FY 2024 Reporting Requirement - Attachment (B)

Department of State
Report of Spending as of September 30, 2024

Description of Services (Fund)

	MOU Amount	Amount Received (a)	Expenditure (b)	Encumbrances	Unexpended/ Unencumbered	Unfunded Cost Incurred; Not Billed Transportation Funds (c)	***Amount to be Returned (d)	Returned Explanation
Michigan Transportation Fund (MTF)								
Interdepartmental Contracts	20,000,000.00	20,000,000.00	20,000,000.00		-			
Miscellaneous Charges					-			
State Trunkline Fund (STF)								
Interdepartmental Contracts					-			
Miscellaneous Charges					-			
Comprehensive Transportation Fund (CTF)								
Interdepartmental Contracts					-			
Miscellaneous Charges					-			
State Aeronautics Fund (SAF)								
Interdepartmental Contracts					-			
Miscellaneous Charges					-			
Federal Aid Transportation Program								
Total Interdepartmental Contracts	$20,000,000	$20,000,000	$20,000,000	$0	$0	$0		
Total Miscellaneous Charges	$0	$0	$0	$0	$0	$0		

Completion of this form is required by all state agencies receiving Transportation-related funding for services provided to MDOT. It must be completed and submitted two months after publication of the State of Michigan Annual Comprehensive Financial Report.

(a) The "Amount Received" column should represent the amounts from Miscellaneous Charges and the amounts included in the Memorandum of Understanding.

(b) The "Expenditure" column should include cash and accrued expenditures for all services provided to the Transportation-related funds regardless of whether they were billed to or not paid for with transportation-related funds nor included as part of the MOU/contract.

(c) The "Unfunded Cost Incurred/Not Billed Transportation Funds" column would be recouped with Transportation Funds in subsequent year per the MOU.

(d) The "Amount Returned" column is the amount received less the expenditures and encumbrances. A positive difference indicates the agency received more Transportation-related funding then they had expended. A negative difference indicates the agency did not receive enough funding to cover its expenditures.
*****If there is a difference shown in the "Amount to be Returned" column (positive or negative), the reason for the difference must be explained in the "Returned Explanation" column.**

Please submit this form to Garrett Anthony, MDOT - Financial Operations Division, at anthonyg5@michigan.gov.

maximus

State of Michigan
Department of State

Cost Allocation Project
Executive Summary

Fiscal Year 2023

State of Michigan
Department of State
Cost Allocation Project
Executive Summary

Fiscal Year 2023 Actual Expenditures

Final Report – November 2024

Based on Actual Expenditures for the
Fiscal Year Ended September 30, 2023

State of Michigan
Department of State
Cost Allocation Project
Fiscal Year 2023 Actual Expenditures
Executive Summary

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Foreword

Maximus Consulting Services, Inc. (Maximus) is pleased to present the completed Cost Allocation Project for the Michigan Department of State (DOS) for Fiscal Year 2023. Our findings and conclusions are contained in the following Executive Summary report.

The DOS is responsible for administering the State of Michigan's motor vehicle programs as provided in the Motor Vehicle Code. Duties also include collection of the motor vehicle taxes and fees deposited into the MTF.

Public Act 51 of 1951 established the MTF and requires the DOS to deposit all revenues collected under Sections 801 to 810 of the Motor Vehicle Code, as amended, into the MTF, less expenses incurred in enforcement of the act. In addition, the DOS can receive funding for any other transportation-related expenditures, as determined by the Legislature.

During 1996, Maximus was engaged by the State of Michigan to develop a cost allocation methodology for the Michigan Department of State. The purpose of the Cost Allocation Project was to determine the full cost of administering and operating motor vehicle programs and other transportation-related expenditures.

More specifically, the DOS was interested in determining the appropriate level of expenditures that should be charged to the Michigan Transportation Fund (MTF) for the services being provided for the MTF's benefit. In order to accomplish this, Maximus utilized a two-phased approach for the original engagement:

1. Develop a cost allocation methodology to determine the full costs of services provided by the DOS.
2. Review each service area to determine the appropriateness of funding from the MTF.

The first phase essentially involved cost accounting procedures, as cost allocation methodologies were reviewed and approved by the Project Steering Committee. It was necessary to develop a rationale for the allocation of services to the MTF. That rationale is outlined in the Methodology section of the report and is intended to reflect the derived benefit for the MTF. The final funding allocated to the MTF is based upon the rationale outlined in the report that was, again, accepted by the Project Steering Committee during the development of the initial project.

The second phase required interpretation and application of the existing legislation. Should the Legislature or Attorney General more clearly define those services constituting legitimate transportation-related expenditures, our rationale for determining the amount of funding from the MTF could change. Otherwise, we believe that our findings are based upon sound cost accounting techniques and represent a reasonable and defensible approach to determining the level of funding from the MTF within the DOS.

The original project was based on Fiscal Year 1996 actual expenditures and has been updated each subsequent year. Each update to the project determines the current year and total cumulative over, or under, funding provided by the MTF. The specific purpose of this engagement was to update the Cost Allocation Project to reflect Fiscal Year 2023 activity. Our final findings are presented in the Funding Summary section of the report.

This Cost Allocation Project has taken several months to complete and entailed the design and preparation of four separate bureau cost allocation plans, a departmental central services cost allocation plan, and two additional summary cost allocation plans. We appreciate the cooperation we received throughout this engagement from the personnel of the DOS. We also hope that the report will be fully utilized and that the applied cost allocation procedures will be useful in determining the level of funding from the MTF to the DOS for years to come.

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Maximus Consulting Services, Inc.

State of Michigan
Department of State
Cost Allocation Project
Fiscal Year 2023 Actual Expenditures
Executive Summary

Introduction

In September of 1996, the State of Michigan engaged Maximus, Inc. to complete a Cost Allocation Project for the Department of State (DOS). The purpose of the project was to determine the full cost of administering and operating transportation-related programs. More specifically, a primary goal of the project included the determination of the appropriate level of funding the Michigan Transportation Fund (MTF) should provide to the DOS for the services it performs that are applicable to the Motor Vehicle Code.

The original project's final report was delivered in September of 1997 and was based upon Fiscal Year 1996 actual expenditures. The original study compared the actual Fiscal Year 1996 expenditures funded by the MTF to the results of the cost allocation model developed by Maximus.

With Fiscal Year 1996 as the basis, the main goals of the original study were as follows:

- Analyze all DOS organizational units and bureaus to determine those performing activities involved with operating or administering motor vehicle programs.
- Develop a cost allocation methodology to allocate the costs of those organizational units and bureaus with responsibilities related to motor vehicle programs into specific service areas.
- Determine the recommended level of funding from the MTF to the DOS by accumulating the costs of the services that should, appropriately, be funded by the MTF.

The cost allocation model has been updated each year since to determine the over, or under, funded amount from the MTF. The purpose of this engagement is to update the Cost Allocation Project to reflect Fiscal Year 2023 actual expenditures so the cumulative funding surplus, or deficit, from the MTF can be calculated.

With Fiscal Year 2023 as the basis, the goals of this update are as follows:

- Update each cost allocation plan developed during the original study with the financial information and statistics from the most recently completed fiscal year.

- If applicable, notify the DOS of any necessary changes to the cost allocation plan structure or methodologies.
- Determine the updated recommended level of funding from the MTF to the DOS by accumulating the costs of the services that should, appropriately, be funded by the MTF.

Background

The DOS is responsible for administering the State of Michigan's motor vehicle programs as provided in the Motor Vehicle Code, PA 300 of 1949; including the collection of motor vehicle taxes and fees deposited into the MTF.

Section 247.660 of Public Act 51 of 1951 established the MTF. All monies received and collected by the DOS under Sections 801 to 810 of the Motor Vehicle Code, as amended, less expenses incurred in enforcement of the act, are to be deposited into the MTF monthly.

Historically, the DOS has received an appropriation from the MTF for costs incurred in the administration and enforcement of the act; as well as for the costs of any other activities determined by the Legislature to be transportation-related in nature. In 1981, the DOS contracted with an accounting firm to develop a cost allocation methodology under which transportation-related expenditures incurred by the DOS could be equitably charged to the MTF. While that cost allocation model was maintained for a few years, the system was eventually discontinued. The DOS did not have a formal cost allocation methodology until the current model was developed for Fiscal Year 1996.

In the interim, the level of funding from the MTF for the DOS appropriations was determined utilizing the relative ratios derived from the 1981 cost allocation model. The MTF was charged for expenditures based upon those appropriation funding ratios and any unused funds lapsed back to the funding sources according to the same percentages.

Ultimately, the Michigan Office of the Auditor General (OAG) found this method to be unacceptable for determining the transportation-related expenditures because the DOS could not support the charges to the MTF. Furthermore, it was the OAG's opinion that the DOS may have overcharged more than $6.9 million of expenditures to the MTF during Fiscal Year 1993.

The OAG recommended that the DOS develop a cost allocation methodology to identify and document the appropriate level of funding from the MTF. As such, the State of Michigan contracted with Maximus to design and develop a cost allocation model to serve as the basis for determining the costs incurred by the DOS in administering and enforcing all transportation-related activities. The results of the Cost Allocation Project would then be used to support the appropriate level of funding from the MTF.

Methodology

As part of the original engagement, a Project Steering Committee consisting of representatives of the DOS, the Michigan Department of Transportation, and the Michigan Department of Management and Budget was created. The Project Steering Committee met regularly with consultants from Maximus to provide oversight, to resolve any pertinent issues, and to monitor the overall progress of the project. Prior to developing any results, Maximus presented the work plan and proposed allocation methodologies to the Project Steering Committee for approval.

The work plan for the engagement involved developing a series of bureau cost allocation plans which were intended to allocate costs into discrete service areas representing either; (a) specific services: i.e., recreation title, recreation registration, enhanced driver license, automotive dealer licensing, etc., (b) general service categories: i.e., driver pool, title pool, registration pool, etc., or (c) general administration support provided to other bureaus of the Department.

Each bureau cost allocation plan involved a detailed review of the nature of the work performed by the various organizational units housed within the bureaus. In order to allocate each unit's costs to appropriate service areas, an allocation base that best reflected the actual benefit derived from the work performed needed to be selected. Again, before actually applying any allocation methods, the potential allocation bases for each unit were discussed, and agreed upon, with representatives of the Project Steering Committee.

In many cases, organizational units were allocated to specific service areas. However, some units perform work for which that was not an acceptable approach. These units have, instead, been allocated to general service categories based on statistics deemed representative of the relative benefit received. Such allocation bases included the annual number of production hours by service category, the annual number of transactions processed by service category, and other appropriate statistics. Those organizational units providing general administration support to other units were usually allocated to the appropriate units based upon the ratio of personnel costs for the programs served.

Most department-wide central service units were allocated as support to other bureaus based upon total salaries and benefits, total expenditures, or other similar allocation bases. Such allocation methods are generally allowable by the Federal government for the allocation of similar, department-wide, administration costs to Federal grants and contracts.

This update project has been prepared with the primary objective of completing each task of the work plan in as consistent of a manner as possible with the original study. The DOS was notified, in writing, of any changes that needed to be made to any of the original allocation methodologies. In many cases, modifications were only organizational in nature because of

changes made to the reporting and accounting structure. However, allocation bases may have been modified or new cost pools may have been created. In either instance, the DOS was notified of all changes and of the extent of their effect. In addition, any input received from the DOS or the Michigan Department of Transportation was incorporated into the final results.

Upon approval of any necessary allocation revisions, Maximus prepared and presented the following five separate bureau cost allocation plans as part of this update:

1. Departmental Central Services (including Executive Administration, Department Services Administration, Information Technology, Central Operations Administration, and Legal Services Administration)
2. Bureau of Branch Office Services
3. Office of Customer Records, Office of Business and Internal Services, Office of Customer Services, and Traffic Safety Section
4. Bureau of Regulatory Services
5. Office of Investigative Services

The cost allocation plans were prepared utilizing the Maximus proprietary cost allocation software, *MAXCAP*. The bureau cost allocation plans contain a Narrative and Extent of Services section that includes a detailed description of the final cost allocation methodologies employed to complete each report.

Upon acceptance of the five bureau cost allocation plans, two additional cost allocation plans were prepared: (1) Summary of Costs by Service and (2) Summary of Costs by Fund:

- **Summary of Costs by Service** – In each of the previously listed bureau cost allocation plans, where possible, costs were allocated to specific service areas. In many instances, however, costs were allocated to more general service categories: i.e., driver, title, registration, bureau support, etc. Before the cost of specific services can be determined, the costs of the general service areas need to be reallocated to the specific areas: i.e., motor vehicle titles, recreation vehicle titles, mobile home titles, etc. The purpose of this Summary of Costs by Service cost plan is to reallocate the costs of all general service categories so the full cost of each specific service can be determined on a department-wide basis.

  This cost allocation plan combines the results of the five bureau cost allocation plans with the expenditures of the bureaus and programs that were not included in those individual cost plans: i.e., Bureau of Elections and Motorcycle Safety Program. The final result is that the entire amount of actual fiscal year expenditures is allocated through this cost allocation plan into specific service areas. The plan not only

summarizes the full cost of each service area, but also details the distribution, or origin, of costs across the various bureaus and organizational entities of the Department.

As with the other cost allocation plans prepared for this project, the Summary of Costs by Service cost plan contains a Narrative and Extent of Services section that includes a detailed description of the final cost allocation methodologies employed to complete the report.

- **Summary of Costs by Fund** – As mentioned, the results of the individual bureau cost plans were consolidated in the Summary of Costs by Service cost allocation plan. The results of that cost plan provided the full annual cost of each service area.

  The Summary of Costs by Fund cost allocation plan completes the allocation process by assigning the full annual cost for each service area to its appropriate funding source: i.e., the "Michigan Transportation Fund" or the "All Other Funds" cost pools. Not only does this cost plan identify the recommended level of funding from the MTF for the Department's services, it also details the distribution of that funding across the various bureaus and organizational entities of the DOS.

  As with the other cost allocation plans prepared for this project, the Summary of Costs by Fund cost plan contains a Narrative and Extent of Services section that includes a detailed description of the final cost allocation methodologies employed to complete the report.

  - **MTF Funding Rationale** – The goal throughout this engagement was to collect costs for specific service areas that, where appropriate, should be allocated to the MTF. Each specific service area was reviewed and a rationale for the costs that should be funded by the MTF was agreed upon by the Project Steering Committee. The criteria used for this update project is consistent with those approved by the Project Steering Committee during the initial study and includes the following:

    - **Direct MTF Revenue Benefit** – The services provided by the DOS that relate directly to the collection of MTF revenues and maintaining the associated databases and records have been allocated 100% to the MTF. These services include:

      - Motor Vehicle Registrations
      - International Registration Plan (IRP) Registrations
      - Motor Vehicle Titles

      It should be noted that in the context of this study, the term "Motor Vehicle" is intended to include all vehicles for which related revenues are deposited into the MTF, including passenger, commercial, motorcycle, and trailers. Excluded

from this list are recreation vehicles, watercraft, and mobile homes.

- **Indirect MTF Revenue Benefit** – While the fees for Automotive Dealer Licensing are deposited into the MTF, the total annual revenue from these fees do not nearly recover the cost of providing this service. However, automotive dealers do generate substantial revenues for the MTF through titles, registrations, and license plate transfers transactions. The services provided by the DOS that relate to regulating and monitoring automotive dealers ensures the revenues from these transactions are properly accounted for and deposited into the MTF. The Automotive Dealer Licensing services result in an indirect benefit to the MTF revenues and, therefore, their costs have been allocated 100% to the MTF.

- **Indirect MTF Revenue Benefit With Prior Precedent** – Historically, the Legislature had determined that the Driver Improvement Program (DI) and the Driver License Appeals Division (DLAD) should, at least in part, be funded by the MTF. While there is no direct or indirect benefit to MTF revenues, there are some other indirect benefits to the MTF.

  Ensuring that licensed drivers operate vehicles in a safe manner has an impact on the design of highways and contributes to a reduction in the dollar amount of damages to highway infrastructure from accidents. However, the DI and DLAD programs also help save lives and reduce insurance claims, implying significant benefits to state residents and insurance companies. Determining the appropriate level of funding from the MTF for these services is purely a subjective decision and, therefore, indeterminable through a cost analysis.

  During the initial project, it was the Project Steering Committee's position that the Legislature should make this decision. Ultimately, the level of funding from the MTF was used as the basis upon which the appropriation ratios for DI and DLAD were determined.

  Subsequently, the Traffic Safety appropriation line items that included these programs no longer exists as DI and DLAD have been integrated into other areas. Thus, the Department is no longer able to determine the ratio of funding for these programs. However, there is no reason to believe that the intent of the Legislature has changed. Therefore, this project has allocated the funding for these programs to the MTF based upon the appropriation ratios from the original study. These funding ratios are as follows:

  - Driver Improvement Program (DI) – 21.83%
  - Driver License Appeals Division (DLAD) – 24.22%

- For all other service areas where funding from the MTF was considered to be inappropriate, costs have been allocated to the "All Other Funds" cost pool in the Summary of Costs by Fund cost allocation plan. Those service areas include the following:
    - Driver License – Operator and Commercial
    - Driver License – Enhanced
    - Driver License – Reinstatement
    - Driver License – Clearances
    - Personal Identification Card (PID) – Regular
    - Personal Identification Card (PID) – Enhanced
    - Park Passport
    - Recreation Registration
    - Mobile Home Title
    - Recreation Title
    - Voter Registration
    - Handicap Permit
    - BAR Test Applicant
    - Uniform Commercial Code (UCC)
    - Record Lookup
    - Repair Facility Licensing
    - Mechanic Licensing
    - Elections
    - Data Sales
    - Driver Improvement Program (78.17%)
    - Driver License Appeals Division (75.78%)
    - Motorcycle Safety Program
    - Abandoned Vehicle
    - Auto Theft Prevention Fund
    - Basic Driver Improvement Course
    - Miscellaneous Fees and Services

Financials

The cost allocation process typically begins with a detailed review of the activities performed by the various functional, or organizational, units of the entity. Once the nature of work is defined, an allocation base that best reflects the actual benefit derived from the work performed needs to be selected in order to allocate each unit's costs to the appropriate service areas.

Financial information, therefore, needs to reflect the organizational structure of the entity. This project was derived from reports generated by the State's Statewide Integrated Governmental Management Applications (SIGMA) system. SIGMA integrates systems and provides end-to-end support in a singular system for statewide administrative functions, including financial management, procurement, asset management, performance budgeting, time, and expenses.

The total expenditures identified on the SIGMA report; including cash and accruals, totaled $239,336,897. Upon reviewing the line item detail, however, it was determined that several of the expenditures on this report did not, in fact, represent operating expenditures and should not be allocated. Some of the line items include the following: Headlee Grants, Interest and Loan Loss Expense, Payments to Colleges, etc.

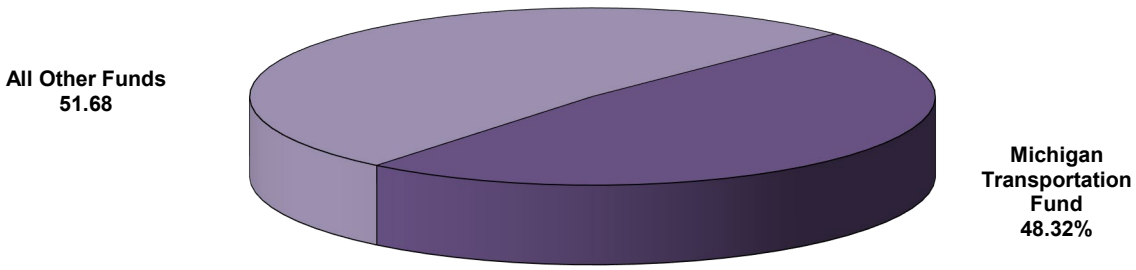
The net operating costs identified after adjusting for the excluded items totaled $235,350,831, which represents the total amount allocated for this update of the Cost Allocation Project. A copy of the SIGMA report sorted by Object Group Code is included as Attachment 1 of this report. A schedule that reconciles costs allocated in the individual cost allocation plans to the financial reports is included as Attachment 2 of this report.

Summary of Results

Based upon the results of the Cost Allocation Project updated using Fiscal Year 2023 expenditure and statistical information, a total of $113,726,693 was allocated to the MTF. This represents 48.32% of the total fiscal year expenditures of $235,350,831 allocated in this update of the project. The balance, totaling $121,624,138, represents the costs for services where MTF funding was considered to be inappropriate.

Exhibit 1, following, depicts the overall recommended mix of funding between the MTF and all other funding sources for DOS for Fiscal Year 2023.

Exhibit 1
Recommended Funding Mix Summary



As discussed in this report, the total allocated funding to the MTF was determined by accumulating the full cost of those services determined to be transportation-related in nature. The following exhibits detail the distribution of the $113,726,693 of allocated funding to the MTF in a variety of manners.

Exhibit 2, following, displays the distribution of the allocated funding costs to the MTF by service area.

Exhibit 2
Allocated Funding by Service Area – MTF Only

Service Area	Costs
Motor Vehicle Registrations	70,793,797
International Registration Plan Registrations	2,852,355
Motor Vehicle Titles	34,228,659
Automotive Dealer Licensing	3,060,893
Driver Improvement Program (21.83%)	1,468,683
Driver License Appeals (24.22%)	1,322,307
Total Allocated Funding – MTF Only	**113,726,693**

Exhibit 3, following, displays the distribution of the allocated funding costs to the MTF and All Other Funds from all service areas.

Exhibit 3 Allocated Funding by Service Area – All Services			
Service Area	**MTF Costs**	**All Other Funds Costs**	**Total Costs**
Motor Vehicle Registrations	70,793,797	-	70,793,797
Int'l Registration Plan Registrations	2,852,355	-	2,852,355
Motor Vehicle Titles	34,228,659	-	34,228,659
Auto Dealer Licenses	3,060,893	-	3,060,893
Bureau of Driver Improvement	1,468,683	5,259,138	6,727,821
Driver License Appeals Division	1,322,307	4,137,260	5,459,567
Driver Licenses		51,667,149	51,667,149
Enhanced Driver Licenses		19,307,959	19,307,959
Driver License Reinstatements		586,758	586,758
Driver License Clearances		412,942	412,942
Personal ID		5,114,335	5,114,335
Enhanced Personal ID		996,501	996,501
Park Passport		1,599,992	1,599,992
Recreation Registrations		2,788,443	2,788,443
Mobile Home Titles		323,005	323,005
Recreation Titles		1,013,940	1,013,940
Voter Registration		517,518	517,518
Handicap Permits		2,419,159	2,419,159
Bar Test Applicants		1,292,198	1,292,198
Uniform Commercial Code		809,604	809,604
Record Lookup		1,880,991	1,880,991
Auto Repair Facility Licensing		2,385,261	2,385,261
Mechanic Licensing		1,461,547	1,461,547
Bureau of Elections		15,658,488	15,658,488
Data Sales		84,444	84,444
Motorcycle Safety Program		472,330	472,330
Abandoned Vehicles		1,011,593	1,011,593
Auto Theft Prevention Fund		295,536	295,536
Basic Driver Improvement Course		128,045	128,045
Miscellaneous Fees & Services		-	-
Total Allocated Funding – All Services	**113,726,693**	**121,624,138**	**235,350,831**

Exhibit 4, following, displays the distribution of the allocated funding costs to the MTF from each applicable bureau or organizational entity.

Exhibit 4 **Allocated Funding by Organizational Entity – MTF Only**	
Organizational Entity	**Costs**
Bureau of Branch Office Services	52,940,454
Customer Records, Internal Services, Customer Services, and Traffic Safety	12,827,808
Bureau of Regulatory Services	1,625,501
Office of Investigative Services	7,585,105
Information Technology	11,607,546
Executive Administration	1,908,082
Department Services Administration	17,017,308
Customer Services Administration	7,091,009
Legal Services Administration	1,123,881
Total Allocated Funding – MTF Only	**113,726,693**

Exhibit 5, following, displays the relative percent of the allocated funding costs to the MTF from each applicable bureau or organizational entity.

Exhibit 5 **Allocated Funding Ratios by Organizational Entity – MTF Only**			
Organizational Entity	**MTF Costs**	**Total Costs**	**MTF %**
Bureau of Branch Office Services	52,940,454	96,176,881	55.04%
Customer Records, Internal Services, Customer Services, and Traffic Safety	12,827,808	26,219,435	48.92%
Bureau of Regulatory Services	1,625,501	7,043,218	23.08%
Office of Investigative Services	7,585,105	14,620,279	51.88%
Information Technology	11,607,546	30,363,285	38.23%
Executive Administration	1,908,082	3,860,158	49.43%
Department Services Administration	17,017,308	33,399,012	50.95%
Central Operations Administration	7,091,009	10,092,375	70.26%
Legal Services Administration	1,123,881	2,784,696	40.36%
Total Allocated Funding – MTF Only	**113,726,693**	**224,559,339**	**50.64%**

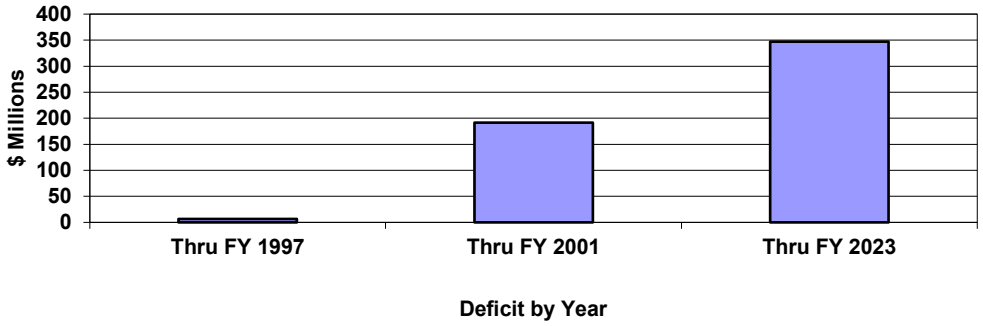
Funding Summary

The actual expenditures funded by the MTF for Fiscal Year 2023 totaled $20,000,000. These expenditures include cash, accruals, and outstanding encumbrances funded by the MTF from the appropriations for Appropriation Year 2023, as well as any amounts from previous appropriation years that were expended during Fiscal Year 2023. This cost allocation model updated with Fiscal Year 2023 financial information and statistics allocated a total of $113,726,693 in costs to the MTF. This represents an under-funded amount from the MTF of $93,726,693 for Fiscal Year 2023. The cumulative under-funded total from the MTF since the initial year the Cost Allocation Project was developed is $1,821,637,037.

- **Transportation Administrative Collection Fund** - Beginning in Fiscal Year 2004 service fees began to be charged to motor vehicle transactions with the revenues deposited in the Transportation Administrative Collection (TAC) Fund. These vehicle service fees are appropriated to the DOS to provide additional funding for its motor vehicle programs. During Fiscal Year 2023 a total of $78,946,890 of these fees were collected and, cumulatively, a total of $1,474,731,869 has been collected since their inception. Taking into account the TAC service fees, the current year subsidy provided by the State's general fund is reduced to $14,779,803, with a cumulative subsidy of $346,905,168.

  Exhibit 6, following, charts the cumulative funding deficit since the first year this Cost Allocation Project was completed.

Exhibit 6
Cumulative Funding Deficit - MTF & TAC



As illustrated in the previous chart, the vast majority of the funding deficit was accumulated during the 1998 through 2001 State fiscal years. During that period, the State's general fund was used to replace approximately $40 million of funding from the MTF because of a surplus in the general fund. The TAC service fees did not exist during that timeframe, which also is a contributing factor to the deficit during that period.

When initially created in Fiscal Year 2004, the TAC Fund only accounted for revenues associated with the motor vehicle service fees. However, beginning in Fiscal Year 2006, the Lookup Fees Fund was consolidated into the TAC Fund (1464). Accordingly, all lookup fees revenues are now reported within the TAC Fund. Once these revenues are deposited into the TAC Fund they lose their identity and are appropriated simply as TAC revenues. Therefore, while total TAC Fund revenue has increased significantly since Fiscal Year 2006, the increase is primarily the result of the lookup fees now being deposited into the TAC Fund. The increased revenue is, thus, not related to increases in the vehicle services fees.

Exhibit 7, following, details the cumulative funding deficit according to the results of each annual update to this Cost Allocation Project since the initial year of the study. Only the TAC revenues related to the vehicle services fees are reflected in the calculation of the cumulative funding deficit, as the lookup fees revenues have been excluded. All vehicle services fees are assumed to be expended by the DOS for the operations of its transportation-related programs. Therefore, deducted amounts represent lookup and data sales fees revenues, for which the DOS maintains discretionary spending authority.

Exhibit 7
Cumulative MTF & TAC Fee Expenditures and Funding Summary

Fiscal Year	Total Allocated MTF Expenditures per Cost Project	Total MTF Funded Expendiures	Total MTF Funding Deficit	Total TAC Fees Collected	Less Look-Up & List Sales	Net TAC Vehicle Service Fees	Total MTF & TAC Veh. Svc Fees	Net Over / (Under) Funding
1996	79,494,657	79,433,323	(61,334)	-	-	-	79,433,323	(61,334)
1997	86,560,299	80,146,092	(6,414,207)	-	-	-	80,146,092	(6,414,207)
1998	83,409,047	36,453,301	(46,955,746)	-	-	-	36,453,301	(46,955,746)
1999	85,517,890	35,763,052	(49,754,838)	-	-	-	35,763,052	(49,754,838)
2000	86,252,153	45,307,991	(40,944,162)	-	-	-	45,307,991	(40,944,162)
2001	97,632,895	50,455,584	(47,177,311)	-	-	-	50,455,584	(47,177,311)
2002	96,604,985	87,732,732	(8,872,253)	-	-	-	87,732,732	(8,872,253)
2003	95,204,986	89,663,139	(5,541,847)	-	-	-	89,663,139	(5,541,847)
2004	89,119,107	19,578,723	(69,540,384)	61,154,365	-	61,154,365	80,733,088	(8,386,019)
2005	90,363,919	19,694,957	(70,668,962)	70,443,351	-	70,443,351	90,138,308	(225,611)
2006	95,956,254	23,246,374	(72,709,880)	109,376,498	(40,575,553)	68,800,945	92,047,319	(3,908,935)
2007	95,082,763	22,956,556	(72,126,207)	111,822,453	(40,073,262)	71,749,191	94,705,747	(377,016)
2008	91,136,799	22,888,133	(68,248,666)	104,838,447	(37,118,243)	67,720,204	90,608,337	(528,462)
2009	85,799,193	20,000,000	(65,799,193)	102,115,380	(37,725,158)	64,390,222	84,390,222	(1,408,971)
2010	85,206,532	20,000,000	(65,206,532)	99,950,265	(35,388,764)	64,561,501	84,561,501	(645,031)
2011	83,250,307	20,000,000	(63,250,307)	99,743,212	(34,403,514)	65,339,698	85,339,698	2,089,391
2012	92,450,029	20,000,000	(72,450,029)	100,985,190	(35,143,742)	65,841,448	85,841,448	(6,608,581)
2013	91,027,667	20,000,000	(71,027,667)	101,918,517	(34,585,242)	67,333,275	87,333,275	(3,694,392)
2014	101,443,003	20,000,000	(81,443,003)	107,998,076	(38,594,465)	69,403,611	89,403,611	(12,039,392)
2015	101,906,814	20,000,000	(81,906,814)	110,966,874	(39,774,567)	71,192,307	91,192,307	(10,714,507)
2016	106,279,785	20,000,000	(86,279,785)	114,808,426	(40,769,249)	74,039,177	94,039,177	(12,240,608)
2017	111,453,623	20,000,000	(91,453,623)	132,561,664	(48,067,356)	84,494,308	104,494,308	(6,959,315)
2018	113,411,022	20,000,000	(93,411,022)	134,523,798	(51,214,485)	83,309,313	103,309,313	(10,101,709)
2019	124,415,953	20,000,000	(104,415,953)	133,496,465	(42,154,052)	91,342,414	111,342,414	(13,073,539)
2020	122,798,634	20,000,000	(102,798,634)	125,959,662	(35,103,448)	90,856,214	110,856,214	(11,942,420)
2021	121,330,048	20,000,000	(101,330,048)	149,414,202	(63,713,387)	85,700,816	105,700,816	(15,629,232)
2022	108,121,937	20,000,000	(88,121,937)	130,896,827	(52,784,207)	78,112,620	98,112,620	(10,009,317)
Thru FY 22	2,621,230,301	893,319,957	(1,727,910,344)	2,102,973,672	(707,188,693)	1,395,784,979	2,289,104,936	(332,125,365)
2023	113,726,693	20,000,000	(93,726,693)	132,815,147	(53,868,257)	78,946,890	98,946,890	(14,779,803)
Thru FY 23	**2,734,956,994**	**913,319,957**	**(1,821,637,037)**	**2,235,788,819**	**(761,056,950)**	**1,474,731,869**	**2,388,051,826**	**(346,905,168)**

Recommendations

While the cost allocation plan should be updated annually, the complexity of the plan prohibits it from being used to adjust funding levels during the year. The plan was designed to be prepared as an after-the-fact distribution based upon actual year-end expenditures and statistics. Each year the cost allocation model's results are used to compare the total costs allocated to the MTF to the actual expenditures funded by the MTF, thereby identifying an annual over, or under, recovery.

As suggested in the original study, Maximus does not recommend making annual transfers between the MTF and the State's general fund to reconcile charges. Cost pools in the plan are allocated to service areas based upon current year production statistics. Priorities within the DOS usually shift each year and, accordingly, so will the allocated funding to the MTF. Maximus, instead, recommends keeping a cumulative total of the over, or under, funding. However, if the cumulative amount begins to reach an unreasonable level in either direction, the State may consider one-time transfers between the funds in order to bring the difference back to an acceptable level.

Additionally, the State will need to review the appropriation levels within each organizational unit of the DOS annually to keep the funding difference for each unit within a satisfactory level. Exhibit 5 of this report illustrates the final recommended funding ratios from the MTF for each of the bureaus or programs involved with the administration and operation of motor vehicle programs and other transportation-related expenditures. The approximate funding ratios from each year could be used to help establish funding levels for the DOS for a future appropriation year.

Attachment 1

Source Financial Report – Sorted by Object Group

STATE OF MICHIGAN
DEPARTMENT OF STATE
ACTUAL FY 2023 EXPENDITURES
FINANCIAL REPORT - TOTAL EXPENDITURES BY OBJECT GROUP

OBJ GRP	OBJ GRP NAME	EXPENDITURES
1000	Salary & Wages - Classified	85,613,556.06
1100	Salary & Wages - Unclassified	683,502.91
1300	Salary & Wages - Per Diem	3,150.00
1400	Salary & Wages - Special Pay, Premiums and Bonuses	100,576.21
1499	Salary & Wages - Summary Adjustments - All Classifications	(187,165.15)
1500	Salary & Wages - Lump Sum Payments - Classified	171.45
1860	Salary & Wages - Union Leave Buy Back - Classified	72,694.27
1900	Other Payroll	439,064.16
1950	Other Payroll - Unclassified	14,956.87
2000	Insurances/Fringe Benefits	17,633,145.49
2010	Insurances/Fringe Benefits Unclassified	64,799.53
2050	Longevity	370,992.41
2055	Terminal Longevity - Classified	10,621.16
2060	Longevity - Unclassified	470.41
2100	Retirement	6,897,209.70
2140	Banked Leave Employer Contributions - Classified	56,868.35
2150	Retirement - Unclassified	61,169.63
2200	OERC	27,796,614.47
2250	OERC - Unclassified	192,066.23
2300	Social Security and Medicare Taxes	6,284,382.49
2340	Social Security and Medicare Taxes - SPS and Per Diem	240.99
2350	Social Security and Medicare Taxes - Unclassified	51,726.47
3000	Workers Compensation Supplement	572.44
4000	Travel - Taxable - In State	51,034.77
4001	Travel - Non Taxable - In State	967,664.01
4100	Travel - Taxable - Out of State	3,925.95
4101	Travel - Non Taxable - Out of State	88,265.33
4150	1099 Payments to Lodge - In State	61,593.30
4151	1099 Payments to Lodge - Out of State	33,278.45
6000	Fees	6,580,119.56
6080	Dues, Subsc, Conferences & Seminars	298,700.06
6100	Telecommunications and Utilities	1,162,369.10
6102	IT Purchases	3,434,076.60
6110	Insurance and Bonds Insurance	111,384.32
6112	Internal Purchased Services	38,858,725.49
6120	External Purchased Services	23,646,002.03
6230	Supplies & Materials	3,660,872.97
6300	Payments to Colleges and Universities	86,223.27
6400	Rental/Lease of Building, Land, Equipment, Vehicles	547,337.26
6450	Capitalized: Buildings, Land, Equipment, Vehicles	345,406.00
6550	Non-Capitalized: Buildings, Land, Equipment, Vehicles	78,258.37
6600	Interest & Loan Loss Expense & Penalty	413.98
7000	Payments to Individuals and Private Groups	55,809.25
7200	Unemployment Insurance Claims	15,936.41
7900	Payments to Local Units	3,449,318.23
8003	Headlee - Other Operating	-
9200	Vendor Financing Payments	6,993,562.89
9999	Miscellaneous Expenses	2,645,232.36
	GRAND TOTAL	**239,336,896.51**

Attachment 2

Financial Reconciliation

Exhibit 1

MICHIGAN DEPARTMENT OF STATE
COST ALLOCATION PROJECT
FINANCIAL RECONCILIATION
FISCAL YEAR 2023

COST PLAN SECTION	GRP #	DIV #	UNIT #	FINANCIAL TOTAL	COST ADJUST	ADJUSTED TOTAL	UNALLOC. COSTS	NET COSTS	PERSONNEL COSTS	OTHER COSTS
EXECUTIVE ADMINISTRATION:										
SECRETARY OF STATE	1000	1000	9000	112,500	-	112,500	-	112,500	112,500	-
EXECUTIVE ADMINISTRATION	1000	1010	9010	918,133	-	918,133	-	918,133	656,162	261,971
OFFICE OF COMMUNICATIONS - EXECUTIVE UNCLASSIFIEDS	1000	1030	9020	952,839	-	952,839	-	952,839	950,566	2,273
OFFICE OF COMMUNICATIONS	1000	1030	9030	1,876,686	-	1,876,686	-	1,876,686	1,574,283	302,403
SUB-TOTAL EXECUTIVE ADMINISTRATION				3,860,158	-	3,860,158	-	3,860,158	3,293,511	566,647
DEPARTMENT SERVICES ADMINISTRATION:										
DSA ADMINISTRATION	4000	4000	9200	734,279	-	734,279	-	734,279	-	734,279
CORE TECHNOLOGY PLATFORM	4000	4010	9212	11,838,635	-	11,838,635	-	11,838,635	1,760,929	10,077,706
OFFICE OF HUMAN RESOURCES	4000	4020	9220	2,236,442	-	2,236,442	-	2,236,442	1,785,095	451,347
OCCUPANCY SERVICES - WAREHOUSE/MAIL CENTER	4000	4030	9232	11,833,450	-	11,833,450	-	11,833,450	411,606	11,421,844
FINANCIAL SERVICES	4000	4040	ALL	5,532,016	-	5,532,016	414	5,531,602	4,651,532	880,070
INFORMATION SECURITY & CONTROL	4000	4050	9252	1,224,604	-	1,224,604	-	1,224,604	1,216,266	8,338
SUB-TOTAL DEPARTMENT SERVICES				33,399,426	-	33,399,426	414	33,399,012	9,825,428	23,573,584
INFORMATION TECHNOLOGY:										
SUB-TOTAL INFORMATION TECHNOLOGY	8000	8000	9210	30,363,285	-	30,363,285	-	30,363,285	-	30,363,285
CENTRAL OPERATIONS ADMINISTRATION:										
OCCUPANCY SERVICES	7000	4030	ALL	3,744,094	-	3,744,094	-	3,744,094	2,445,520	1,298,574
CUSTOMER SERVICES ADMINISTRATION - ADMINISTRATION	7000	7000	9400	2,306,597	-	2,306,597	-	2,306,597	1,172,252	1,134,345
PROGRAM SUPPORT & DEVELOPMENT	7000	7010	9410	2,746,619	-	2,746,619	-	2,746,619	-	2,746,619
CUSTOMER SERVICES DIVISION	7000	7020	9420	612,335	-	612,335	-	612,335	590,801	21,534
CUSTOMER RECORDS DIVISION ADMINISTRATION	7000	7040	9440	682,730	-	682,730	-	682,730	342,150	340,580
SUB-TOTAL CENTRAL OPERATIONS ADMINISTRATION				10,092,375	-	10,092,375	-	10,092,375	4,550,723	5,541,652
LEGAL SERVICES ADMINISTRATION:										
OFFICE OF LEGAL POLICY	5000	5000	9040	667,519	-	667,519	-	667,519	652,646	14,873
LEGAL SERVICES ADMINISTRATION	5000	5000	9300	2,117,177	-	2,117,177	-	2,117,177	1,134,106	983,071
SUB-TOTAL LEGAL SERVICES ADMINISTRATION				2,784,696	-	2,784,696	-	2,784,696	1,786,752	997,944
TOTAL DEPARTMENTAL CENTRAL SERVICES				**80,499,940**	**-**	**80,499,940**	**414**	**80,499,526**	**19,456,414**	**61,043,112**
DIRECT SERVICES PROGRAMS										
ELECTIONS (BUREAU OF ELECTIONS)	2000	ALL	ALL	12,105,233	-	12,105,233	1,735,135	10,370,098	5,459,954	4,910,144
OFFICE OF INVESTIGATIVE SERVICES - ADMINISTRATION UNIT (OIS)	5000	5020	9320	575,692	-	575,692	-	575,692	522,184	53,508
INVESTIGATIVE SERVICES - ENFORCEMENT SECTION - ADMINISTRATION (OIS)	5000	5020	9330	3,068,302	-	3,068,302	-	3,068,302	347,439	2,720,863
INVESTIGATIVE SERVICES - ENFORCEMENT SECTION - FRAUD INVESTIGATIONS UNIT (OIS)	5000	5020	9331	1,465,051	-	1,465,051	-	1,465,051	1,383,146	81,905
INVESTIGATIVE SERVICES - ENFORCEMENT - BRANCH & INTERNAL REVIEW UNIT (OIS)	5000	5020	9332	929,610	-	929,610	-	929,610	916,528	13,082
INVESTIGATIVE SERVICES - ENFORCEMENT - INVESTIGATIVE ANALYTICS UNIT (OIS)	5000	5020	9333	553,922	-	553,922	-	553,922	544,597	9,325
INVESTIGATIVE SERVICES - ENFORCEMENT - INSURANCE FRAUD PREVENTION UNIT (OIS)	5000	5020	9422	446,588	-	446,588	-	446,588	441,383	5,205
INVESTIGATIVE SERVICES - ENFORCEMENT - SECURITY UNIT (OIS)	5000	5020	9334	396,164	-	396,164	-	396,164	395,918	246
INVESTIGATIVE SERVICES - REGULATORY MONITORING - ADMINISTRATION UNIT (OIS)	5000	5020	9340	336,252	-	336,252	-	336,252	318,585	17,667
INVESTIGATIVE SERVICES - REGULATORY MONITORING - LANSING INSPECTIONS UNIT (OIS)	5000	5020	9341	1,350,847	-	1,350,847	-	1,350,847	1,273,479	77,368
INVESTIGATIVE SERVICES - REGULATORY MONITORING - DETROIT INSPECTIONS UNIT (OIS)	5000	5020	9342	1,195,410	-	1,195,410	-	1,195,410	1,124,435	70,975
INVESTIGATIVE SERVICES - BUS COMPLIANCE & REG - BUSINESS REGULATION UNIT (OIS)	5000	5020	9350	1,613,381	-	1,613,381	-	1,613,381	1,553,397	59,984
INVESTIGATIVE SERVICES - BUS COMPLIANCE & REG - BUSINESS LICENSING UNIT (OIS)	5000	5020	9464	1,138,823	-	1,138,823	-	1,138,823	1,093,590	45,233
INVESTIGATIVE SERVICES - DRIVER PROGRAMS SECTION - ADMINISTRATION UNIT (OIS)	5000	5020	9461	320,856	-	320,856	-	320,856	311,751	9,105
INVESTIGATIVE SERVICES - DRIVER PROGRAMS SECTION - DRIVER TESTING UNIT (OIS)	5000	5020	9462	782,549	-	782,549	-	782,549	738,090	44,459
INVESTIGATIVE SERVICES - DRIVER PROGRAMS SECTION - DRIVER EDUCATION UNIT (OIS)	5000	5020	9463	446,832	-	446,832	-	446,832	439,277	7,555
ADMINISTRATIVE HEARINGS (BRS)	5000	5010	9310	3,680,594	-	3,680,594	-	3,680,594	3,683,353	(2,759)
DRIVER ASSESSMENT SECTION (BRS)	5000	5010	9451	3,362,624	-	3,362,624	-	3,362,624	3,233,050	129,574
CUSTOMER SERVICES - INFORMATION CENTER (OCR, BIS, OCS, & TSS)	7000	7020	9421	7,770,347	-	7,770,347	-	7,770,347	7,317,616	452,731
CUSTOMER RECORDS - VEHICLE RECORDS PGM UNIT (OCR, BIS, OCS, & TSS)	7000	7040	9441	3,225,853	-	3,225,853	-	3,225,853	3,052,197	173,656
CUSTOMER RECORDS - DRIVER RECORDS PGM UNIT (OCR, BIS, OCS, & TSS)	7000	7040	9442	2,396,391	-	2,396,391	-	2,396,391	2,327,223	69,168
CUSTOMER RECORDS - CDL HELP DESK UNIT (OCR, BIS, OCS, & TSS)	7000	7040	9443	1,530,801	-	1,530,801	-	1,530,801	1,468,666	62,135
CUSTOMER RECORDS - DOCUMENT PROCESSING UNIT (OCR, BIS, OCS, & TSS)	7000	7040	9444	2,554,947	-	2,554,947	-	2,554,947	2,543,501	11,446
TRAFFIC SAFETY SECTION (OCR, BIS, OCS, & TSS)	1000	1030	9452	459,156	-	459,156	-	459,156	457,610	1,546
BUSINESS & INTERNAL SERVICES (OCR, BIS, OCS, & TSS)	7000	7080	ALL	8,281,941	-	8,281,941	-	8,281,941	6,897,002	1,384,939
MOTORCYCLE SAFETY PROGRAM	7000	7070	9460	2,325,695	-	2,325,695	1,904,302	421,393	116,680	304,713
BRANCH OPERATIONS	6000	ALL	ALL	96,523,096	-	96,523,096	346,215	96,176,881	78,744,319	17,432,562
TOTAL DIRECT SERVICES PROGRAMS				**158,836,957**	**-**	**158,836,957**	**3,985,652**	**154,851,305**	**126,704,970**	**28,146,335**
DEPARTMENT TOTALS				**239,336,897**	**-**	**239,336,897**	**3,986,066**	**235,350,831**	**146,161,384**	**89,189,447**

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