

REVIEW AND ANALYSIS
OF THE
FY 2013-14 AND
FY 2014-15
EXECUTIVE BUDGET
RECOMMENDATION



prepared by the



Mary Ann Cleary, Director

February 2013

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February 2013

TO: Members of the Michigan House of Representatives

We are pleased to provide you with this ***Review and Analysis of the FY 2013-14 and FY 2014-15 Executive Budget Recommendation***.

In this publication, the *Director's Overview* provides information on revenue sources and appropriations proposed in the Executive Budget Recommendation for FY 2013-14 and FY 2014-15. It also provides summary charts and tables of appropriations and fund sources in the proposed budget.

Budget summaries and analyses in this report were prepared for each department/agency by House Fiscal Agency analysts; the Consensus Revenue section was prepared by the Agency economist.

House Fiscal Agency staff and their areas of responsibility are listed on the inside back cover of this publication. Please feel free to contact them, or me, if you have questions or need additional information.

A handwritten signature in black ink that reads "Mary Ann Cleary".

Mary Ann Cleary, Director

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GLOSSARY

Frequently-Used State Budget Terms

STATE BUDGET TERMS

Gross Appropriations (Gross): The total of all applicable appropriations (statutory spending authorizations) in a budget bill.

Adjusted Gross Appropriations (Adjusted Gross): The net amount of all gross appropriations after subtracting interdepartmental grants (IDGs) and intradepartmental transfers (IDTs).

Lapses: Appropriation amounts that are unspent/unobligated at the end of a fiscal year. Appropriations are automatically terminated at the end of a fiscal year unless otherwise provided by law.

Work Project: A statutorily-authorized account which allows a spending authorization to be carried over from one fiscal year to a succeeding fiscal year or years—i.e., allows funds to be spent over a period of years.

APPROPRIATION BILL TERMS

Line Item: Specific funding amount in an appropriation bill which establishes spending authorization for a particular program or function (may be for a single purpose or for multiple purposes).

Boilerplate: Specific language sections in an appropriation bill which direct, limit or restrict line item expenditures, express legislative intent, and/or require reports.

REVENUE SOURCES

General Fund/General Purpose (GF/GP): Unrestricted General Fund revenue available to fund any activity accounted for in the General Fund; unused GF/GP revenue lapses to the General Fund at the end of a fiscal year.

State Restricted (Restricted): State revenue restricted by state law or outside restriction that is available only for specified purposes; at year-end, unused restricted revenue remains in the restricted fund; includes School Aid Fund.

Federal Revenue: Federal grant or matchable revenue generally dedicated to specific programs.

Local Revenue: Revenue from local units of government.

Private Revenue: Revenue from non-government entities: rents, royalties or interest payments, payments from hospitals or individuals, and gifts and bequests.

Interdepartmental Grant (IDG): Revenue or funds received by one state department from another state department (usually for a service provided by the receiving department).

Intradepartmental Transfer (IDT): Transfers or funds being provided from one appropriation unit to another in the same department.

MAJOR STATE FUNDS

Budget Stabilization Fund (BSF): The countercyclical economic and budget stabilization fund; also known as the "rainy day" fund.

School Aid Fund (SAF): A restricted fund; the primary funding source for K-12 schools and Intermediate School Districts (ISDs).

General Fund: The General Fund (funded from taxes and other general revenue) is used to account for the ordinary operations of a governmental unit that are not accounted for in another fund.

FY 2013-14 AND FY 2014-15 Budget Detail

DIRECTOR'S OVERVIEW

Overview
Resources Used in the Executive Budget
Proposed Fees
Summary Information and Tables

OVERVIEW

FY 2013-14 AND FY 2014-15 Executive Recommendation DIRECTOR'S OVERVIEW

The FY 2013-14 Executive Budget Recommendation calls for \$50,769.2 million in adjusted gross appropriations. This includes \$9,036.5 million in General Fund/General Purpose (GF/GP) funds, \$20,434.2 million in restricted funds, \$481.6 million in local/private funds, and \$20,816.9 million in federal funds.

Of the \$29,470.7 million in state resources recommended for appropriation in FY 2013-14, \$15,790.9 million (53.6% of the total) is designated for payments to local units of government. Article IX, Section 30 of Michigan's *Constitution* requires that at least 48.97% of spending from state resources must be paid to local government.

The Executive Recommendation incorporates the January 2013 Consensus Revenue Estimating Conference revenue estimates and includes additional revenue from the proposed Legislative changes to the nonprofit status of BlueCross/Blue Shield of \$62.0 million (FY 2013-14) and \$75.0 million (FY 2014-15). In addition to the revenues, the budget recommendation incorporates \$205.9 million in direct savings from the expansion of Medicaid services to 133% of Federal poverty level and a fee structure change to the Health Insurance Claims Assessment (HICA) to achieve appropriated levels of revenue.

The proposal also continues the policy to designate a portion of the appropriation items as one-time. Below is a summary highlighting the major GF/GP and School Aid Fund (SAF) adjustments for FY 2013-14:

- Proposal for ongoing resources:
 - Program increases of \$127.8 million GF/GP and \$55.0 million SAF.
- Proposal for one-time resources:
 - One-time appropriations of \$257.3 million (combined GF/GP and SAF).
 - Budget Stabilization Fund (BSF) deposit of \$75.0 million GF/GP.
 - Medical Health Savings Fund deposit of 103.0 million GF/GP (equal to half of the GF/GP savings from the Medicaid expansion).

The Executive recommendation also includes policy changes to raise additional annual transportation revenue of \$1.2 billion from increases in the gasoline tax (from 19 cents to 33 cents), diesel tax (from 15 cents to 33 cents), and vehicle registration tax.

The Executive recommendation includes a new \$60.0 million fee for Low Income Energy Assistance, with the surcharge amount set by the Public Service Commission, to replace one-time funding included in the FY 2012-13 budget. See pages 16-19 for a more detailed list of fee proposals.

A more detailed summary of proposed changes by department begins on page 21.

This Overview includes:

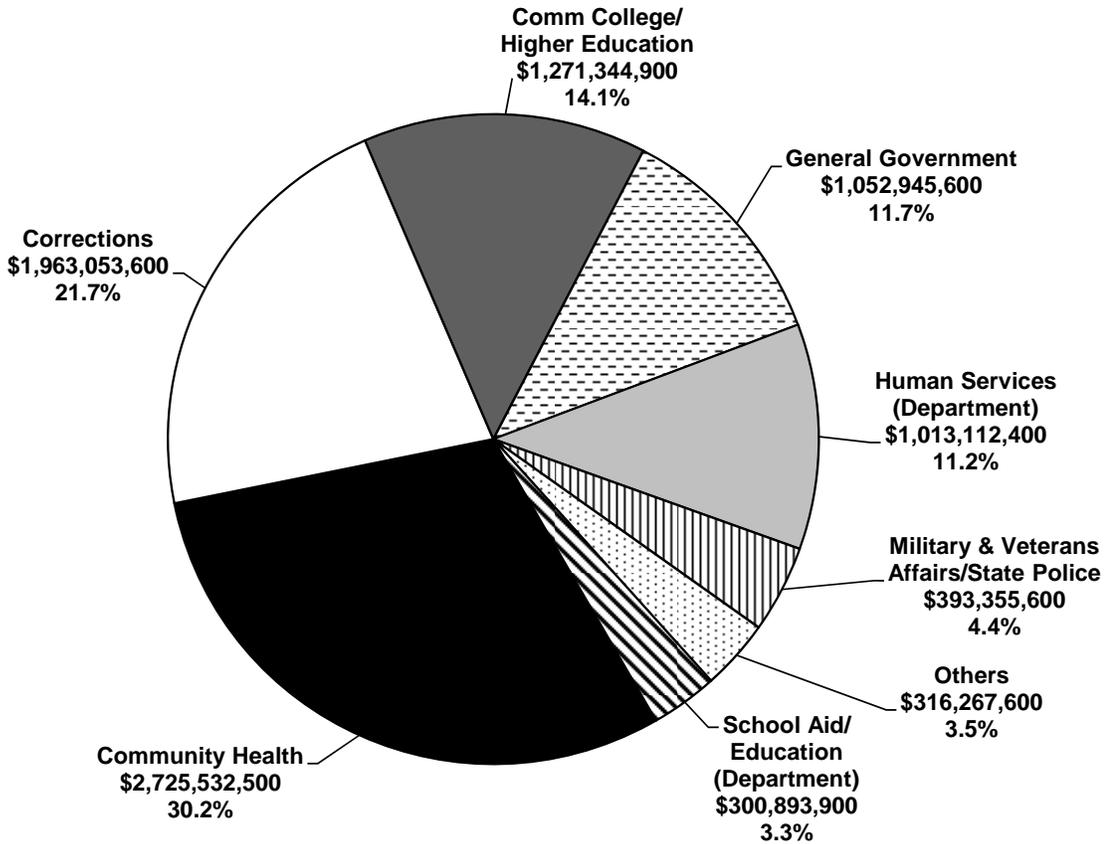
- Graphs of Executive Recommendation GF/GP and Adjusted Gross distribution by budget area.
- Review of resources used in the Executive Recommendation.
- Summary of the overall content of the budget (Tables 1 through 8).

Following this Overview, individual sections explain appropriations by department or major budget area. Each section includes a comparison of FY 2012-13 year-to-date appropriations with the FY 2013-14 and FY 2014-15 Executive Recommendation and an analysis and discussion of major budget and boilerplate issues.

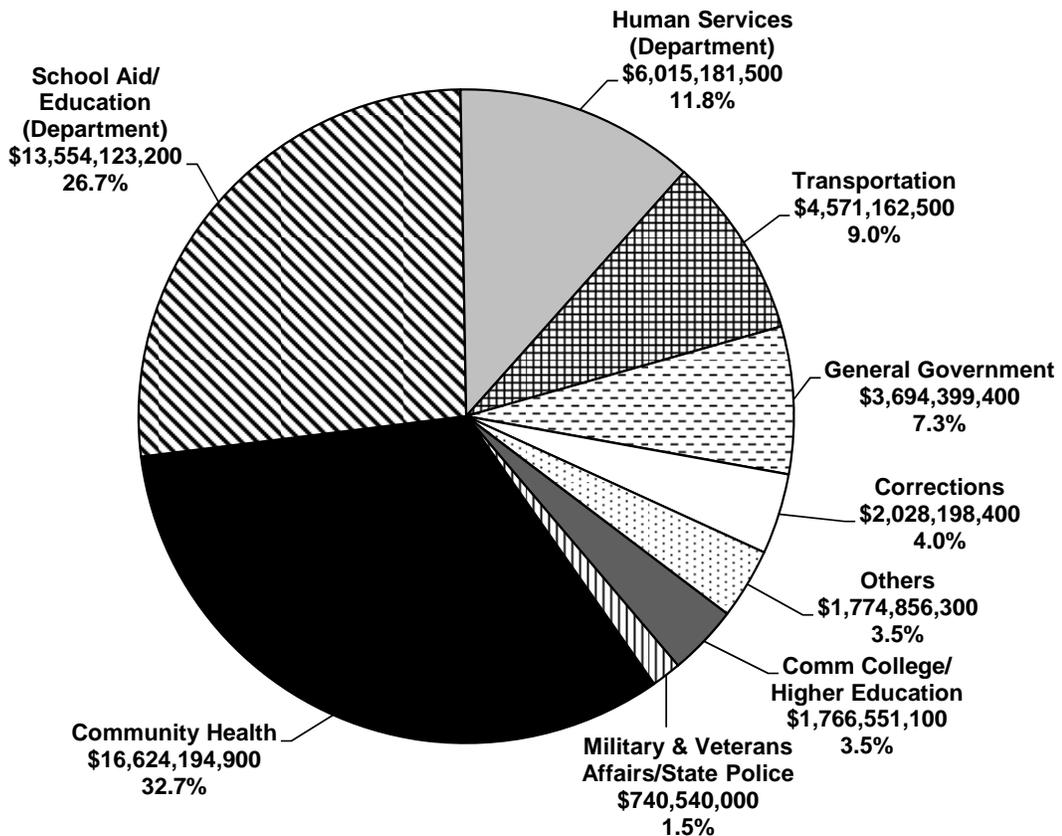
FY 2012-13 supplemental appropriations proposed in conjunction with the Executive Budget are also summarized for each budget area.

**FY 2013-14 Executive Recommendation
General Fund/General Purpose (GF/GP) = \$9,036,506,100**

OVERVIEW



**FY 2013-14 Executive Recommendation
Adjusted Gross = \$50,769,207,300**



OVERVIEW

RESOURCES USED IN THE FY 2013-14 AND FY 2014-15 EXECUTIVE BUDGET RECOMMENDATION

Resources used to fund General Fund/General Purpose, School Aid Fund, and Merit Award Trust Fund, expenditures in the Executive Budget Recommendation are reported below.

FY 2013-14 and FY 2014-15 Executive Recommendation General Fund/General Purpose (GF/GP) Millions of Dollars		
	FY 2013-14	FY 2014-15
<u>Resources</u>		
Beginning balance	\$278.5	\$15.8
Initial revenue estimate	9,264.4	9,639.9
Blue Cross/Blue Shield Revenue	62.0	75.0
Revenue sharing	(380.6)	(358.6)
Charge SAF for short-term borrowing cost	<u>6.0</u>	<u>8.0</u>
Total Resources	\$9,230.3	\$9,380.1
<u>Expenditures</u>		
Ongoing recommendations	\$8,850.7	\$9,034.7
One-time recommendations	135.8	4.0
One-time GF/GP fund shift to SAF	50.0	0.0
BSF deposit	75.0	150.0
Health saving fund deposit	<u>103.0</u>	<u>137.8</u>
Total Expenditures	\$9,214.5	\$9,326.5
Estimated Ending Balance	\$15.8	\$53.6

Beginning balance: Estimated ending CAFR balance from FY 2012-13.

Initial revenue estimate: FY 2013-14 and FY 2014-15 revenue estimates agreed to at the January 2013 consensus revenue estimating conference.

Blue Cross/Blue Shield Revenue: Increased insurance tax revenue due to change in legal status.

Revenue sharing: Expenditure of sales tax revenue resulting from revenue sharing proposal.

Charge SAF for short-term borrowing cost: Savings that accrue to GF/GP by shifting short-term borrowing costs to the SAF.

Ongoing recommendations: Executive recommendation for the ongoing GF/GP budget.

One-time recommendations: Executive recommendations for one-time appropriations for the GF/GP budget.

One-time GF/GP fund shift to SAF: Executive recommendation for additional GF/GP funds to the SAF.

BSF deposit: Executive recommendation for GF/GP transfer to the Budget Stabilization Fund (BSF).

Health savings fund deposit: Executive recommendation for GF/GP transfer to Health Savings Fund: 50% of GF/GP savings from implementation of Medicaid expansion.

FY 2013-14 and FY 2014-15 Executive Recommendation School Aid Fund (SAF) Millions of Dollars		
	FY 2013-14	FY 2014-15
<u>Resources</u>		
Beginning balance	\$49.9	\$1.3
Initial revenue estimate	11,432.5	11,768.8
iLottery	7.8	23.4
GF/GP contribution	230.0	233.0
MPSERS Reform Reserve Fund	150.0	100.0
Federal funds	<u>1,764.4</u>	<u>1,764.4</u>
Total Resources	\$13,634.6	\$13,890.9
<u>Expenditures</u>		
School Aid ongoing recommendations	\$13,135.7	\$13,490.6
School Aid one-time recommendations	99.5	0.0
Community College recommendations	197.6	197.6
Higher Education recommendations	<u>200.5</u>	<u>200.5</u>
Total Expenditures	\$13,633.3	\$13,888.7
Estimated Ending Balance	\$1.3	\$2.2

Beginning balance: Estimated ending CAFR balance from FY 2012-13.

Initial revenue estimate: FY 2013-14 and FY 2014-15 revenue estimates agreed to at the January 2013 consensus revenue estimating conference.

iLottery: New revenue from proposed online lottery games.

GF/GP contribution: Proposed GF/GP revenue appropriated to School Aid Fund.

MPSERS Reform Reserve Fund: Use of funds set aside to help offset state-level retirement costs.

Federal funds: Federal revenue available for School Aid programs.

School Aid ongoing recommendations: Executive recommendation for ongoing School Aid budget.

School Aid one-time recommendations: Executive proposal for one-time appropriation.

Community College recommendations: Use of SAF revenue in place of GF/GP funding for Community Colleges budget.

Higher Education recommendations: Use of SAF revenue in place of GF/GP funding for Higher Education budget.

OVERVIEW

FY 2013-14 and FY 2014-15 Executive Recommendation Merit Award Trust Fund Millions of Dollars		
	FY 2013-14	FY 2014-15
<u>Resources</u>		
Beginning balance	\$67.2	\$67.6
Master Settlement Agreement payment	283.3	280.8
Assume withheld/disputed payments	(28.2)	(28.2)
Payment on 2006 securitization bonds (13.34%)	(34.0)	(33.7)
Payment on 2007 securitization bonds (10.77%)	(27.5)	(27.2)
Deposit to 21st Century Jobs Trust Fund	<u>(75.0)</u>	<u>(75.0)</u>
Available Resources	\$185.9	\$184.4
<u>Expenditures</u>		
DHS: Family Independence Program	\$30.1	\$30.1
Treasury: Tuition Incentive Program admin	1.1	1.1
State Police: Tobacco tax enforcement	0.7	0.7
DCH: Medicaid base funding	81.8	81.8
DCH: Aging-respite care	4.1	4.1
Attorney General: Administration	<u>0.5</u>	<u>0.5</u>
Total Expenditures	\$118.3	\$118.3
Estimated Ending Balance	\$67.6	\$66.1

Note: Numbers may not add due to rounding.

The projected Merit Award Trust Fund beginning balance of \$67.2 million for FY 2013-14 is the difference between an assumed net FY 2012-13 revenue increase of \$97.0 million from a potential legal settlement with tobacco manufacturers regarding enforcement of the original legal agreement and the expenditure of \$29.8 million to help resolve the FY 2012-13 shortfall in Health Insurance Claims Assessment revenue.

FY 2013-14 AND FY 2014-15 EXECUTIVE RECOMMENDATION SUMMARY/TABLES

The Executive Budget Recommendation for FY 2013-14 increases adjusted gross appropriations by \$2,523.3 million (5.2%) from FY 2012-13 year-to-date amounts:

- GF/GP appropriations are increased by \$10.1 million (0.1%).
- State restricted appropriations are increased by \$1,632.1 million (8.7%).
- Federal appropriations are increased by \$902.6 million (4.5%).
- Local and private appropriations are decreased by \$21.5 million (-4.3%).

Total state spending from state sources (GF/GP plus state restricted) in the FY 2013-14 Executive Budget Recommendation is increased by \$1,642.1 million (5.9%) from FY 2012-13 year-to-date amounts.

Projected appropriation amounts for FY 2014-15 under the Executive Budget (which will not be legally binding) reflect a 0.0% increase in GF/GP appropriations, a 1.0% increase in total state spending from state sources, and a 2.3% increase in adjusted gross appropriations.

The following pages include eight tables summarizing the Executive Budget Recommendation by budget area.

The following should be noted regarding the appropriation amounts in the following tables and throughout the report:

- Some appropriation items in the FY 2012-13 budget are designated as one-time, indicating intent that those items would not be funded in the subsequent budget year in order to maintain a structurally-balanced budget. The FY 2013-14 Executive Budget continues this practice.
- The tables in this document show total appropriation amounts by budget area, including both standard line items and the items designated as one-time, in order to provide an accurate representation of resources available for expenditure in each budget year by state departments, local units of government, and other entities receiving funds through the state budget.

Also, consistent with the two previous Executive Budget proposals, this year's proposal greatly reduces the number of line item appropriations in each departmental budget, instead including a non-binding "Schedule of Programs" for each major budget area within a department. In most department budgets, the Legislature has not adopted the revised format, retaining legally binding line item appropriation amounts. The analysis in this document is based on the assumption that Executive-proposed changes would be implemented on a line item basis.

OVERVIEW

**FY 2013-14 and FY 2014-15
Executive Budget Appropriation Changes
Millions of Dollars**

	<u>Year-to-Date FY 2012-13</u>	<u>Executive Recommendation FY 2013-14</u>	<u>Change Amounts</u>		<u>Executive Recommendation FY 2014-15</u>	<u>Change Amounts</u>	
General Fund/General Purpose	\$9,026.4	\$9,036.5	\$10.1	0.1%	\$9,038.7	\$2.2	0.0%
State Restricted	<u>18,802.2</u>	<u>20,434.2</u>	<u>1,632.1</u>	8.7%	<u>20,738.2</u>	<u>303.9</u>	1.5%
Total State Spending from State Sources	\$27,828.6	\$29,470.7	\$1,642.1	5.9%	\$29,776.8	\$306.1	1.0%
Federal	\$19,914.2	\$20,816.9	\$902.6	4.5%	\$21,658.3	\$841.4	4.0%
Local	378.2	345.5	(32.7)	-8.6%	345.7	0.2	0.1%
Private	124.9	136.1	11.2	8.9%	136.2	0.1	0.1%
Total Adjusted Gross	\$48,246.0	\$50,769.2	\$2,523.3	5.2%	\$51,917.0	\$1,147.8	2.3%

Note: Numbers may not add due to rounding.

General Fund/General Purpose: The state's primary operating fund; the portion of the state's General Fund that does not include restricted revenue.

State Restricted: State revenue dedicated to a specific fund; revenue which results from state mandates or initiatives; includes state School Aid Fund.

Adjusted Gross: Total of appropriations from all sources; gross appropriations minus interdepartmental grants (IDGs) and intradepartmental transfers (IDTs).

Notes:

(1) *FY 2012-13 year-to-date figures include mid-year budget adjustments through February 7, 2013, as well as FY 2012-13 OPEB costs for legislative employees.*

(2) *Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as one-time.*

TABLE 1
FY 2013-14 EXECUTIVE BUDGET RECOMMENDATION BY SOURCE OF FUNDS

<u>Department/Budget Area</u>	<u>Gross</u>	<u>IDG/IDT</u>	<u>Adjusted Gross</u>	<u>Federal</u>	<u>Local</u>	<u>Private</u>	<u>State Restricted</u>	<u>GF/GP</u>
Community Colleges	335,977,600	0	335,977,600	0	0	0	197,614,100	138,363,500
Education	318,888,400	0	318,888,400	232,395,400	5,633,700	1,933,300	8,032,100	70,893,900
Higher Education	1,430,573,500	0	1,430,573,500	97,026,400	0	0	200,565,700	1,132,981,400
School Aid	13,235,234,800	0	13,235,234,800	1,764,421,300	0	0	11,240,813,500	230,000,000
EDUCATION	\$15,320,674,300	\$0	\$15,320,674,300	\$2,093,843,100	\$5,633,700	\$1,933,300	\$11,647,025,400	\$1,572,238,800
Attorney General	89,306,900	27,355,500	61,951,400	9,838,200	0	0	17,631,900	34,481,300
Civil Rights	15,198,300	0	15,198,300	2,690,200	0	18,700	151,900	12,337,500
Executive Office	4,970,000	0	4,970,000	0	0	0	0	4,970,000
Legislative Auditor General	20,554,400	5,092,100	15,462,300	0	0	0	1,951,000	13,511,300
Legislature	123,819,300	0	123,819,300	0	0	400,000	1,109,800	122,309,500
State	219,548,900	20,000,000	199,548,900	1,810,000	0	100	182,485,400	15,253,400
Tech., Mgmt. & Budget: Operations	927,404,600	677,159,800	250,244,800	8,790,900	1,320,800	190,400	92,625,900	147,316,800
Tech., Mgmt. & Budget: SBA Rent	258,570,600	0	258,570,600	0	0	0	0	258,570,600
Treasury: MI Strategic Fund	1,005,613,900	0	1,005,613,900	638,370,300	4,433,500	5,454,900	141,851,300	215,503,900
Treasury: Operations	490,797,200	9,130,000	481,667,200	39,410,400	1,959,500	22,000	362,772,000	77,503,300
Treasury: Debt Service	154,202,500	0	154,202,500	0	0	0	3,014,500	151,188,000
Treasury: Revenue Sharing	1,123,150,200	0	1,123,150,200	0	0	0	1,123,150,200	0
GENERAL GOVERNMENT	\$4,433,136,800	\$738,737,400	\$3,694,399,400	\$700,910,000	\$7,713,800	\$6,086,100	\$1,926,743,900	\$1,052,945,600
Community Health	16,634,251,000	10,056,100	16,624,194,900	11,392,469,900	227,545,600	106,333,300	2,172,313,600	2,725,532,500
Human Services	6,045,776,100	30,594,600	6,015,181,500	4,802,702,800	37,891,500	9,856,000	151,618,800	1,013,112,400
HEALTH AND HUMAN SERVICES	\$22,680,027,100	\$40,650,700	\$22,639,376,400	\$16,195,172,700	\$265,437,100	\$116,189,300	\$2,323,932,400	\$3,738,644,900
Agriculture & Rural Development	76,993,300	524,300	76,469,000	9,720,900	0	96,900	29,020,900	37,630,300
Environmental Quality	512,168,800	9,401,900	502,766,900	150,929,700	0	541,800	322,190,900	29,104,500
Natural Resources	354,388,900	1,412,300	352,976,600	67,127,300	0	7,237,200	251,325,500	27,286,600
RESOURCE PROTECTION	\$943,551,000	\$11,338,500	\$932,212,500	\$227,777,900	\$0	\$7,875,900	\$602,537,300	\$94,021,400
Corrections	2,029,308,000	1,109,600	2,028,198,400	8,852,500	266,200	0	56,026,100	1,963,053,600
Military & Veterans Affairs	162,608,000	650,000	161,958,000	89,782,700	1,500,000	740,000	27,554,000	42,381,300
State Police	603,801,700	25,219,700	578,582,000	98,846,100	6,967,500	239,700	121,554,400	350,974,300
PUBLIC SAFETY AND DEFENSE	\$2,795,717,700	\$26,979,300	\$2,768,738,400	\$197,481,300	\$8,733,700	\$979,700	\$205,134,500	\$2,356,409,200
Capital Outlay	0	0	0	0	0	0	0	0
Judiciary	285,316,200	2,350,500	282,965,700	5,343,900	7,133,100	931,500	86,115,900	183,441,300
Licensing & Regulatory Affairs	573,906,300	14,228,200	559,678,100	197,470,000	656,500	2,011,800	320,734,900	38,804,900
Transportation	4,574,787,600	3,625,100	4,571,162,500	1,198,885,500	50,177,100	100,000	3,321,999,900	0
ALL OTHERS	\$5,434,010,100	\$20,203,800	\$5,413,806,300	\$1,401,699,400	\$57,966,700	\$3,043,300	\$3,728,850,700	\$222,246,200
TOTAL APPROPRIATIONS	\$51,607,117,000	\$837,909,700	\$50,769,207,300	\$20,816,884,400	\$345,485,000	\$136,107,600	\$20,434,224,200	\$9,036,506,100

Note: Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as one-time.

OVERVIEW

**TABLE 2
GENERAL FUND/GENERAL PURPOSE APPROPRIATIONS
FY 2013-14 and FY 2014-15 Executive Recommendation Compared with FY 2012-13 Year-to-Date**

<u>Department/Budget Area</u>	<u>Year-To-Date FY 2012-13</u>	<u>Executive Recommendation FY 2013-14</u>	<u>Difference FY 2013-14 vs. FY 2012-13</u>		<u>Executive Recommendation FY 2014-15</u>	<u>Difference FY 2014-15 vs. FY 2013-14</u>	
Community Colleges	96,516,400	138,363,500	41,847,100	43.4%	154,663,500	16,300,000	11.8%
Education	68,093,200	70,893,900	2,800,700	4.1%	71,831,100	937,200	1.3%
Higher Education	1,101,628,300	1,132,981,400	31,353,100	2.8%	1,132,981,400	0	0.0%
School Aid	282,400,000	230,000,000	(52,400,000)	-18.6%	233,000,000	3,000,000	1.3%
EDUCATION	\$1,548,637,900	\$1,572,238,800	\$23,600,900	1.5%	\$1,592,476,000	\$20,237,200	1.3%
Attorney General	33,825,800	34,481,300	655,500	1.9%	35,113,100	631,800	1.8%
Civil Rights	11,953,600	12,337,500	383,900	3.2%	12,576,100	238,600	1.9%
Executive Office	4,887,900	4,970,000	82,100	1.7%	4,970,000	0	0.0%
Legislative Auditor General	13,004,900	13,511,300	506,400	3.9%	13,791,400	280,100	2.1%
Legislature	113,705,000	122,309,500	8,604,500	7.6%	122,309,500	0	0.0%
State	14,888,100	15,253,400	365,300	2.5%	15,428,800	175,400	1.1%
Tech., Mgmt. & Budget: Operations	149,045,600	147,316,800	(1,728,800)	-1.2%	133,670,200	(13,646,600)	-9.3%
Tech., Mgmt. & Budget: SBA Rent	256,870,600	258,570,600	1,700,000	0.7%	281,470,600	22,900,000	8.9%
Treasury: MI Strategic Fund	173,501,600	215,503,900	42,002,300	24.2%	141,277,400	(74,226,500)	-34.4%
Treasury: Operations	111,294,500	77,503,300	(33,791,200)	-30.4%	80,888,000	3,384,700	4.4%
Treasury: Debt Service	135,040,400	151,188,000	16,147,600	12.0%	161,227,300	10,039,300	6.6%
Treasury: Revenue Sharing	0	0	0	--	0	0	--
GENERAL GOVERNMENT	\$1,018,018,000	\$1,052,945,600	\$34,927,600	3.4%	\$1,002,722,400	(\$50,223,200)	-4.8%
Community Health	2,817,437,800	2,725,532,500	(91,905,300)	-3.3%	2,735,460,600	9,928,100	0.4%
Human Services	1,028,769,600	1,013,112,400	(15,657,200)	-1.5%	1,022,565,000	9,452,600	0.9%
HEALTH AND HUMAN SERVICES	\$3,846,207,400	\$3,738,644,900	(\$107,562,500)	-2.8%	\$3,758,025,600	\$19,380,700	0.5%
Agriculture & Rural Development	36,098,900	37,630,300	1,531,400	4.2%	37,701,100	70,800	0.2%
Environmental Quality	29,812,400	29,104,500	(707,900)	-2.4%	28,526,700	(577,800)	-2.0%
Natural Resources	19,737,900	27,286,600	7,548,700	38.2%	24,904,000	(2,382,600)	-8.7%
RESOURCE PROTECTION	\$85,649,200	\$94,021,400	\$8,372,200	9.8%	\$91,131,800	(\$2,889,600)	-3.1%
Corrections	1,941,485,600	1,963,053,600	21,568,000	1.1%	1,982,080,100	19,026,500	1.0%
Military & Veterans Affairs	38,233,400	42,381,300	4,147,900	10.8%	38,767,600	(3,613,700)	-8.5%
State Police	317,513,800	350,974,300	33,460,500	10.5%	355,963,900	4,989,600	1.4%
PUBLIC SAFETY AND DEFENSE	\$2,297,232,800	\$2,356,409,200	\$59,176,400	2.6%	\$2,376,811,600	\$20,402,400	0.9%
Capital Outlay	0	0	0	--	0	0	--
Judiciary	170,751,500	183,441,300	12,689,800	7.4%	178,163,600	(5,277,700)	-2.9%
Licensing & Regulatory Affairs Growth	36,945,200	38,804,900	1,859,700	5.0%	39,351,700	546,800	1.4%
Transportation	23,000,000	0	(23,000,000)	-100.0%	0	0	--
ALL OTHERS	\$230,696,700	\$222,246,200	(\$8,450,500)	-3.7%	\$217,515,300	(\$4,730,900)	-2.1%
TOTAL APPROPRIATIONS	\$9,026,442,000	\$9,036,506,100	\$10,064,100	0.1%	\$9,038,682,700	\$2,176,600	0.0%

Notes: (1) FY 2012-13 year-to-date figures include mid-year budget adjustments through February 7, 2013, as well as FY 2012-13 OPEB costs for legislative employees.
(2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as one-time.

TABLE 3
ADJUSTED GROSS APPROPRIATIONS
FY 2013-14 and FY 2014-15 Executive Recommendation Compared with FY 2012-13 Year-to-Date

<u>Department/Budget Area</u>	<u>Year-To-Date FY 2012-13</u>	<u>Executive Recommendation FY 2013-14</u>	<u>Difference FY 2013-14 vs. FY 2012-13</u>		<u>Executive Recommendation FY 2014-15</u>	<u>Difference FY 2014-15 vs. FY 2013-14</u>	
Community Colleges	294,130,500	335,977,600	41,847,100	14.2%	352,277,600	16,300,000	4.9%
Education	328,909,900	318,888,400	(10,021,500)	-3.0%	320,929,600	2,041,200	0.6%
Higher Education	1,399,220,400	1,430,573,500	31,353,100	2.2%	1,430,573,500	0	0.0%
School Aid	12,944,687,000	13,235,234,800	290,547,800	2.2%	13,490,575,800	255,341,000	1.9%
EDUCATION	\$14,966,947,800	\$15,320,674,300	\$353,726,500	2.4%	\$15,594,356,500	\$273,682,200	1.8%
Attorney General	61,000,400	61,951,400	951,000	1.6%	63,083,000	1,131,600	1.8%
Civil Rights	14,765,500	15,198,300	432,800	2.9%	15,491,700	293,400	1.9%
Executive Office	4,887,900	4,970,000	82,100	1.7%	4,970,000	0	0.0%
Legislative Auditor General	14,895,600	15,462,300	566,700	3.8%	15,776,500	314,200	2.0%
Legislature	115,214,800	123,819,300	8,604,500	7.5%	123,819,300	0	0.0%
State	200,669,300	199,548,900	(1,120,400)	-0.6%	202,972,100	3,423,200	1.7%
Tech., Mgmt. & Budget: Operations	250,538,100	250,244,800	(293,300)	-0.1%	237,190,400	(13,054,400)	-5.2%
Tech., Mgmt. & Budget: SBA Rent	256,870,600	258,570,600	1,700,000	0.7%	281,470,600	22,900,000	8.9%
Treasury: MI Strategic Fund	984,196,800	1,005,613,900	21,417,100	2.2%	933,062,200	(72,551,700)	-7.2%
Treasury: Operations	503,563,000	481,667,200	(21,895,800)	-4.3%	486,475,500	4,808,300	1.0%
Treasury: Debt Service	140,554,900	154,202,500	13,647,600	9.7%	164,241,800	10,039,300	6.5%
Treasury: Revenue Sharing	1,096,096,300	1,123,150,200	27,053,900	2.5%	1,127,050,400	3,900,200	0.3%
GENERAL GOVERNMENT	\$3,643,253,200	\$3,694,399,400	\$51,146,200	1.4%	\$3,655,603,500	(\$38,795,900)	-1.1%
Community Health	15,019,033,900	16,624,194,900	1,605,161,000	10.7%	17,468,191,900	843,997,000	5.1%
Human Services	6,673,512,400	6,015,181,500	(658,330,900)	-9.9%	6,027,493,800	12,312,300	0.2%
HEALTH AND HUMAN SERVICES	\$21,692,546,300	\$22,639,376,400	\$946,830,100	4.4%	\$23,495,685,700	\$856,309,300	3.8%
Agriculture & Rural Development	76,433,700	76,469,000	35,300	0.0%	77,095,600	626,600	0.8%
Environmental Quality	423,308,700	502,766,900	79,458,200	18.8%	505,254,000	2,487,100	0.5%
Natural Resources	335,855,600	352,976,600	17,121,000	5.1%	354,709,600	1,733,000	0.5%
RESOURCE PROTECTION	\$835,598,000	\$932,212,500	\$96,614,500	11.6%	\$937,059,200	\$4,846,700	0.5%
Corrections	2,017,523,800	2,028,198,400	10,674,600	0.5%	2,047,892,300	19,693,900	1.0%
Military & Veterans Affairs	170,907,100	161,958,000	(8,949,100)	-5.2%	159,903,500	(2,054,500)	-1.3%
State Police	552,744,200	578,582,000	25,837,800	4.7%	586,292,500	7,710,500	1.3%
PUBLIC SAFETY AND DEFENSE	\$2,741,175,100	\$2,768,738,400	\$27,563,300	1.0%	\$2,794,088,300	\$25,349,900	0.9%
Capital Outlay	0	0	0	--	0	0	--
Judiciary	271,121,900	282,965,700	11,843,800	4.4%	277,848,100	(5,117,600)	-1.8%
Licensing & Regulatory Affairs	632,404,900	559,678,100	(72,726,800)	-11.5%	567,994,700	8,316,600	1.5%
Transportation	3,462,905,600	4,571,162,500	1,108,256,900	32.0%	4,594,342,400	23,179,900	0.5%
ALL OTHERS	\$4,366,432,400	\$5,413,806,300	\$1,047,373,900	24.0%	\$5,440,185,200	\$26,378,900	0.5%
TOTAL APPROPRIATIONS	\$48,245,952,800	\$50,769,207,300	\$2,523,254,500	5.2%	\$51,916,978,400	\$1,147,771,100	2.3%

Notes: (1) FY 2012-13 year-to-date figures include mid-year budget adjustments through February 7, 2013, as well as FY 2012-13 OPEB costs for legislative employees.

(2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as one-time.

**TABLE 4
APPROPRIATIONS DESIGNATED AS ONE-TIME ONLY**

<u>Department/Budget Area</u>	FY 2012-13	FY 2013-14
	<u>GF/GP</u>	<u>GF/GP</u>
Agriculture and Rural Development	\$2,000,000	\$600,000
Community Colleges	0	1,100,000
Community Health	12,775,000	7,625,000
Corrections	1,129,500	9,032,500
Education	50,000	0
Environmental Quality	4,000,000	1,000,000
Human Services	30,700,000	2,039,600
Judiciary	0	6,500,000
Military and Veterans Affairs	5,900,000	4,000,000
Natural Resources	2,000,000	2,600,000
School Aid	181,357,600	50,000,000
State	750,000	0
State Police	2,773,700	8,561,900
Technology, Management, and Budget	21,000,000	16,500,000
Transportation	23,000,000	0
Treasury: Michigan Strategic Fund	50,000,000	69,500,000
Treasury: Operations	3,000,000	6,763,300
All Departments (Negotiated Salary Adjustments)	25,313,900	0
TOTAL: ONE-TIME APPROPRIATIONS	\$365,749,700	\$185,822,300
Transportation (Sales Tax Reduction)	110,000,000	0
Treasury: Revenue Sharing (Sales Tax Reduction)	20,000,000	22,000,000
TOTAL: WITH RESTRICTED IMPACTS	\$495,749,700	\$207,822,300
Budget Stabilization Fund	140,000,000	75,000,000
Health Savings Fund		103,000,000
TOTAL: ONE-TIME AND RESTRICTED TRANSFERS	\$635,749,700	\$385,822,300

Note: Does not reflect supplemental items.

**TABLE 5
FULL-TIME EQUATED (FTE) POSITIONS*
FY 2013-14 and FY 2014-15 Executive Recommendation Compared with FY 2012-13 Year-to-Date**

<u>Department/Budget Area</u>	<u>Year-To-Date FY 2012-13</u>	<u>Executive Recommendation FY 2013-14</u>	<u>Difference FY 2013-14 vs. FY 2012-13</u>	
Community Colleges	0.0	0.0	0.0	--
Education	590.5	594.5	4.0	0.7%
Higher Education	0.0	0.0	0.0	--
School Aid	0.0	0.0	0.0	--
EDUCATION	590.5	594.5	4.0	0.7%
Attorney General	514.0	517.0	3.0	0.6%
Civil Rights	127.0	128.0	1.0	0.8%
Executive Office	84.2	84.2	0.0	0.0%
Legislative Auditor General	0.0	0.0	0.0	--
Legislature	0.0	0.0	0.0	--
State	1,695.0	1,568.0	(127.0)	-7.5%
Tech., Mgmt. & Budget: Operations	2,814.0	2,812.0	(2.0)	-0.1%
Tech., Mgmt. & Budget: SBA Rent	0.0	0.0	0.0	--
Treasury: MI Strategic Fund	748.0	772.0	24.0	3.2%
Treasury: Operations	1,784.5	1,794.5	10.0	0.6%
Treasury: Debt Service	0.0	0.0	0.0	--
Treasury: Revenue Sharing	0.0	0.0	0.0	--
GENERAL GOVERNMENT	7,766.7	7,675.7	(91.0)	-1.2%
Community Health	3,552.6	3,589.6	37.0	1.0%
Human Services	12,314.0	12,282.5	(31.5)	-0.3%
HEALTH AND HUMAN SERVICES	15,866.6	15,872.1	5.5	0.0%
Agriculture & Rural Development	431.0	434.0	3.0	0.7%
Environmental Quality	1,327.5	1,291.5	(36.0)	-2.7%
Natural Resources	2,099.8	2,141.3	41.5	2.0%
RESOURCE PROTECTION	3,858.3	3,866.8	8.5	0.2%
Corrections	14,695.2	14,496.5	(198.7)	-1.4%
Military & Veterans Affairs	842.0	880.0	38.0	4.5%
State Police	2,884.0	2,917.0	33.0	1.1%
PUBLIC SAFETY AND DEFENSE	18,421.2	18,293.5	(127.7)	-0.7%
Capital Outlay	0.0	0.0	0.0	--
Judiciary	472.0	482.0	10.0	2.1%
Licensing & Regulatory Affairs	3,767.3	3,324.5	(442.8)	-11.8%
Transportation	2,918.3	2,918.3	0.0	0.0%
ALL OTHERS	7,157.6	6,724.8	(432.8)	-6.0%
TOTAL FTE APPROPRIATIONS	53,660.9	53,027.4	(633.5)	-1.2%

**Includes classified, unclassified, and nonlegislative exempt positions.*

**TABLE 6
STATE SPENDING FROM STATE SOURCES PAID TO LOCAL GOVERNMENTS
FY 2013-14 Executive Recommendation**

<u>Department/Budget Area</u>	<u>Spending from State Sources</u>	<u>State Spending to Local Government Units</u>	<u>% of State Spending from State Sources as Payment to Locals</u>
Community Colleges	335,977,600	335,977,600	100.0%
Education	78,926,000	10,312,300	13.1%
Higher Education	1,333,547,100	0	0.0%
School Aid	11,470,813,500	11,309,030,900	98.6%
EDUCATION	\$13,219,264,200	\$11,655,320,800	88.2%
Attorney General	52,113,200	0	0.0%
Civil Rights	12,489,400	0	0.0%
Executive Office	4,970,000	0	0.0%
Legislative Auditor General	15,462,300	0	0.0%
Legislature	123,419,300	0	0.0%
State	197,738,800	1,360,800	0.7%
Tech., Mgmt. & Budget: Operations	239,942,700	0	0.0%
Tech., Mgmt. & Budget: SBA Rent	258,570,600	0	0.0%
Treasury: MI Strategic Fund	357,355,200	15,224,800	4.3%
Treasury: Operations	440,275,300	153,383,300	34.8%
Treasury: Debt Service	154,202,500	0	0.0%
Treasury: Revenue Sharing	1,123,150,200	1,123,150,200	100.0%
GENERAL GOVERNMENT	\$2,979,689,500	\$1,293,119,100	43.4%
Community Health	4,897,846,100	1,227,734,500	25.1%
Human Services	1,164,731,200	95,422,200	8.2%
HEALTH AND HUMAN SERVICES	\$6,062,577,300	\$1,323,156,700	21.8%
Agriculture & Rural Development	66,651,200	3,500,000	5.3%
Environmental Quality	351,295,400	2,775,000	0.8%
Natural Resources	278,612,100	11,689,400	4.2%
RESOURCE PROTECTION	\$696,558,700	\$17,964,400	2.6%
Corrections	2,019,079,700	90,859,700	4.5%
Military & Veterans Affairs	69,935,300	120,000	0.2%
State Police	472,528,700	15,537,600	3.3%
PUBLIC SAFETY AND DEFENSE	\$2,561,543,700	\$106,517,300	4.2%
Capital Outlay	0	0	--
Judiciary	269,557,200	138,999,600	51.6%
Licensing & Regulatory Affairs	359,539,800	26,917,500	7.5%
Transportation	3,321,999,900	1,228,928,100	37.0%
ALL OTHER	\$3,951,096,900	\$1,394,845,200	35.3%
TOTALS APPROPRIATED	\$29,470,730,300	\$15,790,923,500	53.6%

Table 7
FY 2013-14 ECONOMIC CHANGES BY DEPARTMENT/AGENCY
 (Thousands of Dollars)

	Salaries and Wages		Insurance		Retirement, OPEB, and Worker's Comp		Building Occupancy Charges Rent, Other,		Total	
	GF/GP	Gross	GF/GP	Gross	GF/GP	Gross	GF/GP	Gross	GF/GP	Gross
Agriculture/Rural Development	\$140.5	\$273.0	\$48.6	\$95.7	\$642.8	\$1,268.1	\$2.7	\$52.9	\$834.6	\$1,689.7
Attorney General	153.1	387.1	36.7	96.3	772.1	2,038.6	9.8	27.0	971.7	2,549.0
Auditor General	77.8	111.2	11.2	15.6	352.2	505.6	0.0	0.0	441.2	632.4
Civil Rights	52.5	68.5	15.1	20.0	280.3	332.9	(44.2)	(44.2)	303.7	377.2
Community Health	1,223.2	2,629.6	387.0	838.2	5,289.1	12,266.3	366.5	574.4	7,265.8	16,308.5
Corrections	7,655.1	7,828.0	3,044.8	3,113.4	36,363.1	37,162.0	172.2	172.2	47,235.2	48,275.6
Education	57.3	309.8	15.4	92.4	267.7	1,577.6	112.8	188.9	453.2	2,168.7
Environmental Quality	96.5	808.5	32.8	249.3	475.5	3,746.3	115.8	496.6	720.6	5,300.7
Executive Office	43.0	43.0	0.0	0.0	0.0	0.0	0.0	0.0	43.0	43.0
Human Services	2,237.3	6,101.9	777.4	2,143.6	10,583.1	29,474.6	255.8	757.2	13,853.6	38,477.3
Judiciary	537.0	593.6	80.1	98.0	1,227.4	1,503.1	266.5	257.4	2,111.0	2,452.1
Legislature	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Licensing & Regulatory Affairs	102.4	1,861.9	32.3	632.4	796.0	10,842.2	(151.8)	(2,400.1)	778.9	10,936.4
Military and Veterans Affairs	98.6	401.6	39.0	182.5	879.8	2,721.6	9.0	35.9	1,026.4	3,341.6
Natural Resources	48.4	1,006.0	16.5	338.3	119.9	2,331.7	63.1	143.4	247.9	3,819.4
State	44.7	739.5	13.2	285.8	214.3	3,572.8	(12.9)	(14.5)	259.3	4,583.6
State Police	1,180.8	1,805.0	434.2	659.1	10,778.9	15,428.4	501.0	575.6	12,894.9	18,468.1
Tech, Management & Budget	699.5	1,794.1	231.7	602.5	3,634.1	9,100.5	311.3	188.1	4,876.6	11,685.2
Transportation	5.7	1,750.8	2.7	579.6	27.9	8,334.3	0.0	(2.2)	36.3	10,662.5
Treasury	167.0	1,078.7	51.3	367.4	805.3	5,032.0	174.8	221.9	1,198.4	6,700.0
Treasury: MI Strategic Fund	79.1	437.6	22.1	147.4	374.2	2,125.9	0.0	(133.7)	475.4	2,577.2
TOTAL	\$14,699.5	\$30,029.4	\$5,292.1	\$10,557.5	\$73,883.7	\$149,364.5	\$2,152.4	\$1,096.8	\$96,027.7	\$191,048.2

Note: The numbers in this table are from the State Budget Office based on the fund sourcing of the current fiscal year and may differ from the actual amounts of economic adjustments within each department due to changes in fund sourcing by the Executive Recommendation. IT-related economic adjustments are shown in the Department of Technology, Management, and Budget line.

OVERVIEW

**TABLE 8
FY 2014 PROPOSED FEES**

<u>Department</u>	<u>Fee Title</u>	<u>Current Law FY 2014 Fee Amount</u>	<u>Proposed FY 2014 Fee Amount</u>	<u>Estimated Revenue</u>
Community Health	<u>HICA – Health Insurance Claims Assessment (Sunset Extension and Increase)</u>	1%	Adjustable Rate	\$400.0 million annually
	<u>Emergency Medical Service Fees (New and Increases)</u>			
	• Initial education program sponsor triennial fee	\$0	\$500	
	• Satellite education location fee, per location	\$0	\$250	
	• Ongoing education program sponsor triennial fee	\$0	\$250	
	• Ongoing education program sponsor fee per topic (1-100+ topics)	\$0	\$20-150	
	• Ongoing education applications from instructor coordinators (1-100+ topics)	\$0	\$20-150	
	• Ambulance operation license	\$100	\$150	
	• Ambulance operation – 1 year conditional license	\$0	\$150	
	• Ambulance license	\$25	\$50	
	• Nontransport prehospital life support operation license	\$100	\$150	
	• Nontransport prehospital life support vehicle license	\$25	\$50	
	• Aircraft transport operation license	\$100	\$150	
	• Aircraft transport vehicle license	\$100	\$150	
	• Late fee for above vehicle or ambulance renewal	\$100	\$150	
	• Medical first response service license	\$0	\$150	
	• Medical first responder vehicle license	\$0	\$50	
	• Nonrenewable conditional life support agency license	\$0	\$150	\$1.0 million
	• Medical first responder license	\$0	\$100	
	• Medical first responder license - triennial renewal	\$0	\$75	
	• Emergency medical technician license	\$40	\$100	
	• Emergency medical technician license - triennial renewal	\$25	\$75	
	• Emergency medical technician specialist license	\$60	\$100	
	• Emergency medical technician specialist license - triennial renewal	\$25	\$75	
	• Paramedic license	\$80	\$100	
	• Paramedic license - triennial renewal	\$25	\$75	
	• Emergency medical services instructor- coordinator license	\$100	\$150	
	• Emergency medical services instructor- coordinator license - triennial renewal	\$25	\$75	
	• Reciprocity/national registry licensure applicant initial fee	\$0	\$225	
	• Criminal background check for individuals as required	\$0	\$100	
	• Late fee for above individual license renewal	\$50	\$100	
	• Various noncompliance fines	\$0	Up to \$1,000	

**TABLE 8
FY 2014 PROPOSED FEES
(cont.)**

Department Community Health (cont.)	<u>Fee Title</u>	Current Law FY 2014 Fee Amount	Proposed FY 2014 Fee Amount	Estimated Revenue
	<u>Certificate of Need Fees (New and Increases)</u> with provision for annual automatic CPI adjustment			
	• Base Fee	\$1,500	\$3,000	
	• Additional fee, projects \$500,000-\$4,000,000	\$4,000	\$5,000	
	• Additional fee, projects \$4,000,000-\$10,000,000	\$7,000	\$8,000	
	• Additional fee, projects over \$10,000,000	\$7,000	\$12,000	
	• Additional fee, designated complex project	\$0	\$3,000	\$700,000
	• Expedited processing	\$0	\$1,000	
	• Waiver request or receipt	\$0	\$500	
	• Amendment request to an approved certificate of need	\$0	\$500	
	• Annual fee for approved covered clinical service	\$0	\$100	
	<u>Vital Record Fees (Increase)</u>			
	• Search for vital record and one copy	\$26	\$34	
	• Additional vital record copies at time of initial search, each	\$12	\$16	
	• Authenticated vital record copy	\$29	\$42	
	• Additional vital record authenticated copies at time of initial search, each	\$15	\$26	
	• Verification of facts in Sec. 2881 (2)	\$10	\$18	
	• Expedited search for vital record	\$10	\$12	
	• Application for delayed certificate of birth or death and one copy	\$40	\$50	
	• Registration of delayed certificate of birth for foreign born adopted child, 1 copy	\$40	\$50	\$1.5 million
	• Search for vital record and one copy, senior aged 65 or older for self	\$7	\$14	
	• Creation of new certificate of birth following adoption or other event	\$40	\$50	
	• Creation of new certificate of birth or death within 1 year, for correction	\$40	\$50	
	• Amend birth or death record more than 1 year after event, for correction	\$40	\$50	
	• Amend birth record for documented legal change of name for an adult	\$40	\$50	

OVERVIEW

**TABLE 8
FY 2014 PROPOSED FEES
(cont.)**

<u>Department</u>	<u>Fee Title</u>	<u>Current Law FY 2014 Fee Amount</u>	<u>Proposed FY 2014 Fee Amount</u>	<u>Estimated Revenue</u>		
Environmental Quality	<u>Hazardous Waste Fee (Increase)</u>					
	• Manifest processing user charge	\$8.00	\$11.00			
	• Site ID issuance user charge	\$50	\$250			
	• Treatment, storage or disposal facility user charge	\$2,000	\$6,000			
	• Used oil handler user charge	\$100	\$500			
	• Administrative fine	5% (not to exceed 25% of total amount owed)	50% (not to exceed 100% of amount owed)			
	<u>Hazardous Waste Fee – Generator User Charge (Eliminate)</u>					
	• Small quantity	\$100	\$0		\$1.5 million	
	• Large quantity	\$400	\$0			
	• Very large quantity	\$1,000	\$0			
	<u>Hazardous Waste Fee (New)</u>					
	• Annual site ID maintenance user charge	N/A	\$100			\$4.3 million
	• Land disposal facility user charge	N/A	\$9,000			
	• Post closure user charge	N/A	\$4,000			
	• Corrective action with engineered controls user charge	N/A	\$4,000			
	• Corrective action with institutional controls user charge	N/A	\$500			
	• Reclamation without storage user charge	N/A	\$1,000			
	• Used oil burners and marketers user charge	N/A	\$200			
	• Universal waste processor user charge	N/A	\$250			
	• Transfer facility user charge	N/A	\$250			
	<u>Generator User Charge (New)</u>					
	• (0.25 tons to less than 0.3 tons)	N/A	\$100	\$1.0 million		
	• (0.3 tons to less than 0.5 tons)	N/A	\$200			
	• (0.5 tons to less than 1 ton)	N/A	\$250			
	• (1 ton to less than 2 tons)	N/A	\$300			
	• (2 tons to less than 3 tons)	N/A	\$400			
	• (3 tons to less than 5 tons)	N/A	\$500			
	• (5 tons to less than 10 tons)	N/A	\$600			
	• (10 tons to less than 20 tons)	N/A	\$700			
	• (20 tons to less than 1,000 tons)	N/A	\$1,500			
	• (1,000 tons to less than 5,000 tons)	N/A	\$2,000			
	• (5,000 or more tons)	N/A	\$2,500			
<u>Solid Waste Surcharge (Sunset Extension)</u>	12 cents per cubic yard; \$500 - 3,000 per facility	12 cents per cubic yard; \$500 - 3,000 per facility				
<u>Hazardous Waste Fees - Environmental Pollution Prevention Fund (Sunset Extension)</u>						
• Manifest fee	\$8	\$8	\$1.0 million			
• Site ID user charge	\$50	\$50				
• Annual handler user charge	\$100 - \$2,000	\$100 - \$2,000				

**FY 2013-14 AND FY 2014-15
Budget Detail
for
EDUCATION**

**Community Colleges
Education (Department)
Higher Education
School Aid/K-12**

**Summary: Executive Budget Recommendation
for Fiscal Years 2013-14 and 2014-15
COMMUNITY COLLEGES**

Analyst: Erik Jonasson

	FY 2012-13	FY 2013-14 Executive	Difference: FY 2013-14 Vs. FY 2012-13		FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14	
	Year-to-Date as of 2/7/13		Amount	%		Amount	%
IDG/IDT	\$0	\$0	\$0	--	\$0	\$0	--
Federal	0	0	0	--	0	0	--
Local	0	0	0	--	0	0	--
Private	0	0	0	--	0	0	--
Restricted	197,614,100	197,614,100	0	0.0	197,614,100	0	0.0
GF/GP	96,516,400	138,363,500	41,847,100	43.4	154,663,500	16,300,000	11.8
Gross	\$294,130,500	\$335,977,600	\$41,847,100	14.2	\$352,277,600	\$16,300,000	4.9
FTEs	0.0	0.0	0.0	--	0.0	0.0	--

Notes: (1) FY 2012-13 year-to-date figures include mid-year budget adjustments through February 7, 2013. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2014-15 figures are projected budget amounts only and would not be legally binding appropriations.

Overview

The Community Colleges budget supports the 28 community colleges located throughout the state. The colleges are governed by locally-elected boards of trustees. The colleges offer numerous educational programs aimed at traditional transfer students, career and technical education, developmental and remedial education, and continuing education courses. The colleges are funded through a combination of state aid, local property tax revenue, tuition and fees revenue, and other sources of revenue such as federal grants and investment earnings. State aid makes up about 19% of total community college general fund operating revenue, although the revenue mix varies considerably among the colleges.

Major Budget Changes From FY 2012-13 YTD Appropriations		FY 2012-13 YTD (as of 2/7/13)	Executive Changes	
			FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
1. Operations Funding	Gross	\$292,396,900	\$5,847,100	\$0
Increases community college operations funding by 2 percent, or \$5.8 million, to be distributed according to performance funding measures similar to those in the FY 2012-13 enacted budget. Additionally, \$1.3 million that was previously distributed according to local strategic value requirements are now distributed according to performance funding measures. Local strategic value requirements are now prerequisites for all performance funding. Performance funding components are as follows:	Restricted	195,880,500	0	0
<ul style="list-style-type: none"> 50.0% Across-the-board distribution 17.5% Weighted degree completions 15.0% Skilled trades program students placed in a relevant job 10.0% Contact-hour equated students (CHES) 7.5% Administrative spending 	GF/GP	\$96,516,400	\$5,847,100	\$0

<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>		<u>FY 2012-13 YTD (as of 2/7/13)</u>	<u>Executive Changes</u>	
			<u>FY 2012-13 to FY 2013-14</u>	<u>FY 2013-14 to FY 2014-15</u>
2. MPSERS Retirement Reform Payments	Gross	\$1,733,600	\$31,400,000	\$17,400,000
Includes a \$12.5 million GF/GP supplemental for FY 2012-13 and \$31.4 million GF/GP for FY 2013-14, for payments to community colleges to pay MPSERS retirement liabilities. Retains \$1.4 million appropriated for MPSERS retiree health care in FY 2012-13, but appropriates these funds in proportion to each college's total MPSERS-covered payroll. Provides a further increase of \$17.4 million for FY 2014-15.	Restricted	1,733,600	0	0
	GF/GP	\$0	\$31,400,000	\$17,400,000
3. Renaissance Zone Reimbursements	Gross	\$0	\$3,500,000	\$0
Transfers \$3.5 million GF/GP from the Treasury budget for community college renaissance zone reimbursements. These funds replace property tax revenue lost to community colleges as a result of renaissance zones. Previously, such reimbursements were included in the community colleges budget, but were eliminated in FY 2009-10 before they were included in the FY 2012-13 Treasury budget.	GF/GP	\$0	\$3,500,000	\$0
4. Virtual Learning Collaborative	Gross	N/A	\$1,100,000	(\$1,100,000)
Adds one-time appropriation of \$1.1 million GF/GP to support the Michigan Community College Association Virtual Learning Collaborative. Funds will be used to develop an infrastructure and course repository for community college online courses. This program allows students to enroll in online courses from other community colleges when home institution courses are full or unavailable.	GF/GP	N/A	\$1,100,000	(\$1,100,000)

Major Boilerplate Changes From FY 2012-13

NOTE: No boilerplate language proposed specific to FY 2014-15.

Sec. 204. Foreign Goods and Services – DELETED

Prohibits the use of funds to purchase foreign goods or services if American products that are competitively priced and of similar quality are available; states preference for Michigan goods and services; states preference for goods and services provided by Michigan businesses owned and operated by veterans.

Sec. 205. Deprived and Depressed Communities – DELETED

Encourages colleges to ensure businesses in economically distressed areas compete for and perform contracts.

Sec. 207a. MPSERS Retiree Health Care Reimbursement – NEW

Distributes \$1.7 million retiree health care reimbursement line item in proportion to each community college's MPSERS retirement contributions.

Sec. 207b. MPSERS Retiree Health Care Reform Payments – NEW

Indicates that payments for the Michigan Public School Employees' Retirement System (MPSERS) reform costs be used for payments to community colleges that are participating in MPSERS. These payments are equal to the community colleges' MPSERS liability above their employer rate of 20.96% of their MPSERS payroll.

Sec 207c. Virtual Learning Collaborative – NEW

Designates that one-time appropriation for the Virtual Learning Collaborative shall be distributed to community colleges on behalf of the Michigan Community College Association (MCCA) for the purpose of enhancing the Virtual Learning Collaborative.

Sec. 208. Capital Outlay Funding – DELETED

Prohibits colleges from using state funds for construction or maintenance of a self-liquidating project; requires colleges to comply with Joint Capital Outlay Subcommittee use and finance policy for any capital outlay projects. Subjects colleges that fail to comply to JCOS requirements to a penalty of 1% of the operations funding for each violation.

COMMUNITY COLLEGES

Major Boilerplate Changes From FY 2012-13

Sec 209. Transparency Website – REVISED

Requires the colleges to post general fund expenditures on their websites. This information includes: annual operating budgets, collective bargaining agreements, health care benefits plans, and audits and financial reports. Colleges must provide a link to this information on their homepage using a standardized icon. Revised to include general fund revenue and expenditure projections and a listing of debt service obligations, as well as update reporting requirements to FY 2014-15.

Sec. 210a. Block Transfer – DELETED

Establishes a 14-member committee made up of representatives from community colleges, universities, and legislators to develop a process to improve the transferability of core college courses between community colleges and universities, including the development of equivalency standards and identifying equivalent courses offered by the institutions.

Sec. 212. Cost Containment Initiatives – DELETED

Encourages colleges to evaluate and pursue efficiency and cost-containment measures, including joint ventures, consolidating services, program collaboration, increasing web-based instruction, improving energy efficiency, eliminating low-volume/high-cost instructional programs, self-insurance, and group purchasing.

Sec. 216. Review of Statutory Mandates – DELETED

Intent language providing for the review of statutory mandates imposed on the colleges, including reviewing the costs and necessity of the mandates.

Sec. 227. Community College Automobile Purchases – DELETED

Requires community colleges to purchase automobiles made in the state of Michigan or elsewhere in the U.S., if competitively priced and of comparable quality.

Sec. 230. Local Strategic Value and Performance Funding – REVISED

Identifies Local Strategic Value (LSV) components that community colleges must meet in order to qualify for performance funding. LSV components are unchanged, but are now a prerequisite for all performance funding. The performance funding formula is revised as explained in item 1 above.

Sec. 230a. State Building Authority Rent Payments – REVISED

Indicates an estimated amount appropriated to the Department of Technology, Management, and Budget specifically for community college-related state building authority rent payments. Updates amounts for FY 2013-14 appropriations.

Sec. 231. Repeals Community College Sections at End of Fiscal Year – NEW

Repeals all sections, including appropriations, for community colleges effective September 30, 2014.

Supplemental Recommendations for FY 2012-13 Appropriations

**FY 2012-13
Recommendation**

1. MPERS Retirement Reform Payments

Supplemental of \$12.5 million for payments to community colleges to pay MPERS retirement liabilities.

**Gross
GF/GP**

**\$12,500,000
\$12,500,000**

FY 2013-14 Community Colleges Operations Funding
Executive Budget Recommendation

	FY 2012-13 Operations Funding	Back Out Previous Year LSV	Proportion to Base	Weighted Degree Completions	Student Contact Hours	Administrative Costs	FY 2013-14 Total Executive Recommendation*	Percentage Increase
Alpena	\$5,133,600	(\$22,400)	\$62,544	\$19,012	\$5,865	\$19,230	\$5,217,900	1.6%
Bay de Noc	\$5,184,000	(\$22,700)	\$63,157	\$19,959	\$7,636	\$6,513	\$5,258,600	1.4%
Delta	\$13,772,700	(\$60,000)	\$167,796	\$78,415	\$33,515	\$24,200	\$14,016,600	1.8%
Glen Oaks	\$2,393,500	(\$10,500)	\$29,160	\$9,877	\$4,352	\$5,988	\$2,432,400	1.6%
Gogebic	\$4,251,700	(\$18,600)	\$51,799	\$11,772	\$3,920	\$12,708	\$4,313,300	1.4%
Grand Rapids	\$17,129,200	(\$74,900)	\$208,686	\$52,661	\$48,590	\$24,278	\$17,388,500	1.5%
Henry Ford	\$20,687,400	(\$90,700)	\$252,033	\$58,109	\$49,553	\$18,637	\$20,975,000	1.4%
Jackson	\$11,542,000	(\$50,500)	\$140,616	\$44,971	\$20,129	\$15,672	\$11,712,900	1.5%
Kalamazoo Valley	\$11,880,200	(\$51,900)	\$144,738	\$48,295	\$32,025	\$26,866	\$12,080,200	1.7%
Kellogg	\$9,330,000	(\$40,700)	\$113,669	\$41,671	\$17,861	\$26,650	\$9,489,200	1.7%
Kirtland	\$2,981,200	(\$12,900)	\$36,322	\$19,493	\$5,775	\$18,361	\$3,048,300	2.3%
Lake Michigan	\$5,081,500	(\$22,200)	\$61,908	\$16,130	\$13,797	\$7,356	\$5,158,500	1.5%
Lansing	\$29,463,900	(\$128,900)	\$358,959	\$130,074	\$56,511	\$28,878	\$29,909,300	1.5%
Macomb	\$31,343,700	(\$137,200)	\$381,860	\$117,505	\$72,549	\$29,502	\$31,807,900	1.5%
Mid Michigan	\$4,412,600	(\$19,200)	\$53,760	\$29,939	\$14,507	\$14,048	\$4,505,700	2.1%
Monroe County	\$4,241,900	(\$18,400)	\$51,681	\$17,338	\$11,757	\$26,590	\$4,330,900	2.1%
Montcalm	\$3,051,800	(\$13,300)	\$37,181	\$13,272	\$5,340	\$17,616	\$3,111,900	2.0%
Mott	\$14,955,800	(\$65,400)	\$182,207	\$55,598	\$35,978	\$26,577	\$15,190,800	1.6%
Muskegon	\$8,493,300	(\$37,200)	\$103,474	\$23,544	\$12,745	\$24,468	\$8,620,300	1.5%
North Central	\$2,992,900	(\$13,000)	\$36,464	\$12,751	\$6,852	\$20,105	\$3,056,100	2.1%
Northwestern	\$8,662,000	(\$37,900)	\$105,529	\$24,112	\$15,945	\$21,598	\$8,791,300	1.5%
Oakland	\$20,065,200	(\$87,600)	\$244,456	\$82,142	\$81,548	\$27,888	\$20,413,500	1.7%
St. Clair County	\$6,726,700	(\$29,400)	\$81,952	\$24,862	\$13,823	\$17,291	\$6,835,200	1.6%
Schoolcraft	\$11,852,100	(\$51,600)	\$144,398	\$71,286	\$38,339	\$19,547	\$12,074,100	1.9%
Southwestern	\$6,296,600	(\$27,600)	\$76,711	\$14,535	\$9,424	\$7,653	\$6,377,200	1.3%
Washtenaw	\$12,295,200	(\$53,200)	\$149,800	\$125,558	\$39,701	\$24,658	\$12,581,700	2.3%
Wayne County	\$15,867,900	(\$69,400)	\$193,319	\$76,434	\$50,327	\$19,590	\$16,138,200	1.7%
West Shore	\$2,308,300	(\$10,100)	\$28,122	\$7,493	\$4,095	\$1,968	\$2,339,900	1.4%
Total/Average	\$292,396,900	(\$1,277,400)	\$3,562,300	\$1,246,805	\$712,560	\$534,345	\$297,175,400	1.7%

*Totals for colleges excludes \$1,068,700 in skilled trades funding, which will be determined and distributed once data are available.

**Summary: Executive Budget Recommendation
for Fiscal Years 2013-14 and 2014-15
EDUCATION (Department)**

Analyst: Erik Jonasson

	FY 2012-13 Year-to-Date as of 2/7/13	FY 2013-14 Executive	Difference: FY 2013-14 Vs. FY 2012-13		FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14	
			Amount	%		Amount	%
IDG/IDT	\$0	\$0	\$0	--	\$0	\$0	--
Federal	244,551,300	232,395,400	(12,155,900)	(5.0)	233,319,700	924,300	0.4
Local	5,560,400	5,633,700	73,300	1.3	5,690,000	56,300	1.0
Private	3,078,700	1,933,300	(1,145,400)	(37.2)	1,933,300	0	0.0
Restricted	7,626,300	8,032,100	405,800	5.3	8,155,500	123,400	1.5
GF/GP	68,093,200	70,893,900	2,800,700	4.1	71,831,100	937,200	1.3
Gross	\$328,909,900	\$318,888,400	(\$10,021,500)	(3.0)	\$320,929,600	\$2,041,200	0.6
FTEs	590.5	594.5	4.0	0.7	594.5	0.0	0.0

Notes: (1) FY 2012-13 year-to-date figures include mid-year budget adjustments through February 7, 2013. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2014-15 figures are projected budget amounts only and would not be legally binding appropriations. (4) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

Overview

The State Board of Education is an eight-member elected board constitutionally mandated to provide leadership and supervision for public education in Michigan. The Michigan Department of Education (MDE) is the administrative arm of the Board charged with implementing state and federal educational mandates and administering programs. Major responsibilities of the MDE include developing and overseeing the K-12 school system, certifying teachers, disbursing funds to educational organizations and libraries, providing technical assistance to school districts and libraries, and providing child day care support for low-income and other qualifying families.

<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>		FY 2012-13 YTD (as of 2/7/13)	Executive Changes	
			FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
1. Child Development and Care (CDC) Funding	Gross	\$186,114,200	(\$11,820,600)	\$0
Reduces federal funds transferred to DHS by \$12.4 million for use in CDC-related activities performed by DHS. Funds are transferred to the child development care public assistance line item, where they replace \$11.8 million in federal TANF funds.	Federal	147,125,400	(11,820,600)	0
	GF/GP	\$38,988,800	\$0	\$0
2. State Share of MPERS Reforms for Libraries	Gross	\$0	\$1,300,000	\$700,000
Provides \$1.3 million GF/GP for the State's share of MPERS costs for libraries, which exceed the capped employer contribution rate as required under PA 300 of 2012. Adds an additional \$700,000 GF/GP in FY 2014-15.	GF/GP	\$0	\$1,300,000	\$700,000
3. Library Funding Transferred from School Aid Budget	Gross	N/A	\$2,804,300	\$0
Transfers \$1.5 million GF/GP from the School Aid budget to the Department of Education budget for renaissance zone reimbursements to libraries, as well as \$1.3 million from the School Aid budget designated for state aid to libraries.	GF/GP	N/A	\$2,804,300	\$0

<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>		<u>FY 2012-13 YTD (as of 2/7/13)</u>	<u>Executive Changes</u>	
			<u>FY 2012-13 to FY 2013-14</u>	<u>FY 2013-14 to FY 2014-15</u>
4. Michigan College Access Network Transferred to Higher Education Budget	Gross	N/A	(\$2,000,000)	\$0
Transfers \$2.0 million GF/GP for the Michigan College Access Network (MCAN) to the Higher Education budget. Removes related line items and boilerplate.	GF/GP	N/A	(\$2,000,000)	\$0
5. Additional Support Staff	FTE	N/A	4.0	0.0
Funds an additional \$506,500 (\$278,700 GF/GP) for 4.0 FTEs. Includes two new employees to provide support for new charter schools, as well accommodate increased departmental responsibilities related to charter schools as a result of PA 277 of 2011. One new employee for additional accounting support tied to the transfer of the CDC program from DHS in FY 2011-12. One new employee to review school improvement plans for priority schools.	Gross	N/A	\$506,500	\$0
	Federal	N/A	217,500	0
	Restricted	N/A	10,300	0
	GF/GP	N/A	\$278,700	\$0
6. Creation of School Reform Office	Gross	\$2,078,100	\$0	\$0
Creates the School Reform Office, which was previously integrated between several units within the department. No new funds are provided for this line-item.	GF/GP	\$2,078,100	\$0	\$0
7. Maintenance of Effort for Carl D. Perkins Grants.	Gross	N/A	\$40,000	\$0
Appropriates \$40,000 GF/GP for career and technical education operations, to be used as maintenance of effort (MOE) for the Carl D. Perkins Career and Technical Education federal grant.	GF/GP	N/A	\$40,000	\$0
8. Economics Adjustments	Gross	N/A	\$2,400,600	\$1,341,200
Reflects increased costs of \$2.4 million Gross (\$510,100 GF/GP) for negotiated salary and wage amounts (1.0%), insurance rate increases, actuarially-required retirement rate increases, and other economic adjustments. Additional increase of \$1.3 million Gross (\$237,200 GF/GP) projected for FY 2014-15.	Federal	N/A	1,498,600	924,300
	Private	N/A	28,100	56,300
	Restricted	N/A	363,800	123,400
	GF/GP	N/A	\$510,100	\$237,200
9. Elimination of One-Time Appropriations	Gross	\$674,300	(\$674,300)	\$0
Discontinues the FY 2012-13 one-time appropriations for State employee lump-sum payments and the Central Michigan University Assessment Lending Library. No additional one-time appropriations are included in the FY 2013-14 executive budget.	Federal	429,100	(429,100)	0
	Local	16,500	(16,500)	0
	Restricted	64,600	(64,600)	0
	GF/GP	\$164,100	(\$164,100)	\$0

Major Boilerplate Changes From FY 2012-13

NOTE: No boilerplate language proposed specific to FY 2014-15.

Executive Boilerplate Deletions

In general, the Executive Budget deletes a large majority of boilerplate language included in the FY 2012-13 budget. This includes many legislative reporting requirements, sections providing guidance and placing conditions on appropriations, and earmarks of funding for specific purposes. The list below includes major changes to boilerplate, but is not a comprehensive list of all sections proposed to be deleted.

Sec. 206. Departmental Scorecard – NEW

Adds language requiring that the department maintain a department scorecard on a publicly accessible website. This scorecard shall identify, track, and regularly update key metrics that are used to monitor and improve the agency's performance.

Sec. 208. Personnel Records – DELETED

Directs that MDE require districts to retain teacher personnel records regarding sexual misconduct.

Sec. 211. Adequate Yearly Progress (AYP) – DELETED

Requires that MDE allow districts to appeal a determination of failure to meet AYP prior to MDE reporting those results.

REVIEW AND ANALYSIS OF FY 2013-14 AND FY 2014-15 EXECUTIVE RECOMMENDATION

EDUCATION (DEPARTMENT)

Major Boilerplate Changes From FY 2012-13

Sec. 212. Funds for Sub-Recipient Monitoring Services – NEW

Adds language allowing for an additional appropriation of up to \$180,000 from payments for sub-recipient monitoring services provided to other departments. These funds may be expended for all expenses related to providing such monitoring services.

Sec. 501. Felony Conviction Files – DELETED

Requires that MDE maintain professional personnel registry and certificate revocation/felony conviction files.

Sec. 601. Administration of Charter Schools – DELETED

Earmarks funds to operate the charter school office.

Sec. 603. MPSERS Payments to Libraries – NEW

Adds language describing the expenditure of the State share of MPSERS reform funds to libraries. These funds are to be allocated to each district library in proportion to their percentage of the total covered payroll for all district libraries that are participating entities in FY 2012-13. These funds are to be used by district libraries to pay a portion of their MPSERS retirement costs.

Sec. 803. Keep Library Funds Together – DELETED

Provides intent that the State maintain the Library of Michigan and its component programs, except for the genealogy collections, together in a state department.

Sec. 901. Federal and Private Grants – DELETED

Requires that MDE notify the House and Senate appropriation subcommittee chairs within ten days of receipt of a grant appropriated in the federal and private grants line item including source, purpose, and amount of grant.

Sec. 902. College Access Grant Program – DELETED

Boilerplate provisions related to the College Access Grant Program. Funding and related boilerplate were moved to the Higher Education budget.

Sec. 903. Online Education – DELETED

Directs MDE to work with districts that operate a cyber school or an alternative education program with a seat-time waiver to provide a report by March 1, 2013 detailing enrollments, resident districts, per pupil operating costs, and online education providers.

Sec 1001. Number of Child Care Providers – DELETED

Requires a report on the number of childcare providers (by type) receiving payment for childcare services on October 1, 2012.

Sec. 1002. Early Childhood Programs Funding Study – DELETED

Requires a report on various factors relating to the funding of early childhood activities, including a review of the roles and responsibilities of the Office of Great Start and the Early Childhood Investment Corporation.

Summary: Executive Budget Recommendation for Fiscal Years 2013-14 and 2014-15 HIGHER EDUCATION

Analyst: Kyle I. Jen

	FY 2012-13	FY 2013-14 Executive	Difference: FY 2013-14 Vs. FY 2012-13		FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14	
	Year-to-Date as of 2/7/13		Amount	%		Amount	%
IDG/IDT	\$0	\$0	\$0	--	\$0	\$0	--
Federal	97,026,400	97,026,400	0	0.0	97,026,400	0	0.0
Local	0	0	0	--	0	0	--
Private	0	0	0	--	0	0	--
Restricted	200,565,700	200,565,700	0	0.0	200,565,700	0	0.0
GF/GP	1,101,628,300	1,132,981,400	31,353,100	2.8	1,132,981,400	0	0.0
Gross	\$1,399,220,400	\$1,430,573,500	\$31,353,100	2.2	\$1,430,573,500	\$0	0.0
FTEs	0.0	0.0	0.0	--	0.0	0.0	--

Notes: (1) FY 2012-13 year-to-date figures include mid-year budget adjustments through February 7, 2013. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2014-15 figures are projected budget amounts only and would not be legally binding appropriations.

Overview

The Higher Education budget, as contained in Article III of the compiled School Aid Act, provides funding for operational support of the state's 15 public universities, the Agricultural Experiment Station and Cooperative Extension Service operated by Michigan State University, various financial aid programs for students attending public and independent colleges and universities in the state, and several other smaller higher education-related programs.

Major Budget Changes From FY 2012-13 YTD Appropriations	FY 2012-13 YTD (as of 2/7/13)	Executive Changes	
		FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
1. University Funding	Gross \$1,243,451,700	\$24,869,000	\$0
Includes \$24.9 million GF/GP increase (2.0%) in total funding for university operations. University base appropriations for FY 2012-13 include performance funding and tuition restraint increases received for that fiscal year. The increase for FY 2013-14 is based on a model that is basically identical to that used in the final FY 2012-13 budget:	Restricted 200,019,500	0	0
	GF/GP \$1,043,432,200	\$24,869,000	\$0

- \$4.1 million based on the number of undergraduate degree awards in critical skills areas.
- \$2.1 million in proportion to research and development expenditures (only for universities classified as a "research university" under the Carnegie Classifications).
- \$4.1 million each for three components (\$12.4 million total) based on national-level comparisons to Carnegie peers: six-year graduation rate, total degree completions, and institutional support as a percentage of core expenditures.
- \$6.2 million for a tuition restraint component, to be allocated after the universities have adopted FY 2013-14 tuition rates. Universities holding resident undergraduate tuition/fee rate increases below 4.0% would receive an allocation in proportion to how far below 4.0% the increase is.

[Continued on next page]

HIGHER EDUCATION

<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>		FY 2012-13 YTD (as of 2/7/13)	Executive Changes	
			FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
1. University Funding (continued)				
Prior to the tuition restraint allocation, the range of percentage increases from FY 2012-13 for individual universities is 0.2% to 5.1% (1.5% overall). The increases would be carried forward into the universities' FY 2014-15 appropriation amounts, but no further funding increase is included for that year. Approximately \$200 million of university appropriations continues to be funded from the School Aid Fund.				
The three requirements to be eligible for performance funding are maintained from FY 2012-13: participation in at least 3 reverse transfer agreements, a dual enrollment policy that does not consider whether the credits were used toward high school graduation, and participation in the Michigan Transfer Network.				
2. MSU AgBioResearch and Extension				
Includes \$1.1 million GF/GP increase (2.0%) in the appropriation for the programs.	Gross	\$54,204,600	\$1,084,100	\$0
	GF/GP	\$54,204,600	\$1,084,100	\$0
3. Tuition Grant Program				
No proposed change in appropriation amount (\$31.7 million Federal TANF). Proposes that independent colleges and universities with students participating in the program be required to submit certain student performance data items to the state (see boilerplate section 252).	Gross	\$31,664,700	\$0	\$0
	Federal	31,664,700	0	0
4. Tuition Incentive Program (TIP)				
Includes \$3.2 million GF/GP increase (7.3%) for projected cost growth due to continued increases in participation by Medicaid-eligible students. (Existing appropriation is funded from Federal TANF revenue.) Proposes statutory provisions for program (currently boilerplate only), including new reimbursement limit at public universities at 300% of the average community college tuition rate beginning in FY 2014-15.	Gross	\$43,800,000	\$3,200,000	\$0
	Federal	43,800,000	0	0
	GF/GP	\$0	\$3,200,000	\$0
5. Children of Veterans Tuition Grant Program				
Includes an increase of \$200,000 GF/GP due to an increased number of program applicants.	Gross	\$1,200,000	\$200,000	\$0
	Restricted	100,000	0	0
	GF/GP	\$1,100,000	\$200,000	\$0
6. College Access Program				
Transfers \$2.0 million GF/GP for program from Department of Education budget. No net increase in state appropriations. Funding is provided as grant to Michigan College Access Network, which seeks to increase college readiness, participation, and completion in Michigan.	Gross	NA	\$2,000,000	\$0
	GF/GP	NA	\$2,000,000	\$0
7. Other Budget Items				
Proposes no changes to funding levels for other Higher Education items:	Gross	\$24,899,400	\$0	\$0
	Federal	21,561,700	0	0
	Restricted	446,200	0	0
	GF/GP	\$2,891,500	\$0	\$0
<ul style="list-style-type: none"> • State Competitive Scholarships (\$18.4 million Federal TANF) • Project GEAR UP (\$3.2 million Federal) • King-Chavez-Parks grant programs (\$2.7 million GF/GP) • MPSERS retiree health care reimbursement (\$446,200 School Aid Fund) • Higher Education database (\$105,000 GF/GP) • Midwestern Higher Education Compact dues (\$95,000 GF/GP) 				

Major Boilerplate Changes From FY 2012-13

NOTE: No boilerplate language proposed specific to FY 2014-15.

Sec. 239. American Goods and Services – DELETED

States preference for American goods and services, as well as those produced in Michigan and those produced by businesses owned by veterans.

Sec. 239a. Foreign Auto Manufacturers – DELETED

States intent that funds appropriated to universities not be used to purchase vehicles assembled outside U.S.

Sec. 245. University Transparency – REVISED

Requires universities to post various budget, compensation (including salary list), other financial, and performance data on its website, using a standard format; allows Budget Director to withhold payments for a university not in compliance. Revised to replace the salary list with a list of all active employees and add requirements to report general fund budget projections, a listing of all debt service obligations, and the number of Pell Grant graduates.

Sec. 252. Tuition Grant Program – REVISED

Provides for distribution of funds appropriated for Tuition Grants; specifies maximum grant amount of at least \$1,512, unless insufficient funds are available, in which case a report is required; limits award eligibility to undergraduate students; provides that unexpended funds at close of fiscal year remain available for expenditure in subsequent year; caps awards received by students at a single institution at \$3.0 million. Revised to eliminate provision regarding carry forward of unexpended funds, move application deadline from July 1 to March 1, and add requirement that independent colleges and universities with students participating in the program participate in the state P-20 longitudinal data system and report on the number of Tuition Grant students graduating, the number of such students taking remedial education classes, and the number of Pell Grants students graduating each year.

Sec. 256. Tuition Incentive Program – DELETED

Specifies criteria for Tuition Incentive Program eligibility; provides for award conditions and limits under Phases I and II of the program. Executive Budget proposes to include program provisions in permanent statute, consistent with other major state financial aid programs. Major change under proposed statutory provisions would be limiting reimbursement at public universities at 300% of the average community college tuition rate beginning in FY 2014-15. A new section 256a would simply reference the new statute.

Sec. 259. College Access Program – NEW

Specifies allowable uses of funding, to be administered by Department of Treasury: Michigan College Access Network operations, local college access networks, the Michigan College Access Portal, public awareness and outreach campaigns, and subgrants to postsecondary institutions. (Similar language is currently included in the Department of Education budget.)

Sec. 261. Douglas Lake Biological Station – DELETED

Designates University of Michigan Douglas Lake Biological Station as a unique resource.

Sec. 263a. MSU AgBioResearch and MSU Extension – REVISED

Provides for establishment of a strategic growth initiative for the food and agriculture industry and state intent regarding metric goals that will be used to evaluate impacts of MSU AgBioResearch and MSU Extension; requires annual report containing financial data and metric goals for the two organizations. Revised to remove language related to strategic growth initiative but retain reporting requirement.

Sec. 265. Tuition Restraint Funding – REVISED

Provides for allocation of funding component tied to tuition restraint in FY 2012-13. Minor revision to require that universities hold tuition rate increases below 4.0%, rather than to 4.0% or below. Removes language defining the term "fee" to include the cost of a university-affiliated health insurance policy for a university that compels resident undergraduate students to have health insurance coverage as a condition of enrollment.

Sec. 265a. Performance Funding – REVISED

Specifies requirements for a university to receive performance funding. Provides for reappropriation of funds forfeited due to non-compliance. Revised to specify performance component metrics.

Sec. 268. Unfunded Indian Tuition Waiver Costs – DELETED

States legislative intent to allocate funds for unfunded Indian Tuition Waiver costs at universities from the General Fund.

Sec. 273. Student Religious Beliefs – DELETED

States intent that universities report on efforts to accommodate the religious beliefs of students in accredited counseling programs.

Sec. 273a. Non-Profit Worker Centers – DELETED

States intent that universities not use appropriated funds to benefit a non-profit worker center whose documented activities include coercion through protest, demonstration, or organization against a Michigan business.

HIGHER EDUCATION

Major Boilerplate Changes From FY 2012-13

Sec. 274. Embryonic Stem Cell Research – DELETED

States intent that universities conducting research using human embryonic stem cells report to the Department of Community Health regarding compliance with federal guidelines and stem cell lines derived by university.

Sec. 274a. Adult Coresident Health Benefits – DELETED

States intent that universities not provide benefits to unmarried adult coresidents or their dependents and report on the costs of providing any such benefits.

Sec. 275a. Capital Outlay Reporting – DELETED

Prohibits use of state funds for self-liquidating projects; requires compliance with Joint Capital Outlay Subcommittee reporting requirements, with specified penalty of 1.0% appropriation reduction.

Sec. 282. Reallocation of KCP Funds – REVISED

Provides for reallocation of KCP grant funds from institutions that do not fully expend their funds. Revised to allow funds remaining after reallocation to be expended for program administration.

Sec. 293. Student Records – DELETED

Requires universities to provide information from the records of a student to persons authorized by the student.

Sec. 293a. State Building Authority (SBA) Rent Payments – REVISED

States amounts appropriated through Department of Technology, Management, and Budget for SBA rent payments associated with state costs for previous capital projects at universities. Revised to reflect updated total of \$125.4 million (vs. \$124.0 million in FY 2012-13 budget act).

FY 2013-14 University Performance Funding
Executive Budget Recommendation

University	Funding per unit: % of formula: FY 2012-13 Year-to-Date	Funding Proportional to Share of Total				Scored vs. National Carnegie Peers						Total Performance Funding	FY 2013-14 Exec Rec	Percent Change
		\$290 per degree 16.7%		\$0.0016 per dollar 8.3%		\$142,925 per point 16.7%		\$138,161 per point 16.7%		\$269,059 per point 16.7%				
		Critical Skills Undergrad Awards	Funding	Research & Develop Expends	Funding	Six-year Graduation Rate	Funding	Total Degree Completions	Funding	Inst Support as % of Core Expends	Funding			
Michigan State	\$245,037,000	2,664	\$773,473	\$293,704,711	\$474,036	3	\$428,776	3	\$414,483	1	\$296,060	\$2,386,800	\$247,423,800	1.0
UM-Ann Arbor	274,156,700	2,629	763,383	728,871,000	1,176,389	3	428,776	3	414,483	1	296,060	3,079,100	277,235,800	1.1
Wayne State	183,398,300	659	191,354	163,944,192	264,604	0	0	0	0	0	0	456,000	183,854,300	0.2
Michigan Tech	42,579,100	903	262,240	52,917,000	85,407	3	428,776	3	414,483	0	0	1,190,900	43,770,000	2.8
Western	95,487,500	1,037	301,114	27,538,940	44,448	1	142,925	1	138,161	3	888,179	1,514,900	97,002,400	1.6
Central	71,352,300	681	197,597	7,527,977	12,150	2	285,851	2	276,322	3	888,179	1,660,100	73,012,400	2.3
Oakland	44,964,100	918	266,560	9,531,111	15,383	0	0	3	414,483	0	0	696,400	45,660,500	1.5
Eastern	66,466,700	642	186,418			0	0	3	414,483	0	0	600,900	67,067,600	0.9
Ferris	44,250,700	1,212	352,001			3	428,776	3	414,483	3	888,179	2,083,400	46,334,100	4.7
Grand Valley	55,436,000	1,182	343,090			3	428,776	3	414,483	2	592,119	1,778,500	57,214,500	3.2
Saginaw Valley	25,656,700	362	104,969			3	428,776	0	0	0	0	533,700	26,190,400	2.1
UM-Dearborn	22,237,300	356	103,372			1	142,925	0	0	0	0	246,300	22,483,600	1.1
UM-Flint	19,526,600	375	108,889			3	428,776	3	414,483	0	0	952,100	20,478,700	4.9
Northern	40,856,600	472	137,109			1	142,925	2	276,322	1	296,060	852,400	41,709,000	2.1
Lake Superior	12,046,100	183	53,265			3	428,776	1	138,161	0	0	620,200	12,666,300	5.1
TOTAL:	\$1,243,451,700	14,274	\$4,144,833	\$1,284,034,931	\$2,072,417	29	\$4,144,833	30	\$4,144,833	14	\$4,144,833	\$18,651,700	\$1,262,103,400	1.5

Tuition restraint component (25.0%): \$6,217,300
Total funding increase: \$24,869,000
 Total percent increase: 2.0

Component	Source	Years	Other
Critical skills undergrad awards	State HEIDI	FYs 2011-2012	Removed accounting/multi-disciplinary
Research & develop expends	Federal IPEDS	FY 2011	Carnegie research universities only
Six-year graduation rate	Federal IPEDS*	FYs 2007-2010	
Total degree completions	Federal IPEDS*	FYs 2007-2010	Includes graduate degrees
Inst support as % of core expends	Federal IPEDS*	FYs 2007-2010	Measure of administrative costs
	*Via BLM/AEG		

Scoring	
Improving over 3 years	3
Top 20% nationally	2
Above national median	1

**Summary: Executive Budget Recommendation
for Fiscal Years 2013-14 and 2014-15
SCHOOL AID**

Analyst: Bethany Wicksall

	FY 2012-13	FY 2013-14 Executive	Difference: FY 2013-14 Vs. FY 2012-13		FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14	
	Year-to-Date as of 2/7/13		Amount	%		Amount	%
IDG/IDT	\$0	\$0	\$0	--	\$0	\$0	--
Federal	1,701,041,400	1,764,421,300	63,379,900	3.7	1,764,421,300	\$0	0.0
Local	0	0	0	--	0	0	--
Private	0	0	0	--	0	0	--
Restricted	10,961,245,600	11,240,813,500	279,567,900	2.6	11,493,154,500	252,341,000	2.2
GF/GP	282,400,000	230,000,000	(52,400,000)	(18.6)	233,000,000	3,000,000	1.3
Gross	\$12,944,687,000	\$13,235,234,800	\$290,547,800	2.2	\$13,490,575,800	\$255,341,000	1.9

Notes: (1) FY 2012-13 year-to-date figures include mid-year budget adjustments through February 7, 2013. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2014-15 figures are projected budget amounts only and would not be legally binding appropriations.

Overview

The School Aid budget makes appropriations to the state's 549 local school districts, 277 public school academies, the Education Achievement System, and 56 intermediate school districts (ISDs) for operations and certain categorical programs. It also appropriates funds to the Center for Educational Performance and Information, the Workforce Development Agency, and other entities to implement certain grants and other programs related to K-12 education.

Major Budget Changes From FY 2012-13 YTD Appropriations		FY 2012-13 YTD (as of 2/7/13)	Executive Changes	
			FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
1. Foundation Allowances (Secs. 22a and 22b)	Gross	\$8,864,300,000	(\$2,300,000)	(\$15,000,000)
Decreases by \$2.3 million from the current YTD for FY 2013-14 to incorporate consensus estimates for taxable values and pupil estimates. Decreases by an additional \$15.0 million due to taxable value changes and further pupil declines estimated for FY 2014-15. Includes funding for small class size adjustments reduced from \$13.0 million to \$9.0 million for FY 2013-14. (See Major Boilerplate Changes below for discussion of proposed changes to Small Class Size Adjustments.)	Restricted	8,599,110,200	57,012,400	(23,000,000)
	GF/GP	\$265,189,800	(\$59,312,400)	\$8,000,000
2. One-Time Foundation Equity Payment (Sec. 22c)	Gross	\$0	\$24,000,000	(\$24,000,000)
Provides \$24.0 million in one-time funding for an equity payment of up to \$34 per pupil to districts with foundation allowances below \$7,000. The current minimum foundation allowance is \$6,966 and the state maximum guaranteed foundation allowance is \$8,019.	Restricted	0	24,000,000	(24,000,000)
3. MPSERS - Cost Offset (Sec. 147a)	Gross	\$155,000,000	\$0	\$0
Maintains current funding levels to offset a share of MPSERS costs for districts for both FYs 2013-14 and 2014-15.	Restricted	155,000,000	0	0
4. MPSERS - Reserve Fund (Sec. 147b)	Gross	\$41,000,000	(\$41,000,000)	\$0
Eliminates transfer of funds to the MPSERS reserve fund. After deposits in FYs 2011-12 and 2012-13, the fund balance totals \$174.0 million, and \$150.0 million of it is used as a restricted fund source in Section 147c for FY 2013-14.	Restricted	41,000,000	(41,000,000)	0

		Executive Changes		
		FY 2012-13 YTD (as of 2/7/13)	FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
Major Budget Changes From FY 2012-13 YTD Appropriations				
5. MPSERS - State Share of Unfunded Liabilities (Sec. 147c)	Gross	\$130,000,000	\$273,300,000	\$245,900,000
Increases funding for the state's share of Michigan Public School Employees' Retirement System (MPSERS) costs as required by PA 300 of 2012. PA 300 caps the employer share of MPSERS contributions for unfunded liabilities at 20.96% of payroll and requires the state to pay the balance. Total appropriations increase to \$403.3 million in FY 2013-14 and to \$649.2 million in FY 2014-15. (See Major Boilerplate Changes below for discussion of other proposed changes.)		Restricted	130,000,000	245,900,000
6. Great Start Readiness Program (GSRP) (Sec. 32d)	Gross	\$109,575,000	\$65,000,000	\$65,000,000
Increases funding for preschool programs by \$65.0 million each year to \$174.6 million in FY 2013-14 and to \$239.6 million in FY 2014-15. Additional funding increases the current allocation for each half-day slot from \$3,400 to \$3,625 and provides up to 16,000 more half-day slots in FY 2013-14 and another 18,000 half-day slots in FY 2014-15, more than doubling the current number of funded slots over the next two years. ISDs may use two half-day slots to provide a child with a full-day program. (See Major Boilerplate Changes below for discussion of other proposed changes.)		Restricted	109,275,000	65,000,000
		GF/GP	\$300,000	\$0
7. Best Practices Incentive Grants (Sec. 22f)	Gross	\$80,000,000	(\$55,000,000)	(\$25,000,000)
Decreases funding to \$25.0 million in FY 2013-14 and eliminates funding in FY 2014-15. The award would decrease from \$52 per pupil to \$16 per pupil to districts that meet 7 out of 8 best practices criteria. (See Major Boilerplate Changes below for discussion of proposed changes to the 8 criteria.)		Restricted	80,000,000	(55,000,000)
8. Technology Infrastructure Improvement (Sec. 22j)	Gross	\$50,000,000	(\$36,500,000)	(\$13,500,000)
Reduces funding to \$13.5 million for FY 2013-14 and eliminates funding in FY 2014-15. Funds may be used for the development or improvement of technology infrastructure in preparation for the planned implementation of FY 2014-15 online growth assessments. (See Major Boilerplate Changes below for discussion of proposed changes.)		Restricted	50,000,000	(36,500,000)
9. District Performance Funding (Sec. 22j)	Gross	\$30,000,000	\$0	\$0
Maintains current funding levels for awards to districts up to a maximum of \$100 per pupil: \$30 per pupil for academic growth in grades 3-8 math, \$30 per pupil for academic growth in grades 3-8 reading, and \$40 per pupil for academic growth in all high school tested subjects.		Restricted	30,000,000	0
10. Consolidation Innovation Grants (Sec. 22g)	Gross	\$10,000,000	(\$10,000,000)	\$0
Eliminates one-time competitive funding awarded to districts and ISDs to support both full consolidation and consolidation of services.		Restricted	10,000,000	(10,000,000)
11. Competitive Student-Centric (Sec. 22k)	Gross	\$0	\$8,000,000	(\$8,000,000)
Provides \$8.0 million in one-time funding in FY 2013-14 for competitive grants to districts that align instruction with individual student learning styles and pace and advance students based on individual mastery of each subject area.		Restricted	0	8,000,000

SCHOOL AID

Major Budget Changes From FY 2012-13 YTD Appropriations		FY 2012-13 YTD (as of 2/7/13)	Executive Changes	
			FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
12. Michigan Virtual University (MVU) (Sec. 98)	Gross	\$4,387,500	\$10,000,000	(\$5,000,000)
Increases funding to \$14.4 million in FY 2013-14 for MVU to operate the Michigan Virtual School and the Michigan Virtual Learning Research Institute. Reduces the appropriation to \$9.4 million in FY 2014-15. (See Major Boilerplate Changes below for discussion of other proposed changes.)	GF/GP	\$4,387,500	\$10,000,000	(\$5,000,000)
13. Special Education Funding (Secs. 51a, 51c, 51d, 53a, 56)	Gross	\$1,435,269,100	(\$10,700,000)	\$24,300,000
Decreases by \$10.7 million from the current YTD appropriation for FY 2013-14 and increases by \$24.3 million for FY 2014-15 to adjust for consensus estimates for the growth in special education reimbursement costs.	Federal	439,000,000	5,000,000	0
	Restricted	996,269,100	(15,700,000)	24,300,000
14. At-Risk Programs (Sec. 31a)	Gross	\$317,695,500	\$0	\$0
Maintains current year funding levels for at-risk programs, school-based health centers, and hearing and vision screening.	Restricted	317,695,500	0	0
15. School Lunch Programs (Sec. 31d)	Gross	\$425,001,100	\$60,694,000	\$0
Increases funding to \$485.7 million to recognize increased available federal funding for the national school lunch program.	Federal	402,506,000	60,694,000	0
	Restricted	22,495,100	0	0
16. School Breakfast Programs (Sec. 31f)	Gross	\$9,625,000	(\$4,000,000)	\$0
Decreases funding by \$4.0 million to \$5.6 million to reflect actual prior-year expenditure levels.	Restricted	9,625,000	(4,000,000)	0
17. School Bond Redemption Fund (Sec. 11j)	Gross	\$120,390,000	\$11,270,000	\$8,240,000
Increases by \$11.3 million to a total of \$131.7 million in FY 2013-14 and by another \$8.2 million to a total of \$139.9 million in FY 2014-15 to pay for increased interest payments associated with loans to districts participating in the School Bond Loan Program.	Restricted	120,390,000	11,270,000	8,240,000
18. Cash Flow Borrowing Costs (Sec. 11m)	Gross	\$3,200,000	\$2,800,000	\$2,000,000
Increases costs to \$6.0 million in FY 2013-14 to reflect anticipated higher interest rates for short-term borrowing costs related to the School Aid Fund. FY 2014-15 costs are adjusted to \$8.0 million for anticipated increases.	Restricted	3,200,000	2,800,000	2,000,000
19. Renaissance Zone Reimbursements (Sec. 26a)	Gross	\$27,800,000	(\$1,500,000)	\$0
Transfers renaissance zone reimbursements to libraries from the School Aid budget to the Department of Education budget.	Restricted	26,300,000	0	0
	GF/GP	\$1,500,000	(\$1,500,000)	\$0
20. Payments In Lieu of Taxes (PILT) (Sec. 26b)	Gross	\$3,328,000	\$681,500	\$401,000
Increases funding to \$4.0 million in FY 2013-14 and \$4.4 million in FY 2014-15 to recognize increased PILT reimbursements to districts, ISDs, and community colleges as required under PAs 603 and 604 of 2012.	Restricted	3,328,000	681,500	401,000
21. State Aid to Libraries - MeLCat (Sec. 93)	Gross	\$1,304,300	(\$1,304,300)	\$0
Transfers funding supporting the Michigan eLibrary Catalog (MeLCat) from the School Aid budget to the Department of Education budget.	GF/GP	\$1,304,300	(\$1,304,300)	\$0
22. Principal Educator Evaluation Training (Sec. 95)	Gross	\$1,750,000	(\$1,250,000)	\$0
Reduces to \$500,000 in FY 2013-14 for grants to districts to support professional development for principals and assistant principals in a department-approved training program on implementing educator evaluation programs.	Restricted	1,750,000	(1,250,000)	0

Major Boilerplate Changes From FY 2012-13

Sec. 6(6). Counting Nonresident Pupils for Online Courses – REVISED

Adds to the conditions under which a district may count a pupil in membership without the approval of his or her resident district: a pupil who enrolls in an online program in another district as allowed under the newly proposed Section 21f.

Sec. 18a. Public School Academy (PSA) Dissolution – REVISED

Current law requires that PSA property acquired substantially with public funds be transferred to the state if a PSA's contract is revoked or not reissued, or if the PSA is ineligible for state aid funding for 18 consecutive months. Executive recommendation adds that a PSA corporation must initiate a dissolution process within 30 days after its contract expires.

Sec. 20(14). Small Class Size Adjustments to Foundation Allowances – REVISED

Foundation allowance adjustments for districts that received a small class size grant in 2001-2002. Currently funded in FY 2012-13 at 68.5% of FY 2010-11 levels at a total cost of \$13.0 million (funded under Sec. 22b). Executive recommendation continues adjustments into FY 2013-14, reduces to a total cost of \$9.0 million by capping adjustments as follows:

- Not to exceed \$100 per pupil for districts with foundation allowances less than \$7,500.
- Not to exceed \$50 per pupil for districts with foundation allowances greater than \$7,500.

Sec. 21f. Online Courses – NEW

Allows pupils in grades 5 to 12 to enroll in online courses as provided in this section (does not apply to cyber schools). Requires that a district allow a pupil to enroll in up to 2 online courses per term, semester, or trimester with the consent of the pupil's parent or legal guardian. If a pupil has demonstrated previous success in online courses, and the district and parent or guardian determine it is in the pupil's best interest, a pupil may enroll in more than 2 online courses per term, semester, or trimester. Allows pupil to enroll in online courses published in the district's catalog of online courses or the statewide catalog of online courses maintained by MVU pursuant to Sec. 98. Allows educating district to prohibit enrollment in an online course under certain circumstances, but provides the pupil an opportunity to appeal that decision to the ISD. Requires a district, if offering an online course, to provide MVU with the course syllabus for inclusion in the statewide catalog and provide links to the catalog on the district's website.

Sec. 22f. Best Practices – REVISED

Reduces per-pupil awards from \$52 per pupil to \$16 per pupil for districts complying with 7 out of 8 best practices. 4 out of the 8 best practices include revisions under the Executive recommendation:

- Acts as policyholder for insurance - Adds that a district with a voluntary employee beneficiary association (VEBA) that pays no more than the maximum allowed under PA 152 of 2011 is considered to have met this requirement.
- Competitively bid at least one non-instructional service - Adds that the unfunded liability costs for retirement must be excluded from district costs when comparing competitive bids.
- Provide online learning opportunities - Adds that a district must publish syllabi for offered online courses, as required under Sec. 21f.
- Provide a dashboard to parents and the community - Adds additional required dashboard items including revenue and expenditure projections, list of all debt service obligations by project including anticipated payments for FY 2013-14, and total outstanding debt.

The 4 other best practices remain the same and include participating in schools of choice, measuring student growth twice annually, providing dual enrollment, and provide physical or health education that meet State Board of Education standards.

Sec. 22i. Technology Infrastructure Grants – REVISED

With remaining \$13.5 million appropriated for FY 2013-14, adds instructional practices and shared service consolidation of technology and data as allowable uses of funding and changes the grant process from a competitive bid process to a process in which all eligible districts and ISDs may participate.

Sec. 32d. Great Start Readiness Program – REVISED

Proposes significant funding increases, but also includes several major policy changes including:

- Revises to align with new kindergarten age requirements, phased in over 3 years, to move the eligibility age cutoff date from December 1 to September 1.
- Eliminates former Parents Involved in Education (PIE) programs as an allowable use of funds.
- Distributes 100% of the funding through the Section 39 formula and requires all entities including ISDs, districts, public or private for-profit and nonprofit entities receiving funding to comply with Sections 32d and 39 rather than continuing a separate competitive application for public or private for-profit and nonprofit entities.
- Requires that a program receiving funds under this section must participate in the state's Great Start to Quality Process, the Tiered Quality Rating Improvement System (TQRIS), with a rating of at least 3 stars.
- Increases the minimum percentage of participating children who must live in families with income less than 300% of federal poverty level from at least 75% to at least 90%.
- Requires an ISD to contract with eligible public and private for-profit and nonprofit community-based providers for at least 20% of its total allocated slots. Requires notification to department if ISD is unable to meet this requirement.

SCHOOL AID

Major Boilerplate Changes From FY 2012-13

Sec. 56. Special Education Millage Equalization – REVISED

FY 2012-13 allocations were frozen at prior year levels, but Executive recommendation reverts back to the formula, which guarantees a minimum taxable value per pupil for special education millages. For FY 2013-14 the per-pupil taxable value equalization amount is \$166,000.

Sec. 62. Vocational Education Millage Equalization – REVISED

FY 2012-13 allocations were frozen at prior year levels, but Executive recommendation reverts back to the formula, which guarantees a minimum taxable value per pupil for vocational education millages. For FY 2013-14 the per-pupil taxable value equalization amount is \$185,300.

Sec. 81(6). ISD Best Practices – REVISED

Maintains \$2.0 million allocation for ISD best practices, but revises to require 5 out of 6 best practices:

- Develop a consolidation plan - Adds for an ISD that developed a plan in FY 2012-13, it must implement that plan to qualify in FY 2013-14.
- Obtain competitive bids on at least 1 non-instructional service valued at \$50,000 or more for itself or its constituent districts - Adds that the unfunded liability costs for retirement must be excluded from costs when comparing competitive bids.
- Develop a technology plan - Adds for an ISD that developed a plan in FY 2012-13, it must implement that plan to qualify in FY 2013-14.
- Provide a dashboard to parents and the community - Adds additional, required dashboard items including revenue and expenditure projections, list of all debt service obligations by project including anticipated payments for FY 2013-14, and total outstanding debt.
- Work in a consortium with other ISDs to develop system requirements and bid specifications for a statewide model information system - Adds working with CEPI and changes focus to developing local systems that result in a recommended model information system that supports interoperability to ensure linkage and connectivity in a manner that facilitates the efficient exchange of data between districts, ISDs, and CEPI.
- New requirement that ISD act as policyholder for health care services benefits. An ISD that does not directly employ its staff or an ISD with a voluntary employee beneficiary association (VEBA) that pays no more than the maximum allowed under PA 152 of 2011 is considered to have met this requirement.

Sec. 98. Michigan Virtual University – REVISED

Renames the Center for Online Learning and Innovation, which was established in FY 2012-13, as the Michigan Virtual Learning Research Institute. Requires that the Institute do the following: provide professional development to at least 1,000 education personnel on integrating digital learning, provide up to \$2.2 million in competitive grants to ISDs to expand integration of online and blended learning, work with higher education faculty on a new digital learning teacher endorsement, and create a statewide catalog of all online courses at all public schools including course syllabi and a review of each course.

Sec. 147. MPSERS Contribution Rates – REVISED

Employer contribution rates for defined benefit pension and retiree health benefits are now broken out for seven different subgroups based on hire date and benefit and contribution choices made under PA 300 of 2012. For FY 2013-14, rates are based on a 25-year amortization period, and they range from 20.96% to 24.79% of MPSERS payroll. Employer rates do not include contributions into employee defined contribution accounts.

Sec. 147b. MPSERS Reserve Fund – REVISED

Makes no appropriation into the MPSERS reserve fund, and instead begins to use available funds as a source of revenue under Sec. 147c. Adds new language, which would direct the funds collected in FY 2010-11 and FY 2011-12 for the employee 3% contributions for retiree health care, currently being held in escrow pursuant to a court injunction, to be deposited into the MPSERS reserve fund for the purposes of funding health care unfunded liabilities if the injunction is lifted.

Sec. 147c. MPSERS State Share for Health Care Unfunded Accrued Liabilities – REVISED

Rather than paying the MPSERS funds directly to the MPSERS system, funding would be distributed to districts and ISDs based on their proportional share of MPSERS payroll. Then districts and ISDs would be required to pay the exact amount back to the MPSERS system.

Supplemental Recommendations for FY 2012-13 Appropriations

FY 2012-13 Recommendation

1. Foundation Allowances (Secs. 22a and 22b)

Supplemental Request 2013-5 would reduce the two lines, which combined fund foundation allowances at a total \$8.9 billion, by \$16.3 million to recognize consensus cost estimates based on updated pupil estimates and taxable value information.

Gross	(\$16,300,000)
Restricted	(16,300,000)

Supplemental Recommendations for FY 2012-13 Appropriations

**FY 2012-13
Recommendation**

2. Special Education Funding (Secs. 51a and 51c)

Supplemental Request 2013-5 would decrease funding for special education, which currently totals \$1.4 billion, by \$41.7 million to adjust for updated cost estimates based on actual year-end FY 2011-12 costs which were lower than anticipated.

Gross (\$41,700,000)
Restricted (41,700,000)

3. MPSERS - State Share of Unfunded Liabilities (Sec. 147c)

Supplemental Request 2013-5 would increase funding for the state's share of Michigan Public School Employees' Retirement System (MPSERS) costs as required by PA 300 of 2012. PA 300 capped the employer share of MPSERS contributions, requiring the state to pay the balance. However, it was not enacted until after the FY 2012-13 budget was enacted, and changes adopted in both PA 300 and subsequent revisions in PA 359 of 2012 increased anticipated costs for FY 2012-13.

Gross \$30,500,000
Restricted 30,500,000

4. ISD General Operations Support (Sec. 81)

Sec. 81(4) of the School Aid Act provides \$3,500 for each participating ISD for three years if multiple ISDs merge. In 2012, Mason-Lake ISD and Oceana ISD merged to form West Shore ISD, thus requiring an additional payment of \$7,000 for FYs 2012-13, 2013-14, and 2014-15. However, overall Sec. 81 appropriations were not increased to recognize the additional payment, and payments to all ISDs will be prorated accordingly absent the increase as requested in Supplemental Request 2013-5.

Gross \$7,000
Restricted 7,000

**FY 2013-14 AND FY 2014-15
Budget Detail
for
GENERAL GOVERNMENT**

Attorney General

Civil Rights

Executive Office

Legislature

Legislative Auditor General

State

Technology, Management, and Budget

Treasury

**Summary: Executive Budget Recommendation
for Fiscal Years 2013-14 and 2014-15
TOTAL GENERAL GOVERNMENT**

Analysts: Ben Gielczyk and Paul Holland

	FY 2012-13	FY 2013-14 Executive	Difference: FY 2013-14 Vs. FY 2012-13		FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14	
	Year-to-Date as of 2/7/13		Amount	%		Amount	%
IDG/IDT	\$692,338,500	\$738,737,400	\$46,398,900	6.7	\$722,648,400	(\$16,089,000)	(2.2)
Federal	722,234,100	700,910,000	(21,324,100)	(3.0)	702,108,000	1,198,000	0.2
Local	8,007,000	7,713,800	(293,200)	(3.7)	7,713,800	0	0.0
Private	5,989,000	6,086,100	97,100	1.6	6,135,200	49,100	0.8
Restricted	1,889,005,100	1,926,743,900	37,738,800	2.0	1,936,924,100	10,180,200	0.5
GF/GP	1,018,018,000	1,052,945,600	34,927,600	3.4	1,002,722,400	(50,223,200)	(4.8)
Gross	\$4,335,591,700	\$4,433,136,800	\$97,545,100	2.2	\$4,378,251,900	(\$54,884,900)	(1.2)
FTEs	7,766.7	7,675.7	(91.0)	(1.2)	7,675.7	0.0	0.0

Notes: (1) FY 2012-13 year-to-date figures include mid-year budget adjustments through February 7, 2013. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2014-15 figures are projected budget amounts only and would not be legally binding appropriations. (4) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

Overview

Currently, the following departmental and agency budgets are included in the General Government appropriations bill: Executive Office, Legislature, Legislative Auditor General, and the Departments of Attorney General, Civil Rights, State, Technology, Management, and Budget (including the former Departments of Civil Service and Information Technology, and State Building Authority rent costs), and Treasury (including the Bureau of State Lottery, Michigan Gaming Control Board, Michigan Strategic Fund - Michigan State Housing Development Authority, Revenue Sharing, and Debt Service). The FY 2013-14 and 2014-15 Executive budget recommendations include each of the departments/agencies in individual articles. **Budget issues are listed by department on the following pages.**

Major Boilerplate Changes From FY 2012-13

NOTE: No boilerplate language proposed specific to FY 2014-15.

GENERAL SECTIONS OF BOILERPLATE

Executive Boilerplate Deletions

In general, the Executive budget deletes a large majority of boilerplate language included in the FY 2012-13 budget. This includes many legislative reporting requirements, sections providing guidance and placing conditions on appropriations, and earmarks of funding for specific purposes. These particular deleted sections are listed below:

- Sec. 207. Information Technology Work Project Accounts
- Sec. 209. Purchase of Foreign Goods
- Sec. 210. Businesses in Deprived and Depressed Communities
- Sec. 212. Receipt and Retention of Required Reports
- Sec. 214. Information Technology Services
- Sec. 215. Disciplinary Action Against State Employees
- Sec. 221. Reporting Requirement on Policy Changes

Sec. 213. Purchase of Ownership Interest In a Casino – DELETED

Prohibits use of appropriations to purchase an ownership interest in a casino enterprise or gambling operation.

Sec. 217. General Fund Restrictions – DELETED

Prohibits using general fund appropriations where federal funds are available for the same purpose.

Sec. 220. Limitation on Administering a Committee – DELETED

Prohibits funds from being used to administer a committee or to solicit or obtain contributions for a committee. ("Committee" is defined as one which receives contributions or makes expenditures for the purpose of influencing or attempting to influence the action of voters.)

Major Boilerplate Changes From FY 2012-13

Sec. 229. *Initiatives and Recommendations Related to Savings Identified in Audit Reports* – DELETED

Requires state departments and agencies to report on their efforts and progress made toward achieving savings and efficiencies identified by the auditor general in audit reports.

Sec. 231. *Full-Time Equated Position Report* – DELETED

Requires departments and agencies to provide a detailed report on the number of actual full-time equated and part-time positions within each department; requires the report to include total compensation appropriated for each position.

Sec. 1201. *Anticipated Appropriations* – DELETED

States legislative intent to provide appropriations for FY 2013-14, adjusting FY 2012-13 amounts based on economic and other factors.

**Summary: Executive Budget Recommendation
for Fiscal Years 2013-14 and 2014-15
ATTORNEY GENERAL**

Analyst: Ben Gielczyk

	FY 2012-13	FY 2013-14 Executive	Difference: FY 2013-14 Vs. FY 2012-13		FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14	
	Year-to-Date as of 2/7/13		Amount	%		Amount	%
IDG/IDT	\$24,082,100	\$27,355,500	\$3,273,400	13.6	\$27,852,700	\$497,200	1.8
Federal	9,932,600	9,838,200	(94,400)	(1.0)	10,024,600	186,400	1.9
Local	0	0	0	--	0	0	--
Private	0	0	0	--	0	0	--
Restricted	17,242,000	17,631,900	389,900	2.3	17,945,300	313,400	1.8
GF/GP	33,825,800	34,481,300	655,500	1.9	35,113,100	631,800	1.8
Gross	\$85,082,500	\$89,306,900	\$4,224,400	5.0	\$90,935,700	\$1,628,800	1.8
FTEs	514.0	517.0	3.0	0.6	517.0	0.0	0.0

Notes: (1) FY 2012-13 year-to-date figures include mid-year budget adjustments through February 7, 2013. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2014-15 figures are projected budget amounts only and would not be legally binding appropriations. (4) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

Overview

The Attorney General serves as legal counsel for state departments, agencies, boards, and commissions, and their officers, brings actions and intervenes in cases on the state's behalf, and represents legislators and judges who may be sued while acting in their official capacities. The Attorney General issues opinions on questions of law submitted by members of the Legislature and others, serves as chief law enforcement officer of the state, and has supervisory powers over all local prosecuting attorneys. The department's mission is to protect the common legal rights of citizens, defend the Constitution and the laws of the state, and represent the legal interests of government. Its goals include making the state a safe place for its citizens, offering justice to victims of crime, defending common natural resources and monetary assets of the state, and delivering excellent legal services at a minimum cost to taxpayers.

Major Budget Changes From FY 2012-13 YTD Appropriations		FY 2012-13 YTD (as of 2/7/13)	Executive Changes	
			FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
1. Memoranda of Understanding - Legal Services	Gross	N/A	\$2,124,200	\$0
Includes \$2.1 million Gross (\$0 GF/GP) as an IDG from Departments of Community Health, Human Services, and Licensing and Regulatory Affairs to cover the costs of legal services provided under new Memoranda of Understanding (MOUs).	IDG	N/A	2,124,200	0
	GF/GP	N/A	\$0	\$0
	FTE	N/A	3.0	0.0
2. Department of Human Services Fraud Prevention	Gross	N/A	\$500,000	\$0
Includes \$500,000 Gross (\$0 GF/GP) and 3.0 FTEs to partner with the Department of Human Services to increase fraud prevention, detection, prosecution, and recoupment.	IDG	N/A	500,000	0
	GF/GP	N/A	\$0	\$0
	FTE	N/A	3.0	0.0
3. Information Technology Adjustments	Gross	\$1,371,300	\$53,100	\$0
Includes \$53,100 GF/GP to support information technology investments in wireless infrastructure and Internet bandwidth. Funds will also support Microsoft Enterprise Agreement and Center for Shared Solutions Framework.	GF/GP	\$1,371,300	\$53,100	\$0

<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>		<u>FY 2012-13 YTD (as of 2/7/13)</u>	<u>Executive Changes</u>	
			<u>FY 2012-13 to FY 2013-14</u>	<u>FY 2013-14 to FY 2014-15</u>
4. Removal of One-Time Appropriations	Gross	\$1,025,900	(\$1,025,900)	\$0
Removes \$1.0 million (\$393,300 GF/GP) in FY 2012-13 one-time negotiated lump-sum payments to state employees.	IDG	297,300	(297,300)	0
	Federal	122,600	(122,600)	0
	Restricted	212,700	(212,700)	0
	GF/GP	\$393,300	(\$393,300)	\$0
5. Economic Adjustments	Gross	N/A	\$2,573,000	\$1,628,800
Reflects increased costs of \$2.6 million Gross (\$1.0 million GF/GP) for negotiated salary and wage amounts (1.0%), insurance rate increases, actuarially-required retirement rate increases, and other economic adjustments. Additional increase of \$1.6 million Gross (\$631,800 GF/GP) projected for FY 2014-15.	IDG	N/A	946,500	497,200
	Federal	N/A	28,200	186,400
	Restricted	N/A	602,600	313,400
	GF/GP	N/A	\$995,700	\$631,800

Major Boilerplate Changes From FY 2012-13

NOTE: No boilerplate language proposed specific to FY 2014-15.

There are no major boilerplate changes recommended for FY 2013-14.

**Summary: Executive Budget Recommendation
for Fiscal Years 2013-14 and 2014-15
CIVIL RIGHTS**

Analyst: Ben Gielczyk

	FY 2012-13	FY 2013-14 Executive	Difference: FY 2013-14 Vs. FY 2012-13		FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14	
	Year-to-Date as of 2/7/13		Amount	%		Amount	%
IDG/IDT	\$0	\$0	\$0	--	\$0	\$0	--
Federal	2,641,300	2,690,200	48,900	1.9	2,745,000	54,800	2.0
Local	0	0	0	--	0	0	--
Private	18,700	18,700	0	0.0	18,700	0	0.0
Restricted	151,900	151,900	0	0.0	151,900	0	0.0
GF/GP	11,953,600	12,337,500	383,900	3.2	12,576,100	238,600	1.9
Gross	\$14,765,500	\$15,198,300	\$432,800	2.9	\$15,491,700	\$293,400	1.9
FTEs	127.0	128.0	1.0	0.8	128.0	0.0	0.0

Notes: (1) FY 2012-13 year-to-date figures include mid-year budget adjustments through February 7, 2013. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2014-15 figures are projected budget amounts only and would not be legally binding appropriations. (4) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

Overview

The Michigan Civil Rights Commission is charged with investigating alleged discrimination against any person because of religion, race, color, national origin, sex, age, marital status, height, weight, arrest record, or physical and mental disabilities. The Commission is directed to "secure the equal protection of such civil rights without such discrimination." The Department of Civil Rights serves as the administrative arm charged with implementing policies of the Commission. The department works to prevent discrimination through educational programs that promote voluntary compliance with civil rights laws, investigates and resolves discrimination complaints, disseminates information on the rights and responsibilities of Michigan citizens as provided by law, and provides information and services to businesses on diversity initiatives, equal employment law, procurement opportunities, feasibility studies, and joint venture/strategic alliance matchmaking.

Major Budget Changes From FY 2012-13 YTD Appropriations		FY 2012-13 YTD	Executive Changes	
		(as of 2/7/13)	FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
1. Division on Deaf and Hard of Hearing	FTE	5.0	1.0	0.0
Includes \$100,000 GF/GP to provide increased educational support for persons taking the Sign Language Interpreters Examination. Funds will also support efforts to reduce time required to review and score examination.	Gross	\$654,700	\$100,000	\$0
	Private	18,700	0	0
	Restricted	93,400	0	0
	GF/GP	\$542,600	\$100,000	\$0
2. Hispanic and Latino Commission	Gross	\$196,500	\$54,000	\$0
Includes \$54,000 GF/GP to increase assistance services for new Hispanic and Latino residents in the State of Michigan. Services provided include translation, outreach, and partnerships with local organizations.	GF/GP	\$196,500	\$54,000	\$0
3. Information Technology	Gross	N/A	\$6,100	\$0
Includes \$6,100 GF/GP for various statewide Information Technology (IT) adjustments. Specifically, IT funding will support investments in wireless infrastructure, Internet bandwidth, Microsoft Enterprise Agreement, and Center for Shared Solutions Framework.	GF/GP	N/A	\$6,100	\$0

<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>	FY 2012-13 YTD (as of 2/7/13)	Executive Changes		
		FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15	
4. Economic Adjustments	Gross	N/A	\$401,600	\$293,400
Reflects increased costs of \$401,600 Gross (\$328,100 GF/GP) for negotiated salary and wage amounts (1.0%), insurance rate increases, actuarially-required retirement rate increases, and other economic adjustments. Additional increase of \$293,400 Gross (\$238,600 GF/GP) projected for FY 2014-15.	Federal	N/A	73,500	54,800
	GF/GP	N/A	\$328,100	\$238,600

Major Boilerplate Changes From FY 2012-13

NOTE: No boilerplate language proposed specific to FY 2014-15.

There are no major boilerplate changes recommended for FY 2013-14.

**Summary: Executive Budget Recommendation
for Fiscal Years 2013-14 and 2014-15
EXECUTIVE OFFICE**

Analyst: Ben Gielczyk

	FY 2012-13	FY 2013-14 Executive	Difference: FY 2013-14 Vs. FY 2012-13		FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14	
	Year-to-Date as of 2/7/13		Amount	%		Amount	%
IDG/IDT	\$0	\$0	\$0	--	\$0	\$0	--
Federal	0	0	0	--	0	0	--
Local	0	0	0	--	0	0	--
Private	0	0	0	--	0	0	--
Restricted	0	0	0	--	0	0	--
GF/GP	4,887,900	4,970,000	82,100	1.7	4,970,000	0	0.0
Gross	\$4,887,900	\$4,970,000	\$82,100	1.7	\$4,970,000	\$0	0.0
FTEs	84.2	84.2	0.0	0.0	84.2	0.0	0.0

Notes: (1) FY 2012-13 year-to-date figures include mid-year budget adjustments through February 7, 2013. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2014-15 figures are projected budget amounts only and would not be legally binding appropriations. (4) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

Overview

The Executive Office budget provides funding for the Governor, the Lieutenant Governor, and their staffs. Major constitutionally-specified responsibilities include organization and supervision of the Executive branch and annual preparation and submission of the Executive budget.

Major Budget Changes From FY 2012-13 YTD Appropriations		FY 2012-13 YTD	Executive Changes	
		(as of 2/7/13)	FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
1. Executive Office Operations	Gross	\$3,708,500	\$97,800	\$0
Includes \$97,800 GF/GP to increase investment in Executive Office operations.	GF/GP	\$3,708,500	\$97,800	\$0
2. Removal of One-Time Appropriations	Gross	\$58,700	(\$58,700)	\$0
Removes FY 2012-13 one-time funding of \$58,700 GF/GP for employee lump sum payments.	GF/GP	\$58,700	(\$58,700)	\$0
3. Economic Adjustments	Gross	N/A	\$43,000	\$0
Reflects increased costs of \$43,000 GF/GP for employee economics.	GF/GP	N/A	\$43,000	\$0

Major Boilerplate Changes From FY 2012-13

NOTE: No boilerplate language proposed specific to FY 2014-15.

There are no major boilerplate changes recommended for FY 2013-14.

Summary: Executive Budget Recommendation for Fiscal Years 2013-14 and 2014-15 LEGISLATURE

Analyst: Ben Gielczyk

	FY 2012-13	FY 2013-14 Executive	Difference: FY 2013-14 Vs. FY 2012-13		FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14	
	Year-to-Date as of 2/7/13		Amount	%		Amount	%
IDG/IDT	\$0	\$0	\$0	--	\$0	\$0	--
Federal	0	0	0	--	0	0	--
Local	0	0	0	--	0	0	--
Private	400,000	400,000	0	0.0	400,000	0	0.0
Restricted	1,109,800	1,109,800	0	0.0	1,109,800	0	0.0
GF/GP	113,705,000	122,309,500	8,604,500	7.6	122,309,500	0	0.0
Gross	\$115,214,800	\$123,819,300	\$8,604,500	7.5	\$123,819,300	\$0	0.0
FTEs	0.0	0.0	0.0	--	0.0	0.0	--

Notes: (1) FY 2012-13 year-to-date figures include mid-year budget adjustments through February 7, 2013, as well as FY 2012-13 OPEB costs for legislative employees. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2014-15 figures are projected budget amounts only and would not be legally binding appropriations. (5) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

Overview

This budget provides funding for the Legislative branch of state government, including the Legislative Council and agencies it governs, the Legislative Retirement System, and Property Management. The Legislature enacts the laws of Michigan, levies taxes, and appropriates funding from revenue collected for the support of public institutions and the administration of the affairs of state government. The Legislative Council provides a wide variety of essential services to members and staff of the Legislature. The Michigan Legislative Retirement System provides retirement allowances, survivors' allowances, and other benefits for members of the Legislature and their spouses, dependents, survivors, and beneficiaries. Property Management employees maintain, operate, and repair the Capitol Building, House of Representatives Office Building, and Farnum Building.

<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>		Executive Changes		
		FY 2012-13 YTD (as of 2/7/13)	FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
1. Economic Adjustments	Gross	N/A	\$8,604,500	\$0
Reflects increased costs of \$8.6 million GF/GP for economic adjustments for legislative staff.	GF/GP	N/A	\$8,604,500	\$0

***Please Note: The Legislative Auditor General budget is rolled in with the Legislature budget in the FY 2013-14 and FY 2014-15 Executive budget recommendations, but appears separate in this document.**

Major Boilerplate Changes From FY 2012-13

NOTE: No boilerplate language proposed specific to FY 2014-15.

There are no major boilerplate changes recommended for FY 2013-14.

**Summary: Executive Budget Recommendation
for Fiscal Years 2013-14 and 2014-15
LEGISLATIVE AUDITOR GENERAL**

Analyst: Ben Gielczyk

	FY 2012-13	FY 2013-14 Executive	Difference: FY 2013-14 Vs. FY 2012-13		FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14	
	Year-to-Date as of 2/7/13		Amount	%		Amount	%
IDG/IDT	\$3,792,100	\$5,092,100	\$1,300,000	34.3	\$5,181,100	\$89,000	1.7
Federal	0	0	0	--	0	0	--
Local	0	0	0	--	0	0	--
Private	0	0	0	--	0	0	--
Restricted	1,890,700	1,951,000	60,300	3.2	1,985,100	34,100	1.7
GF/GP	13,004,900	13,511,300	506,400	3.9	13,791,400	280,100	2.1
Gross	\$18,687,700	\$20,554,400	\$1,866,700	10.0	\$20,957,600	\$403,200	2.0
FTEs	0.0	0.0	0.0	--	0.0	0.0	--

Notes: (1) FY 2012-13 year-to-date figures include mid-year budget adjustments through February 7, 2013. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2014-15 figures are projected budget amounts only and would not be legally binding appropriations. (4) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

Overview

The Legislative Auditor General is responsible for conducting post financial and performance audits of state government operations. Audit reports provide a continuing flow of information to assist the Legislature in its oversight of approximately 100 individual state funds. Audit reports provide citizens with a measure of accountability and assist state departments and agencies in improving financial management of their operations. The goal of the Legislative Auditor General is to improve accounting and financial reporting practices and promote effectiveness, efficiency, and economy in state government. The mission is to improve the accountability of public funds and to improve the operations of state government for the benefit of the citizens of the state.

Major Budget Changes From FY 2012-13 YTD Appropriations		FY 2012-13 YTD (as of 2/7/13)	Executive Changes	
			FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
1. Increased Audit Funding	Gross	N/A	\$250,000	\$0
Includes \$250,000 GF/GP to increase audit oversight and service delivery for mandated statewide audits, including the State of Michigan Comprehensive Financial Report (CAFR).	GF/GP	N/A	\$250,000	\$0
2. Technical Boilerplate Funding Shift	Gross	N/A	\$1,255,200	\$0
Includes \$1.3 million Gross (\$0 GF/GP) in increased appropriation authorization for operations. Reflects shift from boilerplate spending authorization to line-item spending authorization to reflect actual restricted revenues that Office of Auditor General (OAG) earns from its audit activities statewide.	IDG	N/A	982,800	0
	Restricted	N/A	272,400	0
3. Economics Adjustments	Gross	N/A	\$632,400	\$403,200
Reflects increased costs of \$632,400 Gross (\$441,200 GF/GP) for negotiated salary and wage amounts (1.0%), insurance rate increases, actuarially-required retirement rate increases, and other economic adjustments. Additional increase of \$403,200 Gross (\$280,100 GF/GP) projected for FY 2014-15.	IDG	N/A	127,900	89,000
	Restricted	N/A	63,300	34,100
	GF/GP	N/A	\$441,200	\$280,100

***Please Note: The Legislative Auditor General budget is rolled in with the Legislature budget in the FY 2013-14 and FY 2014-15 Executive budget recommendations, but appears separate in this document.**

Major Boilerplate Changes From FY 2012-13

NOTE: *No boilerplate language proposed specific to FY 2014-15.*

There are no major boilerplate changes recommended for FY 2013-14.

Summary: Executive Budget Recommendation for Fiscal Years 2013-14 and 2014-15 STATE

Analyst: Paul Holland

	FY 2012-13	FY 2013-14 Executive	Difference: FY 2013-14 Vs. FY 2012-13		FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14	
	Year-to-Date as of 2/7/13		Amount	%		Amount	%
IDG/IDT	\$20,000,000	\$20,000,000	\$0	0.0	\$20,000,000	\$0	0.0
Federal	1,810,000	1,810,000	0	0.0	1,810,000	0	0.0
Local	0	0	0	--	0	0	--
Private	100	100	0	0.0	100	0	0.0
Restricted	183,971,100	182,485,400	(1,485,700)	(0.8)	185,733,200	3,247,800	1.8
GF/GP	14,888,100	15,253,400	365,300	2.5	15,428,800	175,400	1.1
Gross	\$220,669,300	\$219,548,900	(\$1,120,400)	(0.5)	\$222,972,100	\$3,423,200	1.6
FTEs	1,695.0	1,568.0	(127.0)	(7.5)	1,568.0	0.0	0.0

Notes: (1) FY 2012-13 year-to-date figures include mid-year budget adjustments through February 7, 2013. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2014-15 figures are projected budget amounts only and would not be legally binding appropriations. (4) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

Overview

The Department of State (DOS) is the oldest department in Michigan state government. It is administered by the Secretary of State, an elected official who serves a four-year term of office and has constitutional and statutory duties. The mission of the Department is to provide the most efficient and effective services to the people of Michigan by licensing drivers; registering and titling automobiles, watercraft, and recreational vehicles; regulating automobile dealers and repair facilities; registering voters and administering elections; and streamlining the collection of revenue. The Department serves citizens with programs designed to enhance driver safety, protect automotive consumers, and ensure the integrity of both the motor vehicle administration system and the statewide elections process.

<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>		FY 2012-13 YTD (as of 2/7/13)	Executive Changes	
			FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
1. Increase Record Look-Up Fees	Gross	N/A	\$4,700,000	\$0
Assumes an increase of the record look-up fee to \$8.00 per record to support DOS economics adjustments (including OPEB pre-funding). DOS currently charges a \$7.00 per record to individuals and entities requesting registration and driving records (e.g. insurance companies, reporting agencies, data aggregators.). The fee is established in boilerplate section 703 and generated \$34.0 million in FY 2011-12.	Restricted	N/A	4,700,000	0
2. Eliminate FY 2012-13 One-Time Appropriations	Gross	\$2,294,400	(\$2,294,400)	\$0
Eliminates FY 2012-13 one-time appropriations for state employee lump-sum payments, executive direction, and central operations.	Restricted	1,259,500	(1,259,500)	0
	GF/GP	\$1,034,900	(\$1,034,900)	\$0

Major Budget Changes From FY 2012-13 YTD Appropriations		FY 2012-13 YTD (as of 2/7/13)	Executive Changes	
			FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
3. Privatization of Michigan Assigned Claims Facility	FTE	7.0	(7.0)	0.0
Eliminates spending authorization, FTE positions, and fund source for the Michigan Assigned Claims Facility. 2012 PA 204 transferred the Michigan Assigned Claims Facility (which indemnified uninsured individuals injured by uninsured or unidentified drivers, supported by annual assessments on insurers writing auto insurance in Michigan) from DOS to the Michigan Automobile Insurance Placement Facility (a joint underwriting association established by the Insurance Code, supported by member insurers writing auto insurance in Michigan).	Gross	\$1,098,600	(\$1,098,600)	\$0
	Restricted	1,098,600	(1,098,600)	0
4. Increase in Document Handling Costs	FTE	150.0	0.0	0.0
Increases spending authorization for document handling costs due to increased postage rates. DOS services and sends approximately twenty million documents to its customers annually.	Gross	\$23,108,200	\$500,000	\$0
	Restricted	22,957,100	0	0
	GF/GP	\$151,100	\$500,000	\$0
5. Increase IT Services and Projects to DTMB	Gross	\$21,248,800	\$160,000	\$0
Increases spending authorization for IT services and projects to reflect DOS's share of DTMB's statewide projects to replace Windows XP, recover economics for the Center for Shared Solutions, and expand wireless connectivity and internet bandwidth.	Restricted	19,713,200	148,400	0
	GF/GP	\$1,535,600	\$11,600	\$0
6. Eliminate Olympic Center License Plate Program	Gross	\$75,700	(\$75,700)	\$0
Eliminates spending authorization for the Olympic Center License Plate Program as it is now defunct.	Restricted	75,700	(75,700)	0
7. Increase for Anatomical Gift Donor Registry	Gross	\$79,100	\$50,000	\$0
Increases spending authorization for the Organ Donor Program pursuant to 2012 PAs 54 & 55 which amended the Michigan Vehicle Code to authorize DOS to issue a new fundraising license plate ("Donate Life") and deposit the proceeds into the Thomas Daley Gift of Life Fund for the administration of a state anatomical gift donor registry.	Restricted	0	50,000	0
	Private	100	0	0
	GF/GP	\$79,000	\$0	\$0
8. Decrease Excess Spending Authorization	Gross	\$77,138,500	(\$8,000,000)	\$0
Decreases spending authorization within several line items supported by the Transportation Administration Collection Fund (TACF) to more accurately reflect available revenue. The TACF (established by 2003 PA 152) is supported by revenues generated by various registration and service fees collected by the DOS and is utilized to support administrative expenses of enforcing Sections 801 thru 810 of the Michigan Vehicle Code.	Restricted	77,138,500	(8,000,000)	0
9. FTE Rebasing	FTE	694.5	(120.0)	0.0
Decreases FTE positions within several line items to more accurately reflect actual staffing levels.				
10. Offset for Michigan Transportation Fund Economics	Gross	\$20,000,000	\$606,300	\$0
Offsets the economics adjustments related to the Michigan Transportation Fund (MTF) appropriation with GF/GP. The DOS is appropriated \$20.0 million annually from the MTF to partially reimburse administrative expenses of collecting registration and title fees deposited into the MTF (\$905.0 million in FY 2011-12). The annual appropriation of MTF revenue for the DOS may not exceed \$20.0 million pursuant to Section 10(1) of 1951 PA 51.	IDG	20,000,000	0	0
	GF/GP	\$0	\$606,300	\$0

STATE

<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>		FY 2012-13 YTD (as of 2/7/13)	Executive Changes	
			FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
11. Economics Adjustments	Gross	N/A	\$4,938,300	\$3,423,200
Reflects increased costs for negotiated salary and wage increases,	IDG	N/A	606,300	0
insurance rates, actuarially-required retirement benefit rates, other	Restricted	N/A	4,049,700	3,247,800
post-employment benefits prefunding, workers' compensation	GF/GP	N/A	\$282,300	\$175,400
costs, building occupancy costs and rent, and other incidental economic adjustments within DOS.				

Major Boilerplate Changes From FY 2012-13

NOTE: No boilerplate language proposed specific to FY 2014-15.

Sec. 702. Assigned Claims Assessments – DELETED

Stipulates that funds made available by Sec. 3171 of the Insurance Code of 1956 are appropriated to be expended for the purposes of the Michigan Assigned Claims Facility as provided by Sec. 3171 to 3177 of the Insurance Code of 1956.

Sec. 714. Branch Office Closings or Consolidations – DELETED

Requires DOS to inform appropriations committees and legislators who represent affected areas of closing and/or consolidation of DOS branch offices at least 180 days prior to closing or consolidation or at least 60 days prior to relocation.

Sec. 716b. Business Application Modernization Project Report – DELETED

Requires DOS to report on funds expended, cost projections, and completion dates for the Business Application Modernization project since its inception.

Sec. 718. Buena Vista Township Branch Office – DELETED

Requires DOS to maintain a full-service branch office in Buena Vista Township.

Sec. 719. General Fund Expenditures – DELETED

Requires DOS to use available restricted funding for expenditures before using general fund dollars.

**Summary: Executive Budget Recommendation
for Fiscal Years 2013-14 and 2014-15
TECHNOLOGY, MANAGEMENT, AND BUDGET**

Analyst: Paul Holland

	FY 2012-13	FY 2013-14 Executive	Difference: FY 2013-14 Vs. FY 2012-13		FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14	
	Year-to-Date as of 2/7/13		Amount	%		Amount	%
IDG/IDT	\$635,564,900	\$677,159,800	\$41,594,900	6.5	\$660,402,100	(\$16,757,700)	(2.5)
Federal	9,464,300	8,790,900	(673,400)	(7.1)	8,790,900	0	0.0
Local	1,320,800	1,320,800	0	0.0	1,320,800	0	0.0
Private	190,200	190,400	200	0.1	190,400	0	0.0
Restricted	90,517,200	92,625,900	2,108,700	2.3	93,218,100	592,200	0.6
GF/GP	405,916,200	405,887,400	(28,800)	0.0	415,140,800	9,253,400	2.3
Gross	\$1,142,973,600	\$1,185,975,200	\$43,001,600	3.8	\$1,179,063,100	(\$6,912,100)	(0.6)
FTEs	2,814.0	2,812.0	0.0	0.0	2,812.0	0.0	0.0

Notes: (1) FY 2012-13 year-to-date figures include mid-year budget adjustments through February 7, 2013. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2014-15 figures are projected budget amounts only and would not be legally binding appropriations. (4) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

Overview

The Department of Technology, Management, and Budget (DTMB) has legal authority under the Management and Budget Act, 1984 PA 431, and is the central management element of the Executive branch of state government. DTMB is an interdepartmental service and management agency responsible for all of the following: ensuring proper financial record keeping for state agencies; overseeing capital outlay projects; managing state facilities, property, and leases; implementing state procurement; operating the state's retirement systems; supervising the state motor vehicle fleet; administering travel policies; providing office support services to state agencies; executing information technology projects; centralizing information technology policy-making; and unifying strategic information technology planning. Autonomous units within DTMB include: the State Budget Office, Office of the State Employer, Civil Service Commission, Office of Retirement Services, State Building Authority, State Administrative Board, and the Office of Children's Ombudsman.

Major Budget Changes From FY 2012-13 YTD Appropriations		FY 2012-13 YTD (as of 2/7/13)	Executive Changes	
			FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
1. Align and Increase IT Services and Projects for State Agencies Aligns and increases spending authorization for initial and existing IT services and projects affecting various state agencies to more accurately reflect DTMB's expenditures and fund sources.	FTE	1,459.5	0.0	0.0
	Gross	\$457,192,100	\$8,437,000	\$0
	IDG	457,192,100	8,437,000	0
2. Increase for Statewide IT Services and Projects Increases spending authorization for IT services and projects to reflect DTMB's statewide projects to replace Windows XP, recover economics for the Center for Shared Solutions, and expand wireless connectivity and internet bandwidth.	FTE	1,459.5	0.0	0.0
	Gross	\$457,192,100	\$5,117,700	\$0
	IDG	457,192,100	5,117,700	0

TECHNOLOGY, MANAGEMENT, AND BUDGET

<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>		FY 2012-13 YTD (as of 2/7/13)	Executive Changes	
			FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
3. Increase for DTMB IT Services and Projects	Gross	\$31,630,600	\$406,300	\$0
Increase spending authorization for IT services and projects to reflect DTMB's share of DTMB's statewide projects to replace Windows XP, recover economics for the Center for Shared Solutions, and expand wireless connectivity and internet bandwidth.	IDG	881,900	51,000	0
	Federal	976,900	20,500	0
	Restricted	16,443,900	128,800	0
	GF/GP	\$13,327,900	\$206,000	\$0
4. Increase State Building Authority Rent	Gross	\$68,305,800	\$1,700,000	\$22,900,000
Increase spending authorization for State Building Authority rent for state agencies to support rent payments for anticipated obligations (specifically, for the State Emergency Operations Center (SEOC) project in FY 2013-14).	GF/GP	\$68,305,800	\$1,700,000	\$22,900,000
5. Increase Motor Vehicle Fleet for MSP & DHS	FTE	35.0	0.0	0.0
Increase spending authorization for the motor vehicle fleet for the Michigan State Police (MSP) which is closing trooper stations and equipping patrol vehicles to operate as mobile offices and the Department of Human Services (DHS) which is hiring Child Welfare Services staff who conduct home visits and appear at court proceedings.	Gross	\$57,624,000	\$1,500,000	\$0
	IDG	57,624,000	1,500,000	0
6. Military Retirement System Prefunding	FTE	162.0	0.0	0.0
Increase spending authorization to begin prefunding the Military Retirement System, administered by the Office of Retirement Services, to reduce unfunded liabilities (totaling \$48.4 million) and future contributions.	Gross	\$23,992,300	\$826,100	\$0
	Restricted	19,940,600	0	0
	GF/GP	\$3,981,700	\$826,100	\$0
7. Transfer of CSC Staff to DHS	FTE	320.0	(4.0)	0.0
Transfers spending authorization and FTE positions from the Civil Service Commission (CSC) to the Department of Human Services (DHS) as the staff provide DHS-specific training.	Gross	\$34,394,200	(\$465,600)	\$0
	IDG	1,134,000	0	0
	Federal	0	(322,100)	0
	Local	662,700	0	0
	Restricted	15,706,900	0	0
	GF/GP	\$16,890,600	(\$143,500)	\$0
8. Hire ADA Staff with Offset GF/GP	FTE	134.5	2.0	0.0
Increase FTE positions for staff to assist with coordination with the Americans with Disabilities Act (ADA), supports staff with GF/GP offset with increased state restricted revenues.	Gross	\$16,376,300	\$300,000	\$0
	IDG	10,708,900	0	0
	Restricted	3,973,000	300,000	0
	GF/GP	\$1,694,400	\$0	\$0
9. Include Professional Development Funds	Gross	N/A	\$200,000	\$0
Includes spending authorization for professional development funds for non-exclusively represented employees (NERE), supported by employer contributions.	IDG	N/A	200,000	0
10. Decrease Accounting Service Center for MSP	FTE	134.5	0.0	0.0
Decreases spending authorization for the Accounting Service Center, which provides accounting services for the Michigan State Police (MSP), resultant from identified efficiencies.	Gross	\$16,376,300	(\$120,000)	\$0
	IDG	10,708,900	(120,000)	0
	Restricted	3,973,000	0	0
	GF/GP	\$1,694,400	\$0	\$0
11. Eliminate FY 2012-13 One-Time Appropriations	Gross	\$25,680,200	(\$25,680,200)	\$0
Eliminates FY 2012-13 one-time appropriations for state employee lump-sum payments, special maintenance for state facilities, Office Space Consolidation Project, and the Teacher Evaluation Pilot Program.	IDG	3,104,100	(3,104,100)	0
	Federal	426,700	(426,700)	0
	Restricted	357,200	(357,200)	0
	GF/GP	\$21,792,200	(\$21,792,200)	\$0

Major Budget Changes From FY 2012-13 YTD Appropriations		FY 2012-13 YTD (as of 2/7/13)	Executive Changes	
			FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
12. Include FY 2013-14 One-Time Appropriations	Gross	N/A	\$37,800,100	(\$37,800,100)
Includes new one-time appropriations for DCH and MCGP IT systems and projects, Delta County Bridge removal, Regional Prosperity Initiative, special maintenance for state facilities, and SBA-financed SEOC project placeholder.	IDG	N/A	21,300,000	(21,300,000)
	GF/GP	N/A	\$16,500,100	(\$16,500,100)
13. Various Fund Shifts	Gross	\$619,500	\$0	\$0
Includes various fund shifts within line items between fund sources which net out to zero gross, though they may alter the types of fund sources, which reflect changes in the availability and allocation of funds or reflect changes to more accurately reflect program administration.	IDG	125,400	49,400	0
	Restricted	5,000	431,600	0
	GF/GP	\$489,100	(\$481,000)	\$0
14. Include Economics Adjustments	Gross	N/A	\$12,980,200	\$7,988,000
Reflects increased costs for negotiated salary and wage increases, insurance rates, actuarially-required retirement benefit rates, other post-employment benefits prefunding, workers' compensation costs, building occupancy costs and rent, and other incidental economic adjustments within DTMB.	IDG	N/A	8,163,900	4,542,300
	Federal	N/A	54,900	0
	Private	N/A	200	0
	Restricted	N/A	1,605,500	592,200
	GF/GP	N/A	\$3,155,700	\$2,853,500

Major Boilerplate Changes From FY 2012-13

Sec. 803. Statewide Administrative and Support Services – REVISED

Eliminates subsection (5) that prohibits DTMB from expending funds for the purchase of new office furniture without first examining the possibility of using existing inventory that can be reused or refurbished and language requiring department to develop a plan for a statewide state-owned inventory management system.

Sec. 809. Computer Contracts – DELETED

Requires DTMB to report revisions that increase or decrease, by more than \$500,000, current contracts for computer software development, hardware acquisition, or quality assurance, at least 14 days prior to revision finalization.

Sec. 813. Motor Vehicle Fleet Appropriation – REVISED

Eliminates subsection (3) reporting requirements pertaining to a motor vehicle fleet operation plan and subsection (5) prioritizing, when feasible, the utilization of remanufactured parts as the primary means of maintenance and repair.

Sec. 817. Call Center Vendor Disclosure – DELETED

Stipulates that DTMB may require a vendor or subcontractor who provides call or contact center services to the state to disclose the location from which the call or contact center services are being provided.

Sec. 821. Space Consolidation Fund – DELETED

Requires DTMB to provide a detailed plan for the funding appropriated for the Space Consolidation Fund and delineates reporting requirements.

Sec. 822. Unclassified Salaries Report – DELETED

Requires DTMB to prepare a report on all salaries of unclassified employees and gubernatorial appointees within state departments.

Sec. 823. Paid Advertising and Sponsorships on State Webpages – REVISED

Eliminates subsection (4) report requirements pertaining to revenue received from the sale of paid advertising on DTMB websites.

Sec. 824. Spatial Information and Technical Services – REVISED

Eliminates reporting requirements pertaining to sources of funding and expenditures relating to the supply of spatial information and technical services.

Sec. 826. Information Technology Services Definition – REVISED

Expands the definition of information technology services to include social media.

Sec. 827. Michigan Public Safety Communications System – REVISED

Eliminates subsection (4) reporting requirements pertaining to revenues and expenditures related to support and maintenance of the MPSCS and permitting carry-forward of such revenues.

REVIEW AND ANALYSIS OF FY 2013-14 AND FY 2014-15 EXECUTIVE RECOMMENDATION

TECHNOLOGY, MANAGEMENT, AND BUDGET

Major Boilerplate Changes From FY 2012-13

Sec. 828. IT-Related Appropriations and Expenditures – DELETED

Requires DTMB to provide a report pertaining to total funding appropriated for IT services and projects, by funding source, for all state departments, including a list of expenditures made from amounts received by DTMB.

Sec. 829. Life-Cycle of Hardware and Software – DELETED

Requires DTMB to provide a report analyzing and making recommendations on life-cycle of IT hardware and software.

Sec. 830. Change Orders and Follow-On Contracts – DELETED

Requires DTMB to provide a report pertaining to change orders and contract extensions for contracts greater than \$25,000 entered into by DTMB.

Sec. 832. Child Support Enforcement System Report – DELETED

Requires DTMB to provide a report pertaining to amounts expended for Child Support Enforcement System, revisions made to spending plans, and amount of penalties paid to federal government.

Sec. 840. General Fund Advances to the SBA for Cash Flow Requirements – REVISED

Replaces references to "legislative concurrent resolution" with "legislative appropriations act" and eliminates Joint Capital Outlay Subcommittee (JCOS) approval of the repayment of general fund advances if a project is terminated.

Sec. 860. Capital Outlay Definitions – REVISED

Eliminates JCOS definition.

Sec. 862. Capital Outlay Reports – DELETED

Requires DTMB to provide various detailed reports to the Joint Capital Outlay Subcommittee (JCOS) and fiscal agencies pertaining to the status and financing of each planning or construction project financed by the SBA.

Sec. 863. Lump-Sum Appropriations – DELETED

Requires DTMB to allocate lump-sum appropriations consistent with statutory provisions and purposes for which they were appropriated, addressing priority program or facility needs, and that lump-sum appropriations are available for up to three fiscal years before reverting to the fund from which it was appropriated.

Sec. 866. Public Purpose, Lease and Conveyance, and Annual Appropriation – NEW

Stipulates that the Legislature determines the leasing of SBA-financed facilities are for a public purpose under the State Building Authority Act of 1964, approves and authorizes the lease and conveyance of property to the SBA and from the SBA to state and educational institutions, as applicable, executed by the Governor and Secretary of State on behalf of the state, and agrees to annually appropriated sufficient amounts to pay rent obligations pursuant to the lease.

Sec. 870. Statement of Proposed Operating Costs – DELETED

Requires DTMB to include a statement of proposed operating costs with planning documents.

Sec. 871. Final Planning and Construction – DELETED

Stipulates administrative processes and agreements under DTMB to be completed before proceeding with final planning and construction for community college and university projects.

Sec. 872. Match Requirements – DELETED

Requires state agencies, community colleges, and universities to use available federal or other funds to satisfy matching requirements.

Sec. 901. Regional Prosperity Initiative (One-Time) – NEW

Stipulates prerequisites, provisos, and procedures for the Regional Prosperity Initiative through which DTMB will administer incentive-based grants to regional planning organizations that qualify as Regional Prosperity Collaborates, Councils, or Boards. The total cost of the Initiative is estimated at \$5.0 million and it is estimated to be completed by the end of fiscal year 2018.

Supplemental Recommendations for FY 2012-13 Appropriations

**FY 2012-13
Recommendation**

1. Michigan Television Portal

Supplemental Request 2013-4 recommends spending authorization and FTE positions for the online Michigan Television (MiTV) portal, which will distribute live and archived content for each branch of the state government via the internet.

FTE	1.5
Gross	\$300,000
GF/GP	\$300,000

Supplemental Recommendations for FY 2012-13 Appropriations

**FY 2012-13
Recommendation**

2. LSSU School of Business Building

Supplemental Request 2013-4 recommends spending authorization for SBA rent payments and a placeholder for the Lake Superior State University's (LSSU) School of Business Building project (total construction costs of \$12.0 million, \$9.0 million from the state)

Gross	\$900,100
GF/GP	\$900,100

3. MSP Marshall Post

Supplemental Request 2013-4 recommends spending authorization for a planning grant to explore a new Michigan State Police (MSP) post in Marshall near the I-94 and I-96 corridors.

Gross	\$100,000
GF/GP	\$100,000

Sec. 2. Public Purpose, Lease and Conveyance, and Annual Appropriation

Proposes language that the Legislature determines the leasing of SBA-financed facilities are for a public purpose under the State Building Authority Act of 1964, approves and authorizes the lease and conveyance of property to the SBA and from the SBA to state and educational institutions, as applicable, executed by the Governor and Secretary of State on behalf of the state, and agrees to annually appropriated sufficient amounts to pay rent obligations pursuant to the lease.

**Summary: Executive Budget Recommendation
for Fiscal Years 2013-14 and 2014-15
TREASURY**

Analyst: Ben Gielczyk

	FY 2012-13	FY 2013-14 Executive	Difference: FY 2013-14 Vs. FY 2012-13		FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14	
	Year-to-Date as of 2/7/13		Amount	%		Amount	%
IDG/IDT	\$8,899,400	\$9,130,000	\$230,600	2.6	\$9,212,500	\$82,500	0.9
Federal	698,385,900	677,780,700	(20,605,200)	(3.0)	678,737,500	956,800	0.1
Local	6,686,200	6,393,000	(293,200)	(4.4)	6,393,000	0	0.0
Private	5,380,000	5,476,900	96,900	1.8	5,526,000	49,100	0.9
Restricted	1,594,122,400	1,630,788,000	36,665,600	2.3	1,636,780,700	5,992,700	0.4
GF/GP	419,836,500	444,195,200	24,358,700	5.8	383,392,700	(60,802,500)	(13.7)
Gross	\$2,733,310,400	\$2,773,763,800	\$40,453,400	1.5	\$2,720,042,400	(\$53,721,400)	(1.9)
FTEs	2,532.5	2,566.5	34.0	1.3	2,566.5	0.0	0.0

Notes: (1) FY 2012-13 year-to-date figures include mid-year budget adjustments through February 7, 2013. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2014-15 figures are projected budget amounts only and would not be legally binding appropriations. (4) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

Overview

The Department of Treasury is the chief fiscal agency of the state and the primary source of advice to the Governor on tax and fiscal policy issues. The Department's mission is to collect state taxes, to invest, control, and disburse state monies, and to protect the state's credit rating and that of its cities. The Department manages one of the nation's largest pension funds, administers revenue sharing, and administers the student financial aid programs. It also investigates fraudulent financial activity, provides assistance on all property tax-related issues and advises issuers of municipal obligations. The Bureau of State Lottery, the Michigan Gaming Control Board (MGCB), Michigan State Housing and Development Authority (MSHDA), and the Michigan Strategic Fund (MSF) are autonomous agencies housed within the Department of Treasury. Funds and programs of the MSF are administered by the Michigan Economic Development Corporation (MEDC), which also administers the 21st Century Jobs Fund.

<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>		FY 2012-13 YTD (as of 2/7/13)	Executive Changes	
			FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
1. Constitutional Revenue Sharing	Gross	\$725,496,300	\$17,053,900	\$25,900,200
Includes \$17.1 million Gross (\$0 GF/GP) to adjust constitutional revenue sharing payments in FY 2013-14 based on January Consensus Revenue Estimating Conference (CREC). Projected increase of \$25.9 million Gross (\$0 GF/GP) for FY 2014-15.	Restricted	725,496,300	17,053,900	25,900,200
2. Economic Vitality Incentive Program	Gross	\$225,000,000	\$0	(\$7,500,000)
Maintains FY 2012-13 appropriation for the Economic Vitality Incentive Program (EVIP) in both ongoing (\$217.5 million) and one-time (\$7.5 million) appropriations. One-time funding removed in FY 2014-15.	Restricted	225,000,000	0	(7,500,000)
3. Competitive Grant Assistance Program	Gross	\$15,000,000	\$0	(\$10,000,000)
Maintains FY 2012-13 appropriation for the Competitive Grant Assistance Program in both ongoing (\$5.0 million) and one-time (\$10.0 million) appropriations. One-time funding removed in FY 2014-15.	Restricted	15,000,000	0	(10,000,000)

		Executive Changes		
		FY 2012-13 YTD (as of 2/7/13)	FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
Major Budget Changes From FY 2012-13 YTD Appropriations				
4. County Revenue Sharing/Incentive Program	Gross	\$130,600,000	\$10,000,000	(\$4,500,000)
Increases county revenue sharing payments by \$8.0 million Gross (\$0 GF/GP) ongoing and county incentive payments by \$2.0 million Gross (\$0 GF/GP) one-time to maintain FY 2012-13 percentage of full funding (77.1%) to eligible counties. One-time funding removed in FY 2014-15.	Restricted	130,600,000	10,000,000	(4,500,000)
5. Payments in Lieu of Taxes	Gross	\$15,612,600	\$1,734,500	\$4,846,600
Increases Payments in Lieu of Taxes (PILT) by \$1.7 million Gross (\$1.0 million GF/GP) to fully fund PILT. Recommends increase of \$4.8 million Gross (\$4.4 million GF/GP) for FY 2014-15 due to required increases under PAs 603 and 604 of 2012.	Restricted	3,288,800	695,400	398,300
	GF/GP	\$12,323,800	\$1,039,100	\$4,448,300
6. Debt Service	Gross	\$140,554,900	\$13,647,600	\$10,039,300
Includes \$2.5 million GF/GP to replace corresponding amount of Refined Petroleum Fund in Debt Service. Debt service adjustments also include an increase of \$5.6 million GF/GP for scheduled FY 2013-14 adjustments and an increase of \$8.0 million GF/GP for debt service on proposed new Strategic Water Quality bond issues. Additional \$8.0 million GF/GP proposed for FY 2014-15 for new Strategic Water Quality bond issue and \$2.0 million GF/GP proposed for scheduled adjustments in FY 2014-15.	Restricted	5,514,500	(2,500,000)	0
	GF/GP	\$135,040,400	\$16,147,600	\$10,039,300
7. Dual Enrollment	Gross	\$10,000,000	(\$9,000,000)	\$0
Reduces dual enrollment payments for nonpublic school pupils by \$9.0 million GF/GP due to lower than anticipated participation.	GF/GP	\$10,000,000	(\$9,000,000)	\$0
8. At-Risk Local Unit Administration	Gross	N/A	\$5,000,000	(\$5,000,000)
Includes \$5.0 million GF/GP in one-time funding to assist at-risk/distressed local units of government facing financial emergencies and pay emergency manager salaries.	GF/GP	N/A	\$5,000,000	(\$5,000,000)
9. Tax System Information Technology	Gross	N/A	\$2,705,900	(\$1,763,300)
Includes \$942,600 GF/GP to support ongoing IT contracting and Department of Technology, Management, and Budget staffing expenses related to the corporate income tax and flow through withholding tax created under PA 38 of 2011. Includes \$1.8 million GF/GP in one-time funding for an upgrade of the sales, use, and withholding legacy system. One-time funding removed in FY 2014-15.	GF/GP	N/A	\$2,705,900	(\$1,763,300)
10. Community College Renaissance Zone Reimbursement	Gross	\$3,500,000	(\$3,500,000)	\$0
Removes \$3.5 million GF/GP for community college renaissance zone reimbursement and transfers funding to community college budget.	GF/GP	\$3,500,000	(\$3,500,000)	\$0
11. Digital Tobacco Stamping	Gross	N/A	\$3,000,000	\$0
Includes \$3.0 million GF/GP for new digital tobacco stamp costs required under PA 188 of 2012.	Restricted	N/A	3,000,000	0
12. iLottery	FTE	N/A	10.0	0.0
Includes \$3.4 million Gross (\$0 GF/GP) and 10.0 FTEs to support development and operation of a new internet-based lottery.	Gross	N/A	\$3,350,000	\$0
	Restricted	N/A	3,350,000	0
13. Michigan Gaming Control Board System Upgrade	Gross	N/A	\$3,000,000	(\$3,000,000)
Includes \$3.0 million Gross (\$0 GF/GP) in one-time funding for new Casino Gaming IT system replacement to improve licensing, regulation, audit, investigative, and administrative functions.	Restricted	N/A	3,000,000	(3,000,000)

TREASURY

Major Budget Changes From FY 2012-13 YTD Appropriations		FY 2012-13 YTD (as of 2/7/13)	Executive Changes	
			FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
14. Removal of Other One-Time Appropriations	Gross	\$26,522,700	(\$26,522,700)	\$0
Removes various FY 2012-13 one-time appropriations:	IDG	112,800	(112,800)	0
• Agricultural Loan Origination Program: \$15.0 million GF/GP	Federal	171,700	(171,700)	0
• Treasury Legal Services: \$3.0 million GF/GP	Restricted	2,146,700	(2,146,700)	0
• Office of Fiscal Responsibility: \$5.8 million GF/GP	GF/GP	\$24,091,500	(\$24,091,500)	\$0
• State Employee Lump Sum Payments: \$2.7 million Gross (\$311,500 GF/GP)				
15. Treasury Economics	Gross	N/A	\$7,253,100	\$4,807,500
Reflects increased costs for Treasury of \$7.3 million Gross (\$1.3 million GF/GP) for negotiated salary and wage amounts (1.0%), insurance rate increases, actuarially-required retirement rate increases, and other economic adjustments. Additional increase of \$4.8 million Gross (\$699,700 GF/GP) projected for FY 2014-15.	IDG	N/A	180,900	82,500
	Federal	N/A	458,400	257,000
	Restricted	N/A	5,305,900	3,768,300
	GF/GP	N/A	\$1,307,900	\$699,700
MICHIGAN STRATEGIC FUND	Gross	\$100,000,000	\$20,000,000	(\$27,500,000)
16. Business Attraction and Community Revitalization	Restricted	25,000,000	(7,500,000)	0
Reduces Business Attraction and Community Revitalization ongoing line item by \$7.5 million Gross (\$0 GF/GP) and includes \$27.5 million GF/GP in one-time funding. Funds will support business attraction and community revitalization (\$5.5 million), a debt financing program for underserved communities (\$20.0 million), and a Food and Agriculture Industry Growth Initiative (\$2.0 million).	GF/GP	\$75,000,000	\$27,500,000	(\$27,500,000)
17. Pure Michigan	Gross	\$25,000,000	\$4,000,000	\$0
Includes \$4.0 Gross (\$0 GF/GP) in additional funding for Pure Michigan tourism promotion. Funding is transferred from Business Attraction and Community Revitalization.	Restricted	25,000,000	4,000,000	0
18. Innovation and Entrepreneurship	Gross	\$25,000,000	\$3,500,000	\$0
Includes \$3.5 million GF/GP in additional funding for Innovation and Entrepreneurship. Funding is transferred from Business Attraction and Community Revitalization.	Restricted	25,000,000	3,500,000	0
19. Film Incentives	Gross	\$50,000,000	(\$25,000,000)	(\$25,000,000)
Includes \$25.0 million GF/GP for film incentive funding. One-time funding is a reduction of \$25.0 million from FY 2012-13 one-time funding of \$50.0 million GF/GP. One-time funding is removed in FY 2014-15.	GF/GP	\$50,000,000	(\$25,000,000)	(\$25,000,000)
20. Arts and Cultural Grants	FTE	0.0	2.0	0.0
Includes \$1.0 million GF/GP and 2.0 FTEs for increased funding for Arts and Cultural Grants. Appropriates \$500,000 of increase to Job Creation Services line-item for administration.	Gross	\$6,150,000	\$1,000,000	\$0
	GF/GP	\$6,150,000	\$1,000,000	\$0
21. Land Bank Fast Track Authority	FTE	6.0	16.0	0.0
Includes \$16.0 million GF/GP (\$7.0 million one-time) and 16.0 FTEs for the Land Bank Fast Track Authority to support Blight Elimination (\$9.5 million), Good Neighbor Property Management Program (\$4.0 million), and operations (\$2.5 million). Reduces restricted revenues from the Land Bank Fast Track Fund by \$1.9 million Gross (\$0 GF/GP) to align appropriation with actual revenues.	Gross	\$2,993,900	\$14,148,600	(\$7,000,000)
	Restricted	2,993,900	(1,851,400)	0
	GF/GP	\$0	\$16,000,000	(\$7,000,000)
22. Skilled Trades Training Program	Gross	N/A	\$10,000,000	(\$10,000,000)
Includes \$10.0 million GF/GP in one-time funding for a new Skilled Trades Training Program. Program would address job and talent mismatches and enable employers to design training programs for potential employees.	GF/GP	N/A	\$10,000,000	(\$10,000,000)

<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>		FY 2012-13 YTD (as of 2/7/13)	Executive Changes	
			FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
23. Facility for Rare Isotope Beams	Gross	\$2,339,900	\$4,960,100	\$0
Includes \$7.3 million GF/GP for debt service related to the State commitment for the Facility for Rare Isotope Beams (FRIB) at Michigan State University, an increase of \$5.0 million from FY 2012-13 (appropriated in Treasury). Appropriation would cover debt service for \$91.0 million bond issue for the Community Share portion of the project.	GF/GP	\$2,339,900	\$4,960,100	\$0
24. Federal Funds Adjustments	Gross	N/A	(\$20,163,400)	\$0
Reduces various federal fund authorizations by \$20.1 million (\$0 GF/GP) to align fund sources with anticipated revenues.	Federal	N/A	(20,163,400)	0
25. Economic Adjustments	Gross	N/A	\$2,686,800	\$1,948,300
Reflects increased costs for MSF of \$2.7 million Gross (\$475,500 GF/GP) for negotiated salary and wage amounts (1.0%), insurance rate increases, actuarially-required retirement rate increases, and other economic adjustments. Additional increase of \$1.9 million Gross (\$273,200 GF/GP) projected for FY 2014-15.	Federal	N/A	847,000	699,800
	Private	N/A	74,900	46,900
	Restricted	N/A	1,289,400	928,100
	GF/GP	N/A	\$475,500	\$273,500

Major Boilerplate Changes From FY 2012-13

NOTE: No boilerplate language proposed specific to FY 2014-15.

Executive Boilerplate Deletions

In general, the Executive Budget deletes many sections of boilerplate including legislative reporting requirements, providing guidance, and placing conditions on appropriations, and earmarks of funding for specific purposes. The list below includes major changes to boilerplate, but is not a comprehensive list of all sections or language deleted.

Sec. 907. Assessor Certification and Training Fund – REVISED

Requires Treasury to organize and operate Property Assess Certification and Training program with participant fees used for program expenses; requires collections to be credited to Assessor Certification and Training Fund. Revises language to eliminate references to specific fees to be charged and leaves to discretion of the State Tax Commission.

Sec. 924 (2). Principal Residence Tax Exemption Audit – REVISED

Authorizes using Principal Residence Tax Exemption Audit Fund revenue for principal residence audits; requires report. Revises reporting requirement to eliminate reporting on amount of revenue appropriated for principal residence audits and require reporting on the amount of exemptions denied and the revenue received under the program.

Sec. 925. Public Private Partnership Investment – REVISED

Creates Public Private Partnership Investment Fund to fund investments such as capital asset improvements, energy resource exploration, financial and investment incentives, infrastructure construction, and public-private sector joint ventures. Eliminates subsections (2), (5), and (6).

Sec. 925a. Public Private Partnership Appropriations – DELETED

Prohibits the funds appropriated for the public private partnership investment program from being used for activities related to the Detroit River international crossing.

Sec. 935. Dual Enrollment Payments – NEW

Requires dual enrollment payments to be distributed in a manner as determined by the Department of Treasury.

Sec. 945. Assessment and Certification Division Reviews – DELETED

Requires the department's assessment and certification division to conduct 14-point reviews in at least one assessment jurisdiction per county.

TREASURY

Major Boilerplate Changes From FY 2012-13

REVENUE SHARING

Sec. 951. *Competitive Grant Assistance Program* – REVISED

Includes direction for distribution of \$15.0 million appropriated for assistance grants to CVTs that elect to merge government services via a Competitive Grant Assistance Program; \$10.0 million of total available funding considered one-time appropriation. Includes school districts and ISDs; includes work project language; and continues to make available unclaimed EVIP funds. Revises to require \$7.5 million in grants for mergers, interlocal agreements, and cooperative efforts for government operations and \$7.5 million for mergers, interlocal agreements, and cooperative efforts for public safety.

Sec. 952. *Economic Vitality Incentive Program* – REVISED

This section outlines the eligibility (three incentive categories) and distribution of funds appropriated under the Economic Vitality Incentive Program that replaced statutory revenue sharing and the County Incentive Program. Revised to include counties in both sections of the bifurcated category requirements. Includes new requirement in Category One for a local unit to submit a debt service report. Revises Category Three to require a local unit to meet both the pension plan and health care benchmarks and compliance with PA 152 (including the opt-out provision).

LOTTERY

Sec. 963. *Department of Human Services Bridge Cards* – DELETED

Requires the Bureau of State Lottery to notify lottery retailers that DHS bridge cards are not to be used to purchase lottery tickets.

MICHIGAN STRATEGIC FUND

Sec. 1011 (2). *Disposition of Unexpended GF/GP Funds* – DELETED

Requires unexpended and unencumbered GF/GP at the end of the fiscal year to be disposed of in accordance with the Management and Budget Act unless carry forward authorization has otherwise been provided. Deletes subsection (2) which requires encumbered funds to be used for the same purposes for which funding was originally appropriated.

Sec. 1014. *Michigan Core Communities Fund* – DELETED

Outlines purposes and authorized uses of the fund; establishes policies and procedures for disseminating grants from the fund; requires notification before grant distribution.

Sec. 1023. *Tourism Promotion* – DELETED

Requires MSF to coordinate tourism promotion with the tourism industry. Requires annual report which lists places included in tourism promotion.

Sec. 1034. *Business Incubator Program* – DELETED

Stipulates funding be awarded competitively to business incubators in 10 counties or cities. Requires each of the 10 business incubators to receive awards from the Innovation and Entrepreneurship line item. Each incubator is required to submit a dashboard of indicators. Total Funding is not to exceed \$8.5 million.

Sec. 1034b. *Van Andel Institute Funding* – DELETED

Requires \$500,000 of the funding appropriated for Innovation and Entrepreneurship to be used to provide a grant to the Van Andel Institute to be used as a match for funding received from the department of defense and the national institutes of health for advance medical research.

Sec. 1036. *General Fund Appropriation Transfers* – NEW

Requires GF/GP funds appropriated in part 1 to the Michigan Strategic Fund to be transferred to the specific funds designated by statute for those programs listed.

Sec. 1037. *Facility for Rare Isotope Beams Debt Service* – NEW

Stipulates that no long-term indebtedness shall be issued by the Michigan Strategic Fund until Michigan State University provides certification that all necessary approvals have been secured and federal funds are available to commence construction of the facility. Caps reimbursement to Michigan State University at \$91.0 million. Provides that the State Budget Director shall retain the authority and fiduciary responsibility associated with the maintenance of the public's financial and policy interests related to state-financed construction projects.

Sec. 1053. *Precollege Engineering Program* – DELETED

Requires the Michigan Strategic Fund to appropriate \$340,000 to Detroit precollege engineering program and Grand Rapids-area precollege engineering program.

Sec. 1060. *JET Program Guidelines* – REVISED

Establishes guidelines for administering the Jobs, Education, and Training (JET) program, including work participation requirement for welfare recipients enrolled in program by referencing applicable federal and state laws. Revises to reference new Partnership, Accountability, Training, Hope (PATH) program.

Supplemental Recommendations for FY 2012-13 Appropriations

**FY 2012-13
Recommendation**

1. Michigan State Housing Development Authority Unclassified Position	Gross	\$57,700
Includes \$57,700 Gross (\$0 GF/GP) for the costs associated with moving the Executive Director of the Michigan State Housing Development Authority to an unclassified position.	Restricted	57,700
2. Fuel Tracking Federal Grant	Gross	\$250,000
Includes \$250,000 Gross (\$0 GF/GP) to cover the costs related to upgrading the fuel tracking IT system for Michigan, Virginia, and Kentucky to detect fraud and evasion.	Federal	250,000
MICHIGAN STRATEGIC FUND	Gross	\$1,220,800
3. Land Bank Fast Track Authority	GF/GP	\$1,220,800
Includes \$1.2 million GF/GP to support Land Bank Fast Track Authority operations. The Land Bank Fast Track Fund has not realized sufficient revenues from real estate sales to support operations.		

**FY 2013-14 AND FY 2014-15
Budget Detail
for
HEALTH AND HUMAN
SERVICES**

**Community Health
Human Services**

**Summary: Executive Budget Recommendation
for Fiscal Years 2013-14 and 2014-15
COMMUNITY HEALTH**

Analysts: Margaret Alston, Susan Frey, Steve Stauff

	FY 2012-13	FY 2013-14 Executive	Difference: FY 2013-14 Vs. FY 2012-13		FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14	
	Year-to-Date as of 2/7/13		Amount	%		Amount	%
IDG/IDT	\$10,023,800	\$10,056,100	\$32,300	0.3	\$10,056,100	\$0	0.0
Federal	9,693,023,500	11,392,469,900	1,699,446,400	17.5	12,225,389,200	832,919,300	7.3
Local	257,148,600	227,545,600	(29,603,000)	(11.5)	227,545,600	0	0.0
Private	93,364,000	106,333,300	12,969,300	13.9	106,333,300	0	0.0
Restricted	2,158,060,000	2,172,313,600	14,253,600	0.7	2,173,463,200	1,149,600	0.1
GF/GP	2,817,437,800	2,725,532,500	(91,905,300)	(3.3)	2,735,460,600	9,928,100	0.4
Gross	\$15,029,057,700	\$16,634,251,000	\$1,605,193,000	10.7	\$17,478,248,000	\$843,997,000	5.1
FTEs	3,552.6	3,589.6	37.0	1.0	3,589.6	0.0	0.0

Notes: (1) FY 2012-13 year-to-date figures include mid-year budget adjustments through February 7, 2013. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2014-15 figures are projected budget amounts only and would not be legally binding appropriations. (4) Federal revenue is overstated by \$3,836,700, local revenue is understated by \$23,900, and state restricted revenue is understated by \$3,812,800 in the Executive Budget Bill for FY 2013-14.

Overview

The Department of Community Health budget provides funding for a wide range of behavioral health (mental health and substance abuse), public health, and medical services programs, including Medicaid. Established in 1996, the Department also includes the Office of Services to the Aging, the Crime Victim Services Commission, and health policy.

Major Budget Changes From FY 2012-13 YTD Appropriations	Executive Changes		
	FY 2012-13 YTD (as of 2/7/13)	FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
1. Medicaid Expansion	Gross \$12,158,621,600	\$1,359,044,100	\$933,798,500
Reflects projected Medicaid expansion savings within the Department of Community Health budget of \$181.7 million GF/GP and additional federal Medicaid revenue of \$1.5 billion, both covering three quarters of the fiscal year. Across the Department of Community Health and the Department of Corrections, the GF/GP savings are estimated to be \$205.9 million mainly from shifting current state costs to federal revenue, with one half of these savings to be deposited in a Budget Stabilization Fund sub-fund entitled the Michigan Health Savings Fund to pay future state costs when the state share of expansion costs increases from 0% to 5% in 2017 and then 10% in 2020. The expansion of the income criteria for Medicaid eligibility up to 133% of the federal poverty level (FPL) is estimated to qualify an additional 320,000 Michigan residents in FY 2013-14. The assumed expansion start date is January 1, 2014.	Federal 8,242,226,900	1,530,051,900	994,134,400
	Restricted 1,954,513,900	10,712,700	0
	Local 45,815,600	0	0
	Private 2,100,000	0	0
	GF/GP \$1,913,965,200	(\$181,720,500)	(\$60,335,900)

<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>		<u>FY 2012-13 YTD (as of 2/7/13)</u>	<u>Executive Changes</u>	
			<u>FY 2012-13 to FY 2013-14</u>	<u>FY 2013-14 to FY 2014-15</u>
2. Medicaid Cost Increases	Gross	\$12,158,621,600	\$33,472,500	\$197,283,100
Includes an increase for FY 2013-14 of \$219.6 million Gross (\$79.9 million GF/GP) to cover Medicaid caseload, utilization and inflation changes within Medical Services, Mental Health/Substance Abuse, Children's Special Health Care Services and the Federal Medicare Pharmaceutical programs. Also recognized is a FY 2012-13 Medicaid caseload, utilization and inflation adjustment reducing various Medicaid appropriation lines by \$186.1 million Gross (\$63.9 million GF/GP). The increase for FY 2014-15 Medicaid caseload, utilization and inflation is projected to be an increase of \$197.3 million Gross (\$67.7 million GF/GP).	Federal	8,242,226,900	17,430,300	129,636,800
	Restricted	1,954,513,900	0	0
	Local	45,815,600	0	0
	Private	2,100,000	0	0
	GF/GP	\$1,913,965,200	\$16,042,200	\$67,646,300
3. Health Insurance Claims Assessment Statutory Change	Gross	\$398,051,600	\$10,712,700	\$0
Proposes changes to PA 141 of 2011, the Health Insurance Claims Assessment Act, by replacing on January 1, 2014, the 1% current assessment with a levied rate that would generate revenue not greater than \$400.0 million in the immediate preceding year. The FY 2013-14 base health insurance claims assessment (HICA) authorization is increased by \$10.7 million due to increased assessment revenue from the Medicaid expansion. The most recent estimate is that HICA revenues are short \$129.2 million in FY 2012-13.	Restricted	398,051,600	10,712,700	0
	GF/GP	\$0	\$0	\$0
4. Healthy Kids Dental Expansion	Gross	\$99,000,000	\$11,643,000	\$0
Includes the continued phase-in of the statewide coverage for the Healthy Kids Dental program by increasing the budget \$11.6 million Gross (\$3.9 million GF/GP). The expansion would include the counties of Ingham, Ottawa and Washtenaw, enrolling an additional 70,500 children.	Federal	65,726,100	7,721,600	0
	GF/GP	\$33,273,900	\$3,921,400	\$0
5. Economic Adjustments	Gross	N/A	\$16,308,500	\$8,597,000
Includes a net increase of \$16.3 million Gross (\$7.3 million GF/GP) to finance negotiated salary and wage increase of 1.0%, insurance rate increases, actuarially-required retirement rate increase, and economic adjustments for worker's compensation, building occupancy, rent, and food costs for FY 2013-14. Includes active and retiree insurance and pension adjustment of \$8.6 million Gross (\$5.3 million GF/GP) for FY 2014-15.	IDG	N/A	52,000	0
	Federal	N/A	4,026,000	2,579,100
	Restricted	N/A	755,300	765,600
	Local	N/A	4,206,100	0
	Private	N/A	3,300	0
	GF/GP	N/A	\$7,265,800	\$5,252,300
6. Community Health Automated Medicaid Processing System (CHAMPS) One-Time Only Appropriation	Gross	\$60,201,100	(\$11,700,000)	(\$18,300,000)
Includes partial continuation of the FY 2012-13 one-time only appropriation of \$30.0 million Gross (\$3.0 million GF/GP) for CHAMPS in order to finalize implementation of the medical codes for diagnosis and inpatient procedures (ICD-10) as required by federal law in FY 2013-14. The one-time only appropriation is not continued in FY 2014-15.	Federal	49,621,000	(11,000,000)	(16,000,000)
	GF/GP	\$10,580,100	(\$700,000)	(\$2,300,000)
7. Jail Diversion Initiative	FTE	N/A	1.0	0.0
Redirects base funding from Caro Regional Mental Health Center - Psychiatric Hospital and Walter P. Reuther Psychiatric Hospital that is partially financed by \$1.6 million GF/GP from the CMHSP, Purchase of State Services Contracts line item to finance a jail diversion initiative that would do the following: create an Advisory Council to advise the Department of Community Health on the state's jail diversion plan; and enhance current jail diversion efforts for individuals with mental illness, emotional disturbance, or developmental disability within five communities.	Gross	N/A	\$1,630,000	\$0
	GF/GP	N/A	\$1,630,000	\$0

COMMUNITY HEALTH

<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>		FY 2012-13 YTD (as of 2/7/13)	Executive Changes	
			FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
8. Mental Health and Substance Abuse Services for Veterans	Gross	N/A	\$60,000	\$0
Adds \$60,000 GF/GP to the Behavioral Health Program Administration line item to support the development of a strategic action plan for the needs of veterans and their families. The funding will also be used for training and credentialing of clinicians in mental health and substance abuse programs.	GF/GP	N/A	\$60,000	\$0
9. Behavioral Health Homes	Gross	N/A	\$900,000	\$0
Provides funding of \$900,000 Gross (\$90,000 GF/GP) for the implementation of three behavioral health homes demonstration projects ensuring better coordination of physical and behavioral health care for Medicaid beneficiaries with chronic conditions such as asthma, heart disease, obesity, mental condition, or substance abuse disorder. The demonstration projects will be located in the Washtenaw region (Washtenaw, Livingston, Lenawee, and Monroe counties), Northern Michigan (21 counties which include Manistee, Emmett, and Iosco), and either Saginaw County or the Genesee region (which includes St. Clair, Lapeer, and Sanilac counties).	Federal	N/A	810,000	0
	GF/GP	N/A	\$90,000	\$0
10. Family Support Subsidy Program	Gross	\$19,161,000	\$203,900	\$438,600
Increases TANF funding for the Family Support Subsidy Program which provides \$222.11 monthly payment to an average of 7,189 income-eligible families with a child under age 18 living at home who is severely mentally impaired, severely multiply impaired, or autistic by \$203,900 anticipating a 1.1% caseload increase in FY 2013-14. Projects a caseload increase of 2.3% in the subsidy program in FY 2014-15.	TANF	19,161,000	203,900	438,600
	GF/GP	\$0	\$0	\$0
11. Actuarially Sound Capitation Payment Rates Adjustment	Gross	\$6,572,096,900	\$112,546,900	\$0
Includes a capitation rate increase of 2.5% for Health Plans and 1.25% for Prepaid Inpatient Health Plans (PIHPs) to ensure that capitation payment rates for these managed care entities are actuarially sound in FY 2013-14. This adjustment results in an additional \$112.5 million Gross (\$37.9 million GF/GP) for the Medicaid Mental Health Services, Medicaid Substance Abuse Services, and Health Plan Services line items.	IDG	2,925,900	0	0
	Federal	4,472,162,300	74,641,100	0
	Restricted	1,269,917,600	0	0
	Local	38,931,800	0	0
	GF/GP	\$788,159,300	\$37,905,800	\$0
12. Mental Health Services for Special Populations	Gross	\$8,842,800	(\$3,000,000)	\$0
Does not continue the FY 2012-13 one-time appropriation of \$3.0 million GF/GP for mental health services for special populations. The one-time funding is allocated as follows: \$250,000 for Hispanic/Latino Commission within the Department of Civil Rights; \$700,000 for ACCESS; \$700,000 for Arab/Chaldean; \$650,000 for Chaldean Chamber Foundation; and \$700,000 for Michigan Jewish Federation.	GF/GP	\$8,842,800	(\$3,000,000)	\$0
13. Community Mental Health (CMH) Non-Medicaid Services	Gross	\$274,136,200	\$8,995,500	\$0
Redirects \$9.0 million GF/GP from the CMHSP, Purchase of State Services Contracts line item to the CMH Non-Medicaid Services line item, enabling community mental health services programs (CMHSPs) to provide services to individuals with mental illness who are not covered by Medicaid or who require services that are not benefits under the state Medicaid plan in the community. This budgetary adjustment recognizes changes in the utilization of days of care at state-operated facilities by CMHSPs from FY 2005-06 through FY 2010-11.	GF/GP	\$274,136,200	\$8,995,500	\$0

Major Budget Changes From FY 2012-13 YTD Appropriations		FY 2012-13 YTD (as of 2/7/13)	Executive Changes	
			FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
14. Mental Health Innovation Grants One-Time Only Appropriation	Gross	N/A	\$5,000,000	(\$5,000,000)
Provides one-time only FY 2013-14 appropriation of \$5.0 million GF/GP for mental health innovation grants that will be allocated as follows: \$2.5 million to finance and support home-based mental health services for children; \$1.0 million for care management and treatment of high-risk youth; and \$1.5 million for mental health training and awareness programs in identifying youth with mental health needs. See related new boilerplate Sec. 1901.	GF/GP	N/A	\$5,000,000	(\$5,000,000)
15. Health and Wellness Initiatives	Gross	\$11,396,600	(\$2,750,000)	\$0
Includes a net \$2.8 million GF/GP reduction for health and wellness initiatives with elimination of \$4.2 million of one-time funding, offset by \$1.5 million increase in ongoing funding; some currently funded projects may no longer be supported or will be supported at reduced funding levels. (Not including infant mortality funds, see item below.)	Restricted	5,146,600	0	0
	GF/GP	\$6,250,000	(\$2,750,000)	\$0
16. Fee Increases for Vital Records, EMS Licensure, and Certificate of Need	Gross	\$16,167,600	\$3,206,100	\$0
Includes \$3.2 million of additional state restricted revenue from proposed new fees and fee increases to maintain the following programs: emergency medical services licensure and regulation (\$1.0 million), certificate of need (\$700,000), and vital records (\$1.5 million). Statutory changes are required for each.	IDG	1,293,600	0	0
	Federal	3,764,100	0	0
	Restricted	10,724,600	3,206,100	0
	GF/GP	\$385,300	\$0	\$0
17. HIV/AIDS Drug Assistance	Gross	\$58,558,700	\$10,570,700	\$0
Recognizes increased private pharmaceutical manufacturer rebate revenue of \$10.6 million to the HIV/AIDS drug assistance program.	Federal	26,115,600	0	0
	Restricted	4,735,400	0	0
	Private	27,707,700	10,570,700	0
	GF/GP	\$0	\$0	\$0
18. Health Care Service Delivery Innovation Grants	Gross	N/A	\$3,000,000	\$0
Provides funding of \$3.0 million GF/GP for new competitive Health Innovations Grants program to address emerging issues and encourage cutting edge innovative advances in health care and service delivery including partners in public and private sectors. See related new boilerplate Sec. 717.	GF/GP	N/A	\$3,000,000	\$0
19. Public Health Federal and Private Grants	Gross	N/A	\$609,400	\$0
Recognizes net adjustments of \$609,400 from federal and private grants for public health programs and for family, maternal, and child health programs, including 8 new grants totaling \$2.6 million, 9 completed grants of \$2.1 million and net adjustments to 6 ongoing grants totaling \$178,800.	Federal	N/A	472,800	0
	Private	N/A	136,600	0
	GF/GP	N/A	\$0	\$0
20. Infant Mortality	Gross	\$8,851,400	\$1,750,000	\$0
Provides net increase of \$1.75 million GF/GP to address infant mortality, especially to promote regional perinatal care system, improve health of women of childbearing age, and encourage infant safe sleep practices. Net change reflects ongoing funding increase of \$2.5 million and elimination of \$750,000 of one-time funding.	Federal	6,601,400	0	0
	GF/GP	\$2,250,000	\$1,750,000	\$0
21. Childhood Lead Program	Gross	\$653,900	\$582,600	\$0
Partially restores funding to the childhood lead program with a \$582,600 appropriation of available federal Maternal and Child Health Block Grant funding. Program had been significantly reduced in FY 2012-13 due to elimination of federal grants.	Federal	540,000	582,600	0
	GF/GP	\$113,900	\$0	\$0

COMMUNITY HEALTH

<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>		FY 2012-13 YTD (as of 2/7/13)	Executive Changes	
			FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
22. Newborn Screening Fee Adjustments	Gross	\$11,323,600	\$650,400	\$0
Recognizes \$650,400 increase for adjustment to the fee for newborn screening for genetic diseases, including statutorily authorized annual CPI adjustment and increases recommended by the Newborn Screening Quality Assurance Advisory Committee related to testing changes and program costs. Increases are \$352,300 for program services and \$298,100 for related laboratory services.	Restricted	11,323,600	650,400	0
	GF/GP	\$0	\$0	\$0
23. Eliminate Autism Center Grant - Transfer to Medicaid	Gross	\$500,000	\$984,600	\$0
Eliminates \$500,000 GF/GP grant to Eastern Michigan University Autism Collaborative Center from maternal and child health Special Projects line item, and transfers the funds to the Medicaid program for autism services; also reflects federal Medicaid match funds gained.	Federal	0	984,600	0
	GF/GP	\$500,000	\$0	\$0
24. WIC Infrastructure and Children's Summer EBT Pilot	Gross	\$16,294,500	\$1,392,200	\$0
Includes net federal funds increase of \$1.4 million for special projects of the Women, Infants, and Children Special Supplemental Food and Nutrition Program, recognizing completion of infrastructure and electronic benefits transfer (EBT) projects and related funding of \$1.3 million, and also recognizing a \$2.7 million federal WIC Summer EBT for Children pilot project grant first awarded in FY 2010-11, and anticipated to continue. YTD amount show is for WIC Administration and Special Projects.	Federal	15,990,200	1,392,200	0
	Private	304,300	0	0
	GF/GP	\$0	\$0	\$0
25. Aging Respite Care Fund Shift for GF/GP Savings	Gross	\$5,868,700	\$0	\$0
Replaces \$400,000 of Merit Award Trust Fund state restricted revenue with a like amount of anticipated increased revenue from the state restricted Senior Respite Care Fund, for a net \$0 senior respite program change. The Merit Award Trust Funds are transferred to the Medicaid program to replace GF/GP for savings. YTD shown is Respite Care Program only.	Restricted	1,400,000	400,000	0
	Merit Awd	4,468,700	0	0
	GF/GP	\$0	(\$400,000)	\$0
26. Graduate Medical Education Reduction	Gross	\$162,888,300	(\$4,314,200)	\$0
Reduces by \$4.3 million Gross (\$1.3 million GF/GP) funding for the Graduate Medical Education (GME) program by deleting the Hospital Services and Therapy - Graduate Medical Education line within the One-Time Basis Only Appropriations unit.	Federal	108,141,500	(2,975,200)	0
	GF/GP	\$54,746,800	(\$1,339,000)	\$0
27. Low-Income Rural Resident Hospitals	Gross	\$35,484,000	\$0	\$0
Maintains the hospital, low-income resident payments pool of \$35.5 million Gross. Related boilerplate Sec. 1866 is deleted.	Federal	23,484,000	0	0
	GF/GP	\$12,000,000	\$0	\$0
28. Detroit Medical Center Reduction	Gross	\$19,989,600	(\$19,989,600)	\$0
Removes the Detroit Medical Center (DMC) hospital rate adjustment (HRA) payment of \$20.0 million Gross (\$6.7 million GF/GP) which was established in FY 2008-09 due to a conversion from a disproportionate share hospital (DSH) payment not financed with GF/GP. The conversion was due to an effort to establish more room under the DSH ceiling. DMC is the only hospital that receives a GF/GP financed HRA payment.	Federal	13,257,100	(13,257,100)	0
	GF/GP	\$6,732,500	(\$6,732,500)	\$0

<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>		<u>FY 2012-13 YTD (as of 2/7/13)</u>	<u>Executive Changes</u>	
			<u>FY 2012-13 to FY 2013-14</u>	<u>FY 2013-14 to FY 2014-15</u>
29. Primary Care Physician Rate Increase	Gross	\$281,800,000	\$103,200,000	\$0
Recognizes an increase of \$103.2 million, annualizing the 3/4 amount of federal funds included in FY 2012-13 that will be available to provide an increase in the reimbursement rates for primary care doctors, family doctors and pediatricians up to 100% of Medicare rates. Not included in the rate increase are nurse practitioners, physician assistants and OB/GYNs. This reimbursement level change is a requirement of the Affordable Care Act of 2010 and is entirely federally funded. The federal funding is available through December 31, 2014.	Federal	281,800,000	103,200,000	0
	GF/GP	\$0	\$0	\$0
30. Autism Spectrum Disorder	Gross	\$20,886,200	\$20,455,400	\$0
Includes \$20.5 million Gross (\$6.9 million GF/GP) additional funding for autism spectrum disorder treatment of Medicaid and MIChild eligible children. The Medicaid state plan amendment is expected to be approved in Spring 2013.	Federal	14,203,200	13,566,000	0
	GF/GP	\$6,683,000	\$6,889,400	\$0
31. Integration of Care for Dual Eligibles	Gross	\$0	\$29,828,700	\$0
Reinstates \$29.8 million Gross (\$10.1 million GF/GP) of funding removed from the FY 2012-13 budget as savings generated by integrating care for dual eligibles. The care integration pilot projects have yet to be started and are not anticipated to produce savings in FY 2013-14.	Federal	0	19,782,400	0
	GF/GP	\$0	\$10,046,300	\$0

Major Boilerplate Changes From FY 2012-13

NOTE: No boilerplate language is proposed specific to FY 2014-15.

Executive Boilerplate Deletions

In general, the Executive Budget deletes a large majority of boilerplate language included in the FY 2012-13 budget. This includes many legislative reporting requirements, sections providing guidance and placing conditions on appropriations, and earmarks of funding for specific purposes. The list below includes major changes to boilerplate, but is not a comprehensive list of all sections proposed to be deleted. For the Department of Community Health budget, the Executive deletes 81 of 147 boilerplate sections.

GENERAL SECTIONS

Sec. 213. Report on Tobacco and Healthy Michigan Funds – DELETED

Requires state departments, agencies, and commissions receiving tobacco tax and Healthy Michigan funds to report on programs utilizing these funds by April 1, 2013, to the House and Senate Appropriations Committees, House and Senate Fiscal Agencies, and State Budget Director.

BEHAVIORAL HEALTH SERVICES – REVISED

Sec. 401. Comprehensive System of Community Mental Health (CMH) Services – REVISED

Provides that Part 1 appropriated funds are to support a comprehensive system of CMH services under the full authority and responsibility of local community mental health services programs (CMHSPs) or prepaid inpatient health plans (PIHPs) in accordance with the following new criteria: Michigan's Mental Health Code, Medicaid state plan provider manual, federal Medicaid waivers, and all other applicable federal and state laws. Removes language that requires the DCH to ensure each CMHSP or PIHP provide all of the following: a system of single entry and single exit; a complete array of mental health services; the coordination of inpatient and outpatient hospital services; individualized plans of services; a case or care management system; and a system that serves at-risk and delinquent youth pursuant to provisions of the Mental Health Code, 1974 PA 258, MCL 330.1001 to 330.2106.

Sec. 404. Report on CMHSPs – DELETED

Requires DCH to report by May 31, 2013, on the following for CMHSPs or PIHPs: expenditures and services data, information about access to CMHSPs, lapses and carry-forwards during FY 2011-12, information on the CMH Medicaid managed care program, performance indicator information required to be submitted to DCH in contracts with CMHSPs or PIHPs, and an estimate of the number of mental health direct care workers.

COMMUNITY HEALTH

Major Boilerplate Changes From FY 2012-13

Sec. 408. Report on Substance Abuse Prevention, Education, and Treatment Programs – REVISED

Requires DCH, by April 1 of the current fiscal year, to collect data in order to analyze trends in substance abuse prevention, treatment, and recovery programs and determine the effectiveness relative to positive outcomes of invested dollars rather than DCH report on the previous fiscal year expenditures and services data on substance abuse prevention, education, and treatment programs.

Sec. 492. Mental Health Services to County Jail Inmates – DELETED

Does not allow the Department to prohibit the use of GF/GP dollars by CMHSPs to provide mental health services to inmates of a county jail if a CMHSP has entered into an agreement with a county or county sheriff.

Sec. 498. Effectiveness of Substance Use Disorders Treatment Programs – DELETED

Requires DCH to use standard program evaluation measures to assess the effectiveness of heroin and other opiates treatment programs provided through coordinating agencies and service providers in reducing the incidence of substance use disorders. Requires a May 1, 2013 report on the effectiveness of treatment programs for heroin and other opiates.

HEALTH POLICY

Sec. 709. Michigan Essential Health Care Provider Program – REVISED

Modifies language allowing DCH to reduce local and private share of loan repayment costs to 25% for obstetricians and gynecologists working in underserved areas, to now indicate program will be for primary care physicians, particularly obstetricians and gynecologists working in underserved areas.

Sec. 712. Free Health Clinic Funding – DELETED

Allocates \$250,000 to free health clinics from the funds appropriated for primary care services, to be distributed equally to each free health clinic. Defines free health clinic.

CHRONIC DISEASE AND INJURY PREVENTION AND HEALTH PROMOTION

Sec. 1004. Cancer Rate Investigations - DELETED

Establishes legislative intent that DCH continue to collaborate with St. Clair County and the City of Detroit's southwest community to investigate and evaluate cancer rates.

FAMILY, MATERNAL, AND CHILDREN'S HEALTH SERVICES

Sec. 1103. Sexual and Maternal Health Expenditure and Demographics Report – DELETED

Requires DCH to annually report an estimate of public funds administered by the department for family planning, sexually transmitted infection prevention and treatment, pregnancies, and births, and to report demographics collected by DCH that are voluntarily self-reported by individuals utilizing those services. Requires DCH to provide actual or estimated expenditure data by marital status and permits the use of state program applications to determine actual or estimated expenditures.

Sec. 1119. No Use of Funds to Encourage or Support Abortion Services – DELETED

Directs that no state funds appropriated for family planning local agreements or pregnancy prevention programs shall be used to encourage or support abortion services.

Sec. 1135. School Health Education Curriculum – DELETED

Establishes that if funds become available, provision of a school health education curriculum shall be in accordance with health education goals of the Michigan Model for Comprehensive School Health Education State Steering Committee; establishes steering committee membership; and requires curriculum materials be made available upon request.

CRIME VICTIM SERVICES COMMISSION

Sec. 1302. Allocation of Funds for Forensic Nurse Examiner Programs – DELETED

Allocates up to \$200,000 of justice assistance grants line item funds for expansion of forensic nurse examiner programs to facilitate training for improved evidence collection for prosecution of sexual assault. Funds to be used for program coordination and training.

MEDICAL SERVICES

Sec. 1682. OBRA Nursing Home Enforcement Provisions – REVISED

Adds language allowing unused civil monetary penalty funds to be carried over to the following fiscal year.

Sec. 1692. Medicaid School-Based Services – REVISED

Adds language allowing the Department to increase federal authorization, without Legislative approval, in the School-Based Services line to make payments to schools participating in the program.

Sec. 1866. Rural Hospital Payments – DELETED

Requires the distribution of \$12.0 million GF/GP, along with the federal match, to rural hospitals meeting certain criteria.

Major Boilerplate Changes From FY 2012-13

Sec. 1866. Medicaid Management Information System (MMIS) Revenue – NEW

Allows the Department to receive and spend revenue from an alliance between Michigan and Illinois regarding Michigan's MMIS and may reduce (un-allot) GF/GP in the amount of these additional revenues.

ONE-TIME APPROPRIATIONS

Sec. 1901. Mental Health Innovations – NEW

Allows DCH to expend funds to achieve mental health innovations which address emerging issues and improve mental health services for children. Also, in addition to the funds appropriated in part 1 for mental health innovations, DCH is allowed to receive and spend revenues and donations from any source for this purpose.

<u>Supplemental Recommendations for FY 2012-13 Appropriations</u>	<u>FY 2012-13 Recommendation</u>
1. Medicaid Cost Adjustments	
Reduces various lines by a net \$183.0 million Gross (\$63.0 million GF/GP) recognizing lower Medicaid caseload, utilization and inflation cost projections within Medical Services, Mental Health/Substance Abuse, Children's Special Health Care Services and the Federal Medicare Pharmaceutical programs.	Gross (\$182,980,200)
	Federal (119,968,900)
	GF/GP (\$63,011,300)
2. HICA Shortfall Fix	
Replaces \$129.2 million of state restricted health insurance claims assessment (HICA) authorization within the Health Plan Services line item with \$99.4 million of state restricted Medicaid Benefits Trust Fund revenue and \$29.8 million of Merit Award authorization which satisfies the current estimated HICA shortfall in FY 2012-13.	Gross \$0
	Merit Awd 29,800,000
	Restricted (29,800,000)
	GF/GP \$0
3. Integration of Care for Dual Eligibles	
Reinstates \$29.8 million Gross (\$10.0 million GF/GP) of funding removed from the FY 2012-13 budget as savings generated by integrating care for dual eligibles. The care integration pilot projects have yet to be started and are not anticipated to produce savings in FY 2013-14.	Gross \$29,828,700
	Federal 19,803,300
	GF/GP \$10,025,400
4. Other Medical Services and CSHCS Adjustments	
Various other Medicaid and non-Medicaid adjustments.	Gross \$25,816,900
• Nursing home quality assurance assessment program (QAAP) payment adjustment	Federal 16,024,400
• Children's Special Health Care Services (CSHCS) eligibles to managed care	Local 1,115,600
• Civil Monetary Fund shift between appropriation lines	Restricted (1,183,300)
• Dental settlement financing fund shift	GF/GP \$9,860,200
• State psychiatric hospital disproportionate share hospital (DSH) adjustment	
• Enhanced medication program savings	
• Hospital QAAP payment adjustment	

**Summary: Executive Budget Recommendation
for Fiscal Years 2013-14 and 2014-15
HUMAN SERVICES (Department)**

Analyst: Kevin Koorstra

	FY 2012-13	FY 2013-14 Executive	Difference: FY 2013-14 Vs. FY 2012-13		FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14	
	Year-to-Date as of 2/7/13		Amount	%		Amount	%
IDG/IDT	\$30,581,300	\$30,594,600	\$13,300	0.0	\$30,594,600	\$0	0.0
Federal	5,507,467,200	4,802,702,800	(704,764,400)	(12.8)	4,805,562,500	2,859,700	0.1
Local	39,029,400	37,891,500	(1,137,900)	(2.9)	37,891,500	0	0.0
Private	9,792,600	9,856,000	63,400	0.6	9,856,000	0	0.0
Restricted	88,453,600	151,618,800	63,165,200	71.4	151,618,800	0	0.0
GF/GP	1,028,769,600	1,013,112,400	(15,657,200)	(1.5)	1,022,565,000	9,452,600	0.9
Gross	\$6,704,093,700	\$6,045,776,100	(\$658,317,600)	(9.8)	\$6,058,088,400	\$12,312,300	0.2
FTEs	12,314.0	12,282.5	(31.5)	(0.3)	12,263.0	(19.5)	(0.2)

Notes: (1) FY 2012-13 year-to-date figures include mid-year budget adjustments through February 7, 2013. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2014-15 figures are projected budget amounts only and would not be legally binding appropriations.

Overview

The Department of Human Services (DHS) administers a wide range of programs and services to assist Michigan's most vulnerable families, including public assistance programs that provide direct cash support as well as assistance with food and emergency needs. The DHS is also charged with protecting children and assisting families by administering foster care, adoption and family preservation programs, and by enforcing child support laws. The DHS is also responsible for delivering juvenile justice services, for Michigan Rehabilitation Services, and for licensing day care, adult foster care, and child welfare agencies in the state.

Major Budget Changes From FY 2012-13 YTD Appropriations		FY 2012-13 YTD	Executive Changes	
		(as of 2/7/13)	FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
1. Public Assistance Caseload Adjustments	Gross	\$3,862,229,300	(\$699,359,200)	(\$8,937,100)
Reduces funding for public assistance programs \$699.4 million Gross and increases GF/GP by \$186,100 as follows:	Federal	3,603,104,200	(699,545,300)	(9,624,000)
• Food Assistance Program (FAP) is reduced \$683.7 million Gross from 1,088,146 cases at \$271 per month to 876,650 cases at \$269 per month.	Restricted	81,211,700	0	0
• Family Independence Program (FIP) is reduced \$15.8 million Gross from 53,298 cases at \$397 per month to 49,226 cases at \$401 per month.	GF/GP	\$177,913,400	\$186,100	\$686,900
• State Disability Assistance (SDA) program is reduced \$546,600 GF/GP from 8,777 cases at \$257 per month to 8,600 cases at \$257 per month.				
• State Supplementation program is increased \$732,700 GF/GP from 271,800 cases at \$19.31 per month to 275,000 cases at \$19.08 per month.				

Also reduces FY 2014-15 projected budget \$8.9 million Gross and increases GF/GP by \$686,900 based on estimated public assistance caseload adjustments.

<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>		FY 2012-13 YTD (as of 2/7/13)	Executive Changes	
			FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
2. Energy Services	Gross	\$59,900,000	\$100,000	\$0
Eliminates \$59.9 million Gross (\$27.7 million GF/GP) designated as one-time funding for state emergency relief energy services. Provides \$60.0 million in restricted revenues to offset elimination of one-time funding. Restricted revenues generated from proposed legislation to create a new fee payable by every electric utility customer.	Federal	32,200,000	(32,200,000)	0
	Restricted	0	60,000,000	0
	GF/GP	\$27,700,000	(\$27,700,000)	\$0
3. Temporary Assistance for Needy Families (TANF) Fund Source	Gross	\$4,988,881,000	\$0	\$0
Rolls the federal Temporary Assistance for Needy Families (TANF) block grant fund source into the general "total federal revenues" fund source.	Federal	4,409,541,200	579,339,800	0
	TANF	579,339,800	(579,339,800)	0
	GF/GP	\$0	\$0	\$0
4. Child Welfare Caseload Adjustments	Gross	\$614,653,700	(\$23,242,300)	\$0
Reduces funding for child welfare programs \$23.2 million Gross (\$8.4 million GF/GP) as follows:	Federal	330,598,300	(13,124,000)	0
• Foster care payments are reduced \$15.0 million Gross (\$7.0 million GF/GP) from 7,200 cases at \$24,378 per year to 6,650 cases at \$26,844 per year.	Local	18,274,500	(1,574,600)	0
• Adoption subsidies are increased \$2.0 million Gross (\$3.8 million GF/GP) from 26,850 cases at \$651 per month to 27,100 cases at \$651 per month.	Private	1,600,000	(125,900)	0
• The County Child Care Fund is reduced \$11.1 million Gross (\$5.3 million GF/GP).	GF/GP	\$264,180,900	(\$8,417,800)	\$0
• Guardianship assistance payments are increased \$970,700 million Gross (\$166,500 GF/GP).				
5. Child Welfare Staffing Enhancement	FTE	577.0	0.0	0.0
Annualizes the cost to hire 577.0 additional child welfare staff during FY 2012-13. Staff were requested in order to be in compliance with the case-to-supervisor ratios required by the Children's Rights settlement agreement. On May 22, 2012, DHS requested 307 new child protective service workers, 174 new direct care workers, and 96 new first-line supervisors. The FY 2013-14 Executive Recommendation revises the staffing request to 404 new child protective service workers, 113 new direct care workers, 1 new education planner, 2 new permanency planning conference coordinators, 41 new first-line supervisors, and 16 new second-line supervisors.	Gross	\$23,320,300	\$26,297,300	\$0
	Federal	16,027,300	18,073,100	0
	GF/GP	\$7,293,000	\$8,224,200	\$0
6. One-Time Funding: Family Preservation Expansion	FTE	NA	1.0	(1.0)
Provides \$2.5 million in federal TANF funds to expand Families Together Building Solutions to Macomb and Muskegon Counties and to expand Supportive Visitation/Home-Based Parent Education Program to additional counties.	Gross	NA	\$2,500,000	(\$2,500,000)
	Federal	NA	2,500,000	(2,500,000)
	GF/GP	NA	\$0	(\$0)
7. Pathways to Potential	FTE	NA	26.0	0.0
Provides \$6.2 million Gross (\$2.2 million GF/GP) to hire new child support specialists to provide child support case management, to hire new child welfare training staff to support a new Crucial Accountability Training program, and to hire new medical consultation staff to address a backlog of medical determination cases. The funding would also provide partial tuition reimbursement for DHS staff seeking a Master's Degree in Social Work.	Gross	NA	\$6,220,200	\$0
	Federal	NA	4,033,700	0
	GF/GP	NA	\$2,186,500	\$0

HUMAN SERVICES (DEPARTMENT)

<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>		FY 2012-13 YTD (as of 2/7/13)	Executive Changes	
			FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
8. Phone Costs	Gross	NA	\$2,187,300	\$0
Increases \$1.2 million Gross (\$478,100 GF/GP) for Cisco phone charges, \$1.0 million Gross (\$394,400 GF/GP) for DTMB smartphone \$22 per month charges, and \$218,100 Gross (\$92,100 GF/GP) for Mobile Worker Initiative. Reduces rent \$218,100 Gross (\$92,100 GF/GP) to pay for Mobile Worker Initiative costs.				
	Federal	NA	1,314,800	0
	GF/GP	NA	\$872,500	\$0
9. Fraud Prevention, Detection, and Recoupment	Gross	NA	\$2,000,000	(\$1,500,000)
Provides \$500,000 GF/GP for 3 attorneys within the Department of Attorney General to prosecute persons who provide fraudulent information to DHS. Also provides \$1.5 million Gross (\$1.0 million GF/GP) for one-time biometrics fraud detection technology.				
	Federal	NA	500,000	(500,000)
	GF/GP	NA	\$1,500,000	(\$1,000,000)
10. National Voter Registration Act	Gross	NA	\$717,600	\$0
Provides \$717,600 Gross (\$350,600 GF/GP) for printing and postage costs to comply with the National Voter Registration Act.				
	Federal	NA	367,000	0
	GF/GP	NA	\$350,600	\$0
11. Juvenile Justice Data Analyst	FTE	23.0	1.0	0.0
Provides \$116,000 GF/GP to hire a juvenile justice data analyst. Data analyst would work with State Court Administrative Office (SCAO), counties, and other stakeholders to compile statewide data on juvenile justice.				
	Gross	\$4,362,400	\$116,000	\$0
	Federal	78,300	0	0
	Local	946,200	0	0
	GF/GP	\$3,337,900	\$116,000	\$0
12. SSI Advocates	FTE	10.0	0.0	0.0
Increase Supplemental Security Income (SSI) recoveries \$78,200 to support all 10.0 FTEs allocated for SSI advocacy.				
	Gross	\$755,500	\$78,200	\$0
	Restricted	605,900	78,200	0
	GF/GP	\$149,600	\$0	\$0
13. One-Time Funding: Eliminate FY 2012-13 Appropriations	Gross	\$12,546,500	(\$12,546,500)	\$0
Discontinues FY 2012-13 one-time appropriations of \$12.5 million Gross (\$5.4 million GF/GP) for state employee lump sum payments, Seita Scholarship, juvenile justice behavioral health study, and Medicaid eligibility review.				
	Federal	7,104,100	(7,104,100)	0
	Restricted	5,600	(5,600)	0
	GF/GP	\$5,436,800	(\$5,436,800)	\$0
14. Information Technology	FTE	0.0	18.5	(18.5)
Reduces SACWIS development costs \$7.5 million Gross (\$3.2 million GF/GP) and discontinues FY 2012-13 one-time appropriations of \$2.5 million Gross (\$1.5 million GF/GP) for Inspector General IT upgrades. Provides \$2.4 million Gross (\$754,300 GF/GP) for SACWIS T-1 lines, \$467,900 Gross (\$168,400) for wireless infrastructure, \$407,700 Gross (\$108,500 GF/GP) for Microsoft enterprise agreement, \$351,800 Gross (\$126,600 GF/GP) to increase internet bandwidth, and \$140,600 Gross (\$50,600 GF/GP) for the Center for Shared Solutions within DTMB. Also provides 18.5 FTEs and \$2.0 million Gross (\$1.0 million GF/GP) for one-time BRIDGES improvements.				
	Gross	\$162,780,500	(\$4,232,000)	(\$2,000,000)
	IDG	1,943,600	0	0
	Federal	107,101,500	(1,814,100)	(960,400)
	GF/GP	\$53,735,400	(\$2,417,900)	(\$1,039,600)
15. Adjustments to Current Services Baseline	Gross	NA	\$96,700	\$0
Increases \$96,700 Gross (\$2.5 million GF/GP) to align line item appropriations with projected spending and available revenues. Offsets \$2.5 million GF/GP increase with \$2.5 million in federal TANF appropriated in Payroll Taxes and Fringe Benefits line item.				
	Federal	NA	(2,903,300)	0
	Restricted	NA	3,000,000	0
	GF/GP	NA	\$0	\$0

<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>		FY 2012-13 YTD (as of 2/7/13)	Executive Changes	
			FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
16. Employee Economics	Gross	NA	\$40,270,600	\$27,249,400
Reflects increased costs of \$40.3 million Gross (\$14.5 million GF/GP) for negotiated salary and wage amounts (1.0%), insurance rate increases, actuarially-required retirement rate increases, and other economic adjustments. Additional increase of \$27.2 million Gross (\$10.8 million GF/GP) projected for FY 2014-15.	IDG	NA	13,300	0
	Federal	NA	24,991,100	16,444,100
	Local	NA	436,700	0
	Private	NA	189,300	0
	Restricted	NA	92,600	0
	GF/GP	NA	\$14,547,600	\$10,805,300
17. Federal Medical Assistance Percentage (FMAP) Adjustments	Gross	NA	\$12,900	\$0
Increases GF/GP by \$188,300 from the FMAP federal match rate adjustment from 66.39% to 66.32%. Also increases federal TANF funds to offset child support collections. This rate is used to determine federal cost sharing for foster care payments, adoption subsidies and retained child support collections.	Federal	NA	(63,000)	0
	Restricted	NA	(112,400)	0
	GF/GP	NA	\$188,300	\$0

Major Boilerplate Changes From FY 2012-13

NOTE: No boilerplate language proposed specific to FY 2014-15.

Executive Boilerplate Deletions

In general, the Executive Budget deletes a large majority of boilerplate language included in the FY 2012-13 budget. This includes many legislative reporting requirements, sections providing guidance and placing conditions on appropriations, and earmarks of funding for specific purposes. The list below includes major changes to boilerplate, but is not a comprehensive list of all sections proposed to be deleted.

GENERAL SECTIONS

Sec. 250. Information Technology Work Projects – DELETED

Allows appropriations for information technology to be designated as work projects and carried forward into future fiscal years.

Sec. 264. DHS Employee Communication with Legislature – DELETED

Prohibits disciplinary action by DHS against employees for communicating with a legislator or legislative staff.

Sec. 290. Welfare Fraud Hotline – DELETED

Requires DHS to include the welfare fraud hotline phone number on any public advertisement.

Sec. 291. E-Verify – DELETED

Requires DHS to use E-Verify to verify that new employees and new contractors are legally present in the United States; requires report on implementation.

Sec. 299. DHS Performance Metrics – NEW

Requires DHS to maintain, on a publically accessible website, a scorecard that identifies, tracks, and updates key metrics.

EXECUTIVE OPERATIONS

Sec. 307. 2-1-1 Statewide Call System – DELETED

Allocates \$400,000 for Michigan 2-1-1 to coordinate and support a statewide 2-1-1 call system; provides that funding shall not exceed 50% of total operating expenses; requires 2-1-1 to refer to DHS any calls of fraud, waste, and abuse of state-administered public assistance; and requires annual report.

ADULT AND FAMILY SERVICES

Sec. 401. Centers for Independent Living – DELETED

Distributes grant funds to state's centers for independent living. Funds are used by existing centers to provide services in underserved areas or to build capacity to provide independent living services, in accordance with applicable federal law and regulations.

Sec. 402. Vocational Rehabilitation Matching Funds – DELETED

Directs the MRS and the Michigan Commission for the Blind to work collaboratively with organizations and agencies to identify match dollars and maximize federal funds.

REVIEW AND ANALYSIS OF FY 2013-14 AND FY 2014-15 EXECUTIVE RECOMMENDATION

HUMAN SERVICES (DEPARTMENT)

Major Boilerplate Changes From FY 2012-13

Sec. 420. Elder Abuse Prosecuting Attorney Contract – DELETED

Requires DHS to contract with the Prosecuting Attorneys Association of Michigan to fund 2 elder abuse resource prosecuting attorney positions to provide support and services to state prosecutors, adult protective service workers, and criminal justice system to assist with elder abuse and financial exploitation cases; requires annual report.

Sec. 423. Michigan MiCAFE Contract – DELETED

Allocates \$175,000 to Elder Law of Michigan MiCAFE to assist elderly citizens who may be eligible for food assistance; allows money to be used as matching funds to provide food assistance outreach as part of a food stamp hotline.

Sec. 425. Vehicle Repairs – DELETED

Limits car repair allocations to not more than \$500 per year per individual, but allows DHS to approve exceptions up to \$900 per year; requires report on number of exceptions.

CHILDREN'S SERVICES

Sec. 506. Medicaid Coverage for Children under State or Court Supervision – DELETED

Requires DHS to guarantee that a child in foster care who is eligible for Medicaid will not have a break in coverage if they move from one county to another.

Sec. 513. Child Placements in Out-of-State Facilities – DELETED

Restricts placement of children in out-of-state facilities unless specified criteria are met as determined by the interstate compact office and deputy director of children's services; requires annual report.

Sec. 519. Treatment Foster Care – DELETED

Requires DHS to permit private agencies with existing contracts to provide treatment foster care services.

Sec. 525. On-site Evaluations – DELETED

Requires DHS to use same on-site evaluation process and noncompliance penalties for private-operated and state-operated residential facilities.

Sec. 533. Child Welfare Payment Promptness – DELETED

Directs DHS to make payments to child placing agencies within 30 days after receiving documentation for out-of-home care services; directs DHS to explore automated payments to private agencies to improve speed and accuracy; requires report.

Sec. 540. Psychotropic Medication For Youth in Out-of-Home Placements – DELETED

Requires DHS to determine within 30 days whether to change prescribed psychotropic medication for state wards if the placement administration determines that the medication should be changed, or to seek parental consent within 7 business days for a temporary court ward.

Sec. 546. Foster Care Agency Administrative Rates – DELETED

Establishes foster care administrative rate of \$37 for private child placing agencies under contract with DHS; establishes general independent living administrative rate of \$28; reinstates specialized independent living administrative rates provided in FY 2010-11.

Sec. 574. Contracts to License Relative Caregivers – DELETED

Allocates \$2.5 million to private child placing agencies to facilitate licensure of relative caregivers as foster parents and allows private agencies to retain supervision of at least 50% of the newly licensed cases; provides \$375,000 for family incentive grants to help with home improvements needed by foster families.

Sec. 585. Private Agency Staff Training – DELETED

Allows private nationally accredited foster care and adoption agencies to conduct their own staff training provided that training and materials are accredited by DHS; requires DHS to provide access to training materials and post training materials online.

Sec. 589. Restrictions on Transfer of Foster Care Cases to Private Supervision – DELETED

Prohibits DHS from transferring foster care cases currently under DHS supervision to private agency supervision where the case requires a county contribution for the private agency administrative rate; requires monthly report on the number of foster care cases supervised by private agencies and by DHS.

PUBLIC ASSISTANCE

Sec. 609. SSI State Supplementation – DELETED

Prohibits reduction of SSI state supplementation for recipients in institutional settings during the fiscal year, requires 30 day notice to the Legislature for any proposed reduction to the state supplementation level.

Major Boilerplate Changes From FY 2012-13

Sec. 610. State Emergency Relief (SER) – DELETED

Requires consideration of expenses for finding employment as good cause for persons applying for SER assistance; establishes housing affordability standard under SER of 75% of total net income; prohibits SER payments to individuals found guilty of fraud, out-of-state residents, and illegal immigrants; requires SER rent assistance to be paid directly to the landlord.

Sec. 611. State Supplementation Rate Restriction – DELETED

Prohibits state supplementation levels for living independently or living in the household of another from exceeding the minimum level required under federal law or regulations.

Sec. 612. Refugee Medical Benefits Asset Test – DELETED

Requires DHS to implement an asset test for applicants and recipients of refugee assistance program medical benefits.

Sec. 613. Cremation of Unclaimed Bodies – REVISED

Provides reimbursements for the cremation of indigent persons if a person with the right to control the disposition of the body does not claim the body or refuses to exercise that right. Revision allows DHS to provide indigent burial services and strikes reference to cremation of unclaimed persons.

Sec. 615. Illegal Alien Public Assistance Prohibition – DELETED

Prohibits providing public assistance to illegal aliens except as required by federal regulations or for emergency food and shelter services.

Sec. 616. Electronic Benefit Transfer (EBT) Fees – DELETED

Prohibits retailers participating in EBT program from charging more than \$2.50 in fees for cash back.

Sec. 645. Domestic Violence Homeless Criteria for State Emergency Relief – DELETED

Allows individuals living with others to escape domestic violence to be defined as homeless for purpose of SER.

Sec. 653. Domestic Violence Exemption to Food Assistance Requirements – DELETED

Exempts an individual who is the victim of domestic violence for up to an additional three months from the three-month-in-36-month limit on receiving food assistance.

Sec. 657. Extended Family Independence Program (EFIP) Notifications – DELETED

Requires DHS to notify individuals eligible for EFIP that receiving EFIP will count toward the federal and state lifetime cash assistance limits.

Sec. 696. Chaldean Community Foundation – DELETED

Appropriates \$1.0 million to the Chaldean Community Foundation to provide translation services, health care, and youth services.

JUVENILE JUSTICE SERVICES

Sec. 708. County Spending Plan – DELETED

Specifies that in order for counties to receive allocations from the Child Care Fund, they must submit a service spending plan for DHS approval by October 1 of each year; approval must be obtained prior to December 15.

Sec. 719. Legislative Notification of Juvenile Justice Changes – DELETED

Requires DHS to notify Legislature at least 30 days before closing or making any change in the status of a state juvenile justice facility, including licensed bed capacity and operating bed capacity.

Sec. 721. Residential Facility of Last Resort – DELETED

If demand exceeds capacity at state-operated facilities, requires DHS to post a request for proposals to contract with not less than 1 private provider to be a residential facility of last resort instead of increasing available occupancy at state-operated facilities.

LOCAL OFFICE SERVICES

Sec. 750. Out-Stationed Eligibility Specialists – DELETED

Requires DHS to maintain out-stationed eligibility specialists in community-based organizations, community mental health agencies, nursing homes, and hospitals unless the out-stationed location requests the program discontinued.

HUMAN SERVICES (DEPARTMENT)

Supplemental Recommendations for FY 2012-13 Appropriations

**FY 2012-13
Recommendation**

1. Public Assistance Caseload Adjustments

Reduces funding for public assistance programs \$598.5 million Gross (\$0 GF/GP) as follows:

- Food Assistance Program (FAP) is reduced \$603.0 million Gross from 1,088,146 cases at \$271 per month to 901,625 cases at \$269 per month.
- Family Independence Program (FIP) is increased \$4.5 million Gross from 53,298 cases at \$397 per month to 54,284 cases at \$397 per month. FIP increase is due to cases exempt from case closure due to passage of Senate Bill 1386. (SBO Request 2013-4)

Gross	(\$598,462,700)
Federal	(598,462,700)
GF/GP	\$0

2. Child Welfare Caseload Adjustments

Reduces funding for child welfare programs \$30.2 million Gross (\$14.3 million GF/GP) as follows:

- Foster care payments are reduced \$19.0 million Gross (\$8.9 million GF/GP) from 7,200 cases at \$24,378 per year to 6,500 cases at \$26,844 per year.
- The County Child Care Fund is reduced \$11.1 million Gross (\$5.3 million GF/GP). (SBO Request 2013-4)

Gross	(\$30,194,300)
Federal	(13,751,900)
Local	(2,009,500)
Private	(162,100)
GF/GP	(\$14,270,800)

3. Family Independence Program - Litigation Payments

Provides \$16.7 million in federal Temporary Assistance for Needy Families (TANF) block grant funding into the Family Independence Program line item and redirects \$16.7 million in GF/GP to a new Family Independence Program - Litigation Payments line item. The current standing of *Smith v. Corrigan*, and passage of Senate Bill 1386 (PA 607 of 2012), allows DHS to implement its policy revisions to the federal 60-month lifetime limit effective March 1, 2013. Approximately 7,000 cases will be closed. This new line item will fund the FIP payments made to these 7,000 cases from October 2012 - February 2013. (SBO Request 2013-4)

Gross	\$16,728,400
Federal	16,728,400
GF/GP	\$0

**FY 2013-14 AND FY 2014-15
Budget Detail
for
RESOURCE PROTECTION**

**Agriculture and Rural Development
Environment Quality
Natural Resources**

**Summary: Executive Budget Recommendation
for Fiscal Years 2013-14 and 2014-15
AGRICULTURE AND RURAL DEVELOPMENT**

Analyst: Susan Frey

	FY 2012-13	FY 2013-14	Difference: FY 2013-14		FY 2014-15	Difference: FY 2014-15	
	Year-to-Date as of 2/7/13		Executive	Vs. FY 2012-13 Amount		%	Executive
IDG/IDT	\$519,300	\$524,300	\$5,000	1.0	\$524,300	\$0	0.0
Federal	11,199,600	9,720,900	(1,478,700)	(13.2)	10,035,500	314,600	3.2
Local	0	0	0	--	0	0	--
Private	175,800	96,900	(78,900)	(44.9)	117,600	20,700	21.4
Restricted	28,959,400	29,020,900	61,500	0.2	29,241,400	220,500	0.8
GF/GP	36,098,900	37,630,300	1,531,400	4.2	37,701,100	70,800	0.2
Gross	\$76,953,000	\$76,993,300	\$40,300	0.1	\$77,619,900	\$626,600	0.8
FTEs	431.0	434.0	3.0	0.7	434.0	0	0.0

Notes: (1) FY 2012-13 year-to-date figures include mid-year budget adjustments through February 7, 2013. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2014-15 figures are projected budget amounts only and would not be legally binding appropriations. (4) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

Overview

The Department's key programs and priorities include ensuring food safety and security, protecting animal health and welfare, managing invasive exotic species, regulating pesticide use, certifying agricultural commodities, ensuring environmental stewardship, protecting consumers, and promoting the state's agricultural economy.

Major Budget Changes From FY 2012-13 YTD Appropriations		FY 2012-13 YTD (as of 2/7/13)	Executive Changes	
			FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
1. Economic Adjustments	Gross	N/A	\$1,764,400	\$1,226,600
Reflects increased costs of \$1.8 million Gross (\$0.9 million GF/GP) for negotiated salary and wage amounts, insurance rate increases, actuarially-required retirement rate increases, building and other economic adjustments. Additional economics increase of \$1.2 million Gross (\$0.7 million GF/GP) is projected for FY 2014-15.	IDG	N/A	7,400	0
	Federal	N/A	230,300	314,600
	Private	N/A	3,400	20,700
	Restricted	N/A	618,700	220,500
	GF/GP	N/A	\$904,600	\$670,800
2. Food Safety	Gross	\$10,667,500	(\$250,000)	\$0
Includes net \$250,000 GF/GP reduction for food safety wholesale and retail sampling and follow-up and related laboratory testing with elimination of \$500,000 GF/GP one-time funding, offset by \$250,000 GF/GP increase in ongoing funding. The ongoing funding increase is allocated \$65,000 to food safety and \$185,000 to laboratory services. YTD shown is Food Safety and Quality Assurance line item, and one-time New Food Safety Requirements line item.	Federal	687,400	0	0
	Restricted	3,296,400	0	0
	GF/GP	\$6,683,700	(\$250,000)	\$0

Major Budget Changes From FY 2012-13 YTD Appropriations		FY 2012-13 YTD (as of 2/7/13)	Executive Changes	
			FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
3. Product Assurance and Certification Program	FTEs	77.0	4.0	0.0
Includes net \$12,400 Gross reduction for Pesticide and Plant Pest Management. \$1.0 million GF/GP and 8.0 FTEs are added to maintain and enhance current inspection and certification programs to assure safety and integrity of agricultural products and commodities for export and for domestic purchase, including certificate requests, sampling and laboratory analysis, survey activities, and outreach to identify presence of exotic pests. GF/GP increase offsets reductions to the program of 4.0 FTEs and \$1.0 million, which include \$435,600 federal USDA and EPA categorical grant funds, \$66,800 private funding and \$510,000 state restricted funds.	Gross	\$10,610,100	(\$12,400)	\$0
	Federal	2,049,300	(435,600)	0
	Private	86,800	(66,800)	0
	Restricted	4,837,400	(510,000)	0
	GF/GP	\$3,636,600	\$1,000,000	\$0
4. Animal Industry - Disease Prevention and Response	Gross	\$8,956,700	(\$449,300)	\$0
Recognizes revenue reductions to the animal disease prevention and response program including decline of \$336,200 from federal USDA grants, and decline of \$113,100 from agriculture licensing and inspection fees.	Federal	880,400	(336,200)	0
	Restricted	332,700	(113,100)	0
	GF/GP	\$7,743,600	\$0	\$0
5. Producer Security/Grain Dealer Program	FTEs	4.0	1.0	0.0
Reflects increase of 1.0 FTE and \$150,000 of state restricted fee revenue from recently enacted grain dealer license fee and Farm Producer Insurance Fund reimbursement adjustments (PA 148 and PA 149 of 2012). Funds are used to provide regulatory oversight of grain dealers and administer the farm producer security program.	Gross	\$574,200	\$150,000	\$0
	Restricted	557,400	150,000	0
	GF/GP	\$16,800	\$0	\$0
6. Farmland and Open Space Preservation	Gross	\$1,372,000	\$192,500	\$0
Increases funding for administration of the Farmland and Open Space Preservation program by \$392,500 from the state restricted Agricultural Preservation Fund, an increase from \$872,000 to \$1.26 million; requires statutory amendment. Reduces capital outlay appropriation for farmland and open space development acquisition from \$500,000 to \$300,000 of funds from the state restricted Agricultural Preservation Fund.	Restricted	1,372,000	192,500	0
	GF/GP	\$0	\$0	\$0
7. USDA Monitoring	Gross	\$2,548,700	(\$1,000,000)	\$0
Recognizes \$1.0 million reduced funding for the USDA Monitoring Program from USDA federal grants. Program collects data on pesticide residue and microbiological pathogens in foods, and has food emergency response network capabilities in case of microbiological threat agents in food.	Federal	2,548,700	(1,000,000)	0
	GF/GP	\$0	\$0	\$0
8. New Food and Agriculture Industry Growth Initiative	Gross	N/A	\$1,000,000	\$0
Provides \$1.0 million GF/GP to fund a new competitive grant program to foster agriculture industry-wide development and growth through research, education, and technical assistance, focused on removing barriers and leveraging opportunities in food processing and other areas as identified by an advisory board formed by the Director. Initiative also includes \$2.0 million appropriation proposed in the Michigan Strategic Fund budget.	GF/GP	N/A	\$1,000,000	\$0
9. Other One-Time Appropriations	Gross	\$1,970,300	(\$1,370,300)	(\$600,000)
Discontinues one-time appropriations for lump-sum payments to state employees of \$470,300 Gross (\$235,300 GF/GP), and for rural development value-added grants of \$900,000 GF/GP. One-time private forestry \$600,000 GF/GP appropriation is retained in FY 2013-14, and eliminated in FY 2014-15.	IDG	2,400	(2,400)	0
	Federal	85,000	(85,000)	0
	Private	1,500	(1,500)	0
	Restricted	146,100	(146,100)	0
	GF/GP	\$1,735,300	(\$1,135,300)	(\$600,000)

AGRICULTURE AND RURAL DEVELOPMENT

<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>	FY 2012-13 YTD (as of 2/7/13)	Executive Changes	
		FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
10. Roll Up Line Items	Gross	N/A	\$0
Rolls up 45 line items into 11 appropriation line items.	GF/GP	N/A	\$0

Major Boilerplate Changes From FY 2012-13

NOTE: No boilerplate language proposed specific to FY 2014-15.

Executive Boilerplate Deletions

In general, the Executive Budget Recommendation deletes a large majority of boilerplate language included in the FY 2012-13 budget. This includes many legislative reporting requirements, sections providing guidance and placing conditions on appropriations, and earmarks of funding for specific purposes. The list below includes major changes to boilerplate, but is not a comprehensive list of all sections proposed to be deleted. For the Department of Agriculture and Rural Development, the Executive deletes 30 of 45 boilerplate sections.

Sec. 231. Report on Ten Measurable Outcomes – DELETED

Requires a report, by October 31, 2012, on ten principal measurable outcomes to be affected by the expenditure of funds in this budget; requires biannual updates starting on April 1, 2013.

Sec. 232. Department Online Scorecard and Metrics – NEW

Requires that the Department maintain a public scorecard on a publicly accessible website which updates key metrics used to monitor and improve the agency's performance.

Sec. 402. Food Safety – DELETED

Requires report on food-borne outbreaks and emergencies related to food safety by April 1.

Sec. 453. Indemnification Payments – DELETED

Authorizes Department to provide for indemnity pursuant to Animal Industry Act; limits indemnification orders to \$100,000 per order; requires report on reason for, amount of, and person to whom indemnification is to be paid. Subsection (2) authorizes Department to indemnify for livestock killed by wolves, coyotes, or cougars. Subsection (3) indicates that the appropriation in Part 1 for indemnification is for indemnification under Subsection (2) and related Department costs. Requires a report, due March 1.

Sec. 552. Clean Sweep Program – DELETED

Encourages Department to work with local public health departments and the USDA to maintain and expand Clean Sweep program, including disposal of prescription drugs; requires report.

Sec. 601. Environmental Stewardship – DELETED

Clarifies intent that line item funding be used to support Department agriculture pollution prevention programs, including groundwater and freshwater protection programs under Part 87 of the Michigan Natural Resources and Environmental Protection Act, 1994 PA 451, and technical assistance in implementing conservation grants available under the federal Farm Bill of 2008.

Sec. 608. MAEAP and Lake St. Clair Water Quality – DELETED

Directs the Department to address water quality issues affecting Lake St. Clair, including non-point source pollution, from the funds appropriated for the Michigan Agriculture Environmental Assurance Program.

Sec. 706. Agricultural Development – DELETED

Requires report due April 1 on agricultural development and export market development activities.

Sec. 803. Thoroughbred Program Escrow – DELETED

Provides for "escrowing" of funds for thoroughbred program if there is no live thoroughbred race meet in 2011 or 2012.

Sec. 804. Michigan Gaming Control Board – DELETED

Requires the Michigan Gaming Control Board to use actual expenditure data in determining regulatory costs of conducting racing dates.

Sec. 1101. Rural Development Value-Added Grant Program – REVISED

Provides criteria for Rural Development Value-Added Grant Program, and provides for reports. Subsection (5) work project language is deleted and the remaining language is moved from One-Time Basis Only Appropriations section to Agriculture Development and renumbered as Sec. 701.

Summary: Executive Budget Recommendation for Fiscal Years 2013-14 and 2014-15 ENVIRONMENTAL QUALITY

Analyst: Viola Bay Wild

	FY 2012-13	FY 2013-14 Executive	Difference: FY 2013-14 Vs. FY 2012-13		FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14	
	Year-to-Date as of 2/7/13		Amount	%		Amount	%
IDG/IDT	\$9,021,200	\$9,401,900	\$380,700	4.2	\$9,401,900	\$0	0.0
Federal	161,687,500	150,929,700	(10,757,800)	(6.7)	150,929,700	0	0.0
Local	0	0	0	--	0	0	--
Private	533,200	541,800	8,600	1.6	541,800	0	0.0
Restricted	231,275,600	322,190,900	90,915,300	39.3	325,255,800	3,064,900	1.0
GF/GP	29,812,400	29,104,500	(707,900)	(2.4)	28,526,700	(577,800)	(2.0)
Gross	\$432,329,900	\$512,168,800	\$79,838,900	18.5	\$514,655,900	\$2,487,100	0.5
FTEs	1,327.5	1,291.5	(36.0)	(2.7)	1,291.5	0.0	0.0

Notes: (1) FY 2012-13 year-to-date figures include mid-year budget adjustments through February 7, 2013. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2014-15 figures are projected budget amounts only and would not be legally binding appropriations. (4) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

Overview

The Department of Environmental Quality (DEQ) supports environmental protection, conservation, and cleanup and redevelopment programs and regulatory efforts established to protect, restore, and reuse Michigan's air, water, and land resources.

<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>		FY 2012-13 YTD (as of 2/7/13)	Executive Changes	
			FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
1. Funding Authorization Reductions	Gross	N/A	(\$1,937,000)	\$0
Reduces restricted funding by \$1.9 million to align with anticipated revenues. Restricted funds reduced include Water Analysis Fund, Waste Reduction Fund, Septage Waste License Fees, Hazardous Materials Transport Permit Fund, Infrastructure Construction Fund, and CMI Clean Water Fund.	Restricted	N/A	(1,937,000)	0
2. Great Lakes Restoration Initiative (GLRI)	Gross	\$25,000,000	(\$10,000,000)	\$0
Decreases federal EPA authorization for GLRI funding by \$10.0 million. Funding is reduced because many GLRI grants are being awarded directly to locals rather than to DEQ as a pass-through agency.	Federal	25,000,000	(10,000,000)	0
3. Hazardous Waste Management Program Fee Increase	Gross	N/A	\$0	(\$400,000)
Replaces one-time restricted funding used in FY 2012-13 that is no longer available with \$1.5 million restricted funding to be generated by a fee increase from restructuring the Hazardous Waste Management Fees. In addition, eliminates \$400,000 federal funding to align with anticipated revenues and replaces that funding with \$400,000 one-time GF/GP in FY 2013-14.	Federal	N/A	(400,000)	0
	GF/GP	N/A	\$400,000	(\$400,000)

ENVIRONMENTAL QUALITY

		FY 2012-13 YTD (as of 2/7/13)	Executive Changes	
			FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>				
4. Leaking Underground Storage Tanks (LUST) Cleanups	Gross	\$30,000,000	\$2,500,000	\$0
Includes additional \$2.5 million Refined Petroleum Fund (RPF) revenue for cleanup work at LUST sites. Funding is available by replacing \$2.5 million of RPF revenues currently used for debt service in Treasury with GF/GP funding.		Restricted 30,000,000	2,500,000	0
5. Underground and Aboveground Storage Tank Inspection/Permitting Program	FTE	37.0	(37.0)	0.0
	Gross	\$4,925,700	(\$4,925,700)	\$0
Reduces restricted funding by \$3.7 million and federal funding by \$1.3 million and eliminates 37.0 FTE positions to reflect the transfer to LARA of the underground and aboveground storage tank programs. Transfer authorized by E.O. 2012-14.		Federal 1,255,300	(1,255,300)	0
	Restricted	3,670,400	(3,670,400)	0
6. Strategic Water Quality Initiatives Funding (SWQIF)	Gross	N/A	\$100,000,000	\$0
Includes additional \$100.0 million restricted funding from SWQIF bond revenues. Provides \$97.0 million funding for the SWQIF grants and loans program which makes awards to local governments to improve sewage collection and treatment systems and \$3.0 million to establish the new wetland mitigation bank funding program to provide grants and loans to eligible municipalities.		Restricted N/A	100,000,000	0
7. Office of the Great Lakes	Gross	\$500,000	\$0	\$0
Includes \$500,000 GF/GP funding to support the Office of Great Lakes and to satisfy the state's responsibilities under the Great Lakes Compact Agreement. Funding replaces restricted funding that is no longer available.		Restricted 500,000	(500,000)	0
	GF/GP	\$0	\$500,000	\$0
8. Wetlands Funding	FTE	24.0	1.0	0.0
	Gross	\$2,000,000	\$100,000	(\$600,000)
Funds Wetlands Program at \$2.1 million Gross (\$1.6 million GF/GP). Reclassifies \$1.0 million GF/GP one-time funding in current year for Wetlands Program to on going base funding and includes additional \$100,000 GF/GP funding and 1.0 FTE for a Wetlands Ombudsman. One-time GF/GP support totals \$600,000 for FY 2013-14.		Federal 500,000	0	0
	GF/GP	\$1,500,000	\$100,000	(\$600,000)
9. Revenue Alignment Adjustments	Gross	N/A	\$229,400	\$0
Includes additional \$234,400 IDG authorization to receive additional funding from the Michigan Department of State Police to more accurately reflect the DEQ's costs associated with the radiological protection program. Decreases restricted funding by \$5,000 for IT charges due to program rate changes.		IDG N/A	234,400	0
	Restricted	N/A	(5,000)	0
10. Surface Water Quality Program	Gross	N/A	\$200,000	\$0
Includes additional \$200,000 GF/GP funding to be used as matching funds for federal grants available for enforcement, the issuance of permits, and compliance activities concerning water quality.		GF/GP N/A	\$200,000	\$0
11. Cost Allocation Adjustment	Gross	N/A	\$0	\$0
Adjusts funding to reflect cost allocation changes from FY 2012-13.		IDG N/A	22,500	0
	Federal	N/A	(36,500)	0
	Restricted	N/A	14,000	0
12. Information Technology Upgrades	Gross	N/A	\$90,300	\$0
Includes additional \$90,300 (\$4,600 GF/GP) funding for wireless infrastructure and Internet bandwidth rate increases.		IDG N/A	2,600	0
	Federal	N/A	18,300	0
	Restricted	N/A	64,800	0
	GF/GP	N/A	\$4,600	\$0

		Executive Changes		
<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>		FY 2012-13 YTD (as of 2/7/13)	FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
13. Removal of FY 2012-13 One-Time Supplemental Funding – Aquifer Protection Program	Gross	\$600,000	(\$600,000)	\$0
	Restricted	600,000	(600,000)	0
Eliminates \$600,000 supplemental funding for the Aquifer Protection Program appropriated in P.A. 305 of 2012. One-time appropriation is anticipated to sufficiently fund program for 3 years.				
14. Removal of FY 2012-13 One-Time Boilerplate Appropriation – Engineering Study	Gross	\$300,000	(\$300,000)	\$0
	Restricted	300,000	(300,000)	0
Eliminates \$300,000 boilerplate appropriation for an engineering study concerning the Wickes Manufacturing TCE plume site.				
15. Removal of FY 2012-13 One-Time Funding Items	Gross	\$11,049,200	(\$11,049,200)	\$0
	IDG	48,800	(48,800)	0
Eliminates one-time funding items from previous year that will not receive any funding in FY 2013-14:				
• Brownfield Grants and Loans (\$5.0 million)	Federal	415,700	(415,700)	0
• MiWaters Data System Project (\$2.0 million)	Private	4,200	(4,200)	0
• State Employees Lump-Sum Payments (\$1.5 million)	Restricted	7,920,400	(7,920,400)	0
• Drinking Water Revolving Fund State Match (\$2.5 million)	GF/GP	\$2,660,100	(\$2,660,100)	\$0
16. Economic Adjustments	Gross	N/A	\$5,531,100	\$3,487,100
	IDG	N/A	170,000	0
Reflects increased costs of \$5.5 million Gross (\$747,600 GF/GP) for negotiated salary and wage amounts (1.0%), insurance rate increases, actuarially-required retirement rate increases, and other economic adjustments. Additional increase of \$3.5 million Gross (\$422,200 GF/GP) projected for FY 2014-15.				
	Federal	N/A	1,331,400	0
	Private	N/A	12,800	0
	Restricted	N/A	3,269,300	3,064,900
	GF/GP	N/A	\$747,600	\$422,200

Major Boilerplate Changes From FY 2012-13

NOTE: No boilerplate language proposed specific to FY 2014-15.

Executive Boilerplate Deletions

In general, the Executive Budget deletes a large majority of boilerplate language included in the FY 2012-13 budget. This includes many legislative reporting requirements, sections providing guidance and placing conditions on appropriations, and earmarks of funding for specific purposes. The list below includes major changes to boilerplate, but is not a comprehensive list of all sections deleted.

Sec. 212. Disciplinary Action Against State Employees – DELETED

Prohibits Department from disciplining state employees for communicating with members of the Legislature and their staffs.

Sec. 213. Administrative Rule Promulgation – DELETED

Prohibits DEQ to adopt a rule that will apply to a small business if it has a disproportionate economic impact.

Sec. 223. FTE Report by Line Item – DELETED

Requires DEQ to report on the number of funded FTEs and number of FTEs funded by line item.

Sec. 224. Quarterly FTE Report – DELETED

Requires DEQ to report on the number of FTEs in pay status; report required quarterly.

Sec. 227. Permit Application Status Tracking Tool – DELETED

Requires report on implementation of a permit application tracking tool on DEQ website.

Sec. 228. Customer Satisfaction Evaluation Program – DELETED

Requires report on development of customer satisfaction evaluation program and public feedback received.

Sec. 229. Expedited Permitting Program – DELETED

Requires report listing actions and program changes taken to implement the Expedited Permitting Program; report must include a plan, timeline, and estimated costs.

Sec. 230. Measurable Outcomes Report – DELETED

Requires report identifying 10 principal measurable outcomes of budget expenditures.

REVIEW AND ANALYSIS OF FY 2013-14 AND FY 2014-15 EXECUTIVE RECOMMENDATION

ENVIRONMENTAL QUALITY

Major Boilerplate Changes From FY 2012-13

Sec. 231. Website Scorecard – NEW

Includes new language that requires DEQ to maintain on a publicly accessible website a department scorecard with key metrics concerning the agency's performance.

Sec. 232. Publication Revenue Fund Transfer – NEW

Includes new language that transfers surplus funds of up to \$72,600 from the Publication Revenue Fund to the Oil and Gas Regulatory Fund on October 1, 2013.

Sec. 305. Refined Petroleum Fund – DELETED

States legislative intent to restore \$70.0 million Refined Petroleum Fund transferred to General Fund in FY 2006-07.

Sec. 306. Refined Petroleum Fund Cleanup Site List – DELETED

Lists cleanup projects funded through the Refined Petroleum Product Cleanup Program.

Sec. 307. Engineering Study Appropriation – DELETED

Appropriates \$300,000 CMI funding for an engineering study concerning the Wickes Manufacturing TCE plume site.

Sec. 309. Brownfield Grants and Loans Program Work Project Language – DELETED

Provides that Brownfield Grants and Loans Program funding are work project appropriations and allows carry-forward of remaining funds; projects accomplished by contract; tentative completion date is September 30, 2017.

Sec. 401. Aquatic Nuisance Control (ANC) – DELETED

Requires \$700,000 and 5.0 FTEs be allocated to the ANC program; requires report.

Sec. 402. Groundwater Dispute Resolution Process – DELETED

Directs Department to fund an aquifer dispute resolution process if funds are available.

Sec. 403. Aquatic Invasive Species Council – DELETED

Requires DEQ to support funding for an Aquatic Invasive Species Council.

Sec. 601. Solid Waste Program Report – DELETED

Requires report on the Department's Solid Waste Management Program and policies. Report shall include plan for long-term funding and all actions and program changes taken to implement recommendation of 2012 report.

Sec. 602. Clean Sweep Program – DELETED

Directs DEQ to work with local health departments, Department of Agriculture and Rural Development, and USDA to maintain and expand the program for disposal of hazardous household chemicals and drugs; requires report.

Sec. 1201. FY 2013-14 Anticipated Appropriations – DELETED

States intent that FY 2013-14 line item appropriations will be the same as those for FY 2012-13 with certain economic adjustments.

**Summary: Executive Budget Recommendation
for Fiscal Years 2013-14 and 2014-15
NATURAL RESOURCES**

Analyst: Viola Bay Wild

	FY 2012-13	FY 2013-14 Executive	Difference: FY 2013-14 Vs. FY 2012-13		FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14	
	Year-to-Date as of 2/7/13		Amount	%		Amount	%
IDG/IDT	\$2,027,200	\$1,412,300	(\$614,900)	(30.3)	\$1,412,300	\$0	0.0
Federal	66,524,800	67,127,300	602,500	0.9	67,127,300	0	0.0
Local	0	0	0	--	0	0	--
Private	7,239,200	7,237,200	(2,000)	0.0	7,237,200	0	0.0
Restricted	242,353,700	251,325,500	8,971,800	3.7	255,441,100	4,115,600	1.6
GF/GP	19,737,900	27,286,600	7,548,700	38.2	24,904,000	(2,382,600)	(8.7)
Gross	\$337,882,800	\$354,388,900	\$16,506,100	4.9	\$356,121,900	\$1,733,000	0.5
FTEs	2,099.8	2,141.3	41.5	2.0	2,141.3	0.0	0.0

Notes: (1) FY 2012-13 year-to-date figures include mid-year budget adjustments through February 7, 2013. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2014-15 figures are projected budget amounts only and would not be legally binding appropriations. (4) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

Overview

The Department of Natural Resources (DNR) manages, conserves, and protects Michigan's resources. Programs include forest management, land and minerals management, wildlife and fisheries management, conservation law enforcement, state parks and forest campgrounds, and Michigan's historical programs.

<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>	FY 2012-13 YTD (as of 2/7/13)	Executive Changes		
		FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15	
1. Funding and FTE Authorization Adjustments	FTE	N/A	(54.5)	0.0
Reduces gross funding authorization by \$14.7 million to align with anticipated revenues; eliminates 54.5 FTE unfilled and unfunded positions. Major restricted funds reductions include:	Gross	N/A	(\$14,689,900)	\$0
Game and Fish Protection Fund \$5.2 million	IDG	N/A	(626,700)	0
Forest Development Fund 5.0 million	Federal	N/A	(37,600)	0
Marine Safety Fund 522,700	Private	N/A	(17,900)	0
Snowmobile Trail Improvement Fund 500,000	Restricted	N/A	(14,007,700)	0
Game and Fish - Turkey Permit Fees 536,300				
Game and Fish - Deer Habitat Reserve 353,300				

NATURAL RESOURCES

<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>		<u>FY 2012-13 YTD (as of 2/7/13)</u>	<u>Executive Changes</u>	
			<u>FY 2012-13 to FY 2013-14</u>	<u>FY 2013-14 to FY 2014-15</u>
2. Hunting and Fishing License Fees Increase	FTEs	N/A	44.0	0.0
Includes additional \$11.4 million restricted funding in FY 2013-14 and 44.0 FTE positions. Funding would be realized through an increase in hunting and fishing license fees. The current license fee structures would be replaced. Hunting licenses would require a base \$10 license that allows hunters to hunt small game and waterfowl. Additional tags can be purchased for deer, turkey, bear, elk, and fur bearing animals to add to base license. The following fishing licenses would be offered: 24 hour all-species license, and all-species licenses for residents, senior residents, and non-residents. Fee increases would begin on March 1, 2014. Proposal estimated to generate \$18.1 million funding annually; a portion of new revenue would fund 16 additional conservation officers and 20 wildlife/fisheries positions. (See Table 8 on page 19 for detailed summary of license increases.)	Gross	N/A	\$11,365,000	\$0
	Restricted	N/A	11,365,000	0
3. Off Road Vehicle (ORV) License Fee Increase	Gross	N/A	\$2,700,000	\$0
Includes \$2.7 million additional restricted funding to be realized through an increase in ORV licenses from the current annual fee of \$16.25 to a \$26.25 annual fee. Proposal also includes an additional optional cost of \$10 to the license fee to be authorized to ride on state trails.	Restricted	N/A	2,700,000	0
4. Conservation Officer Academy and Training	FTE	N/A	25.0	0.0
Includes \$3.5 million GF/GP funding and 25.0 FTE positions for a conservation officer academy for 25 conservation officers. Of the GF/GP funding, \$2.9 million will be ongoing funding and \$600,000 will be one-time GF/GP funding for the academy.	Gross	N/A	\$3,500,000	(\$600,000)
	GF/GP	N/A	\$3,500,000	(\$600,000)
5. Research Vessel Replacement	Gross	N/A	\$2,000,000	(\$2,000,000)
Includes \$2.0 million one-time GF/GP funding to replace the <i>Chinook</i> , DNR's 65-year-old Great Lakes research vessel. The vessel performs critical assessments on the Great Lakes concerning aquatic invasive species and helps DNR conduct research and annual fish assessments.	GF/GP	N/A	\$2,000,000	(\$2,000,000)
6. Aquatic Invasive Species Prevention and Control	FTE	N/A	1.0	0.0
Includes \$150,000 GF/GP funding and 1.0 FTE position within Fisheries Resource Management to fund an AIS specialist and an Aquatic Invasive Species (AIS) Prevention and Control Program within the DNR.	Gross	N/A	\$150,000	\$0
	GF/GP	N/A	\$150,000	\$0
7. IT Rate Adjustments and Upgrades	Gross	N/A	\$155,200	\$0
Includes additional \$95,700 Gross (\$11,000 GF/GP) funding for IT charges due to program rate changes. Appropriates an additional \$59,500 Gross (\$6,900 GF/GP) for wireless infrastructure and Internet bandwidth rate increases.	Restricted	N/A	137,300	0
	GF/GP	N/A	\$17,900	\$0
8. Accounting Service Center Funding Adjustment	Gross	N/A	\$5,000	\$0
Includes additional restricted funding of \$5,000 as a technical adjustment to properly align expenditures with services received from the accounting service center.	Restricted	N/A	5,000	0
9. Removal of FY 2012-13 One-Time Funding Items	Gross	\$3,892,600	(\$3,892,600)	\$0
Eliminates \$3.9 million one-time funding items from previous year that will not receive any funding in FY 2013-14:	IDG	11,300	(11,300)	0
	Federal	260,500	(260,500)	0
	Private	15,500	(15,500)	0
	Restricted	1,509,100	(1,509,100)	0
	GF/GP	\$2,096,200	(\$2,096,200)	\$0
• State Employees Lump-Sum Payments (\$1.9 million)				
• Dam Management Program (\$2.0 million)				

<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>	<u>Executive Changes</u>			
		<u>FY 2012-13 YTD (as of 2/7/13)</u>	<u>FY 2012-13 to FY 2013-14</u>	<u>FY 2013-14 to FY 2014-15</u>
10. Belle Isle	FTEs	N/A	26.0	0.0
Includes additional \$3.7 million GF/GP funding and 26.0 FTE positions for the operation of Belle Isle as a state park, assuming a lease agreement with the City of Detroit. The new FTE positions would include 10.0 additional FTE authorizations within the State Parks program and 10.0 FTE authorizations in General Law Enforcement.	Gross	N/A	\$3,700,000	\$0
	GF/GP	N/A	\$3,700,000	\$0
11. Capital Outlay Projects – State Parks	Gross	\$12,125,900	(\$2,625,900)	\$0
Reduces funding for state parks repair and maintenance capital outlay projects by \$2.6 million to align funding with available revenue.	Restricted	12,125,900	(2,625,900)	0
12. Capital Outlay Projects – Waterways Boating Program	Gross	\$6,250,600	\$10,065,000	\$0
Includes additional \$9.7 million restricted funding and \$338,000 additional federal funding for waterways boating projects. Of the restricted waterways funding, \$9.4 million would be dedicated to emergency dredging of harbors and generated by a portion of a proposed increase in the state gasoline tax.	Federal	1,300,000	338,000	0
	Restricted	4,950,600	9,727,000	0
13. Economic Adjustments	Gross	N/A	\$4,074,300	\$4,333,000
Reflects increased costs of \$4.1 million Gross (\$277,000 GF/GP) for negotiated salary and wage amounts (1.0%), insurance rate increases, actuarially-required retirement rate increases, and other economic adjustments. Additional increase of \$4.3 million Gross (\$217,400 GF/GP) projected for FY 2014-15.	IDG	N/A	23,100	0
	Federal	N/A	562,600	0
	Private	N/A	31,400	0
	Restricted	N/A	3,180,200	4,115,600
	GF/GP	N/A	\$277,000	\$217,400

Major Boilerplate Changes From FY 2012-13

NOTE: No boilerplate language proposed specific to FY 2014-15.

Executive Boilerplate Deletions

In general, the Executive Budget deletes a large majority of boilerplate language included in the FY 2012-13 budget. This includes many legislative reporting requirements, sections providing guidance and placing conditions on appropriations, and earmarks of funding for specific purposes. The list below includes major changes to boilerplate, but is not a comprehensive list of all sections deleted.

Sec. 212. Disciplinary Action Against State Employees – DELETED

Prohibits Department from disciplining state employees for communicating with members of the Legislature and their staffs.

Sec. 223. Waterways Fund Projects – DELETED

Requires report on activities of Waterways Commission during the previous fiscal year; list of completed waterways fund projects to be provided to Legislature and State Budget Director.

Sec. 230. Measurable Outcomes Report – DELETED

Requires report identifying 10 principal measurable outcomes of budget expenditures.

Sec. 233. FTE Report – DELETED

Requires report on the number of FTEs in pay status; report required quarterly.

Sec. 235. Website Scorecard – NEW

Requires DNR to maintain on a publicly accessible website a department scorecard with key metrics concerning the agency's performance.

Sec. 406. Historical Program Fees – REVISED

Allows DNR to charge fees for historical program services and museum admissions; Executive eliminates language of legislative intent to allow children under 18 be admitted free to the Michigan Historical Museum, if sufficient funding is available.

Sec. 408. Land Transactions – DELETED

Requires detailed report to Legislature on land purchases, sales and exchanges.

REVIEW AND ANALYSIS OF FY 2013-14 AND FY 2014-15 EXECUTIVE RECOMMENDATION

NATURAL RESOURCES

Major Boilerplate Changes From FY 2012-13

Dec. 409. Oil and Gas Lease Report – DELETED

Requires DNR to report on active oil and gas leases entered into before July of 1995 on parcels larger than 160 acres where the producing unit is less than or equal to 1/4 of the total lease acreage.

Sec. 503. Invasive Species Order Enforcement – DELETED

Requires report on efforts taken to enforce the Natural Resources Commission's invasive species order concerning raising feral swine in Michigan.

Sec. 504. Cervid Operation Fees – DELETED

Requires report on the use of registration fees from privately owned cervid operations.

Sec. 602. Water Control Structure Certification – DELETED

Directs Fisheries Division to not interfere with the certification process for dams and other water control structures.

Sec. 603. Cormorant Management – DELETED

Requires quarterly report on the use of cormorant management funding; provides that the Department must submit funding to the USDA to pay for increased taking of cormorants and their nests.

Sec. 702. State Park Campground Closures – DELETED

Requires DNR to notify Legislature if Department intends to reduce operations or recreation opportunities at any state park or recreation area.

Sec. 801. Abandoned Mine Shaft Closures – DELETED

Appropriates \$350,000 for any declared emergency for the collapse of an abandoned mine shaft on state land.

Sec. 802. Timber Marking – DELETED

Directs Department to mark and prescribe treatment on 79,000 acres, prepare for harvest 67,500 acres at an average rate of 12.5 to 15.0 cords per acre; requires quarterly report.

Sec. 804. Horseback Riding Opportunities – DELETED

Directs Department to work cooperatively with horseback riding interests to increase horseback riding opportunities.

Sec. 805. Contract Foresters – DELETED

Allows Department to hire sufficient contract foresters to mark timber.

Sec. 806. State Forest Campground Closures – DELETED

States legislative intent that the state forest campgrounds proposed by the DNR to be closed will remain open.

Sec. 807. Disaster and Emergency Contingency Fund – NEW

Includes new language that appropriates up to \$800,000 funding from the Disaster and Emergency Contingency Fund to cover disaster-related costs. Funds cannot be expended without State Budget Director recommendation and notification to House and Senate Appropriations Committees; requires report.

Sec. 901. Snowmobile Law Enforcement Grants – DELETED

Provides snowmobile law enforcement grants to county law enforcement agencies in counties with state snowmobile trails.

Sec. 902. Marine Safety Grants – DELETED

Requires report on the Marine Safety Grant Program. Report to include watercraft registrations revenues, revenues and expenditures of the Marine Safety Fund, grant distribution methodology, and a list of grant awards by county.

Sec. 1002. Off Road Vehicle (ORV) Trail Improvement Grants – DELETED

Requires expenditure of not less than \$980,000 for the development of new ORV trails.

Sec. 1003. Dam Management Program – DELETED

Provides that unexpended funds for the Dam Management Grant Program are considered work project appropriations; requires that a long term plan be part of grant application.

Sec. 1101. Capital Outlay Appropriations for the Harbors and Docks Grants in Aid – DELETED

Provides for disbursement of Waterways Fund appropriation to the federal government and local governmental units.

Sec. 1102. Capital Outlay Lump Sum Appropriations – DELETED

Provides for state budget director approval of disbursements of lump sum appropriations for DNR program or facility needs. Funds are available for three years after appropriation.

Major Boilerplate Changes From FY 2012-13

Sec. 1104. Federal Reimbursement For Harbor Dredging – NEW

Includes new language that requires DNR to seek reimbursement from the United States Army Corps of Engineers (ACOE) for emergency dredging of harbors under the ACOE's jurisdiction. Any reimbursement received shall be deposited into the Michigan State Waterways Fund.

Supplemental Recommendations for FY 2012-13 Appropriations

**FY 2012-13
Recommendation**

1. Waterways Boating Program: Emergency Dredging

Provides \$21.0 million Gross (\$11.5 million GF/GP) funding for emergency dredging of primary public harbors and recreational marinas needed because of historically low lake levels in the Great Lakes. The \$9.5 million restricted funding would be Michigan State Waterways Fund funding that is redirected from other previously authorized waterways boating program projects. The funding for these previously authorized projects would be delayed for one year and the DNR Executive Recommendation for FY 2013-14 reappropriates the funding for these projects.

Gross	\$20,961,000
Restricted	9,461,000
GF/GP	\$11,500,000

Associated boilerplate reduces the funding for the previously authorized projects, lists the affected projects, and directs the funding to lapse so that it may be redirected to emergency dredging. An additional section of boilerplate requires the DNR to seek reimbursement from the US Army Corps of Engineers for any dredging costs from this appropriation that is used for harbors under federal jurisdiction. Any reimbursement received must be deposited into the General Fund and the Michigan State Waterways Fund in proportion to the expenditures associated with these harbors.

**FY 2013-14 AND FY 2014-15
Budget Detail
for
PUBLIC SAFETY AND
DEFENSE**

**Corrections
Military and Veterans Affairs
State Police**

**Summary: Executive Budget Recommendation
for Fiscal Years 2013-14 and 2014-15
CORRECTIONS**

Analyst: Robin R. Risko

	FY 2012-13 Year-to-Date as of 2/7/13	FY 2013-14 Executive	Difference: FY 2013-14 Vs. FY 2012-13		FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14	
			Amount	%		Amount	%
IDG/IDT	\$992,100	\$1,109,600	\$117,500	11.8	\$1,123,900	\$14,300	1.3
Federal	8,784,400	8,852,500	68,100	0.8	8,950,700	98,200	1.1
Local	264,300	266,200	1,900	0.7	268,200	2,000	0.8
Private	0	0	0	--	0	0	--
Restricted	66,989,500	56,026,100	(10,963,400)	(16.4)	56,593,300	567,200	1.0
GF/GP	1,941,485,600	1,963,053,600	21,568,000	1.1	1,982,080,100	19,026,500	1.0
Gross	\$2,018,515,900	\$2,029,308,000	\$10,792,100	0.5	\$2,049,016,200	\$19,708,200	1.0
FTEs	14,695.2	14,496.5	(198.7)	(1.4)	14,496.5	0.0	0.0

Notes: (1) FY 2012-13 year-to-date figures include mid-year budget adjustments through February 7, 2013. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2014-15 figures are projected budget amounts only and would not be legally binding appropriations. (4) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

Overview

The Michigan Department of Corrections (MDOC) is responsible for the operation and maintenance of the state's 31 correctional facilities that house felony offenders sentenced to prison. This includes the provision of physical and mental health care, education and other prisoner programs, and reintegration programs. The department is also responsible for the supervision of all parolees and probationers under department jurisdiction and has oversight over community corrections programs and other programs designed to encourage alternatives to prison placement for appropriate offenders. As of January 2013, the department was responsible for 110,988 Michigan offenders: 49,176 probationers, 43,594 prisoners, and 18,218 parolees.

Major Budget Changes From FY 2012-13 YTD Appropriations		FY 2012-13 YTD (as of 2/7/13)	Executive Changes	
			FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
1. Medicaid Expansion	Gross	N/A	(\$24,212,200)	(\$8,070,700)
Reflects a savings to the state from the proposed expansion of Medicaid eligibility to low income individuals. Inpatient hospitalization for prisoners will become reimbursable with federal funds in the Department of Community Health budget, along with specific re-entry, substance abuse, and sex offender treatment for parolees. Eligibility is estimated at 80% for both prisoners and parolees.	GF/GP	N/A	(\$24,212,200)	(\$8,070,700)
2. One-Time Employee Training School Adjustment	Gross	\$8,672,300	\$9,032,500	(\$9,032,500)
Includes one-time funding to train an additional 400 corrections officers to meet projected attrition needs. Funding supports salary and payroll costs of new officers while they participate in training, as well as costs for uniforms, training materials, certifications, food, and travel and lodging (paid if participants are located away from the facilities to which they will be assigned).	GF/GP	\$8,672,300	\$9,032,500	(\$9,032,500)

<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>		<u>FY 2012-13 YTD (as of 2/7/13)</u>	<u>Executive Changes</u>	
			<u>FY 2012-13 to FY 2013-14</u>	<u>FY 2013-14 to FY 2014-15</u>
3. Special Equipment Fund	Gross	\$5,800,000	\$6,000,000	\$0
Includes additional revenue from prisoner phone charges to finance replacement of personal protection systems at several facilities. Investment in these systems is intended to reduce serious assaults on staff and improve safety within the prisons.	Restricted	5,800,000	6,000,000	0
4. Detroit Re-Entry Center Adjustment	FTE	201.4	8.8	0.0
Includes 8.8 FTE positions and additional funding to correct the adjustment made in the FY 2012-13 budget for the staffing complement of the Detroit Re-Entry Center. The Ryan Correctional Facility was re-purposed in the FY 2012-13 budget as the Detroit Re-Entry Center to house parolees and parole violators. The original staffing chart estimated that 187.4 FTE positions would be needed to operate the facility. As planning and development progressed, it was realized that 196.2 positions would be needed.	Gross	\$30,224,200	\$881,400	\$0
	Restricted	413,500	0	0
	GF/GP	\$29,810,700	\$881,400	\$0
5. Maintenance Costs at Closed Facilities	Gross	\$6,725,500	\$634,100	\$0
Includes additional funding for maintenance and upkeep costs at the following facilities which have been closed: Camp Kitwen, Camp Manistique, Camp Ottawa, and Standish Correctional Facility. Funding is used for air handling and water systems, lawn care, snow removal, and security in order to keep facilities ready to use in case of future need.	Restricted	5,800,000	0	0
	GF/GP	\$925,500	\$634,100	\$0
6. Alger Housing Unit Conversion	Gross	N/A	\$506,200	\$0
Includes additional funding to correct the adjustment made in the FY 2012-13 budget for the conversion of housing units at Alger Correctional Facility. Level IV housing units were converted to Level II, and a single-bunked administrative segregation unit was converted to double-bunked, which resulted in the addition of 88 beds. This funding will cover operational costs for the 88 additional beds, including food service and health care.	GF/GP	N/A	\$506,200	\$0
7. Economic Adjustments	Gross	N/A	\$48,876,700	\$36,811,400
Includes additional funding for salary and wages, insurance, retirement, building occupancy, worker's compensation, and food and fuel.	IDG	N/A	21,700	14,300
	Federal	N/A	151,500	98,200
	Local	N/A	3,200	2,000
	Restricted	N/A	876,900	567,200
	GF/GP	N/A	\$47,823,400	\$36,129,700
8. Eliminate One-Time FY 2012-13 Funding	Gross	\$31,955,400	(\$31,955,400)	\$0
Eliminates one-time funding that was included in the FY 2012-13 budget for employee lump sum payments (\$13.2 million Gross), information technology projects (\$1.1 million Gross), and special equipment funds (\$17.6 million Gross).	IDG	3,900	(3,900)	0
	Federal	83,400	(83,400)	0
	Local	1,300	(1,300)	0
	Restricted	17,863,500	(17,863,500)	0
	GF/GP	\$14,003,300	(\$14,003,300)	\$0
9. Food Service at Maxey/Green Oaks Center	Gross	N/A	\$219,700	\$0
Authorizes the department to receive IDG funding from DHS to fund food service which is provided by DOC to DHS staff and resident clients at the Maxey/Green Oaks Center.	IDG	N/A	219,700	0
10. Food Service at DCH Forensic Center	Gross	\$660,000	(\$120,000)	\$0
Reduces authorization for IDG funding received from DCH in order to reflect the actual cost of food service provided by DOC to DCH at the Forensic Center.	IDG	660,000	(120,000)	0

CORRECTIONS

<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>		FY 2012-13 YTD (as of 2/7/13)	Executive Changes	
			FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
11. Information Technology Adjustments	Gross	\$24,403,600	\$929,100	\$0
Includes additional funding to cover rate increases and DOC's share of the following statewide information technology-related projects/services:	Restricted	830,200	23,200	0
	GF/GP	\$23,573,400	\$905,900	\$0
<ul style="list-style-type: none"> Expansion of internet bandwidth \$379,800 Gross Expansion of wireless services \$298,400 Gross Licensing costs under the Microsoft Enterprise Agreement \$216,300 Gross Costs for the Mi.gov gateway \$34,600 Gross 				
12. Re-Entry FTE Adjustment	FTE	N/A	18.0	0.0
Includes authorization for a total of 18.0 additional FTE positions. These positions will be located at seven of the correctional facilities and will focus on violence prevention programming. Funding for these positions is already included in the budget.	Gross	N/A	\$0	\$0
	GF/GP	N/A	\$0	\$0
13. Eliminate FTE Position Authorization	FTE	N/A	(225.5)	0.0
Eliminates authorization for 225.5 unfunded FTE positions as part of the realignment of department resources.	Gross	N/A	\$0	\$0
	GF/GP	N/A	\$0	\$0

Major Boilerplate Changes From FY 2012-13

NOTE: No boilerplate language proposed specific to FY 2014-15.

Executive Boilerplate Deletions

The Executive Budget deletes a large majority of boilerplate language included in the FY 2012-13 appropriations bill (78 sections and 9 subsections). Deletions include many legislative reporting requirements, sections providing guidance and placing conditions on appropriations, and earmarks of funding for specific purposes. Below is a listing of new sections of language recommended by the Executive for the department.

Sec. 230. Use of Funding for Legal Services – NEW

Prohibits use of appropriations for hiring a person to provide legal services that are the responsibility of the attorney general; prohibition does not apply to legal services for bonding activities and for those activities that the attorney general authorizes.

Sec. 231. Website for Performance Scorecard – NEW

Requires the department to maintain, on a publicly accessible website, a scorecard that identifies, tracks, and regularly updates key metrics that are used to monitor and improve the department's performance.

Sec. 1001. Carry Forward of Capital Outlay Appropriations – NEW

Requires unspent capital outlay appropriations to be carried forward consistent with provisions of the Management and Budget Act.

**Summary: Executive Budget Recommendation
for Fiscal Years 2013-14 and 2014-15
MILITARY AND VETERANS AFFAIRS**

Analyst: Mark Wolf

	FY 2012-13 Year-to-Date as of 2/7/13	FY 2013-14 Executive	Difference: FY 2013-14 Vs. FY 2012-13		FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14	
			Amount	%		Amount	%
IDG/IDT	\$1,166,500	\$650,000	(\$516,500)	(44.3)	\$650,000	\$0	0.0
Federal	99,239,400	89,782,700	(9,456,700)	(9.5)	91,341,900	1,559,200	1.7
Local	1,503,600	1,500,000	(3,600)	(0.2)	1,500,000	0	0.0
Private	1,503,700	740,000	(763,700)	(50.8)	740,000	0	0.0
Restricted	30,427,000	27,554,000	(2,873,000)	(9.4)	27,554,000	0	0.0
GF/GP	38,233,400	42,381,300	4,147,900	10.8	38,767,600	(3,613,700)	(8.5)
Gross	\$172,073,600	\$162,608,000	(\$9,465,600)	(5.5)	\$160,553,500	(\$2,054,500)	(1.3)
FTEs	846.0	880.0	34.0	4.0	880.0	0.0	0.0

Notes: (1) FY 2012-13 year-to-date figures include mid-year budget adjustments through February 7, 2013. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2014-15 figures are projected budget amounts only and would not be legally binding appropriations. (4) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

Overview

The Department of Military and Veterans Affairs has three primary missions: to execute duties as specified in various state statutes and by the Governor, to administer state regulated services, and to ensure preparedness of the Michigan National Guard to assist both state and federal authorities. The Michigan National Guard serves to protect the lives and property of Michigan citizens during times of natural disaster and civil unrest, to preserve peace, order, and public safety at the direction of the Governor, and to assist the federal government in defending sovereign interests of the United States when they are threatened or violated. The department also oversees state programs for veterans, the state's veterans' homes in Grand Rapids and Marquette, grants to veterans service organizations, and the Michigan Veterans' Trust Fund.

Major Budget Changes From FY 2012-13 YTD Appropriations		FY 2012-13 YTD (as of 2/7/13)	Executive Changes	
			FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
1. Veterans' Services Delivery Initiative	FTE	N/A	33.0	0.0
Adds \$4.0 million GF/GP and 33.0 FTE positions in on going funding and staff support, and an additional one-time appropriation of \$4.0 million GF/GP for a new veterans' service delivery initiative. The initiative is part of the restructuring of the administration and delivery of veterans' affairs programs, services, and benefits within DMVA and throughout state government following the creation of the Veterans Affairs Agency by Executive Order 2013-2. Ongoing funding and staffing support the operations of the agency, while the one-time appropriation supports initial agency activities related to program (service delivery) design and development. The executive order specifically tasks the new agency to review state veterans' services and benefits, re-engineer intra-agency and interagency business processes to improve the delivery of services to veterans and coordinate veterans' programs and services throughout state government. (Supplemental Request 2013-4 includes \$3.0 million and 11.0 FTE positions for the new agency for FY 2012-13.)	Gross	N/A	\$8,000,000	(\$4,000,000)
	GF/GP	N/A	\$8,000,000	(\$4,000,000)

MILITARY AND VETERANS AFFAIRS

<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>		FY 2012-13 YTD (as of 2/7/13)	Executive Changes	
			FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
2. Veterans Service Officers	FTE	1.0	5.0	0.0
Adds \$600,000 GF/GP and 5.0 FTE positions to support the hiring of state employees to serve as VA-accredited veterans service officers who provide assistance to qualified veterans in the preparation, presentation, and prosecution of claims for veterans' benefits; also supports continued efforts in training VA-accredited county veterans' counselors (service officers).	Gross	\$125,000	\$600,000	\$0
	GF/GP	\$125,000	\$600,000	\$0
3. D.J. Jacobetti Veterans Home Laundry Services	Gross	\$199,000	\$60,000	\$0
Adds \$60,000 GF/GP for a new contract for laundry and linen services at the D.J. Jacobetti Veterans Home in Marquette. DTMB cancelled the old contract nine months early (in November 2012) with services provided under temporary contract while a new vendor is selected through the procurement process. The request for proposals (RFP) for the new contract was released in late January 2013, with the new contract expected to start in April 2013. The old contract had a single rate for both personal items of the residents and linens of the home. The temporary contract has a higher rate to launder the personal items of the residents; it is anticipated the new contract will as well.	GF/GP	\$199,000	\$60,000	\$0
4. Veterans Homes Maintenance	Gross	\$2,116,000	(\$1,616,000)	\$0
Adds \$500,000 GF/GP in ongoing support for special maintenance activities at the Grand Rapids and Jacobetti veterans' homes; eliminates \$2.1 million designated as a one-time appropriation in FY 2012-13 for maintenance at the two homes.	GF/GP	\$2,116,000	(\$1,616,000)	\$0
5. Lands and Acquisitions	Gross	\$250,000	\$750,000	\$0
Adds \$750,000 from the Michigan National Guard Armory Construction Fund (which receives revenue from the sale of National Guard facilities and properties) for the acquisition costs of land and properties for new (or expanded) armories. DMVA is seeking a replacement for the armory in Flint and would use the funds appropriated here to acquire a suitable existing facility (rather than building anew).	Restricted	\$250,000	\$750,000	\$0
6. Eliminate FY 2012-13 One-Time Appropriations	Gross	\$16,491,900	(\$16,491,900)	\$0
Eliminates other one-time appropriations in FY 2012-13, including those related to the Flint armory (\$12.0 million); veterans service enhancements (\$434,000), county veterans' counselor accreditation (\$200,000), data upgrades and records digitization (\$750,000), state employee lump-sum payments (\$707,000), and special maintenance at state armories (\$2.4 million).	IDG	700	(700)	0
	Federal	9,407,500	(9,407,500)	0
	Local	3,600	(3,600)	0
	Private	4,200	(4,200)	0
	Restricted	3,136,000	(3,136,000)	0
	GF/GP	\$3,939,900	(\$3,939,900)	\$0
7. Information Technology Adjustments	Gross	\$1,078,500	\$26,000	\$0
Increases funding for IT-related services and projects (common to all departmental budgets) cost increases for the Windows 7 upgrade, the Center for Shared Solutions, and improvements to the state's wireless infrastructure and internet bandwidth.	Federal	531,600	12,900	0
	Restricted	384,800	9,300	0
	GF/GP	\$162,100	\$3,800	\$0
8. Economic Adjustments	Gross	N/A	\$3,381,600	\$1,945,500
Reflects increased costs of \$3.4 million Gross (\$1.0 million GF/GP) for negotiated salary and wage increases (1.0%), insurance rate increases, actuarially-required retirement rate increases, and other economic adjustments; provides an additional increase of \$1.9 million Gross (\$0.4 million GF/GP) projected for FY 2014-15.	Federal	N/A	1,837,900	1,559,200
	Restricted	N/A	503,700	0
	GF/GP	N/A	\$1,040,000	\$386,300

<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>	<u>Executive Changes</u>			
	<u>FY 2012-13 YTD (as of 2/7/13)</u>	<u>FY 2012-13 to FY 2013-14</u>	<u>FY 2013-14 to FY 2014-15</u>	
9. Special Maintenance Consolidation	Gross	\$23,351,200	(\$3,000,000)	\$0
Consolidates the several special maintenance program lines for military sites included in the department operations sections with a separate capital outlay program line (remodeling and additions), and adjusts the spending authorization from federal National Guard Bureau (NGB) revenues to align with anticipated revenue.	Federal	20,300,000	(3,000,000)	0
	GF/GP	\$3,051,200	\$0	\$0
10. Headquarters and Armories	FTE	80.0	0.0	0.0
Transfers \$15,000 GF/GP to the Michigan Emergency Volunteers program line to better reflect where expenditures are incurred and increases by \$700,000 in federal NGB revenues to align with anticipated revenue.	Gross	\$11,958,800	(\$685,000)	\$0
	Federal	4,656,800	700,000	0
	Restricted	346,400	0	0
	GF/GP	\$6,955,600	(\$15,000)	\$0
11. Michigan Emergency Volunteers	Gross	\$5,000	\$15,000	\$0
Includes the transfer of \$15,000 GF/GP from Headquarters and Armories to the Michigan Emergency Volunteers (volunteer defense force) to better reflect where expenditures are incurred. Increased funding supports travel and training costs of the volunteer defense force related to the development of cyber defense capabilities.	GF/GP	\$5,000	\$15,000	\$0
12. Youth Challenge Program	Gross	\$5,276,700	(\$925,300)	\$0
Reduces spending authorization from IDG and private sources to reflect anticipated revenues for Youth Challenge, a voluntary boot camp-style program for 16- to 18-year old high school dropouts administered by the Department in Battle Creek. The federal Safe and Drug-Free Schools and Communities State Grant program has ended. Funding available from that federal grant was made available to DMVA through an IDG from the Department of Community Health. Reduces spending authorization from private donations to reflect a decline in the amount donated to the program.	IDG	165,800	(165,800)	0
	Federal	2,651,400	0	0
	Local	1,500,000	0	0
	Private	959,500	(759,500)	0
13. Homeland Security	Gross	\$1,000,000	(\$350,000)	\$0
Recognizes the elimination of federal grant funding made available to DMVA through an IDG from the Department of Community Health, Office of Public Health Preparedness. Also reduces the IDG from the Department of State Police supported by federal homeland security funds. (A similar reduction in federal spending is taken in the Department of State Police budget.	IDG	1,000,000	(350,000)	0
14. Grand Rapids Veterans Home	FTE	343.0	0.0	0.0
Reduces spending authorization for the GRVH to reflect actual revenues collected from federal Medicaid and Medicare funds, and income and assessments from residents at the home.	Gross	\$46,516,500	(\$1,600,000)	\$0
	Federal	21,695,600	(600,000)	0
	Restricted	14,594,700	(1,000,000)	0
	GF/GP	\$10,226,200	\$0	\$0
15. Military Training Sites and Support Facilities	FTE	205.0	0.0	0.0
Increases spending authorization from federal National Guard Bureau revenues for military training sites and support facilities (Camp Grayling, Fort Custer, Battle Creek Air National Guard (ANG) Base, Selfridge ANG Base, Alpena Combat Readiness Training Center (CRTC) to reflect actual revenues collected.	Gross	\$30,065,500	\$1,000,000	\$0
	Federal	28,456,300	1,000,000	0
	GF/GP	\$1,609,200	\$0	\$0

MILITARY AND VETERANS AFFAIRS

Major Boilerplate Changes From FY 2012-13

NOTE: No boilerplate language proposed specific to FY 2014-15.

Sec. 217. Budgetary Efficiency – DELETED

Requires the department to improve its budget efficiency by prioritizing personnel over buildings, pursuing consolidation of support services, seeking expenditure reductions, and identifying efficiencies that can be gained through the reduction or elimination of programs.

Sec. 219. Quarterly Performance Metrics Reports – DELETED

Requires the department to provide quarterly report on the status of work projects, the department's financial status, evidence of efficiencies, property sales, information which validates that all requirements in the budget have been achieved, corrective action plans for requirements that have not been achieved, a summary of any funding shifts between scheduled programs, and the results of any inspections at the two veterans homes.

Sec. 220. Services to Veterans – REVISED

Requires the department to report annually on various services to veterans, i.e. metric requirements, audits and tax reports, expenditures by category, population and bed space at the veterans homes, and on the Michigan Veterans' Trust Fund. Executive – deletes a requirement that the department provide financial information on the homes and the nursing home licensure status of the homes; deletes a requirement that the department provide information on the methodology used to allocate emergency grant funds, the method of selecting authorized agents within the counties to process grant applications, and the department's efforts to reduced administrative costs related to the MVTF and maintain the \$50.0 million corpus of the trust fund.

Sec. 223. Notice of Property Sales – DELETED

Requires the department to provide a 60-day notice of intent to sell property.

Sec. 226. Partner with Reserve Forces – DELETED

Requires the department to seek partnerships with the reserve component of the U.S. Armed Forces for the co-location of activities and cost share for facilities.

Sec. 227. Bid Process – DELETED

Prohibits the exclusion of public employee unions from the bid process for contract services.

Sec. 230. Performance Metrics Report – NEW

Requires the department to maintain a publicly accessible website that identifies and tracks the department's performance against key metrics used to monitor and improve the department's performance.

Sec. 300. Unclassified Positions – DELETED

Lists titles of unclassified positions currently in the department; requires the department to notify subcommittees prior to submitting requests for additional unclassified positions or requests for substantive changes to the duties of unclassified positions. Executive - deletes.

Sec. 301. Administrative Support – DELETED

Requires the department to provide proper levels of administrative support, staffing and resources, and fiscal controls for department expenditures.

Sec. 303. Army National Guard Support for State and Local Emergencies – DELETED

Requires the department to provide Army National Guard (ARNG) forces for emergencies and to properly train and equip military forces.

Sec. 304. Army National Guard Training Facilities – REVISED

Requires the department to properly operate and maintain military training facilities, including Fort Custer and Camp Grayling, and to improve the adequacy of utilities and infrastructure. Executive - combines Sections 303 and 304, concerning the Army National Guard to provide ARNG forces for state and local emergencies and in support for national military requirements, and to operate and maintain ARNG facilities, including Fort Custer and Camp Grayling; requires the department to improve the utilities and infrastructure of ANRG facilities; deletes language that requires the department to comply with Appendix 1 of the Master Cooperative Agreement concerning building maintenance performance and Appendix 3 of the Master Cooperative Agreement concerning security management at ARNG facilities.

Sec. 305. Air National Guard Support for State and Local Emergencies – DELETED

Requires the department to provide Air National Guard (ANG) forces for state and local emergencies, to properly train and equip military forces, and to improve the adequacy of the utilities and infrastructure of ANG facilities.

Sec. 306. Air National Guard Training Facilities – REVISED

Requires the department to properly operate and maintain Selfridge and Battle Creek Air National Guard bases and the Alpena Combat Readiness Training Center and to provide security services at ANG facilities.

Major Boilerplate Changes From FY 2012-13

Sec. 401. Veterans Advice, Advocacy, and Assistance – REVISED

Requires the department to provide advice, advocacy, and assistance services to veterans; to maintain proper levels of staffing and resources; to distribute grant funding; to take steps to improve the coordination of veterans' benefits counseling; and to increase its responsibility in administration, management, oversight, and outreach of delivery of services. Adds the department shall assist veterans in securing professional assistance, advocacy, and counseling regarding claims management issues.

Sec. 601. Veterans' Homes – REVISED

Requires the department to provide proper levels of staffing and resources for operating the two veterans' homes; authorizes appropriations for Boards of Managers to be expended for facility improvements; specifies requirements for competency evaluated nursing assistants employed at the homes. Deletes language specifying the minimum number of residents at the two homes in skilled nursing or domiciliary beds; requiring the homes to ensure medical staff conforms to U.S. Department of Veterans Affairs standards; requiring the homes to provide transportation to all medical appointments outside the homes; requiring residents to receive daily laundry services; requiring maintenance and custodial services to conform to applicable local, state, and federal standards; requiring prior notice before the homes' boards of managers alter spending plan from post and posthumous funds; and requiring resident care aides provided by contractors meet certain requirements.

Sec. 602. Michigan Veterans' Facility Ombudsman – DELETED

Specifies legislative intent for establishing a Michigan Veterans' Facility Ombudsman; specifies duties and responsibilities of the Ombudsman. Ombudsman's purpose would be to conduct investigations concerning actions or omission of actions or conditions at the veterans' homes which are alleged to be contrary to law or policy or that pose a significant health or safety issue.

Supplemental Recommendations for FY 2012-13 Appropriations

**FY 2012-13
Recommendation**

1. Veterans' Service Delivery Initiative

The initiative is part of the restructuring of the administration and delivery of veterans' affairs programs, services, and benefits within DMVA and throughout state government following the creation of the Veterans Affairs Agency by Executive Order 2013-2. The new agency will raise the level of services provided through DMVA and throughout state government.

FTE	11.0
Gross	\$2,997,500
GF/GP	\$2,997,500

Summary: Executive Budget Recommendation for Fiscal Years 2013-14 and 2014-15 STATE POLICE

Analyst: Mark Wolf

	FY 2012-13 Year-to-Date as of 2/7/13	FY 2013-14 Executive	Difference: FY 2013-14 Vs. FY 2012-13		FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14	
			Amount	%		Amount	%
IDG/IDT	\$25,238,500	\$25,219,700	(\$18,800)	(0.1)	\$25,692,200	\$472,500	1.9
Federal	104,911,000	98,846,100	(6,064,900)	(5.8)	99,422,200	576,100	0.6
Local	6,869,400	6,967,500	98,100	1.4	7,004,200	36,700	0.5
Private	231,300	239,700	8,400	3.6	245,600	5,900	2.5
Restricted	123,218,700	121,554,400	(1,664,300)	(1.4)	123,656,600	2,102,200	1.7
GF/GP	317,513,800	350,974,300	33,460,500	10.5	355,963,900	4,989,600	1.4
Gross	\$577,982,700	\$603,801,700	\$25,819,000	4.5	\$611,984,700	\$8,183,000	1.4
FTEs	2,884.0	2,917.0	33.0	1.1	2,917.0	0.0	0.0

Notes: (1) FY 2012-13 year-to-date figures include mid-year budget adjustments through February 7, 2013. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2014-15 figures are projected budget amounts only and would not be legally binding appropriations. (4) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

Overview

The Michigan Department of State Police (MSP) provides general law enforcement services throughout the state and provides for the development and coordination of state-level programs, technologies, and specialized services that enhance enforcement and emergency response capabilities for the entire public safety community. Organizational goals of the department are to prevent and investigate crime and enforce the law; improve traffic safety; provide for homeland security and emergency prevention, response, and recovery; provide the highest quality specialized services, enhance organizational performance; and improve operational efficiencies.

Major Budget Changes From FY 2012-13 YTD Appropriations		FY 2012-13 YTD (as of 2/7/13)	Executive Changes	
			FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
1. Trooper Recruit School	FTE	N/A	107.0	0.0
Adds \$15.2 million GF/GP (\$4.2 million one-time) for costs related to a new trooper school projected to graduate 107 troopers. The \$11.0 million identified as ongoing costs supports the costs of salaries and wages (including benefits) paid to recruits, while the one-time funds support costs related to recruitment and selection of candidates, overtime costs for training instructors, outfitting and equipping the recruits, and costs related to the Field Officer Training program.	Gross	N/A	\$15,211,900	(\$4,211,900)
	GF/GP	N/A	\$15,211,900	(\$4,211,900)
2. At-Post Troopers: COPS Grant GF/GP Offset	FTE	933.0	0.0	0.0
Adds \$2.1 million GF/GP to offset the exhaustion of a three-year \$5.8 million grant from the federal Department of Justice Community Oriented Policing Services (COPS) Hiring Program that began in FY 2010-11. The original grant enabled the department to hire 21 community service troopers (CST), paying 100% of the approved salary and benefits for the troopers over a three-year period. At the end of the grant period, the MSP (as a condition of its grant award) must retain the troopers for a minimum of 12 months. This fund would fulfill that requirement.	Gross	\$133,692,200	\$0	\$0
	Federal	2,077,900	(2,094,800)	0
	Restricted	36,901,400	0	0
	GF/GP	\$94,712,900	\$2,094,800	\$0

<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>	<u>Executive Changes</u>			
		<u>FY 2012-13 YTD (as of 2/7/13)</u>	<u>FY 2012-13 to FY 2013-14</u>	<u>FY 2013-14 to FY 2014-15</u>
3. Portable Radio Batteries Life Cycle	Gross	N/A	\$80,000	\$0
Adds \$80,000 Gross (\$70,000 GF/GP) to establish a 2.5-year life cycle for the batteries on the portable communications radios (on the trooper's person), allowing MSP to replace an additional 626 batteries per year (at a cost of \$112 each). The department has about 3,085 portable radios currently and has the resources to replace about 223 batteries per year.	IDG/IDT	N/A	1,300	0
	Restricted	N/A	8,700	0
	GF/GP	N/A	\$70,000	\$0
4. Motor Vehicle Fleet Leasing	Gross	\$15,630,700	\$1,122,400	\$0
Adds \$1.1 million GF/GP related to increases in the monthly vehicle fleet leasing costs, largely because MSP is cycling out older model Ford Crown Vics with new Dodge Chargers as its main patrol sedan.	GF/GP	\$15,630,700	\$1,122,400	\$0
5. Emergency Support Team (EST) Vehicles	Gross	N/A	\$350,000	\$0
Adds \$350,000 GF/GP in one-time support to replace two vehicles for the Emergency Support Team, which responds extremely difficult and dangerous situations, such as hostage rescue, barricaded gunmen, high risk arrests, meth labs, and counter terrorism. The current vehicles are more than 10 years old and would be replaced with two Ford F550s with a cube rear box, which allows the EST to transport tactical team members and sensitive equipment.	GF/GP	N/A	\$350,000	\$0
6. Disaster and Emergency Contingency Fund	Gross	N/A	\$4,000,000	\$0
Appropriates \$4.0 million GF/GP in FYs 2013-14 and 2014-15 (\$8.0 million combined) to the Disaster Contingency Fund established in the Emergency Management Act to provide assistance to state agencies and qualifying local governments responding to natural or man-made disasters; includes a boilerplate authorization of up to \$800,000 to be expended from the fund; implementing legislation would change the name of the fund to the Disaster and Emergency Contingency Fund and increase the minimum and maximum amounts held in the fund.	GF/GP	N/A	\$4,000,000	\$0
7. Information Technology Costs	Gross	\$21,258,700	\$2,287,300	\$0
Adds \$2.3 million Gross (\$2.1 million GF/GP) for increased information technology costs related to the mobile data computers in MSP vehicles (\$2.0 million Gross); upgrading to Windows 7 and increased costs related to the Center for Shared Solutions (\$151,200); and improvements to the state's wireless infrastructure and Internet bandwidth (\$132,100).	IDG/IDT	402,200	49,000	0
	Federal	1,201,800	30,600	0
	Local	1,294,600	7,500	0
	Restricted	6,205,600	85,400	0
	GF/GP	\$12,154,500	\$2,114,800	\$0
8. Eliminate FY 2012-13 One-Time Appropriations	Gross	\$5,993,700	(\$5,993,700)	\$0
Eliminates several one-time appropriations made in FY 2012-13 for state employee lump sum payments (\$3.2 million Gross); traffic control for Michigan International Speedway (\$800,000 GF/GP); At-post trooper equipment (\$1.6 million GF/GP); and partial year rent charges at the Collins Road facility (\$350,000 GF/GP).	IDG/IDT	168,700	(168,700)	0
	Federal	249,700	(249,700)	0
	Local	38,900	(38,900)	0
	Private	1,700	(1,700)	0
	Restricted	675,800	(675,800)	0
	GF/GP	\$4,858,900	(\$4,858,900)	\$0

<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>		FY 2012-13 YTD (as of 2/7/13)	Executive Changes	
			FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
9. Align Spending and FTE Authorization	FTE	N/A	(74.0)	0.0
Reduces spending by \$10.3 million Gross (\$0 GF/GP) in two dozen scheduled program lines to align spending authority with anticipated revenues. Of these reductions, the most notable is a reduction of \$3.0 million in spending authorization for the Secondary Road Patrol Program, which provides grants to county sheriff's departments. (Appropriations have been about \$14.0 million in the last several years, while available revenues from the Secondary Road Patrol and Training Fund have been about \$10.0 million.)	Gross	N/A	(\$10,328,800)	\$0
	IDG/IDT	N/A	(749,300)	0
	Federal	N/A	(4,776,600)	0
	Local	N/A	0	0
	Private	N/A	0	0
	Restricted	N/A	(4,802,900)	0
	GF/GP	N/A	\$0	\$0
10. Economics Adjustment	Gross	N/A	\$19,089,900	\$10,050,500
Reflects increased costs of \$19.1 million Gross (\$13.4 million GF/GP) for negotiated salary and wage amounts (1.0%), insurance rate increases, actuarially-required retirement rate increases, and other economic adjustments. An additional increase of \$10.0 million Gross (\$6.9 million GF/GP) is projected for FY 2014-15.	IDG/IDT	N/A	845,200	472,500
	Federal	N/A	1,029,600	576,100
	Local	N/A	127,300	36,700
	Private	N/A	10,100	5,900
	Restricted	N/A	3,722,200	2,102,200
	GF/GP	N/A	\$13,355,500	\$6,857,100

11. Internal Transfers

Makes several internal transfers among the scheduled programs within the budget that net out to zero for each of the fund source categories (Federal, Restricted, etc.). In general, these transfers align spending authorization for various activities within the budget with the organizational structure of the department. These transfers include:

- Transferring \$15.0 million GF/GP and 180.0 FTE positions for the law enforcement enhancement (recruit schools) into the At-Post Troopers (\$12.8 million GF/GP) and Fleet Leasing (\$2.2 million) program lines.
- Transferring \$8.4 million Gross (\$7.4 million GF/GP) and 75.0 FTE positions related to dispatch/communications personnel from Management Services (Support Services Unit) to Operational Support (Specialized Services Unit) to reflect placement of that function within the MSP organization.
- Consolidating the Budget and Financial Services program line (\$1.8 million Gross and 16.0 FTE positions) into the Management Services program line.
- Establishing a new program line for State 911 Administration (\$617,800 IDG and 5.0 FTE positions), separating it out from the Management Services program line.
- Transferring \$205,400 in spending authority from local fees for Information Technology (Law Enforcement Information Network fees) to the Michigan Public Safety Communications System (MPSCS Subscriber fees).
- Transferring \$177,200 GF/GP and 1.0 FTE from criminal investigations to aviation.

Major Boilerplate Changes From FY 2012-13

NOTE: No boilerplate language proposed specific to FY 2014-15.

Sec. 204. IDG Funding Received by the Department – DELETED

Lists specific amounts and sources of interdepartmental grant funding received by the department.

Sec. 205. IDG Funding Made Available to Other State Departments – REVISED

Lists specific amounts and sources of interdepartmental grant funding made available by the department to other state departments; specifically allocates \$1.8 million to the Judiciary from the federal Byrne Justice Assistance Grant Program. Deletes the listing of IDGs to other departments; keeps the Byrne grant allocation to the Judiciary, but reduces it to \$1.5 million.

Sec. 216. Schedule of Programs Disclaimer – REVISED

Specifies that the schedule of programs is a list of programs which may be, but is not required to be, funded; specifies that the schedule of revenue sources may or may not be received from the entities listed; specifies that Secondary Road Patrol funding is not subject to funding flexibility and the program will be funded in accordance with law; specifies that funding required by statute is not subject to funding flexibility. Deletes the language concerning the Secondary Road Patrol Funding.

Sec. 217. Budgetary Efficiency – DELETED

Requires the department to improve its budgetary efficiency by prioritizing personnel over buildings, pursuing consolidation of support services, seeking expenditure reductions, and identifying efficiencies that can be gained via the reduction or elimination of programs.

Major Boilerplate Changes From FY 2012-13**Sec. 219. Quarterly Reporting on Achieving Requirements – DELETED**

Requires the department to provide quarterly reports on the status of work projects, department's financial status, forensic laboratory system staffing, information which validates that all requirements in the article have been achieved, corrective action plans for requirements not achieved, and summary of fund shifts.

Sec. 220. Data to be Reported – DELETED

Requires the department to report on school bus inspections, on the status of assessments collected under the Michigan Vehicle Code, and on casino gaming oversight activities.

Sec. 222. Post Closure or Consolidation – DELETED

Requires the department to notify subcommittees not less than 90 days before recommending closure or consolidation of any state police posts.

Sec. 223. Privatization – DELETED

Requires submission of a project plan to the appropriations subcommittees and the fiscal agencies 60 days before beginning any effort to privatize.

Sec. 226. Contractual Services – REVISED

States legislative intent that the department not provide subsidies for any contractual services it provides; states that when the department provides reimbursed services it shall be reimbursed for all costs incurred, including retirement and overtime costs; requires the department to define cost service models for services requiring reimbursement; requires that reimbursed services for entities other than local governments may be reimbursed only on an overtime basis. Deletes intent statement that the department not subsidize the cost of any contractual service.

Sec. 227. Interoperability Standards – DELETED

Requires the department to define interoperability standards to ensure effective communication between state, local, regional, and federal agencies under public safety scenarios.

Sec. 230. Calhoun County Post – DELETED

Authorizes the department to enter into an agreement with Calhoun County to build a new post.

Sec. 230. Performance Metrics Report – NEW

Requires the department to maintain a publicly accessible website that identifies and tracks the department's performance against key metrics used to monitor and improve the department's performance.

Sec. 231. Assistance to Communities Without Law Enforcement Assistance – DELETED

Requires the department to provide general law enforcement assistance to communities that have no local law enforcement, or that are underserved, until adequate services can be provided by other means.

Sec. 232. Communication Towers – DELETED

Requires the department to act as a liaison between DTMB and local public safety agencies to facilitate the use of Michigan Public Safety Communications System towers.

EXECUTIVE DIRECTION**Sec. 250. Unclassified Positions – DELETED**

Lists titles of unclassified positions; requires the department to notify the subcommittees prior to submitting requests for additional unclassified positions or requests for changes to the duties of existing unclassified positions.

SCIENCE, TECHNOLOGY, AND TRAINING BUREAU**Sec. 301. Training and Education Metrics – REVISED**

Requires the department to (1) maintain proper levels of staffing and resources for providing training and educational opportunities that support enforcement and public safety efforts of the criminal justice community; (2) establish methods with the goal of reducing the cost of training services by 20%; (3) place an emphasis on recruiting Michigan Commission on Law Enforcement Standards-certified police officers to the trooper school; (4) develop a delivery cost model for its training activities; (5) place an emphasis on hiring veterans, particularly for the trooper school. Deletes provisions concerning the department's training activities and hiring preferences for the trooper school.

Sec. 305. Law Enforcement Information Network (LEIN) Services – REVISED

Requires the department to maintain proper levels of staffing and resources for maintaining LEIN services in support of public safety and law enforcement communities; lists requirements of the department if they propose LEIN user fees. Deletes the requirements placed on the department if they propose new LEIN user fees.

REVIEW AND ANALYSIS OF FY 2013-14 AND FY 2014-15 EXECUTIVE RECOMMENDATION

STATE POLICE

Major Boilerplate Changes From FY 2012-13

FORENSIC SCIENCES

Sec. 401. Forensic Testing Services and Evidence – REVISED

Requires the department to maintain proper levels of staffing and resources for providing forensic testing services and evidence; requires the department to post changes to protocol for retaining and purging DNA samples and records on the department's website; requires the department to hire 20 additional forensic employees with the intent of reaching an average 30-day turnaround for forensic evidence. Deletes the specific reference to the 20 employees, but requires the department to improve its performance with the intent of reaching a 30-day turnaround.

UNIFORM SERVICES

Sec. 503. Distressed Cities – REVISED

Requires the department to dedicate a minimum of 23,374 patrol hours in distressed cities. Reduces the minimum number of patrol hours to 23,000.

Sec. 506. Cities in Distress Public Safety Initiative – DELETED

Requires the department to report on statistics associated with the cities in distress public safety initiative (i.e., statistics regarding trooper schools, criminal activity, and local law enforcement officers).

Sec. 507. Status of Regional Policing Model – DELETED

Requires the department to report on transition by the department to the regional policing model (i.e., costs and savings associated with shifting personnel from traditional office assignments to road patrol assignments).

Specialized Services

Sec. 602. Criminal Investigations – REVISED

Requires the department to maintain proper levels of staffing and resources for identifying and apprehending criminals through criminal investigations; to enforce the tobacco products tax act; and to enforce tobacco tax laws for a minimum 8,320 hours. Reduces the minimum number of hours to 8,300.

SUPPORT SERVICES

Sec. 703. Hazardous Materials Response Training – REVISED

Requires the department to maintain proper levels of staffing and resources for providing hazardous materials response training; requires the department to ensure that federal homeland security grants are allocated to first responders in the highest percentage possible and that homeland security grants awarded to the City of Detroit are not used to supplant general funds. Deletes language pertaining to the allocation of homeland security grants.

Sec. 704. Emergency Operations Center (EOC) – REVISED

Requires the department to operate and maintain the state's emergency operations center and to maintain readiness to respond to civil disorders and natural disasters; requires the department to begin construction or renovation of a state emergency operations center to facilitate relocation from its current site at Collins Road by September 30, 2013. Deletes reference to the relocation of the EOC from the Collins Road facility.

Sec. 705. Public Awareness Campaigns – DELETED

Requires the department to conduct public awareness campaigns and to train child passenger safety technicians.

**FY 2013-14 AND FY 2014-15
Budget Detail
for
ALL OTHERS**

**Judiciary
Licensing and Regulatory Affairs
Transportation**

**Summary: Executive Budget Recommendation
for Fiscal Years 2013-14 and 2014-15
JUDICIARY**

Analyst: Robin R. Risko

	FY 2012-13 Year-to-Date as of 2/7/13	FY 2013-14 Executive	Difference: FY 2013-14 Vs. FY 2012-13		FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14	
			Amount	%		Amount	%
IDG/IDT	\$2,638,200	\$2,350,500	(\$287,700)	(10.9)	\$2,354,800	\$4,300	0.2
Federal	6,017,100	5,343,900	(673,200)	(11.2)	5,384,800	40,900	0.8
Local	7,049,300	7,133,100	83,800	1.2	7,218,200	85,100	1.2
Private	921,800	931,500	9,700	1.1	939,700	8,200	0.9
Restricted	86,382,200	86,115,900	(266,300)	(0.3)	86,141,800	25,900	0.0
GF/GP	170,751,500	183,441,300	12,689,800	7.4	178,163,600	(5,277,700)	(2.9)
Gross	\$273,760,100	\$285,316,200	\$11,556,100	4.2	\$280,202,900	(\$5,113,300)	(1.8)
FTEs	472.0	482.0	10.0	2.1	481.0	(1.0)	(0.2)

Notes: (1) FY 2012-13 year-to-date figures include mid-year budget adjustments through February 7, 2013. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2014-15 figures are projected budget amounts only and would not be legally binding appropriations. (4) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

Overview

Article VI of the State Constitution of 1963 forms the basis for Michigan's judicial branch of government, which receives funds appropriated through the budget act for the Judiciary. The Judiciary budget provides operational funding for the Michigan Supreme Court, Court of Appeals, and related judicial agencies. The budget also funds the salaries of justices of the Supreme Court and judges of the appeals, circuit, probate, and district courts according to constitutional and statutory requirements. Assistance for local court operations is provided through a variety of grant programs. The largest of these, the Court Equity grant program, reimburses counties for trial court operations based on a statutory formula that recognizes circuit and probate caseloads and the numbers of judgeships.

Major Budget Changes From FY 2012-13 YTD Appropriations		FY 2012-13 YTD (as of 2/7/13)	Executive Changes	
			FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
1. Regionalization and Expansion of Specialty Courts	Gross	\$13,383,000	\$3,000,000	\$0
Includes funding for the regionalization and/or expansion of drug courts, driving while intoxicated/sobriety courts, and veterans courts. The goal is to make these courts available to more citizens in the state by regionalizing courts to serve multiple jurisdictions and expanding the number of specialty courts available.	IDG	1,800,000	0	0
	Federal	800,000	0	0
	Restricted	3,649,900	0	0
	GF/GP	\$7,133,100	\$3,000,000	\$0
2. Expansion of Mental Health Courts	Gross	\$2,100,000	\$2,000,000	\$0
Includes funding for grants to be awarded to trial courts that are interested in operating mental health courts. Currently, there are nine pilot courts operating mental health courts. The funding will allow for five to ten additional mental health courts.	GF/GP	\$2,100,000	\$2,000,000	\$0
	FTE	61.0	1.0	0.0
3. State Appellate Defender Office (SADO) Staff Increase	Gross	\$13,645,900	\$107,200	\$0
Includes 1.0 FTE position and funding to assist the office with meeting the statutory requirement to manage 25% of the state's criminal defense appellate cases for indigents. The office met 18% in FY 2011-12 and is expected to meet 22% in FY 2012-13.	Federal	3,048,500	0	0
	Private	777,500	0	0
	Restricted	1,263,400	0	0
	GF/GP	\$8,556,500	\$107,200	\$0

<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>		FY 2012-13 YTD (as of 2/7/13)	Executive Changes	
			FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
4. Savings for Eliminated Judgeships	Gross	N/A	(\$391,500)	\$0
Reflects a savings from elimination of five judgeships under Public Act 300 of 2011. The amount of savings represents full-year savings for two of the five judgeships and partial year savings for the other three. Savings amounts are a result of the effective dates of the retirements of the judges.	GF/GP	N/A	(\$391,500)	\$0
5. Adjustments to Reflect Actual Revenues	Gross	N/A	(\$1,284,500)	\$0
Adjusts funding for the following programs in order to reflect the actual amount of revenue available:	IDG	N/A	(300,000)	0
• Decreases IDG Byrne Justice Assistance grant funding received from the Department of State Police by \$300,000	Federal	N/A	(708,100)	0
• Decreases federal funding for Judicial Information Systems by \$572,400	Restricted	N/A	(276,400)	0
• Decreases federal funding for the Foster Care Review Board by \$254,000				
• Increases federal funding for the Appellate Public Defender program by \$118,300				
• Decreases restricted funding for the Justice System Fund by \$205,400				
• Decreases restricted funding for the Judicial Institute by \$71,000				
6. New Line Items	Gross	N/A	\$0	\$0
Separates funding for the Swift-and-Sure Sanctions program from the Drug Treatment Courts line item and funding for Mental Health Courts from the State Court Administrative Office (SCAO) line item and establishes two new line items for these programs.	GF/GP	N/A	\$0	\$0
7. Economic Adjustments	Gross	N/A	\$2,452,100	\$1,386,700
Includes additional funding for justices' and judges' retirement, salary and wages, insurances, employee retirement, rent, building occupancy, and worker's compensation.	IDG	N/A	21,400	4,300
	Federal	N/A	86,100	40,900
	Local	N/A	162,400	85,100
	Private	N/A	17,900	8,200
	Restricted	N/A	53,300	25,900
	GF/GP	N/A	\$2,111,000	\$1,222,300
8. Eliminate One-Time FY 2012-13 Funding	Gross	\$827,200	(\$827,200)	\$0
Eliminates one-time funding that was included in the FY 2012-13 budget for employee lump sum payments.	IDG	9,100	(9,100)	0
	Federal	51,200	(51,200)	0
	Local	78,600	(78,600)	0
	Private	8,200	(8,200)	0
	Restricted	43,200	(43,200)	0
	GF/GP	\$636,900	(\$636,900)	\$0
9. One-Time Trial Court Innovations Fund	FTE	N/A	1.0	(1.0)
Includes 1.0 FTE position and one-time funding to be used to create incentives which encourage positive change, adoption of best practices, and high performance in the state's trial courts. Funding will be divided into a \$3.0 million incentive program, incentivizing trial courts to become early adopters of specified performance measures and benchmarks, and a \$1.0 million grant program, providing financial assistance to courts for innovative projects which will improve efficiency and effectiveness of operations.	Gross	N/A	\$4,000,000	(\$4,000,000)
	GF/GP	N/A	\$4,000,000	(\$4,000,000)

JUDICIARY

<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>	FY 2012-13 YTD (as of 2/7/13)	Executive Changes	
		FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
10. One-Time Implementation of the Michigan Court System	FTE	N/A	8.0
Includes 8.0 FTE positions and one-time funding to assist with implementation of a unified case management information system, called the Michigan Court System (MiCS), in 264 trial court locations. The new system will combine the four current legacy case management systems that are built on technology that is more than 25 years old. Funding will also be used to train the more than 4,000 users of the system.	Gross	N/A	(\$2,500,000)
	GF/GP	N/A	(\$2,500,000)

Major Boilerplate Changes From FY 2012-13

NOTE: No boilerplate language proposed specific to FY 2014-15.

Sec. 204. Disciplinary Action Against Employees – DELETED

Prohibits the judicial branch from taking disciplinary action against employees for communicating with legislators or their staff.

Sec. 212. Receipt and Retention of Required Reports – DELETED

Requires the judicial branch to receive and retain copies of all reports funded from appropriations; requires federal and state guidelines to be followed for short-term and long-term retention of records; authorizes the judicial branch to electronically retain copies of reports unless otherwise required by federal and state guidelines.

Sec. 214. Buy American – DELETED

Prohibits the purchase of foreign goods or services if competitively priced and of comparable quality American goods or services are available; requires preference to be given to goods and services manufactured by Michigan businesses and Michigan businesses owned and operated by veterans.

Sec. 223. Website for Performance Scorecard – NEW

Requires the judiciary to maintain, on a publicly accessible website, a scorecard that identifies, tracks, and regularly updates key metrics that are used to monitor and improve the judiciary's performance.

Sec. 306. Court Collections – DELETED

Requires the Supreme Court and SCAO to assist local trial courts with improving judgment collections.

Sec. 309. Report on Pilot Mental Health Courts – DELETED

Requires SCAO to provide an update on the status of the pilot mental health courts.

Sec. 310. Drug Treatment Court Evaluation – DELETED

Requires SCAO to evaluate and collect data on the performance of drug treatment court programs; requires an annual review of the performance of drug courts.

Sec. 312. Parental Rights Restoration Act – DELETED

Requires the state court administrator to report on the total number of petitions filed by minors seeking court-issued waiver of parental consent under the Parental Rights Restoration Act, and to report on the total number of petitions granted.

Sec. 320. Swift-and-Sure Sanctions Pilot Program – REVISED

Requires SCAO to distribute grant funding to courts to support the swift-and-sure sanctions program. The following current year requirements are deleted: distribution of funding to only courts which operate a drug court or have a unified trial court, priorities to be used in awarding grant funding, and submission of reports by courts which receive funding.

Sec. 321. Legal Self-Help Website – DELETED

Expresses intent of the legislature that the judicial branch support a statewide legal self-help website and local nonprofit self-help centers that provide assistance to individuals representing themselves in civil legal proceedings.

Sec. 322. State Appellate Defender Office Byrne Formula Grant – REVISED

Authorizes the State Appellate Defender Office (SADO) to receive and expend Byrne formula grant funding in an amount not to exceed \$250,000. New language is added which authorizes SADO to receive and expend up to an additional \$300,000 from the Department of Justice if made available.

Supplemental Recommendations for FY 2012-13 Appropriations

**FY 2012-13
Recommendation**

1. Appellate Public Defender Program

Authorizes receipt and expenditure of federal revenue being made available from the Department of Justice for the Appellate Public Defender program.

Gross	\$418,300
Federal	418,300

2. Drug Treatment Courts

Authorizes receipt and expenditure of federal revenue being made available from the Office of Highway Safety Planning for drug treatment courts.

Gross	\$250,000
Federal	250,000

**Summary: Executive Budget Recommendation
for Fiscal Years 2013-14 and 2014-15
LICENSING AND REGULATORY AFFAIRS**

Analyst: Paul Holland

	FY 2012-13	FY 2013-14 Executive	Difference: FY 2013-14 Vs. FY 2012-13		FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14	
	Year-to-Date as of 2/7/13		Amount	%		Amount	%
IDG/IDT	\$13,496,900	\$14,228,200	\$731,300	5.4	\$14,228,200	\$0	0.0
Federal	268,708,300	197,470,000	(71,238,300)	(26.5)	198,557,800	1,087,800	0.6
Local	659,900	656,500	(3,400)	(0.5)	656,500	0	0.0
Private	2,011,800	2,011,800	0	0.0	2,011,800	0	0.0
Restricted	324,079,700	320,734,900	(3,344,800)	(1.0)	327,416,900	6,682,000	2.1
GF/GP	36,945,200	38,804,900	1,859,700	5.0	39,351,700	546,800	1.4
Gross	\$645,901,800	\$573,906,300	(\$71,995,500)	(11.1)	\$582,222,900	\$8,316,600	1.4
FTEs	3,767.3	3,324.5	(442.8)	(11.8)	3,324.5	0.0	0.0

Notes: (1) FY 2012-13 year-to-date figures include mid-year budget adjustments through February 7, 2013. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2014-15 figures are projected budget amounts only and would not be legally binding appropriations. (4) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

Overview

The Department of Licensing and Regulatory Affairs (LARA) is organized into four principal functions: 1) Licensing and Regulation, which implements and enforces Michigan laws pertaining to financial and insurance, commercial and occupational, construction and fire safety, healthcare, public utility, and liquor regulation; 2) Employment Security and Workplace Safety, which administers unemployment insurance, workers' compensation insurance, occupational safety and health standards, labor and wage laws, and vocational rehabilitation services for the blind; 3) the Michigan Administrative Hearing System (MAHS), a quasi-judicial agency which centralizes and conducts administrative hearings for agencies throughout state government; and 4) the Office of Regulatory Reinvention (ORR), which oversees administrative rule-making and evaluates the state's regulatory infrastructure. The agencies within LARA are primarily supported by various federal grants and revenue generated through numerous fees collected from regulated entities.

<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>		FY 2012-13 YTD (as of 2/7/13)	Executive Changes	
			FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
1. Decreases for the UIA due to Reduced Federal Grants	FTE	1,262.7	(402.0)	0.0
Decreases the Unemployment Insurance Agency's (UIA) spending authorization and FTE positions due to reduced federal grants.	Gross	\$153,814,400	(\$37,161,900)	\$0
The federal government supports the administrative expenses of the UIA through formula grants based on the Insured Unemployment Rate within the state. Due to the decline in the state's Insured Unemployment Rate during 2012, the federal government reduced the amount of these grants and UIA employees were laid-off in 2012.	Federal	148,999,700	(37,161,900)	0
	Restricted	4,814,700	0	0

<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>		FY 2012-13 YTD (as of 2/7/13)	Executive Changes	
			FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
2. Transfer of Storage Tank Programs from DEQ	FTE	N/A	35.0	0.0
Transfers spending authorization and FTE positions from the Department of Environmental Quality (DEQ) for the Aboveground and Underground Storage Tank Programs to the LARA budget. The state restricted revenues are generated by application, registration, installation, inspection, and certification fees while the federal revenues are supported by grants from the US EPA. E.O. 2012-14 transferred the Aboveground and Underground Storage Tank Programs from the DEQ to the Bureau of Fire Services (BFS).	Gross	N/A	\$4,393,100	\$0
	Federal	N/A	1,255,300	0
	Restricted	N/A	3,137,800	0
3. Eliminate FY 2012-13 One-Time Appropriations	Gross	\$4,532,200	(\$4,532,200)	\$0
Eliminates FY 2012-13 one-time appropriations for state employee lump-sum payments.	IDG	163,500	(163,500)	0
	Federal	2,316,400	(2,316,400)	0
	Restricted	1,874,800	(1,874,800)	0
	GF/GP	\$177,500	(\$177,500)	\$0
4. Eliminate "Right to Work" Appropriations	FTE	21.0	0.0	0.0
Eliminates the appropriations made by 2012 PAs 348 and 349 for the Bureau of Employment Relations (BER) to implement the acts and inform stakeholders and the public about the acts.	Gross	\$5,984,500	(\$2,000,000)	\$0
	Restricted	3,984,500	0	0
	GF/GP	\$2,000,000	(\$2,000,000)	\$0
5. Eliminate LCC IT Upgrades	Gross	\$2,000,000	(\$2,000,000)	\$0
Eliminates the appropriation for upgrading the Liquor Control Commission's (LCC) COBOL-based IT system. The appropriation was designated a "Work Project" and additional appropriations were anticipated over the next five years.	Restricted	2,000,000	(2,000,000)	0
6. Increase Survey and Remonumentation Grants	Gross	\$5,300,000	\$2,000,000	\$0
Increases spending authorization for Survey and Remonumentation grants, supported with existing and expected revenue reserves. The Bureau of Construction Codes (BCC) administers grants to counties for implementation of their plans to survey, remonument, and maintain the original national Public Land Survey System corners under the State Survey and Remonumentation Act of 1990. These grants are supported by statutory fees collected from county Registers of Deeds.	Restricted	5,300,000	2,000,000	0
7. Decrease Rent for UIA Detroit Offices	Gross	\$8,612,600	(\$900,000)	\$0
Decreases rent payments from the Unemployment Insurance Agency (UIA) to recognize the UIA's move out of the state-leased Fisher Building into the state-owned Cadillac Building in Detroit.	Federal	4,022,800	(900,000)	0
	Local	127,500	0	0
	Restricted	4,442,500	0	0
	GF/GP	\$19,800	\$0	\$0
8. Increase Liquor Law Enforcement Grants	Gross	\$6,600,000	\$600,000	\$0
Increases the spending authorization for Liquor Law Enforcement grants, supported with existing and expected revenue reserves. The Liquor Control Commission (LCC) administers grants to local law enforcement agencies for the enforcement of the Liquor Control Code of 1998. These grants are supported by 55% of retail liquor license fees collected by the LCC.	Restricted	6,600,000	600,000	0
9. Increase IT Services and Projects to DTMB	Gross	\$42,216,100	\$443,300	\$0
Increases spending authorization for IT services and projects to reflect LARA's share of DTMB's statewide projects to replace Windows XP, recover economics for the Center for Shared Solutions, and expand wireless connectivity and internet bandwidth.	Federal	23,019,700	221,400	0
	Restricted	19,131,200	221,900	0
	GF/GP	\$65,200	\$0	\$0

LICENSING AND REGULATORY AFFAIRS

		Executive Changes			
<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>		FY 2012-13 YTD (as of 2/7/13)	FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15	
10. Targeted Increases in Unclassified Salaries for MAHS		FTE	57.5	0.0	0.0
Increases the annual salaries for select administrative law judges serving on the Michigan Tax Tribunal, Worker's Compensation Board of Magistrates, and Michigan Compensation Appellate Commission within the Michigan Administrative Hearing System (MAHS) to better attract and retain qualified lawyers by offering compensation competitive with the private sector.		Gross	\$4,595,900	\$176,300	\$0
	Federal	944,400	28,200	0	0
	Restricted	3,551,500	148,100	0	0
	GF/GP	\$100,000	\$0	\$0	\$0
11. Transfer of Prevailing Wage Functions from MSF		FTE	N/A	1.0	0.0
Transfers spending authorization and a FTE position relating to prevailing wages on state projects functions from the Michigan Strategic Fund (MSF) to the LARA budget. E.O. 2012-09 transferred functions relating to the Prevailing Wages on State Projects Act of 1965 from the MSF to the Wage and Hour Division within the Michigan Occupational Safety & Health Administration (MIOSHA).		Gross	N/A	\$132,300	\$0
	GF/GP	N/A	\$132,300	\$0	\$0
12. Align MAHS Spending Authorization and FTEs		FTE	231.4	(2.0)	0.0
Aligns the spending authorization and FTE positions for the Michigan Administrative Hearing System (MAHS) to accurately reflect the caseload needs of the Departments of Community Health (DCH) and Humans Services (DHS).		Gross	\$35,418,100	(\$111,500)	\$0
	IDG	13,233,400	(111,500)	0	0
	Federal	8,531,000	0	0	0
	Restricted	12,641,000	0	0	0
	GF/GP	\$1,012,700	\$0	\$0	\$0
13. Decrease Excess Spending Authorization		Gross	\$216,276,900	(\$44,800,000)	\$0
Decreases spending authorization within several line items from various fund sources to more accurately reflect available revenues.		Federal	183,050,700	(36,500,000)	0
	Restricted	33,226,200	(8,300,000)	0	0
14. FTE Rebasing		FTE	2,125.2	(74.8)	0.0
Increases and decreases FTE positions within several line items, resulting in a net decrease, to more accurately reflect actual staffing levels.					
15. Offset for Veteran Fee Exemptions		Gross	\$3,700,000	\$0	\$0
Offsets state restricted revenues expended by the Bureau of Construction Codes (BCC) and the Michigan Occupational Safety and Health Administration (MIOSHA) with GF/GP. These state restricted revenues were reduced as a result of 2012 PAs 309 through 315 which exempted honorably discharged military veterans from licensing fees charged to plumbers, electricians, mechanical contractors, and various building officials by the BCC and filing fees charged to for-profit, nonprofit, and limited liability companies by the Bureau of Commercial Services (BCS).		Restricted	3,700,000	(3,700,000)	0
	GF/GP	\$0	\$3,700,000	\$0	\$0
16. Various Fund Shifts		Gross	\$6,881,500	\$0	\$0
Includes various fund shifts within line items between fund sources which net out to zero gross, though they may alter the types of fund sources, which reflect changes in the availability and allocation of funds or reflect changes to more accurately reflect program administration.		Federal	1,777,000	(278,100)	0
	Local	3,400	(3,400)	0	0
	Restricted	4,552,100	281,500	0	0
17. Economics Adjustments		Gross	N/A	\$11,765,100	\$8,316,600
Reflects increased costs for negotiated salary and wage increases, insurance rates, actuarially-required retirement benefit rates, other post-employment benefits prefunding, workers' compensation costs, building occupancy costs and rent, and other incidental economic adjustments within LARA.		IDG	N/A	1,006,300	0
	Federal	N/A	4,413,200	1,087,800	0
	Restricted	N/A	6,140,700	6,682,000	0
	GF/GP	N/A	\$204,900	\$546,800	0

Major Boilerplate Changes From FY 2012-13

NOTE: No boilerplate language proposed specific to FY 2014-15.

Sec. 203. Definitions – REVISED

Defines various terms and abbreviations used in the bill. Executive eliminates particular definitions.

Sec. 203. Applicability of Management and Budget Act – DELETED

Stipulates that the appropriations in this article are subject to the Management and Budget Act of 1984. Executive moves to Article 20.

Sec. 208. Internet Reports – DELETED

Requires LARA to use the internet or intranet to fulfill reporting requirements under this article. Executive moves to Article 20.

Sec. 209. Buy American and Buy Michigan – DELETED

Requires LARA to purchase goods and services made in America, preferably in Michigan and preferably by veterans, if competitively priced at comparable quality.

Sec. 209. Department Scorecard Website – NEW

Requires LARA to maintain a department scorecard website that identifies, updates, and tracks key metrics to monitor the department's performance.

Sec. 211. Information Technology Work Projects – DELETED

Permits appropriations for Information Technology to be designated as work projects and carried forward, including the LCC IT Upgrade.

Sec. 212. Records Retention – DELETED

Requires LARA to retain all records in accordance with state and federal guidelines.

Sec. 214. Technology User Fees to DTMB – DELETED

Requires LARA to pay user fees to DTMB for IT services and projects subject to interagency agreements.

Sec. 215. State Employee Communication with Legislature – DELETED

Prohibits LARA from making disciplinary action against employees for communicating with the Legislature.

Sec. 217. Out-of-State Travel – REVISED

Provides several limitations and reporting requirements pertaining to out-of-state travel for LARA employees. Executive eliminates all limitations and reduces reporting requirements.

Sec. 219. Office Space Consolidation Plan – DELETED

Stipulates that the Legislature intends to cooperate with the office space consolidation plan implemented by DTMB.

Sec. 225. Private Grant Funded Projects – DELETED

Requires LARA to report the receipt of a private grant to the Legislature and SBO.

Sec. 230. Principal Measurable Outcomes – DELETED

Requires LARA to identify and rank 10 measurable outcomes by October 31, 2012 and provide biennial updates on efforts and improvements in those outcomes by April 1.

Sec. 232. LARA Television Productions – DELETED

Prohibits LARA from developing or producing any television productions.

Sec. 236 One-Time Lump-Sum Payments Report – DELETED

Requires LARA to provide a report with information about every employee that receives a payment of more than \$1,000.

Sec. 313. Health Systems and Radiological Health Revenue Carry-Forward – NEW

Permits LARA to carry-forward excess revenue collections for the Health Systems Administration or Radiological Health Administration.

Sec. 332. UI Computer System Report – DELETED

Requires LARA to provide a quarterly report with specified information on the development of the unemployment insurance agency's integrated IT system project to the Legislature and SBO.

Sec. 333. UI Internet Claims Report – DELETED

Requires LARA to provide a quarterly report the percentage of claimants using the internet MARVIN system to certify and receive benefits and implement improvement to the system to reach a goal of 50% of claimants certifying on the system.

Sec. 340. Workplace Deaths and Injuries Report – DELETED

Requires LARA to provide an annual report on the number of individuals killed or injured on the job for the most recent year data are available to the Legislature and SBO.

REVIEW AND ANALYSIS OF FY 2013-14 AND FY 2014-15 EXECUTIVE RECOMMENDATION

LICENSING AND REGULATORY AFFAIRS

Major Boilerplate Changes From FY 2012-13

Sec. 341. Administrative Rules Restriction – DELETED

Prohibits LARA from promulgating any rule more stringent than an applicable federal standard unless authorized by statute.

Sec. 342. Training Grant to Mining Industry – DELETED

Requires LARA to allocate not less than \$800,000 of MIOSHA CET grants to nonprofit organizations representing the mining industry.

Sec. 368. Regulatory Statistical Report – DELETED

Requires LARA to provide a report containing specified information on the licensing and regulatory activities of the Bureaus of Commercial Services and Construction Codes to the Legislature and SBO.

Sec. 390. Tax Tribunal Caseload Report – DELETED

Requires the Michigan Tax Tribunal to provide a report containing specified information about the caseload, dispositions, and backlog of tax tribunal cases to the Legislature and SBO.

Sec. 603. Local Match Requirements for Facilities Establishment Grants – DELETED

Stipulates that the local match for vocational rehabilitation facilities establishment grants shall not exceed 21.3%.

Sec. 604. Centers for Independent Living – DELETED

Stipulates that all funds appropriated to Independent Living shall be used in support of Centers for Independent Living in underserved areas and the build capacity in compliance with federal regulations and consistence with the State Plan for Independent Living.

Sec. 611. Vocational Rehabilitation Matching Funds – DELETED

Requires the MRS and MCB work collaboratively with service organizations and governments to identify match dollars and maximize federal vocational rehabilitation funds.

Sec. 714. Nursing Facility Complaint Investigations Report – DELETED

Requires LARA to report the timeliness of nursing facility complaint investigations and the number of allegations that are substantiated on an annual basis to the Legislature and SBO and requires LARA to make every effort to contact complainants during the investigations.

Sec. 726. Medical Marihuana Program Fees – REVISED

Requires LARA to provide a report of all information pertaining to the revenue and expenditures of the Medical Marihuana Program and other specified information to the Legislature and SBO and permits LARA to raise application and renewal fees if revenue is insufficient to offset expenses of the Program. Executive eliminates reporting requirements.

Sec. 731. Bureau of Health Systems Regulatory Costs and Fee Report – DELETED

Requires BHS to provide a report to the Legislature pertaining to the costs to regulate each of the several types of health facilities, a proposed fee schedule to offset BHS' regulatory costs, and recommended statutory and rule changes.

Sec. 732. Support for BHS Inspections of FSOFs – DELETED

Stipulates that the Bureau of Health Systems expend at least \$530,000 on the inspections of Freestanding Surgical Outpatient Facilities (FSOFs).

Summary: Executive Budget Recommendation for Fiscal Years 2013-14 and 2014-15 TRANSPORTATION

Analyst: William E. Hamilton

	FY 2012-13 Year-to-Date as of 2/7/13	FY 2013-14 Executive	Difference: FY 2013-14 Vs. FY 2012-13		FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14	
			Amount	%		Amount	%
IDG/IDT	\$3,531,900	\$3,625,100	\$93,200	2.6	\$3,702,700	\$77,600	2.1
Federal	1,221,830,100	1,198,885,500	(22,944,600)	(1.9)	1,198,699,700	(185,800)	0.0
Local	52,080,200	50,177,100	(1,903,100)	(3.7)	50,177,100	0	0.0
Private	100,000	100,000	0.0	0.0	100,000	0	0.0
Restricted	2,165,895,300	3,321,999,900	1,156,104,600	53.4	3,345,365,600	23,365,700	0.7
GF/GP	23,000,000	0	(23,000,000)	(100.0)	0	0	--
Gross	\$3,466,437,500	\$4,574,787,600	\$1,108,350,100	32.0	\$4,598,045,100	\$23,257,500	0.5
FTEs	2,918.3	2,918.3	0.0	0.0	2,918.3	0.0	0.0

Notes: (1) FY 2012-13 year-to-date figures include mid-year budget adjustments through February 7, 2013. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2014-15 figures are projected budget amounts only and would not be legally binding appropriations. (4) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

Overview

The Transportation budget supports state and local highway programs, public transportation programs, aeronautics programs, and administration of the Michigan Department of Transportation (MDOT). Approximately two-thirds of the revenue in this budget comes from state restricted revenue, with approximately one-third from federal sources. Almost all the state-restricted revenue in this budget is constitutionally restricted – from motor fuel taxes and vehicle registration taxes. Most of this revenue is first credited to the Michigan Transportation Fund (MTF) and then distributed in accordance with 1951 PA 51 (Act 51) to other state transportation funds and programs, including the State Trunkline Fund (STF) and the Comprehensive Transportation Fund (CTF), and to local road agencies. Revenue related to taxes on aviation fuel and aircraft registrations is credited to the State Aeronautics Fund (SAF) for aeronautics programs.

		FY 2012-13 YTD (as of 2/7/13)	Executive Changes	
			FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
Major Budget Changes From FY 2012-13 YTD Appropriations				
1. State Trunkline Maintenance		FTEs 808.7	0.0	0.0
Recognizes economic adjustments of \$2.3 million; increase in baseline revenue from proposed funding package, \$10.0 million.		Gross \$273,395,700	\$12,293,800	\$0
	Restricted	273,395,700	12,293,800	0
2. State Trunkline Road and Bridge Construction		Gross \$941,053,200	(\$100,068,000)	(\$4,860,800)
Reflects end of sales tax revenue shift from GF/GP to STF made in 2012 PA 225 (\$100.0 million); shift of driver's license fee revenue from STF to new Basic Industry Logistics Transportation (BILT) fund, (\$12.0 million); other STF revenue adjustments, (\$13.9 million); recognizes \$25.8 million in Blue Water Bridge (BWB) Fund revenue for BWB Plaza project.		Federal 742,092,000	0	0
	Local	30,000,000	0	0
	Restricted	168,961,200	(100,068,000)	(4,860,800)

FY 2014-15 reflects estimated STF revenue.

TRANSPORTATION

		Executive Changes			
<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>		FY 2012-13 YTD (as of 2/7/13)	FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15	
3. Local Federal Aid Road and Bridge Construction		Gross	\$240,443,000	\$938,685,200	(\$400)
Line currently used as placeholder for estimated federal aid revenue earmarked for local federal aid programs. Executive proposes rolling current county road commission and city/village MTF funding into this line through new Act 51 funding formula.		Federal	240,443,000	0	0
		Restricted	0	938,685,200	(400)
FY 2014-15 reflects minor revenue estimate adjustment.					
4. Local Bridge Program		Gross	\$26,763,700	(\$26,763,700)	\$0
Executive proposes elimination of this Act 51 earmark, effectively rolling into <i>Local federal aid and road and bridge construction</i> line item. (See above)		Restricted	26,763,700	(26,763,700)	0
5. MTF to Local Road Agencies		Gross	\$898,485,400	(\$898,485,400)	\$0
Executive proposes rolling up Act 51 MTF distribution to county road commissions, (\$576.9 million in current year), and cities/villages, (\$321.6 million in current year), into <i>Local federal aid and road and bridge construction</i> line item. (See above)		Restricted	898,485,400	(898,485,400)	0
6. Local Program Fund		Gross	\$33,000,000	(\$33,000,000)	\$0
Executive proposes elimination of this Act 51 earmark, effectively rolling into <i>Local federal aid and road and bridge construction</i> line item. (See above)		Restricted	33,000,000	(33,000,000)	0
7. Commercial Corridor Fund		Gross	\$0	\$1,131,779,300	\$16,781,500
Proposed increases to motor fuel taxes and vehicle registration taxes would generate an estimated \$1.236 billion in additional dedicated revenue for transportation programs. Executive proposes new fund, the Commercial Corridor Fund, as the recipient of most of this new revenue under a new distribution formula. The fund is identified as a "pass through mechanism by which funds will be distributed to state and local road agencies." Distribution method has not yet been identified.		Restricted	0	1,131,779,300	16,781,500
FY 2014-15 adjustment reflects estimated available revenue.					
8. Basic Industry Logistics Transportation (BILT)		Gross	\$0	\$58,259,700	(\$1,319,400)
Executive proposes new fund/program reflecting proposed revenue package and distribution formula. The fund would replace the Transportation Economic Development Fund and Rail Grade Crossing program. BILT would be competitive grant program to finance "transportation improvements that support private investment in the areas of manufacturing, tourism, and agriculture."		Restricted	0	58,259,700	(1,319,400)
FY 2014-15 adjustment reflects estimated available revenue.					
9. Rail Grade Crossing		Gross	\$3,000,000	(\$3,000,000)	\$0
Executive proposes elimination of this Act 51 earmark, effectively rolling into new BILT program. (See below)		Restricted	3,000,000	(3,000,000)	0
10. Transportation Economic Development Fund (TEDF)		Gross	\$32,058,200	(\$32,058,200)	\$0
Executive proposes elimination of program; effectively replaced by new BITL program. (See above)		Restricted	32,058,200	(32,058,200)	0
11. Aeronautics Services		FTEs	54.0	0.0	0.0
Reflects economic adjustments, \$166,600; adjustment to estimated SAF revenue, (\$779,200) including reduction of <i>Air service</i> grant program from \$700,000 to \$301,200.		Gross	\$8,268,500	(\$612,600)	(\$1,952,800)
		Restricted	8,268,500	(612,600)	(1,952,800)
FY 2014-15 reflects estimated available SAF revenue.					

		Executive Changes		
		FY 2012-13 YTD (as of 2/7/13)	FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
Major Budget Changes From FY 2012-13 YTD Appropriations				
12. Bus Transit - Local Bus Operating Assistance				
	Gross	\$166,624,000	\$14,527,800	\$0
Provides state operating assistance to local public transit agencies; current year CTF funding unchanged since FY 2006-07. Executive proposes increase in baseline funding reflecting additional revenue from proposed funding package.	Restricted	166,624,000	14,527,800	0
13. Bus Transit - Non-Urban Operating/Capital				
	Gross	\$22,787,900	\$2,400,000	\$0
Recognizes federal non-urban transit grants; reflects MAP-21 funding levels.	Federal	21,987,900	1,200,000	0
	Local	800,000	1,200,000	0
14. Discretionary State Operating				
	Gross	\$0	\$5,400,000	\$0
The statutory formula for distributing local bus operating assistance favors transit agencies that generate local funds to support transit operations; reduced local funding for transit agency operations generally results in reduced state operating assistance as well. Because of the way the state operating assistance is calculated, anticipated reductions in Detroit general fund support for the Detroit Department of Transportation (DDOT) will also reduce the amount of state assistance provided to other urban transit agencies. The Executive proposes additional CTF funding for those urban transit agencies affected by the reduction in Detroit general fund support for DDOT. (See Supplemental request, below)	Restricted	0	5,400,000	0
15. Freight Property Management				
	Gross	\$1,000,000	\$1,000,000	\$0
Program to maintain state-owned rail facilities. Increase in CTF funding for baseline program provided by proposed revenue package.	Restricted	1,000,000	1,000,000	0
16. Intercity Services				
	Gross	\$7,690,000	(\$1,750,000)	\$1,000,000
Supports intercity bus service through operating and capital assistance. Increase in FY 2014-15 CTF funding reflects proposed revenue package.	Federal	4,500,000	0	0
	Local	50,000	0	0
	Restricted	3,140,000	(1,750,000)	1,000,000
17. Rail Operations and Infrastructure				
	Gross	\$24,592,000	\$27,042,900	\$0
Supports rail passenger and rail freight programs. Of the proposed funding increase, \$19.3 million (CTF) reflects new state funding required under federal law for AMTRAK Wolverine (Pontiac-Detroit-Chicago) service – service previously provided without cost to the state as part of AMTRAK national system. Additional \$7.7 million CTF increase in baseline program provided by proposed revenue package.	Federal	3,100,000	0	0
	Local	100,000	0	0
	Private	100,000	0	0
	Restricted	21,292,000	27,042,900	0
Current year funding also includes a separate one-time appropriation of \$11.0 million GF/GP to match federal rail passenger and/or rail freight program grants. (See Item #33, below)				
18. Marine Passenger Service				
	Gross	\$400,000	\$0	\$600,000
No change proposed for FY 2013-14; increase in CTF funding in FY 2014-15 reflects additional funding from proposed revenue package.	Restricted	400,000	0	600,000
19. Terminal Development				
	Gross	\$461,000	\$689,000	\$1,000,000
Increase in baseline program; increase in CTF reflects proposed revenue package.	Restricted	461,000	689,000	1,000,000
20. Rural/Urban Intercity Connector				
	Gross	\$0	\$1,200,000	\$0
Program detail not yet available; increase in CTF reflects proposed revenue package.	Restricted	0	1,200,000	0

TRANSPORTATION

<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>		FY 2012-13 YTD (as of 2/7/13)	Executive Changes	
			FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
21. Rail Infrastructure Assistance	Gross	\$0	\$10,000,000	\$0
Program detail not yet available; increase in CTF reflects proposed revenue package.		Restricted 0	10,000,000	0
22. Specialized Services	Gross	\$8,913,800	\$14,578,100	\$0
Supports transit programs for elderly and disabled citizens. Adjusts federal and local revenue to reflect MAP-21 funding; increase in CTF reflects proposed revenue package.		Federal 2,485,000	7,415,000	0
		Local 2,485,000	1,700,000	0
		Restricted 3,943,800	5,463,100	0
23. Municipal Credit Program	Gross	\$2,000,000	(\$2,000,000)	\$0
Eliminates current Act 51 earmark for transit services in Southeast Michigan reflecting proposed new distribution formula.		Restricted 2,000,000	(2,000,000)	0
24. Bus Capital/Transit Capital	Gross	\$66,942,900	(\$34,797,600)	\$3,500,000
Provides matching funds for federal transit grants to local transit agencies. Adjusts federal and local sources to reflect MAP-21 funding; CTF reflects proposed revenue package.		Federal 28,300,000	(23,300,000)	0
		Local 5,000,000	(3,750,000)	0
		Restricted 33,642,900	(7,747,600)	3,500,000
Current year funding also includes a separate one-time appropriation of \$12.0 million GF/GP to match federal transit capital grants. (See Item #32, below)				
25. Van Pooling	Gross	\$807,000	\$989,800	\$0
Provides increased state CTF funds for matching federal transit grants.		Restricted 807,000	989,800	0
26. Service Initiatives	Gross	\$1,865,000	(\$182,100)	\$0
CTF revenue used for matching federal grants.		Federal 1,150,000	0	0
		Local 200,000	0	0
		Restricted 515,000	(182,100)	0
Note: In addition to the figures shown for FY 2012-13 YTD, an additional \$250,000 CTF was appropriated in 2012 PA 387 to support the establishment of a Regional Transit Authority in Southeast Michigan.				
27. Transportation to Work	Gross	\$9,700,000	(\$2,618,400)	\$0
Adjusts federal and local revenue to reflect MAP-21 funding; increase in CTF reflects proposed revenue package.		Federal 2,700,000	(2,700,000)	0
		Local 2,300,000	(2,300,000)	0
		Restricted 4,700,000	2,381,600	0
28. Regionalization Incentives	Gross	\$0	\$5,284,700	\$0
Program detail not yet available; increase in CTF reflects proposed revenue package.		Restricted 0	5,284,700	0
29. Urban Modernization	Gross	\$0	\$50,540,200	\$2,181,400
Program detail not yet available; increase in CTF reflects proposed revenue package.		Restricted 0	50,540,200	2,181,400
30. Airport Improvement Program	Gross	\$107,733,200	(\$14,421,800)	(\$1,336,900)
Reflects anticipated federal funding, related local matching funds, and available state restricted SAF revenue for the federal Airport Improvement Program. Estimated SAF revenue includes \$540,000 in additional revenue from a proposed increase in aircraft registration taxes. However, net SAF revenue will fall in FY 2013-14 due to the end of one-time redirection of sales tax revenue from the General Fund to the SAF (\$10.0 million). This redirection was made in 2012 PA 226		Federal 82,183,100	(3,605,100)	0
		Local 11,145,200	1,246,900	0
		Restricted 14,404,900	(12,063,600)	(1,336,900)

FY 2014-15 reflects estimated SAF revenue.

<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>		<u>FY 2012-13 YTD (as of 2/7/13)</u>	<u>Executive Changes</u>	
			<u>FY 2012-13 to FY 2013-14</u>	<u>FY 2013-14 to FY 2014-15</u>
31. State Employee Lump-Sum Payment	Gross	\$3,260,800	(\$3,260,800)	\$0
Eliminates one-time appropriation for negotiated one-time lump sum payments to state employees.	IDG	14,800	(14,800)	0
	Restricted	3,246,000	(3,246,000)	0
32. Federal Match – Transit Capital	Gross	\$12,000,000	(\$12,000,000)	\$0
Eliminates one-time General Fund item.	GF/GP	\$12,000,000	(\$12,000,000)	\$0
33. Federal Match – Rail Operations/Infrastructure	Gross	\$11,000,000	(\$11,000,000)	\$0
Eliminates one-time General Fund item.	GF/GP	\$11,000,000	(\$11,000,000)	\$0
34. Economics	Gross	N/A	\$11,230,400	\$7,662,600
Reflects increased costs of \$11.2 million for negotiated salary and wage amounts (1.0%), insurance rate increases, actuarially-required retirement rate increases, and other economic adjustments. These adjustments are reflected in the line item changes described above.	IDG	N/A	108,000	77,600
	Restricted	N/A	11,122,400	7,585,000

Additional \$7.7 million increase projected for FY 2014-15.

Major Boilerplate Changes From FY 2012-13

NOTE: No boilerplate language proposed specific to FY 2014-15.

Sec. 308. Contract Compliance – DELETED

Requires MDOT and local road agencies pursue compliance with contract specifications for construction and maintenance; provides for sanctions for unsatisfactory contractors; prohibits department from reducing or restricting a contractor's prequalification until all administrative appeals had been exhausted.

Sec. 353. Prompt Payment – DELETED

Directs department to review contractor payment process; references Special Provision 109.10.

Sec. 357. Local Federal Aid Project Review – DELETED

Directs MDOT complete project reviews within 120 days; requires system for monitoring review process.

Sec. 375. MDOT Open Houses and Groundbreaking Ceremonies – DELETED

Prohibits MDOT from reimbursing contractors or consultants for groundbreaking ceremonies, receptions, open houses, or press conferences related to transportation projects funded from appropriations.

Sec. 381. E-Verify for Legal Status of Contractor/Subcontractor New Employees – DELETED

Requires the department to use the E-Verify system to verify legal status of contractor and subcontractor new hires. Provides reporting requirement.

Sec. 384. New International Trade Crossing (NITC) – DELETED

Restricts spending on Detroit-Windsor crossing project.

Sec. 385. Private Facility Toll Credits – DELETED

Requires use of toll credits earned from private toll facilities to match available federal funds; restricts use.

Sec. 401. Federal Aid Distribution Report – DELETED

Requires department to notify local agencies, Legislature, and state budget director on proposed distribution of federal funds between state and local units.

Sec. 503. TEDF/Local Bridge Fund Carryforward – DELETED

Provides carryforward authority for TEDF and Local Bridge funds; prevents diversion for other purposes; authorizes use of federal, local, or private funds for program.

Sec. 504. MTF Distribution – REVISED

Requires use of MTF in accordance with Act 51 requirements; modified to reflect Commercial Corridor Fund and BILT fund.

TRANSPORTATION

Major Boilerplate Changes From FY 2012-13

Sec. 601. Road Construction Warranties – DELETED

Encourages use of road construction warranties; reporting requirement.

Sec. 603. Traffic Congestion – DELETED

Directs department to consider traffic congestion be used as criteria in project selection.

Sec. 660. Use of Alternative Materials – DELETED

Encourages department to examine the use of alternative road surface materials including crumb rubber from tires.

Sec. 661. Matching Federal-Aid Highway Funds – DELETED

Indicates that \$100.0 million in STF revenue represented estimated revenue from passage of Senate Bill 351 (2012 PA 225) and was intended to ensure that the state is able to match all available federal-aid highway funds.

Sec. 703. Rail Abandonment Notice – DELETED

Requires notification of Legislature when railroad companies file for abandonment of lines.

Sec. 711. Seven-Day Rail Passenger Service (AMTRAK) – DELETED

Directs department to negotiate with a rail carrier to provide seven-day Port Huron/Chicago and Grand Rapids/Chicago service; provides certain directives; report on capital projects.

Sec. 741. Report on Bus Transit Roll-Over Safety Standards – DELETED

Report on bus roll-over standards due December 1, 2012.

Sec. 901. Aeronautics Capital Program – REVISED

Permits department to contract for airport improvement projects on behalf of local airport owners; modifies local match requirements from 2.5% to 5% of project cost; requires local agencies to obtain authorization before submitting projects to federal agencies.

Sec. 905. Airport Improvement Program Matching Funds – DELETED

Indicated that \$10.0 million in SAF revenue represented estimated revenue from passage of House Bill 4025 (2012 PA 226) and was intended to ensure that the state is able to match all available federal airport improvement funds.

Supplemental Recommendations for FY 2012-13 Appropriations

**FY 2012-13
Recommendation**

1. Discretionary State Operating – NEW

The statutory formula for distributing local bus operating assistance favors transit agencies that generate local funds to support transit operations; reduced local funding for transit agency operations generally results in reduced state operating assistance as well. Because of the way the state operating assistance is calculated, anticipated reductions in Detroit general fund support for the Detroit Department of Transportation (DDOT) will also reduce the amount of state assistance provided to other urban transit agencies. The Executive proposes additional CTF funding for those urban transit agencies affected by the reduction in Detroit general fund support for DDOT.

Gross	\$5,396,600
Restricted	5,396,600

FY 2013-14 and FY 2014-15

CONSENSUS REVENUE

Consensus Revenue: FY 2013-14 and FY 2014-15

Senior Economist: Jim Stansell

This section explains January 2013 Consensus Revenue Estimating Conference estimates for GF/GP and School Aid Fund (SAF) revenue for FY 2012-13 through FY 2014-15 by major revenue sources.

For Michigan:

Wage and salary employment is expected to increase 0.9% in 2013, 1.2% in 2014, and 1.3% in 2015.

The unemployment rate is expected to be 8.8% in 2013, and then decrease to 7.6% by 2015.

**GF/GP REVENUE ESTIMATES
(Millions of Dollars)**

	<u>FY 2012-13</u>	<u>FY 2013-14</u>	<u>FY 2014-15</u>	<u>FY 2013-14</u>		<u>FY 2014-15</u>	
				<u>Over FY 2012-13</u>	<u>Change</u>	<u>Over FY 2013-14</u>	<u>Change</u>
Personal Income Tax	\$5,520.2	\$5,776.1	\$6,004.4	\$255.9	4.6%	\$428.3	7.7%
Sales Tax	1,014.6	1,156.8	1,202.1	142.2	14.0%	45.3	3.9%
Use Tax	847.6	901.3	932.0	53.7	6.3%	30.7	3.4%
Business Taxes	321.6	374.6	427.8	53.0	16.5%	53.2	14.2%
Other Taxes	710.1	726.3	744.5	16.2	2.3%	18.2	2.5%
GF/GP Tax Revenue	\$8,414.1	\$8,935.1	\$9,310.8	\$521.0	6.2%	\$375.7	4.2%
Non-Tax Revenue	371.8	329.3	329.1	(48.8)	-12.9%	(0.2)	-0.1%
Net Total GF/GP Revenue	\$8,792.2	\$9,264.4	\$9,639.9	\$472.2	5.4%	\$375.5	4.1%

General Fund/General Purpose Revenue by Source

Personal Income Tax

Michigan personal income tax revenue is forecast to increase 14.6% in FY 2012-13, increase 4.6% in FY 2013-14, and increase 7.7% in FY 2014-15. The increase in FY 2012-13 are due primarily to income tax changes that broaden the base and eliminate or reduce tax credits.

Sales Tax

Improving wage and salary income growth will increase GF/GP sales tax revenue from \$1,014.6 million in FY 2012-13 to \$1,156.8 million in FY 2013-14, and \$1,202.1 million in FY 2014-15.

Use Tax

Use tax revenue is forecast to increase from \$847.6 million in FY 2012-13 to \$901.3 million in FY 2013-14, and \$932.0 million in FY 2014-15.

Business Taxes

Net business taxes were \$1,279.2 million in FY 2011-12, and will decrease 74.9% to \$321.6 million in FY 2012-13 is due to a significant business tax cut which replaced the Michigan Business Tax with the Corporate Income Tax. Net business taxes will increase 16.5% to \$374.6 million in FY 2013-14, and to \$427.8 million in FY 2014-15.

GF/GP Tax Revenue

Final GF/GP tax revenue totaled \$8,486.1 million in FY 2011-12.

GF/GP tax revenue is expected to decrease in FY 2012-13 to \$8,414.1 million (0.8% decrease), before increasing in FY 2013-14 to \$8,935.1 million (6.2% increase). It is expected to increase to \$9,310.8 million or 4.2% in FY 2014-15

Net Total GF/GP Revenue

Net total GF/GP revenue includes tax revenue and non-tax revenue.

Non-tax revenue includes revenue from the liquor purchase revolving fund, federal aid, licenses and permits, and investment income and borrowing costs.

Net total GF/GP revenue was \$9,053.3 million in FY 2011-12.

Net total GF/GP revenue is expected to decrease to \$8,792.2 million (2.9% decrease) in FY 2012-13, and then increase to \$9,264.4 million (increase of \$472.2 million, or 5.4%) in FY 2013-14. It is expected to increase to \$9,639.9 million or 4.1% in FY 2014-15.

**SCHOOL AID FUND REVENUE ESTIMATES
(Millions of Dollars)**

	FY 2012-13	FY 2013-14	FY 2014-15	FY 2013-14 Over FY 2012-13		FY 2014-15 Over FY 2013-14	
				Change	Change	Change	Change
Sales and Use Tax	\$5,613.6	\$5,808.7	\$6,018.2	\$195.1	3.5%	\$209.5	3.6%
Income Tax Earmark	2,216.3	2,302.8	2,384.7	86.5	3.9%	81.9	3.6%
Lottery and Casinos	858.3	856.0	858.0	(2.3)	-0.3%	2.0	0.2%
Tobacco Taxes	364.9	358.0	349.6	(6.9)	-1.9%	(8.4)	-2.3%
State Education Tax	1,801.6	1,818.6	1,858.8	17.0	0.9%	40.2	2.2%
Real Estate Transfer Tax	169.6	183.5	192.7	13.9	8.2%	9.2	5.0%
Liquor Excise and Specific Taxes	103.4	104.9	106.8	1.5	1.5%	1.9	1.8%
Net SAF Revenue	\$11,127.7	\$11,432.5	\$11,768.8	\$304.8	2.7%	\$336.3	2.9%
Federal Funds	1,701.0	1,772.2	1,787.8	71.2	4.2%	15.6	0.9%
Net Total SAF Revenue	\$12,828.7	\$13,204.7	\$13,556.6	\$376.0	2.9%	\$351.9	2.7%

School Aid Fund Revenue by Source

Sales and Use Taxes

Combined sales and use tax revenue dedicated to the SAF equaled \$5,533.3 million in FY 2011-12. It is forecast to increase to \$5,613.6 million in FY 2012-13, increase to \$5,808.7 million (3.5% increase) in FY 2013-14, and increase to \$6,018.2 million in FY 2014-15.

Income Tax

Approximately 23.8% of gross income tax collections are dedicated to the SAF.

Dedicated income tax revenue is forecast to increase to \$2,216.3 million (5.5% increase) in FY 2012-13, increase to \$2,302.8 million (3.9% increase) in FY 2013-14, and increase to \$2,384.7 million in FY 2014-15.

Lottery/Casinos

Lottery and Casino revenue contributed \$894.2 million to the SAF in FY 2011-12. It is projected to decrease to \$858.3 million (4.0% decrease) in FY 2012-13, decrease to \$856.0 in FY 2013-14, and increase to \$858.0 million in FY 2014-15.

CONSENSUS REVENUE

Tobacco Taxes

Approximately 39% of gross tobacco tax revenue is dedicated to the SAF.

The SAF received \$374.0 million from tobacco taxes in FY 2011-12.

The demand for tobacco products is expected to decline over the duration of the forecast; total SAF tobacco tax revenue is expected to decrease to \$364.9 million in FY 2012-13, \$358.0 million in FY 2013-14, and \$349.6 million in FY 2014-15.

State Education Tax/Real Estate Transfer Tax

All of the 6-mill state education tax (SET) and the real estate transfer tax (RET) is dedicated to the SAF.

Revenue from the SET was \$1,789.7 million in FY 2011-12. It is expected to increase to \$1,801.6 million (0.7% increase) in FY 2012-13, \$1,818.6 million (0.9% increase) in FY 2013-14, and \$1,858.8 million in FY 2014-15.

RET contributed \$150.1 million to the SAF in FY 2011-12. It is forecast to contribute \$169.6 million in FY 2012-13, \$183.5 million in FY 2013-14, and \$192.7 million in FY 2014-15.

Net SAF Revenue

Net SAF revenue was \$10,942.7 million in FY 2011-12.

Net SAF revenue is expected to increase 1.7% to \$11,127.7 million in FY 2012-13, increase 2.7% to \$11,432.5 million in FY 2013-14, and increase 2.9% to \$11,768.8 million in FY 2014-15.

Net Total SAF Revenue

Actual SAF revenue represents revenue available for expenditure each year; it includes federal funds, but does not include any GF/GP transfers to SAF or beginning balances.

Actual SAF revenue was \$12,788.2 million in FY 2011-12. It is expected to increase 0.3% to \$12,828.7 million in FY 2012-13, increase 2.9% to \$13,204.7 million in FY 2013-14, and increase 2.7% to \$13,556.6 million in FY 2014-15.

Executive Estimates of Year-End Balances

The following table reports Executive estimates of year-end balances for GF/GP, the SAF, and the Budget Stabilization Fund (BSF).

**YEAR-END BALANCE ESTIMATES
(Millions of Dollars)**

	<u>FY 2012-13</u>	<u>FY 2013-14</u>	<u>FY 2014-15</u>
General Fund/General Purpose	\$278.5	\$15.8	\$52.6
School Aid Fund	\$49.9	\$1.3	\$2.2
Budget Stabilization Fund	\$505.6	\$581.6	\$733.4

Year-end estimates notes:

FY 2012-13 estimates for GF/GP and the SAF are based on year-to-date appropriations, projected year-end adjustments, and consensus revenue estimates.

SAF revenue is restricted; hence, any year-end balance is carried forward to the subsequent year.

BSF estimates are based on current balance estimates and Executive estimates of future deposits and interest earned.

Budget Stabilization Fund Year-End Balances

The following table notes BSF deposits, withdrawals, and interest earnings from FY 1990-91 to FY 2009-10, and HFA estimates of deposits, expected interest earnings, and year-end balances for FY 2012-13, FY 2013-14, and FY 2014-15.

The BSF fund balance was \$365.0 million for FY 2011-12. The fund balance is forecast to be \$505.6 million for FY 2012-13, \$581.6 million for FY 2013-14, and \$733.4 million for FY 2014-15.

BUDGET STABILIZATION FUND HISTORY
(Millions of Dollars)

<u>Fiscal Year</u>	<u>Deposits</u>	<u>Withdrawals</u>	<u>Interest Earned</u>	<u>Balance</u>
1990-91	0.0	230.0	27.1	182.2
1991-92	0.0	170.1	8.1	20.1
1992-93	282.6	0.0	0.7	303.4
1993-94	460.2	0.0	11.9	775.5
1994-95	260.1	90.4	57.7	1,003.0
1995-96	91.3	0.0	59.2	1,153.6
1996-97	0.0	69.0	67.8	1,152.4
1997-98	0.0	212.0	60.1	1,000.5
1998-99	244.4	73.7	51.2	1,222.5
1999-2000	100.0	132.0	73.9	1,264.4
2000-01	0.0	337.0	66.7	994.2
2001-02	0.0	869.8	20.8	145.2
2002-03	0.0	156.1	10.9	0.0
2003-04	81.3	0.0	0.0	81.3
2004-05	0.0	81.3	2.0	2.0
2005-06	0.0	0.0	0.0	2.0
2006-07	0.0	0.0	0.1	2.1
2007-08	0.0	0.0	0.1	2.2
2008-09	0.0	0.0	0.0	2.2
2009-10	0.0	0.0	0.0	2.2
2010-11	0.0	0.0	0.0	2.2
2011-12*	362.7	0.0	0.1	365.0
2012-13*	140.0	0.0	0.6	505.6
2013-14**	75.0	0.0	1.0	581.6
2014-15**	150.0	0.0	1.7	733.4

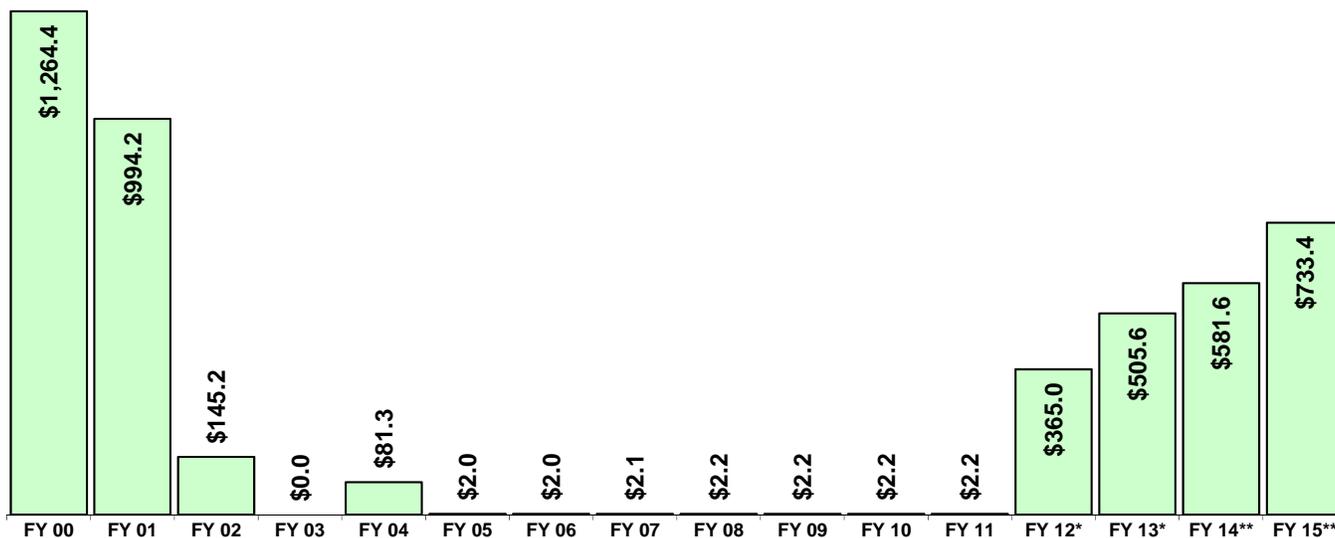
* HFA Estimate

** FY 2014 and FY 2015 Executive Recommendation

NOTE: Numbers may not add due to rounding.

Budget Stabilization Fund (BSF) Balance

(Millions of Dollars)



*HFA Estimate

** FY 2014 and FY 2015: Executive Recommendation

CONSENSUS REVENUE

Compliance With the State Revenue Limit

Consensus estimates of the state revenue limit provided for in Article IX, Section 26, *Constitution of the State of Michigan*, and estimates of total state revenue collections subject to the state revenue limit are shown in the following table. As provided for in the *Constitution*, the revenue limit is calculated as 9.49% of total state personal income in the previous full calendar year (CY) prior to the fiscal year in which the revenue is measured, as estimated by the Bureau of Economic Analysis, United States Department of Commerce.

**COMPLIANCE WITH THE STATE REVENUE LIMIT
(Millions of Dollars)**

<u>Revenue Limit Calculations</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>	<u>FY 2014-15</u>
Personal Income	CY 2010	CY 2011	CY 2012
Amount	\$358,152	\$370,329	\$379,958
X Limit Ratio	9.49%	9.49%	9.49%
State Revenue Limit	33,988.6	35,144.2	36,058.0
Total Revenue Subject to Revenue Limit	\$27,088.5	\$27,921.3	\$28,804.7
Amount Under (Over) State Revenue Limit	\$6,900.1	\$7,222.9	\$7,253.3

Implications of Exceeding the State Revenue Limit

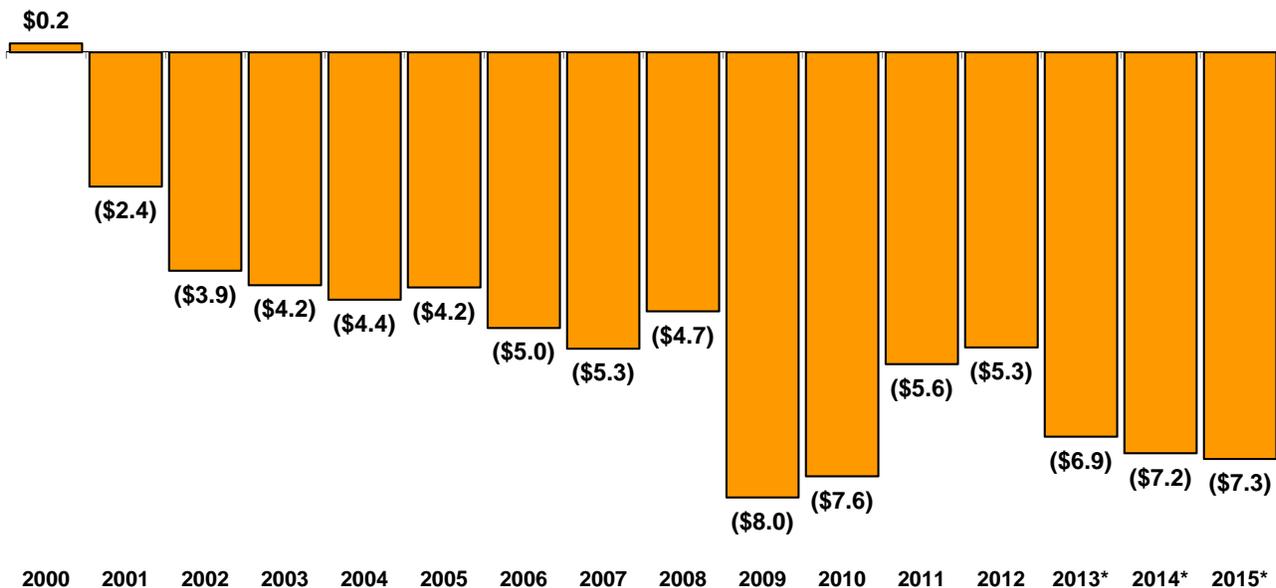
Article IX, Section 26, Constitution of the State of Michigan, provides that:

... For any fiscal year in the event that Total State Revenue exceed the limit established in this section by 1% or more, the excess revenues shall be refunded pro rata based on the liability reported on the Michigan income tax and single business tax (or its successor tax or taxes) annual returns filed following the close of such fiscal year. If the excess is less than 1%, this excess may be transferred to the State Budget Stabilization Fund . . .

Furthermore, the state is prohibited from spending any current-year revenue in excess of the limit established in Section 26 by Article IX, Section 28.

The preliminary final FY 2011-12 revenue limit calculation indicates that the state revenue collections were well under the revenue limit. For FY 2012-13 through FY 2014-15, state revenue is estimated to be substantially below the revenue limit—by \$6.9 billion, \$7.2 billion, and \$7.3 billion respectively.

**Constitutional Revenue Limit
(Billions of Dollars)**



*Consensus Estimates



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