



Senate Fiscal Agency  
P. O. Box 30036  
Lansing, Michigan 48909-7536



BILL ANALYSIS

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Senate Bill 272 (S-2 as reported)  
Committee: Appropriations

### 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 Senate Substitute is \$1,278,800 Gross over and \$7,769,900 GF/GP under the Governor's Recommendation. The following pages provide a summary of the changes for FY 2005-06.

The following boilerplate changes are included in the general boilerplate section of the bill:

1. **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 substitutes the State Budget Director "shall" with "may" regarding granting exceptions to the hiring freeze. The Senate maintained current year language. (Sec. 205)
2. **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. The Senate restored it. (Sec. 212)
3. **Communications with Legislators.** Prohibits disciplinary action against department employees for communicating with Legislators or their staff. The Governor eliminated this section. The Senate restored it. (Sec. 215)
4. **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. The Senate restored it. (Sec. 217)
5. **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. The Senate eliminated this section.
6. **Statewide Contractual Expenditures.** The Governor and Senate included new language that requires DMB to reduce Statewide contractual General Fund expenditures by \$30 million. Authorizes the State Budget Director to take any and all actions necessary to properly record reductions. The Senate modified the language by including a reporting requirement. (Sec. 219)



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|                                                   |              |
|---------------------------------------------------|--------------|
| FY 2004-05 Year-to-Date Gross Appropriation ..... | \$62,477,700 |
|---------------------------------------------------|--------------|

**Changes from FY 2004-05 Year-to-Date:**

- |                                                                                                                                                                                                                                                                                                                    |           |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| 1. <b>Tax Reverted Property – Legal Services.</b> The budget includes funding for 2.0 FTE additional attorneys for major litigation involving mineral rights to tax reverted property. The positions are funded from an interdepartmental grant from the Department of Treasury.                                   | 240,000   |
| 2. <b>DIT Overhead Reductions.</b> Savings resulting from rate reductions, consolidation savings, efficiencies and other overhead adjustments.                                                                                                                                                                     | (2,600)   |
| 3. <b>Transportation Funding.</b> The Senate reduced interdepartmental grant funding from the Department of Transportation to reflect amounts included in the Department of Transportation appropriation bill.                                                                                                     | (214,900) |
| 4. <b>Other IDG Funding.</b> Interdepartmental grant funding is adjusted to reflect the amount included in the Department of Human Services appropriation bill.                                                                                                                                                    | 49,100    |
| 5. <b>Senate Reductions.</b> The Senate included an overall 2.5% reduction (\$821,000) to the Governor's recommended level of GF/GP funding for the Department. In addition, the Senate reduced General Fund support for Information Technology by 2% (\$16,400) from the Governor's recommended level of funding. | (837,400) |
| 6. <b>Economic Adjustments.</b>                                                                                                                                                                                                                                                                                    | 3,165,200 |
| 7. <b>Comparison to Governor's Recommendation.</b> The Senate Substitute is \$1,003,200 Gross, \$837,400 GF/GP below the Governor's Recommendation.                                                                                                                                                                |           |

|                    |             |
|--------------------|-------------|
| Total Changes..... | \$2,399,400 |
|--------------------|-------------|

|                                                                      |              |
|----------------------------------------------------------------------|--------------|
| FY 2005-06 Senate Appropriations Committee Gross Appropriation ..... | \$64,877,100 |
|----------------------------------------------------------------------|--------------|

**Changes from FY 2004-05 Year to Date:**

1. **Contingency Funds.** The Governor included language authorizing contingency funds. Requires legislative transfers prior to expenditure. The Senate removed this section.
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 \$250,000, may be carried forward and available for appropriation to the Department in the succeeding fiscal year. The Senate increased carryforward authority up to \$1,000,000. (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, attorney fees assessed against the State, and 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 modified language to specify that payments are for litigation where named parties are the Office of the Governor, Department of Attorney General, or the Governor or Attorney General when acting in an official capacity as a named party in a case. The Senate concurred. (Sec. 308)
4. **Prisoner Reimbursement Funds.** Provides that the Department may spend up to \$400,000 of prisoner reimbursement funds on activities related to the State Correctional Facilities Reimbursement Act. If the Department of Attorney General collects in excess of \$1,131,000, the excess, limited to \$1,000,000, is appropriated and may be spent on the representation of the Department of Corrections and its officers, employees, and agents, including, but not limited to, the defense of civil actions filed by prisoners. The Senate Subcommittee adjusted the \$400,000 to \$421,800 based on economics contained in Part 1, and included carryforward authorization of up to \$500,000. (Sec. 309)
5. **Child Support Funding.** Requires the Family Independence Agency 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 eliminated this section. The Senate restored the section and updated the language by replacing the reference to FIA with the Department of Human Services. (Sec. 310)

Date Completed: 6-9-05

Fiscal Analyst: Bill Bowerman



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| <b>FY 2004-05 Year-to-Date Gross Appropriation .....</b>                                                                                                                                                                                                                                                                  | <b>\$12,815,200</b> |
| <b>Changes from FY 2004-05 Year-to-Date:</b>                                                                                                                                                                                                                                                                              |                     |
| 1. <b>Quality Control System.</b> Funding for this position is eliminated. The program ensured the development and implementation of performance measurement related to cycle time, cost, and customer satisfaction. This function will be absorbed by reappropriating the quality control function to team coordinators. | (99,900)            |
| 2. <b>Contact Management System.</b> Funding for this system is reduced from \$310,900 to \$230,900. One position will not be filled and the function will be absorbed by remaining staff in this unit.                                                                                                                   | (80,000)            |
| 3. <b>Office Services Reduction.</b> The Department plans to achieve savings on rent costs.                                                                                                                                                                                                                               | (21,000)            |
| 4. <b>DIT Overhead Reductions.</b> Savings resulting from rate reductions, consolidation savings, efficiencies and other overhead adjustments.                                                                                                                                                                            | (2,600)             |
| 5. <b>Human Resources Optimization Project.</b> The budget includes an adjustment reflecting the Department of Civil Service's share of computer hardware and software costs resulting from the Human Resources Optimization Project.                                                                                     | 14,700              |
| 6. <b>Unclassified Salaries.</b> This line item includes an adjustment related to the discontinuance of the banked leave time concession.                                                                                                                                                                                 | 10,000              |
| 7. <b>Senate Reductions.</b> The Senate included an overall 4.1% reduction (\$500,000) to the Governor's recommended level of GF/GP funding for the Department. In addition, the Senate reduced General Fund support for Information Technology by 2% (\$16,600) from the Governor's recommended level of funding.        | (516,600)           |
| 8. <b>Economic Adjustments.</b>                                                                                                                                                                                                                                                                                           | 896,600             |
| 9. <b>Other Changes.</b> Other changes include an adjustment to Federal funds based on projected case production.                                                                                                                                                                                                         | (197,900)           |
| 10. <b>Comparison to Governor's Recommendation.</b> The Senate Substitute is \$516,600 (all GF/GP) below the Governor's Recommendation.                                                                                                                                                                                   |                     |
| Total Changes.....                                                                                                                                                                                                                                                                                                        | \$3,300             |
| <b>FY 2005-06 Senate Appropriations Committee Gross Appropriation .....</b>                                                                                                                                                                                                                                               | <b>\$12,818,500</b> |

**Changes from FY 2004-05 Year to Date:**

1. **Contingency Funds.** The Governor included language authorizing contingency funds. Requires legislative transfers prior to expenditure. The Senate removed this section.

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| <b>FY 2004-05 Year-to-Date Gross Appropriation .....</b>                                                                                                                                                                                                                                                           | <b>\$34,917,400</b> |
| <b>Changes from FY 2004-05 Year-to-Date:</b>                                                                                                                                                                                                                                                                       |                     |
| 1. <b>Training.</b> The budget increases the training line item from \$1,000,000 to \$1,300,000. The adjustment is based on projected requests from State departments. Costs are funded through interdepartmental grants from departments requesting the services.                                                 | 300,000             |
| 2. <b>Human Resources Optimization Project.</b> The budget includes an adjustment reflecting the Department of Civil Service's share of computer hardware and software costs resulting from the Human Resources Optimization Project.                                                                              | 14,700              |
| 3. <b>Reductions.</b> The Governor recommends reductions to the following line items based on administrative efficiencies:                                                                                                                                                                                         | (492,000)           |
| Agency Services.....                                                                                                                                                                                                                                                                                               | \$75,000            |
| Audit and Compliance .....                                                                                                                                                                                                                                                                                         | \$130,000           |
| Human Resources/Administrative Support .....                                                                                                                                                                                                                                                                       | \$249,200           |
| Information Technology.....                                                                                                                                                                                                                                                                                        | \$37,800            |
| 4. <b>Senate Reductions.</b> The Senate included an overall 2.5% reduction (\$187,000) to the Governor's recommended level of GF/GP funding for the Department. In addition, the Senate reduced General Fund support for Information Technology by 2% (\$14,200) from the Governor's recommended level of funding. | (201,200)           |
| 5. <b>DIT Overhead Reductions.</b> Savings resulting from rate reductions, consolidation savings, efficiencies and other overhead adjustments.                                                                                                                                                                     | (2,400)             |
| 6. <b>Economic Adjustments.</b>                                                                                                                                                                                                                                                                                    | 1,550,800           |
| 7. <b>Other Changes.</b> Other adjustments include funding and FTE transfers between line items to reflect the current organizational structure of the Department.                                                                                                                                                 | 0                   |
| 8. <b>Comparison to Governor's Recommendation.</b> The Senate Substitute is \$201,200 (all GF/GP) below the Governor's Recommendation.                                                                                                                                                                             |                     |
| Total Changes.....                                                                                                                                                                                                                                                                                                 | \$1,169,900         |
| <b>FY 2005-06 Senate Appropriations Committee Gross Appropriation .....</b>                                                                                                                                                                                                                                        | <b>\$36,087,300</b> |

**Changes from FY 2004-05 Year to Date:**

1. **Contingency Funds.** The Governor included language authorizing contingency funds. Requires legislative transfers prior to expenditure. The Senate removed this section.
2. **One Percent Charges.** Provides that 1.0% from restricted funds for the Department of Civil Service be assessed on actual 1.0% restricted sources total aggregate payroll of classified service for the preceding fiscal year. The Governor and Senate included a new subsection that authorizes the Department, with the approval of the State Budget Director, to adjust 1.0% financing sources based on actual payroll expenditures. (Sec. 502)
3. **Child Care Centers.** Requires the Department of Civil Service, in cooperation with the Office of the State Employer, to prepare a report in FY 2004-05 regarding the feasibility of establishing quality child care centers to accommodate the needs of State employees. The report was completed and the Governor and Senate eliminated this section.

Date Completed: 6-9-05

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| <b>FY 2004-05 Year-to-Date Gross Appropriation .....</b>                                                                               | <b>\$5,205,500</b> |
| <b>Changes from FY 2004-05 Year-to-Date:</b>                                                                                           |                    |
| 1. <b>Senate Reductions.</b> The Senate included an overall 2.2% reduction to the Governor's recommended level of GF/GP funding.       | (113,500)          |
| 2. <b>Economic Adjustments.</b> No economics were included by the Governor.                                                            | 0                  |
| 3. <b>Comparison to Governor's Recommendation.</b> The Senate Substitute is \$113,500 (all GF/GP) below the Governor's Recommendation. |                    |
| Total Changes.....                                                                                                                     | (\$113,500)        |
| <b>FY 2005-06 Senate Appropriations Committee Gross Appropriation .....</b>                                                            | <b>\$5,092,000</b> |

**Changes from FY 2004-05 Year to Date:**

1. No changes to FY 2004-05 Year-to-Date.

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| <b>FY 2004-05 Year-to-Date Gross Appropriation .....</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <b>\$351,165,900</b> |
| <b>Changes from FY 2004-05 Year-to-Date:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                      |
| 1. <b>Department of Corrections.</b> The Governor's recommendation includes funding to reflect actual costs of software licenses and server maintenance.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 716,900              |
| 2. <b>Department of State Police.</b> Adjustments include \$400 in available LEIN fees to support the LEIN system, the transfer of 4.0 positions and \$342,800 from State Police to DIT (2.0 FTE related to system security and 2.0 FTE developer/trainer positions involved with the Public Safety Communications System).                                                                                                                                                                                                                                                                                                                                           | 343,200              |
| 3. <b>Department of Community Health.</b> The budget includes \$335,900 in Federal WIC funds to expand electronic benefits transfer compatibility, and \$400,000 in Health Professions Regulatory Fee revenue based on actual costs. The budget also includes a \$100 placeholder for an upgrade to the Medicaid Information System. If the Department identifies the necessary matching funds, corresponding Federal Medicaid revenue will be available at a 90/10 match rate.                                                                                                                                                                                       | 736,000              |
| 4. <b>Human Resources Optimization Project.</b> This project (total cost \$4.5 million capitalized over three years) includes hardware, software, and development costs. The Human Resources Optimization Project was implemented in FY 2004-05. It centralizes certain human resource functions (employee self-service, certain personnel transactions, etc.). It consolidates and standardizes human resource transactions throughout State Government. FY 2004-05 savings from the project totaled \$2 million and projected savings for FY 2005-06 total \$1.2 million. Through FY 2008-08 the Project is estimated to have a cumulative savings of \$25 million. | 1,520,000            |
| 5. <b>Management and Budget e-Procurement Project.</b> This new system is a major part of DMB's plan to reduce contract costs by \$30 million in FY 2005-06.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 1,150,000            |
| 6. <b>Department of Human Services (formerly FIA).</b> The budget includes funding for two new projects. \$5.5 million for an Integrated Service Delivery Project and \$3.0 million for a Caseworker Relief Project. Both projects are expected to reduce the need for additional Department of Human Service staff. The budget also includes an increase of \$428,000 based on actual billings to the Department for IT costs. The Senate Subcommittee added \$17.8 to the interdepartmental grant from the Department of Human Services to complete system requirements and user requests for the Child Support Enforcement System.                                 | 26,728,000           |
| 7. <b>Senate Information Technology Reduction.</b> The Senate reduced the Governor's Recommendation for IT appropriations supported by General Fund by 2%.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | (2,094,800)          |
| 8. <b>Economic Adjustments.</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 8,800,100            |
| 9. <b>Other Changes.</b> Other adjustments include the reduction of \$1,247,700 to match IT appropriations contained other budgets; \$1,951,000 in adjustments related to EO 2005-7 and FY 2004-05 supplemental appropriations; \$328,300 in reductions based on consulting savings, maintaining vacancies, delaying replacement of equipment, application maintenance delays, and sharing server space; \$330,000 in overhead and security reductions, and \$6,300 reduction to reflect available MDOT funding.                                                                                                                                                      | 38,700               |
| 10. <b>Comparison to Governor's Recommendation.</b> The Senate Substitute is \$15,698,900 (all IDG) above the Governor's Recommendation.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                      |
| <b>Total Changes.....</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <b>\$37,938,100</b>  |
| <b>FY 2005-06 Senate Appropriations Committee Gross Appropriation .....</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>\$389,104,000</b> |

**Changes from FY 2004-05 Year to Date:**

1. **State Website.** The Governor modified current-year boilerplate by removing the \$250,000 limit on funds received from the sale of advertising by DIT that can be used for operating costs. Currently the excess of \$250,000 is deposited in the State General Fund. The Senate restored current year language. (Sec. 573(1))
2. **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. The Senate did not include this subsection.
3. **Carry-forward.** The Governor included language allowing for the carry-forward of funds under Sec. 573 subsections 1 and 2. The Senate did not include this subsection.
4. **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. The Senate restored it. (Sec. 573(3))
5. **Reporting Requirement.** Reporting requirement on revenue received and expenditures made under Section 573. The Governor removed this subsection. The Senate restored it. (Sec. 573(4))
6. **Spatial Information/Technical Services.** Allows Department of Information Technology to enter into agreements to supply spatial information and technical services to other departments, local units of government, and organizations. Provides for receipt and expenditure of funds relating to providing services, publications, and maps, and other products in addition to amounts appropriated in Part 1. Includes annual reporting requirement regarding receipt and expenditure of funds under this section. The Governor removed the reporting requirement. The Senate restored current year language. (Sec. 574)
7. **Michigan Public Safety Communications System.** Provides that money appropriated in Part 1 for the Michigan Public Safety Communications System (MPSCS) shall be expended upon approval of an expenditure plan by the State Budget Director. Provides for assessment of access and maintenance fees. Provides that money received under this section shall be deposited in the State General Fund and also requires a biannual report on revenue received. The Governor removed the provision requiring the deposit of revenue in the State General Fund and instead authorizes the use of funds to support and maintain the MPSCS. The Senate concurred with the Governor. (Sec. 577)
8. **Annual Report.** Requires an annual report from the Department of Information Technology 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. The Senate restored it. (Sec. 578)
9. **Life-Cycle of Hardware and Software.** Requires the Department to provide a report by March 1 that analyzes and makes recommendations on the life-cycle of information technology hardware and software. The Governor removed this section. The Senate concurred with the Governor.
10. **Contingency Funds.** The Governor added language that authorizes contingency funds. Requires legislative transfers prior to expenditure. (Sec. 581) The Senate did not include this section.
11. **Michigan Master Computing Contract.** The Governor and Senate included language that requires the Department to reduce Michigan Master Computing Contract General Fund expenditures by \$2,060,000. This item was also included in Executive Order 2005-7. (Sec. 582)
12. **Child Support Enforcement System (CSES) Improvements.** The Senate added language providing that funding for CSES improvements is contingent upon funding appropriated in the Department of Human Services (DHS) budget. (Sec. 583)
13. **2-1-1 Study.** The Senate added language that requires the Department to coordinate a study with the Department of Human Services, the Department of Community Health, the Department of Labor and Economic Growth, the Department of Education, and the Department of State Police identifying all information and referral services for State government, including but not limited to 1-800 help lines. The report shall be delivered to the Senate and House Appropriation Subcommittees on General Government by no later than April 7, 2006. (Sec. 584)

Date Completed: 6-9-05

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| <b>FY 2004-05 Year-to-Date Gross Appropriation .....</b>                                                                                                                                                                                               | <b>\$126,731,900</b> |
| <b>Changes from FY 2004-05 Year-to-Date:</b>                                                                                                                                                                                                           |                      |
| 1. <b>Senate Reductions.</b> The Senate included a 2.2% reduction to the Governor's recommended level of GF/GP funding for the Legislature.                                                                                                            | (2,667,800)          |
| 2. <b>Auditor General.</b> The Senate included \$500,000 in additional funding for the Auditor General (a net increase of \$135,200 after the Auditor General's share of the reduction in Item 1).                                                     | 500,000              |
| 3. <b>Correctional Facilities Evaluation.</b> The Senate included funding (interdepartmental grant from the Department of Corrections) to contract for an evaluation of each correctional facility. See boilerplate Section 615 on the following page. | 500,000              |
| 4. <b>Economic Adjustments.</b> No economic adjustments were included by the Governor for the Legislative budget.                                                                                                                                      | 0                    |
| 5. <b>Comparison to Governor's Recommendation.</b> The Senate Substitute is \$1,667,800 Gross/\$2,167,800 GF/GP below the Governor's Recommendation.                                                                                                   |                      |
| Total Changes.....                                                                                                                                                                                                                                     | (\$1,667,800)        |
| <b>FY 2005-06 Senate Appropriations Committee Gross Appropriation .....</b>                                                                                                                                                                            | <b>\$125,064,100</b> |

**Changes from FY 2004-05 Year to Date:**

1. **Correctional Facilities Evaluation.** The Senate added language that expresses legislative intent that the Legislative Council 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. (Sec. 615)

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| <b>FY 2004-05 Year-to-Date Gross Appropriation .....</b> | <b>\$212,668,000</b> |
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**Changes from FY 2004-05 Year-to-Date:**

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|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| <p>1. <b>e-Procurement System.</b> The budget includes 3.0 FTE and funding to develop an e-Procurement System to improve data collection for reporting purposes, reduce costs by increasing competition in the bidding process, and improve purchasing workflow and oversight.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                               | 1,450,000   |
| <p>2. <b>Retirement Business Continuity/Disaster Planning Back-up.</b> The Governor recommended funding from Pension Trust Funds to hire external consultants to develop and implement a Disaster Recovery/Business Continuity Plan for the State Retirement Systems. Funding will support development of the plan, collection of data, training, DIT costs, application recovery plans, and testing,</p>                                                                                                                                                                                                                                                                                                                        | 500,000     |
| <p>3. <b>Building Operation Services.</b> Adjustments include net private rent adjustments of \$349,300, a reduction of \$1,500,000 related to the State purchase of Constitutional Hall and replacing private services with 4.0 FTE (State employees), a \$10,140,000 net adjustment for Cadillac Place related to rent restructuring, \$604,500 in rent payments from a private tenant in the One Division Building (Grand Rapids), a savings of \$180,000 in security guard services related to the installation of high-speed gates in parking ramps, and 5.0 FTE and a savings of \$65,000 related to in-sourcing a portion of the contract for maintenance of building energy controls and central monitoring systems.</p> | 9,348,800   |
| <p>4. <b>ID Mail Runs/Consolidations.</b> Funding for transportation services related to inter-departmental mail will be reduced by examining existing mail routes and either reduce the number of daily deliveries or eliminate mail routes in outlying areas where postage cost would be less than ID runs. The Department will also look at opportunities to expand participation by local units and schools to reduce State costs.</p>                                                                                                                                                                                                                                                                                       | (337,800)   |
| <p>5. <b>Senate Reductions.</b> The Senate included an overall 2.5% reduction (\$914,700) to the Governor's recommended level of GF/GP funding for the Department. In addition, the Senate reduced General Fund support for Information Technology by 2% (\$288,800) from the Governor's recommended level of funding.</p>                                                                                                                                                                                                                                                                                                                                                                                                       | (1,203,500) |
| <p>6. <b>Economic Adjustments.</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 5,294,200   |
| <p>7. <b>Other Changes.</b> Other adjustments include 9.0 FTE/\$5,486,100 for the transfer of the State Fair to DMB from the Department of Agriculture (2004 PA 468), the reduction of 1.0 FTE/\$68,100 due to on-going savings from the Human Resources Optimization Project, \$194,100 in savings from information technology reductions, a \$280,000 reduction in professional development funds resulting from collective bargaining agreements, a \$14,700 charge related to DMB's share of costs for hardware and software related to Human Resources Optimization, elimination of the one-time supplemental (\$735,000) funding, and a \$1,400 reduction related to available MDOT funding.</p>                           | 4,222,200   |
| <p>8. <b>Comparison to Governor's Recommendation.</b> The Senate Substitute is \$1,204,900 Gross/\$1,203,500 GF/GP below the Governor's Recommendation.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |             |

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| Total Changes..... | \$19,273,900 |
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| <b>FY 2005-06 Senate Appropriations Committee Gross Appropriation .....</b> | <b>\$231,941,900</b> |
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**Changes from FY 2004-05 Year to Date:**

1. **Contingency Funds.** The Governor included language authorizing contingency funds. Requires legislative transfers prior to expenditure. The Senate did not include this section.
2. **DMB Services.** Provides for the receipt and expenditure of funds, in addition to amounts in Part 1, for services provided to departments, the Judiciary, the Legislature, or provided in connection with facilities transferred to the operational jurisdiction of DMB. The Governor and Senate modified this section by including private tenants under the maintenance and operation cost provision in Subsection 1. (Sec. 704)
3. **Statewide Appropriations for Employee Programs.** The Governor replaced references to specific programs with a generic reference to joint labor management agreements or the coordinated compensation process. The Senate restored current year language. (Sec. 705)
4. **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. The Senate restored it. (Sec. 710)
5. **Motor Vehicle Fleet.** States legislative intent that the Department of Management has the authority to determine the appropriateness of vehicle assignments. Requires the Department of Management and Budget to complete a project plan that results in the reduction of expenditures related to vehicle services and a reduction of the number of State vehicles in the Motor Vehicle Fleet. Requires quarterly report. The Governor eliminated provisions regarding legislative intent on DMB's authority over assignment of vehicles, the project plan for reducing the number of vehicles, and the feasibility of using driver record information when issuing State vehicles. The Senate restored current year language. (Sec. 715)
6. **Motor Vehicle Fleet Plan.** The Senate included new language that requires DMB to develop a plan for the number of vehicles authorized for use by State departments and agencies. (Sec 715(a))
7. **Purchasing Preference - Michigan Based Firms.** Requires the Department of Management and Budget to adopt policies and procedures necessary for compliance with Section 261 of the Management and Budget Act (1984 PA 431). That section provides, all other things being equal, for a purchasing preference for products manufactured or services offered by Michigan-based firms. The Governor removed this section. The Senate restored it. (Sec. 716)
8. **Purchasing and Contracting Criteria.** Provides that in all contracts and purchases of services, the Department shall determine whether it is in the best interests of the State when vendors, employees of vendors, contractors, or subcontractors are not citizens of the United States; services and or goods are provided from a location outside of this State or the United States; goods or services are from a vendor that is an expatriated business entity located in a tax haven country or an affiliate of an expatriated business; whether services from a vendor from outside of this State or the United States would be detrimental to privacy interests of Michigan residents or risk disclosure of personal information; whether the above would constitute undue risk under the State's risk management policy. The Governor removed this section. The Senate restored this section. (Sec. 717)
9. **Vendor Information.** Requires the Department of Management and Budget to collect information from vendors that is necessary to comply with the requirements of the General Government Appropriation Bill. The Governor removed this section. The Senate restored it. (Sec. 718)
10. **Vendor Call or Contact Center Services.** Provides that DMB may require vendors or subcontractors providing call or contact center services to disclose to inbound callers the location from which the call or contact center services are being provided. The Governor removed this section. The Senate restored it. (Sec. 719).
11. **Building Occupancy Expenditures.** One-time requirement for DMB to reduce building occupancy general fund expenditures by \$700,000. The Governor and Senate removed this section.
12. **Ronald Reagan Memorial Monument.** The Governor and Senate added new language authorizing DMB to receive and expend money from the Ronald Reagan Memorial Monument Fund as provided in 2004 PA 489. (Sec. 722)
13. **State Property.** The Senate added new language that 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. (Sec. 723)

Date Completed: 6-9-05

Fiscal Analyst: Bill Bowerman



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Senate Bill 272 (S-2 as reported)

Committee: Appropriations

|                                                          |                      |
|----------------------------------------------------------|----------------------|
| <b>FY 2004-05 Year-to-Date Gross Appropriation .....</b> | <b>\$187,720,100</b> |
|----------------------------------------------------------|----------------------|

**Changes from FY 2004-05 Year-to-Date:**

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| 1. <b>DIT Overhead Reductions.</b> Savings resulting from rate reductions, consolidation savings, efficiencies and other overhead adjustments.                                                                                                                                                                                                                                                                                                                                                                                                                                       | (5,800)   |
| 2. <b>Senate Reductions.</b> The Senate included an overall 2.5% reduction (\$358,000) to the Governor's recommended level of GF/GP funding for the Department. In addition, the Senate reduced General Fund support for Information Technology by 2% (\$37,000) from the Governor's recommended level of funding.                                                                                                                                                                                                                                                                   | (395,000) |
| 3. <b>Economic Adjustments.</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 9,472,200 |
| 4. <b>Other Changes.</b> Other adjustments include transfers between line items to reflect the current organizational structure of the Department, the consolidation of Customer Services Administration (154.7 FTE) and Central Records (239.4 FTE) into a new Central Operations line item, elimination of one-time Federal HHS funding related to assisting local units of government with making polling places more accessible, elimination of a one-time appropriation for motorcycle safety equipment, and a reduction of \$800 to reflect available restricted fund revenue. | (300,800) |
| 5. <b>Comparison to Governor's Recommendation.</b> The Senate Substitute is \$395,000 (all GF/GP) below the Governor's Recommendation.                                                                                                                                                                                                                                                                                                                                                                                                                                               |           |

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| Total Changes ..... | \$8,770,600 |
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| <b>FY 2005-06 Senate Appropriations Committee Gross Appropriation .....</b> | <b>\$196,490,700</b> |
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**Changes from FY 2004-05 Year to Date:**

1. **Contingency Funds.** The Governor included language authorizing contingency funds. Requires legislative transfers prior to expenditure. The Senate did not include this section.
2. **Look-up Fees.** Sets fee for the sale of certain records. Allows the Department of State to use revenue received for necessary expenses. The Senate version provides that revenue received shall be credited to the Transportation Administration Collection Fund and eliminates the provision that lapses remaining balances at year-end to the General Fund. (Sec. 803)
3. **Organ Donor Public Information Program.** Provides that the Department of State, in collaboration with the Federal transplantation society, may develop and administer a public information campaign concerning the Michigan Organ Donor Program. Authorizes solicitation of private or public funds for the program. Provides for carry forward of funds. Allows for sponsorship credit regarding public information campaign for all financial contributors. The Governor and Senate added authorization for the Department to receive and expend funds from the Organ and Tissue Donation Education Fund. (Sec. 812)
4. **Branch Office Closings.** The Governor removed (2) of Section 815 which required, prior to November 1, 2004, the Department of State to provide a detailed report to the Senate and House standing committees on appropriations Subcommittees on General Government regarding the department's branch optimization plan that was announced on April 26, 2004. The Senate restored (2) and changed the due date to October 4, 2005. (Sec. 815(2))
5. **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. Subsection 5 delineated expenditure of the \$200,000 one-time FY 2004-05 grant for motorcycle safety equipment. The Governor removed this section. The Senate restored current year language with the exception of the one-time FY 2004-05 expenditure for equipment. (Sec. 818)
6. **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 included in boilerplate for the Department of Information Technology. The Senate restored the language. (Sec. 819)
7. **Branch Office Location.** The Senate added language providing that the Department shall explore the feasibility of locating the Keweenaw County Secretary of State branch office with the Keweenaw County Department of Human Services office. (Sec. 820)

Date Completed: 6-9-05

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Senate Bill 272 (S-2 as reported)

Committee: Appropriations

|                                                   |                 |
|---------------------------------------------------|-----------------|
| FY 2004-05 Year-to-Date Gross Appropriation ..... | \$1,591,219,700 |
|---------------------------------------------------|-----------------|

**Changes from FY 2004-05 Year-to-Date:**

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|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| 1. <b>Personal Property Tax Auditors.</b> The initial FY 2004-05 budget included 38.0 FTE/\$3.5 million. Executive Order 2005-7 removed the entire appropriation. The Governor recommended \$1.0 million for FY 2005-06. The Senate eliminated this item.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 0            |
| 2. <b>Legal Services.</b> Additional funding for the Attorney General is included to support legal services related to major litigation involving mineral rights to tax reverted property.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 240,000      |
| 3. <b>Investments.</b> The budget includes 3.0 FTE to assist in the investment of State funds.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 500,000      |
| 4. <b>Sleeping Bear Dunes National Lakeshore.</b> The Governor recommended eliminating the \$10,000 reimbursement required by P.A. 359 of 1974. The Senate restored funding.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 0            |
| 5. <b>Program Reductions.</b> Elimination of audits for county compliance with auditing standards, \$60,000; elimination of State collection of the SET for certain local units (MCL 211.905b), \$50,000; consolidating certain oversight functions, \$200,000; streamlining review of certain tax exemptions, \$250,000; and IT overhead reductions, \$29,400.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | (589,400)    |
| 6. <b>Debt Service.</b> Adjustments include \$5,051,000 for scheduled payments, a funding shift of \$2,887,300 from restricted to GF/GP, and \$2,500,000 for the sale of CMI bond issues.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 7,551,000    |
| 7. <b>Revenue Sharing.</b> The Governor recommended elimination of the one-time mechanism for certain counties, \$17,868,500, adjustment of the special grant based on cities with appointed financial managers, \$230,300, and an adjustment to freeze revenue sharing payments at FY 2004-05 projected payments. The Senate concurred.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | (29,498,800) |
| 8. <b>Forsyth Township.</b> Special Census Payment.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 91,300       |
| 9. <b>Transportation Funding.</b> The Senate reduced funding based on the amounts included by the Senate Transportation Subcommittee.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | (783,000)    |
| 10. <b>Senate Reductions.</b> The Senate included a 4.4% reduction (\$1,342,000) to the Governor's recommended level of GF/GP funding for Treasury Operations. In addition, the Senate reduced General Fund support for Information Technology by 2% (\$94,200) from the Governor's recommended level of funding.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | (1,436,200)  |
| 11. <b>Economic Adjustments.</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 11,881,200   |
| 12. <b>Other Changes.</b> Other adjustments include; increases based on available revenue and statutory payments, \$10,880,000; elimination of one-time funding for School Bond Loan Program reform, \$1,000,000; elimination of one-time funding associated with the State Sports Tourism Grant, \$1,075,000; a reduction to reflect available restricted revenue, \$222,300; a net adjustment to the Tobacco Tax Collection Enforcement, \$50,000; an adjustment to reflect the Department's share of the Human Resources Optimization hardware and software costs, \$58,800; and an adjustment for the unclassified position for the Gaming Control Board based on actual costs, \$11,700. FTE adjustments include a 2.0 FTE adjustment for the Unclaimed Property Program and a 3.0 FTE adjustment related to seasonal hiring for the Collections Program. | 8,703,200    |
| 13. <b>Comparison to Governor's Recommendation.</b> The Senate Substitute is \$9,317,900 Gross/\$2,334,900 GF/GP below the Governor's Recommendation.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |              |

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| Total Changes..... | (\$3,340,700) |
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| FY 2005-06 Senate Appropriations Committee Gross Appropriation ..... | \$1,587,879,000 |
|----------------------------------------------------------------------|-----------------|

**Changes from FY 2004-05 Year to Date:**

1. **Contingency Funds.** The Governor included, the Senate removed.
2. **Sale of Tax Manuals.** The Governor and Senate modified this section by limiting price to cost of production instead of the cost of printing. Also appropriates the revenue received from the sale of the publication. (Sec. 905)
3. **Audit Collection Procedures Handbook.** Prohibits the Department from expending funds on initiating a new audit of any taxpayer until the Department fully complies with MCL 205.4(3). The required handbook shall inform tax payers and tax preparers of audit and collection procedures. The Governor and Senate removed this section.
4. **Data and Collection Services.** The Governor and Senate included a provision lapsing unobligated balances to the General Fund. (Sec. 929)
5. **Treasury Fees.** The Governor and Senate modified this language to provide for receipt and expenditure of investment fees for current and new restricted funding sources. Fees assessed against restricted funds will be based on their absolute value of the average daily cash balance, the market value of investments in the prior fiscal year, and the level of effort necessary to maintain the restricted fund. (Sec. 931)
6. **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 science 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 this section. The Senate restored it. (Sec. 939)
7. **Personal Property Tax Auditors.** Provides criteria for appropriation in Part 1 for personal property tax auditors. The Governor modified this section to provide that if the Department collects more than \$12 million in personal property tax audit revenue, the excess, up to \$1 million, is appropriated to the Department for additional audits. If collections exceed \$26 million, up to an additional \$2.5 million will be appropriated to the Department. The Senate eliminated the funding and this section.
8. **Standardized Audit Schedules.** The Governor included language appropriating up to \$570,000 from standardized audit schedules recovered delinquent tax collection revenues for audit expenses. The Senate eliminated this section.
9. **Municipal Finance Fee Revenue.** The Governor included new language that appropriates, in addition to amounts in Part 1, receipt and expenditure of Municipal Finance Fee Revenue. The Senate removed this section.
10. **Social Security Numbers.** The Senate included new language prohibiting the Department from printing complete social security numbers on 1099 mailings. (Sec. 943)
11. **e-filing.** The Senate added language that requires the Department to develop a pilot application for an online credit only preparation and filing system for homestead property and home heating credit filers. (Sec. 944)
12. **Revenue Sharing Payment Condition.** Provides for withholding of Statutory General Revenue Sharing until a county complies with Section 151 of the State School Aid Act. The Governor and Senate removed this section.
13. **Assessment Administration Reviews.** Provides that Treasury may conduct a review of local unit assessment administration practices, procedures, and records in at least one assessment jurisdiction per county. (Sec. 945)
14. **Assessment Training.** Provides that Treasury may meet with statewide assessment organizations on a quarterly basis for the purpose of coordinating assessment and training activities. Recertification and training activities may be conducted at regional locations chosen to maximize participation of local officials. (Sec. 946)
15. **Special Census.** Provides that the amount appropriated on Part 1 to Forsyth Township is to provide a special grant to reflect population growth based on the mid-decade census. (Sec. 956)
16. **Lottery - Limits On Using Sports Personalities in Lottery Promotions.** The Governor eliminated this section. The Senate restored it. (Sec. 962)
17. **Casino Gaming Wagering Tax.** Provides revenue collected from the wagering tax shall be deposited in the State School Aid Fund. The Governor and Senate eliminated this section. The distribution is provided for in MCL 432.212.
18. **Other Changes.** Current-year language related to the mechanism for one time county revenue sharing payments, and one-time qualified agriculture loan carry forward were eliminated. Technical changes include correcting a reference to the Principal Residence Audit Fund (Sec. 924), and adding the Budget Director to a list of report recipients. (Sec. 973)