



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



BILL ANALYSIS

Telephone: (517) 373-2768
Fax: (517) 373-1986
TDD: (517) 373-0543

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 (including the Michigan Strategic Fund). The following pages provide a summary of the changes for FY 2006-07.

1. **State Spending Reporting Section.** Reporting requirement regarding actual total State spending and payments to locals within 30 days of book closing. The Governor's Recommendation changed this section to require a report only if actual payments are less than the minimum required by Article IX, Section 30, of the Michigan Constitution. The House and Senate restored current year language. (Sec. 201(3))
2. **Hiring Freeze.** Imposes hiring freeze and provides for exceptions. Provides for a quarterly report to the chairs of appropriations committees regarding exceptions to hiring freeze. List of reasons for exceptions include; ability to deliver basic services, loss of revenue, inability to receive Federal funds, or resulting costs exceeding savings from the vacancy. The Attorney General and Secretary of State may grant exceptions to the hiring freeze for their respective departments based on the same criteria that the State Budget Director grants exceptions. The Governor's recommendation substituted the State Budget Director "shall" with "may" regarding granting exceptions to the hiring freeze. The House and Senate maintained current year language. (Sec. 205)
3. **Retention of Reports.** Requires departments and agencies receiving appropriations under this Act to receive and retain copies of all reports funded in the Act. Federal and State guidelines for retention of records shall be followed. The Governor eliminated this section. The House and Senate restored it. (Sec. 212)
4. **Communications with Legislators.** Prohibits disciplinary action against department employees for communicating with Legislators or their staff. The Governor eliminated this section. The House and Senate restored this section. (Sec. 215)
5. **General Fund Restrictions.** Prohibits use of general fund appropriations in this Act where Federal funds are available for the same expenditures. The Governor eliminated this section. The House and Senate restored this section. (Sec. 217)
6. **Information Technology Work Projects.** The Governor included new language providing that information technology funding in Part 1 may be designated as work projects. Funds are not available for expenditure until approved as work projects pursuant to Section 451a of the Management and Budget Act. The House and Senate eliminated this section.
7. **Statewide Contractual Expenditures.** The Governor, House, and Senate removed one-time language that required DMB to reduce Statewide contractual General Fund expenditures by \$30 million. Reductions were included in FY 2005-06 appropriations.
8. **Political Action Committees.** The Governor removed language that prohibited the use of appropriations in Part 1 to administer a committee, or to solicit, or obtain contributions for a "committee" as defined in the Michigan Campaign Finance Act. The Governor stated in the signing letter for the FY 2005-06 General Government Appropriation Bill (2005 PA 146) that Section 220 was unenforceable due to Article XI, Section 5, of the Michigan Constitution of 1963. The House and Senate revised this section to provide that funds appropriated in this act shall not be used to establish, operate, or administer a payroll deduction plan that enables classified state employees to make contributions to either a committee or a political organization. (Sec. 220)
9. **K-16 Ballot Initiative.** The Senate included language that requires departments to provide to the General Government Subcommittees and fiscal agencies a list of General Fund reductions totaling 7.93% if the K-16 Ballot Initiative is adopted. (Sec. 221)



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Senate Bill 1087 (S-1 as passed by the Senate)

Committee: Appropriations

FY 2005-06 Year-to-Date Gross Appropriation	\$64,720,400
Changes from FY 2005-06 Year-to-Date:	
1. Federal Funds. Adjustments are based on workload and available Federal funds for the Child Support Enforcement Division, \$450,000; Domestic Violence Prosecution Program, \$67,000; and Medicaid Fraud, \$510,700. This funding is also included in the Governor's FY 2005-06 Supplemental Recommendation (DMB Letter 2/9/06).	1,027,700
2. Funding Adjustments. The Governor and House removed inactive funds (3.0 FTE and \$366,300). These adjustments include Corporate and Security Fees, \$140,300; and the Real Estate Enforcement Fund, \$226,000. State Trunkline Fund Revenue is reduced by 300,000 based on actual workload from the Department of Transportation. The Senate restored 2.0 FTE and \$226,000 funded by the Real Estate Enforcement Fund to support enforcement costs in unlicensed realtor cases.	(440,300)
3. Funding Shifts. Charges to Restricted funds are increased based on legal services provided. These adjustments include \$140,000 from DHS related to the Children and Youth Services Division, \$30,000 from the Liquor Purchase Revolving Fund, and \$30,000 from Oil and Gas Privilege Fee revenue. The above changes result in a GF/GP reduction of \$200,000.	0
4. General Fund Reduction. The Senate reduced General Fund support for the Department by 1.3% from the Governor's recommendation.	(428,300)
5. Economic Adjustments.	3,224,500
6. Comparison to Governor's Recommendation. The Senate Substitute is \$202,300 Gross/\$428,300 GF/GP below the Governor's recommendation.	
Total Changes.....	\$3,383,600
FY 2006-07 Senate Gross Recommendation.....	\$68,104,000

Changes from FY 2005-06 Year to Date:

1. **Contingency Funds.** Appropriates, in addition to amounts appropriated in Part 1, Federal, State Restricted, Local, and Private Contingency Funds. Requires legislative transfers prior to expenditure of funds. The Governor included this section, which was eliminated by the Legislature in FY 2003-04. The House and 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 \$1,000,000, may be carried forward and available for appropriation to the Department in the succeeding fiscal year. The Governor modified this section by reducing the carry-forward authorization to \$250,000. The House and Senate maintained the current year carry-forward authorization of \$1,000,000, and replaced "may" with "shall" be carried forward. Along with the carry-forward authorization, the House and Senate appropriate revenues received, up to \$1,000,000, to the Department in FY 2006-07. (Sec. 307)
3. **Litigation Expense Reimbursement.** Appropriates up to \$500,000 from litigation expense reimbursements awarded to the State. Provides that funds may be used to pay litigation settlements or attorney fees assessed against the Office of the Governor, the Department of Attorney General, the Governor or the Attorney General when acting in an official capacity as the named party in litigation against the State. Funds may also be expended for State costs incurred pursuant to MCL 770.16 (DNA testing). Provides for carry forward of unexpended funds up to a maximum of \$500,000. The Governor's recommendation modified the language to specify that the funds may be used to pay court judgments, settlements, and litigation expenses (not including staff salaries and support costs). The Governor also replaced "are" with "may be" regarding the provision regarding carry forward of unexpended funds. The House excluded court judgments as an allowable use of the funds, replaced "may" with "shall" be carried forward, and removed the Governor's restriction on using funds for staff costs. The Senate concurred with the House, but restored court judgments as an allowable expenditure. (Sec. 308)
4. **Prisoner Reimbursement Funds.** Provides that the Department may spend up to \$421,800 of prisoner reimbursement funds on activities related to the State Correctional Facilities Reimbursement Act. If the Department of Attorney General collects in excess of \$1,131,000, the excess, limited to \$1,000,000, may be spent on the defense of the State, its departments, or employees, in civil actions filed by prisoners. The Governor, House, and Senate increased the amount reserved for collection activities from \$421,800 to \$445,800. The House and Senate added a provision allowing the Department to carry forward up to \$500,000 for expenditure in the following fiscal year. (Sec. 309)
5. **Child Support Funding.** Requires the Department of Human Services to maintain a cooperative agreement with the Attorney General for Federal IV-D funding to support the child support enforcement activities of the Attorney General. The section also provides that the Attorney General shall, to the extent allowable under Federal law, have access to any information used by the State to locate parents who fail to pay child support. The Governor removed this section. The House and Senate restored it. (Sec. 310)

Date Completed: 5-25-06

Fiscal Analyst: Bill Bowerman



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Senate Bill 1087 (S-1 as passed by the Senate)

Committee: Appropriations

FY 2005-06 Year-to-Date Gross Appropriation	\$13,158,500
Changes from FY 2005-06 Year-to-Date:	
1. Federal Funds. Adjustments are based estimated cases and reimbursement rates. Funding from EEOC is increased by \$374,800 and HUD funding is increased by \$141,600. This funding is also included in the Governor's FY 2005-06 Supplemental Recommendation (DMB Letter 2/9/06).	516,400
2. Human Resources Optimization Charges. The Human Resources Optimization charge is reduced based the new methodology used to assess the costs of the system.	(21,000)
3. General Fund Reduction. The Senate reduced General Fund support for the Department by 1.3% from the Governor's recommendation.	(162,200)
4. Economic Adjustments.	366,300
5. Comparison Governor's Recommendation. The Senate Substitute is \$162,200 (all GF/GP) below the Governor's recommendation.	
Total Changes.....	\$699,500
FY 2006-07 Senate Gross Appropriation	\$13,858,000

Changes from FY 2005-06 Year to Date:

1. **Contingency Funds.** Appropriates, in addition to amounts appropriated in Part 1, Federal Contingency Funds. Requires legislative transfers prior to expenditure of funds. The Governor included this section. The House and Senate removed this section.

Date Completed: 5-25-06

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Senate Bill 1087 (S-1 as passed by the Senate)

Committee: Appropriations

FY 2005-06 Year-to-Date Gross Appropriation	\$35,941,600
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Changes from FY 2005-06 Year-to-Date:

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| 1. Program Reductions. An overall 5% General Fund reduction to the Department is allocated to the following line items: | (355,100) |
| Agency Services \$162,100 | |
| Executive Direction \$162,000 | |
| Information Technology \$ 31,000 | |
| 2. Human Resources Optimization User Charge. The Department's cost for the Human Resources Optimization Program was reduced based on the new methodology of assessing costs to departments. | (16,000) |
| 3. General Fund Reduction. The Senate reduced General Fund support for the Department by 1.3% from the Governor's recommendation. | (90,800) |
| 4. Economic Adjustments. | 976,600 |
| 5. Other Changes. Other adjustments included the transfer of funding between line items to reflect the current organizational structure of the Department. | |
| 6. Comparison to Governor's Recommendation. The Senate Substitute is \$90,800 (all GF/GP) below the Governor's recommendation. | |

Total Changes.....	\$514,700
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FY 2006-07 Senate Gross Appropriation	\$36,456,300
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Changes from FY 2005-06 Year to Date:

1. **Contingency Funds.** Appropriates, in addition to amounts appropriated in Part 1, Federal, State Restricted, Local, and Private Contingency Funds. Requires legislative transfers prior to expenditure of funds. The Governor included this section. The House and Senate removed this section.

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Senate Bill 1087 (S-1 as passed by the Senate)
Committee: Appropriations

FY 2005-06 Year-to-Date Gross Appropriation	\$5,375,500
Changes from FY 2005-06 Year-to-Date:	
1. General Fund Reduction. The Senate reduced General Fund support for the Executive Office by 1.3% from the Governor's recommendation.	(70,000)
2. Economic Adjustments. The Governor and House did not include any funding adjustments for the Executive Office. The Senate included a 3.0% increase.	161,300
3. Comparison to Governor's Recommendation. The Senate Substitute is \$91,300 (all GF/GP) above the Governor's recommendation	
Total Changes	\$91,300
FY 2006-07 Senate Gross Appropriation	\$5,466,800

Changes from FY 2005-06 Year to Date:

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

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Senate Bill 1087 (S-1 as passed by the Senate)

Committee: Appropriations

FY 2005-06 Year-to-Date Gross Appropriation	\$365,194,400
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Changes from FY 2005-06 Year-to-Date:

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| 1. Alignment of IDGs with Agencies. IDGs are aligned with each agency's IT line item. | 14,512,300 |
| 2. Department of Community Health. The Governor included \$399,900 to implement a federal grant for the Social Security Administration Electronic Death Registry. The Senate added an additional \$2,117,500 in federal money and 9.0 FTEs for the Medicaid Management Information System (MMIS). | 2,517,400 |
| 3. Department of Corrections. The Governor included \$660,000 to update Corrections Management Information Systems (CMIS) modules to Offender Management Network Information (OMNI) and \$1,098,700 to replace servers for OMNI, OMNI/Law Enforcement Information Network (LEIN), and the Offender Tracking Information System (OTIS). The Governor also included \$5,600 for desktop maintenance in the Thumb Correctional Facility and 1.0 FTE. The House and Senate concurred with the Governor. | 1,890,600 |
| 4. Department of Human Services. The budget includes reductions of \$17,800,000 to the Child Support Arrearage Program, \$136,600 for retirement insurance and \$3,912,300 for contract and IT savings adjustments. The recommendation also transfers the \$520,000 Prosecuting Attorneys Association contract out of the IT budget. An additional \$5,500,000 is included for the Integrated Service Delivery Project. The House and Senate concurred. | (16,868,900) |
| 5. Department of Management and Budget. The Governor removed one time funding of \$1,000,000 for the e-Procurement system and added \$3.2 million in funding and 13 FTEs for the Retirement System. An additional \$370,000 is allotted to implement the Social Security Number Privacy Act. The House and Senate concurred. | 2,570,000 |
| 6. Department of State. The Governor restored funds for the Business Application Modernization Project reduced in FY 2005-06. The House and Senate concurred. | 1,100,000 |
| 7. Department of State Police. The budget includes \$1.0 million in subscriber fees for the Michigan Public Safety Communications System, and removes the \$1,074,000 one time grant for the Commercial Vehicle Information Systems Network. A trainer position is also transferred out of DIT (\$78,400). The House and Senate concurred. | (152,400) |
| 8. Department of Treasury. The Governor transferred \$300,000 to IT from the revenue enhancement program. | 300,000 |
| 9. 2-1-1 Program. The Senate included a \$100 placeholder for the 2-1-1 program. | 100 |
| 10. Economic Adjustments. | 7,176,600 |
| 11. Other Changes. The Governor included a reduction of \$31,000 to the Department of Civil Service from the Better Government workgroup; an increase of \$120,100 to the FY 2006-07 base for History, Arts and Libraries; a reduction of \$250,000 in unavailable Federal funding for DLEG; and an increase of \$2,460,400 to align the IDG from MDOT with the current level of services to that Department. The Senate included 1.0 FTE and \$100,000 from the Casino Gaming Control Board. | 2,399,500 |
| 12. Comparison to Governor's Recommendation. The Senate Substitute is \$2,217,600 above the Governor's Recommendation, all IDG funds. | |

Total Changes.....	\$15,445,200
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FY 2006-07 Senate Gross Appropriation	\$380,639,600
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Changes from FY 2005-06 Year to Date:

1. **Gifts/Donations.** The Governor included language that authorizes the Department to accept gifts, donations, contributions, grants, and bequests to support the cost of the State Website of services offered on the Website. The House and Senate did not include the section.
2. **State Website.** The Governor added language allowing the State Budget Director to expend funds received in subsections (1) and (2). The Governor also removed a \$250,000 limit on funds received under this section. The section also requires that the State Budget Office notify the Senate and House Appropriations Subcommittees on General Government and the House and Senate Fiscal Agencies within 10 days of that approval. The House and Senate concurred with the Governor, but restored the \$250,000 limit. (Sec. 573)
3. **Privacy Policy.** The privacy policy adopted by the Department will instruct visitors on how to be warned, view and remove cookies on their personal computer. The Governor removed this subsection. The House and Senate concurred with the Governor.
4. **Carryforward.** The Governor included language allowing for the carryforward of funds under Section 573. The House and Senate removed this authorization.
5. **Carryforward of Restricted Revenues.** The Governor and Senate included language allowing for the carryforward of deposits and unencumbered funds from the Michigan public safety communications system as restricted revenues. The House did not include this subsection. (Sec. 577(4))
6. **Annual Report.** Requires an annual report from the Department that lists the total amount of funding appropriated and corresponding expenditures for information technology services and projects by funding source for all departments and agencies. The Governor removed this section. The House and Senate restored it. (Sec. 578)
7. **Life-Cycle of Hardware and Software.** Requires the Department to provide a report by March 1, 2006 that analyzes and makes recommendations on the life-cycle of information technology hardware and software. The Governor and Senate removed this section, while the House retained it as section 579.
8. **Business Application Modernization Project.** The Governor changed language stating that any unencumbered or unallotted funds "are carried over" into the succeeding fiscal year to "may be carried over." The House and Senate changed the same language to "shall be carried over." (Sec. 580)
9. **Contingency Funds.** The Governor added language that authorizes up to \$40 million in contingency funds. Requires legislative transfers prior to expenditure. The House and Senate removed the section.
10. **Legislative Transfers.** The Governor added language that provides for an automatic appropriation in the Department's budget for any transfer to or from the information technology line item within an agency budget to reflect the increase or decrease. The House and Senate did not include the section.
11. **2-1-1 Study.** The Governor removed a section requiring the Department to coordinate a study of information and referral services, identifying costs savings that would result from 2-1-1 service. The study was to be completed and a report delivered to the House and Senate Subcommittees on General Government by April 7, 2006. The House and Senate concurred with the Governor.
12. **MiCSES.** Requires a report that calculates the total amount of funds expended for MiCSES since the inception of the program. The report was to be submitted by January 1, 2006. The Governor and Senate removed this section. The House retained the requirement as Section 585.

Date Completed: 5-25-06

Fiscal Analyst: Stephanie Yu



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Senate Bill 1087 (S-1 as passed by the Senate)

Committee: Appropriations

FY 2005-06 Year-to-Date Gross Appropriation	\$129,731,900
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Changes from FY 2005-06 Year-to-Date:

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| <p>1. Auditor General. The House provided a \$2,000,000 increase for the Auditor General (Economics \$580,000, 15.0 FTE positions \$915,000, and information technology \$505,000). The House also included a funding shift (293,200 from GF/GP to Restricted) based on projected audit charges. The House also transferred the Auditor General from the Legislative appropriation to its own separate section in the bill. The Senate included the restricted fund increase based on available revenue, but did not include the transfer of the Auditor General from the Legislative budget. The Auditor General's proportionate share of economic adjustments and the 1.3% General Fund reduction are included in items 2 and 3 below. The net General Fund increase to the Auditor General from those adjustments total \$211,100.</p> | 293,200 |
| <p>2. General Fund Reduction. The Senate reduced General Fund support for the Legislature by 1.3% from the Governor's recommendation.</p> | (1,623,300) |
| <p>3. Economic Adjustments. The Governor did not include any funding adjustments for the Legislature. The House only included adjustments for the Auditor General. (See item #1 above.) The Senate included a 3% economic adjustment for all line items.</p> | 3,740,200 |
| <p>4. Other changes. The IDG from the Department of Corrections to the Auditor General was vetoed in the FY 2005-06 budget for the Department of Corrections. The pending FY 2005-06 supplemental includes funding for the prison study. Therefore, the House and Senate eliminated the IDG for FY 2006-07 in the Legislative budget.</p> | (500,000) |
| <p>5. Comparison to Governor's Recommendation. The Senate Substitute is \$1,910,100 Gross/\$2,116,900 GF/GP over the Governor's recommendation.</p> | |

Total Changes.....	\$1,910,100
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FY 2006-07 Senate Gross Appropriation	\$131,642,000
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Changes from FY 2005-06 Year to Date:

1. **Property Management.** Designates appropriation for property management, along with funds previously appropriated for property management, as a work project. Specifies that the funds will be used to purchase equipment and services for building maintenance. The Governor's Recommendation removed the phrase "along with funds previously appropriated for property management" from this section. The House concurred with the Governor. The Senate restored current year language. (Sec. 606)
2. **Automated Data Processing.** Designates appropriation for automated data processing, along with funds previously appropriated for automated data processing, as a work project. Specifies that the funds will be used to purchase equipment, software, and services for to support and implement data processing requirements and technology improvements. The Governor's Recommendation removed the phrase "along with funds previously appropriated for automated data processing from this section. The House concurred with the Governor. The Senate restored current year language. (Sec. 607)
3. **Auditor General-Unclassified Salaries.** Provides that the Speaker of the House, Senate Majority Leader, House Minority Leader, and Senate Minority Leader shall set the salaries for unclassified positions for the Legislative Auditor General. The House and Senate replaced "Legislative" Auditor General with "Office of the" Auditor General. (Sec. 622)
4. **Correctional Facilities Evaluation.** Expresses legislative intent that the Legislative Auditor General contract with Standard and Poor's for an evaluation and comparison of each correctional facility, including but not limited to its physical plant, staffing, programming, security levels, and costs. The Governor, House, and Senate removed this section.

Date Completed: 5-25-06

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Senate Bill 1087 (S-1 as passed by the Senate)

Committee: Appropriations

FY 2005-06 Year-to-Date Gross Appropriation	\$231,914,100
Changes from FY 2005-06 Year-to-Date:	
1. Office of Retirement Services (ORS). The Governor, House, and Senate included \$3.2 million to support ongoing maintenance of the retirement system, 13.0 FTE/\$350,000 for improvements to the Call Center, and \$370,000 to implement privacy requirements related to social security numbers.	3,920,000
2. State Building Authority (SBA) Rent. The appropriation for SBA Rent is transferred from the Department of Treasury to DMB.	272,797,100
3. Building Occupancy Charges. Adjustments included \$814,500 for utilities, \$121,700 for rent adjustments for leased buildings, and a \$577,500 reduction related to the closing of the Baker-Olin Building.	358,800
4. Administrative Reductions. The Governor recommended reductions to mail services, real estate services, financial services, organizational services, and the State Employer based on funding limitations. Positions are reduced by 6.0 FTE. The House and Senate concurred.	(492,000)
5. Michigan State Fair. Adjustments included \$587,400 for operational costs, \$332,000 for fixed asset depreciation, \$35,000 for compensated absences, and \$11,800.	966,200
6. Human Resources Optimization User Charges. An adjustment is included to reflect DMB's proportionate share of costs related to this project.	34,700
7. Acquisition Services. The House added \$500,000 GF/GP as an incentive to DMB to continue to properly manage acquisition services. The Senate did not include this item.	0
8. General Fund Reduction. The Senate reduced General Fund support for the Department by 1.3% from the Governor's recommendation.	(464,900)
9. Gubernatorial Transition Fund. The Senate included funding for a gubernatorial transition fund. Boilerplate (Sec. 724) provides that in the event that the incumbent is re-elected, the funds shall lapse to the State General Fund.	1,200,000
10. Economic Adjustments.	3,193,100
11. Other Changes. Other adjustments include reductions related to one-time funding associated with the e-Procurement Project, (\$1,000,000) and the Retirement System Disaster Recovery Plan, (\$500,000); SBA rent adjustments based on projected payments, (\$15,000,000); reductions to professional development funds based on collective bargaining, (\$50,000); the recognition of 1.0 unclassified FTE position related to the autonomous appropriation for the Michigan State Fair in DMB; and funding shifts based on the Statewide Cost Allocation Plan and charging appropriate funds for work performed by the Office of the Budget.	(16,550,000)
12. Comparison to Governor's Recommendation. The Senate Substitute is \$735,100 (all GF/GP) over the Governor's Recommendation.	
Total Changes.....	\$264,963,000
FY 2006-07 Senate Gross Appropriation	\$496,877,100

Changes from FY 2005-06 Year to Date:

1. **Contingency Funds.** Appropriates, in addition to amounts appropriated in Part 1, Federal, State Restricted, and Local Contingency Funds. Requires legislative transfers prior to expenditure of funds. The Governor included this section. The House and Senate removed this section.
2. **Computer Contract Adjustments.** Requires notification to the House and Senate Appropriation Committee Chairs and General Government Subcommittee Committee Chairs on computer contract revisions that increase or decrease current contracts by more than \$500,000. The Governor removed this section. The House and Senate restored it. (Sec. 710)
3. **Motor Vehicle Fleet.**
 - 1) Provides that funds appropriated in Part 1 for the Motor Vehicle Fleet are for the administration and for acquisition, lease, operation, maintenance, repair, replacement, and disposal of State motor vehicles.
 - 2) Appropriations in Part 1 shall be funded from rates charged to State departments and agencies for utilizing vehicle travel services. Provides that revenue may be carried forward to the next fiscal year.
 - 3) States legislative intent that the Department of Management has the authority to determine the appropriateness of vehicle assignments.
 - 4) States that it is the intent of the Legislature that the Department will determine the feasibility of using driver record information upon the issuance of cars to State employees in order to insure responsibility and safety.
 - 5) Requires the Department of Management and Budget to develop a plan that includes the number of vehicles assigned to departments and agencies, efforts to reduce vehicle expenditures, the number of cars in the motor vehicle fleet, the number of miles driven by fleet vehicles, and the number of gallons of fuel consumed by fleet vehicles. The plan shall also include a calculation of the amount of State fuel taxes that would have been incurred by fleet vehicles, description of fleet garage operations, goods and services by the garage, cost to operate the fleet garage, number of fleet garage locations, and number of employees assigned to the fleet garage. Provides that the plan may be adjusted during the fiscal year based on needs and cost savings. Requires report within 60 days after the close of the fiscal year detailing the current plan and changes to the plan.

The Governor removed subsections 3, 4, and 5 and inserted a new subsection (3) that allows the Department to charge State agencies for fuel cost increases that exceed the average retail price of \$2.27 per gallon. Provides that revenues are appropriated when received. The House and Senate included minor wording changes on the new subsection recommended by the Governor. The Senate maintained current year Subsection 5 with modifications to reflect the continuation of a plan for the operation of the motor vehicle fleet. The Senate eliminated current year Subsection 4 pursuant to the Governor's recommendation. (Sec. 715)
4. **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 House and Senate restored all of these sections. (Sec. 716, Sec. 717, Sec. 718, Sec. 719)
5. **State Property.** Requires DMB to make available to the public on the Internet, a list of all parcels of real estate that are available for purchase from the State. The Governor removed this section. The House and Senate restored this section. (Sec. 723)
6. **Transition Fund.** The Senate included language that provides that the appropriation in Part 1 for the gubernatorial transition fund shall be expended for costs associated with a gubernatorial transition process. If the incumbent is re-elected, the appropriation shall lapse to the State General Fund. (Sec. 724)
7. **State Building Authority Rent.** Language related to the inclusion of SBA rent, previously contained in the Department of Treasury section of the General Government Bill, is transferred to DMB. The Governor modified Section 728 that provides for a report relative to the status of construction projects associated with SBA bonds. The revised language limits the report to bonds for the fiscal year and changes the report date from September 30 to October 15. The House and Senate clarified the language to provide that the report applies to the status of construction projects construction projects as of September 30 of each year. (Sec. 728)

Date Completed: 5-25-06

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Senate Bill 1087 (S-1 as passed by the Senate)

Committee: Appropriations

FY 2005-06 Year-to-Date Gross Appropriation	\$197,378,400
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Changes from FY 2005-06 Year-to-Date:

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| 1. Business Application Modernization Project. The Governor recommended increasing the appropriation for this project from \$3,450,000 to \$4,550,000. This would restore the appropriation to the level it received prior to budget reductions in previous years. The project involves replacement of the Department's mainframe applications. Business requirements have been set and the Department is now in the build and construction phase. | 1,100,000 |
| 2. Motorcycle Safety Grants. The Governor recommended increasing funding from \$1,200,000 to \$1,400,000. The grants support motorcycle safety education courses that are provided by colleges and governmental agencies. | 200,000 |
| 3. Operation Reductions. The Governor, House and Senate included General Fund reductions to various line items are included based on administrative savings. | (365,900) |
| 4. Transportation Administration Collection Fund (TACF). Due to revenue shortfalls in the Transportation Administration Collection Fund (TACF), no economic adjustments are funded from this source. General fund is used to support costs that would otherwise be charged to the TACF. The budget also assumes that legislation will be adopted to continue the deposit of the Expeditious Service Fee and Registration Transfer Fee in the TACF instead of the Michigan Transportation Fund. Without that adjustment, there will be an additional shortfall of approximately \$10.4 million in the TACF. Notwithstanding the above, there is a projected FY 2006-07 \$12 million shortfall in TACF revenue. The Senate Substitute includes a \$6,000,000 reduction to TACF appropriations/revenue, including boilerplate language (Sec. 820) requiring the Department to identify line items where reductions will be made. | (6,000,000) |
| 5. General Fund Reduction. The Senate reduced General Fund support for the Department by 1.3% from the Governor's recommendation. | (249,100) |
| 6. Economic Adjustments. | 6,481,000 |
| 7. Other Changes. Organizational transfers between various line items are included to reflect the current organizational structure of the Department. | |
| 8. Comparison to Governor's Recommendation. The Senate Substitute is \$6,249,100 Gross/\$249,100 GF/GP below the Governor's Recommendation. | |

Total Changes.....	\$1,166,000
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FY 2006-07 Senate Gross Appropriation	\$198,544,400
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Changes from FY 2005-06 Year to Date:

1. **Contingency Funds.** Appropriates, in addition to amounts appropriated in Part 1, Federal, State Restricted, Local, and Private Contingency Funds. Requires legislative transfers prior to expenditure of funds. The Governor included this section. The House and Senate did not include this section.
2. **Traffic Accident Records Program.** This section provides that the Department of State shall use available balances at the end of the fiscal year to pay the Department of State Police for services provided by the Traffic Accident Records Program. The Governor, House, and Senate increased the Department of State's payment by \$6,000, from \$315,900 to \$321,900. (Sec. 807)
3. **Branch Office Closings.** (1) Requires at least 60 days prior to the announcement of Secretary of State branch office closings, consolidations, or relocations, the department of state shall inform members of the senate and house of representatives standing committees on appropriations and legislators who represent affected areas regarding the details of the proposal. The information provided shall be in written form and include all analysis done regarding criteria for changes in the location of branch offices, including but not limited to branch transactions, revenue, and the impact on citizens of the affected area. The notice shall also include detailed estimates of costs and savings that will result from the overall changes made to the branch office structure. 2) Provides that prior to October 4, 2005, the Department of State shall provide a detailed report to the Senate and House General Government Subcommittees regarding the Department's branch optimization plan that was announced on April 26, 2004. The Governor removed this section. The House restored Subsection 1. The Senate restored the entire section. (Sec. 815)
4. **Transaction Strategies.** Requires the Department to develop a project plan to increase the number of transactions completed on-line. Requires report to House and Senate General Government Subcommittees by March 1, 2006. The Governor removed this section. The House and Senate modified this section by requiring a report on the number of branch office transaction completed on-line by Michigan residents in the immediately preceding fiscal year. (Sec. 815a)
5. **Credit Card Service Assessments.** Provides that any service assessment collected by the Department of State from the user of a credit or debit card is appropriated to the Department of State for expenses related to that service. Limits charge by the Department of State to not more than the costs billable to the Department for service assessments. Provides for carry forward of funds. The Governor removed this section. The House and Senate restored it. (Sec. 816)
6. **Motorcycle Safety Program.** States legislative intent regarding continuing the Motorcycle Safety Program in the same manner as was provided by the Department of Education. Lists revenue sources for the program, criteria for grants, and details appropriate charges for Department of State administrative costs. The Governor removed this section. The House and Senate restored it. (Sec. 818)
7. **Department of State Business Application Modernization Project.** Provides criteria for expenditure of funds and designates as a work project. The Governor removed this section. The same language is contained the Information Technology language section of the bill. The House and Senate updated the completion date to 2010. The Senate adjusted the amount to reflect appropriation in Part 1. (Sec. 819)
8. **Transportation Administration Collection Fund (TACF) Revenue Adjustment.** The Senate added language that provides for allocation of reductions in TACF appropriations. Requires legislative transfers for implementation. The section also requires updated TACF revenue projections by October 5, 2006 and plan to deal with any shortfalls by October 12, 2006. (Sec. 820)
9. **Branch Office Location.** Requires the Department to explore the feasibility of locating the Keweenaw County Secretary of State branch office with the Keweenaw County Department of Human Services office. The Governor removed this section. The House concurred with the Governor. The Senate updated the section by requiring the Department to complete a cost/benefit analysis regarding the feasibility of locating the Keweenaw County Secretary of State branch office with the Keweenaw County Department of Human Services office. The analysis shall include, but not be limited to, lease costs, building occupancy costs, property management costs, utilities, parking, distance between branch offices and issues related to the overall convenience for the citizens of Michigan. No later than December 1, 2006, the analysis shall be delivered to the members of the Senate and House Standing Committees on Appropriations Subcommittees on General Government and the House and Senate Fiscal Agencies. (Sec. 821)

Date Completed: 5-25-06

Fiscal Analyst: Bill Bowerman



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

BILL



ANALYSIS

Telephone: (517) 373-2768

Fax: (517) 373-1986

TDD: (517) 373-0543

Senate Bill 1087 (S-1 as passed by the Senate)

Committee: Appropriations

FY 2005-06 Year-to-Date Gross Appropriation	\$1,871,988,800
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Changes from FY 2005-06 Year-to-Date:

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| 1. State Building Authority (SBA) Rent. SBA Rent is transferred to DMB from Treasury. | (272,797,100) |
| 2. Michigan Strategic Fund (MSF). The Governor transferred the MSF to Treasury from DLEG. The House created a separate bill for the Fund. The Senate also moved MSF to Treasury, with several changes to the Governor's recommendation of \$80,479,800. Please see the MSF highlight sheet for more detail on those changes. | 79,079,800 |
| 3. Sports Tourism Board. Removed one-time supplemental for Super Bowl security. | (1,000,000) |
| 4. Commercial Mobile Radio Service Program. Adjustment of (\$23.5M) based on 12/31/06 sunset. The Senate partially restored this funding based on pending legislation. | (13,420,000) |
| 5. Other Statutory Payments. Senior Citizen Cooperative Housing Tax Exemption, \$900,000; Renaissance Zone Payments, \$362,000; and Qualified Agricultural Loan Payments, \$290,000. | 1,552,000 |
| 6. Sleeping Bear Dunes National Lakeshore. Adjustment based on actual payments. | (5,000) |
| 7. Telephone/Telegraph Appraisals. The Governor recommended \$2 million for P.A. 610 of 2002, which requires real property appraisals. The Senate and House concurred. | 2,000,000 |
| 8. Transfers Out. Include: \$240,000 to Agriculture for Pari-Mutuel Audits, and \$115,000 to Education for the Michigan Merit Award Program's MEAP Test Center operations. | (355,000) |
| 9. Program Reductions. \$400,000 reduction for the revenue enhancement program (REP); \$250,000 reduction for the principal residence exemption (PRE) compliance program; \$173,000 reduction for income tax booklet distribution; \$100,000 for field audit relocation and redesign; \$100,000 reduction for training staff; \$50,000 in warrant processing; \$80,000 reduction in administrative costs for student financial assistance programs; \$35,000 reduction in cigarette stamp purchasing; and \$72,400 in HR consolidation savings. The Senate also included a 1.3% GF/GP cut to Treasury Operations, which came out of the REP (\$801,400). | (2,061,800) |
| 10. Debt Service. Adjustments reflected a net increase of \$6,056,800 in current payments, and \$5.1 million in new issues: \$1.5 million in Great Lakes Water Quality bonds, \$3.2 million in Clean Michigan Initiative bonds and \$400,000 in Quality of Life bonds. | 11,156,800 |
| 11. Revenue Sharing. Adjustments included a \$15.5 million increase in constitutional revenue sharing and an \$18 million reduction in statutory payments, and an increase in special census payments of \$359,400. The House added \$15.2 million for a SHARE grant program. The Senate did not include this program and added an additional \$33,000 for special census payments. | (2,107,600) |
| 12. Huron-Clinton Metro Parks Grant. The Senate added a placeholder for the authority. | 100 |
| 13. Economic Adjustments. | 7,399,400 |
| 14. Other Changes. \$100,000 increase to the School Bond Loan Revolving Fund; \$375,000 for 3.0 new FTEs in investment staff; and a reduction of \$17,600 in HR user charges. The House also added \$1,000,000 for life science technology | 457,400 |
| 15. Comparison to Governor's Recommendation. The Senate Substitute is \$7,854,800 Gross over the Governor's recommendation and \$3,215,200 under in GF/GP. | |

Total Changes.....	(\$196,101,000)
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FY 2006-07 Senate Gross Appropriation	\$1,681,887,800
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Changes from FY 2005-06 Year to Date:

1. **Contingency Funds.** The Governor included language for contingency funds. The House and Senate removed it.
2. **Financial Services.** The Governor added section 905 requiring funds to be appropriated for financial services from common cash interest earnings and investment earnings. The House included it as Section 904a. (Sec. 904a)
3. **Renaissance Zone Reimbursement.** The Governor, House and Senate modified the section to remove requirement for the Department to certify it has received necessary information to determine amounts due each eligible recipient. (Sec. 921)
4. **Tobacco Settlement Finance Authority.** The House included section 938 authorizing the expenditure of revenue received under this authority for administrative costs. The Senate did not include it.
5. **Pension Fund Investments.** The intent of the Legislature is that the State Treasurer give consideration to investments in early stage, university derived life sciences companies in Michigan, or in venture capital funds that invest in those companies if those investments offer the safety and rate of return comparable to other investments. The Governor removed the intent of the Legislature language and inserted language stating the State Treasurer may give consideration to those investments. The House and Senate retained current year language. (Sec. 939)
6. **Social Security Numbers.** The Governor removed language prohibiting the Department from including complete SSNs on form 1099-G mailings to taxpayers. The House and Senate restored the section. (Sec. 943)
7. **Pilot Application.** The Governor removed the section requiring a pilot application for an on-line preparation and filing system for homestead property and home heating credits. The House and Senate concurred.
8. **Revenue Enhancement Program.** Requires \$5.8 million of the \$6.6 million appropriation to be used for hiring State classified employees, and the remaining \$750,000 to be used for the PRE compliance program. The Governor removed this section. The House restored the section and modified the total amount to \$6.2 million and the PRE amount to \$500,000. The Senate restored the section, and modified the total to \$5.0 million and the PRE amount to \$500,000. The Senate also removed the requirement to hire state classified employees and added a requirement for the Department to develop a statewide database to aid in enforcing the PRE compliance program. (Sec. 947)
9. **E-filing Strategic Plan.** The Governor removed the section requiring the Department to provide a strategic plan for the electronic filing of all tax returns. The House and Senate modified the section to require a report on the numbers of income tax and single business tax returns filed online. (Sec. 948)
10. **Income Tax Check-offs.** The Senate added a section requiring a plan to identify the economic, legal and operational feasibility of individual income tax form check-off initiatives and to report on it by October 31, 2006. (Sec. 949)
11. **Huron-Clinton Metro Parks Authority.** The Senate added a section specifying that the appropriation in part 1 be used to reimburse counties that made a payment to the authority. (Sec. 949a)
12. **SHARE Grant Program.** The House included boilerplate in section 957 delineating the requirements for local units to receive SHARE grants, including performance measures and cost savings plans. The Senate did not include it.
13. **Prohibition of Sports Personalities in Advertising.** Prohibits the State Lottery from using funds to associate sports figures with the lottery, with the exception of NASCAR drivers promoting instant tickets. Required a report by November 1 detailing the cost of using NASCAR drivers and revenue associated with their use. The Governor removed this section. The Senate restored it. (Sec. 962)
14. **DHS Bridge Cards.** Requires the State Lottery to inform all lottery retailers that the cash side of the DHS bridge cards cannot be used to purchase lottery tickets. The Governor removed this section. The House and Senate restored it. (Sec. 963)
15. **State Building Authority.** All boilerplate language relating to the State Building Authority is transferred to DMB.
16. **Life Science Technology.** The House added Section 975 allocating life science technology funds for a grant program for early drug discovery.
17. **Michigan Strategic Fund Changes.** Boilerplate language related to the MSF is transferred from P.A. 156 of 2005. The Governor, House and Senate made changes to MSF boilerplate; see the MSF highlight sheet for more detail.
18. **Transportation Funds.** The House added Section 949 requiring a cost allocation plan for State restricted transportation funds.

Date Completed: 5-25-06

Fiscal Analyst: Stephanie Yu

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations.

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

BILL ANALYSIS

Telephone: (517) 373-2768
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 1087 (S-1 as passed by the Senate)

Committee: Appropriations

FY 2005-06 Year-to-Date Gross Appropriation	\$475,096,300
Changes from FY 2005-06 Year-to-Date:	
1. 21st Century Jobs Initiative. The Governor recommended removing one-time funding from the 21 st Century Jobs Trust Fund. The FY 2005-06 appropriation of \$394.0 million is a work project that will carry forward. The Senate concurred.	(394,000,000)
2. Tobacco Settlement Finance Authority. The Governor recommended removing one-time funding for the Tobacco Settlement Finance Authority, the body created by P.A. 226 of 2005 to raise \$400.0 million in FY 2005-06 by securitizing a portion of the State's tobacco settlement revenue. The Senate concurred.	(1,000,000)
3. Economic Development Job Training. The Senate reduced this line by \$1.7 million Gross. The GF/GP cut was \$2.7 million but was offset by a new assessment fee providing \$1.0 million in restricted revenue.	(1,700,000)
4. Michigan Promotion Program. The Senate increased this line by \$300,000.	300,000
5. Economic Adjustments. The Governor recommended economic adjustments of \$819,700. The Senate concurred.	819,700
6. Other Changes. These consist of a (\$12,200) reduction in charges for the Human Resources Optimization Project and a reduction of (\$424,000) in expected Federal funding. The Senate concurred.	(436,200)
7. Comparison to Governor's Recommendation. The Senate is under the Governor's recommendation by \$1.4 million Gross and \$2.4 million GF/GP.	
Total Changes.....	(\$396,016,500)
FY 2006-07 Senate Gross Appropriations	\$79,079,800

Changes from FY 2005-06 Year to Date:

1. **Grants Awarded.** The Governor recommended deleting the biannual report on grants awarded by the fund from appropriations in part 1. (2005 P.A. 156, Sec. 506) The Senate retained this language. (Sec. 1005)
2. **Executive Committee Members.** The Governor recommended deleting the legislative intent language regarding Senate Advice and Consent hearings for the members of the Executive Committee. (2005 P.A. 156, Sec. 519) The Senate retained this language. (Sec. 1015)
3. **Securitization.** The Governor recommended deleting the legislative intent language to adjust the budget to reflect the securitization legislation. (2005 P.A. 156, Sec. 526) The Senate concurred.
4. **Study of Best Practices.** The Governor recommended deleting the requirement to provide a report on this study conducted on economic development programs in other 49 states. (2005 P.A. 156, Sec. 527) The Senate concurred.
5. **Audit.** The Governor recommended deleting the requirement that the Fund work with the Auditor General to implement procedures to annually audit job claims by firms receiving tax credits or other incentives. (2005 P.A. 156, Sec. 528) The Senate retained this language. (Sec. 1016)
6. **Employment Report.** The Governor recommended deleting the report on the number of individuals employed with a salary of \$80,000 or more. (2005 P.A. 156, Sec. 529) The Senate retained this language (Sec. 1019)
7. **Funding Reduction Implementation Report.** The Governor recommended deleting the report on the Fund's plans to implement the funding reductions in the Job Creation Services and Administration line items. (2005 P.A. 156, Sec. 530) The Senate concurred.
8. **State Tourism Advertising Expenditures.** The Senate adopted new House language requiring the Michigan Economic Development Corporation (MEDC) to contract with a State research university to study return on investment for State funding. (Sec. 1018)
9. **Michigan Economic Growth Authority.** The Senate adopted new language proposed by the House prohibiting the MEDC from creating rules that would prohibit a firm from being eligible for these tax credits due to leasing new employees from a professional employer organization. (Sec. 1019)
10. **Michigan Promotion Program.** The Senate added new language allocating \$100,000, matched by the Michigan International Speedway, from the promotion appropriation to promote auto racing events at this facility and \$100,000 to promote the Detroit Zoological Institute. (Sec. 1020)
11. **Economic Development Job Training Grants.** The Senate deleted subsection (11) authorizing the match rates for these grants and replaced with new language allowing the Fund to assess 15.0% of a total grant from any business receiving the training. (Sec. 1001)
12. **Workforce Investment Act Funding.** The Senate added language stating that the Fund work cooperatively with the Department of Labor and Economic Growth and the Michigan Works! agencies regarding the distribution of Workforce Investment Act funding. The section also required that the funds be distributed to assist incumbent worker training in conjunction with the economic development job training grants program. (Sec. 1021)
13. **History, Arts, and Libraries (HAL).** The Senate added a section requiring MEDC to reimburse HAL in full for the cost of all services or activities provided by HAL for MEDC. (Sec. 1022)

Date Completed: 5-25-06

Fiscal Analyst: Elizabeth Pratt and Maria Tyszkiewicz