

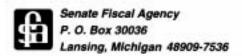


## **OVERVIEW**

The General Government Appropriations Bill contains appropriations for Attorney General, Civil Rights, Civil Service, Executive, Information Technology, Legislature, Management and Budget, State, and Treasury. The following pages provide a summary of the changes for FY 2006-07.

- 1. State Spending Reporting Section. Reporting requirement regarding actual total State spending and payments to locals within 30 days of book closing. The Governor's Recommendation changed this section to require a report only if actual payments are less than the minimum required by Article IX, Section 30, of the Michigan Constitution. (Sec. 201(3))
- 2. Hiring Freeze. Imposes hiring freeze and provides for exceptions. Provides for a quarterly report to the chairs of appropriations committees regarding exceptions to hiring freeze. List of reasons for exceptions include; ability to deliver basic services, loss of revenue, inability to receive Federal funds, or resulting costs exceeding savings from the vacancy. The Attorney General and Secretary of State may grant exceptions to the hiring freeze for their respective departments based on the same criteria that the State Budget Director grants exceptions. The Governor's recommendation substituted the State Budget Director "shall" with "may" regarding granting exceptions to the hiring freeze. (Sec. 205)
- 3. **Retention of Reports.** Requires departments and agencies receiving appropriations under this Act to receive and retain copies of all reports funded in the Act. Federal and State guidelines for retention of records shall be followed. The Governor eliminated this section.
- 4. **Communications with Legislators.** Prohibits disciplinary action against department employees for communicating with Legislators or their staff. The Governor eliminated this section.
- 5. **General Fund Restrictions.** Prohibits use of general fund appropriations in this Act where Federal funds are available for the same expenditures. The Governor eliminated this section.
- 6. **Information Technology Work Projects.** The Governor included new language providing that information technology funding in Part 1 may be designated as work projects. Funds are not available for expenditure until approved as work projects pursuant to Section 451a of the Management and Budget Act. (Sec. 218)
- 7. **Statewide Contractual Expenditures.** The Governor removed one-time language that required DMB to reduce Statewide contractual General Fund expenditures by \$30 million. Reductions were included in FY 2005-06 appropriations.
- 8. **Political Action Committees.** The Governor removed language that prohibited the use of appropriations in Part 1 to administer a committee, or to solicit, or obtain contributions for a "committee" as defined in the Michigan Campaign Finance Act.

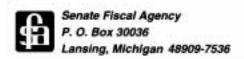
Note: The Governor stated in the signing letter for the FY 2005-06 General Government Appropriation Bill (2005 PA 146) that Section 220 was unenforceable due to Article XI, Section 5, of the Michigan Constitution of 1963.





FY 2005-06 Year-to-Date Gross Appropriation	\$64,720,400
Changes from FY 2005-06 Year-to-Date:	
<ol> <li>Federal Funds. Adjustments are based on workload and available Federal funds for the Child Support Enforcement Division, \$450,000; Domestic Violence Prosecution Program, \$67,000; and Medicaid Fraud, \$510,700. This funding is also included in the Governor's FY 2005-06 Supplemental Recommendation (DMB Letter 2/9/06).</li> </ol>	1,027,700
<ol> <li>Funding Adjustments. Inactive funds (3.0 FTE and \$366,300) are eliminated. These adjustments include Corporate and Security Fees, \$140,000; and the Real Estate Enforcement Fund, \$226,000. State Trunkline Fund Revenue is reduced by 300,000 based on actual workload from the Department of Transportation.</li> </ol>	(666,300)
3. <b>Funding Shifts.</b> Charges to Restricted funds are increased based on legal services provided. These adjustments include \$140,000 from DHS related to the Children and Youth Services Division, \$30,000 from the Liquor Purchase Revolving Fund, and \$30,000 from Oil and Gas Privilege Fee revenue. The above changes result in a GF/GP reduction of \$200,000	0
4. Economic Adjustments.	3,224,500
Total Changes	\$3,585,900
FY 2006-07 Governor's Recommendation	\$68,306,300

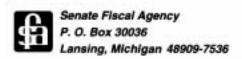
- 1. **Contingency Funds.** Appropriates, in addition to amounts appropriated in Part 1, Federal, State Restricted, Local, and Private Contingency Funds. Requires legislative transfers prior to expenditure of funds. The Governor included this section, which was eliminated by the Legislature in FY 2003-04. (Sec. 301)
- 2. **Enforcement Revenue Carryforward.** Provides that unobligated anti-trust enforcement revenue, securities fraud revenue, consumer protection or class action enforcement revenues, or attorney fees recovered by the Department, not to exceed \$1,000,000, may be carried forward and available for appropriation to the Department in the succeeding fiscal year. The Governor modified this section by reducing the carry-forward authorization to \$250,000. (Sec. 307)
- 3. Litigation Expense Reimbursement. Appropriates up to \$500,000 from litigation expense reimbursements awarded to the State. Provides that funds may be used to pay litigation settlements or attorney fees assessed against the Office of the Governor, the Department of Attorney General, the Governor or the Attorney General when acting in an official capacity as the named party in litigation against the State. Funds may also be expended for State costs incurred pursuant to MCL 770.16 (DNA testing). Provides for carry forward of unexpended funds up to a maximum of \$500,000. The Governor's recommendation modified the language to specify that the funds may be used to pay court judgments, settlements, and litigation expenses (not including staff salaries and support costs). The Governor also replaced "are" with "may be" regarding the provision regarding carry forward of unexpended funds. (Sec. 308)
- 4. **Prisoner Reimbursement Funds**. Provides that the Department may spend up to \$421,800 of prisoner reimbursement funds on activities related to the State Correctional Facilities Reimbursement Act. If the Department of Attorney General collects in excess of \$1,131,000, the excess, limited to \$1,000,000, may be spent on the defense of the State, its departments, or employees, in civil actions filed by prisoners. The Governor's recommendation increased the amount reserved for collection activities from \$421,800 to \$445,800. (Sec. 309)
- 5. **Child Support Funding.** Requires the Department of Human Services to maintain a cooperative agreement with the Attorney General for Federal IV-D funding to support the child support enforcement activities of the Attorney General. The section also provides that the Attorney General shall, to the extent allowable under Federal law, have access to any information used by the State to locate parents who fail to pay child support. The Governor removed this section.





FY 2005-06 Year-to-Date Gross Appropriation	\$13,158,500
Changes from FY 2005-06 Year-to-Date:	
<ol> <li>Federal Funds. Adjustments are based estimated cases and reimbursement rates. Funding from EEOC is increased by \$374,800 and HUD funding is increased by \$141,600. This funding is also included in the Governor's FY 2005-06 Supplemental Recommendation (DMB Letter 2/9/06).</li> </ol>	516,400
<ol><li>Human Resources Optimization Charges. The Human Resources Optimization charge is reduced based the new methodology used to assess the costs of the system.</li></ol>	(21,000)
3. Economic Adjustments.	366,300
Total Changes	\$861,700
FY 2006-07 Governor's Recommendation	\$14,020,200

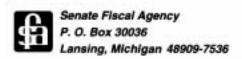
1. **Contingency Funds.** Appropriates, in addition to amounts appropriated in Part 1, Federal Contingency Funds. Requires legislative transfers prior to expenditure of funds. The Governor included this section, which was eliminated by the Legislature in FY 2003-04. (Sec. 401)





FY 2005-06 Year-to-Date Gross Appropriation	\$35,941,600
Changes from FY 2005-06 Year-to-Date:	
Program Reductions. An overall 5% General Fund reduction to the Department is allocated to the following line items:	(355,100)
<ol> <li>Human Resources Optimization User Charge. The Department's cost for the Human Resources Optimization Program was reduced based on the new methodology of assessing costs to departments.</li> </ol>	(16,000)
3. Economic Adjustments.	976,600
<ol> <li>Other Changes. Other adjustments included the transfer of funding between line items to reflect the current organizational structure of the Department.</li> </ol>	
Total Changes	\$605,500
FY 2006-07 Governor's Recommendation	\$36,547,100

1. **Contingency Funds.** Appropriates, in addition to amounts appropriated in Part 1, Federal, State Restricted, Local, and Private Contingency Funds. Requires legislative transfers prior to expenditure of funds. The Governor included this section, which was eliminated by the Legislature in FY 2003-04. (Sec. 501)





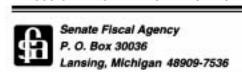
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Senate Bill 1087 (as introduced)
Committee: Appropriations

Committee: Appropriations	
FY 2005-06 Year-to-Date Gross Appropriation	\$5,375,500
Changes from FY 2005-06 Year-to-Date:	
Economic Adjustments. The Governor did not include any funding adjustments for the Executive Office.	0
Total Changes	\$0
FY 2006-07 Governor's Recommendation	\$5,375,500

1. There are no boilerplate sections for the Executive Office.

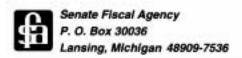




committee: Appropriations	2005 404 400
FY 2005-06 Year-to-Date Gross Appropriation	\$365,194,400
Changes from FY 2005-06 Year-to-Date:	
<ol> <li>Alignment of IDGs with Agency Line Items. IDGs are aligned with each agency's DIT appropriation.</li> </ol>	14,512,300
<ol><li>Department of Community Health. Funding is included to implement a federal grant for the Social Security Administration Electronic Death Registry.</li></ol>	399,900
3. <b>Department of Corrections.</b> The Governor included \$660,000 to update Corrections Management Information Systems (CMIS) modules to Offender Management Network Information (OMNI), the new system. The budget also includes \$1,098,700 to replace servers for OMNI, OMNI/Law Enforcement Information Network (LEIN), and the Offender Tracking Information System (OTIS). The recommendation also includes \$5,600 for desktop maintenance in the Thumb Correctional Facility. 1.0 FTE is also transferred to DIT.	1,890,600
4. <b>Department of Human Services.</b> The budget includes a reduction of \$17,800,000, which removes one time collections for the Child Support Arrearage Program. There are additional reductions of \$136,600 and \$3,912,300 for retirement insurance and contract and IT savings adjustments. The recommendation also transfers the Prosecuting Attorney Association of Michigan contract out of the IT budget, a reduction of \$520,000. There is also an additional \$5,500,000 for an Integrated Service Delivery Project.	(16,868,900)
5. <b>Department of Management and Budget.</b> The budget removes one time funding of \$1,000,000 for the e-Procurement system. It also adds \$3.2 million in funding and 13 FTEs for the Retirement System, including \$1.8 million for application support team staff, \$671,000 for infrastructure support, \$420,000 to upgrade test and production infrastructure and \$210,000 to support Call Center infrastructure, and \$99,000 for PC replacement. An additional \$370,000 is allotted to implement the Social Security Number Privacy Act.	2,570,000
<ol><li>Department of State. The budget restores funds for the Business Application Modernization Project reduced in FY 2005-06.</li></ol>	1,100,000
7. <b>Department of State Police.</b> The budget includes \$1.0 million in subscriber fees for the Michigan Public Safety Communications System, and removes the \$1,074,000 one time grant for the Commercial Vehicle Information Systems Network. A trainer position is also transferred out of DIT, at a cost of \$78,400.	(152,400)
8. <b>Department of Treasury.</b> This increases funds for the revenue enhancement program.	300,000
9. Economic Adjustments.	7,176,600
0. Other Changes. The Governor included a reduction of \$31,000 to the Department of Civil Service from the Better Government workgroup; an increase of \$120,100 to the FY 2006-07 base for History, Arts and Libraries; a reduction of \$250,000 in unavailable Federal funding for DLEG; and an increase of \$2,460,400 to align the IDG from MDOT with the current level of services to that Department.	2,299,500
Total Changes	\$13,227,600
FY 2006-07 Governor's Recommendation	\$378,422,000

- 1. **Gifts/Donations.** The Governor included language that authorizes the Department to accept gifts, donations, contributions, grants, and bequests to support the cost of the State Website of services offered on the Website. The Legislature removed this section in FY 2004-05 and FY 2005-06. (Sec. 573 (2))
- 2. **State Website.** The Governor added language requiring the approval of the State Budget Director to expend funds received in subsections (1) and (2). The section also requires that the State Budget Office notify the Senate and House Appropriations Subcommittees on General Government and the House and Senate Fiscal Agencies within 10 days of that approval. (Section 573 (3))
- 3. **Privacy Policy.** The privacy policy adopted by the Department will instruct visitors on how to be warned, view and remove cookies on their personal computer. The Governor removed this subsection. (Sec. 573 (3))
- 4. **Carryforward.** The Governor included language allowing for the carryforward of funds under Section 573. (Sec. 573(5)
- 5. **Reporting Requirement.** Reporting requirement on revenue received and expenditures made under Section 573, which allows the Department to accept paid advertising. The Governor removed this subsection. (Sec. 574)
- 6. **Carryforward of Restricted Revenues.** The Governor included language allowing for the carryforward of deposits and unencumbered funds from the Michigan public safety communications system as restricted revenues. (Sec. 577(4))
- 7. **Annual Report.** Requires an annual report from the Department that lists the total amount of funding appropriated and corresponding expenditures for information technology services and projects by funding source for all departments and agencies. The Governor removed this section. (Sec. 578)
- 8. **Life-Cycle of Hardware and Software.** Requires the Department to provide a report by March 1, 2006 that analyzes and makes recommendations on the life-cycle of information technology hardware and software. The Governor removed this section. (Sec. 579)
- 9. **Business Application Modernization Project.** The Governor changed language stating that any unencumbered or unallotted funds are carried over into the succeeding fiscal year to may be carried over. (Sec. 580)
- 10. **Contingency Funds.** The Governor added language that authorizes up to \$40 million in contingency funds. Requires legislative transfers prior to expenditure. (Sec. 581)
- 11. **Legislative Transfers.** The Governor added language that provides for an automatic appropriation in the Department's budget for any transfer to or from the information technology line item within an agency budget to reflect the increase or decrease. (Sec. 582)
- 12. **2-1-1 Study.** The Governor removed a section requiring the Department to coordinate a study of information and referral services, identifying costs savings that would result from 2-1-1 service. The study was to be completed and a report delivered to the House and Senate Subcommittees on General Government by April 7, 2006. (Sec. 584)
- 13. **MiCSES.** Requires a report that calculates the total amount of funds expended for MiCSES since the inception of the program. The report was to be submitted by January 1, 2006. The Governor removed this section. (Sec. 585)

Date Completed: 2-16-06 Fiscal Analyst: Stephanie Yu



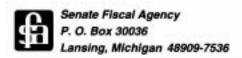


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FY 2005-06 Year-to-Date Gross Appropriation	\$129,731,900
Changes from FY 2005-06 Year-to-Date:	
Economic Adjustments. The Governor did not include any funding adjustments for the Legislature.	0
Total Changes	\$0
FY 2006-07 Governor's Recommendation	\$129,731,90

- 1. **Property Management.** Designates appropriation for property management, along with funds previously appropriated for property management, as a work project. Specifies that the funds will be used to purchase equipment and services for building maintenance. The Governor's Recommendation removed the phrase "along with funds previously appropriated for property management" from this section. (Sec. 606)
- 2. Automated Data Processing. Designates appropriation for automated data processing, along with funds previously appropriated for automated data processing, as a work project. Specifies that the funds will be used to purchase equipment, software, and services for to support and implement data processing requirements and technology improvements. The Governor's Recommendation removed the phrase "along with funds previously appropriated for automated data processing from this section. (Sec. 607)
- 3. **Correctional Facilities Evaluation.** Expresses legislative intent that the Legislative Auditor General contract with Standard and Poors for an evaluation and comparison of each correctional facility, including but not limited to its physical plant, staffing, programming, security levels, and costs. The Governor removed this section.





FY 2005-06 Year-to-Date Gross Appropriation	\$231,914,100
Changes from FY 2005-06 Year-to-Date:	
<ol> <li>Office of Retirement Services (ORS). The Governor recommended \$3.2 million to support ongoing maintenance of the retirement system, 13.0 FTE/\$350,000 for improvements to the Call Center, and \$370,000 to implement privacy requirements related to social security numbers.</li> </ol>	3,920,000
<ol><li>State Building Authority (SBA) Rent. The appropriation for SBA Rent is transferred from the Department of Treasury to DMB.</li></ol>	272,797,100
<ol> <li>Building Occupancy Charges. Adjustments included \$814,500 for utilities, \$121,700 for rent adjustments for leased buildings, and a \$577,500 reduction related to the closing of the Baker-Olin Building.</li> </ol>	358,800
<ol> <li>Administrative Reductions. The Governor recommended reductions to mail services, real estate services, financial services, organizational services, and the State Employer based on funding limitations. Positions are reduced by 6.0 FTE.</li> </ol>	(492,000)
<ol> <li>Michigan State Fair. Adjustments included \$587,400 for operational costs, \$332,000 for fixed asset depreciation, \$35,000 for compensated absences, and \$11,800.</li> </ol>	966,200
<ol> <li>Human Resources Optimization User Charges. An adjustment is included to reflect DMB's proportional share of costs related to this project.</li> </ol>	34,700
7. Economic Adjustments.	3,193,100
8. Other Changes. Other adjustments include reductions related to one-time funding associated with the e-Procurement Project, (\$1,000,000) and the Retirement System Disaster Recovery Plan, (\$500,000); SBA rent adjustments based on projected payments, (\$15,000,000); reductions to professional development funds based on collective bargaining, (\$50,000); the recognition of 1.0 unclassified FTE position related to the autonomous appropriation for the Michigan State Fair in DMB; and funding shifts based on the Statewide Cost Allocation Plan and charging appropriate funds for work performed by the Office of the Budget.	(16,550,000)
Total Changes	\$264,227,900
FY 2006-07 Governor's Recommendation	\$496,142,000

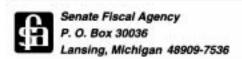
- 1. **Contingency Funds.** Appropriates, in addition to amounts appropriated in Part 1, Federal, State Restricted, and Local Contingency Funds. Requires legislative transfers prior to expenditure of funds. The Governor included this section, which was eliminated by the Legislature in FY 2003-04. (Sec. 701)
- 2. **Computer Contract Adjustments.** Requires notification to the House and Senate Appropriation Committee Chairs and General Government Subcommittee Committee Chairs on computer contract revisions that increase or decrease current contracts by more than \$500,000. The Governor removed this section.

#### 3. Motor Vehicle Fleet.

- 1) Provides that funds appropriated in Part 1 for the Motor Vehicle Fleet are for the administration and for acquisition, lease, operation, maintenance, repair, replacement, and disposal of State motor vehicles.
- (2) Appropriations in Part 1 shall be funded from rates charged to State departments and agencies for utilizing vehicle travel services. Provides that revenue may be carried forward to the next fiscal year.
- (3) States legislative intent that the Department of Management has the authority to determine the appropriateness of vehicle assignments.
- 4) States that it is the intent of the Legislature that the Department will determine the feasibility of using driver record information upon the issuance of cars to State employees in order to insure responsibility and safety.
- 5) Requires the Department of Management and Budget to develop a plan that includes the number of vehicles assigned to departments and agencies, efforts to reduce vehicle expenditures, the number of cars in the motor vehicle fleet, the number of miles driven by fleet vehicles, and the number of gallons of fuel consumed by fleet vehicles. The plan shall also include a calculation of the amount of State fuel taxes that would have been incurred by fleet vehicles, description of fleet garage operations, goods and services by the garage, cost to operate the fleet garage, number of fleet garage locations, and number of employees assigned to the fleet garage. Provides that the plan may be adjusted during the fiscal year based on needs and cost savings. Requires report within 60 days after the close of the fiscal year detailing the current plan and changes to the plan.

The Governor removed subsections 3, 4, and 5 and inserted a new subsection (3) that allows the Department to charge State agencies for fuel cost increases that exceed the average retail price of \$2.27 per gallon. Provides that revenues are appropriated when received. (Sec. 712)

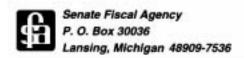
- 4. Contracting. The Governor removed current year language (Sec. 716, Sec. 717, Sec. 718, Sec. 719) regarding adoption of policies and procedures necessary for compliance with Section 261 of the Management and Budget Act (1984 PA 431), language requiring determination of best interests of the State when dealing with vendors outside of Michigan, and language requiring obtaining certain information from vendors, and language requiring disclosure of the location of call/contact centers.
- 5. **State Property.** Requires DMB to make available to the public on the Internet, a list of all parcels of real estate that are available for purchase from the State. The Governor removed this section.
- 6. **State Building Authority Rent.** Language related to the inclusion of SBA rent, previously contained in the Department of Treasury section of the General Government Bill, is transferred to DMB. The Governor modified Section 728 that provides for a report relative to the status of construction projects associated with SBA bonds. The revised language limits the report to bonds for the fiscal year and changes the report date from September 30 to October 15. (Sec. 728)





FY 2005-06 Year-to-Date Gross Appropriation	\$197,378,400
Changes from FY 2005-06 Year-to-Date:	
1. <b>Business Application Modernization Project.</b> The Governor recommended increasing the appropriation for this project from \$3,450,000 to \$4,550,000. This would restore the appropriation to the level it received prior to budget reductions in previous years. The project involves replacement of the Department's mainframe applications. Business requirements have been set and the Department is now in the build and construction phase.	1,100,000
<ol> <li>Motorcycle Safety Grants. The Governor recommended increasing funding from \$1,200,000 to \$1,400,000. The grants support motorcycle safety education courses that are provided by colleges and governmental agencies.</li> </ol>	200,000
<ol><li>Operation Reductions. The General Fund reductions to various line items are included based on administrative savings.</li></ol>	(365,900)
4. Transportation Administration Collection Fund (TACF). Due to revenue shortfalls in the Transportation Administration Collection Fund (TACF), no economic adjustments are funded from this source. General fund is used to support costs that would otherwise be charged to the TACF. The budget also assumes that legislation will be adopted to continue the deposit of the Expeditious Service Fee and Registration Transfer Fee in the TACF instead of the Michigan Transportation Fund. Without that adjustment, there will be an additional shortfall of approximately \$10.4 million in the TACF. Notwithstanding the above, there is a projected FY 2006-07 \$10 million shortfall in TACF revenue.	
5. Economic Adjustments.	6,481,000
<ol> <li>Other Changes. Organizational transfers between various line items are included to reflect the current organizational structure of the Department.</li> </ol>	
Total Changes	\$7,415,100
FY 2006-07 Governor's Recommendation	\$204,793,500

- 1. **Contingency Funds.** Appropriates, in addition to amounts appropriated in Part 1, Federal, State Restricted, Local, and Private Contingency Funds. Requires legislative transfers prior to expenditure of funds. The Governor included this section, which was eliminated by the Legislature in FY 2003-04. (Sec. 801)
- 2. **Traffic Accident Records Program.** This section provides that the Department of State shall use available balances at the end of the fiscal year to pay the Department of State Police for services provided by the Traffic Accident Records Program. The Governor increased the Department of State's payment by \$6,000, from \$315,900 to \$321,900. (Sec. 807)
- 3. **Branch Office Closings.** (1) Requires at least 60 days prior to the announcement of Secretary of State branch office closings, consolidations, or relocations, the department of state shall inform members of the senate and house of representatives standing committees on appropriations and legislators who represent affected areas regarding the details of the proposal. The information provided shall be in written form and include all analysis done regarding criteria for changes in the location of branch offices, including but not limited to branch transactions, revenue, and the impact on citizens of the affected area. The notice shall also include detailed estimates of costs and savings that will result from the overall changes made to the branch office structure. 2) Provides that prior to October 4, 2005, the Department of State shall provide a detailed report to the Senate and House General Government Subcommittees regarding the Department's branch optimization plan that was announced on April 26, 2004. The Governor eliminated this section. The Governor removed this section.
- 4. **Transaction Strategies.** Requires the Department to develop a project plan to increase the number of transactions completed on-line. Requires report to House and Senate General Government Subcommittees by March 1, 2006. The Governor removed this section.
- 5. **Credit Card Service Assessments.** Provides that any service assessment collected by the Department of State from the user of a credit or debit card is appropriated to the Department of State for expenses related to that service. Limits charge by the Department of State to not more than the costs billable to the Department for service assessments. Provides for carry forward of funds. The Governor removed this section.
- 6. **Motorcycle Safety Program.** States legislative intent regarding continuing the Motorcycle Safety Program in the same manner as was provided by the Department of Education. Lists revenue sources for the program, criteria for grants, and details appropriate charges for Department of State administrative costs. The Governor removed this section.
- 7. **Department of State Business Application Modernization Project.** Provides criteria for expenditure of funds and designates as a work project. The Governor removed this section. The same language is contained the Information Technology language section of the bill.
- 8. **Branch Office Location.** Requires the Department to explore the feasibility of locating the Keweenaw County Secretary of State branch office with the Keweenaw County Department of Human Services office. The Governor removed this section.





FY 2005-06 Year-to-Date Gross Appropriation	\$1,871,988,800
Changes from FY 2005-06 Year-to-Date:	
<ol> <li>State Building Authority (SBA) Rent. SBA Rent is transferred to the Department of Management and Budget from Treasury.</li> </ol>	(272,797,100)
2. <b>Michigan Strategic Fund.</b> The Michigan Strategic Fund is transferred to Treasury from the Department of Labor and Economic Growth, a total of \$475,096,300. Adjustments include: removal of \$394 million in one-time funding from the 21 <sup>st</sup> Century Jobs Trust Fund; removal of a one-time \$1 million supplemental for the Tobacco Settlement Finance Authority created by P.A. 226 of 2005; a reduction of \$424,000 in Federal funding; a reduction of \$12,200 in charges for the Human Resources Optimization Project; and \$819,700 in economic adjustments.	80,479,800
3. Sports Tourism Board. Removed one-time supplemental for Super Bowl security.	(1,000,000)
4. Commercial Mobile Radio Service Program. Adjustment based on 12/31/06 sunset.	(23,490,000)
<ol> <li>Other Statutory Payments. Adjustments included: Senior Citizen Cooperative Housing Tax Exemption, \$900,000; Renaissance Zone Payments, \$362,000; and Qualified Agricultural Loan Payments, \$290,000.</li> </ol>	1,552,000
6. Sleeping Bear Dunes National Lakeshore. Adjustment based on actual payments.	(5,000)
7. <b>Telephone/Telegraph Appraisals.</b> The Governor recommended \$2 million to implement P.A. 610 of 2002, which requires real property appraisals.	2,000,000
8. <b>Transfers Out.</b> Include: \$240,000 to Agriculture for Pari-Mutuel Audits, and \$115,000 to Education for the Michigan Merit Award Program's MEAP Test Center operations.	(355,000)
9. <b>Program Reductions.</b> Include: \$400,000 reduction for the revenue enhancement program; \$250,000 reduction for the principal residence exemption compliance program; \$173,000 reduction for Income Tax Booklet Distribution; \$100,000 for field audit relocation and redesign; \$100,000 reduction for training staff; \$50,000 in warrant processing due to decreases in paper warrants; \$80,000 reduction in administrative costs for student financial assistance programs; \$35,000 reduction in cigarette stamp purchasing; and \$72,400 in HR consolidation savings.	(1,260,400)
0. Debt Service. Adjustments reflected a net increase of \$6,056,800 in current debt service payments, and \$5.1 million in new issues, including \$1.5 million in new Great Lakes Water Quality bonds, \$3.2 million in Clean Michigan Initiative bonds and \$400,000 in Quality of Life bonds.	11,156,800
<ol> <li>Revenue Sharing. Adjustments included a \$15.5 million increase in constitutional revenue sharing and an \$18 million reduction in statutory payments, and an increase in special census payments of \$359,400.</li> </ol>	(2,140,600)
2. Economic Adjustments.	7,399,400
3. <b>Other Changes.</b> Other adjustments included: \$100,000 increase to continue implementing and administering the School Bond Loan Revolving Fund; \$375,000 for an additional 3.0 FTEs in investment staff; and a reduction of \$17,600 in HR user charges.	457,400
otal Changes	(\$198,002,700)
Y 2006-07 Governor's Recommendation	\$1,673,986,100

- 1. **Contingency Funds.** The Governor included language authorizing contingency funds. Requires legislative transfers prior to expenditures. This includes \$1 million in Federal funds, \$10 million in State restricted funds, \$200,000 in local funds and \$40,000 in private funds. (Sec. 901)
- 2. **Financial Services.** The Governor added language requiring sufficient funds to be appropriated to pay for financial services provided for State monies funded by restricting revenues from common cash interest earnings and investment earnings. (Sec. 905)
- 3. **Renaissance Zone Reimbursement.** The Governor removed language requiring the Department to certify that it has received all necessary information to properly determine the amounts due to each eligible recipient.
- 4. **Pension Fund Investments.** Provides that it is the intent of the Legislature that the State Treasurer give appropriate consideration to investments in early stage, university derived life sciences companies located in Michigan, or in venture capital funds that invest in those companies to the extent those investments offer the safety and rate of return comparable to other investments. The Governor removed the language regarding the intent of the Legislature and inserts language stating the State Treasurer may give consideration to those investments. (Sec. 939)
- 5. **Social Security Numbers.** The Governor removed language prohibiting the Department from including complete social security numbers on form 1099-G mailings to taxpayers.
- 6. Homestead Property and Home Heating Credits. The Governor removed the section requiring the Department to develop a pilot application for an on-line credit only preparation and filing system for homestead property and home heating credit filers.
- 7. **Revenue Enhancement Program**. Requires \$5.8 million of the \$6.6 million appropriation to be used for hiring State classified employees, and the remaining \$750,000 to be used for the principal residence exemption compliance program. Also requires quarterly progress reports. The Governor removed this section.
- 8. **E-filing Strategic Plan.** The Governor removed the section requiring the Department to provide a strategic plan for the electronic filing of all tax returns. The plan is due March 1, 2006.
- 9. Prohibition of Sports Personalities in Advertising. Prohibits the State Lottery from using funds to associate sports figures with the lottery, with the exception of NASCAR drivers promoting instant tickets. Required a report by November 1, 2005 detailing the cost of using NASCAR drivers and revenue associated with their use. The Governor removed this section.
- 10. **DHS Bridge Cards.** Requires the State Lottery to inform all lottery retailers that the cash side of the Department of Human Services bridge cards cannot be used to purchase lottery tickets. The Governor removed this section.
- 11. State Building Authority. All boilerplate language relating to the State Building Authority is transferred to DMB.
- 12. **Michigan Strategic Fund Changes.** Boilerplate language related to the Michigan Strategic Fund is transferred from P.A. 156 of 2005, the FY 2005-06 appropriations bill for the Department of Labor and Economic Growth. The Governor recommended the following changes: deleting the biannual report on grants awarded by the fund; deleting the legislative intent language regarding Senate Advise and Consent hearings for the members of the Executive Committee; deleting the legislative intent language to adjust the budget to reflect the securitization legislation; deleting the requirement to provide a report on the study of best practices conducted on economic development in other 49 states; deleting the requirement the Fund work with the Auditor General to implement procedures to annually audit job claims by firms receiving tax credits or other incentives; deleting the report on the number of individuals employed with a salary of \$80,000 or more; and deleting the report on the Fund's plans to implement the funding reductions in the Job Creation Services and Administration line items.

Date Completed: 2-16-06 Fiscal Analyst: Stephanie Yu