt/RevenueShare	<u>1,207,672,600</u>	<u>1,233,824,000</u>	<u>26,151,400</u>	2.2%
GENERAL GOVERNMENT	\$2,404,810,800	\$2,541,017,600	\$136,206,800	5.7%
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%
Human Services	<u>4,465,032,600</u>	<u>4,543,398,900</u>	<u>78,366,300</u>	1.8%
HUMAN SERVICES	\$17,563,087,000	\$18,043,903,200	\$480,816,200	2.7%
Agriculture	103,246,100	95,950,900	(7,295,200)	-7.1%
Environmental Quality	425,510,900	352,552,600	(72,958,300)	-17.1%
Natural Resources	<u>284,547,300</u>	<u>283,415,700</u>	<u>(1,131,600)</u>	-0.4%
RESOURCE PROTECTION	\$813,304,300	\$731,919,200	(\$81,385,100)	-10.0%
Military and Veterans Affairs	121,238,000	126,180,800	4,942,800	4.1%
State Police	<u>546,646,100</u>	<u>537,791,200</u>	<u>(8,854,900)</u>	-1.6%
SAFETY AND DEFENSE	\$667,884,100	\$663,972,000	(\$3,912,100)	-0.6%
Capital Outlay	0	0	0	0.0%
History, Arts, and Libraries	54,784,700	47,314,200	(7,470,500)	-13.6%
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%
Transportation	<u>3,441,865,300</u>	<u>3,365,255,600</u>	<u>(76,609,700)</u>	-2.2%
ALL OTHERS	\$4,961,505,000	\$4,983,953,100	\$22,448,100	0.5%
TOTAL APPROPRIATIONS	\$41,672,297,100	\$42,599,219,900	\$926,922,800	2.2%

TABLE 3
GENERAL FUND/GENERAL PURPOSE APPROPRIATIONS
FY 2007-08 Executive Recommendation Compared with FY 2006-07 Year-to-Date

<u>Department/Budget Area</u>	<u>Year-To-Date</u>	<u>Year-To-Date</u>	<u>FY 2007-08 vs. FY 2006-07</u>	
	<u>FY 2006-07</u>	<u>FY 2007-08</u>	<u>Amount Different</u>	<u>Percent Different</u>
Community Colleges	289,879,400	297,369,000	7,489,600	2.6%
Education	6,592,500	6,580,500	(12,000)	-0.2%
Higher Education	1,624,791,300	1,681,112,700	56,321,400	3.5%
School Aid	<u>35,000,000</u>	<u>35,000,000</u>	<u>0</u>	0.0%
EDUCATION	\$1,956,263,200	\$2,020,062,200	\$63,799,000	3.3%
Attorney General	32,896,000	32,865,500	(30,500)	-0.1%
Civil Rights	12,454,000	12,436,600	(17,400)	-0.1%
Civil Service	6,972,400	6,808,600	(163,800)	-2.3%
Executive Office	5,509,900	5,509,900	0	0.0%
Information Technology	0	0	0	
Office of the 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%
Michigan Strategic Fund	32,009,200	47,422,200	15,413,000	48.2%
State	19,132,700	29,337,000	10,204,300	53.3%
Treasury: Operations	56,509,700	54,300,900	(2,208,800)	-3.9%
Treasury: Debt/Revenue	<u>77,348,100</u>	<u>96,397,500</u>	<u>19,049,400</u>	24.6%
GENERAL GOVERNMENT	\$639,314,300	\$681,009,500	\$41,695,200	6.5%
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%
Human Services	<u>1,197,447,900</u>	<u>1,284,897,000</u>	<u>87,449,100</u>	7.3%
HUMAN SERVICES	\$5,996,085,600	\$6,215,554,400	\$219,468,800	3.7%
Agriculture	30,913,300	28,895,300	(2,018,000)	-6.5%
Environmental Quality	33,828,400	32,796,400	(1,032,000)	-3.1%
Natural Resources	<u>25,269,600</u>	<u>24,791,400</u>	<u>(478,200)</u>	-1.9%
RESOURCE PROTECTION	\$90,011,300	\$86,483,100	(\$3,528,200)	-3.9%
Military and Veterans Affairs	40,640,200	40,817,500	177,300	0.4%
State Police	<u>249,298,700</u>	<u>268,633,100</u>	<u>19,334,400</u>	7.8%
SAFETY AND DEFENSE	\$289,938,900	\$309,450,600	\$19,511,700	6.7%
Capital Outlay	0	0	0	
History, Arts, and Libraries	43,175,200	37,248,800	(5,926,400)	-13.7%
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%
Transportation	<u>0</u>	<u>0</u>	<u>0</u>	
ALL OTHERS	\$251,216,700	\$298,291,200	\$47,074,500	18.7%
TOTAL APPROPRIATIONS	\$9,222,830,000	\$9,610,851,000	\$388,021,000	4.2%

TABLE 4
FULL-TIME EQUATED (FTE) POSITIONS*
FY 2007-08 Executive Recommendation Compared with FY 2006-07 Year-to-Date

<u>Department/Budget Area</u>	Year-To-Date	Year-To-Date	FY 2007-08 vs. FY 2006-07	
	<u>FY 2006-07</u>	<u>FY 2007-08</u>	<u>Amount Different</u>	<u>Percent Different</u>
Community Colleges	0.0	0.0	0.0	
Education	435.5	441.5	6.0	1.4%
Higher Education	1.0	1.0	0.0	0.0%
School Aid	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	
EDUCATION	436.5	442.5	6.0	1.4%
Attorney General	565.0	562.0	(3.0)	-0.5%
Civil Rights	141.0	141.0	0.0	0.0%
Civil Service	240.5	240.5	0.0	0.0%
Executive Office	84.2	84.2	0.0	0.0%
Information Technology	1,782.4	1,780.4	(2.0)	-0.1%
Office of the Auditor General	0.0	0.0	0.0	
Legislature	0.0	0.0	0.0	
Management and Budget	759.0	754.5	(4.5)	-0.6%
Michigan Strategic Fund	152.0	152.0	0.0	0.0%
State	1,859.8	1,859.8	0.0	0.0%
Treasury: Operations	1,706.5	1,706.5	0.0	0.0%
Treasury: Debt/Revenue Sharing	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	
GENERAL GOVERNMENT	7,290.4	7,280.9	(9.5)	-0.1%
Community Health	4,664.1	4,661.2	(2.9)	-0.1%
Corrections	17,798.0	18,202.2	404.2	2.3%
Human Services	<u>10,343.4</u>	<u>10,609.1</u>	<u>265.7</u>	2.6%
HUMAN SERVICES	32,805.5	33,472.5	667.0	2.0%
Agriculture	696.0	680.0	(16.0)	-2.3%
Environmental Quality	1,567.7	1,567.7	0.0	0.0%
Natural Resources	<u>2,092.4</u>	<u>2,088.9</u>	<u>(3.5)</u>	-0.2%
RESOURCE PROTECTION	4,356.1	4,336.6	(19.5)	-0.4%
Military and Veterans Affairs	1,022.0	1,022.0	0.0	0.0%
State Police	<u>2,903.0</u>	<u>2,902.0</u>	<u>(1.0)</u>	0.0%
SAFETY AND DEFENSE	3,925.0	3,924.0	(1.0)	0.0%
Capital Outlay	0.0	0.0	0.0	
History, Arts, and Libraries	238.0	234.0	(4.0)	-1.7%
Judiciary	509.0	509.0	0.0	0.0%
Labor and Economic Growth	4,297.0	4,365.0	68.0	1.6%
Transportation	<u>3,036.3</u>	<u>3,035.3</u>	<u>(1.0)</u>	0.0%
ALL OTHERS	8,080.3	8,143.3	63.0	0.8%
TOTAL FTE POSITIONS	56,893.8	57,599.8	706.0	1.2%

*Includes classified, unclassified, and nonlegislative exempt positions

TABLE 5
STATE SPENDING FROM STATE SOURCES PAID TO LOCAL GOVERNMENTS
FY 2007-08 Executive Recommendation

<u>Department/Budget Area</u>	<u>Spending from State Sources</u>	<u>State Spending to Local Government Units</u>	<u>% of State Spending from State Sources as Payment to Locals</u>
Community Colleges	297,369,000	297,369,000	100.0%
Education	14,381,000	0	0.0%
Higher Education	1,806,912,700	3,759,100	0.2%
School Aid	<u>12,020,916,700</u>	<u>11,861,170,300</u>	98.7%
EDUCATION	\$14,139,579,400	\$12,162,298,400	86.0%
Attorney General	42,478,600	0	0.0%
Civil Rights	12,436,600	0	0.0%
Civil Service	24,480,400	0	0.0%
Executive Office	5,509,900	0	0.0%
Information Technology	0	0	
Office of the Auditor General	14,546,000	0	
Legislature	116,176,400	0	0.0%
Management and Budget	318,010,800	0	0.0%
Michigan Strategic Fund	122,427,400	4,500,000	3.7%
State	186,309,900	1,225,200	0.7%
Treasury: Operations	352,609,300	146,659,500	41.6%
Treasury: Debt/Revenue Sharing	<u>1,233,824,000</u>	<u>1,113,625,600</u>	90.3%
GENERAL GOVERNMENT	\$2,428,809,300	\$1,266,010,300	52.1%
Community Health	4,748,100,300	1,328,133,200	28.0%
Corrections	1,989,646,200	92,940,000	4.7%
Human Services	<u>1,352,425,600</u>	<u>123,730,383</u>	9.1%
HUMAN SERVICES	\$8,090,172,100	\$1,544,803,583	19.1%
Agriculture	73,903,300	1,700,000	2.3%
Environmental Quality	219,823,200	4,050,000	1.8%
Natural Resources	<u>235,914,500</u>	<u>28,409,100</u>	12.0%
RESOURCE PROTECTION	\$529,641,000	\$34,159,100	6.4%
Military and Veterans Affairs	69,246,100	120,000	0.2%
State Police	<u>382,549,400</u>	<u>20,594,700</u>	5.4%
SAFETY AND DEFENSE	\$451,795,500	\$20,714,700	4.6%
Capital Outlay	0	0	
History, Arts, and Libraries	39,894,400	7,987,400	20.0%
Judiciary	249,830,100	125,187,300	50.1%
Labor and Economic Growth	454,620,300	51,470,500	11.3%
Transportation	<u>2,121,665,000</u>	<u>1,242,823,900</u>	58.6%
ALL OTHER	\$2,866,009,800	\$1,427,469,100	49.8%
TOTALS	\$28,506,007,100	\$16,455,455,183	57.7%



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 - Public Health/Aging Susan Frey, Senior Analyst
- Corrections Marilyn Peterson, Senior Analyst
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- Environmental Quality Kirk Lindquist, Senior Analyst
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 - Attorney General/Civil Rights/Civil Service/Executive/Information Technology/
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