STATE OF MICHIGAN

CANDICE S. MILLER, Secretary of State

MICHIGAN DEPARTMENT OF STATE

TREASURY BUILDING, LANSING, MICHIGAN 48918

March 29, 2002

Mr. Don Gilmer, Director
State Budget Office
Romney Bldg. – 6th Floor
P.O. Box 30026
Lansing, MI 48909

Dear Mr. Gilmer: Don

In accordance with Section 505(4), P.A. 271 of 2000, the Department of State is hereby submitting the Michigan Transportation Fund Expenditure/Lapse Report.

Should you have any questions, please feel free to contact me at 241-4500.

Thank you.

Respectfully,

Joe

Joseph P. Pavona, Director
Bureau of Administrative Services

/pab

c: Auditor General
Don Moore

Component:	Executive Direction
FY01 MTF Grant	$552,000
Expenditures	527,141
Lapsed	$24,859

Description of Component Activities Including Number of Transactions Performed in Fiscal Year

The Executive Direction Component is comprised of the Secretary of State's Executive Staff, the Office of Communications, and the Office of Government Affairs. These areas provide policy direction and make administrative decisions for the Department. They formulate management planning, and monitor the performance of various constituencies and programs to determine whether or not goals and objectives are being met. They assist the Secretary of State by disseminating information to the public about changes in legislation or procedure, by scheduling mobile office visits for special events or to remote locations, and by being the Department's voice in the legislature.

Explanation of Lapse

Lapse due to a delay in filling vacancies.

Component:	Department Services
FY01 MTF Grant	$15,922,300
Expenditures	15,560,383
Lapsed	$361,917

Description of Component Activities Including Number of Transactions Performed in Fiscal Year

The Department Services component provides central administrative services for the Department of State. The Department's financial, budgetary, data processing services, research and development of program initiatives, statistical support, and human resources are contained in this component.

The Bureau of Administrative Services and the Resource Management Systems Administration are funded from this component. This component oversees budgetary functions for the Department. It provides central accounting functions for the Department including reconciliation and distribution of $2.0 billion in revenue, of which $845 million is deposited into the Michigan Transportation Fund, and monitoring and reconciling payments for departmental expenditures. In addition, this component handles Department purchasing, warehouse services, mailing services and distribution of supplies to various units including the branch offices. In FY01, the Department mailed approximately 18.9 million envelopes containing nearly 21.6 million individual documents. The maintenance of personnel records and coordination of human resource activities with the Department of Civil Service, as well as various bargaining units are also performed in this component.

A portion of the Department of State's data processing needs are funded by the Michigan Transportation Fund. Funds are used to develop and support the department's internal administrative network, all server based systems, and our branch office network which consists of 174 branch offices located throughout the state. DOS branch offices collect over $845 million in MTF revenue annually. Two of the Department's larger data files are the motor vehicle title file and the motor vehicle registration file. These files literally contain millions of records and are used by law enforcement personnel through the LEIN system, courts, and branches of state and local government. The Department also provides a valuable service to banks and credit institutions by verifying ownership of vehicles and providing statistical information for companies such as R.L. Polk.

Explanation of Lapse

Lapse due to a delay in filling vacancies and employees on medical leaves of absence.

Component:	Regulatory Services
FY01 MTF Grant	$3,383,100
Expenditures	3,047,595
Lapsed	$335,505

Description of Component Activities Including Number of Transactions Performed in Fiscal Year

The Regulatory Services Administration (RSA) includes units performing a variety of functions for the Department of State. The primary business of the Department is to administer programs mandated by the Michigan Motor Vehicle Code, Act 300 (MCL 257.1--257.923). The RSA provides support for these mandated activities. The Bureau of Legal Services provides assistance to all Department units involved in the application and enforcement of the Vehicle Code. This includes the promulgation of rules, development of legislation, coordination of litigation and responding to inquiries from the public as well as the Department.

In accordance with Chapter II of the Michigan Vehicle Code, Act 300 of 1949 as amended, the Department's Bureau of Automotive Regulation licenses and regulates 6,200 vehicle dealers in Michigan. Among the dealer activities overseen by the Department are many that: 1) involve the collection of large amounts of revenue that are deposited into the Transportation Fund; 2) protect financial interests in the business community; and 3) protect Michigan consumers and assist them in resolving disputes and recovering financial losses.

The Internal Audit Division performs ongoing auditing of the collection of vehicle title and registration fees, sales and use taxes on vehicles, and all fees paid to the international registration plan.

The Enforcement Division is primarily involved in assisting the Department and local law enforcement agencies in the detection and prosecution of embezzlement of funds, as well as violations of the Michigan Motor Vehicle Code, such as false titling of vehicles.

Explanation of Lapse

The lapse was due to delays in the filling of vacancies.

Component:	Customer Delivery Services
FY01 MTF Grant	$32,447,800
Expenditures	27,439,793
Lapsed	$5,008,007

Description of Component Activities Including Number of Transactions Performed in Fiscal Year

The 174 branch offices funded in the Customer Delivery Services component process a variety of transactions which impact the Michigan Transportation Fund in varying degrees. Registration fees constitute the bulk of revenue collected by Department of State branch offices. In FY01, fees were collected on 11 million motor vehicle registrations and 3.3 million title transactions. These transactions generated $845 million in Michigan Transportation Fund revenue.

Additional handling of the branch office transactions takes place in the Department's internal processing area where central title and registration computer records are maintained. Vehicle owners also have the option of renewing their registrations by mail, Internet, fax or phone, rather than through the branch office. Many special plates, for example the personalized plate, are issued from the internal processing area.

The registration of vehicles provides several benefits including the following:

- The requirement for registration compels owners to comply with the provisions of the title law. Without the registration requirement, there would be no incentive to transfer a title and pay use tax.
- Vehicle registration fees provide a source of revenue for road maintenance and repairs.
- The requirement of displaying a license plate provides a mechanism for law enforcement agencies to readily identify vehicles with their corresponding ownership record.
- The Department also provides recognition for specific organizations through the issuance of specialty plates. Additional fees are required to offset costs and provide additional revenue for the Michigan Transportation Fund.

Titles provide the following benefits:

- Serve as a proof of ownership document, including vehicle liability source.
- Provide a means for lending institutions to protect their security interest.
- Serve as a transfer document to convey ownership.

Explanation of Lapse

Of the $5,008,007 lapsed, $877,000 was due to the Commemorative Plate workload coming in below the amount appropriated, $3,574,000 was due to Specialty Plate workload coming in below the amount appropriated, $329,000 was due to the Veteran Plate and Organization Plate workload coming in below the amount appropriated and $124,000 was due to the unexpended Fleet Plate appropriation. The remainder was due to delays in the refilling of vacancies.

Component:	Departmentwide
FY01 MTF Grant	$2,599,000
Expenditures	2,541,862
Lapsed	$57,138

Description of Component Activities Including Number of Transactions Performed in Fiscal Year

The Departmentwide Component includes the Department's appropriations for Private Rent and Worker's Compensation. The Department rents and leases space from private companies and individuals for most of its branch offices, and other office and warehouse facilities. The Worker's Compensation Act requires the Department to provide payments to individual employees injured at work.

Explanation of Lapse

The lapse was due to the smaller claim amount than projected in the Worker's compensation program.