

EXECUTIVE BUDGET

Fiscal Year 2008

State of Michigan
Jennifer M. Granholm, Governor

Robert L. Emerson, State Budget Director

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STATE OF MICHIGAN
OFFICE OF THE GOVERNOR
LANSING

JENNIFER M. GRANHOLM
GOVERNOR

JOHN D. CHERRY, JR.
LT. GOVERNOR

February 8, 2007

My Fellow Citizens:

The fiscal year 2007-2008 budget I present to you today continues to implement our plan to transform and grow Michigan's economy. It cuts spending and unnecessary waste from government in order to invest in the things that will make Michigan competitive: education, health care, and the safety of our communities. It also implements an aggressive, one-time economic stimulus package to further diversify our economy, create new jobs, and give those most impacted by the changes in Michigan's economy access to the tools to land new jobs. It also calls for important changes to fix our tax system, which today undermines Michigan's ability to compete and win in the fight for new jobs and new investment. In short, this budget and the accompanying solutions to balance the current year's budget will boldly lead us to a better Michigan.

Today, we face a unique and massive challenge – the transformation of an entire state. With the world around us changing at an ever-increasing pace, Michigan must be willing to change the way we do business. My budget reflects changes in how we will operate in state government to better serve the public at a lower cost. It also contains significant incentives to get local governments to engage in the same common-sense cost cutting. Change is not always easy, but it is critical to Michigan's future.

We will achieve a balanced budget through a blend of spending cuts and increased revenue. Today, I am proposing a new tax structure – one that fixes and modernizes the way the state funds itself. This new structure is simple and fair. It implements a new business tax structure, adds a two-cent tax on services, and offers citizens a break on the purchase of a new automobile.

As governor of this great state, I have cut more spending than any other governor before me. I have resolved \$4 billion in budget shortfalls while protecting what matters most. With this balanced budget proposal, that trend continues. Make no mistake – we have and will continue to cut spending. We have made government more efficient, and that effort goes forward in this budget. We have been fiscally responsible with your dollars.

But we cannot cut our way to prosperity. Our Michigan will not be a place where our schools, colleges, and universities are second rate. Our Michigan will not be a state that leaves our most vulnerable people by the wayside. Our Michigan will not be a place where our families' security is threatened. There is no surer way to lose the competition for jobs than to cut the things that make us proud to call Michigan home. Instead, we must invest in the things that will allow Michigan to thrive again.

We will continue our investment in our public schools. With the improvements in our children's MEAP scores, we know our past investments are working. My budget proposes inflationary increases for public schools and institutions of higher education. The foundation allowance will increase by \$178 per pupil, which will bring the minimum allowance to \$7,263 per student. This continues the trend of investing historic amounts in our children's future.

This budget protects the safety and security of our families by investing more in local police and fire services. I am asking for \$27 million for cities, villages and townships that show a meaningful savings resulting from shared services with other units of government. In addition, I am calling for \$14 million in public safety grants to ensure that the ranks of our local police and fire fighters – those on the front line when it comes to protecting our families – will not be diminished any further. It is believed that we have 1,600 fewer law enforcement officers on the streets in our communities than we did six years ago. My budget proposal will end that trend this year.

The budget presented today continues our investment in health care and services to the most vulnerable of the state. While continuing to find efficiencies in these budgets, the Departments of Community Health and Human Services will continue to provide the critical levels of health care and assistance to those who need it most.

While this budget is predicated on new revenues that will allow us to make these vital investments in our future, this budget also requires state government to continue to seek greater efficiencies. As we continue to serve more state residents with fewer state employees than in 1973, we will find more administrative cuts in every single state department. We are restructuring government to make it lean but not mean. For example, this budget asks for prudent policy changes that will allow the Department of Corrections to save \$92 million of taxpayer dollars this year. As the implementation of these polices brings Michigan in line with other states, we will save larger amounts in years to come while continuing to lock-up those who are a danger to our families.

This budget is the spending plan Michigan needs at this critical moment in our state's journey. That moment presents us with the choice of retreating from the challenge of our times or advancing to a proud and prosperous future. If we make the right choice – if we continue to eliminate wasteful spending while continuing to invest in our people to create jobs and grow our economy – Michigan will be a great place to live, learn and earn.

But we must act and act now.

In this, our moment, with urgency and with courage, we will revitalize our beloved state, we will provide opportunity for all our citizens, and together, we will build a better Michigan.

Sincerely,



Jennifer M. Granholm
Governor

FISCAL YEAR 2008 EXECUTIVE BUDGET

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Budget Overview

OUR MOMENT, OUR CHOICE: INVESTING IN MICHIGAN'S PEOPLE

Fiscal Year 2008 Executive Budget

Governor Granholm's 2008 budget continues to move Michigan forward by investing in our greatest asset—our people. This budget builds on the Governor's economic plan by combining fundamental reforms in spending, taxing, and service delivery.

For the past six years, Michigan has lost jobs as our manufacturers have borne the brunt of globalization and failed federal trade policies. As a result, the state's revenues have declined dramatically and it is harder to support job creation and development.

In this period of economic transition, our families need access to health care more than ever. Displaced workers need job training opportunities more than ever. And our children, growing up in an era that demands knowledge and skills, need a quality education more than ever.

Last week the Governor's Emergency Financial Advisory Panel issued its report on the state's financial crisis. The report concluded that:

"A convergence of forces has brought about the most serious financial crisis in many years for Michigan's state and local governments. This is a structural challenge, not simply the result of an economic downturn. A persistently weak economy, tax cuts, spending pressures, and inattention to essential government reform have triggered the crisis. We will not economically grow our way out of it. We cannot solely cut or tax our way out of it. Fundamentally, Michigan must reform its spending and taxing and must reinvent the way state and local governments deliver services."¹

This budget reflects the kind of balanced approach to resolving Michigan's fiscal crisis that the bi-partisan panel has recommended. It addresses the state's fiscal crisis while maintaining the critical balance between investing in what attracts businesses and people and creating a tax climate that encourages growth.

The truth is simple: another round of budget cutting alone cannot solve this problem. The state must make major investments so it can compete for jobs in the 21st Century and remain a great place to live, learn, and earn.

¹ *Michigan's Defining Moment: Report of the Emergency Financial Advisory Panel*, February 2007

Michigan's Structural Budget Challenge

Michigan's structural budget deficit has been no secret over the past several years. Revenues have continued to lag behind estimates and growth has been slower than the rate of inflation. The cost of maintaining essential state services grows faster than our revenues.

No *one* factor is responsible for Michigan's structural problems. It has been a combination of many forces – forces both in and outside of state government's control. The solution to these structural budget problems requires difficult decisions. Permanent spending cuts must be made and permanent revenue solutions must be found.

One-time fixes, use of reserves and fund shifts are temporary solutions. While Governor Granholm has done much to address the structural deficit, the administration and Legislature have also made budgetary decisions that delayed permanent solutions in order to preserve critical state services.

Painful spending cuts have occurred and strides toward solving the structural problems have been made. Governor Granholm has already cut more from state government than any other Governor before her. The \$3 billion in cuts have included cuts to schools, police and fire protection, colleges and universities, arts and cultural institutions, and millions of cuts to eliminate waste in state government.

Had it not been for permanent cuts and revenue increases made over the past four years, Michigan's budget situation would be even worse. Tough decisions have been made and more are coming.

The state has also identified new sources of revenue. The tobacco tax was increased, more revenue was generated from Detroit's casinos, and many fees have been increased to support critical initiatives.

Yet we still face a major structural deficit.

Consider the facts:

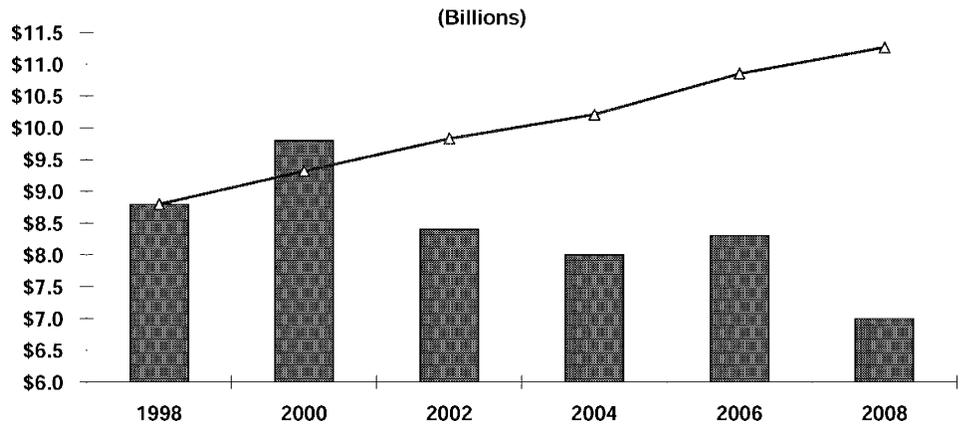
- The domestic auto market share has declined dramatically in the last 20 years and has hit Michigan harder than any other state in the nation due to our heavy reliance on the automotive industry. According to a well-respected economist, Michigan is 635 times more reliant on the auto industry than the average state.²
- While Michigan has one of the lowest overall tax burdens,³ our major tax revenues have declined since 2000, including the income and single business taxes.
- General fund revenues lag behind inflation by \$2.6 billion since 1998, and with the expiration of the Single Business Tax, will be \$4.3 billion below inflation next year. Revenue for the general fund remains at early 1970's levels when adjusted for inflation.
- Tax cuts have eliminated \$3 billion in state revenue over the past decade. At the end of this year, the single business tax will expire and reduce general fund revenue by nearly \$2 billion.

² George Fulton, *Research Seminar in Quantitative Economics at the University of Michigan, January 2007*

³ *Michigan Economic Competitiveness and Public Policy, W.E. Upjohn Institute for Employment Research 2006*

Severe contractions in the state's manufacturing base have led to massive layoffs and reductions in industries and businesses that depend on manufacturing for success. As people lose their jobs, they pay less income tax and spend less – decreasing the state's tax revenue. Many turn to the state for help with health care and basic necessities for their families.

General Fund Revenues Are \$4.3 Billion Below the Rate of Inflation Since 1998



Add to this the state's aging population, the rising cost of health care for citizens and businesses, reductions in the federal government's commitments to cover services at the state level

and an increasing prison population. The result is a state with 32 percent less revenue than it had thirty years ago, but significantly more demand for public services.

Without permanent solutions, the structural problem will not be solved. Many say that we can cut our way out of the structural problems we face. With nearly 85 percent of the state's general fund budget in higher education, corrections, health care and social services to the most vulnerable, continued cuts to those areas would be devastating to the quality of life and the economy in Michigan.

Some say that state government is too big and inefficient. However, the state's workforce is at its lowest level in 34 years. *Governing Magazine* recently named Michigan one of the best-managed states in the country.

Some advise that we continue to cut taxes. Michigan is 3.4 percent below the national average when comparing the tax burden on individuals and businesses. Since 1999, Michigan's taxes as a percent of personal income have dropped from 8 percent to 6.5 percent. In addition, Michigan ranks among the lowest in the nation, when considering the tax burden on senior citizens.

Studies have also shown that cutting taxes too much has lead to poor economic performance in many states. One study specifically mentions Michigan as an example noting that:

“Contrary to the promises of tax-cut proponents, the tax cuts failed to improve those states’ fiscal and economic health, particularly after the U.S. economy ran into trouble in 2001. In fact, the big tax-cutting states generally faced *larger* fiscal problems, and have had *worse* economic performance, than other states that were more cautious about tax cuts.”⁴

⁴Center on Budget and Policy Priorities, *Tax Cuts and Continued Consequences: States That Cut Taxes the Most During the 1990s Still Lag Behind*, December 2006

The right balance must be struck between cutting taxes and investing in public services. While cutting spending can be the right thing to do – the right balance must be struck to

“In brief, the governor must do two things that are bound to excite resistance from both fellow politicians and the public: 1) cut spending, and 2) increase state revenue.”

Jackson Citizen Patriot – January 4, 2007

protect the most vulnerable. While increasing revenue can be the right thing to do – the right balance must be struck to allow our state to be competitive.

To solve our structural problem, Michigan is faced with a choice – make significant cuts to education, public safety, and services for children and seniors or change the way Michigan does

business. The Governor proposes a multi-faceted response to the structural budget challenge – an approach that will set the stage for the future of Michigan.

First, Governor Granholm will cut spending to ensure that every tax dollar is spent wisely and efficiently. The fiscal year 2008 budget contains over \$300 million in proposed budget cuts.

Second, the Governor will reform government by proposing significant changes to Michigan’s criminal justice system, and by encouraging local units of government and schools to consolidate services.

Third, she proposes restructuring our tax system to reflect the economy of the 21st century, including a new, more business-friendly Michigan Business Tax and a two-cent tax on services.

Fourth, she will invest in programs and services that are vital to our economic future – education (from preschool to college), worker training, health care, alternative energy and public safety.

Revenues

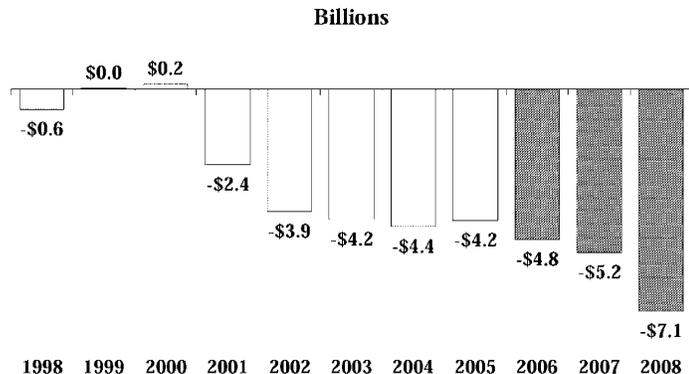
State law requires two revenue estimating conferences per year. The conferees include the State Treasurer and the directors of the House and Senate fiscal agencies. The conferees agree on baseline revenue estimates for the current year and the upcoming fiscal year for both the general fund and the School Aid Fund. The conferences are held in mid-January and mid-May. The January conference provides revenue estimates for the Governor’s budget. The May conference provides an opportunity to review the January estimates before final legislative action on the state’s budget.

Many states have constitutional or statutory provisions that limit their spending growth from year to year. Michigan has had such a constitutional provision since 1978 – which is commonly known as the Headlee Amendment. This amendment limits the annual growth in state revenues to a level that cannot exceed the year-to-year growth in personal income.

The Headlee Amendment is intended to ensure that the state's overall revenues, both tax and non-tax, do not grow faster than the incomes of Michigan citizens.

For the current fiscal year, Michigan is \$5.2 billion below the Headlee revenue limit. We will be \$7 billion under the limit in fiscal year 2008. Since Governor Granholm has been in office, we have balanced the budget despite revenues that are billions of dollars below the revenue limit.

Michigan \$7.1 Billion Below Revenue Limit



January 2007 Consensus

Fiscal Year 2007

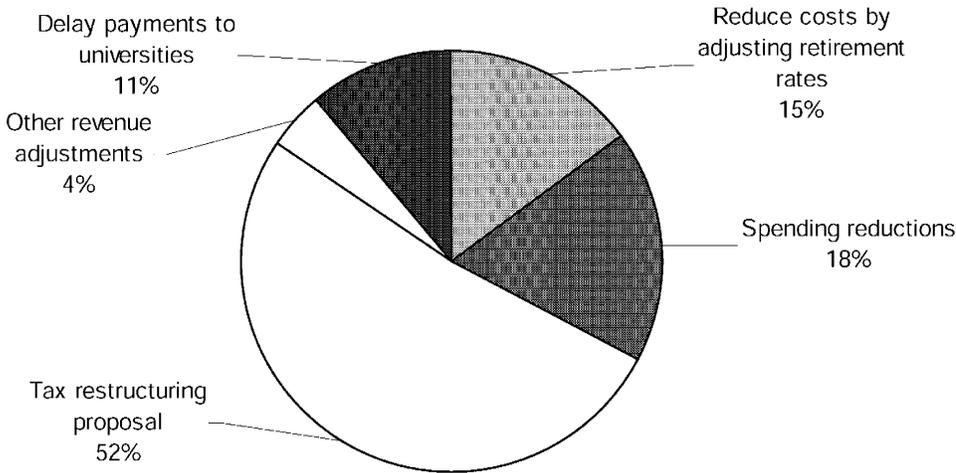
Michigan's weak employment recovery associated with the national recession of 2001 coincided with a Big Three auto market share decline. The January 2007 revenue estimating conference confirmed that state tax revenues for the current year are below the estimates used when the budget was passed. Revenues for both the general fund and the School Aid Fund are coming in well below expectations.

General Fund

At the revenue estimating conference, the principals estimated the fiscal year 2007 revenues at \$8.2 billion, which is \$234 million lower than the revenues upon which the budget was based. Other revenue problems compound the current year shortfall in the general fund, including the lack of carryforward revenues from fiscal year 2006; the anticipated escrow of tobacco settlement proceeds by major tobacco manufacturers; declines in other state revenues; and depletion of the federal Temporary Assistance for Needy Families block grant surplus. In total, the general fund faces revenue shortfalls of \$458 million.

FY 2007 GENERAL FUND BUDGET GAP	
Decrease in revenues	\$ in millions
GF Revenue Decline	234
Loss of FY 2006 Carryforward	104
Tobacco Settlement Escrow	85
Other Revenue Declines	10
Unavailable Federal revenues (DHS)	25
Subtotal - Revenue Problems	458
<u>Spending pressures</u>	
Increased prisoners	39
Increased caseloads in DHS	68
Medicaid costs	24
Anti-Viral Pandemic Flu Vaccine	16
Subtotal - Spending Problems	147
TOTAL FUNDING GAP	605

Fiscal Year 2007 General Fund Solutions



In addition there are spending pressures from increases in the prison population; increased numbers of families needing temporary cash assistance; delays in federal approval for Medicaid policy changes; and the need to purchase anti-viral drugs as protection in the event of a pandemic flu outbreak. In total, the general fund faces spending pressures of approximately \$147 million.

Governor Granholm recommends solving the total general fund problem of \$605 million with a prudent mix of solutions. Spending reductions of \$109 million are recommended. These include administrative reductions for state agencies; changes in policies for cash assistance and day care recipients in the Department of Human Services; cancellation of a new worker training academy for corrections officers; reductions in various grants; and cuts to the transportation economic development program. Changing the actuarial valuation of the state's retirement systems will reduce costs to state agencies and community colleges and save another \$93 million. Available restricted fund balances can offset general fund costs of \$27 million. The Governor also recommends delaying a portion of the August higher education payment until fiscal year 2008, thus reducing current year costs by \$69 million. In addition, a proposed tax restructuring proposal, if passed promptly, will increase current year general fund revenues by \$320 million.

School Aid Fund

As previously noted, the School Aid Fund also faces a revenue shortfall in the current year. A \$322 million revenue shortfall identified at the January revenue conference is compounded by the lack of anticipated carryforward revenues from fiscal year 2006, bringing the total shortfall to \$417 million.

FY 2007 SCHOOL AID FUND GAP	
<u>Decrease in revenues</u>	
School Aid Revenue Decline	322.0
Loss of FY 2006 Carryforward	95.0
Subtotal - Revenue Problems	417.0
<u>Spending pressures</u>	
Revised pupil counts/spec ed costs	(65.0)
Tax Tribunal Case	25.0
Subtotal - Spending Problems	(40.0)
TOTAL FUNDING GAP	377.0

This revenue shortfall is partially offset by savings from declines in the number of students and declines in special education costs. In total, the current year funding gap for the School Aid Fund is \$377 million. Preserving funding for public schools is Governor Granholm's top priority. Therefore, the Governor proposes changing the actuarial valuation of the Public School Employees Retirement System to save \$185 million and reducing expenditures for several new

categorical programs by \$5 million. These actions, coupled with swift action on the Governor's tax restructuring proposal, will protect payments to schools for the current year.

Fiscal Year 2008

The January 2007 consensus revenue conference estimated general fund revenues for fiscal year 2008 at \$7 billion, down almost 15 percent from the current year. This steep decline in revenues is largely attributable to the elimination of the Single Business Tax, which will expire on December 31, 2007. If the Single Business Tax is not replaced, the available general fund revenues next year will be \$1.2 billion *less* than the current year budget.

Fiscal Year 2008 General Fund Revenues (\$ in millions)	
Consensus Revenues	\$7,010
Revenue Sharing Freeze	\$369
Suspend County Revenue Sharing	\$204
Other Revenue Adjustments	<u>\$24</u>
Total Revenue Estimate	\$7,607

In addition, there are unavoidable fiscal year 2008 general fund spending pressures that must be addressed. The number of offenders in state prisons continues to increase; more low-income families need temporary cash assistance; Medicaid caseloads continue to rise; federal requirements are pushing state Medicaid spending

to higher levels; and debt service payments are expected to rise. These combined spending pressures increase fiscal year 2008 general fund cost estimates by almost \$350 million. Further, state employee insurance, retirement and pay adjustments, estimated to cost almost \$150 million general fund, need to be recognized. And, as previously noted, part of the August higher education payment will be delayed until October to help address the current year shortfall; the fiscal year 2008 budget will be adjusted upward to cover this repayment to the universities.

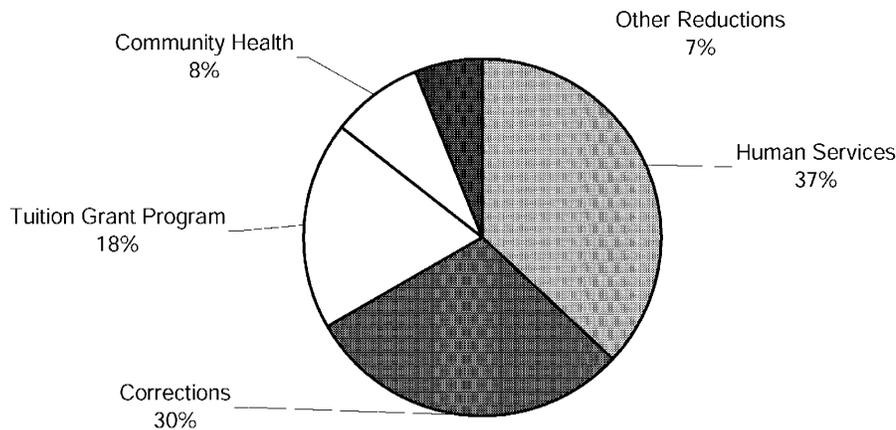
These spending pressures, combined with the revenue losses recognized at the January 2007 revenue conference, result in a total general fund budget gap in 2008 of over \$2.1 billion.

Governor Granholm has repeatedly urged the Legislature to replace the Single Business Tax. Prompt action on that request will reduce the 2008 general fund budget gap to \$1 billion.

Fiscal Year 2008 General Fund (\$ in millions)	
FY 07 Enacted Appropriations	\$9,223
Baseline Spending Adjustments	
Medicaid Benefits Trust Fund Shortfall	\$46
Tobacco Settlement Trust Fund Shortfall	\$14
HMO Actuarial Rate Increase	\$52
Human Services Caseload Increases	\$90
Human Services Federal Revenue Shortfall	\$43
Corrections Prisoner Increases	\$80
Debt Service Payments	\$20
Employee Benefit Cost Increases	\$147
Other	<u>\$4</u>
Subtotal Baseline Spending Adjustments	\$496
TOTAL BASELINE SPENDING ESTIMATE	\$9,719
Repay Higher Education 2007 Payment	69
TOTAL REVENUE ESTIMATE	<u>7,607</u>
TOTAL FY 08 FUNDING GAP	2,181

The Governor proposes \$310 million in spending reductions to help fix this funding gap. Included are significant reforms to Michigan's prison system that will reduce the state prison population while protecting Michigan residents. The reform efforts will save \$92 million in the coming fiscal year.

Fiscal Year 2008 General Fund Spending Reductions



The Governor also proposes changes in eligibility and payment policies for the cash assistance and day care programs in the Department of Human Services to save over \$80 million. The fiscal year 2008 budget again recommends that the Legislature enact an estate recovery program to save \$4.2 million in the Medicaid program, and again recommends the elimination of the tuition grant program.

The budget reduces various Healthy Michigan grants and shifts those funds to support the Medicaid program. Funding for local libraries is reduced in half to \$6 million, and transportation economic development programs are reduced by \$13 million. In addition, to continue the belt-tightening that has marked the Granholm Administration, there are administrative reductions in every state department and agency.

The Governor's tax restructuring proposal will fill the remaining budget gap and provide sufficient revenues to invest in Michigan's future. These include important investments in the state's educational system, including a 2.5 percent increase for universities and community colleges; a 2.5 percent increase in per pupil funding for K-12 schools, as well as dedicating \$200 million to significantly expand preschool opportunities for young children. In addition, the Governor recommends funding to train dislocated workers for new careers and to increase the number of nurses in this critical, understaffed health profession.

Investing in the Next Michigan

In discussing the structural budget challenge facing Michigan, the Governor's Emergency Financial Advisory Panel said that we will not grow our way out of the problem, and we "cannot solely cut or tax our way out of it." The Governor's budget recognizes this reality and proposes a mix of spending cuts and revenue increases.

Governor Granholm strongly believes that we are at a turning point for our state. We must choose to invest in our people so Michigan can grow and compete. To do this, it is necessary to raise revenues so that the state can invest in critical services that are important to our society: education, health care, public safety, and economic diversification.

The Governor's tax investment plan⁵ contains the following components:

- A Michigan Business Tax;
- A two-cent tax on services, excluding education and health care services;
- An estate tax for estates valued at \$2 million or more, excluding assets of a family-owned business or farm;
- A five-cent increase in the cigarette tax and an increase in taxes on other tobacco products;
- An increase in the mark-up applied to liquor sales;
- Closure of various tax loopholes; and
- A *reduction* in the sales tax on motor vehicles, to help families and spur automobile sales.

These revenue proposals help create a modern tax structure that fits the emerging economy of the 21st century. These additional revenues will be used to fund essential services in the state, and to invest for the future. In addition, \$200 million will be deposited into the Medicaid Benefits Trust Fund and saved for future health care needs.

"In this prolonged economic depression, tax revenue can't even keep pace with the rising costs of providing the services we expect from state government. So, the people of Michigan have to swallow hard and make some tough decisions...Change our taxes. Raise them, even."

Bay City Times - January 14, 2007

This new tax proposal will also provide funds for an aggressive one-time economic stimulus package that will invest in short-term initiatives designed to yield long-term economic growth for Michigan and get people back to work.

Investing in Michigan's Workforce

In her State of the State Address, Governor Granholm proposed a *No Worker Left Behind* (NWLB) plan that will:

- Help more than 100,000 displaced workers in Michigan;
- Provide up to two years of tuition at any Michigan community college or other approved training program at no cost to the worker; and
- Allow displaced workers to receive training while receiving unemployment benefits.

To qualify for the NWLB program, displaced workers will take a skills assessment test administered by Michigan Works! Agencies. Qualifying workers must pursue an Associate's degree or attend a technical training program in a high demand occupation, emerging industry, or entrepreneurship program.

No Worker Left Behind is a one-time offer for Michigan's displaced workers. Eligible participants have three years to take advantage of this free training. The Governor has set aside \$230 million over a three-year period for this critical component of growing our economy.

⁵See Section B for a more detailed discussion of the Tax Restructuring Proposal.

Investing in Alternative Energy Development

The Governor proposes to expand the 21st Century Jobs Fund to allow for investment in alternative energy infrastructure projects. This change will enable Michigan to offer grants of \$5,000 to \$10,000 for installation of bio-fuel pumps. This will help leverage the construction of more biofuel pumps in the state, moving us toward the Governor's goal of 1,000 biofuel pumps by the end of 2008. The fiscal year 2008 budget includes \$7 million for additional ethanol pumps throughout the state.

Governor Granholm will also target \$50 million of the 21st Century Fund over the next three years to the research, development and commercialization of alternative and renewable energy projects in the state. This targeted funding will enable qualified alternative energy companies and projects access to critical funding without having to compete with life science, hometown security or advanced automotive manufacturing projects. The funding will support our existing strengths – automotive, agriculture, engineering, and the alternative energy technologies already growing and thriving here.

Investing in Our Cities

States with diverse economies and low unemployment have vibrant cities. In addition to other elements intended to help all of Michigan's cities grow -- including investments in public safety and requiring cities to share services to save taxpayer dollars -- the Governor proposes a one-time investment in those cities that have been hardest hit by the downturn in Michigan's manufacturing economy.

In 2005, Governor Granholm unveiled "Cities of Promise," an initiative aimed at encouraging revitalization of eight of Michigan's most vulnerable cities: Benton Harbor, Detroit, Flint, Hamtramck, Highland Park, Muskegon Heights, Pontiac, and Saginaw. An integral part of the Governor's urban agenda, the Cities of Promise initiative aims to redevelop and revitalize these communities by reducing poverty, sparking economic development and investment, creating jobs, and reducing blighted neighborhoods.

The systematic removal of blight, preparation of large sites, comprehensive neighborhood revitalization strategies, and reduction of bureaucratic obstacles will attract major development back to shrinking cities and will combat the physical and psychological abandonment of cities.

The Michigan State Housing Development Authority (MSHDA) budget sets aside \$6.25 million for the Cities of Promise Blight Elimination Program. This will result in a total MSHDA allocation of \$25 million over four years, with the potential of an additional \$25 million in private and local funds.

Investing in Nurses

Michigan's nursing shortage is estimated to be 18,000 by 2015. Addressing this problem has been a high priority for Governor Granholm. She understands that the nursing shortage is both a public health concern and an economic development opportunity in Michigan. That is why she has invested in innovative strategies to create a high-quality nursing workforce that meets the health care needs of communities across the state.

To date, the Governor has invested \$30 million in funds through the MI Opportunity Partnership with Michigan universities and community colleges for innovative programs to produce additional nursing graduates. In addition, twelve of Michigan's Regional Skills Alliances across the state are focused on recruitment, employee development, retention, and collaboration in health care professions including nursing. Michigan is leading the nation in efforts to address the nursing shortage and the future workforce needs of the state.

Understanding that efforts to address the state's nursing shortage will require an investment in nursing faculty to prepare the next generation of nurses, Governor Granholm unveiled the Michigan Nursing Corps in her State of the State address to train new nurses in Michigan. This initiative will increase the number of faculty available to educate nurses in traditional and accelerated second-degree nursing education programs and will prepare enough nursing educators to train 3,000 new nurses in three years.

Governor Granholm's strategic plan to address the nursing shortage will accelerate the education of nursing faculty, prepare staff nurses as clinical instructors in an expedited manner; and increase graduates of accelerated second-degree nursing programs. These new initiatives will provide tuition and stipends, in exchange for a commitment to stay in Michigan to teach and practice. Michigan will invest \$45 million over the next three years in this initiative.

Promoting Michigan

The Governor's budget proposes increases in the Pure Michigan and The Upper Hand marketing campaigns to show the nation that Michigan is the best place to live, learn and earn. The budget proposes funding both regional and national promotion of Michigan tourism with an additional \$10 million annually for three years. Michigan will use these funds to promote itself in the Midwest region and reach a national audience via cable television, travel and other magazines, and on-line marketing. This investment will generate new visitor spending at Michigan businesses and return millions to the state in annual tax collections.

Reforming Our Government

Since taking office, Governor Jennifer Granholm has resolved more than \$4 billion in budget deficits, including more than \$3 billion in budget cuts. State government operates with fewer employees than at any time since 1973. The Governor has continued to eliminate waste, fraud and abuse. From selling state-owned cars and planes to cutting back on state cell phone use and turning off the lights at night in state buildings, the Governor has left no stone unturned in her fight against unnecessary spending. In her State of the State Address, Governor Granholm pledged to continue to wage war on waste, finding new efficiencies wherever possible to enable state government to work better for less.

State Government is Smaller

<u>Fiscal Year</u>	<u>Governor</u>	<u>Number State Employees</u>	<u>Non-Corrections State Employees</u>
1973	Milliken	52,673	50,316
1978	Milliken	64,456	59,990
1989	Blanchard	64,560	52,038
1999	Engler	60,066	43,003
2000	Engler	61,493	43,841
2006	Granholm	52,259	35,813

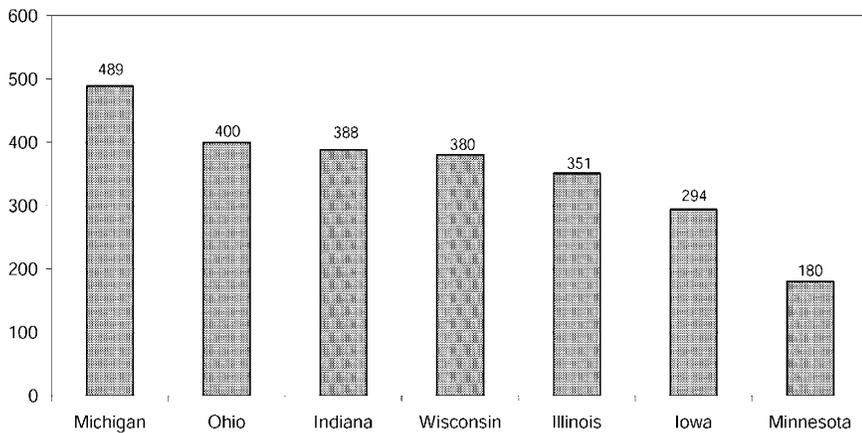
Reforming Our Prison System

Michigan's prison system is clearly out of step with its Midwestern neighbors. In 2005, the last year for which comprehensive prison population statistics are available, Michigan had 49,546 state prisoners; a prison incarceration rate of 489 prisoners per 100,000 Michigan residents. This rate is 28 percent higher than the Midwest average of 383 prisoners per 100,000 residents. Yet, Michigan's significantly higher prison incarceration rate has not translated into significantly lower crime rates; in fact, the crime rates are virtually identical in neighboring states.

To provide the most cost effective and safe prison system for the state of Michigan, the Governor recommends comprehensive corrections policy reform. In proposing these sensible reforms, the Governor keeps the safety and security of Michigan families as the first priority. Implementation of these reforms will achieve savings of \$92 million in the Corrections budget during the coming fiscal year. These savings will be accomplished by reinvesting \$30 million in additional parole supervision and community resources.

These comprehensive policy recommendations address the growing prison population in four ways: it continues and expands the successful Michigan Prisoner Re-Entry Initiative;

2005 Prison Population Per 100,000 Residents



closely examines specific prisoner subpopulations for potential clemency and consideration for parole; recommends changes in sentencing guidelines for non-violent offenders; and implements the Community Placement Program.

The Governor's budget reinvests \$20 million to conduct a statewide roll-out of the Michigan Prisoner Re-Entry

Initiative, which utilizes a state and community partnership to provide risk assessment, parole planning, and program delivery to yield better parole outcomes that gradually lead to increased parole approval rates. A successful pilot project demonstrated a 21 percent improvement in recidivism rates.

Certain types of prisoners will be carefully reviewed for potential clemency that could lead to parole consideration. Among the prisoners that may be considered for clemency are medically fragile prisoners with rapidly deteriorating health, and elderly prisoners who would not pose a risk to the community if released. Prisoners with foreign citizenship who could be deported to their home countries by the federal government will also be considered for clemency.

Sensible changes to sentencing guidelines are part of the Governor's recommendation. The Governor proposes to change the sentencing guidelines to punish more non-violent offenders at the local level, rather than in the state prison system.

A key component to achieving the \$92 million in savings is the introduction of the Community Placement Program. This program will allow non-violent prisoners who are nearing their release or parole date to be strictly supervised in the community through electronic monitoring tethers and placement in corrections centers. By utilizing the comprehensive parole planning tools and community resources, it will allow for successful transition of offenders back into their communities, while maintaining strict department oversight.

“Michigan especially needs to remake its sentencing and parole policies, a reform that could yield sizable savings in bed space.”

Detroit Free Press - January 21, 2007

Reforming Local Government and Schools

Cutting waste and creating efficiencies in state government is essential to keep spending in check with declining revenues. The Governor’s budget asks Michigan’s 83 counties, 533 cities and villages, 1,242 townships, 552 school districts, and 57 intermediate school districts to do more to share and consolidate resources.

In addition to continuing the freeze of local revenue sharing at current year levels, the Governor is proposing a 2.5 percent increase, or \$27.2 million for cities, villages and townships that show meaningful efficiencies through sharing services with other units of government.

The Governor is also asking school districts to cut costs by sharing and consolidating services at the county and regional level. Consolidating business services, administrative personnel and instructional services within intermediate districts is encouraged by making available \$10 million in one-time funding. This funding will pay for necessary transition costs for local school districts that establish service-sharing agreements with their intermediate school districts. Governor Granholm proposes that next year’s budget will include penalties for schools that fail to meet this reasonable expectation.

Reforming the Child Welfare System

As part of Michigan’s commitment to children, Governor Granholm’s fiscal year 2008 budget makes a significant investment of \$40 million for improvements in Michigan’s child welfare system. Child welfare services are provided to 19,000 children in the foster care program. Investing new resources will add additional workers to ensure that more children are placed in safe, permanent homes, while demanding more accountability from anyone who plays a role in the system and allowing for more aggressive monitoring of foster homes.

Education

The one prescription for economic growth that respected economists and experts across the country agree upon is a skilled and educated workforce. This means we must create a culture of education that is unprecedented in Michigan's history - a culture of learning from cradle to grave. This is the foundation of our economic plan.

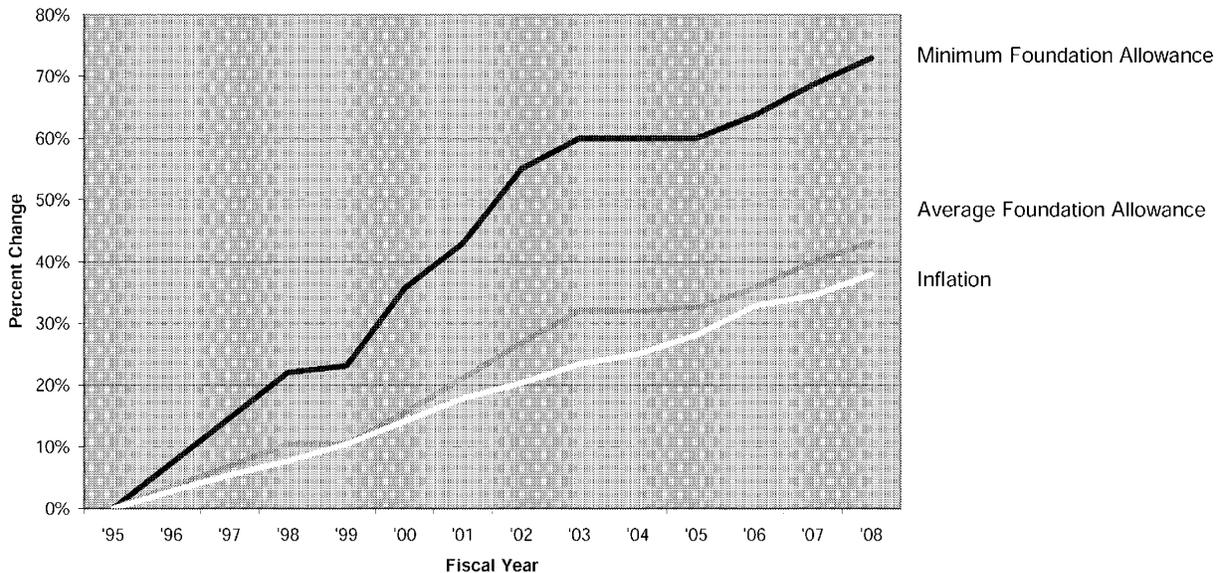
Governor Granholm's 2008 budget will invest an estimated \$15.5 billion in educating Michigan citizens through its public schools, community colleges and universities. In addition, public schools and community colleges will receive \$4.5 billion from local property taxes.

School Aid

The Governor's school aid budget for the coming year will provide funding for a foundation allowance increase of \$178 per pupil. This increase is equal to the rate of inflation at 2.5 percent. The minimum foundation allowance for 2008 will be \$7,286 per pupil. Nearly \$9.9 billion is dedicated to this per pupil funding.

Pupil counts are predicted to decline significantly over the next several years. The Executive Budget is predicated upon another steep decline - over 15,000 - comparable to the drop experienced in the current year. As a result, declining enrollment payments are increased by \$16 million to \$36 million to provide transition payments while districts downsize to serve smaller numbers of students. Over 60 percent of districts across the state are expected to access this critical pool of funds. The middle school math initiative is eliminated to support these additional payments.

Since Proposal A, Per Pupil School Funding Has Exceeded Inflation



The Executive Budget also begins the first step in a journey toward universal preschool for all four-year-olds by providing foundation allowances to districts that offer full-day preschool programs for academically at-risk four-year olds. Districts that choose to offer these programs will also be required to provide full-day kindergarten. Funding for all types of preschool programs is increased by \$200 million to a total of nearly \$300 million.

"The MEAP results make clear that Michigan's students are gaining ground. Jeopardizing their ability to continue the momentum, especially at a time when standards are getting even tougher, should be the absolute last resort. By many estimates, the state should be increasing K-12 aid."

Detroit Free Press - January 26, 2007

Continuing our investment to prepare young people for emerging sectors of the new economy, grants to consortiums of intermediate districts, postsecondary institutions and hospitals are increased by \$2 million to \$4 million to create additional middle colleges that provide students with both a high school diploma and a college degree, preparing them for careers in the health sciences.

Colleges & Universities

To make Michigan more competitive, the Governor's budget continues to invest in one of the state's largest economic catalysts - its universities. Every university will receive a 2.5 percent inflationary increase, totaling \$36.6 million. For the first time, Michigan's three flagship universities - Michigan State University, University of Michigan-Ann Arbor, and Wayne State University - are funded in a separate research university appropriation bill recognizing their unique contribution to the state's economy. These institutions will be required to annually report on their contributions to Michigan's economy through patents, inventions, spin-off businesses and attracting international students and investments. The fiscal year 2008 budget provides an across the board inflationary increase of 2.5 percent or \$7.1 million for community college operations as well.

Health and Human Services

Governor Granholm is committed to protecting Michigan's most vulnerable citizens. To this end, the Governor supports several high priority health and human services programs in her fiscal year 2008 budget, including Medicaid, the new Michigan First Health Care plan and the expansion of the Jobs, Education and Training (JET) program.

Community Health

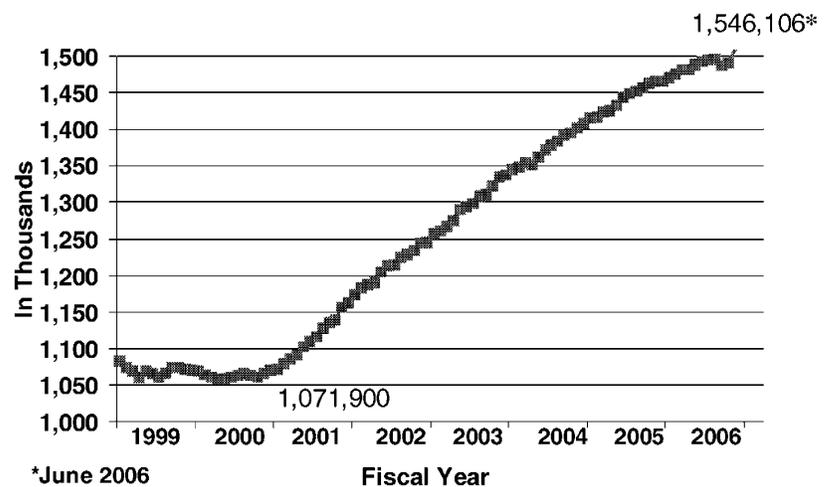
The Michigan Medicaid program is a foundation of the social safety net for low-income families and vulnerable adults. The Governor has fought tirelessly to protect Medicaid from damaging cuts during her time in office. By providing coverage to 1.6 million people, of which nearly 900,000 are children, the program ensures that low-income families, the elderly, and the disabled receive high-quality, cost-effective health care,

while reducing the burden of uncompensated care costs on providers. To illustrate Medicaid spending, children make up 55 percent of the Medicaid population while they are only 21 percent of the spending. However, the elderly and disabled make up 24 percent of the Medicaid population and 64 percent of the spending.

While the program has seen unprecedented growth in caseload and expenditures over the past four years, Governor Granholm has worked to control costs and increase efficiency through continued support for managed care and new innovative policies to reduce fraud, waste, and abuse. As a result, growth in per beneficiary spending has been held well below that of commercial health insurers, even as the Medicaid population served continues to grow. The Governor’s budget includes \$7.5 billion for the medical and long-term care portions of the Medicaid program, a three percent increase from the current year, which will provide health care services to one out of every seven state residents.

The Michigan First Healthcare Plan was first announced in the Governor’s 2006 State of the State address and is the centerpiece of Governor Granholm’s overall goal of making quality health care accessible to all Michigan residents. By partnering with insurers, the business community, and health care providers, the Michigan First Healthcare Plan will create a competitive, market-based “Health Insurance Exchange” to expand access to more than 500,000 low-income parents and adults. The Department of Community Health anticipates receiving federal approval for the Michigan First Healthcare Plan this spring with implementation in 2008. The Governor’s budget includes \$100 million in federal funds to implement this critical program in Michigan.

**Michigan Medicaid Caseload
Continues to Increase**



Medicaid caseload has increased by over 474,000 since 2000.

Also included in the 2008 budget recommendation is \$2.7 billion for mental health funding; \$1.2 billion to reimburse hospitals for care to low-income patients; \$128 million to fund the Adult Benefit Waiver Program for low income adults; and \$452 million for health and disease prevention programs.

Jobs, Education and Training (JET)

The Governor’s Jobs, Education and Training (JET) Program provides employment and training service to Michigan’s low-income cash assistance recipients. JET encourages independence from public assistance and will help meet federal work participation requirements for Family Independence Program (FIP) recipients. JET provides enhanced and integrated service delivery to FIP applicants and recipients, including a

comprehensive intake process, family employment and training services, and post-employment support services. A partnership between the Department of Human Services and the Department of Labor and Economic Growth to evaluate client needs and provide services is a key element in JET's success. Four JET pilots were started in 2006 and expanded to half of the state in 2007. Under Governor Granholm's budget, full statewide implementation will occur in the 2008 fiscal year, helping 10,000 individuals find jobs and saving \$34 million.

What Does \$3 Billion Buy?

This budget lays out the Governor's vision for addressing the state's structural funding problems. It involves a responsible mix of spending reductions, government reforms, revenue enhancements and investments in the future.

Some argue that the only way to address our budget problems is to cut government programs. But would that be responsible? Facing a combined \$3 billion budget shortfall in fiscal years 2007 and 2008, what would \$3 billion in cuts look like? Would we want to live in Michigan, or do business in Michigan, if we had to cut spending by \$3 billion?

State government would have to eliminate many essential programs and services in order to save \$3 billion dollars⁶. For example:

Eliminating all state support for Michigan's 15 universities would save	\$1.5 billion
Eliminating all state support for Michigan's 28 community colleges	\$280 million
Releasing 15,000 prisoners	\$454 million
Eliminating day care services for 116,500 children	\$162 million
Laying off over 1,000 State Police Troopers	\$80 million
Eliminating Medicaid for 20,500 elderly in nursing homes	\$390 million
Ending all scholarships and college grants	\$105 million
Ending food safety inspections	\$7 million
Closing Veterans Homes that serve over 900 veterans	\$22 million
Total	\$3 billion

⁶ All amounts are in general fund dollars.

Governor Granholm does not believe that we can responsibly cut our way out of this problem. She has a different vision for Michigan. Her budget proposes a different alternative to relying solely on cuts to address the current, and long-term, problems that Michigan is facing. Her budget leads us toward the future.

Conclusion

As a state, we have a choice to make – a choice that poses tremendous challenges and tremendous opportunities. We have the opportunity to invest in public services and Michigan’s future. We can choose to invest, or we can cut our way to the bottom. Governor Granholm believes that we can guide our state through an economic transformation that preserves essential services and invests in the future.

The choices this budget makes are united by this common thread – they will help Michigan create and retain good-paying jobs. From creating jobs to improving schools to expanding access to health care, to safer communities – this balanced budget invests in people to move Michigan forward.

In the end, it comes down to this: if we want others to invest in Michigan to create the jobs we need today and tomorrow, we must *invest* in the state’s number one asset: its *people*.

We must act boldly. We must act now.

TAX RESTRUCTURING PROPOSAL

Tax Restructuring Proposal

Governor Granholm strongly believes that we are at a turning point – a decisive moment in Michigan’s history. We must choose to invest in our people so Michigan can grow and compete. So we can build a Michigan where our children choose to raise their own families and where every citizen has the opportunity to have a good job and enjoy a good life.

The Governor believes this investment strategy will lead us to a better Michigan.

The two principal features of her investment proposal are the Michigan Business Tax, revised to reflect suggestions by the business community, and a two-cent tax on services other than education services and health care. With this proposal Michigan business taxes will remain below the national average and combined total state and local business and individual taxes will remain below the national average. Because of a sales tax break for new car trade-ins, most families that trade their car in for a new car in the next four years will see an overall tax cut under this proposal.

In the nineties, tax cuts were enacted on the premise that the good economic times would be long lasting. However, the economic picture in Michigan deteriorated rapidly after the tax cuts were enacted. In March of 2001, the U.S. economy went into recession and the U.S. economy did not start adding jobs again until the fall of 2003. In Michigan, the national recession and weak employment recovery coincided with a wrenching Big Three market share adjustment in which their market share fell from 68 percent to 54 percent. Between 1999 and 2006, the drop in market share has resulted in a steep drop in manufacturing employment, with employment in this sector falling by 269,000 jobs.

The economic downturn combined with the tax cuts has had a profound negative effect on state revenues. General fund revenues for fiscal year 2007 and 2008 are forecast to be below the level they were at in fiscal year 1997. In fiscal year 2007, the state’s income tax is expected to raise 12.5 percent less than it did in 2000, and the SBT is expected to raise 19.5 percent less. Michigan’s revenues, which were at the Constitutional limit in fiscal year 1999, are projected to be \$7 billion below the limit in the coming fiscal year.

Elements of the Plan:

The Governor’s investment plan contains the following components:

- The Michigan Business Tax
- A two percent tax on services, excluding education and health care services
- A federally decoupled estate tax applicable to about 350 estates each year
- An increase in the tax on other tobacco products and a five cent increase in the rate on cigarettes
- An increase in the liquor mark-up percentage
- Elimination of certain tax loopholes
- A sales tax break for people based on the value of the car traded in for a new vehicle.

A Modified Michigan Business Tax:

Making Michigan's business climate more competitive continues to be a key component of Governor Granholm's comprehensive economic plan. The Governor believes it is time for a competitive, pro-growth business tax that is fair, simple and stable.

The Michigan Business Tax, as revised, continues to follow these principles:

- Create a business tax with the *broadest base* and the *lowest tax rate* possible
- Provide *substantial personal property tax relief* to industrial and commercial taxpayers
- Eliminate the tax on payroll, benefits and health care
- *Preserve economic development tools* to help attract new jobs and investment
- Spread the tax fairly to all types of business organizations while maximizing the number of businesses receiving a tax cut
- The MBT with revisions represents a \$480 million tax cut from revenue neutral SBT
- Make the tax simpler.

Excise Tax on Services:

Michigan's sales tax is levied generally on the sale of tangible personal property, with a few exceptions. The use tax is levied on the use or consumption of tangible personal property and a handful of specific services. Tangible personal property that was subject to the sales tax is exempt from the use tax.

During the past 30 years, the structure of the economy has changed as services have become a larger part of overall economic activity. In 1975, service industries accounted for less than 33 percent of all national income and manufacturing accounted for 23 percent. In 2005, service industries accounted for 52 percent of national income, while manufacturing industries accounted for less than 13 percent. Employment has also changed. As recently as 1990, 25 percent of all Michigan employees worked in goods-producing industries, while 75 percent worked in service-providing industries. By 2005, 80 percent of all Michigan workers were employed in service-providing industries, with only 20 percent of Michigan workers remaining in goods-producing industries. As the economy has shifted from producing goods to providing services, Michigan's tax system has failed to shift and has remained dependent on taxing goods to provide much of the revenue necessary to support education, health, and public safety programs.

Because the current sales tax is levied almost exclusively on the consumption of goods, and not services, there is a disparity between the taxation of certain types of purchases. In addition, as economic activity has shifted from goods and toward services, the tax structure struggles to provide the revenue necessary to maintain government services as less and less overall economic activity is subject to tax. In 1978, 50 percent of retail sales were subject to tax; now

only 39 percent are subject to tax.

The Governor's proposal levies an excise tax on most services at a 2 percent tax rate. The tax would be imposed on services consumed or used by consumers and businesses in Michigan. The low tax rate would apply to a broad base of service activity, reducing the economic impact of the new tax. Examples of activities subject to the new tax would include most entertainment activities, repair and maintenance services, construction services, legal and accounting services, landscaping and lawn care, and personal care services.

Governor Granholm believes that health care and education services should be exempt. The proposal would also exempt services purchased by the federal government, state and local governments, and school districts. Services purchased by non-profit organizations would generally be exempt if the service was related to the organization's main purpose. In addition, services that involve scientific research and development or computer systems design would not be subject to the tax. The tax would also not apply to admissions to zoos, museums, or historical sites.

The tax would be effective on June 1, 2007, and would raise approximately \$477 million in fiscal year 2007 and \$1.47 billion in fiscal year 2008. Most of the revenue would come from services consumed primarily by businesses, limiting the impact on individuals.

Here are some examples of how this might affect you:

- A \$25 pedicure – tax 50 cents
- A \$35 greens fee at golf course – tax 70 cents
- Theater tickets for \$100 – tax \$2
- \$250 labor charge on vehicle repair – tax \$5
- A monthly cable TV bill of \$50 – tax \$1
- \$1,000 attorney fee for business client – tax \$20
- \$50,000 consulting fee – tax \$1,000

Sales Tax on the Difference:

Most new vehicle purchases involve the sale of a used vehicle. Michigan is one of only a few states that allow no trade-in allowance on new vehicle purchases. For a buyer trading in a one-year-old vehicle, the value of the used vehicle may cover 2/3 of the cost of the new vehicle, and the buyer's out-of-pocket cost is only 1/3 of the new vehicle price. But Michigan requires buyers to pay sales tax on the full price of the new vehicle. In the example, the sales tax would equal 18 percent of the buyer's out-of-pocket cost. Allowing a trade-in allowance for new vehicle purchases will encourage new vehicle purchases in Michigan and bring another part of Michigan's tax structure in line with nearly all other states. The proposal saves taxpayers \$180

Tobacco Products:

The current tax rate on other tobacco products (OTP) is 32 percent of the wholesale price – which is significantly lower than the current tax rate on cigarettes. The cigarette tax of \$2 per pack averages between 80 and 150 percent of the wholesale price on a percentage basis, depending on whether the cigarettes are a premium or a discount brand. This significant tax differential has created an incentive for consumers to substitute tobacco products taxed as OTP for cigarettes. In addition, manufacturers have created new products that share many of the characteristics of cigarettes (white wrapping paper, filters, and packs of 20) but are sold as “little cigars.” These products have a considerable price advantage due to the different tax rates assessed on OTP compared to cigarettes, and it appears these little cigars have experienced increased sales while cigarette sales have declined. The proposal doubles the tax on OTP and raises \$36.6 million annually. The five cent increase on the cigarette tax will generate \$21 million for 2008.

Liquor Markup:

The Michigan Liquor Control Commission (MLCC) is, by law, the wholesaler of all spirits in Michigan. Suppliers request approval from the Commission to have products available for sale in Michigan, distributed by the Commission.

The MLCC currently sells liquor with a 65 percent markup prior to selling to licensees. This markup represents approximately 20 percent of the retail price of liquor. Any profits from the sale of liquor are transferred to the state’s general fund. The current proposal would raise the liquor markup to 75 percent. The increase in the markup rate would raise the retail price a small amount (less than 5 percent) and would increase the revenues to the School Aid Fund by approximately \$29 million.

Decoupling from the Federal Estate Tax:

The Governor is once again proposing preserving Michigan’s estate tax to retain state revenues that have been lost solely as a result of federal tax policy.

In 2001, the federal tax code was changed, providing a 10-year phase-out of the federal estate tax and, more importantly, repealing the state pickup tax by 2005. During this 5-year phase-out, the credit for state estate taxes was reduced by 25 percent each year starting in 2002 and completely eliminated in 2005.

At least 18 states and the District of Columbia have decoupled from the federal estate tax and made changes allowing their current estate tax levies to remain in effect. Governor Granholm’s fiscal year 2008 budget proposes that Michigan join these states to insure the state’s tax code is independent and no longer affected by federal changes.

The Governor is proposing that Michigan’s estate tax law be based on the federal code that was in effect prior to the 2001 federal tax changes. Estates valued at \$2 million or more are subject to the state’s estate tax if the decedent’s death is after April 1, 2007; no taxes are levied for

estates valued at less than \$2 million. Assets attributable to family owned businesses, including farms, are excluded from taxation under this proposal. Michigan's estate tax law is expected to affect approximately 350 estates. Making this change effective April 1 will generate about \$119 million in the coming fiscal year.

Eliminating Corporate Tax Loopholes:

Food Sold through Vending Machines

Food for immediate consumption is subject to sales tax and under current law, heated or chilled food sold through vending machines is subject to this tax. However, food products sold near room temperature, milk, and nonalcoholic beverages are not subject to the sales tax even yet these products are generally intended for immediate consumption. Taxing all food products sold through vending machines generates \$27.2 million: \$7.2 million in general fund revenue and \$20 million in School Aid Fund revenue.

International and Certain Interstate Communications

Certain interstate telecommunication services are exempt from the use tax, including toll-free numbers, WATS services, interstate private networks, and international calls. It is not consistent to tax calls made within the state, or between states, but not tax calls made to other countries. A call to Sault Ste. Marie, Michigan is taxed; a call to Sault Ste. Marie, Ontario is not taxed. Requiring the use tax to be paid on telecommunication services that are placed or received in Michigan and billed to a Michigan service address or phone number generates fiscal year 2008 savings of \$22.8 million: \$15.2 million in general fund revenue and \$7.6 million in School Aid Fund revenue.

Single Business Enterprise (Affiliate Nexus)

Some large businesses have organized their divisions into separate legal entities outside of Michigan to avoid Michigan taxes because they now have insufficient connection to the state. For example, a large chain of stores that has retail outlets in Michigan but also sells on its website could reorganize and form a separate internet business located completely in another state and channel sales into Michigan without collecting sales or use tax. Under this proposal, an out-of-state single business enterprise would be subject to tax if it shares a trademark or trade name with a related Michigan business; if the Michigan and out-of-state businesses pay for each other's services in whole, or in part; or if the Michigan and out-of-state businesses share a common or substantially coordinated business plan. Creating these standards for affiliate nexus to ensure collection of taxes generates fiscal year 2008 savings of \$3.6 million: \$2.4 million in general fund revenue and \$1.2 million in School Aid Fund revenue.

Interstate Trucks and Trailers

The purchase or use of trucks, trailers, and parts is normally subject to the sales or use tax. However, the tax does not apply if as little as 10 percent of miles traveled occur outside of Michigan. That portion of the usage that occurs in Michigan would be subject to tax under this proposal. Taxing the Michigan share of usage generates fiscal year 2008 savings of \$16.9 million: \$11.3 million in general fund revenue and \$5.6 million in School Aid Fund revenue.

Purchases made by Department of Corrections Inmates

Purchases made by inmates from prison stores located in Department of Corrections prison facilities are not subject to the sales tax. Requiring that sales tax be collected on all prison store purchases generates fiscal year 2008 savings of \$700,000: \$200,000 in general fund revenue and \$500,000 in School Aid Fund revenue.

Tax Treatment for Commercial Rental Property

A 2002 Michigan Supreme Court decision (*WPW Acquisition v City of Troy*) barred complete implementation of 1994 Proposal A legislation regarding property taxation on commercial rental property. That legislation provided that in calculating the cap for determining the taxable value of commercial rental property, both increases and decreases in occupancy would be treated differently from market value changes affecting other types of property. The Michigan Supreme Court ruled that an increase in value due to an increase in a commercial rental property's occupancy could not be used to increase the property's taxable value beyond the constitutional assessment cap established by Proposal A. As a result of this court decision, commercial rental property taxes are based on occupancy decreases and are not adjusted upward if the property's occupancy rate increases. Removing commercial rental property from the General Property Tax Act and creating a new specific tax generates fiscal year 2008 savings of \$5 million in School Aid Fund revenue.

Insurance Company Out-of-State Purchases

Under current law, insurance companies pay a tax under the Single Business Tax that is in lieu of all other taxes except taxes on real and personal property. This "in lieu of" provision exempts insurance companies from the use tax on items purchased from out-of-state retailers and from the sales tax when they sell property at retail. As a result, Michigan retailers are at a competitive disadvantage with out-of-state retailers and insurance companies are granted a competitive advantage when acting as a retailer. Eliminating the insurance companies' incentive to make purchases from out-of-state retailers generates fiscal year 2008 savings of \$3.7 million: \$2.5 million in general fund revenue and \$1.2 million in School Aid Fund revenue.

Oil and Gas Income Double Deduction

Under current law, oil and gas activities in Michigan are taxed under the severance tax and, in return, the income from these activities is not subject to Michigan income tax. The Michigan income tax uses the federal adjusted gross income (AGI) as the starting point. AGI includes the net amount of business income after all business expenses have been subtracted. Since the income from oil and gas production is not subject to Michigan income tax, the net amount of oil and gas income should be subtracted from the AGI. However, Michigan courts have allowed oil and gas producers to take a different deduction from income. Certain indirect costs, such as depreciation expenses, are allowed a separate deduction from AGI, creating a double tax advantage for this group of taxpayers. Eliminating the double deduction generates fiscal year 2008 savings of \$3.9 million: \$2.9 million in general fund revenue and \$1 million in School Aid Fund revenue.

Penalties for Certain Delinquent Taxpayers

In 2002, penalties were reduced for taxpayers that fail to file a tax return, or pay a tax on time, or pay a tax with a check that bounces. Almost half of the penalties are assessed on sales tax or income tax withholding which businesses collect from customers or take out of employees' paychecks and then fail to pay to the Department of Treasury. Restoring penalties for these late payments of certain income tax withholding, sales tax, and use tax, generates fiscal year 2008 savings of \$5.1 million in general fund revenue.

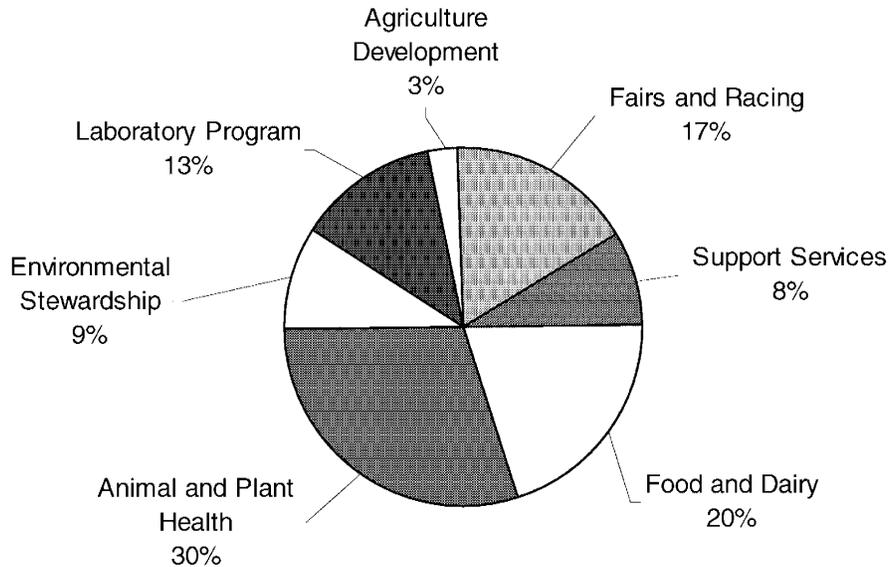
Department Detail

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Department of Agriculture

The Department of Agriculture (MDA) provides services to the Michigan food and agriculture community through a variety of food safety, environmental protection, and animal and plant health programs. *The Governor's proposed budget for fiscal year 2008 recommends total funding of \$105.3 million, of which \$28.9 million is general fund.*

MDA Programs Protect the Public Health and the Environment



Total: \$105.3 million

Highlights of Governor's Budget Recommendation for MDA

- \$21.1 million supports food safety programs, including \$8.9 million in grants to local public health departments.
- \$31.2 million supports animal and plant health activities.
- \$10.1 million is dedicated for environmental protection efforts.
- \$3.0 million is spent to promote Michigan agricultural products throughout the world, an increase of \$625,000 over the current year.
- \$18.0 million supports the racing industry and local fairs.

**Fiscal Year 2008 Governor's Recommendation
Department of Agriculture
(\$ in Thousands)**

	FY06 Appropriation	FY07 Current Law	FY08 Recommendation
GF/GP	\$28,887.7	\$30,913.3	\$28,895.3
All Funds	\$121,052.4	\$113,628.8	\$105,337.9
	% Change - GF/GP	7.0%	-6.5%
	% Change - All Funds	-6.1%	-7.3%

Programs	GF/GP	All Funds
Pesticide and Plant Pest Management	\$4,709.6	\$23,535.2
Food and Dairy	\$9,042.6	\$21,082.8
Fairs and Racing	\$0.0	\$17,970.0
Laboratory Program	\$2,912.6	\$13,302.2
Environmental Stewardship	\$1,982.0	\$10,101.4
Support Services	\$4,696.8	\$8,684.9
Animal Industry	\$4,200.3	\$7,684.3
Agriculture Development	\$1,351.4	\$2,977.1
Total FY 2008 Recommendation	\$28,895.3	\$105,337.9

Community Colleges

Michigan's 28 community colleges each year provide over 400,000 residents with affordable access to postsecondary education opportunities. *The Governor's proposed budget for fiscal year 2008 recommends total funding of \$297.4 million, all general fund.*

Highlights of Governor's Budget Recommendation for Community Colleges

- Aid for college operations increases by 2.5 percent to \$290.7 million.

Community College Operations (\$ in Thousands)	FY2008
Alpena Community College	\$5,027.4
Bay de Noc Community College	5,073.6
Delta College	13,641.9
Glen Oaks Community College	2,291.4
Gogebic Community College	4,145.5
Grand Rapids Community College	17,125.0
Henry Ford Community College	20,838.3
Jackson Community College	11,516.0
Kalamazoo Valley Community College	11,806.6
Kellogg Community College	9,263.4
Kirtland Community College	2,817.8
Lake Michigan College	4,994.4
Lansing Community College	29,613.1
Macomb Community College	31,618.5
Mid Michigan Community College	4,213.2
Monroe County Community College	4,110.0
Montcalm Community College	2,962.3
C.S. Mott Community College	14,952.2
Muskegon Community College	8,499.7
North Central Michigan College	2,880.7
Northwestern Michigan College	8,667.1
Oakland Community College	19,972.1
St. Clair County Community College	6,698.1
Schoolcraft College	11,678.2
Southwestern Michigan College	6,274.1
Washtenaw Community College	11,981.6
Wayne County Community College	15,820.0
West Shore Community College	2,189.1
Total	\$290,671.3

- Maintains \$3.3 million to assist academically at-risk students.
- Provides \$3.4 million to reimburse colleges that lose property tax revenue as a result of the establishment of Renaissance Zones.

**Fiscal Year 2008 Governor's Recommendation
Community Colleges
(\$ in Thousands)**

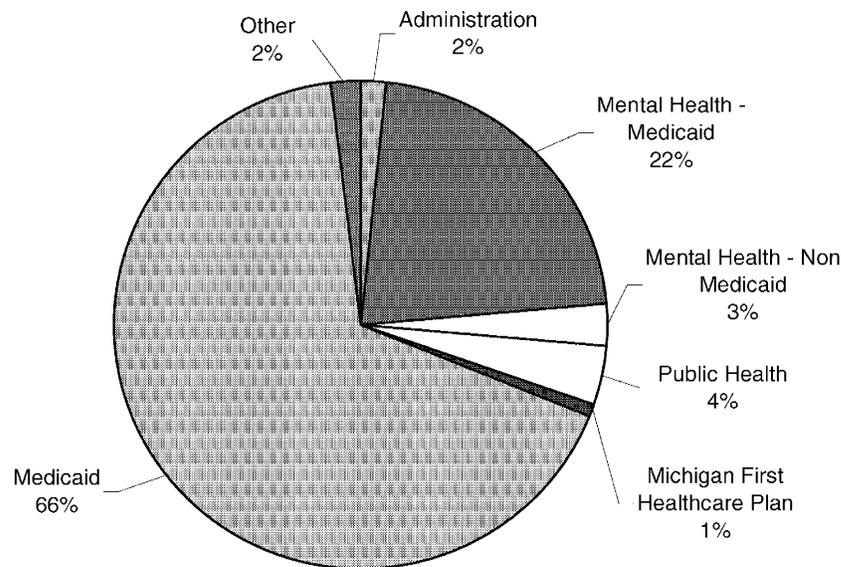
	FY06 Appropriation	FY07 Current Law	FY08 Recommendation
GF/GP	\$281,552.4	\$289,879.4	\$297,369.0
All Funds	\$281,552.4	\$289,879.4	\$297,369.0
	% Change - GF/GP	3.0%	2.6%
	% Change - All Funds	3.0%	2.6%

Programs	GF/GP	All Funds
Community College Operations	\$290,671.3	\$290,671.3
Renaissance Zone Tax Reimbursement	\$3,375.0	\$3,375.0
At-Risk Student Success Program	\$3,322.7	\$3,322.7
Total FY 2008 Recommendation	\$297,369.0	\$297,369.0

Department of Community Health

The Department of Community Health (DCH) is responsible for health policy and management of the state's publicly funded health care systems. These programs include Medicaid health coverage for those with limited incomes; mental health services for people who have a mental illness or developmental disability; services for individuals who need substance abuse treatment; and services provided through local public health operations. The department also provides services to promote the independence and preserve the dignity of Michigan's elderly through the Office of Services to the Aging. *The Governor's proposed budget for fiscal year 2008 recommends total funding of \$11.5 billion, of which \$3.0 billion is general fund.*

Medicaid Makes Up Almost 90% of DCH Budget



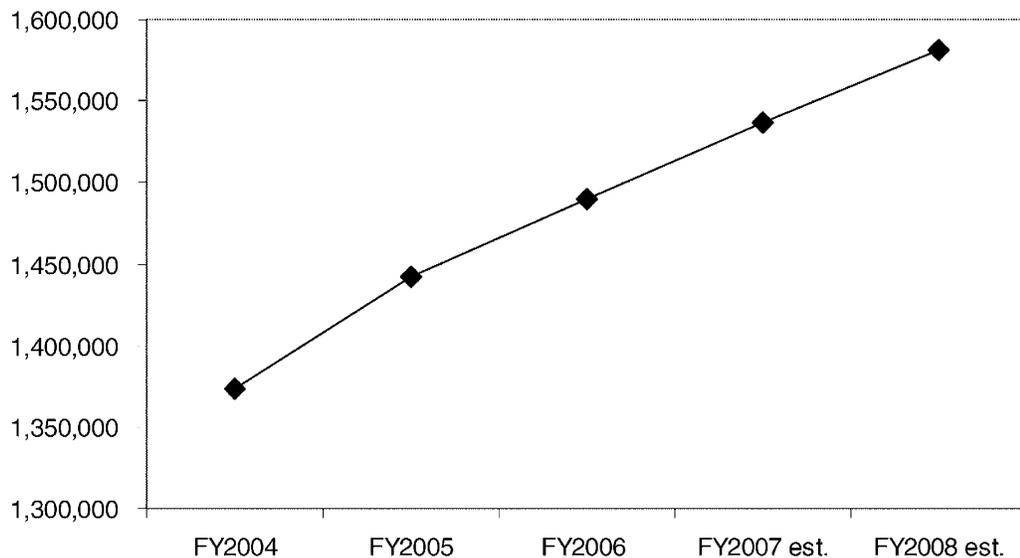
Total: \$11.5 billion

Highlights of Governor's Budget Recommendation for DCH

Medical Services

- Allocates \$100 million in federal funds to implement the Michigan First Healthcare Plan to provide health insurance to low-income families and individuals who are not eligible for Medicaid.
- Recommends \$7.5 billion for the medical and long term care portions of the Medicaid program, a 3 percent increase over fiscal year 2007, that provides health care services for one out of every 7 residents of the state.

Medicaid Serves Nearly 1.6 Million People



- Adds more than \$188 million to the Medicaid budget for increases in the number of Medicaid recipients and increased utilization of services.
- Earmarks \$2.6 billion to reimburse HMO's for services to Medicaid recipients, including \$87 million to increase payment rates to HMO providers.
- Includes \$1.2 billion to reimburse hospitals for care to low-income patients.

Mental Health and Public Health

- Provides mental health funding of \$2.7 billion gross, \$1.2 billion general fund, that consists of:
 - over \$2.4 billion to provide Community Mental Health Services, including \$43 million to increase provider payment rates;
 - funding for psychiatric hospitals and centers of \$292 million.
- Includes \$452.2 million for health and disease prevention programs, including \$45 million in grants to local public health departments.

Other Medical Services

- Supports Children's Special Health Care Services with \$192 million to provide medical care and treatment for children with special health care needs.
- Funds the Adult Benefit Waiver program at \$128 million to provide basic health coverage to 62,000 low-income adults each month.

Fiscal Year 2008 Governor's Recommendation
Department of Community Health
(\$ in Thousands)

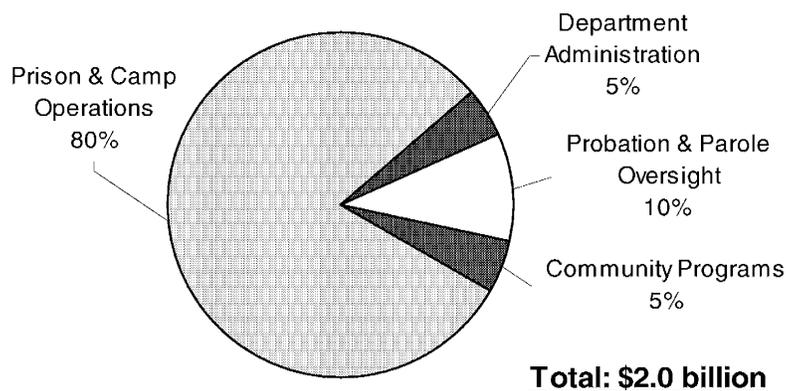
	FY06	FY07	FY08
	Appropriation	Current Law	Recommendation
GF/GP	\$2,976,928.9	\$2,940,082.7	\$2,998,490.7
All Funds	\$10,561,633.6	\$11,196,157.4	\$11,538,938.6
	% Change - GF/GP	-1.2%	2.0%
	% Change - All Funds	6.0%	3.1%

Programs	GF/GP	All Funds
Medicaid		
Medicaid Fee for Service	\$734,827.5	\$4,594,831.9
Medicaid Managed Care Services	\$550,427.5	\$2,610,568.3
Children's Special Health Care Services	\$92,253.5	\$191,666.3
Federal Medicare Pharmaceutical Program	\$186,001.6	\$186,001.6
Medicaid Adult Benefits Waiver	\$24,655.5	\$128,218.0
Mental Health - Medicaid	\$906,781.0	\$2,526,462.6
Mental Health - Non-Medicaid	\$319,566.1	\$319,566.1
Public Health	\$55,995.0	\$452,153.3
Administration	\$74,286.0	\$198,777.6
Michigan First Healthcare Plan	\$0.0	\$100,000.0
Other		
Office of Services to the Aging	\$33,778.9	\$93,513.9
Health Policy, Regulation & Professions	\$7,977.4	\$63,141.9
Information Technology Services	\$10,325.0	\$33,075.6
Crime Victim Services	\$0.0	\$27,604.4
Office of Drug Control Policy	\$1,615.7	\$13,357.1
Total FY 2008 Recommendation	\$2,998,490.7	\$11,538,938.6

Department of Corrections

The Department of Corrections (DOC) promotes public safety for the residents of the State of Michigan by providing custody and care for incarcerated felons and maintaining oversight and supervision of parolees and felony probationers. *The Governor's proposed budget for fiscal year 2008 recommends total funding of \$2.0 billion, of which \$1.9 billion is general fund.*

80% of Costs are for Prison Operations



Highlights of Governor's Budget Recommendation for DOC

- Includes \$1.6 billion in funding to operate a safe and secure prison system.
- Provides funding for oversight and supervision of over 15,000 parolees and 53,000 felony probationers.
- Recommends fundamental reform to Michigan's prison system through a variety of actions to reduce the state prison population, while protecting Michigan residents. Reform efforts include:
 - Revisions to sentencing guidelines to punish more non-violent offenders at the local level, rather than in the state prison system;
 - Increased utilization of community placement and electronic monitoring to gradually transition prisoners back into the community, while maintaining strict oversight;
 - Expansion of the Michigan Prisoner Re-Entry Initiative, which successfully reintegrates parolees safely into their communities;
 - Reinvestment of funding for local criminal justice services as alternatives to costly imprisonment;
 - Increased funding for parole and probation officers to provide effective oversight of parolees; and
 - Examination of specific subpopulations of prisoners for potential commutation and subsequent parole consideration if they are medically fragile and are unlikely to recover, are foreign nationals that could be deported, or are elderly and pose no risk to the community if released.
- Supports \$97 million in funding for community programs that provide community-based sanctions for low-level offenders.
- Continues collaborative measures with the Michigan State Police, Attorney General, and local agencies to apprehend violent fugitives and probation and parole absconders.

**Fiscal Year 2008 Governor's Recommendation
Department of Corrections
(\$ in Thousands)**

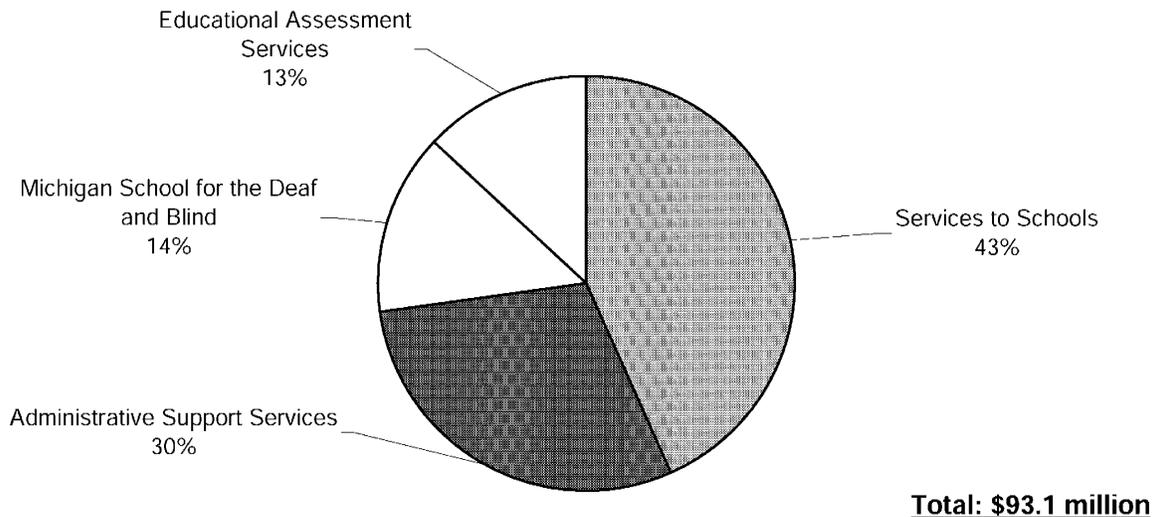
	FY06 Appropriation	FY07 Current Law	FY08 Recommendation
GF/GP	\$1,790,650.7	\$1,858,555.0	\$1,932,166.7
All Funds	\$1,870,106.4	\$1,940,421.5	\$2,001,681.2
	% Change - GF/GP	3.8%	4.0%
	% Change - All Funds	3.8%	3.2%

Programs	GF/GP	All Funds
Prison and Camp Operations	\$1,573,358.2	\$1,611,094.8
Probation and Parole Oversight	\$177,479.8	\$200,846.5
Community Programs	\$90,390.4	\$96,799.9
Department Administration	\$73,996.4	\$75,300.1
Information Technology Services and Projects	\$16,941.9	\$17,639.9
Total FY 2008 Recommendation	\$1,932,166.7	\$2,001,681.2

Department of Education

Leadership for Michigan's public education system is vested by the Constitution in the selected members of the State Board of Education. The State Board of Education and the Department of Education (MDE) are focused on improving student achievement in order to prepare Michigan's students to compete in a global economy. *The Governor's proposed budget for fiscal year 2008 recommends total funding of \$93.1 million, of which \$6.6 million is general fund.*

Over Half of Funding Provides Educational Assessment and Other Services to Schools



Highlights of Governor's Budget Recommendation for MDE

- Provides \$79.9 million for the oversight of state education programs, including special education, teacher preparation, early childhood services, student assessment, and school improvement activities.
- Includes \$13.2 million, a \$1.3 million increase, for the Michigan School for the Deaf and Blind, which is expected to have an enrollment increase of over 8 percent for the 2007-2008 school year.
- Increases teacher certification fees in order to improve the teacher certification and oversight system.

**Fiscal Year 2008 Governor's Recommendation
Department of Education
(\$ in Thousands)**

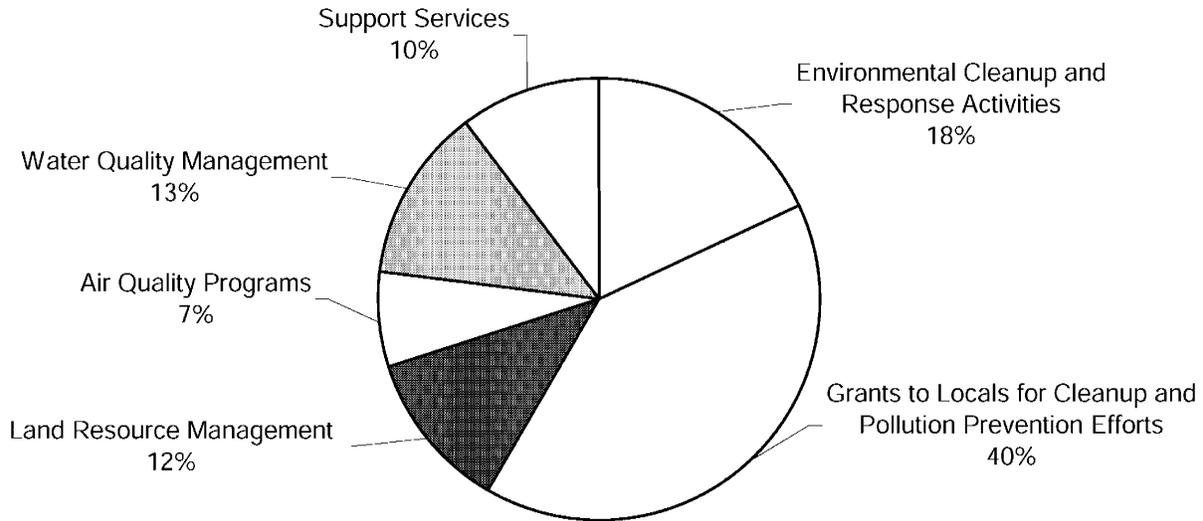
	FY06 Appropriation	FY07 Current Law	FY08 Recommendation
GF/GP	\$16,100.4	\$6,592.5	\$6,580.5
All Funds	\$120,957.4	\$90,590.1	\$93,144.7
	% Change - GF/GP	-59.1%	-0.2%
	% Change - All Funds	-25.1%	2.8%

Programs	GF/GP	All Funds
Services to Schools	\$1,357.6	\$40,333.8
Administrative Support Services	\$5,222.9	\$27,341.1
Michigan School for the Deaf and Blind	\$0.0	\$13,184.1
Educational Assessment Services	\$0.0	\$12,285.7
Total FY 2008 Recommendation	\$6,580.5	\$93,144.7

Department of Environmental Quality

Funding for the Department of Environmental Quality (DEQ) supports programs to restore and enhance Michigan's environment and preserve our natural resources. *The Governor's proposed budget for fiscal year 2008 recommends total funding of \$371.0 million, of which \$32.8 million is general fund.*

Over Half of DEQ's Budget is Dedicated to Cleanup Projects



Total: \$371.0 million

Highlights of Governor's Budget Recommendation for DEQ

- Continues the core programs of the department, such as water, land, and air quality management as well as environmental cleanups.
- Includes several fee proposals to maintain current environmental protection activities.
- Over \$125 million goes to local units of government as grants and loans for cleanup activities and pollution prevention efforts.
- Nearly \$67 million supports environmental cleanup and response activities.
- Approximately \$47 million is spent on water quality management.
- Over \$26 million supports air quality programs.

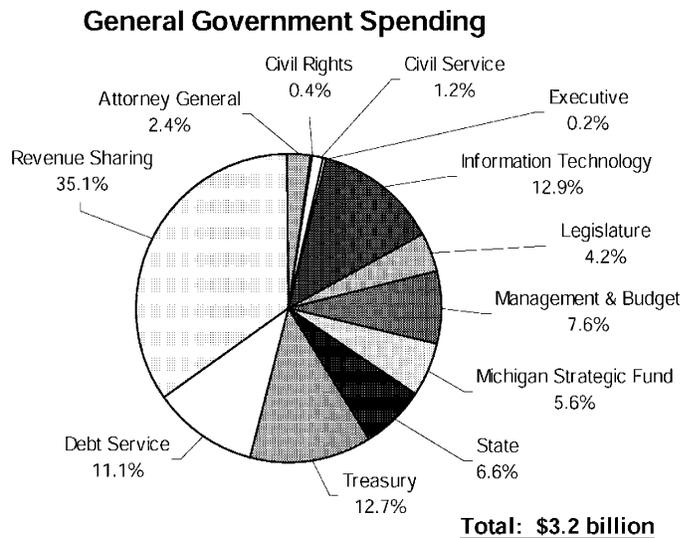
Fiscal Year 2008 Governor's Recommendation
Department of Environmental Quality
(\$ in Thousands)

	FY06 Appropriation	FY07 Current Law	FY08 Recommendation
GF/GP	\$31,809.6	\$33,828.4	\$32,796.4
All Funds	\$456,723.8	\$443,744.5	\$370,964.4
	% Change - GF/GP	6.3%	-3.1%
	% Change - All Funds	-2.8%	-16.4%

Programs	GF/GP	All Funds
Grants to Locals for Cleanup and Pollution Prevention Efforts	\$4,845.6	\$149,257.1
Environmental Cleanup and Response Activities	\$2,417.4	\$66,960.9
Water Quality Management	\$7,921.3	\$47,341.6
Land Resource Management	\$6,745.8	\$43,211.9
Support Services	\$7,318.2	\$37,784.5
Air Quality Programs	\$3,548.1	\$26,408.4
Total FY 2008 Recommendation	\$32,796.4	\$370,964.4

General Government

The general government departments are responsible for balancing the state's checkbook; managing the workplaces, tools and equipment of state government; offering services to the residents of Michigan; promoting innovative technology to ensure efficiencies in state government; overseeing the equitable and individual rights of all citizens; and managing the legislative and executive branches of government. *The Governor's proposed budget for fiscal year 2008 recommends total funding of \$3.2 billion, of which \$1.1 billion is revenue sharing payments to local units of government.*



Highlights of Governor's Budget Recommendation for general government agencies

- \$1.1 billion for revenue sharing payments to local units of government.
- \$353 million for debt service payments to meet the state's bond obligations.
- \$410 million to Information Technology to support the efficient management and delivery of state information technology resources to state agencies.
- \$402 million to Treasury for the administration of the state tax system and investment of state funds.
- \$242 million for the Department of Management and Budget to provide state-wide business services to state agencies.
- \$208 million to the Department of State to administer Michigan's motor vehicle programs and supervise state elections.
- \$179 million for the Michigan Strategic Fund to promote business investment, entrepreneurial growth, and tourism in Michigan.
- \$133 million to support the Legislature, the Legislative Auditor General, and legislative staff.
- \$76 million to the Department of Attorney General to preserve and uphold the state's legal interests; provide legal services to state officials and agencies; and investigate consumer complaints.
- \$37 million for Civil Service to provide human resource management services.
- \$14 million for Civil Rights to investigate and resolve discrimination complaints by Michigan citizens.
- \$6 million for the Executive Office to fund the constitutional responsibilities of the Governor and her immediate staff.

Fiscal Year 2008 Governor's Recommendation
Department of Attorney General
(\$ in Thousands)

	FY06 Appropriation	FY07 Current Law	FY08 Recommendation
GF/GP	\$31,501.2	\$32,896.0	\$32,865.5
All Funds	\$65,748.1	\$68,532.3	\$76,232.4
	% Change - GF/GP	4.4%	-0.1%
	% Change - All Funds	4.2%	11.2%

Programs	GF/GP	All Funds
Attorney General Operations	\$29,930.9	\$70,477.0
Child Support Enforcement	\$847.4	\$2,968.2
Prosecuting Attorneys Coordinating Council	\$1,319.3	\$2,019.3
Information Technology	\$767.9	\$767.9
Total FY 2008 Recommendation	\$32,865.5	\$76,232.4

Fiscal Year 2008 Governor's Recommendation
Department of Civil Rights
(\$ in Thousands)

	FY06 Appropriation	FY07 Current Law	FY08 Recommendation
GF/GP	\$12,108.7	\$12,454.0	\$12,436.6
All Funds	\$13,674.9	\$14,020.2	\$14,490.7
	% Change - GF/GP	2.9%	-0.1%
	% Change - All Funds	2.5%	3.4%

Programs	GF/GP	All Funds
Civil Rights Operations	\$11,651.8	\$13,705.9
Information Technology	\$784.8	\$784.8
Total FY 2008 Recommendation	\$12,436.6	\$14,490.7

Fiscal Year 2008 Governor's Recommendation
Department of Civil Service
(\$ in Thousands)

	FY06 Appropriation	FY07 Current Law	FY08 Recommendation
GF/GP	\$7,102.4	\$6,972.4	\$6,808.6
All Funds	\$35,941.6	\$36,547.1	\$36,985.4
	% Change - GF/GP	-1.8%	-2.3%
	% Change - All Funds	1.7%	1.2%

Programs	GF/GP	All Funds
Agency Services	\$1,374.8	\$13,255.4
Executive Direction	\$4,467.8	\$8,330.0
Employee Benefits	\$0.0	\$5,873.2
Information Technology	\$627.4	\$3,852.9
Human Resources Optimization	\$0.0	\$2,205.0
Audit and Compliance	\$338.6	\$2,168.9
Training	\$0.0	\$1,300.0
Total FY 2008 Recommendation	\$6,808.6	\$36,985.4

**Fiscal Year 2008 Governor's Recommendation
Executive Office
(\$ in Thousands)**

	FY06 Appropriation	FY07 Current Law	FY08 Recommendation
GF/GP	\$5,375.5	\$5,509.9	\$5,509.9
All Funds	\$5,375.5	\$5,509.9	\$5,509.9
	% Change - GF/GP	2.5%	0.0%
	% Change - All Funds	2.5%	0.0%

Programs	GF/GP	All Funds
Governor	\$177.0	\$177.0
Lieutenant Governor	\$123.9	\$123.9
Executive Office Operations	\$5,209.0	\$5,209.0
Total FY 2008 Recommendation	\$5,509.9	\$5,509.9

**Fiscal Year 2008 Governor's Recommendation
Department of Information Technology
(\$ in Thousands)**

	FY06 Appropriation	FY07 Current Law	FY08 Recommendation
GF/GP	\$0.0	\$0.0	\$0.0
All Funds	\$384,706.7	\$378,222.0	\$409,960.1
	% Change - GF/GP	0.0%	0.0%
	% Change - All Funds	-1.7%	8.4%

Programs	GF/GP	All Funds
Health and Human Services	\$0.0	\$229,046.1
General Government Services	\$0.0	\$59,703.7
Public Protection Services	\$0.0	\$48,495.4
Transportation Services	\$0.0	\$28,145.5
Enterprisewide Services	\$0.0	\$22,980.3
Resource Services	\$0.0	\$17,716.8
Education Services	\$0.0	\$3,572.3
Other	\$0.0	\$300.0
Total FY 2008 Recommendation	\$0.0	\$409,960.1

**Fiscal Year 2008 Governor's Recommendation
Legislative Auditor General
(\$ in Thousands)**

	FY06 Appropriation	FY07 Current Law	FY08 Recommendation
GF/GP	\$12,429.3	\$13,006.1	\$13,006.1
All Funds	\$15,977.5	\$16,347.5	\$16,347.5
	% Change - GF/GP	4.6%	0.0%
	% Change - All Funds	2.3%	0.0%

Programs	GF/GP	All Funds
Office of the Auditor General	\$13,006.1	\$16,347.5
Total FY 2008 Recommendation	\$13,006.1	\$16,347.5

**Fiscal Year 2008 Governor's Recommendation
Legislature
(\$ in Thousands)**

	FY06 Appropriation	FY07 Current Law	FY08 Recommendation
GF/GP	\$112,452.6	\$115,066.6	\$115,066.6
All Funds	\$113,962.4	\$116,576.4	\$116,576.4
	% Change - GF/GP	2.3%	0.0%
	% Change - All Funds	2.3%	0.0%

Programs	GF/GP	All Funds
House of Representatives	\$49,024.7	\$49,024.7
Senate	\$32,969.7	\$32,969.7
Legislative Council	\$11,810.3	\$12,210.3
Property Management	\$11,495.2	\$11,495.2
Legislative Retirement System	\$3,424.1	\$4,533.9
Senate Fiscal Agency	\$3,223.5	\$3,223.5
House Fiscal Agency	\$3,119.1	\$3,119.1
Total FY 2008 Recommendation	\$115,066.6	\$116,576.4

**Fiscal Year 2008 Governor's Recommendation
Department of Management and Budget
(\$ in Thousands)**

	FY06 Appropriation*	FY07 Current Law	FY08 Recommendation
GF/GP	\$272,120.0	\$268,409.6	\$267,858.6
All Funds	\$488,577.9	\$476,142.0	\$474,821.0
	% Change - GF/GP	-1.4%	-0.2%
	% Change - All Funds	-2.5%	-0.3%

Programs	GF/GP	All Funds
State Building Authority Debt Payments	\$231,702.1	\$233,222.1
State-Owned and Leased Building Operations	\$1,854.1	\$90,148.9
Motor Vehicle Fleet	\$0.0	\$56,861.6
Business and Department Support	\$10,095.8	\$30,318.7
Information Technology	\$14,575.2	\$28,824.0
Retirement Services	\$0.0	\$16,793.1
Budget and Financial Management	\$8,199.9	\$10,632.0
Michigan State Fair	\$0.0	\$6,589.1
Office of Children's Ombudsman	\$1,431.5	\$1,431.5
* Adjusted for program transfers		
Total FY 2008 Recommendation	\$267,858.6	\$474,821.0

Fiscal Year 2008 Governor's Recommendation
Department of State
(\$ in Thousands)

	FY06 Appropriation	FY07 Current Law	FY08 Recommendation
GF/GP	\$19,997.8	\$19,132.7	\$29,337.0
All Funds	\$209,078.4	\$204,793.5	\$207,871.2
	% Change - GF/GP	-4.3%	53.3%
	% Change - All Funds	-2.0%	1.5%

Programs	GF/GP	All Funds
Branch Operations	\$8,022.5	\$72,538.2
Central Records	\$3,909.7	\$42,866.0
Regulatory Services	\$1,541.2	\$24,158.8
Department Services	\$1,946.2	\$24,556.4
Information Technology	\$4,208.6	\$24,415.6
Executive and Departmentwide Expenses	\$4,818.5	\$14,445.9
Election Regulation	\$4,890.3	\$4,890.3
Total FY 2008 Recommendation	\$29,337.0	\$207,871.2

Fiscal Year 2008 Governor's Recommendation
Department of Treasury
(\$ in Thousands)

	FY06 Appropriation	FY07 Current Law	FY08 Recommendation
GF/GP	\$386,019.4	\$165,867.0	\$198,120.6
All Funds	\$2,340,528.1	\$1,676,966.1	\$1,814,142.0
	% Change - GF/GP	-57.0%	19.4%
	% Change - All Funds	-28.4%	8.2%

Programs	GF/GP	All Funds
Revenue Sharing to Local Units of Government	\$325.6	\$1,113,837.6
Michigan Strategic Fund	\$47,422.2	\$178,650.9
Debt Service Payments	\$96,071.9	\$119,986.4
Grants to Local Units of Government	\$5.0	\$98,236.0
Tax Programs	\$6,702.1	\$72,860.1
State Lottery Operations	\$0.0	\$43,435.0
Student Financial Assistance Programs	\$1,575.0	\$37,216.8
Banking and Management Services	\$6,410.4	\$31,860.1
Administration	\$12,861.9	\$21,808.7
Casino Gaming Oversight	\$0.0	\$20,263.0
Senior Citizen Cooperative Housing Tax Exemption Program	\$18,800.0	\$18,800.0
Commercial Mobile Radio Service	\$0.0	\$17,900.0
Information Technology	\$4,554.5	\$16,901.0
Investment of Common Cash and Pension Funds	\$0.0	\$15,084.6
Renaissance Zone Reimbursement to Libraries	\$3,095.0	\$3,095.0
Home Heating Assistance	\$0.0	\$2,159.8
Common Cash and Debt Management	\$297.0	\$1,247.0
Michigan Education Savings Program	\$0.0	\$800.0
Total FY 2008 Recommendation	\$198,120.6	\$1,814,142.0

Higher Education

The Higher Education budget provides operating support to the state's 15 public universities and also funds student financial aid programs. *The Governor's proposed budget for fiscal year 2008 recommends total funding of \$1.8 billion, of which \$1.7 billion is general fund.*

Highlights of Governor's Budget Recommendation for State Universities

- Aid for university operations increases by 2.5 percent with support for Michigan State University, University of Michigan - Ann Arbor, and Wayne State University contained in a separate budget bill.
- Includes a one-time supplemental payment of \$69.4 million to fully fund a delayed fiscal year 2007 partial payment.
- Allocates \$33.8 million for the Agricultural Experiment Station and \$26.5 million for the Cooperative Extension Service.
- Retains current year funding for the Martin Luther King, Jr. - Cesar Chavez - Rosa Parks programs of \$2.7 million.

State University Operations (\$ in Thousands)	FY 2008
Michigan State University	\$299,490.1
University of Michigan - Ann Arbor	333,941.2
Wayne State University	225,533.8
Central Michigan University	84,443.3
Eastern Michigan University	80,122.9
Ferris State University	51,296.2
Grand Valley State University	66,417.6
Lake Superior State University	13,251.6
Michigan Technological University	50,449.8
Northern Michigan University	47,559.4
Oakland University	53,719.2
Saginaw Valley State University	29,596.4
University of Michigan - Dearborn	26,093.0
University of Michigan - Flint	22,058.3
Western Michigan University	115,698.3
Total	\$1,499,671.1

Highlights of Governor's Budget Recommendation for Financial Aid

- Recommends \$43.5 million to begin the Michigan Promise Grants for students from the high school graduating class of 2007 and an additional \$60 million for Michigan Merit Awards for students from previous graduating classes.
- Tuition Incentive Program funding is increased by \$7.1 million to \$21.1 million.
- Contains \$3 million to implement federal Gear UP scholarships to increase the number of low-income students participating in postsecondary education.
- Retains current funding for state competitive scholarships, Michigan work-study, nursing scholarships, and other student financial aid programs but eliminates support for the private college tuition grant program.

**Fiscal Year 2008 Governor's Recommendation
Higher Education
(\$ in Thousands)**

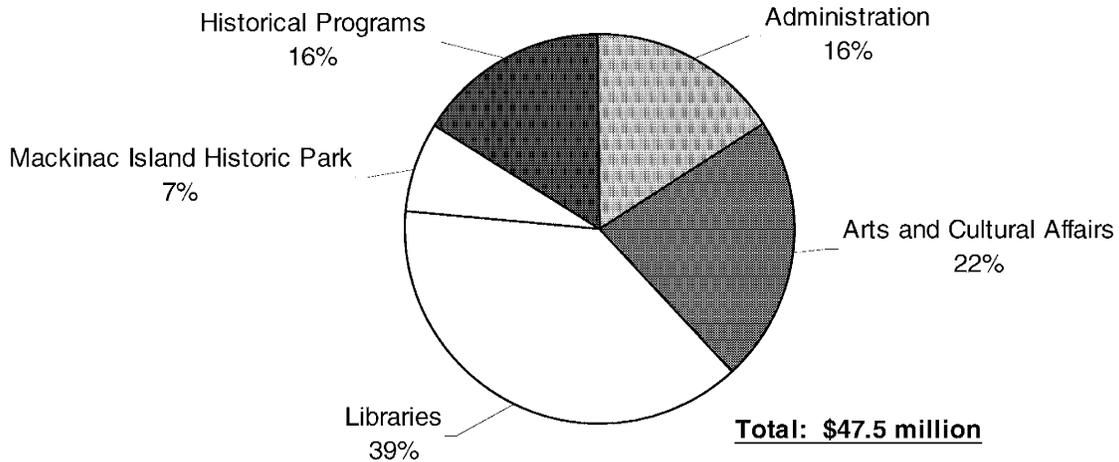
	FY06 Appropriation	FY07 Current Law	FY08 Recommendation
GF/GP	\$1,577,443.9	\$1,624,791.3	\$1,681,112.7
All Funds	\$1,734,443.9	\$1,787,491.3	\$1,812,912.7
	% Change - GF/GP	3.0%	3.5%
	% Change - All Funds	3.1%	1.4%

Programs	GF/GP	All Funds
State University Operations	\$1,490,171.1	\$1,499,671.1
One-time Supplemental Payment	\$69,368.0	\$69,368.0
Michigan Merit Award Program	\$0.0	\$60,000.0
Michigan Promise Grants	\$0.0	\$43,500.0
State Competitive Scholarships	\$31,430.5	\$34,130.5
Agricultural Experiment Station	\$33,827.1	\$33,827.1
Cooperative Extension Service	\$26,520.7	\$26,520.7
Tuition Incentive Program	\$14,750.0	\$21,100.0
Michigan Work Study Program	\$7,326.3	\$7,326.3
Nursing Scholarship Program	\$0.0	\$4,250.0
Project GEAR UP	\$0.0	\$3,000.0
King-Chavez-Parks Program Grants	\$2,691.5	\$2,691.5
Part-time Independent Student Program	\$2,653.3	\$2,653.3
Michigan Education Opportunity Grant	\$2,084.2	\$2,084.2
Robert C. Byrd Honors Scholarship Program	\$0.0	\$1,500.0
Children of Veterans Tuition Grant Program	\$0.0	\$1,000.0
Higher Education Database	\$200.0	\$200.0
Midwestern Higher Education Compact	\$90.0	\$90.0
Total FY 2008 Recommendation	\$1,681,112.7	\$1,812,912.7

Department of History, Arts and Libraries

The Department of History, Arts and Libraries (HAL) enriches the status of history, arts, culture and library programs by coordinating state efforts to preserve, promote and protect Michigan's heritage. *The Governor's proposed budget for fiscal year 2008 recommends total funding of \$47.5 million, of which \$37.2 million is general fund.*

Public Libraries Receive Largest Share of Funding



Highlights of Governor's Budget Recommendation for HAL

- Preserves funding for arts grants, museum and historical programs, including \$10.1 million for arts grants to local non-profit organizations.
- Provides \$6.1 million to local libraries, a 50 percent reduction from the current year.
- Eliminates the book distribution center program, saving \$350,000 general fund.
- Supports \$3.5 million in funding for the Mackinac Island State Parks.

**Fiscal Year 2008 Governor's Recommendation
Department of History, Arts and Libraries
(\$ in Thousands)**

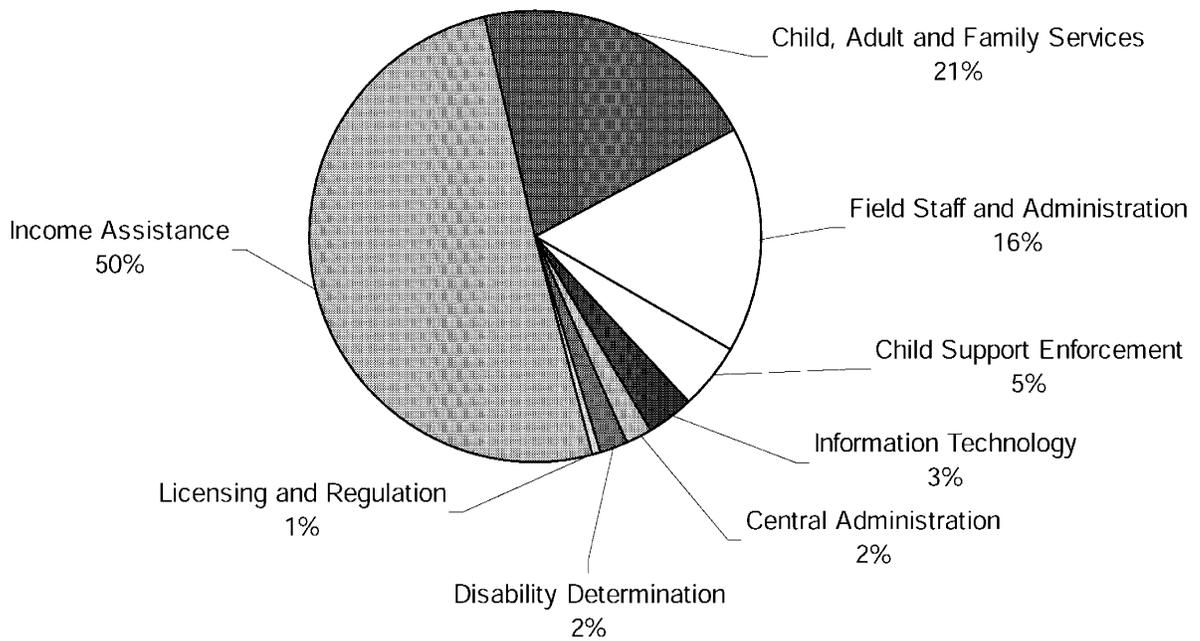
	FY06 Appropriation	FY07 Current Law	FY08 Recommendation
GF/GP	\$41,821.9	\$43,175.2	\$37,248.8
All Funds	\$53,850.9	\$54,863.7	\$47,453.4
	% Change - GF/GP	3.2%	-13.7%
	% Change - All Funds	1.9%	-13.5%

Programs	GF/GP	All Funds
Libraries	\$12,599.1	\$18,243.4
Council for Arts and Cultural Affairs	\$9,748.7	\$10,448.7
Historical Programs	\$5,790.1	\$7,677.2
Department Administration and Information Technology	\$7,544.5	\$7,591.5
Mackinac Island State Park Commission	\$1,566.4	\$3,492.6
Total FY 2008 Recommendation	\$37,248.8	\$47,453.4

Department of Human Services

The Department of Human Services (DHS) helps families and individuals meet financial, medical, and social service needs. DHS programs provide financial assistance and medical assistance to Michigan's low-income population; move people toward self-sufficiency through employment and training services; work to prevent abuse, neglect, and exploitation of children and vulnerable adults through direct services; and regulate and license adult and child care agencies, facilities, and homes. Services are provided through a network of county based offices. *The Governor's proposed budget for fiscal year 2008 recommends total funding of \$4.5 billion, of which \$1.3 billion is general fund.*

Half of the Department Budget Supports Income Assistance Programs for Low Income Families and Individuals



Total: \$4.5 billion

Highlights of Governor's Budget Recommendations for DHS

Child Welfare Improvements

- Invests \$40 million in child welfare system improvements. These funds will support guardianship programs for children in foster care, and foster care staff and services to place children in permanent homes.

Income Assistance Programs

- Funds the Family Independence Program at \$376.7 million, supporting 81,400 cases that include 160,000 children.
- Invests \$18 million in the statewide expansion of the Jobs, Education and Training Program (JET) that provides employment and training services to Family Independence Program recipients.
- Provides \$410.8 million to support safe, quality child day care for 63,000 low income families.
- Funds the State Disability Assistance program for over 11,000 disabled adults at a cost of \$36.4 million.
- Invests over \$1.2 billion in federal funds for food assistance for 550,000 low-income households.
- Allocates \$200 million in federal funds to support the home heating credit, energy-related crisis payments, and weatherization for low-income home owners.
- Supports emergency assistance to families and individuals with \$21.9 million in federal and state funds.

Social Services Programs

- Funds the Children's Foster Care program at \$186.7 million to provide care, supervision, and a home for over 9,500 children until they are either returned to their birth parents or are adopted.
- Provides over \$49 million for family preservation services to help keep children safe with their families.
- Supports adoption subsidies for 27,700 adopted children at a funding level of \$237.4 million.
- Allocates \$275.1 million for Juvenile Justice Services, including \$200 million in Child Care Fund reimbursements to local units of government. These services provide treatment, residential placement, and community support services for youth.

Other Programs

- Provides over \$213.3 million for the child support program to help Michigan's families obtain financial support from absent parents, including over \$53 million for child support automation activities.

Fiscal Year 2008 Governor's Recommendation
Department of Human Services
(\$ in Thousands)

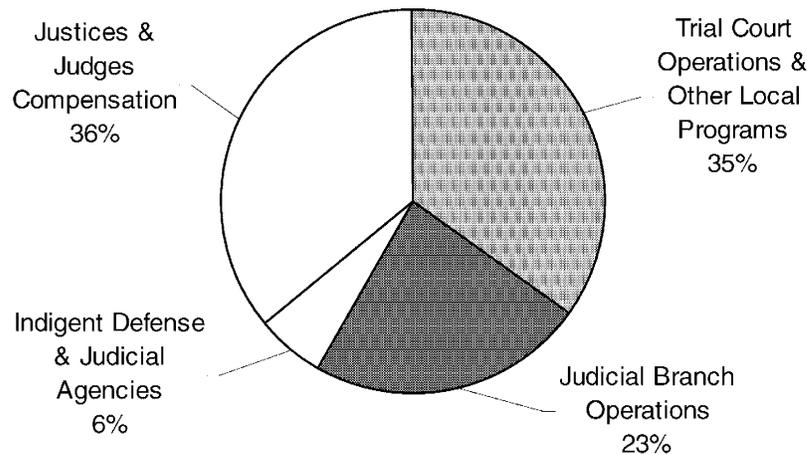
	FY06 Appropriation	FY07 Current Law	FY08 Recommendation
GF/GP	\$1,081,211.9	\$1,197,447.9	\$1,284,897.0
All Funds	\$4,427,975.0	\$4,468,135.3	\$4,545,814.9
	% Change - GF/GP	10.8%	7.3%
	% Change - All Funds	0.9%	1.7%

Programs	GF/GP	All Funds
Income Assistance:		
Food Assistance Program	\$0.0	\$1,221,340.9
Family Independence Program	\$239,573.5	\$376,741.5
Child Day Care Services	\$130,786.9	\$410,752.4
Low Income Energy and Weatherization Assistance	\$0.0	\$134,870.3
SSI State Supplementation	\$61,169.1	\$61,169.1
State Emergency Relief	\$23,413.5	\$40,184.6
State Disability Assistance	\$27,041.4	\$36,369.7
Refugee Assistance	\$0.0	\$12,715.8
Child and Family Services:		
Purchased Care, Treatment, and Supervision of Youth	\$195,221.8	\$431,438.3
Employment and Training Support	\$29,321.0	\$48,240.1
Adoption Services and Subsidies	\$100,447.6	\$249,004.9
Juvenile Justice: State Facilities and Federal Grants	\$35,357.4	\$74,314.0
Family Preservation and Prevention Services	\$263.3	\$64,211.8
Community Services Block Grant	\$0.0	\$26,138.7
Domestic Violence and Rape Prevention Services	\$1,649.6	\$17,284.2
Other Individual and Family Services	\$16,027.6	\$38,817.1
Field Staff and Administration	\$301,361.8	\$732,982.3
Child Support Enforcement	\$24,227.8	\$213,305.9
Information Technology	\$56,197.1	\$154,450.5
Central Administration and Support	\$29,540.1	\$91,897.4
Disability Determination Services	\$2,807.0	\$85,834.5
Licensing and Regulation	\$10,490.5	\$23,750.9
Total FY 2008 Recommendation	\$1,284,897.0	\$4,545,814.9

Judiciary

The Michigan Constitution vests the judicial power of the state exclusively in a court system composed of the Supreme Court, the Court of Appeals, the Circuit Court, the Probate Court, and courts of limited jurisdiction such as the Court of Claims, District Court and municipal courts. The statewide court system is administered by the Supreme Court Justices through the State Court Administration Office. *The Governor's proposed budget for fiscal year 2008 recommends total funding of \$263.2 million, of which \$161.9 million is general fund.*

One-Third of Budget Supports Local Trial Court Operations



Total: \$263.2 million

Highlights of Governor's Budget Recommendation for Judiciary

- Recommends \$94.8 million for justices' and judges' compensation.
- \$73.4 million supports local trial court operations throughout the state.
- \$20.2 million is spent on Court of Appeals operations and efforts to reduce case backlogs.
- Almost \$13.9 million preserves legal assistance for those in need through the State Appellate Defender Office, the Michigan Appellate Assigned Counsel System and through contracts with local legal aid agencies.
- Over \$4.7 million supports Michigan's drug treatment courts striving to successfully break the cycle of relapse, recidivism and costly incarceration.

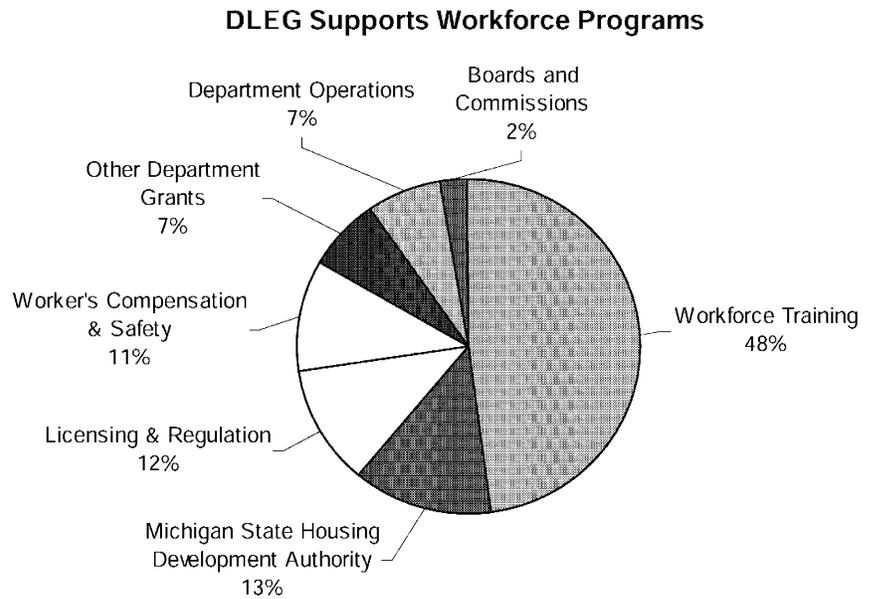
**Fiscal Year 2008 Governor's Recommendation
Judiciary
(\$ in Thousands)**

	FY06 Appropriation	FY07 Current Law	FY08 Recommendation
GF/GP	\$157,614.5	\$160,604.8	\$161,937.3
All Funds	\$255,531.9	\$259,428.1	\$263,232.2
	% Change - GF/GP	1.9%	0.8%
	% Change - All Funds	1.5%	1.5%

Programs	GF/GP	All Funds
Justices' and Judges' Compensation	\$87,661.1	\$94,751.3
Trial Courts and Other Local Programs	\$19,146.0	\$90,213.2
Judicial Branch Operations	\$48,766.6	\$63,360.5
Indigent Defense and Judicial Agencies	\$6,363.6	\$14,907.2
Total FY 2008 Recommendation	\$161,937.3	\$263,232.2

Department of Labor and Economic Growth

The Department of Labor and Economic Growth (DLEG) provides workforce training programs, and safeguards the economic welfare of Michigan citizens through business licensing and regulatory activities. *The Governor's proposed budget for fiscal year 2008 recommends \$1.3 billion, of which \$99.1 million is general fund.*



Total: \$1.3 billion

Highlights of Governor's Budget Recommendation for DLEG

- Introduces the Governor's No Worker Left Behind Initiative, which allocates \$77 million for the first year of a three year program to provide two years of free college tuition to help dislocated workers quickly transition to new careers.
- Provides \$15 million for the first year of a three year program for the Governor's new Michigan Nursing Corps, which builds on existing initiatives to alleviate Michigan's nursing shortage by increasing nursing education faculty and accelerating nursing education programs.
- Invests over \$550 million in other workforce training and education programs, including \$134.5 million provided to local Michigan Works! Agencies for job placement and training services for those seeking employment, and \$107.8 million for intensive employment services to Michigan's most disadvantaged residents.
- Safeguards consumers and workers by providing \$305.4 million for business licensing, regulation and safety programs.
- Supports senior and low-income citizens with \$175 million for the Michigan State Housing Development Authority and housing and rental assistance programs, including \$6.3 million allocated in the first year of a four year commitment for the Governor's Cities of Promise program to address blight and prepare urban properties for economic redevelopment.
- Provides \$60 million in low-income energy assistance grants, which help reduce the energy expenditures of low-income residents and promote improved energy efficiency.

**Fiscal Year 2008 Governor's Recommendation
Department of Labor and Economic Growth
(\$ in Thousands)**

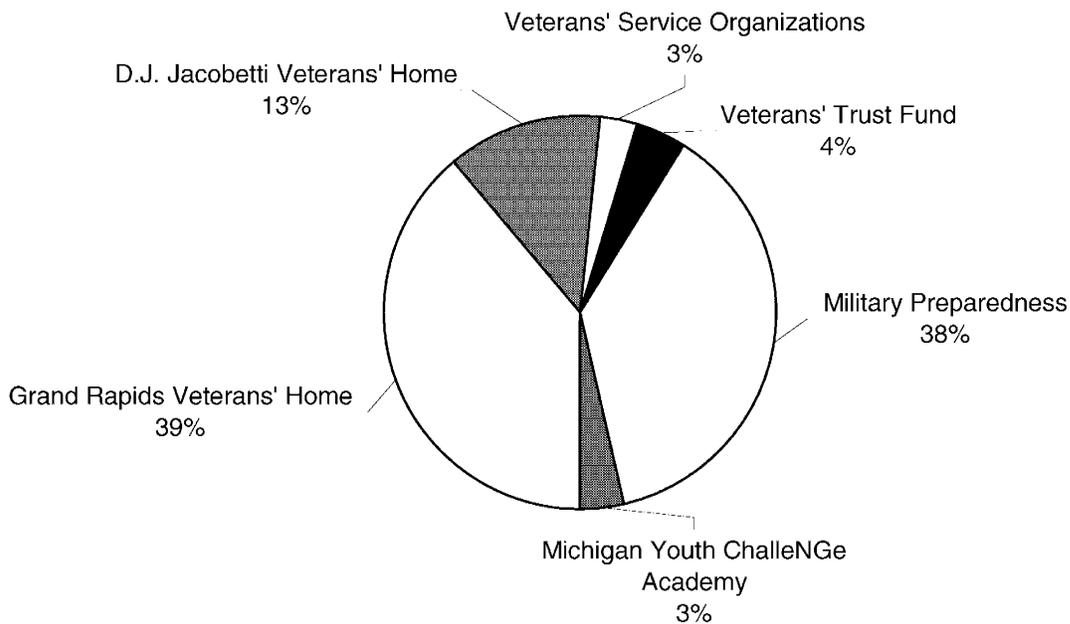
	FY06 Appropriation	FY07 Current Law	FY08 Recommendation
GF/GP	\$39,063.4	\$47,436.7	\$99,105.1
All Funds	\$1,248,001.5	\$1,231,476.2	\$1,345,147.4
	% Change - GF/GP	21.4%	108.9%
	% Change - All Funds	-1.3%	9.2%

Programs	GF/GP	All Funds
Workforce Training	\$92,483.8	\$642,479.7
Michigan State Housing Development Authority	\$0.0	\$174,956.6
Licensing & Regulation	\$0.0	\$156,747.5
Worker's Compensation & Safety	\$0.0	\$148,608.6
Department Operations	\$1,430.1	\$99,451.2
Other Department Grants	\$0.0	\$91,010.5
Boards, Authorities and Commissions	\$5,191.2	\$31,893.3
Total FY 2008 Recommendation	\$99,105.1	\$1,345,147.4

Department of Military and Veterans Affairs

The Department of Military and Veterans Affairs (DMVA) has dual missions: services to veterans and military preparedness. The department protects the lives and property of Michigan residents during times of natural disaster or civil unrest. The department also assists the federal government in defending sovereign interests of the United States. There are over 11,800 members of the Michigan National Guard; over 1,500 have been called to active duty and mobilized to serve in the Iraqi Freedom campaign and other parts of the world. *The Governor's proposed budget for fiscal year 2008 recommends total funding of \$127.9 million, of which \$40.8 million is general fund.*

59% of Funding Supports Veterans' Services



Total: \$127.9 million

Highlights of Governor's Budget Recommendation for DMVA

- Provides \$65.4 million for nursing care for veterans at the Grand Rapids and D.J. Jacobetti Veterans' Homes.
- Includes almost \$24 million in federal funding for military training sites and armories throughout the state.
- Recommends \$5 million for the needs of veterans and their families through the Michigan Veterans' Trust Fund.
- Nearly \$4.7 million is used to manage the Michigan Youth ChalleNGe Academy for high school dropouts and at-risk youth.
- Continues \$3.9 million to support Veterans Service Organizations.
- \$1.5 million supports the new Michigan Regional Training Institute, which provides instruction and training for military personnel stationed in the Great Lakes region.

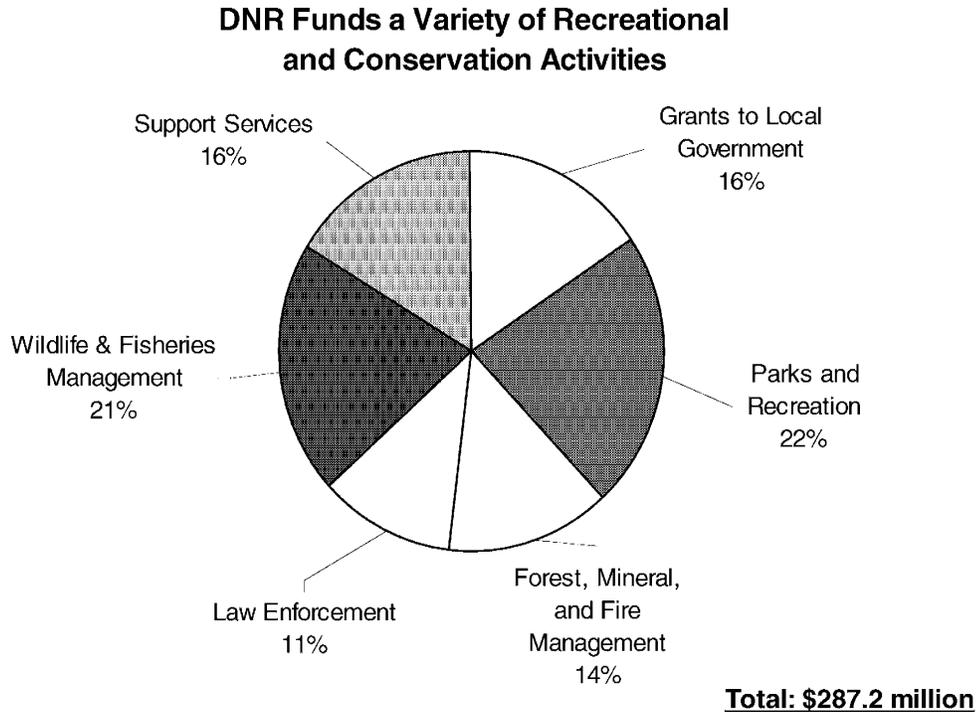
**Fiscal Year 2008 Governor's Recommendation
Department of Military and Veterans Affairs
(\$ in Thousands)**

	FY06 Appropriation	FY07 Current Law	FY08 Recommendation
GF/GP	\$39,689.1	\$40,640.2	\$40,817.5
All Funds	\$121,935.6	\$122,902.6	\$127,861.7
	% Change - GF/GP	2.4%	0.4%
	% Change - All Funds	0.8%	4.0%

Programs	GF/GP	All Funds
Grand Rapids Veterans' Home	\$16,645.3	\$49,337.8
Military Preparedness	\$14,776.5	\$48,900.5
D. J. Jacobetti Veterans' Home	\$5,483.4	\$16,046.0
Veterans' Trust Fund	\$0.0	\$4,968.8
Michigan Youth ChalleNGe Program	\$0.0	\$4,696.3
Veterans Service Organizations	\$3,912.3	\$3,912.3
Total FY 2008 Recommendation	\$40,817.5	\$127,861.7

Department of Natural Resources

Funding for the Department of Natural Resources (DNR) supports programs for wildlife and fisheries management, state parks and recreation areas, conservation and law enforcement, and forest management. *The Governor's proposed budget for fiscal year 2008 recommends total funding of \$287.2 million, of which \$24.8 million is general fund.*



Highlights of Governor's Budget Recommendation for DNR

- Continues the core programs of the department, such as forest, wildlife, and fisheries management as well recreational programs.
- \$63.6 million of the budget supports state parks and other recreational activities.
- Almost \$59 million supports wildlife and fisheries management.
- Approximately \$39 million is used to manage and protect forestland.
- \$32.7 million is spent on environmental law enforcement activities.
- Over \$45 million is paid to local units of government as grants or payments in lieu of taxes.
- A game and fish license fee increase, recommended by the Natural Resources Commission, will allow the department to maintain important programs such as habitat development, disease monitoring, and fish stocking, as well as enforcement of game and fish laws by conservation officers.
- Reduces forest management activities by almost \$8 million due to declines in Forest Development Fund restricted revenues.

**Fiscal Year 2008 Governor's Recommendation
Department of Natural Resources
(\$ in Thousands)**

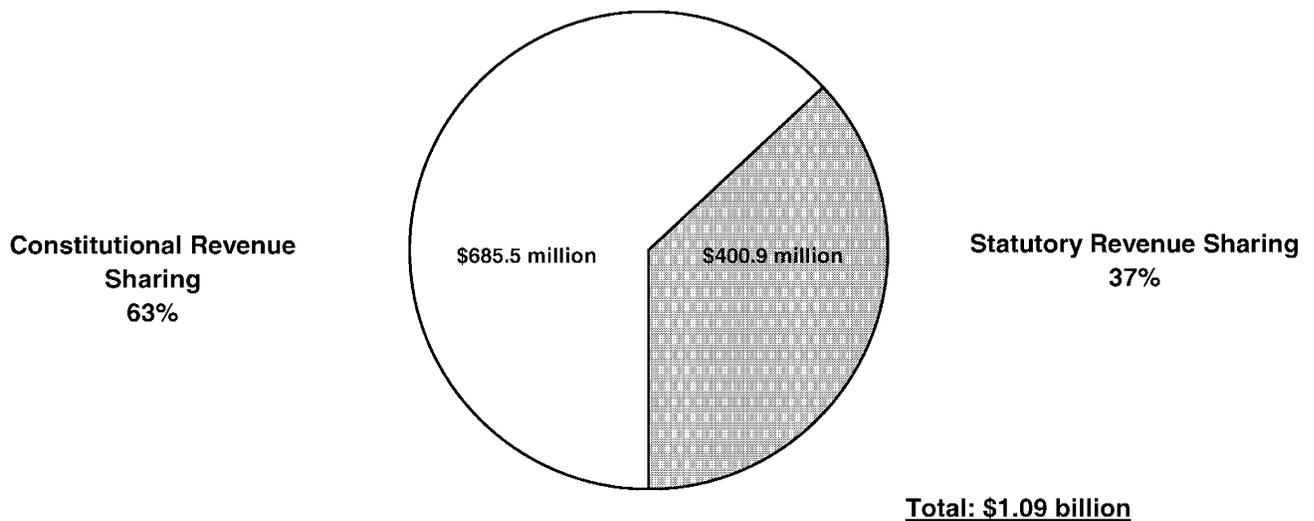
	FY06 Appropriation	FY07 Current Law	FY08 Recommendation
GF/GP	\$25,943.2	\$25,269.6	\$24,791.4
All Funds	\$280,991.1	\$288,313.2	\$287,224.0
	% Change - GF/GP	-2.6%	-1.9%
	% Change - All Funds	2.6%	-0.4%

Programs	GF/GP	All Funds
Parks and Recreation	\$0.0	\$63,614.3
Wildlife and Fisheries Management	\$1,985.0	\$58,995.4
Support Services	\$3,693.0	\$47,165.5
Grants to Local Government	\$12,084.1	\$45,571.0
Forest, Mineral, and Fire Management	\$4,776.1	\$39,135.2
Law Enforcement	\$2,253.2	\$32,742.6
Total FY 2008 Recommendation	\$24,791.4	\$287,224.0

Revenue Sharing

Michigan's revenue sharing program provides unrestricted financial support to local units of government, allowing communities to determine how best to fund local services. There are two ways that local units share in a portion of sales tax revenue: a constitutionally-dedicated portion is distributed to cities, villages, and townships based on a community's population; an additional portion of sales tax revenue is earmarked in state law to provide revenue sharing payments that are subject to annual appropriation. *Funding for fiscal year 2008 is recommended at \$1.09 billion, which includes \$685.5 million for constitutionally-required revenue sharing payments and \$400.9 million for statutory revenue sharing payments to cities, villages, and townships.*

Nearly Two-Thirds of All Revenue Sharing Payments are Constitutionally-Dedicated

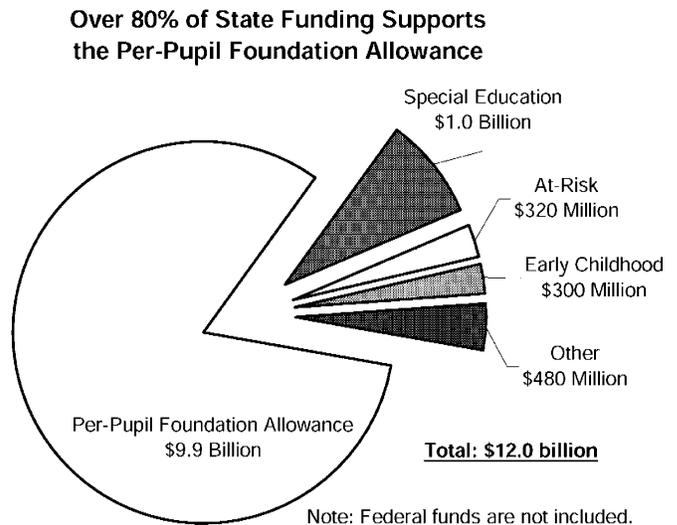


Highlights of Governor's Budget Recommendation for Revenue Sharing

- Maintains overall revenue sharing payments equivalent to the current year spending level for cities, villages, and townships.
- Suspends most county revenue sharing payments for a fourth consecutive year, with recommended funding to restart state revenue sharing payments for qualifying counties in fiscal year 2008.
- Adds \$27.2 million for Local Government Collaborative Efforts for cities, villages, and townships that produce efficiencies through service sharing, mergers or consolidations with other governmental units.

School Aid

The School Aid budget supports Michigan's K-12 public education system with funding for basic operations, school readiness programs, and tools necessary to prepare students for tomorrow's workforce. *The Governor's proposed budget for fiscal year 2008 recommends total funding of over \$13.4 billion, \$12 billion of state funds and \$1.4 billion of federal funds.* In addition, schools are estimated to receive nearly \$4 billion from local property tax revenues.



Highlights of the Governor's Budget Recommendation for School Aid

- Raises the minimum foundation allowance to \$7,286 per pupil, an increase of \$178 or 2.5 percent per pupil.
- Increases funding for Intermediate School District operations by \$2 million, or 2.5 percent, to a total of \$82.1 million.
- Includes \$36 million to aid the 60 percent of the school districts that are experiencing declining enrollment.
- Targets \$10 million for rewarding districts that establish cost-sharing agreements promoting consolidation of business, administrative, and instructional services with their intermediate school districts.
- Increases funding for Great Start preschool programs, by \$200 million, with the increase targeted to programs that provide full-day preschool and kindergarten programs.
- Dedicates over \$1.4 billion in funding for children in need of special education services.
- Targets nearly \$750 million to aid children at risk of not achieving academically.
- Dedicates over \$350 million in state and federal funds for school meal programs.
- Increases funding for Health/Science Middle College planning grants to \$4 million, creating partnerships between the K-12 system, community colleges and hospitals to prepare students for careers in the health sciences.
- Directs almost \$30 million in state funds to support the current testing regimen and meet the more rigorous high school curriculum standards.

**Fiscal Year 2008 Governor's Recommendation
School Aid
(\$ in Thousands)**

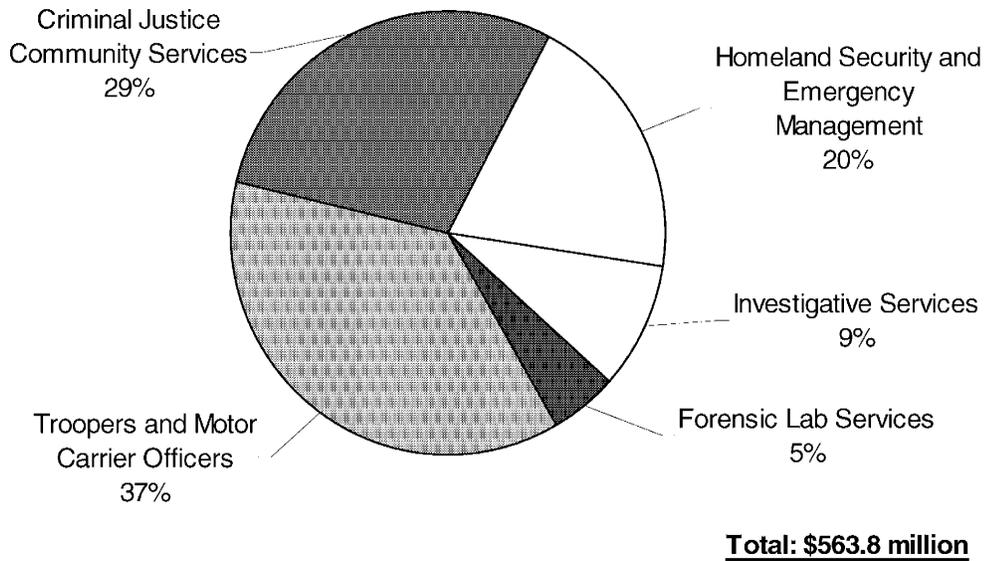
	FY06 Appropriation	FY07 Current Law	FY08 Recommendation
GF/GP	\$62,714.0	\$35,000.0	\$35,000.0
All Funds	\$12,700,614.5	\$13,093,745.1	\$13,431,028.4
	% Change - GF/GP	-44.2%	0.0%
	% Change - All Funds	3.1%	2.6%

Programs	GF/GP	All Funds
Foundation Allowance Payments	\$1,504.6	\$9,896,125.0
Special Education Funding	\$0.0	\$1,448,133.0
No Child Left Behind and Other Federal Funding	\$0.0	\$642,856.5
School Food Programs	\$0.0	\$354,626.1
At Risk Children Services	\$0.0	\$319,350.0
Great Start Preschool Programs	\$15,000.0	\$298,800.0
Statutorily Required Payments/Reimbursements	\$13,500.0	\$198,161.0
Intermediate School District General Operations	\$0.0	\$82,114.0
Vocational Education	\$0.0	\$39,000.0
Declining Enrollment Payment Assistance	\$0.0	\$36,000.0
State Assessments	\$0.0	\$38,600.0
Adult Education	\$0.0	\$24,000.0
Court Placed and Juvenile Programs	\$0.0	\$12,387.3
School Services Consolidation	\$200.0	\$10,000.0
Math and Science Programs	\$110.0	\$8,786.1
Michigan Virtual High School	\$2,250.0	\$6,000.0
Center for Education Performance and Information	\$2,435.4	\$5,978.6
Health/Science Middle College	\$0.0	\$4,000.0
School Transportation Safety Programs	\$0.0	\$3,025.8
Bilingual Education	\$0.0	\$2,800.0
Advanced and Accelerated Programs	\$0.0	\$285.0
Total FY 2008 Recommendation	\$35,000.0	\$13,431,028.4

Department of State Police

The Michigan State Police (MSP) delivers law enforcement services throughout the state with up-to-date training and technology. *The Governor's proposed budget for fiscal year 2008 recommends total funding of \$563.8 million, of which \$268.6 million is general fund.*

State Police Provides Statewide Law Enforcement Services



Highlights of Governor's Budget Recommendation for MSP

- Over \$208 million supports road patrol and motor carrier enforcement activities.
- Over \$112 million is for homeland security efforts.
- \$28 million funds forensic lab services, which support criminal justice efforts throughout the state.
- Almost \$40 million in a variety of grants are provided to local law enforcement agencies.

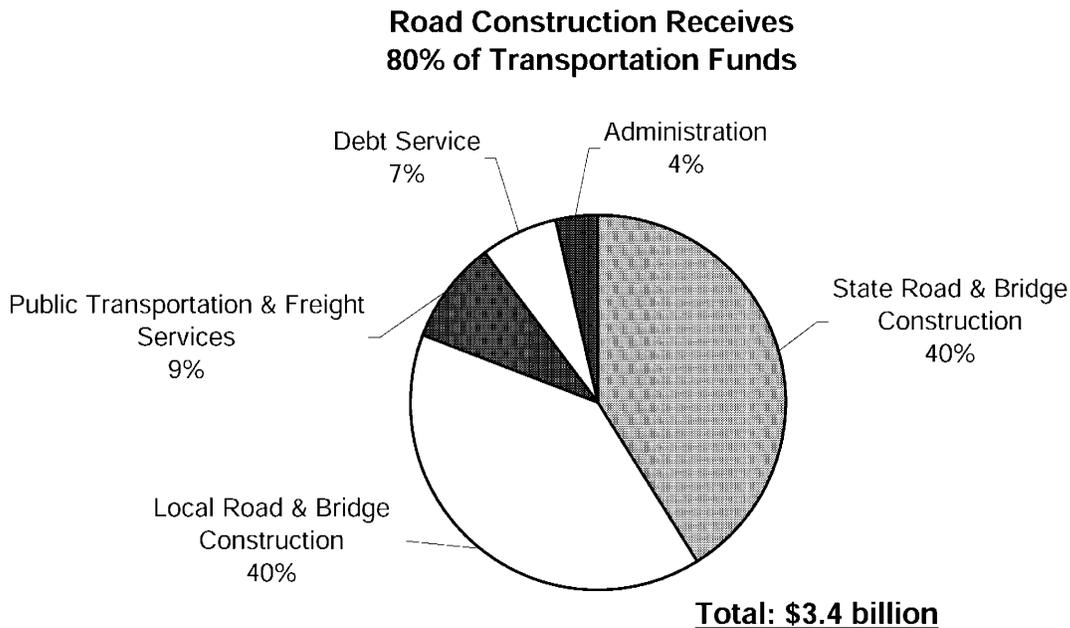
**Fiscal Year 2008 Governor's Recommendation
Department of State Police
(\$ in Thousands)**

	FY06 Appropriation	FY07 Current Law	FY08 Recommendation
GF/GP	\$231,761.6	\$249,298.7	\$268,633.1
All Funds	\$558,875.2	\$569,228.5	\$563,834.9
	% Change - GF/GP	7.6%	7.8%
	% Change - All Funds	1.9%	-0.9%

Programs	GF/GP	All Funds
Troopers and Motor Carrier Officers	\$136,776.3	\$208,334.0
Criminal Justice Community Services	\$75,620.4	\$163,666.1
Homeland Security and Emergency Management	\$2,148.8	\$112,066.8
Investigative Services	\$32,479.2	\$51,754.5
Forensic Lab Services	\$21,608.4	\$28,013.5
Total FY 2008 Recommendation	\$268,633.1	\$563,834.9

Department of Transportation

Through investments in the State's network of roads and bridges, public transportation systems, freight development, and aviation support programs, the Department of Transportation (MDOT) works to ensure a safe, efficient, and effective transportation infrastructure. *The Governor's proposed budget for fiscal year 2008 recommends total funding of \$3.4 billion, supported entirely with restricted revenues.*



Highlights of Governor's Budget Recommendation for MDOT

- Recommends \$1.4 billion for state road and bridge construction and maintenance projects.
- Allocates \$1.3 billion to local units of government to support road and bridge construction projects and maintenance efforts.
- Provides \$304 million for public transportation services to support local bus operating and capital assistance, specialized services to the disabled and elderly, rail passenger service, and various transportation to work programs.
- Increases debt service payments by \$16 million to repay long-term obligations.
- Provides \$29.1 million for various economic development construction projects, after redirecting \$13 million from the Transportation Economic Development Fund to the General Fund.

**Fiscal Year 2008 Governor's Recommendation
Department of Transportation
(\$ in Thousands)**

	FY06 Appropriation	FY07 Current Law	FY08 Recommendation
GF/GP	\$0.0	\$0.0	\$0.0
All Funds	\$3,424,910.2	\$3,441,865.3	\$3,365,255.6
	% Change - GF/GP	0.0%	0.0%
	% Change - All Funds	0.5%	-2.2%

Programs	GF/GP	All Funds
State Road & Bridge Construction and Maintenance	\$0.0	\$1,379,859.5
Local Road & Bridge Construction and Maintenance	\$0.0	\$1,338,072.0
Public Transportation & Freight Services	\$0.0	\$304,168.2
Debt Service Obligations	\$0.0	\$223,612.2
Administrative Support Services	\$0.0	\$119,543.7
Total FY 2008 Recommendation	\$0.0	\$3,365,255.6

Background Information

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Web site address for this document: <http://www.michigan.gov/budget>

Fiscal Year 2008
Sources and Uses of General Fund/General Purpose
(in millions)

Estimated Beginning Fund Balance, October 1, 2007 \$0.0

REVENUES:

Estimated January Consensus Net Revenues \$7,010.0

Adjusted January Consensus Net Revenues \$7,010.0

Proposed Adjustments:

Revenue Sharing Reductions 545.3

Tax Restructuring Proposal 2,064.0

Charge School Aid Fund for Short-term interest 22.8

Financial Institutions Funds Transfer 2.0

Other Adjustments 13.0

Total Sources of Funds \$9,657.1

EXPENDITURES:

Fiscal Year 2008 Executive Recommendation \$9,610.9

Total Uses of Funds \$9,610.9

Ending Fund Balance, September 30, 2008 46.2

Fiscal Year 2008 Sources and Uses of All Funds

(in millions)

Estimated Beginning Unreserved Fund Balance, October 1, 2007 \$618.7

REVENUES:

Fiscal Year 2008 Revenue Estimate \$43,291.5

Adjustments Included in Revenue Estimate:

Revenue Sharing Reductions	\$545.3
Tax Restructuring Proposal	\$2,502.8
Expand Lottery Club Keno	\$15.0
Other Adjustments	\$13.0

TOTAL REVENUES \$43,291.5

Total Sources of Funds **\$43,910.2**

EXPENDITURES:

Fiscal Year 2008 Executive Recommendation	\$43,369.2
Less: Interdepartmental Grants and Transfers	(770.0)

Total Uses of Funds **\$42,599.2**

Excess of Sources Over Uses **\$1,311.0**

Consensus Economic Outlook

The economic and revenue outlooks were agreed to at the January 18, 2007, Consensus Revenue Estimating Conference by the Administration, House Fiscal Agency, and Senate Fiscal Agency.

2006 U.S. Economic Review

The current U.S. economic expansion is now five years old, having begun in November 2001. Calendar year 2006 real GDP is estimated to have grown by 3.3 percent, up slightly from 3.2 percent growth in 2005. Real GDP grew sharply (5.6 percent annual rate) in the first quarter before moderating over the balance of the year. (Unless otherwise specified year references pertain to calendar years.)

Light vehicle sales fell 450,000 units to 16.5 million, their lowest level since 1998. Big Three vehicle market share continued to shrink. As a result, Big Three vehicle sales fell from 9.5 million units to 8.7 million units, their lowest level since 1992.

After rising in 2005 to 2.1 million units, their second highest level on record, housing starts fell 12.9 percent to 1.8 million in 2006. Likewise, 2006 existing home sales fell 8.4 percent to 6.5 million units from the record 7.1 million level in 2005. The December 2006 median existing home price was unchanged compared to a year ago. The stock market (as measured by the Wilshire 5000) posted strong gains (13.8 percent).

U.S. employment has increased each month since mid-2003. Employment gains in 2006 averaged just over 150,000 jobs a month. Monthly employment now exceeds its pre-recession peak by 3.7 million jobs. For 2006, U.S. employment rose 1.4 percent, slightly lower than 2005 growth of 1.5 percent. In 2006, the U.S. unemployment rate fell 0.5 of a percentage point to 4.6 percent, the lowest national unemployment rate since 2000.

At its June 2006 meeting, the Federal Open Market Committee (FOMC) raised the target federal funds rate 0.25 of a percentage point for the seventeenth time, increasing the rate to 5.25 percent. Since June, the FOMC has kept the federal funds rate unchanged. Whether the Fed will cut, increase or keep unchanged the target rate will largely depend upon its weighing of inflation and economic growth in the light of newly released economic data.

After rising to \$74 a barrel in July 2006, its highest monthly average on record, oil prices fell below \$60 a barrel in October before rising slightly over the balance of the year. In December, the three-month oil price average was virtually unchanged compared to a year ago at \$60 a barrel. After rising to their highest annual average in 2005, natural gas prices fell 15 percent in 2006. Overall consumer prices rose at a slightly slower rate in 2006.

2006 Michigan Economic Review

Michigan's economy relies heavily on the performance of the manufacturing sector in general and the auto industry specifically. Given extremely weak manufacturing employment performance, declining vehicle production, continued declines in Big 3 market share along with continued supply rationalization among vehicle suppliers, Michigan's employment performance has been below the national average. Substantial productivity gains in the vehicle industry have also contributed to Michigan's sub-par employment performance.

From Michigan's employment peak in June 2000 compared to December 2006, Michigan has lost 310,000 jobs (-6.6 percent). Over the same period, manufacturing employment has declined very sharply, declining by nearly 30 percent. In 2006, overall State employment fell by an estimated 20,000 jobs while Michigan's manufacturing sector lost twice that number of jobs. Based on preliminary estimates, Michigan's unemployment rate rose slightly from 6.7 percent to 6.8 percent.

Michigan wages and salaries income is estimated to have grown by 2.1 percent in 2006. Overall personal income increased by an estimated 3.5 percent. With 3.0 percent inflation, real (inflation adjusted) personal income rose by an estimated 0.5 percent. Excluding 2003, when large payments into defined benefit pension plans artificially inflated State personal income, 2006 marked the first year Michigan real personal income grew since 2000.

2007 and 2008 U.S. Consensus Economic Outlook

Real GDP is forecast to slow substantially to 2.2 percent in 2007 before rebounding to 2.7 percent growth in 2008. These forecasted values compare to 3.3 percent growth in 2006. (See Table 1). Light vehicle sales are forecast to be 16.3 million units in 2007 and 16.5 million in 2008. Inflation is projected to decelerate significantly in 2007 before rebounding in 2008. Short-term interest rates are projected to rise slightly in 2007 and 2008 while long-term rates record more significant gains.

The U.S. unemployment rate is projected to remain relatively stable over the next two years with 4.6 percent unemployment rate in 2007 and 4.7 percent unemployment rate in 2007.

2007 and 2008 Michigan Consensus Economic Outlook

Michigan wage and salary employment is forecast to record significant declines in both 2007 (-0.9 percent) and 2008 (-0.6 percent). The projected 2008 State employment decline would mark the eighth straight year of declines. Quarterly employment declines are expected to average around 10,000 jobs in 2007 before slowing through the end of 2008. Michigan's unemployment rate is forecast to average 7.4 percent in 2007 and 7.7 percent in 2008. Continued restructuring at the domestic Big 3 automakers and major automotive parts suppliers will continue to restrain Michigan employment.

Michigan personal income is forecast to increase 2.8 percent in 2007 and 3.0 percent in 2008. Inflation, as measured by the Detroit CPI, is forecast to be 1.7 percent in 2007 and 2.5 percent in 2008. As a result, real Michigan personal income (inflation adjusted) is expected to rise 1.1 percent in 2007 and 0.5 percent in 2008.

In FY 2007, Michigan wages and salaries are expected to grow by 1.5 percent and then slow to 1.2 percent growth in FY 2008. Disposable income is expected to rise 3.1 percent in 2007 and 2.7 percent in 2008. The inflation rate is expected to remain moderate at 1.3 percent in FY 2007 and 2.5 percent in FY 2008.

Forecast Risks

Restructuring and rationalization in the motor vehicle industry beyond that presumed in the baseline forecast would result in steeper declines in Michigan employment and slower State income growth.

Firms' increased pricing power, increased obsolescence of current capacity, tighter labor markets, higher commodity prices (notably oil), and rising health care and pension costs may lead to higher inflation than the baseline forecast projects. This higher inflation rate may crimp consumption and investment spending — especially if accompanied by even more aggressive inflation fighting by the Federal Reserve. High levels of consumer debt together with a low savings rate also may weigh more heavily on the economy.

If international confidence in the dollar declines dramatically, the value of the dollar may fall sharply. A plummeting dollar could shake financial markets, severely curtailing both consumption and investment, and thus slow economic growth sharply.

The baseline forecast assumes a continued orderly decline in the housing sector followed by a stabilizing market. However, if a national housing bubble does exist and it bursts over the forecast horizon, there is a chance that the U.S. economy could slow severely. Coupled with other risks materializing, such as sharply higher oil prices and a rapidly declining dollar, a collapsing housing market could send the U.S. economy into a recession.

Geopolitical factors remain a forecast risk for both higher inflation and slower growth.

Table 1
Consensus Economic Forecast

January 2007

	Calendar 2005 Actual	Calendar 2006 Estimated	Percent Change from Prior Year	Calendar 2007 Forecast	Percent Change from Prior Year	Calendar 2008 Forecast	Percent Change from Prior Year
United States							
Real Gross Domestic Product (Billions of Chained 2000 Dollars)	\$11,049	\$11,413	3.3%	\$11,664	2.2%	\$11,979	2.7%
Implicit Price Deflator GDP (2000 = 100)	112.7	116.0	3.0%	118.9	2.5%	122.2	2.8%
Consumer Price Index (1982-84 = 100)	195.3	201.7	3.3%	205.9	2.1%	211.7	2.8%
Personal Consumption Deflator (2000 = 100)	111.5	114.6	2.8%	116.7	1.8%	119.4	2.3%
3-month Treasury Bills Interest Rate (percent)	3.2	4.7		4.9		5.0	
Aaa Corporate Bonds Interest Rate (percent)	5.2	5.6		5.9		6.4	
Unemployment Rate - Civilian (percent)	5.1	4.6		4.6		4.7	
Light Vehicle Sales (millions of units)	16.9	16.5	-2.5%	16.3	-1.2%	16.5	1.1%
Passenger Car Sales (millions of units)	7.7	7.8	2.0%	7.7	-1.9%	7.7	0.4%
Light Truck Sales (millions of units)	9.3	8.7	-6.3%	8.7	-0.6%	8.8	1.7%
Import Share of Light Vehicles (percent)	20.1	22.2		22.5		22.5	
Michigan							
Wage and Salary Employment (thousands)	4,384	4,358	-0.6%	4,319	-0.9%	4,293	-0.6%
Unemployment Rate (percent)	6.7	6.8		7.4		7.7	
Personal Income (millions of dollars)	\$331,304	\$342,900	3.5%	\$352,501	2.8%	\$362,984	3.0%
Real Personal Income (millions of 1982-84 dollars)	\$173,639	\$174,504	0.5%	\$176,427	1.1%	\$177,238	0.5%
Wages and Salaries (millions of dollars)	\$183,652	\$187,509	2.1%	\$189,384	1.0%	\$192,490	1.6%
Detroit Consumer Price Index (1982-84 = 100)	190.8	196.5	3.0%	199.8	1.7%	204.8	2.5%
Detroit CPI Fiscal Year (1982-84 = 100)	189.0	195.9	3.7%	198.4	1.3%	203.4	2.5%

Revenue Estimates

Fiscal Year 2006 Revenue

The preliminary FY 2006 book-closing results indicate that on a Consensus basis General Fund-General Purpose (GF-GP) revenues declined by 0.5 percent to \$8,266.7 million. School Aid Fund (SAF) revenue grew 1.6 percent in FY 2006 to \$11,082.1 million.

Fiscal Year 2007 and Fiscal Year 2008 Revenue Estimates

On January 18, 2007, the Administration and the House and Senate Fiscal Agencies reached a consensus on projected revenues for FY 2007 and FY 2008. Agreement was reached on baseline revenue forecasts and on the effect of enacted tax cuts. The January 2007 Consensus revenue estimates are used for the Governor's *Executive Budget*. The economic and revenue forecasts will be reviewed again at the May consensus conference before the final budget bills are passed by the legislature.

Continued weakness in Michigan's economy is expected to continue to limit the growth in Michigan's revenues. For FY 2007, GF-GP revenues on a Consensus basis are forecast to decline by 0.4 percent to \$8,230.0 million. After factoring in proposed tax changes and other budget measures, total GF-GP revenue is expected to be \$9,203.2 million. On a Consensus basis, net FY 2007 SAF revenue is expected to grow 1.3 percent to \$11,230.0 million. Including transfers, federal aid, and other budget measures, FY 2007 SAF revenue will total \$13,059.8 million.

FY 2008 GF-GP revenue will total \$7,010.0 million on a Consensus basis, a 14.8 percent decline over FY 2007. The Consensus estimates assume current law, and the large decline is due to the repeal of the single business tax (SBT). If the SBT revenues were fully replaced, FY 2008 revenues would be 0.1 percent higher than FY 2007 revenues. After factoring in proposed tax changes and other budget measures, total FY 2008 GF-GP revenue is expected to be \$9,657.1 million. On a Consensus basis, net FY 2008 SAF revenue is expected to increase by 2.7 percent to \$11,532.9 million. After factoring in proposed changes, federal aid, transfers, and other budget measures, SAF revenue will total \$13,431.9 million.

Overall FY 2008 Revenue

Total net revenue for all funds is estimated to be \$43.9 billion in FY 2008. A summary of revenues by fund is presented on page C-8. The Detailed Statement of General and Special Revenue Funds presents information for FY 2005 through FY 2008.

Projected Revenues
FY 2007 - 2008
(millions)

	FY 2007 - 2008
General Fund - General Purpose	
Consensus Estimate	7,010.0
Total Adjustments	2,647.1
Total General Fund - General Purpose	9,657.1
 School Aid Fund	
Consensus Estimate	11,532.9
Transfers and Federal Aid	1,445.1
Total Adjustments	453.9
Total SAF Revenue	13,431.9
 Transportation Funds	4,904.0
 Special Revenue & Permanent Funds	5,502.9
 Federal Aid (Not Elsewhere Itemized)	11,001.7
Sub-Total All Funds	44,497.7
 Fund Balances Available	618.7
Gross Total All Resources	45,116.4
Less Interfund Transfers (excluding GF-GP)	(1,206.2)
Net Total All Resources	\$ 43,910.2

DETAILED STATEMENT OF GENERAL AND SPECIAL REVENUE FUNDS

	ACTUAL FY 2004 - 2005	ACTUAL FY 2005 - 2006	ESTIMATES FY 2006 - 2007	ESTIMATES FY 2007 - 2008
GENERAL FUND - GENERAL PURPOSE REVENUE				
TAXES				
Individual Income ⁽¹⁾	5,731,899,474	5,809,618,803	5,876,600,000	5,982,200,000
Less: Refunds	(1,610,798,509)	(1,625,620,932)	(1,695,700,000)	(1,768,700,000)
Net Individual Income	4,121,100,965	4,183,997,872	4,180,900,000	4,213,500,000
Single Business	1,913,518,062	1,871,949,160	1,870,300,000	700,600,000
Sales ⁽²⁾	615,409,994	628,894,779	104,500,000	107,000,000
Use	934,621,530	916,981,000	943,000,000	980,000,000
Insurance Company Premium Retailatory	249,521,112	219,538,388	226,100,000	169,500,000
Cigarette Excise ⁽³⁾	116,533,245	228,994,042	229,000,000	225,100,000
Utility Property	100,315,746	84,481,915	78,000,000	72,000,000
Horse Race Wagering	2,025,000	2,000,000	0	0
Casino Gaming Wagering	42,176,778	44,967,996	47,100,000	18,600,000
Penalties and Interest	142,515,556	140,399,698	148,200,000	155,700,000
Intangibles	(11,775)	227,576	0	0
Estate / Inheritance	101,473,284	593,113	0	0
Beer and Wine Excise	50,959,136	51,216,591	51,700,000	52,200,000
Oil and Gas Severance	66,652,066	81,480,582	66,000,000	63,500,000
Liquor Specific ⁽⁴⁾	33,638,501	34,907,602	35,300,000	35,700,000
Other	0	0	0	0
Enhanced Enforcement and ACS ⁽⁵⁾	(91,247,602)	(101,016,036)	(108,000,000)	(112,000,000)
TOTAL GF - GP TAXES	8,399,201,596	8,389,614,276	7,872,100,000	6,681,400,000

⁽¹⁾ See also School Aid Fund.

⁽²⁾ See General Fund Special Purpose Revenue, School Aid Fund, and Comprehensive Transportation Fund.

⁽³⁾ See also General Fund Special Purpose Revenue and School Aid Fund.

⁽⁴⁾ See also School Aid Fund.

⁽⁵⁾ Restricted revenues supporting Treasury collection activities are shown here as negatives.

DETAILED STATEMENT OF GENERAL AND SPECIAL REVENUE FUNDS

	ACTUAL FY 2004 - 2005	ACTUAL FY 2005 - 2006	ESTIMATES FY 2006 - 2007	ESTIMATES FY 2007 - 2008
GENERAL FUND - GENERAL PURPOSE REVENUE				
NON-TAX REVENUE				
Federal Aid	35,706,867	20,076,669	23,000,000	23,000,000
Local Agencies	312,144	206,873	1,000,000	1,000,000
Services	19,817,759	8,034,589	8,100,000	8,100,000
Licenses & Permits	27,351,285	50,661,095	24,800,000	22,000,000
Miscellaneous	235,154,027	269,279,138	183,500,000	175,500,000
Interest and Investment Profits	198,300	215,048	(45,500,000)	(66,000,000)
TOTAL GF - GP NON-TAX REVENUE	318,540,382	348,473,412	194,900,000	163,600,000
TRANSFERS FROM OUTSIDE GENERAL & SPECIAL REVENUE FUNDS				
Other Interfund Transfers Received	169,140,378	74,386	0	0
Liquor Purchase Revolving Fund	142,196,395	148,542,537	152,000,000	154,000,000
Transfers From Lottery Charitable Gaming and Other Funds	11,728,946	10,489,125	11,000,000	11,000,000
TOTAL GF - GP TRANSFERS	323,065,719	159,106,049	163,000,000	165,000,000
General Fund - General Purpose Summary				
GF - GP Tax Revenue	8,399,201,596	8,389,614,276	7,872,100,000	6,681,400,000
GF - GP Non-Tax Revenue	318,540,382	348,473,412	194,900,000	163,600,000
GF - GP Transfers	323,065,719	159,106,049	163,000,000	165,000,000
TOTAL GENERAL FUND-GENERAL PURPOSE before Interfund Transfers	9,040,807,696	8,897,193,736	8,230,000,000	7,010,000,000
LESS: Interfund Transfers	(169,140,378)	(74,386)	0	0
CONSENSUS TOTAL GENERAL FUND-GENERAL PURPOSE	8,871,667,318	8,897,119,350	8,230,000,000	7,010,000,000
BUDGET ADJUSTMENTS				
Revenue Sharing Reductions	NA	NA	558,000,000	545,300,000
Proceeds from Land Sales	NA	NA	46,900,000	0
Tax Restructuring Proposal	NA	NA	320,700,000	2,064,000,000
Charge SAF for Short-term Interest	NA	NA	22,800,000	22,800,000
Financial Inst. Funds Transfer	NA	NA	0	2,000,000
Other Adjustments	NA	NA	24,800,000	13,000,000
TOTAL ADJUSTMENTS	NA	NA	973,200,000	2,647,100,000
TOTAL GENERAL FUND-GENERAL PURPOSE WITH ADJUSTMENTS	8,871,667,318	8,897,119,350	9,203,200,000	9,657,100,000
Excluding interfund transfers to GF-GP				

DETAILED STATEMENT OF GENERAL AND SPECIAL REVENUE FUNDS

	ACTUAL FY 2004 - 2005	ACTUAL FY 2005 - 2006	ESTIMATES FY 2006 - 2007	ESTIMATES FY 2007 - 2008
GENERAL FUND-SPECIAL PURPOSE/SPECIAL REVENUE AND PERMANENT FUNDS (EXCLUDING FEDERAL AID)				
Air Emission Fees	11,341,566	11,569,585	11,200,000	17,202,211
Airport Parking Revenue	17,837,947	20,427,164	21,700,000	23,200,000
Auto Repair Facilities Fees	3,749,237	3,957,717	4,100,000	4,100,000
Auto Theft Prevention Fund	6,713,953	6,670,407	6,500,000	6,420,000
Bottle Deposits Fund	23,035,694	23,187,855	20,617,755	15,058,642
Budget Stabilization Fund	1,994,969	64,616	0	0
Child Support Collections	39,144,936	37,150,495	47,710,700	46,141,200
Children's Trust Fund	1,433,139	3,320,711	3,531,510	3,801,573
Civil Infraction Fee	7,138,932	7,181,673	7,514,400	7,514,400
Civilian Conservation Endowment Fund	693,316	868,418	756,000	736,700
Commercial Mobile Radio Emergency Telephone Fund	28,344,021	24,777,880	21,538,250	21,538,250
Conservation and Recreation Bond Proceeds	74,722,082	158,929,385	107,000	107,000
Construction Lien Recovery Fund	5,016,951	633,542	625,000	565,000
Contributions to Children of Veterans Tuition Grant Program	0	0	1,000,000	1,000,000
Convention Facility Development Fund	50,428,980	53,179,446	54,596,289	57,057,041
Corporation Fees	16,859,245	20,084,438	23,000,000	14,998,470
Court Equity Fund	45,745,528	46,282,621	46,200,000	46,200,000
Court Fee Fund	6,712,074	6,226,229	8,200,000	8,200,000
Criminal Justice Info Cntr Service Fees	7,317,445	9,339,738	10,832,300	13,838,500
Delinquent Tax Collection Revenue	69,002,805	75,755,397	108,000,000	112,000,000
Driver Fees	15,207,556	15,947,338	33,500,000	36,200,000
Equine Development Fund	15,079,519	14,496,248	15,700,000	11,800,000
Fees and Collections	5,394,306	6,357,448	5,242,500	4,997,500
Forest Development Fund	33,373,722	27,237,030	34,277,900	27,316,800
Game and Fish Protection Fund	63,366,696	64,587,599	64,271,700	63,151,200

DETAILED STATEMENT OF GENERAL AND SPECIAL REVENUE FUNDS

	ACTUAL FY 2004 - 2005	ACTUAL FY 2005 - 2006	ESTIMATES FY 2006 - 2007	ESTIMATES FY 2007 - 2008
Game and Fish Protection Trust Fund	17,890,617	15,552,671	11,940,700	12,040,700
Groundwater & Freshwater Protection Fund	3,794,035	4,167,961	3,739,800	3,810,100
Group Insurance Fund, Flexible Spending and COBRA	5,697,925	3,500,529	8,559,800	8,663,500
Health and Safety Fund - Counties	20,978,712	20,668,455	20,175,000	19,800,000
Health Professions Regulatory Fund	15,985,644	18,480,066	18,339,600	19,758,300
Healthy Michigan Fund	43,433,589	43,411,873	43,551,000	41,827,600
Highway Safety Fund	14,303,246	14,196,926	14,064,000	14,064,000
Income and Assessments	19,349,496	19,871,819	20,131,100	20,437,944
Individual Income Tax - Refunds	815,300,000	834,000,000	0	0
Insurance Licensing Fees	6,012,171	(9,285,026)	5,615,000	5,460,200
Insurance Regulatory Fees	8,042,623	10,589,267	16,000,000	17,800,000
Judicial Technology Improvement Fund	2,762,618	4,367,256	4,300,000	4,300,000
Juror Compensation Fund	1,182,172	4,982,770	5,000,000	5,000,000
Land Reutilization Fund	6,158,028	1,713,210	1,500,000	1,500,000
Licensing & Inspection Fees	5,756,222	5,739,567	5,355,000	5,414,000
Licensing & Regulation Fees	10,005,331	11,669,109	13,760,000	12,350,000
Liquor License Revenue	11,423,170	11,206,913	11,750,000	33,638,300
Liquor Operations	12,096,893	13,653,189	23,284,300	22,864,100
Local Funds - County Payback	52,861,593	55,931,388	62,954,500	64,973,300
Local Revenues - DCH	431,997,199	221,519,862	241,177,400	246,671,500
Local Vocational Rehabilitation Match	6,063,060	6,352,074	6,536,500	6,667,200
Look-up Fees	34,228,173	0	0	0
Lottery Operations	36,138,380	37,783,804	42,861,200	43,852,800
Low Income and Energy Efficiency Fund	39,939,299	56,798,704	78,000,000	64,000,000
Mackinac Island State Park Fund	997,500	1,311,035	1,600,000	1,650,000
Manufacturer Rebates	0	0	60,952,100	60,952,100
Michigan Accounts Receivable Collection System Revenue	21,982,534	24,804,985	0	0
Marine Safety Fund	5,376,022	4,989,870	4,962,500	5,305,000
Medicaid Benefits Trust Fund	518,908,600	402,205,904	441,100,000	583,800,000
Merit Award Trust Fund	212,198,420	252,396,859	242,700,000	289,100,000
Michigan Underground Storage Tank Financial Assurance Fund	7,166	0	0	0
Michigan Employment Security Contingent Fund	9,949,173	6,811,575	13,999,103	13,999,103
Michigan Health Initiative Fund	9,107,896	9,127,374	10,335,900	10,525,600
Michigan Higher Education Assistance and Student Loan Authorities	22,320,595	22,194,090	33,805,000	34,245,900
Michigan Higher Education Assistance Authority Operating Fund	0	0	3,000,000	1,200,000
Michigan Justice Training Fund	6,355,230	7,422,091	7,796,300	7,799,200

DETAILED STATEMENT OF GENERAL AND SPECIAL REVENUE FUNDS

	ACTUAL FY 2004 - 2005	ACTUAL FY 2005 - 2006	ESTIMATES FY 2006 - 2007	ESTIMATES FY 2007 - 2008
Michigan Natural Resources Trust Fund	83,674,413	71,960,412	52,176,300	53,162,800
Michigan Nongame Fish and Wildlife Fund	506,958	586,883	556,100	556,100
Michigan State Fair/Exposition and Fairgrounds Fund	5,929,451	5,730,205	6,218,200	6,368,000
Michigan State Industries	14,845,186	16,035,918	19,490,500	20,346,400
Michigan State Housing Development Authority	19,912,978	37,871,653	40,173,500	42,446,800
Michigan State Parks Endowment Fund	16,882,996	17,834,296	16,616,800	16,616,800
Michigan State Waterways Fund	24,594,945	24,140,921	25,115,500	26,104,100
Michigan Veterans' Trust Fund	2,314,792	2,537,684	4,929,800	4,968,800
Motor Carrier Fees	3,365,811	5,322,159	0	4,300,000
Newborn Screening Fees	7,120,142	7,354,647	8,054,100	8,181,900
Nonpoint Discharge Elimination System Fees	2,842,270	3,045,596	3,165,000	2,950,000
Oil and Gas Regulatory Fund	5,970,875	8,211,712	11,572,000	9,800,000
Parole and Probation Oversight Fees	7,964,790	7,832,266	10,329,700	10,753,900
Public Utility Assessments	16,021,291	18,606,701	20,100,000	21,860,000
Quality Assurance Assessment Tax	510,212,157	676,922,897	872,526,400	867,859,800
Refined Petroleum Fund	117,705,696	59,727,401	59,525,131	58,827,784
Remonumentation Fees	11,262,804	(3,651,513)	11,520,000	13,300,000
Retirement Operations	37,988,720	29,099,194	14,683,000	15,450,100
Safety Education and Training	7,100,431	6,796,178	8,125,000	7,000,000
Sales Tax - Revenue Sharing	1,112,047,431	1,102,520,055	1,084,800,000	1,113,500,000
Scrap Tire Regulatory Fund	4,720,261	4,516,529	4,400,000	4,300,000
Second Injury Fund	14,480,415	16,780,974	18,000,000	18,300,000
Secondary Road Patrol & Training Fund	13,821,909	14,163,829	14,089,000	14,089,000
Securities Fees	13,484,738	14,455,258	17,600,000	16,950,000
Self Insurer's Security Fund	11,592,514	9,315,460	7,000,000	7,500,000
Snowmobile Registration Fee Revenue	1,245,275	1,295,101	1,713,800	1,444,100
Snowmobile Trail Improvement Sub Fund	8,884,121	8,335,591	8,487,200	8,451,400
Solid Waste Program Fees	4,671,339	4,507,546	4,400,000	4,300,000
Special Financing Revenues - Medicaid	0	0	132,892,800	132,892,800
Supplemental Security Income Recoveries	7,016,386	8,690,591	9,958,700	9,993,500
State Campaign Funds	1,485,604	1,270,050	1,500,000	1,500,000
State Casino Gaming Fund	30,442,179	31,121,235	32,029,440	32,809,009
State Construction Code Fund	11,668,822	9,281,166	14,274,640	12,680,000

DETAILED STATEMENT OF GENERAL AND SPECIAL REVENUE FUNDS

	ACTUAL FY 2004 - 2005	ACTUAL FY 2005 - 2006	ESTIMATES FY 2006 - 2007	ESTIMATES FY 2007 - 2008
State Court Sub - Fund	7,610,567	7,811,063	7,800,000	7,800,000
State Park Improvement Fund	36,695,560	39,913,280	41,107,600	40,777,100
Telephone Fees & Commissions	9,915,363	10,026,479	12,677,700	12,677,700
Tobacco Settlement Trust Fund	70,278,814	0	0	0
Traffic Law Enforcement and Safety	25,327,792	30,458,618	24,225,800	24,225,800
Transportation Admin Collection Fund	70,844,132	110,286,015	110,370,000	110,370,000
Twenty-First Century Jobs Fund	0	400,000,000	0	75,000,000
Victims Services Fund	9,343,347	9,801,781	10,942,400	13,431,000
Other Restricted Revenues	445,027,082	518,468,831	466,354,451	422,433,734
Total GF-Special Purpose/Special Revenue & Permanent Funds	5,785,078,305	6,125,353,814	5,239,067,672	5,502,893,363
Less: Interfund Transfers	(184,381,138)	(540,578,608)	(79,780,907)	(154,985,833)
Net Total GF-Special Purpose/Special Revenue & Permanent Funds	5,600,697,167	5,584,775,206	5,159,286,765	5,347,907,529
FEDERAL AID NOT ELSEWHERE ITEMIZED:				
Federal Aid: Agriculture	23,919,087	13,007,971	23,700,000	21,861,600
Federal Aid: Attorney General	3,067,146	3,116,257	10,236,500	10,011,500
Federal Aid: Capital Outlay (excluding Transportation)	21,673,386	30,176,566	0	0
Federal Aid: Civil Rights	1,636,915	1,557,900	1,566,200	2,054,100
Federal Aid: Civil Service	0	0	4,779,100	4,779,100
Federal Aid: Community Health	5,682,218,778	5,584,352,450	6,042,584,700	6,440,613,100
Federal Aid: Corrections	4,052,211	4,867,798	11,431,500	10,340,700
Federal Aid: Education	51,888,248	46,099,718	67,570,600	69,181,000
Federal Aid: Environmental Quality	47,428,803	44,103,023	140,288,500	132,274,300
Federal Aid: Human Services (FIA)	2,926,365,635	3,057,979,113	3,135,487,200	3,116,678,300
Federal Aid: Higher Education - Grants	2,763,830	2,655,815	3,000,000	6,000,000
Federal Aid: History, Arts and Libraries	7,554,328	6,047,553	8,450,900	7,307,400
Federal Aid: Judiciary	2,896,015	2,934,271	4,626,400	4,626,400
Federal Aid: Labor and Economic Growth	614,256,363	597,375,580	795,345,800	837,855,300
Federal Aid: Military Affairs	45,035,328	51,101,405	51,450,700	54,187,500
Federal Aid: Natural Resources	34,712,871	39,509,375	42,964,300	44,334,700
Federal Aid: State	15,751,889	42,789,949	3,052,100	1,561,200
Federal Aid: State Police	97,470,415	127,183,459	169,305,000	146,240,200
Federal Aid: Treasury	0	0	83,593,300	91,836,400
TOTAL FEDERAL AID excluding Transportation and School Aid	9,582,691,248	9,654,858,203	10,599,432,800	11,001,742,800

DETAILED STATEMENT OF GENERAL AND SPECIAL REVENUE FUNDS

	ACTUAL FY 2004 - 2005	ACTUAL FY 2005 - 2006	ESTIMATES FY 2006 - 2007	ESTIMATES FY 2007 - 2008
SCHOOL AID FUND REVENUE				
TAXES and LOTTERY				
Sales Tax	4,805,748,680	4,831,253,905	4,900,500,000	5,016,900,000
Use Tax	467,710,765	458,890,454	471,500,000	490,000,000
Income Tax Earmarking	1,985,493,107	2,038,983,344	2,059,700,000	2,096,700,000
State Education Tax	1,914,629,181	2,003,526,578	2,094,500,000	2,203,700,000
Real Estate Transfer Tax	313,548,086	297,680,118	244,200,000	256,100,000
Tobacco	472,680,898	472,199,127	459,100,000	449,900,000
Industrial & Commercial Facilities Tax	138,243,586	135,594,710	137,000,000	139,000,000
Casino Wagering Tax	97,609,114	104,068,792	109,100,000	118,400,000
Liquor Excise Tax	33,111,943	34,496,655	35,300,000	35,700,000
Other Specific Taxes	13,558,515	17,282,571	17,100,000	17,100,000
Sub-Total SAF Taxes	10,242,333,875	10,393,976,255	10,528,000,000	10,823,500,000
Transfer from Lottery Ticket Sales	667,579,438	688,017,340	702,000,000	709,400,000
CONSENSUS TOTAL SCHOOL AID FUND	10,909,913,313	11,081,993,594	11,230,000,000	11,532,900,000
NON-TAX REVENUE				
Federal Aid	1,321,710,451	1,360,741,678	1,411,236,900	1,410,111,700
Local Revenue	0	0	0	0
Transfer from Counter-Cyclical Budget & Economic Stabilization	0	0	0	0
Transfer from General Fund	164,142,630	62,713,844	35,000,000	35,000,000
Recovery of Prior Year State Aid and Receivables	62,455,073	84,914,181	0	0
Sub-Total SAF Other Source Revenues	1,548,308,154	1,508,369,703	1,446,236,900	1,445,111,700
TOTAL SCHOOL AID FUND before Interfund Transfers	12,458,221,467	12,590,363,297	12,676,236,900	12,978,011,700
ADJUSTMENTS PROPOSED IN EXECUTIVE BUDGET				
Expanded Club Keno	NA	NA	7,500,000	15,000,000
Tax Restructuring Proposal	NA	NA	191,100,000	438,900,000
PSERS Reserve for Undist. Income	NA	NA	185,000,000	0
TOTAL PROPOSED ADJUSTMENTS	NA	NA	383,600,000	453,900,000
NET TOTAL SCHOOL AID FUND WITH ADJUSTMENTS	12,458,221,467	12,590,363,297	13,059,836,900	13,431,911,700
Less Interfund Transfers	(164,142,630)	(62,713,844)	(35,000,000)	(35,000,000)
TOTAL SCHOOL AID FUND after adjustments excluding interfund transfers	12,294,078,837	12,527,649,453	13,024,836,900	13,396,911,700

DETAILED STATEMENT OF GENERAL AND SPECIAL REVENUE FUNDS

	ACTUAL FY 2004 - 2005	ACTUAL FY 2005 - 2006	ESTIMATES FY 2006 - 2007	ESTIMATES FY 2007 - 2008
TRANSPORTATION: AERONAUTICS FUND 114				
Aviation Fuel Tax	6,718,713	5,974,483	6,125,000	6,250,000
Federal Aid	123,823,062	117,608,054	137,254,300	137,254,300
Local Agencies	23,490,235	18,565,953	30,524,000	30,500,000
Transfers and Other	10,542,456	14,098,081	7,401,000	7,384,000
TOTAL AERONAUTICS FUND	164,574,466	156,246,571	181,304,300	181,388,300
TRANSPORTATION: TRUNKLINE FUND 116				
Federal Aid	753,862,710	710,190,858	1,107,898,200	1,141,274,700
Local Agencies	46,787,864	32,234,420	30,000,000	30,000,000
Licenses and Permits	15,338,679	17,499,298	20,500,000	21,000,000
Transfer from Michigan Transportation & Other Funds	855,608,028	887,201,244	878,553,000	846,390,100
Interest from Common Cash Investment	18,250,198	24,072,081	17,600,000	14,400,000
Other	40,467,080	51,008,067	21,400,000	21,400,000
TOTAL TRUNKLINE FUND	1,730,314,560	1,722,205,969	2,075,951,200	2,074,464,800
TRANSPORTATION: BLUE WATER BRIDGE FUND 118				
Tolls and Rentals	14,289,883	13,921,263	14,200,000	15,400,000
Interest From Common Cash Investment and Other	790,755	836,834	272,000	272,000
TOTAL BLUE WATER BRIDGE TRANSPORTATION FUND	15,080,639	14,758,098	14,472,000	15,672,000
TRANSPORTATION: MICHIGAN TRANSPORTATION FUND 119				
Diesel and Motor Carrier Fuel Tax	146,307,899	148,557,381	152,500,000	153,500,000
Gasoline and Liquefied Petroleum Gas Tax	922,832,097	906,792,308	907,600,000	907,600,000
Motor Vehicle Registration Tax	863,366,561	867,663,304	880,000,000	898,000,000
Licenses, Permits, Other and Transfers	37,964,047	37,304,838	36,700,000	37,100,000
Interest From Common Cash Investment	6,327,788	7,601,856	7,200,000	6,400,000
TOTAL MICHIGAN TRANSPORTATION FUND	1,976,798,393	1,967,919,687	1,984,000,000	2,002,600,000
TRANSPORTATION: COMPREHENSIVE TRANSPORTATION FUND 120				
Sales Tax (Includes effect of earmarking reduction)	56,923,916	66,405,415	75,500,000	76,000,000
Federal Aid	20,450,460	24,945,236	61,438,100	60,392,800
Transfer from Michigan Transportation & Other Funds	169,083,909	167,223,230	167,908,000	169,821,700
Interest From Common Cash Investment and Other	5,825,800	1,863,924	19,617,000	14,693,000
TOTAL COMPREHENSIVE TRANSPORTATION FUND	252,284,085	260,437,806	324,463,100	320,907,500
TRANSPORTATION BOND PROCEEDS				
	90,285,067	415,249,069	309,000,000	309,000,000
TOTAL TRANSPORTATION REVENUE	4,229,337,210	4,536,817,198	4,889,190,600	4,904,032,600
LESS: Interfund Transfers	(1,024,691,938)	(1,054,424,473)	(1,046,461,000)	(1,016,211,800)
NET TOTAL TRANSPORTATION REVENUE After Transfers	3,204,645,272	3,482,392,725	3,842,729,600	3,887,820,800

DETAILED STATEMENT OF GENERAL AND SPECIAL REVENUE FUNDS

	ACTUAL FY 2004 - 2005	ACTUAL FY 2005 - 2006	ESTIMATES FY 2006 - 2007	ESTIMATES FY 2007 - 2008
All Funds Summary				
General Fund - General Purpose	9,040,807,696	8,897,193,736	8,230,000,000	7,010,000,000
General Fund - General Purpose Budget Adjustments	0	0	973,200,000	2,647,100,000
General Fund - Special Purpose/Special Revenue & Permanent Fund	5,785,078,305	6,125,353,814	5,239,067,672	5,502,893,363
Federal Aid Not Elsewhere Categorized	9,582,691,248	9,654,858,203	10,599,432,800	11,001,742,800
School Aid Fund	12,458,221,467	12,590,363,297	12,676,236,900	12,978,011,700
School Aid Fund - Budget Adjustments	0	0	383,600,000	453,900,000
Transportation Revenues	4,229,337,210	4,536,817,198	4,889,190,600	4,904,032,600
TOTAL ALL FUNDS	41,096,135,926	41,804,586,249	42,990,727,973	44,497,680,463
LESS: Interfund Transfers	(1,542,356,084)	(1,657,791,312)	(1,161,241,907)	(1,206,197,633)
NET TOTAL REVENUE after transfers	39,553,779,843	40,146,794,937	41,829,486,065	43,291,482,829
OTHER REVENUE OR NON-CURRENT YEAR SOURCES OF FINANCING				
General Fund Unreserved Balance	0	220,536,830	7,155,561	2,100,000
Restricted Fund Subfunds of the General Fund (Unreserved Balance)	426,947,978	479,948,666	479,948,666	479,948,666
Budget Stabilization Fund Unreserved Balance	81,257,544	1,952,514	2,017,129	2,105,000
School Aid Stabilization Fund Balance	72,400,000	93,668,477	0	11,300,000
Special Revenue and Permanent Funds Balances (Available)	106,679,000	149,170,210	149,170,210	123,242,235
Sub-Total Fund Balances	687,284,522	945,276,696	638,291,566	618,695,901
NET TOTAL RESOURCES	40,241,064,365	41,092,071,633	42,467,777,632	43,910,178,731

Capped Sources of Federal Funds Shared Between State Departments

CFDA Number	Title	FY 2008 Budget Recommendation
10.664	Cooperative Forestry Assistance	
	Grantee: Natural Resources	7,409,800
	Grantee: Agriculture	1,426,000
16.579	Byrne Formula Grant Program	
	Grantee: Community Health	8,181,100
	Subrecipient State Agency: State Police	5,516,600
16.588	Violence Against Women Formula Grants	
	Grantee: Human Services	3,551,000
	Subrecipient State Agency: State Police	186,500
17.503	Occupational Safety and Health-State Program	
	Grantee: Labor & Economic Growth	13,450,300
	Subrecipient State Agency: Attorney General	98,200
20.600	State and Community Highway Safety	
	Grantee: State Police	8,066,800
	Subrecipient State Agency: Community Health	400,000
	Subrecipient State Agency: Judiciary	800,000
66.460	Nonpoint Source Implementation Grants	
	Grantee: Environmental Quality	6,500,000
	Subrecipient State Agency: Agriculture	225,700
66.801	Hazardous Waste Management State Program Support	
	Grantee: Environmental Quality	3,780,800
	Subrecipient State Agency: Agriculture	211,000
84.002	Adult Education-State Program	
	Grantee: Labor & Economic Growth	22,494,300
	Subrecipient State Agency: Corrections	1,892,500
	Subrecipient State Agency: Human Services	50,000
84.010	Title I Grants Disadvantaged	
	Grantee: Education	4,970,300
	Subrecipient State Agency: Education via School Aid	428,860,300
	Subrecipient State Agency: Human Services	1,483,400
	Subrecipient State Agency: Management & Budget via School Aid	839,000

Capped Sources of Federal Funds Shared Between State Departments

CFDA Number	Title	FY 2008 Budget Recommendation
84.013	Title I Program for Neglected and Delinquent Children	
	Grantee: Education	6,000
	Subrecipient State Agency: Corrections	521,800
84.027	Special Education-Grants to States	
	Grantee: Education	21,130,000
	Subrecipient State Agency: Education via School Aid	350,700,000
	Subrecipient State Agency: Human Services	286,000
	Subrecipient State Agency: Management & Budget via School Aid	150,000
	Subrecipient State Agency: Corrections	101,300
84.048	Vocational Education-Basic Grants to States	
	Grantee: Labor & Economic Growth	47,500,000
	Subrecipient State Agency: Corrections	277,300
84.181	Special Ed-Grants for Infants and Families with Disabilities	
	Grantee: Education	573,100
	Subrecipient State Agency: Education via School Aid	15,000,000
	Subrecipient State Agency: Human Services	186,000
84.186	Safe and Drug-Free Schools and Communities-State Grants	
	Grantee: Education	288,200
	Subrecipient State Agency: Education via School Aid	9,625,800
	Subrecipient State Agency: Community Health	3,256,300
	Subrecipient State Agency: Management & Budget via School Aid	73,000
84.214	Title I, Migrant Grants	
	Grantee: Education	444,500
	Subrecipient State Agency: Education via School Aid	8,186,200
	Subrecipient State Agency: Management & Budget via School Aid	47,000
84.318	Education Technology Grants	
	Grantee: Education	990,700
	Subrecipient State Agency: Education via School Aid	10,140,858
	Subrecipient State Agency: Management & Budget via School Aid	1,500,000

Capped Sources of Federal Funds Shared Between State Departments

CFDA Number	Title	FY 2008 Budget Recommendation
84.336	Improving Teacher Quality	
	Grantee: Education	3,342,300
	Subrecipient State Agency: Education via School Aid	108,499,200
	Subrecipient State Agency: Management & Budget via School Aid	285,000
84.357	Reading First Grants	
	Grantee: Education	9,165,400
	Subrecipient State Agency: Education via School Aid	22,928,000
	Subrecipient State Agency: Management & Budget via School Aid	55,700
84.369	State Assessments	
	Grantee: Education	7,239,300
	Subrecipient State Agency: Education via School Aid	8,425,164
	Subrecipient State Agency: Management & Budget via School Aid	400,000
93.558	Temporary Assistance For Needy Families	
	Grantee: Human Services	680,040,400
	Subrecipient State Agency: Labor & Economic Growth	76,142,500
	Subrecipient State Agency: Community Health	19,170,100
	Subrecipient State Agency: Civil Service Cost Allocated	1,700,000
93.568	Low-Income Home Energy Assistance	
	Grantee: Human Services	125,451,600
	Subrecipient State Agency: Treasury	2,159,800
93.596	Child Care and Development Fund	
	Grantee: Human Services	148,459,872
	Subrecipient State Agency: Education	25,000
93.991	Preventive Health and Health Services Block Grant	
	Grantee: Department of Community Health	3,670,800
	Subrecipient State Agency: Human Services	1,277,900

SPECIAL REVENUE FUNDS SHARED BETWEEN STATE DEPARTMENTS

Fund/Department	FY 2008 Budget Recommendation
Bottle Deposits Fund	
Environmental Quality	12,633,100
Treasury	250,000
Comprehensive Transportation Fund	
Transportation	247,383,100
Attorney General	159,000
Civil Service	95,000
Management & Budget	62,100
Legislative Auditor General	25,200
Treasury	1,300
History, Arts & Libraries	3,800
Forest Development Fund	
Natural Resources	27,316,800
Treasury	5,000
Game and Fish Protection Fund	
Natural Resources	66,758,300
Attorney General	767,800
Management & Budget	278,600
Legislative Auditor General	21,400
History, Arts & Libraries	9,400
Treasury	11,700
Game and Fish Protection Trust Fund	
Natural Resources	6,000,000
Treasury	68,100
Healthy Michigan Fund	
Community Health	41,827,600
State Police	610,000
Marine Safety Fund	
Natural Resources	4,771,700
State	1,263,300
Management & Budget	24,200
Legislative Auditor General	1,900
Treasury	1,100
History, Arts & Libraries	400

SPECIAL REVENUE FUNDS SHARED BETWEEN STATE DEPARTMENTS

Fund/Department	FY 2008 Budget Recommendation
Michigan Merit Award Trust Fund	
Attorney General	406,700
Community Health	161,900,000
Higher Education	123,600,000
Treasury	3,108,600
Michigan Natural Resources Trust Fund	
Natural Resources	3,065,200
Treasury	233,800
Michigan Nongame Fish and Wildlife Fund	
Natural Resources	704,800
Treasury	3,800
Michigan State Parks Endowment Fund	
Natural Resources	13,816,600
Treasury	82,300
Michigan State Waterways Fund	
Natural Resources	16,504,100
Attorney General	100,200
Treasury	90,600
Management & Budget	63,600
Legislative Auditor General	5,600
History, Arts & Libraries	800
Michigan Transportation Fund	
Transportation	1,023,009,400
State	20,000,000
Treasury	8,004,600
Environmental Quality	1,057,000
Legislative Auditor General	204,300
Park Improvement Fund	
Natural Resources	41,367,500
Treasury	2,200

SPECIAL REVENUE FUNDS SHARED BETWEEN STATE DEPARTMENTS

Fund/Department	FY 2008 Budget Recommendation
State Aeronautics Fund	
Transportation	12,358,900
Attorney General	156,900
Treasury	73,600
Civil Service	55,000
Management & Budget	38,700
Legislative Auditor General	19,600
History, Arts & Libraries	2,300
State Trunkline Fund	
Transportation	712,683,400
State Police	9,564,800
Attorney General	2,807,200
Civil Service	2,700,000
Management & Budget	1,502,200
Legislative Auditor General	474,600
History, Arts & Libraries	133,100
Treasury	199,500

Fiscal Year 2008 Governor's Recommendation

DEPARTMENT/AGENCY	GROSS	IDT-IDG	ADJUSTED GROSS	FEDERAL	LOCAL	PRIVATE	STATE RESTRICTED	GF-GP	SPENDING FROM STATE SOURCES	PAYMENTS TO LOCALS
AGRICULTURE	105,337,900	9,387,000	95,950,900	21,861,600	0	186,000	45,008,000	28,895,300	73,903,300	1,700,000
ATTORNEY GENERAL	76,232,400	25,839,900	50,392,500	7,913,900	0	0	9,613,100	32,865,500	42,478,600	0
CAPITAL OUTLAY	0	0	0	0	0	0	0	0	0	0
CIVIL RIGHTS	14,490,700	0	14,490,700	2,054,100	0	0	0	12,436,600	12,436,600	0
CIVIL SERVICE	36,985,400	5,875,900	31,109,500	4,779,100	1,700,000	150,000	17,671,800	6,808,600	24,480,400	0
COMMUNITY HEALTH	11,538,938,600	38,850,900	11,500,087,700	6,440,613,100	246,671,500	64,702,800	1,749,609,600	2,998,490,700	4,748,100,300	1,328,133,200
CORRECTIONS	2,001,681,200	1,264,600	2,000,416,600	10,340,700	429,700	0	57,479,500	1,932,166,700	1,989,646,200	92,940,000
EDUCATION	93,144,700	0	93,144,700	69,181,000	6,410,900	3,171,800	7,800,500	6,580,500	14,381,000	0
ENVIRONMENTAL QUALITY	370,964,400	18,411,800	352,552,600	132,274,300	0	455,100	187,026,800	32,796,400	219,823,200	4,050,000
EXECUTIVE OFFICE	5,509,900	0	5,509,900	0	0	0	0	5,509,900	5,509,900	0
HIGHER EDUCATION:										
Community Colleges	297,369,000	0	297,369,000	0	0	0	0	297,369,000	297,369,000	297,369,000
Universities/Financial Aid	852,644,400	0	852,644,400	6,000,000	0	0	125,800,000	720,844,400	846,644,400	3,759,100
Research Universities	960,268,300	0	960,268,300	0	0	0	0	960,268,300	960,268,300	0
HISTORY, ARTS, LIBRARY	47,453,400	139,200	47,314,200	7,307,400	0	112,400	2,645,600	37,248,800	39,894,400	7,987,400
HUMAN SERVICES	4,545,814,900	2,416,000	4,543,398,900	3,116,678,300	65,255,800	9,039,200	67,528,600	1,284,897,000	1,352,425,600	123,730,383
INFORMATION TECHNOLOGY	409,960,100	409,960,100	0	0	0	0	0	0	0	0
JUDICIARY	263,232,200	2,523,500	260,708,700	4,626,400	5,409,700	842,500	87,892,800	161,937,300	249,830,100	125,187,300
LABOR AND ECONOMIC GROWTH	1,345,147,400	34,472,800	1,310,674,600	837,855,300	15,884,700	2,314,300	355,515,200	99,105,100	454,620,300	51,470,500
LEGISLATIVE AUDITOR GENERAL	16,347,500	1,801,500	14,546,000	0	0	0	1,539,900	13,006,100	14,546,000	0
LEGISLATURE	116,576,400	0	116,576,400	0	0	400,000	1,109,800	115,066,600	116,176,400	0
MANAGEMENT AND BUDGET	241,598,900	156,810,200	84,788,700	0	0	0	48,632,200	36,156,500	84,788,700	0
State Building Authority Rent	233,222,100	0	233,222,100	0	0	0	1,520,000	231,702,100	233,222,100	0
MILITARY AND VETERANS AFFAIRS	127,861,700	1,680,900	126,180,800	54,187,500	1,283,900	1,463,300	28,428,600	40,817,500	69,246,100	120,000
NATURAL RESOURCES	287,224,000	3,808,300	283,415,700	44,334,700	0	3,166,500	211,123,100	24,791,400	235,914,500	28,409,100
SCHOOL AID	13,431,028,400	0	13,431,028,400	1,410,111,700	0	0	11,985,916,700	35,000,000	12,020,916,700	11,861,170,300
STATE	207,871,200	20,000,000	187,871,200	1,561,200	0	100	156,972,900	29,337,000	186,309,900	1,225,200
STATE POLICE	563,834,900	26,043,700	537,791,200	146,240,200	8,739,100	262,500	113,916,300	268,633,100	382,549,400	20,594,700
TRANSPORTATION	3,365,255,600	0	3,365,255,600	1,200,740,600	42,850,000	0	2,121,665,000	0	2,121,665,000	1,242,823,900
TREASURY										
Operations	401,667,100	11,551,400	390,115,700	36,405,700	1,100,700	0	298,308,400	54,300,900	352,609,300	146,447,500
Revenue Sharing	1,113,837,600	0	1,113,837,600	0	0	0	1,113,512,000	325,600	1,113,837,600	1,113,837,600
Debt Service	119,986,400	0	119,986,400	0	0	0	23,914,500	96,071,900	119,986,400	0
Michigan Strategic Fund	178,650,900	80,000	178,570,900	55,430,700	0	712,800	75,005,200	47,422,200	122,427,400	4,500,000
SUBTOTAL FY 2008 Recommendation	43,370,137,600	770,917,700	42,599,219,900	13,610,497,500	395,736,000	86,979,300	18,895,156,100	9,610,851,000	28,506,007,100	16,455,455,183
LESS: Higher Education Repayment	69,400,000							69,400,000		
TOTAL FY 2008 RECOMMENDATION	43,300,737,600	770,917,700	42,599,219,900	13,610,497,500	395,736,000	86,979,300	18,895,156,100	9,541,451,000	28,506,007,100	16,455,455,183

Percentage of State Spending from State Sources as Payments to Local Units of Government:

57.73%

GENERAL FUND
(\$ in Thousands)

DEPARTMENT	FY07 Current Law	FY08 Governor's Recommendation	Difference FY08 Governor's Rec. from FY07 Current Law	% Change FY08 Governor's Rec. from FY07 Current Law
AGRICULTURE	30,913.3	28,895.3	(2,018.0)	-6.5%
ATTORNEY GENERAL	32,896.0	32,865.5	(30.5)	-0.1%
CAPITAL OUTLAY	0.0	0.0	0.0	0.0%
CIVIL RIGHTS	12,454.0	12,436.6	(17.4)	-0.1%
CIVIL SERVICE	6,972.4	6,808.6	(163.8)	-2.3%
COMMUNITY HEALTH	2,940,082.7	2,998,490.7	58,408.0	2.0%
CORRECTIONS	1,858,555.0	1,932,166.7	73,611.7	4.0%
EDUCATION	6,592.5	6,580.5	(12.0)	-0.2%
ENVIRONMENTAL QUALITY	33,828.4	32,796.4	(1,032.0)	-3.1%
EXECUTIVE OFFICE	5,509.9	5,509.9	0.0	0.0%
HIGHER EDUCATION:				
Community Colleges	289,879.4	297,369.0	7,489.6	2.6%
Universities/Financial Aid	1,624,791.3	720,844.4	56,321.4	3.5%
Research Universities		960,268.3		
HISTORY, ARTS, LIBRARY	43,175.2	37,248.8	(5,926.4)	-13.7%
HUMAN SERVICES	1,197,447.9	1,284,897.0	87,449.1	7.3%
INFORMATION TECHNOLOGY	0.0	0.0	0.0	0.0%
JUDICIARY	160,604.8	161,937.3	1,332.5	0.8%
LABOR AND ECONOMIC GROWTH	47,436.7	99,105.1	51,668.4	108.9%
LEGISLATIVE AUDITOR GENERAL	13,006.1	13,006.1	0.0	0.0%
LEGISLATURE	115,066.6	115,066.6	0.0	0.0%
MANAGEMENT AND BUDGET	35,707.5	34,636.5	(1,071.0)	-3.0%
State Building Authority Rent	232,702.1	233,222.1	520.0	0.2%
MILITARY AND VETERANS AFFAIRS	40,640.2	40,817.5	177.3	0.4%
NATURAL RESOURCES	25,269.6	24,791.4	(478.2)	-1.9%
SCHOOL AID	35,000.0	35,000.0	0.0	0.0%
STATE	19,132.7	29,337.0	10,204.3	53.3%
STATE POLICE	249,298.7	268,633.1	19,334.4	7.8%
TRANSPORTATION	0.0	0.0	0.0	0.0%
TREASURY				
Operations	56,509.7	54,300.9	(2,208.8)	-3.9%
Revenue Sharing	1,104.4	325.6	(778.8)	-70.5%
Debt Service	76,243.7	96,071.9	19,828.2	26.0%
Michigan Strategic Fund	32,009.2	47,422.2	15,413.0	48.2%
SUBTOTAL		9,610,851.0		
LESS: Higher Education Repayment		69,400.0		
TOTAL FY 2008 Recommendation	\$9,222,830.0	\$9,541,451.0	\$318,621.0	3.5%

ALL FUNDS
(\$ in Thousands)

DEPARTMENT/AGENCY	FY07 Current Law	FY08 Governor's Recommendation	Difference FY08 Governor's Rec. from FY07 Current Law	% Change FY08 Governor's Rec. from FY07 Current Law
AGRICULTURE	113,628.8	105,337.9	(8,290.9)	-7.3%
ATTORNEY GENERAL	68,532.3	76,232.4	7,700.1	11.2%
CAPITAL OUTLAY	0.0	0.0	0.0	0.0%
CIVIL RIGHTS	14,020.2	14,490.7	470.5	3.4%
CIVIL SERVICE	36,547.1	36,985.4	438.3	1.2%
COMMUNITY HEALTH	11,196,157.4	11,538,938.6	342,781.2	3.1%
CORRECTIONS	1,940,421.5	2,001,681.2	61,259.7	3.2%
EDUCATION	90,590.1	93,144.7	2,554.6	2.8%
ENVIRONMENTAL QUALITY	443,744.5	370,964.4	(72,780.1)	-16.4%
EXECUTIVE OFFICE	5,509.9	5,509.9	0.0	0.0%
HIGHER EDUCATION:				
Community Colleges	289,879.4	297,369.0	7,489.6	2.6%
Universities/Financial Aid	1,787,491.3	852,644.4	25,421.4	1.4%
Research Universities		960,268.3		
HISTORY, ARTS, LIBRARY	54,863.7	47,453.4	(7,410.3)	-13.5%
HUMAN SERVICES	4,468,135.3	4,545,814.9	77,679.6	1.7%
INFORMATION TECHNOLOGY	378,222.0	409,960.1	31,738.1	8.4%
JUDICIARY	259,428.1	263,232.2	3,804.1	1.5%
LABOR AND ECONOMIC GROWTH	1,231,476.2	1,345,147.4	113,671.2	9.2%
LEGISLATIVE AUDITOR GENERAL	16,347.5	16,347.5	0.0	0.0%
LEGISLATURE	116,576.4	116,576.4	0.0	0.0%
MANAGEMENT AND BUDGET	238,344.9	241,598.9	3,254.0	1.4%
State Building Authority Rent	237,797.1	233,222.1	(4,575.0)	-1.9%
MILITARY AND VETERANS AFFAIRS	122,902.6	127,861.7	4,959.1	4.0%
NATURAL RESOURCES	288,313.2	287,224.0	(1,089.2)	-0.4%
SCHOOL AID	13,093,745.1	13,431,028.4	337,283.3	2.6%
STATE	204,793.5	207,871.2	3,077.7	1.5%
STATE POLICE	569,288.5	563,834.9	(5,453.6)	-1.0%
TRANSPORTATION	3,441,865.3	3,365,255.6	(76,609.7)	-2.2%
TREASURY				
Operations	388,813.7	401,667.1	12,853.4	3.3%
Revenue Sharing	1,107,514.4	1,113,837.6	6,323.2	0.6%
Debt Service	100,158.2	119,986.4	19,828.2	19.8%
Michigan Strategic Fund	80,479.8	178,650.9	98,171.1	122.0%
SUBTOTAL		43,370,137.6		
LESS: Higher Education Repayment		69,400.0		
TOTAL FY 2008 Recommendation	42,385,588.0	43,300,737.6	984,549.6	2.2%

Historical Expenditures/Appropriations
GF/GP

DEPARTMENTS	FY08 Expend.	FY08 Expend.	FY00 Expend.	FY01 Expend.	FY02 Expend.	FY03 Expend.	FY04 Expend.	FY05 Expend.	FY06 Current Law	FY07 Current Law	FY08 Exec. Rec.
Agriculture	34,215,715	39,633,018	52,966,168	57,084,484	49,962,697	38,482,386	32,586,695	30,371,748	28,887,700	30,913,300	28,895,300
Attorney General	28,740,351	30,443,940	34,289,352	34,868,529	34,607,010	29,591,865	27,442,334	30,597,538	31,501,200	32,896,000	32,865,500
Capital Outlay	257,953,893	329,379,869	386,252,729	320,167,644	360,185,429	315,021,558	228,536,732	244,177,625	4,702,700	0	0
Career Development			33,300,372	43,751,863	29,176,898	29,063,730	26,934,332				
Civil Rights	11,975,985	12,704,328	14,166,065	14,222,922	13,522,456	12,038,667	11,521,471	11,434,943	12,102,400	12,454,600	12,436,600
Civil Service	13,181,110	15,248,222	21,810,241	12,583,361	9,757,483	9,650,598	7,540,085	6,885,822	7,102,400	6,972,400	6,608,600
Community Health	2,435,154,320	2,561,333,736	2,559,451,214	2,688,930,680	2,484,327,571	2,379,401,584	2,623,862,524	2,552,308,402	2,976,928,900	2,940,082,700	2,998,490,700
Consumer and Industry Services	75,721,087	69,255,360	76,578,268	89,001,519	36,506,944	30,615,290	11,253,712				
Corrections	1,268,613,426	1,375,072,589	1,489,668,893	1,605,334,848	1,565,429,705	1,585,006,018	1,566,343,931	1,698,586,577	1,790,650,700	1,858,555,000	1,932,166,700
Education	45,809,895	49,230,423	42,236,526	36,074,679	34,296,626	28,864,464	25,609,149	25,609,149	6,592,500	6,592,500	6,590,500
Environmental Quality	58,544,973	63,141,194	79,540,719	95,089,437	96,847,348	75,198,473	60,678,598	31,444,584	31,809,600	33,828,400	32,796,400
Executive Office	5,118,984	5,067,702	5,411,980	5,604,427	5,443,277	5,023,198	4,673,035	5,163,454	5,375,500	5,509,900	5,509,900
Family Independence Agency	1,031,605,019	1,128,549,036	1,176,342,559	1,253,547,822	1,190,047,924	1,118,369,205	1,075,042,695				
Higher Education											
Community Colleges	274,845,576	281,729,965	287,158,459	314,915,220	319,867,153	307,512,112	276,779,312	294,105,851	281,552,400	289,879,400	297,369,000
Universities/Financial Aid	1,558,484,506	1,601,676,569	1,675,344,915	1,783,607,798	1,813,577,317	1,741,585,507	1,551,339,299	1,625,896,322	1,577,443,900	1,624,791,300	720,844,400
Research Universities											960,266,300
History, Arts and Libraries											1,284,897,000
Human Services											0
Information Technology	147,156,019	154,116,508	166,831,336	176,614,842	173,567,315	172,128,220	161,402,026	160,262,517	157,614,500	160,604,800	161,937,300
Labor and Economic Growth	10,824,847	11,807,717	12,586,935	13,203,021	12,437,266	11,499,285	10,904,330	11,377,788	12,429,300	13,006,100	13,006,100
Legislative Auditor General	89,887,113	95,852,029	104,837,979	113,442,020	113,288,721	110,767,232	102,090,665	105,859,203	112,452,600	115,066,600	115,066,600
Legislature	29,123,342	30,245,359	30,882,225	33,037,453	33,368,159	39,401,356	32,044,396	34,077,757	35,217,900	35,707,500	36,156,500
Library of Michigan	47,683,349	49,797,993	66,658,566	71,047,682	63,368,159	59,401,356	32,044,396	34,077,757	236,902,100	232,702,100	231,702,100
Management and Budget											
State Building Authority	107,076,910	148,975,478	45,730,157	65,087,705	44,140,862	52,581,586	37,986,911	53,697,535	32,990,900	32,009,200	47,422,200
Michigan Jobs Commission	34,930,121	39,199,596	39,377,632	42,361,955	40,371,417	37,843,422	35,563,744	36,897,345	39,689,100	40,640,200	40,817,900
Military and Veterans Affairs	50,465,267	46,785,001	72,456,134	57,274,846	49,393,752	44,370,778	31,553,854	28,706,106	25,943,200	25,269,600	24,791,400
Natural Resources	375,967,757	419,597,281	420,113,853	385,227,875	198,091,139	380,056,273	377,797,148	164,136,628	62,714,000	35,000,000	35,000,000
School Aid	58,564,938	62,396,584	60,328,935	66,418,745	17,815,906	16,914,490	20,586,155	12,894,506	19,997,800	19,132,700	29,337,000
State Police	246,395,418	261,544,659	275,450,994	319,542,658	296,937,551	279,741,169	236,522,805	242,268,776	231,761,600	249,298,700	268,633,100
Transportation	0	0	0	0	0	0	0	0	0	0	0
Treasury	59,841,217	27,321,315	79,947,853	77,418,281	63,806,614	67,520,976	61,296,587	123,555,517	16,100,400	57,614,100	54,626,500
Debt Service	116,440,891	115,964,014	84,918,450	90,745,200	96,014,321	21,486,853	34,268,206	65,073,251	52,886,900	76,243,700	96,071,900
SUBTOTALS	8,473,820,829	9,623,069,506	9,404,648,339	9,869,207,506	9,297,968,510	8,999,646,862	8,729,488,318	8,794,068,516	9,059,547,200	9,222,830,000	9,810,651,000
LESS: Higher Education Repayment											69,400,000
TOTALS											9,541,451,000

Historical Expenditures/Appropriations
GROSS

DEPARTMENTS	FY98 Expend.	FY99 Expend.	FY00 Expend.	FY01 Expend.	FY02 Expend.	FY03 Expend.	FY04 Expend.	FY05 Expend.	FY06 Current Law	FY07 Current Law	FY08 Exec. Rec.
Agriculture	71,829,591	77,574,947	90,325,582	93,865,565	98,813,941	85,809,414	90,896,646	96,876,844	121,052,400	113,628,800	105,337,900
Attorney General	42,884,005	47,352,532	53,047,391	55,789,901	55,818,986	51,287,974	50,857,891	56,572,911	65,748,100	68,532,300	76,232,400
Capital Outlay	486,723,755	442,121,005	509,342,187	503,215,119	596,681,057	474,817,118	461,281,784	463,872,896	277,933,400	0	0
Career Development	13,244,555	13,957,360	14,646,395	15,046,472	14,704,059	13,382,340	12,388,793	13,158,823	13,674,900	14,020,200	14,490,700
Civil Rights	26,206,918	29,615,253	39,874,163	31,444,218	29,481,664	28,566,026	24,162,530	26,808,578	35,941,600	36,547,100	36,985,400
Community Health	7,231,164,775	7,594,568,089	8,215,483,585	9,024,835,601	9,314,440,387	9,894,338,088	10,050,281,931	10,476,690,014	10,561,693,600	11,196,157,400	11,538,998,600
Consumer and Industry Services	421,826,111	390,437,237	410,919,610	441,915,121	514,757,723	523,955,247	515,316,181	1,781,323,331	1,870,106,400	1,940,421,500	2,001,681,200
Corrections	1,394,982,759	1,453,513,634	1,581,582,155	1,702,985,571	1,687,302,370	1,690,836,893	1,663,133,113	1,761,923,331	120,957,400	90,590,100	93,144,700
Education	769,882,208	824,722,372	859,779,826	829,802,201	913,096,820	143,473,615	272,505,818	213,751,134	456,723,800	443,744,500	370,964,400
Environmental Quality	181,985,782	197,727,718	253,398,133	277,186,445	294,778,060	273,053,764	272,505,818	213,751,134	456,723,800	443,744,500	370,964,400
Executive Offices	5,118,384	5,087,702	5,411,980	5,664,393	5,443,277	5,023,198	4,673,035	5,163,454	5,375,500	5,509,900	5,509,900
Family Independence Agency	3,278,954,106	3,263,651,087	3,389,891,595	3,655,899,431	3,870,634,540	3,888,575,125	3,945,046,955	4,163,454	5,375,500	5,509,900	5,509,900
Higher Education	274,845,576	281,729,985	297,158,459	315,679,214	320,211,913	310,249,085	276,779,312	294,105,851	281,552,400	289,878,400	297,369,000
Community Colleges	1,561,667,022	1,604,184,322	1,775,304,640	1,874,447,620	1,946,955,555	1,844,766,350	1,643,825,936	1,708,947,643	1,734,443,900	1,787,491,300	1,852,644,400
Universities/Financial Aid											
Research Universities											
History, Arts and Libraries											
Human Services	204,599,850	210,078,397	223,044,229	292,491,773	79,431,526	69,893,804	57,234,056	56,005,797	4,489,778,200	4,466,135,300	4,545,814,900
Information Technology											
Judiciary	12,869,037	13,537,569	14,541,223	15,254,871	14,901,104	15,034,274	14,492,811	15,271,899	15,977,500	16,347,500	16,347,500
Labor and Economic Growth	90,234,951	96,560,496	105,202,720	113,703,607	113,672,509	111,712,149	103,430,750	107,184,317	113,962,400	116,576,400	116,576,400
Legislative Auditor General	35,066,400	36,131,970	35,531,114	37,321,104	190,815,906	175,367,655	206,221,019	221,389,839	234,880,800	238,344,900	241,586,900
Library of Michigan	134,397,354	153,180,243	157,518,726	169,723,538					253,697,100	237,797,100	233,222,100
Management and Budget											
State Building Authority	216,139	482,007,744									
Michigan Biologic Products	356,555,846										
Michigan Jobs Commission	78,980,995	90,365,660	102,804,885	165,836,761	104,387,503	129,052,356	136,209,153	158,468,905	475,796,300	80,479,800	178,650,900
Michigan Strategic Fund	210,454,114	216,869,725	250,242,611	282,270,230	268,470,987	256,141,096	246,185,488	258,651,775	280,991,100	288,313,200	287,224,000
Military and Veterans Affairs	9,405,837,000	9,647,919,000	10,069,742,011	10,968,833,235	11,373,862,748	12,345,548,212	12,302,062,224	12,434,353,000	12,700,614,500	13,093,745,100	13,431,029,400
Natural Resources	149,645,475	158,619,422	166,861,199	180,378,930	169,021,700	160,242,047	164,985,271	189,689,796	209,078,400	204,793,500	207,871,200
School Aid	347,462,495	353,827,271	363,551,390	418,779,922	403,696,171	393,829,064	401,853,368	456,125,977	569,875,200	589,288,500	563,834,900
State Police	2,520,658,697	2,631,165,398	2,660,470,554	2,775,245,805	2,857,404,627	2,858,865,148	2,957,280,073	2,920,553,025	3,424,910,200	3,441,865,300	3,365,255,600
Transportation	2,189,911,359	2,278,280,379	2,306,625,811	2,458,403,396	2,457,411,255	2,584,610,907	2,395,511,865	2,400,944,715	1,522,033,300	1,496,328,100	1,515,504,700
Treasury	117,140,691	116,691,988	85,618,450	91,445,199	96,714,321	50,599,580	122,259,387	104,075,051	88,001,400	100,168,200	119,886,400
Debt Service											
SUBTOTALS	31,367,916,061	32,663,462,611	34,528,306,492	37,277,794,042	39,077,769,617	39,297,181,802	39,388,261,316	40,375,490,414	41,966,706,400	42,386,098,000	43,370,137,600
LESS: Higher Education Repayment											69,400,000
TOTALS											43,300,737,600



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
OFFICE OF THE GOVERNOR
LANSING

JOHN D. CHERRY, JR.
LT. GOVERNOR

February 8, 2007

Ladies and Gentlemen of the Legislature and Citizens of the State of Michigan:

Article XI, Section 5, of the Michigan Constitution of 1963, provides that increases in rates of compensation for employees in the state classified service, authorized by the Civil Service Commission, require prior notice to the Governor. The Constitution also requires that I, as Governor, transmit such increases to the Legislature as part of my budget.

On December 15, 2004, the Civil Service Commission approved multi-year collective bargaining agreements with five state employee unions representing seven bargaining units for Fiscal Years 2006, 2007 and 2008. The State Police Enlisted unit's collective bargaining agreement was authorized by the Commission on October 3, 2006. On January 31, 2007 the Commission approved a pay adjustment for Registered Nurses. Fiscal Year 2008 increases contained in all of these agreements are reflected in this transmittal.

On December 5, 2006, the Commission approved Fiscal Year 2008 pay adjustments for non-exclusively represented state classified employees. These adjustments are in line with the adjustments the Commission authorized for employees covered by collective bargaining agreements.

Attached is a cost summary of the Civil Service Commission's pay actions for Fiscal Year 2008 prepared by the Office of the State Employer. The net additional cost of this pay adjustment for Fiscal Year 2008 is estimated to be \$109.9 million including the state's share of FICA and required retirement contributions.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Granholm", written over a faint circular stamp or watermark.

Jennifer M. Granholm
Governor

Attachment

**Estimated "New" Costs - Summary
Michigan State Classified Service
Fiscal Year 2008
(10/01/2007 - 9/30/2008)**

	A-02 MSEA Saf. & Reg.	A-31 MSEA Labor & Trades	C-12 MCO Security	E-42 31-M Human Srv. Support	H-21 MPES Scientific & Engineering	L-32 UTEA Technical	T-01 MSPTA State Police Enlisted	U-11 AFSCME Institutional	W-22 UAW Human Srv.	W-41 UAW Admin. Supt.	MSC's & NERE's	TOTAL ALL UNITS
¹ Number of Employees - 10/7/06	1,451	2,553	8,801	811	2,277	1,039	1,558	2,587	9,132	7,098	15,052	52,359
¹ Avg. Hourly Salary - 10/7/06	\$ 22.30	\$ 20.65	\$ 22.02	\$ 20.83	\$ 29.04	\$ 21.61	\$ 28.62	\$ 18.58	\$ 24.70	\$ 19.25	\$ 30.87	\$ 24.84
¹ Avg. Annual Salary - 10/7/06	\$ 46,562	\$ 43,117	\$ 45,978	\$ 43,493	\$ 60,696	\$ 45,122	\$ 59,759	\$ 38,795	\$ 51,574	\$ 40,194	\$ 64,039	\$ 51,876
Base Pay Adjustments for FY 2008												
2% Base Wage Increase 10/01/2007	\$ 2,081,181	\$ 3,390,849	\$ 12,464,847	\$ 1,086,545	\$ 4,253,018	\$ 1,444,135	\$ 2,815,125	\$ 3,091,575	\$ 14,507,763	\$ 8,788,289	\$ 29,692,420	\$ 83,615,748
2% Base Wage Increase 4/2008 ²												
Additional Roll-up Cost Resulting from Base Pay Increase												
³ FICA/Ret. Blended Rates - 10/7/06	20.86%	21.49%	22.84%	19.10%	19.97%	20.62%	28.56%	20.47%	20.75%	21.43%	23.06%	22.05%
³ FICA/Ret. on Base Wage Increase	\$ 434,551	\$ 728,693	\$ 2,846,971	\$ 207,530	\$ 849,328	\$ 297,781	\$ 804,000	\$ 632,845	\$ 3,010,361	\$ 1,883,330	\$ 6,847,072	\$ 18,542,482
⁴ Life Insurance Increase	\$ 22,726	\$ 37,028	\$ 136,116	\$ 11,865	\$ 46,443	\$ 15,770	\$ 30,741	\$ 33,760	\$ 158,425	\$ 95,988	\$ 324,241	\$ 913,084
⁵ Long Term Disability Increase	\$ 19,646	\$ 32,010	\$ 117,668	\$ 10,257	\$ 40,148	\$ 13,633	\$ 26,575	\$ 29,184	\$ 136,953	\$ 82,961	\$ 280,296	\$ 789,333
⁶ Overtime Increase	\$ 97,182	\$ 194,876	\$ 2,014,792	\$ 146,746	\$ 85,549	\$ 151,468	\$ 307,399	\$ 383,110	\$ 302,245	\$ 86,388	\$ 469,277	\$ 4,251,032
⁷ Shift Differential Increase	\$ 11,662	\$ 10,069	\$ 293,413	\$ 26	\$ 204	\$ 1,591	\$ 52,986	\$ 58,855	\$ 19,107	\$ 8,207	\$ 73,236	\$ 529,356
FICA/RET on OT and Shift Diff. Inc.	\$ 22,726	\$ 44,043	\$ 527,194	\$ 28,033	\$ 17,125	\$ 31,561	\$ 102,926	\$ 92,517	\$ 66,681	\$ 20,700	\$ 125,103	\$ 1,078,610
FY 2008 Additional ATB Base Costs	\$ 2,689,875	\$ 4,437,568	\$ 18,401,002	\$ 1,491,003	\$ 5,291,815	\$ 1,955,939	\$ 4,139,751	\$ 4,331,847	\$ 18,201,536	\$ 10,967,845	\$ 37,811,645	\$ 109,719,624
NET TOTAL												
FY 2008 Additional ATB Base Costs	\$ 109,719,624											
FY 2008 Additional Specials	\$ 194,214											
FY 2008 Additional Total Costs	\$ 109,913,838											

¹ MIDB, VTM_HRM_EMPLOYEES, PP 21. Employment Status Code = AA, AB, AC, AD, AE, AF

² T01 base wage increase differs slightly from other bargaining units. Calculation used actual average T01 increase.

³ FY 2007 Rates from OFM, Ruth Mealy 9/20/2006 memo; Unit rates are weighted by enrollment and reduced by post-retirement health insurance benefits; Assumes State maximum contribution for retirement code 40.

⁴ Life insurance increase on incremental cost increase. Rate as of FY 2007. Annual \$5.46 per \$1000 of extra coverage.

⁵ Rates as of FY 2007 - (Increase/100)*.944.

⁶ Based on all FY 2006 OT hours

⁷ Based on FY 2006 hours

LEGISLATION NEEDED TO IMPLEMENT FISCAL YEAR 2008

BUDGET RECOMMENDATION

DEPARTMENT	PURPOSE	MICHIGAN COMPILED LAW (MCL) BEING AMENDED
Agriculture	Pesticide Applicator Fees	MCL 324.8317
	Pet Shop License Fees	MCL 287.334
	Livestock Operations License Fees	MCL 287.123
	Horse Riding Stables Licensing Fees	MCL 287.113
	Nursery Stock Fees	MCL 286.209
Community Health	Health Systems Fees and Collections	MCL 333.20161
	Hospital QAAP	MCL 333.20161(14)(i)
	Nursing Home QAAP	MCL 333.20161(13)(d)
	PIHP/HMO QAAP	MCL 500.224b(2)(e)
	Crime Victim's Rights Services	MCL 780.901, MCL 780.904 and MCL 780.908
	Estate Recovery	MCL 400.1 through 400.119(b); MCL 333.2843; and MCL 700.3805
Corrections	Sentencing Guidelines Revisions	MCL 777.63 through 777.69
	Community Placement Program	MCL 791.265 and MCL 791.265a
Education	Teacher Certification Fees	MCL 380.1538
	Teacher College Review Fees	MCL 380.1538a (new section) and MCL 380.1539
Environmental Quality	Air Emissions Fees	MCL 324.5521 through MCL 324.5522
	Solid Waste Program Fees	MCL 324.11507a and MCL 324.11525a
	Groundwater Discharge Permit Fees	MCL 324.3101; MCL 324.3122 and MCL 324.3124

DEPARTMENT	PURPOSE	MICHIGAN COMPILED LAW (MCL) BEING AMENDED
	Hazardous Waste User Fees	MCL 324.11130; MCL 324.11135; MCL 324.11153; MCL 324.12103; MCL 324.12109; and MCL 324.12112
	Land and Water Permit Fees	MCL 324.3104; MCL 324.3115a; MCL 324.30104; MCL 324.30109; MCL 324.30112; MCL 324.30306; MCL 324.30316; MCL 324.31509; MCL 324.31509a; MCL 324.32312; MCL 324.32510; MCL 324.32511; MCL 324.32513; and MCL 560.117
	Mineral Well Regulatory Fees	MCL 324.62509 and MCL 324.62509a
	Pollution Prevention Program Fees	MCL 324.14301 and MCL 324.14307
	On-Site Wastewater Treatment Program Fund	MCL 324.5001 through MCL 324.5003; MCL 560.118 and MCL 559.171a
Higher Education	Michigan Guaranty Agency	MCL 390.957b (new section)
Human Services	Adult Foster Care Facilities and Homes for the Aged	MCL 400.713a and MCL 333.20161
Judiciary	Court of Appeals Fees	MCL 600.321
Labor and Economic Growth	Securities Fees	MCL 451.602
	Corporation Fees	MCL 450.5101 MCL 450.3060 MCL 450.2060
	License Fees for Various Categories of Professional Plumbers	MCL 338.3541 and MCL 338.3545
	Liquor Markup	MCL 436.1233

DEPARTMENT	PURPOSE	MICHIGAN COMPILED LAW (MCL) BEING AMENDED
	Liquor License Fees	MCL 436.1543 and MCL 436.1525
	License Fees of Various Types of Professional Electricians	MCL 338.833
	Registration and Examination Fees of Building Officials, Inspectors, and Plan Reviewers	MCL 338.2313
	Examination and License Fees of Mechanical Contractors	MCL 338.980
	Licensing and Regulation Fees (various)	MCL 338.2203 through MCL 338.2262
Natural Resources	Game and Fish License Fees	Part 435 of PA 451 of 1994
State Police	Fingerprint Fees	MCL 28.273
	Commercial Mobile Radio System Fees	MCL 484.1401
Transportation	Redirect Operator and Chauffeur's License Fees	MCL 257.819
Treasury	Revenue Sharing Freeze	MCL 141.913
	Michigan Business Tax	New Act
	Amend the Revised School Code	MCL 380.1211
	Amend the State Education Tax Act	MCL 211.903
	Amend PA 198 of 1974	MCL 207.564 and MCL 207.564a
	Amend the General Property Tax Act	Add new section MCL 211.9k
	Create a new act to impose a 2% excise tax on services and admissions transactions other than health care and education services	New Act
	Create a new act to impose a new specific tax on certain commercial rental property	New Act
	Amend the General Property Tax Act	MCL 211.34d and add MCL 211.7jj
	Amend the Estate Tax Act	MCL 205.232; MCL 205.233; MCL 205.252; and add MCL 205.232a

DEPARTMENT	PURPOSE	MICHIGAN COMPILED LAW (MCL) BEING AMENDED
	Amend the Sales Tax Act	MCL 205.54r; MCL 205.54a; MCL 205.54g and MCL 205.51
	Amend the Use Tax Act	MCL 205.94d; MCL 205.94k; MCL 205.93; MCL 205.92
	Amend the Streamline Sales Tax Equalization Tax Act	MCL 205.171 and add new section
	Amend the General Property Tax Act	MCL 211.9 and MCL 211.9g
	Amend the Revenue Act	MCL 205.3; MCL 205.4; MCL 205.19; MCL 205.24; and add MCL 205.30b
	Amend the Income Tax Act	MCL 206.30 and MCL 206.36
	Amend the Tobacco Products Tax Act	MCL 205.427