



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



## BILL ANALYSIS

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### 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 Conference Report is at the \$596,762,900 GF/GP the Leadership Target. Of that amount, \$256,002,100 is due to the State Building Authority Rent payment, which is usually included in the Capital Outlay Budget, but was transferred to General Government this year due to timing issues. The following pages provide a summary of the changes for FY 2005-06.

#### Items Included by the Senate and House

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 and House 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 and House 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 and House 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 and House 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 and House 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 and House modified the language by including a reporting requirement. (Sec. 219)

#### Conference Agreement on Items of Difference

7. **Deprived and Depressed Communities.** Requires department directors to take all reasonable steps necessary to ensure businesses in deprived and depressed communities compete for and perform State contracts. The House removed this section. The Conference Committee restored it. (Sec. 210)
8. **Political Action Committees.** The Conference Report includes language that prohibits 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.



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<b>FY 2004-05 Year-to-Date Gross Appropriation .....</b>	<b>\$62,477,700</b>
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**Changes from FY 2004-05 Year-to-Date:**

Items Included by the Senate and House

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|--|---------|
| 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>Transportation Funding.</b> The Senate and House reduced interdepartmental grant funding from the Department of Transportation to reflect amounts included in the Department of Transportation appropriation bill. The Conference Committee restored funding to the Governor's recommendation. | 0       |
| 3. <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  |

Conference Agreement on Items of Difference

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|--|-----------|
| 4. <b>DIT Overhead Reductions.</b> The Governor recommended \$2,600 in savings resulting from rate reductions, consolidation savings, efficiencies and other overhead adjustments. The Senate concurred with the Governor. The House restored the funding. The Conference Committee concurred with the Senate.   | (2,600)   |
| 5. <b>Contract and Group Insurance Savings.</b> Pursuant to Leadership Agreement, adjustments are included based on contract savings and lower than expected group insurance costs.  | (371,600) |
| 6. <b>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. The House reduced funding by \$52,600. In addition, the Senate reduced General Fund support for Information Technology by 2% (\$16,400) from the Governor's recommended level of funding. The Conference Committee concurred with the Senate. | (837,400) |
| 7. <b>Economic Adjustments.</b> The Governor and Senate included \$3,165,200 for economic adjustments. The House removed this funding. The Conference Committee restored the Governor's recommended level of funding.  | 3,165,200 |

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Total Changes.....	\$2,242,700
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<b>FY 2005-06 Conference Report Gross Appropriation .....</b>	<b>\$64,720,400</b>
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**Amount Over/(Under) GF/GP Target: \$0**

**Changes from FY 2004-05 Year to Date:**Items Included by the Senate and House

1. **Contingency Funds.** The Governor included language authorizing contingency funds. Requires legislative transfers prior to expenditure. The Senate and House 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 and House 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 and House 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 and House 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 and House restored the section and updated the language by replacing the reference to FIA with the Department of Human Services. (Sec. 310)

Conference Agreement on Items of Difference

There were no boilerplate items of difference.

Date Completed: 9-19-05

Fiscal Analyst: Bill Bowerman



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<b>FY 2004-05 Year-to-Date Gross Appropriation .....</b>	<b>\$12,815,200</b>
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**Changes from FY 2004-05 Year-to-Date:**

Items Included by the Senate and House

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|---|-----------|
| 1. <b>Unclassified Salaries.</b> This line item includes an adjustment related to the discontinuance of the banked leave time concession. | 10,000    |
| 2. <b>Other Changes.</b> Other changes include an adjustment to Federal funds based on projected case production.                         | (197,900) |

Conference Agreement on Items of Difference

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|---|-----------|
| 3. <b>Quality Control System.</b> The Governor recommended a reduction of \$99,900 related to elimination of this position and the Senate concurred. The program ensured the development and implementation of performance measurement related to cycle time, cost, and customer satisfaction. This function was to be absorbed by reapportioning the quality control function to team coordinators. The House restored the funding. The Conference Committee concurred with the Governor and Senate. | (99,900)  |
| 4. <b>Contact Management System.</b> The Governor reduced funding for this system based on the elimination of one position. The Senate concurred with the Governor. The House restored funding. The Conference Committee concurred with the Governor and Senate.  | (80,000)  |
| 5. <b>Office Services Reduction.</b> The Department plans to achieve \$21,000 through savings on rent costs. The Senate concurred with the Governor. The House restored funding. The Conference Committee concurred with the Governor and Senate.   | (21,000)  |
| 6. <b>DIT Overhead Reductions.</b> The Governor recommended \$2,600 in savings to be achieved through rate reductions, consolidation savings, efficiencies and other overhead adjustments. The Senate concurred with the Governor. The House restored funding. The Conference Committee concurred with the Governor and Senate.   | (2,600)   |
| 7. <b>Human Resources Optimization Project.</b> The Governor included \$14,700 reflecting the Department of Civil Service's share of computer hardware and software costs resulting from the Human Resources Optimization Project. The Senate concurred with the Governor. The House eliminated the funding. The Conference Committee concurred with the Governor and Senate.   | 14,700    |
| 8. <b>Reductions.</b> The Senate included an overall 4.1% reduction (\$500,000), the House reduced funding \$146,300. In addition, the Senate reduced Information Technology by 2% (\$16,600). The Conference Committee restored funding.   | 0         |
| 9. <b>Contract and Group Insurance Savings.</b> Pursuant to Leadership Agreement, adjustments are included based on contract savings and lower than expected group insurance costs.   | (176,600) |
| 10. <b>Economic Adjustments.</b> The House removed economic increases. The Conference Committee restored funding.   | 896,600   |

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Total Changes .....	\$343,300
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<b>FY 2005-06 Conference Report Gross Appropriation .....</b>	<b>\$13,158,500</b>
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**Amount Over/(Under) GF/GP Target: \$0**

**Changes from FY 2004-05 Year to Date:**Items Included by the Senate and House

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

Conference Agreement on Items of Difference

There were no boilerplate items of difference.

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<b>FY 2004-05 Year-to-Date Gross Appropriation .....</b>	<b>\$34,917,400</b>
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**Changes from FY 2004-05 Year-to-Date:**

Items Included by the Senate and House

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|--|---------|
| 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>Other Changes.</b> Other adjustments include funding and FTE transfers between line items to reflect the current organizational structure of the Department.   | 0       |

Conference Agreement on Items of Difference

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|--|-----------|
| 3. <b>Governor's Workgroup Reductions.</b> The Governor included \$492,000 in 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

The Senate concurred with the Governor. The House restored funding. The Conference Committee concurred with the Governor and Senate.

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|--|-----------|
| 4. <b>Legislative 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. The House reduced funding by \$93,500. In addition, the Senate reduced General Fund support for Information Technology by 2% (\$14,200) from the Governor's recommended level of funding. The Conference Committee concurred with the Senate. | (201,200) |
| 5. <b>DIT Overhead Reductions.</b> The Governor and Senate reduced funding by \$2,400 based on savings to be achieved through rate reductions, consolidation savings, efficiencies and other overhead adjustments. The House restored funding. The Conference Committee concurred with the Governor and Senate.  | (2,400)   |
| 6. <b>Human Resources Optimization Project.</b> The Governor and Senate included \$14,700 for the Department of Civil Service's share of computer hardware and software costs resulting from the Human Resources Optimization Project. The House removed this funding. The Conference Committee concurred with the Governor and Senate.  | 14,700    |
| 7. <b>Contract and Group Insurance Savings.</b> Pursuant to Leadership Agreement, adjustments are included based on contract savings and lower than expected group insurance costs.  | (145,700) |
| 8. <b>Economic Adjustments.</b> The Governor and Senate included \$1,550,800 for economic adjustments. The House removed this funding. The Conference Committee restored economic adjustments.   | 1,550,800 |

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Total Changes.....	\$1,024,200
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<b>FY 2005-06 Conference Report Gross Appropriation .....</b>	<b>\$35,941,600</b>
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**Amount Over/(Under) GF/GP Target: \$0**

**Changes from FY 2004-05 Year to Date:**Items Included by the Senate and House

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

Conference Agreement on Items of Difference

There were no boilerplate items of difference.

Date Completed: 9-19-05

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<b>FY 2004-05 Year-to-Date Gross Appropriation .....</b>	<b>\$5,205,500</b>
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**Changes from FY 2004-05 Year-to-Date:**Items Included by the Senate and House

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|--|---|
| 1. <b>Unclassified Salaries.</b> The Governor, Senate, and House maintained current year levels of funding for unclassified salary line items. | 0 |
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Conference Agreement on Items of Difference

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|---|---------|
| 2. The Governor and House maintained the FY 2004-05 level of funding for the Executive Office. No economic adjustments were included. The Senate included a \$113,500 (2.2%) reduction to the Governor's recommended level of GF/GP funding. The Conference Committee provided for a 3.3% overall increase to the Executive Office. | 170,000 |
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Total Changes .....	\$170,000
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<b>FY 2005-06 Conference Report Gross Appropriation .....</b>	<b>\$5,375,500</b>
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**Amount Over/(Under) GF/GP Target: \$0**



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

No boilerplate is included for the Executive Office.

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<b>FY 2004-05 Year-to-Date Gross Appropriation .....</b>	<b>\$351,165,900</b>
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**Changes from FY 2004-05 Year-to-Date:**

Items Included by the Senate and House

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|--|-----------|
| 1. <b>Current Costs/Available Revenue.</b> The budget includes \$716,900 to reflect actual costs of software licenses and server maintenance for the Department of Corrections. Adjustments for the Department of State Police include \$400 in available LEIN fees to support the LEIN system, and the transfer of 4.0 positions and \$342,800 from State Police to DIT. Adjustments for the Department of Community Health (DCH) include \$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 DCH budget also includes a \$100 placeholder for an upgrade to the Medicaid Information System. If DCH identifies the necessary matching funds, corresponding Federal Medicaid revenue will be available at a 90/10 match rate. | 1,796,100 |
| 2. <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 |
| 3. <b>Department of Human Services (DHS - 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.  | 8,928,000 |
| 4. <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, and \$330,000 in overhead and security reductions.  | 45,000    |

Conference Agreement on Items of Difference

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|---|-------------|
| 5. <b>Human Resources Optimization Project.</b> The House removed funding included by the Governor and the Senate for this program. The Conference Committee restored funding.  | 1,520,000   |
| 6. <b>Child Support Enforcement System.</b> The Senate added \$17.8 to the interdepartmental grant from DHS to complete system requirements and user requests for the Child Support Enforcement System. The Conference Committee eliminated the additional funding. | 0           |
| 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). The Conference Committee restored funding to the Governor's recommendation.                | 0           |
| 8. <b>Contract and Group Insurance Savings.</b> Pursuant to Leadership Agreement, adjustments are included based on contract savings and lower than expected group insurance costs.   | (8,210,700) |
| 9. <b>Economic Adjustments.</b>   | 8,800,100   |

Total Changes.....	\$14,028,500
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<b>FY 2005-06 Conference Report Gross Appropriation .....</b>	<b>\$365,194,400</b>
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**Amount Over/(Under) GF/GP Target: \$0**

**Changes from FY 2004-05 Year to Date:**Items Included by the Senate and House

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 and House 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 and House 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 and House 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 and House restored it. (Sec. 573(3))
5. **Contingency Funds.** The Governor added language that authorizes contingency funds. Requires legislative transfers prior to expenditure. The Senate and House did not include this section.
6. **Michigan Master Computing Contract.** The Governor, Senate, and Senate included language that requires the Department to reduce Michigan Master Computing Contract General Fund expenditures by \$2,060,000. This item was removed because Leadership Agreement included the reductions in line items.
7. **Other Sections.** The Governor removed sections that provided for reports to the Legislature (Section 573 (4), Sec. 574, and Section 578). The Senate and House restored the reporting requirements.

Conference Agreement on Items of Difference

8. **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. The House maintained current year language. The Conference Committee concurred with the Senate. (Sec. 577)
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. The House restored the language. The Conference Committee concurred with the House. (Sec. 579)
10. **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. The Conference Committee removed this section due to lack of funding in Part 1 of the bill.
11. **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 study will summarize the purpose and cost of each service and identify potential savings to the State through the shared use of 2-1-1. The report shall be delivered to the Senate and House Appropriation Subcommittees on General Government by no later than April 7, 2006. The Conference Committee concurred with the Senate. (Sec. 584)

Date Completed: 9-19-05

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FY 2004-05 Year-to-Date Gross Appropriation .....	\$126,731,900
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#### Changes from FY 2004-05 Year-to-Date:

##### Items Included by the Senate and House

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|--|---|
| 1. <b>Property Management/Legislative Retirement.</b> The Governor, Senate, and House maintained current year levels of funding for property management and Legislative Retirement appropriation line items. | 0 |
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##### Conference Agreement on Items of Difference

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|---|-----------|
| 2. <b>Senate Reductions.</b> The Senate included a \$2,667,800 (2.2%) overall reduction to the Governor's recommended level of GF/GP funding for the Legislature. Funding for property management and Legislative Retirement was excluded from line item reductions. The House reduced funding for the House and Senate operations line items by \$822,000. The Conference Committee included an overall 2.04% increase to partially fund economic costs for the Legislature based on Leadership Agreement. | 2,500,000 |
| 3. <b>Correctional Facilities Evaluation.</b> The Senate included \$500,000 (interdepartmental grant from the Department of Corrections) to contract for an evaluation of each correctional facility. See boilerplate Section 615 on the following page. The Conference Committee concurred with the Senate.  | 500,000   |
| 4. <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 reductions in the Senate passed version of the bill. The Conference Committee included a 2.0% (\$243,700) GF/GP increase for the Auditor General (amount included in item 3).  | N/A       |

Total Changes .....	\$3,000,000
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FY 2005-06 Conference Report Gross Appropriation .....	\$129,731,900
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Amount Over/(Under) GF/GP Target: \$0

**Changes from FY 2004-05 Year to Date:**Items Included by the Senate and House

1. There were no changes to current year sections.

Conference Agreement on Items of Difference

2. **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. The Conference Committee concurred with the Senate. (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:**

Items Included by the Senate and House

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|--|-----------|
| 1. <b>e-Procurement System.</b> The budget includes 3.0 FTE and funding to develop an e-Procurement System for State purchases to reduce costs by increasing competition, enhance reporting, and improve purchasing workflow and oversight.  | 1,450,000 |
| 2. <b>Retirement Business Continuity/Disaster Planning Back-up.</b> The budget includes funding to hire external consultants to develop and implement a Disaster Recovery/Business Continuity Plan for the State Retirement Systems.   | 500,000   |
| 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, 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, a savings of \$180,000 in security guard services related to 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. | 9,348,800 |
| 4. <b>ID Mail Runs/Consolidations.</b> Transportation services related to inter-departmental mail will be reduced (number of daily deliveries or eliminate certain mail routes).   | (337,800) |
| 5. <b>Other Changes.</b> Other adjustments include 9.0 FTE/\$5,486,100 for the transfer of the State Fair from Agriculture to DMB (2004 PA 468), the reduction of 1.0 FTE due to ongoing savings from the HR Optimization, a \$280,000 reduction in professional development funds, and elimination of one-time supplemental (\$735,000) funding.  | 4,471,100 |

Conference Agreement on Items of Difference

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| 6. <b>Reductions.</b> The Senate included an overall 2.5% GF/GP reduction (\$914,700) for DMB operating line items. The House reduced funding by \$388,200. Pursuant to Leadership Agreement, a reduction of \$140,700 was included.   | (140,700)   |
| 7. <b>Human Resources Optimization Project.</b> The House removed recommended adjustments based on ongoing savings. The Conference Committee included the adjustments.   | (53,400)    |
| 8. <b>Contract and Group Insurance Savings.</b> Pursuant to Leadership Agreement, adjustments are included based on contract savings and lower than expected group insurance costs.  | (1,092,000) |
| 9. <b>Information Technology.</b> The Governor included \$194,100 in savings related information technology reductions. The Senate reduced General Fund support for Information Technology by 2% (\$288,800) from the Governor's recommended level of funding. The Conference Committee concurred with the Governor. | (194,100)   |
| 10. <b>Economic Adjustments.</b> The House removed economic adjustments. The Conference Committee restored the Governor's recommended level of economic adjustments.   | 5,294,200   |

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Total Changes.....	\$19,246,100
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<b>FY 2005-06 Conference Report Gross Appropriation .....</b>	<b>\$231,914,100</b>
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**Amount Over/(Under) GF/GP Target: \$0**

**Changes from FY 2004-05 Year to Date:**Items Included by the Senate and House

1. **Contingency Funds.** The Governor included language authorizing contingency funds. Requires legislative transfers prior to expenditure. The Senate and House 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 House 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 modified this section based on the latest contract agreements and the current Coordinated Compensation Plan for non-exclusively represented employees. References to specific programs were replaced with a generic reference to joint labor management agreements or the coordinated compensation process. The Senate and House restored current year language. The Conference Committee included the Governor's changes. (Sec. 705)
4. **Computer Contract Adjustments.** Requires notification to the Appropriation Committee Chairs and General Government Subcommittee Chairs regarding computer contract revisions that increase or decrease contracts by more than \$500,000. The Governor removed this section. The Senate and House restored it. (Sec. 710)
5. **Contracting.** The Governor removed current year language 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. The Senate and House restored all of the sections (Sec. 716, Sec. 717, Sec. 718, Sec. 719)
6. **Michigan Register and Administrative Code.** Authorization to receive and expend funds related to the publication and distribution of the Michigan Register and Administrative Code. The Conference Committee concurred with DMB Revision Letter (6/2/05) transferring this section to the DLEG budget consistent with Executive Order 2005-1.
7. **Building Occupancy Expenditures.** One-time requirement for DMB to reduce building occupancy general fund expenditures by \$700,000. The Governor, Senate, and House removed this section.
8. **Ronald Reagan Memorial Monument.** The Governor, Senate, and House added language authorizing DMB to receive and expend funds for the Ronald Reagan Memorial Monument Fund as provided in 2004 PA 489. (Sec. 722)
9. **State Property.** The Senate and House 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)

Conference Agreement on Items of Difference

10. **Motor Vehicle Fleet.** 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 and included a new Section 715 (a) that requires DMB to develop a plan for the number of vehicles authorized for use by State departments and agencies. The House modified current year language by including reporting on number of miles driven, gallons of fuel consumed, and motor fuel taxes that would have been incurred by fleet vehicles if they were subject to the tax. The House also included a new subsection that requires the Department to submit a report on fleet garage operations. The Conference Committee modified this section by consolidating reporting requirements into one annual report and including provisions contained in Section 715a of the House and Senate Bills. (Sec. 715)

Date Completed: 9-19-05

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ANALYSIS

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

Items Included by the Senate and House (300,800)

1. **Technical Adjustments.** Adjustments included by the Governor, Senate, and House 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.

Conference Agreement on Items of Difference

2. **Reductions.** The Senate included an overall 2.5% reduction (\$358,000) to the Governor's recommended level of GF/GP funding for the Department. The House reduced GF/GP operations funding by \$131,000. In addition, the Senate reduced General Fund support for Information Technology by 2% (\$37,000) from the Governor's recommended level of funding. The Conference Committee concurred with the Senate. (395,000)
3. **DIT Overhead Reductions.** The Governor and Senate included savings of \$5,800 related to DIT rate reductions, consolidation savings, efficiencies and other overhead adjustments. The House restored funding. The Conference Committee concurred with the Governor and Senate. (5,800)
4. **Abandoned Vehicles.** The 6/22/05 DMB revision letter included 2.0 FTE and restricted funding from fees for the administration of the Abandoned Vehicle Program. New and existing functions were transferred to the Department of State Police to the Department of State pursuant to recent legislation. 650,000
5. **Commercial Driver License.** The 6/22/05 revision letter included Federal funding for meeting requirements of the United States Patriot Act related to commercial driver licenses. 610,000
6. **Contract and Group Insurance Savings.** Pursuant to Leadership Agreement, adjustments are included based on contract savings and lower than expected group insurance costs. (372,300)
7. **Economic Adjustments.** The Governor and Senate included \$9,472,200 for economic adjustments. The House removed this funding. The Conference Committee restored funding to the Governor's recommended level. 9,472,200

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<b>Total Changes.....</b>	<b>\$9,658,300</b>
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<b>FY 2005-06 Conference Report Gross Appropriation .....</b>	<b>\$197,378,400</b>
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**Amount Over/(Under) GF/GP Target: \$0**



**Changes from FY 2004-05 Year to Date:**Items Included by the Senate and House

1. **Contingency Funds.** The Governor included language authorizing contingency funds. Requires legislative transfers prior to expenditure. The Senate and House did not include this section.
2. **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, Senate, and House added authorization for the Department to receive and expend funds from the Organ and Tissue Donation Education Fund. (Sec. 812)
3. **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 and House restored the language. (Sec. 819)
4. **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 and House restored current year language with the exception of the one-time FY 2004-05 expenditure for equipment. (Sec. 818)

Conference Agreement on Items of Difference

5. **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. The Conference Committee concurred with the Senate. (Sec. 803)
6. **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. The Conference Committee concurred with the Senate. (Sec. 815(2))
7. **Online Transaction Strategy.** The House added language that requires the Department to develop a project plan to increase the number of transactions completed online. The Conference Committee concurred with the House. (Sec. 815a)
8. **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. The Conference Committee concurred with the Senate. (Sec. 820)



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<b>FY 2004-05 Year-to-Date Gross Appropriation .....</b>	<b>\$1,591,219,700</b>
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**Changes from FY 2004-05 Year-to-Date:**

Items Included by the Senate and House

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|---|--------------|
| 1. <b>Revenue Sharing.</b> Elimination of the one-time mechanism for certain counties, adjustment of the special grant (cities with appointed financial managers), adjustment to freeze revenue sharing payments at FY 2004-05 projected payments.  | (28,498,800) |
| 2. <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; and streamlining review of certain tax exemptions, \$250,000. | (560,000)    |
| 3. <b>Other Changes.</b>  | 16,935,400   |

Conference Agreement on Items of Difference

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| 4. <b>Auditing Enhancements.</b> The Governor included a separate \$1,000,000/15.0 FTE line item for Personal Property Tax Auditors. The Senate and House removed that line item. The Senate included \$5,600,000 for additional auditing functions. The Conference Committee created a new Revenue Enhancement Program line item.   | 6,590,000   |
| 5. <b>Special Census Revenue Sharing Payments.</b> The Conference Committee included funding for special census payments as provided in the State Revenue Sharing Act.   | 500,000     |
| 6. <b>Sleeping Bear Dunes National Lakeshore.</b> The Senate and Conference Committee restored the \$10,000 eliminated by the Governor.  | 0           |
| 7. <b>Club Keno.</b> The budget includes 8.0 FTE and funding related to Leadership Agreement and expansion of Club Keno Games that are projected to increase revenue to the School Aid Fund by approximately \$13.9 million in FY 2005-06.   | 637,100     |
| 8. <b>Contract and Group Insurance Savings.</b> Pursuant to Leadership Agreement, adjustments are included based on contract savings and lower than expected group insurance costs.  | (542,300)   |
| 9. <b>State Building Authority Rent Payments.</b> The budget includes SBA rent payments that were previously included in the Capital Outlay Budget, due to monthly payments that are due and the timing of the Capital Outlay Budget Bill.   | 272,797,100 |
| 10. <b>Reductions.</b> The Senate included a 4.4% GF/GP reduction (\$1,342,000). The House reduced operations by \$102,100. The Governor Senate included a net IT reduction of \$29,400 and a net adjustment of \$58,800 to reflect the Department's share of the Human Resources Optimization hardware and software costs and related savings. The Senate reduced General Fund support for Information Technology by an additional 2% (\$94,200) from the Governor's recommended level of funding. The Conference Committee restored the Governor's recommended level of funding. | 29,400      |
| 11. <b>Economic Adjustments.</b> Pursuant to Leadership Agreement, the Conference Committee restored the Governor's recommended level of funding.  | 11,881,200  |

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Total Changes .....	\$279,769,100
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<b>FY 2005-06 Conference Report Gross Appropriation .....</b>	<b>\$1,870,988,800</b>
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**Amount Over/(Under) GF/GP Target: \$0**

**Changes from FY 2004-05 Year to Date:**Items Included by the Senate and House

1. **Pension Fund Investments.** The Governor removed intent language providing 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 Senate and House restored it. (Sec. 939)
2. **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 and House eliminated the funding and this section.
3. **Other Changes.** The Governor, Senate and House removed current-year language related to the mechanism for one time county revenue sharing payments, language that provided for withholding of Statutory General Revenue Sharing until a county complies with Section 151 of the State School Aid Act, a one-time qualified agriculture loan carry forward authorization, language regarding an audit collection procedures handbook, and redundant language stating the distribution of the Casino Gaming Wagering Tax. The Governor, Senate and House also modified sections on the sale of tax manuals (Sec. 905), data collection services (Sec. 929), and receipt and expenditure of Treasury fees (Sec. 931). The Senate and House added sections that prohibit the Department from printing complete social security numbers on 1099 mailings (Sec. 943), and require 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). The Senate and House removed sections recommended by the Governor for Contingency Funds, and language providing for appropriation of additional Municipal Finance Fee Revenue. 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) Language providing for restrictions on Lottery advertising was restored by the Senate and the House. (Sec. 962)

Conference Agreement on Items of Difference

4. **Sleeping Bear Dunes National Lakeshore.** The Governor and House removed this section. The Conference Committee concurred with the Senate. (Sec. 920)
5. **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 modified this section by limiting funding to business tax audits related to sales, use, withholding, SBT, and Fuel Tax obligations. The Conference Committee concurred with the Senate. (Sec 941)
6. **Assessment Administration Reviews.** The Senate added language providing that Treasury may conduct a review of local unit assessment administration practices, procedures, and records in at least one assessment jurisdiction per county. The Conference Committee concurred with the Senate. (Sec. 945)
7. **State Income Tax and SBT Electronic Filing.** The House added language requiring the Department to develop a strategic plan for electronic filing of State Income Tax and Single Business Tax returns free of charge. The Conference Committee modified the language to include all tax returns. (Sec. 948)
8. **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)
9. **Auditing Enhancements.** The Senate included language allocating funding for additional auditing functions to be performed by State Classified Civil Service employees and principal residence audits. The Conference Committee modified this section by providing \$6.6 million for a revenue enhancement program. Of that amount, \$5.8 million is allocated for overall collection enhancements performed by State employees, with the exception of current contract obligations being performed under the supervision of the Department of Treasury. \$750,000 is allocated for the Principal Residence Exemption Compliance Program. Quarterly progress reports are required and a joint General Government Subcommittee Hearing will be held within six months regarding progress and complaints related to personal property tax audits. A performance audit by the Auditor General is required for the Principal Residence Exemption Compliance Program. (Sec. 947)
10. **Special Census Payments.** The Conference Committee included language for special census payments pursuant to requirements of the State Revenue Sharing Act. (Sec. 956)
11. **State Building Authority Rent.** Language related to the inclusion of SBA rent, previously contained in the Capital Outlay Budget, was included. (Sections 980 through 983.)

Date Completed: 9-19-05

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