

REVIEW AND ANALYSIS
OF THE
FY 2014-15 AND
FY 2015-16
EXECUTIVE BUDGET
RECOMMENDATION



prepared by the



Mary Ann Cleary, Director

February 2014

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February 2014

TO: Members of the Michigan House of Representatives

We are pleased to provide you with this ***Review and Analysis of the FY 2014-15 and FY 2015-16 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 2014-15 and FY 2015-16. 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 2014-15 AND FY 2015-16 Budget Detail

DIRECTOR'S OVERVIEW

Overview

**Proposed Expansion of the Homestead
Property Tax Credit**

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Summary Information and Tables

OVERVIEW

FY 2014-15 AND FY 2015-16 Executive Recommendation DIRECTOR'S OVERVIEW

The FY 2014-15 Executive budget recommendation calls for \$51,303.9 million in adjusted gross appropriations. This includes \$9,843.4 million in General Fund/General Purpose (GF/GP) funds, \$19,941.9 million in restricted funds, \$512.6 million in local/private funds, and \$21,006.0 million in federal funds.

Of the \$29,785.3 million in state resources recommended for appropriation in FY 2014-15, \$16,530.8 million (55.5% 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 2014 Consensus Revenue Estimating Conference revenue estimates and includes a proposed expansion of the Homestead Property Tax Credit (HPTC). The HPTC changes would reduce state GF/GP revenues by \$102.7 million annually, beginning in FY 2013-14. The recommendation also accounts for projected revenue losses and costs associated with the August 2014 Personal Property Tax ballot proposal, but does not offer a specific solution to the continued shortfall of approximately \$110 to \$130 million per year in Health Insurance Claims Assessment (HICA) collections.

The proposal also continues the policy to designate appropriation items from beginning balances as one-time. Below is a summary highlighting the major GF/GP and School Aid Fund (SAF) funding allocations for FY 2014-15:

- GF/GP funding increases of \$370.9 million for new programs or increases in existing programs. Major GF/GP funding increases include the following:
 - \$80.3 million for public university funding (6.1% increase)
 - \$28.0 million for state information technology system replacement and upgrades
 - \$26.0 million for Medicaid primary care rates
 - \$25.3 million for the Michigan Public Safety Communications System
 - \$16.7 million for mental health-related initiatives (with an additional \$5.0 million in one-time funding)
 - \$15.7 million for Community Colleges operations funding (3.0%) and retirement rate cap reduction
 - \$15.0 million for the Business Attraction and Community Revitalization Program
 - \$13.5 million for annual debt service on \$150 million in borrowing through the Michigan Strategic Fund for university engineering talent investment and community college skilled trade equipment
- Proposals for one-time GF/GP resources totaling \$636.4 million are as follows:
 - Transportation-related funding of \$254.0 million GF/GP
 - Various departmental funding items of \$140.4 million GF/GP
 - Reserve fund deposits:
 - Budget Stabilization Fund deposit of \$120.0 million GF/GP
 - Health Savings Sub-Fund deposit of \$122.0 million GF/GP
- Revenue sharing funding increases with GF/GP impact are as follows:
 - \$65.4 million to fully fund County Revenue Sharing
 - \$7.2 million for an Economic Vitality Incentive Program (EVIP) funding increase (3.0%)
 - \$28.8 million for one-time supplemental EVIP payments
- The School Aid funding proposal includes the following:
 - \$150.0 million for foundation allowance increases ranging from \$83 to \$111 per pupil
 - \$65.0 million increase in Great Start Readiness Preschool program
 - \$48.2 million in other program increases
 - \$40.0 million savings in baseline cost adjustments
 - \$270.1 million increase for state-level MPERS unfunded accrued liability costs
 - MPERS Reserve Fund deposit of \$50.0 million

Other proposed funding increases and adjustments are described for individual budget areas later in this report.

Additionally, a number of items classified as one-time appropriations in FY 2013-14 are included as ongoing funding items in the FY 2014-15 Executive recommendation. This includes partially replacing \$50.0 million in one-time funding for Film Incentives in FY 2013-14 with \$25.0 million in ongoing funding in FY 2014-15.

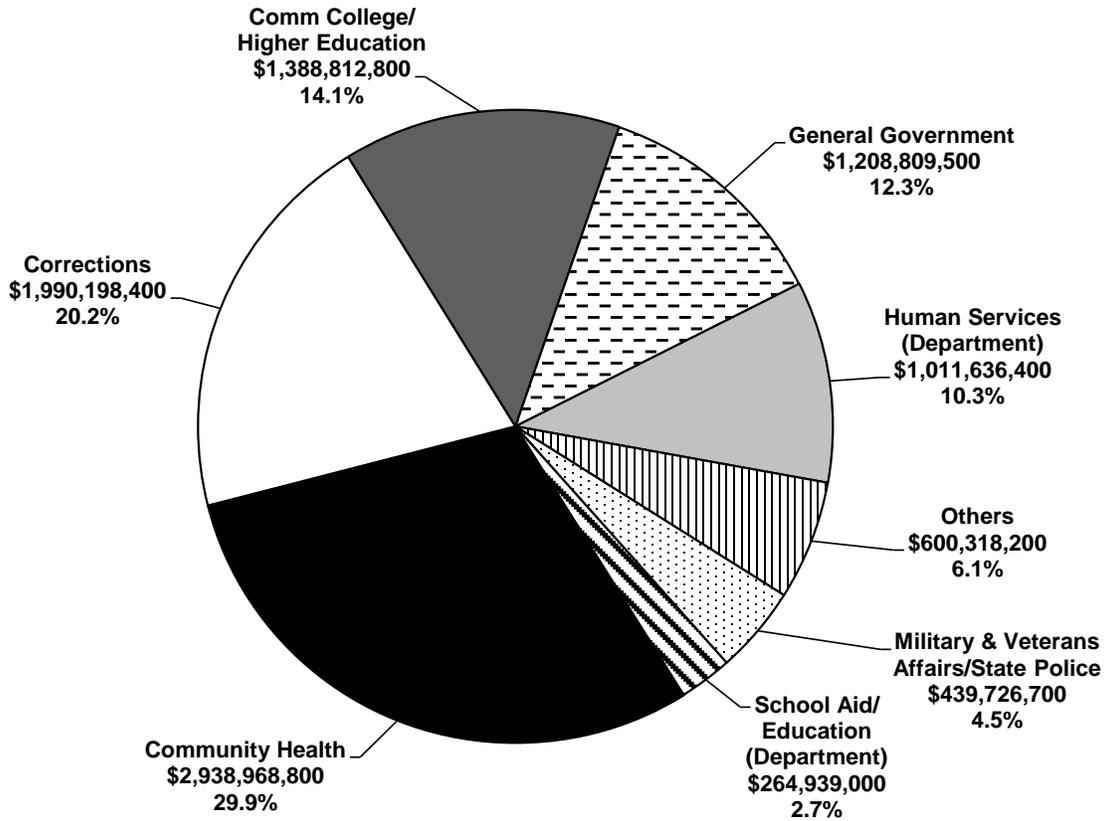
The Executive recommendation reserves \$17.5 million in annual tobacco settlement revenues for distressed communities.

The Executive recommendation does not assume any fee increases—only the extension of sunsets on existing fees.

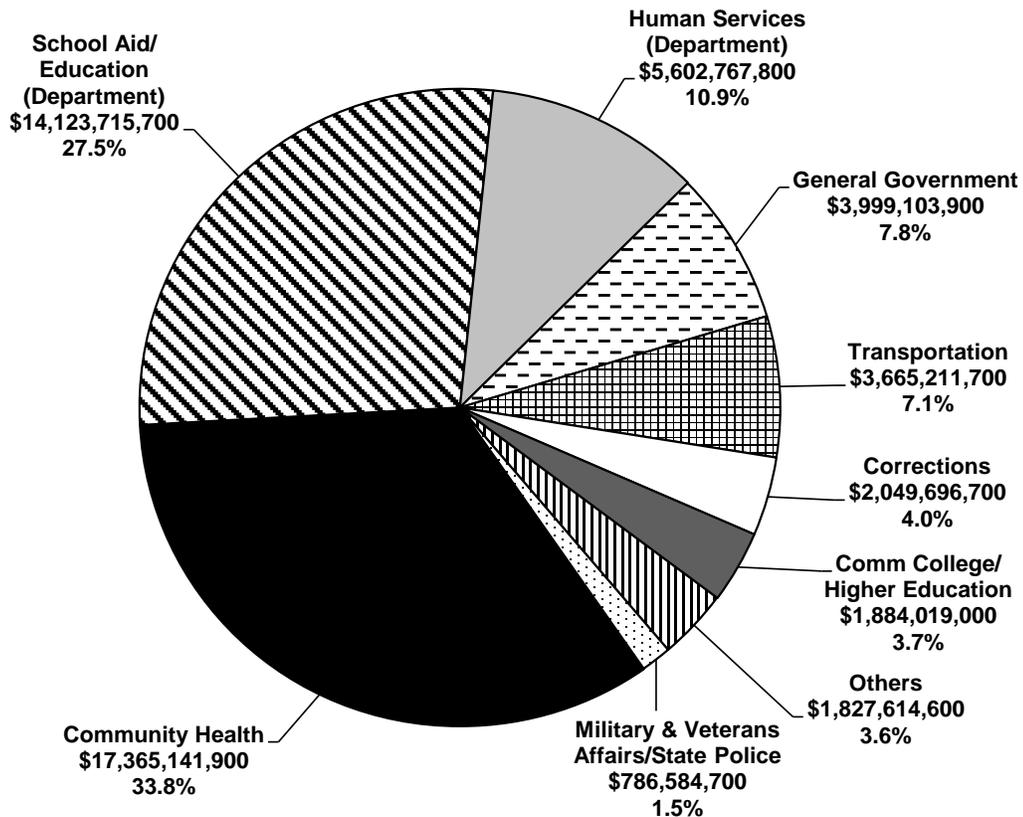
The Executive recommendation includes a proposed FY 2013-14 supplemental for both GF/GP and SAF spending. Supplemental request 2014-4, along with previous request 2014-1, totals \$96.6 million GF/GP. Of that total, \$73.3 million is earmarked to replace three months of GF/GP savings that will not occur due to the delayed implementation of the Healthy Michigan Plan (Medicaid Expansion). School Aid supplemental request 2014-3 reduces SAF appropriations by \$109.3 million for baseline cost adjustments.

A more detailed summary of proposed changes by department begins on page 20.

**FY 2014-15 Executive Recommendation
General Fund/General Purpose (GF/GP) = \$9,843,409,800**



**FY 2014-15 Executive Recommendation
Adjusted Gross = \$51,303,856,000**



PROPOSED EXPANSION OF THE HOMESTEAD PROPERTY TAX CREDIT

Senior Economist: Jim Stansell

Under current law, the Homestead Property Tax Credit (HPTC) is based on the extent to which a filer's property taxes (and/or 20% of rent payments) exceed 3.5% of household resources, provided the taxable value of the filer's homestead is less than \$135,000. For non-seniors, that difference is multiplied by 60% to determine the credit, up to a maximum of \$1,200.

Seniors with less than \$21,000 in household resources are eligible for 100% of the difference between their property taxes and 3.5% of household resources. For each \$1,000 increment between \$21,000 and \$30,000, the percentage goes down by 4% so that once a senior filer reaches \$30,000 of household resources, the filer is eligible for the same 60% of the difference as non-seniors.

For both seniors and non-seniors, the credit phases out for those filers with household resources in excess of \$41,000. For each \$1,000 increment above \$41,000 in household resources, the credit is reduced by 10% so that no taxpayer with over \$50,000 in household resources would be eligible (i.e., the credit falls to \$0).

The Governor's proposal would reduce the household income threshold from 3.5% to 3.0%. This would potentially provide larger credits to those already eligible as well as allowing additional taxpayers to qualify.

In addition, the proposal would modify the existing phase out so that a reduction percentage of 20% would apply to all claimants whose household resources exceed \$48,000 but are less than or equal to \$60,000. Increasing the phase out ceiling also has the effect of increasing the number of claimants.

Approximately 1.14 million taxpayers claimed the HPTC in the 2012 tax year, roughly 100,000 of whom were eligible for the \$1,200 maximum. The proposed changes are expected to increase refunds for those not already at the maximum as well as allowing an additional 250,000 filers to qualify.

The proposed expansion of the HPTC would reduce state GF/GP revenues by \$102.7 million annually, beginning in FY 2013-14.

OVERVIEW

RESOURCES USED IN THE FY 2014-15 AND FY 2015-16 EXECUTIVE BUDGET RECOMMENDATION

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

FY 2014-15 and FY 2015-16 Executive Recommendation General Fund/General Purpose (GF/GP) Millions of Dollars		
	FY 2014-15	FY 2015-16
<u>Resources</u>		
Beginning balance	\$666.9	\$41.2
Revenue estimate	10,046.5	10,535.6
Homestead Property Tax Credit	(102.7)	(102.7)
Personal Property Tax	0.0	(41.7)
Revenue Sharing	(488.0)	(459.2)
Charge SAF for short-term borrowing cost	<u>4.0</u>	<u>5.0</u>
Total Resources	\$10,126.7	\$9,978.2
<u>Expenditures</u>		
Ongoing recommendations	\$9,449.0	\$9,648.2
One-time recommendations	394.5	23.3
BSF deposit	120.0	0.0
Health Savings Sub-Fund deposit	<u>122.0</u>	<u>122.0</u>
Total Expenditures	\$10,085.5	\$9,793.5
Estimated Ending Balance	\$41.2	\$184.7

Beginning balance: Estimated ending balance from FY 2013-14.

Revenue estimate: FY 2014-15 and FY 2015-16 revenue estimates agreed to at the January 2014 consensus revenue estimating conference.

Homestead Property Tax Credit: Proposed expansion of the HPTC.

Personal Property Tax: Proposed phase-out of the PPT (August 2014 ballot).

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 appropriations.

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

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

Health Savings Sub-Fund deposit: Executive recommendation for transfer to Health Savings Sub-Fund: 50% of GF/GP savings from implementation of Healthy Michigan Plan.

FY 2014-15 and FY 2015-16 Executive Recommendation School Aid Fund (SAF) Millions of Dollars		
	FY 2014-15	FY 2015-16
<u>Resources</u>		
Beginning balance	\$351.6	\$34.2
MPSERS reserve balance	18.0	50.0
Revenue estimate	11,931.8	12,338.2
Personal Property Tax	(10.0)	(20.9)
GF/GP contribution	180.0	180.0
Federal funds	<u>1,808.2</u>	<u>1,808.2</u>
Total Resources	\$14,279.6	\$14,389.7
<u>Expenditures</u>		
School Aid ongoing recommendations	\$13,478.8	\$13,790.7
School Aid one-time recommendations	318.5	0.0
Community College recommendations	197.6	197.6
Higher Education recommendations	<u>200.5</u>	<u>200.5</u>
Total Expenditures	\$14,195.4	\$14,188.8
Estimated SAF Ending Balance	\$34.2	\$150.9
Estimated MPSERS Reserve Ending Balance	\$50.0	\$50.0

Beginning balance: Estimated ending balance from FY 2013-14.

MPSERS reserve balance: Use of funds set aside to help offset state-level retirement costs.

Revenue estimate: FY 2014-15 and FY 2015-16 revenue estimates agreed to at the January 2014 consensus revenue estimating conference.

Personal Property Tax: Proposed phase-out of the PPT (August 2014 ballot).

GF/GP contribution: GF/GP revenue appropriated to SAF.

Federal funds: Federal revenue available for School Aid programs.

School Aid ongoing recommendations: Executive recommendation for ongoing SAF appropriations.

School Aid one-time recommendations: Executive recommendation for one-time SAF appropriations.

Community College recommendations: Use of SAF revenue for Community Colleges budget.

Higher Education recommendations: Use of SAF revenue for Higher Education budget.

OVERVIEW

FY 2014-15 and FY 2015-16 Executive Recommendation Merit Award Trust Fund Millions of Dollars		
	FY 2014-15	FY 2015-16
<u>Resources</u>		
Beginning balance	\$53.3	\$27.9
Tobacco Settlement MSA payment	250.9	250.9
Settlement adjustments	(29.7)	(22.7)
Payment on 2006/2007 securitization bonds (24.11%)	(53.3)	(55.0)
Reserve for distressed communities	(17.5)	(17.5)
Deposit to 21st Century Jobs Trust Fund	<u>(75.0)</u>	<u>(72.0)</u>
Available Resources	\$128.7	\$111.6
<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	0.8	0.8
DCH: Medicaid base funding	64.3	64.3
DCH: Aging-respite care	4.1	4.1
Attorney General: Administration	<u>0.5</u>	<u>0.5</u>
Total Expenditures	\$100.9	\$100.9
Estimated Ending Balance	\$27.8	\$10.7

FY 2014-15 AND FY 2015-16 EXECUTIVE RECOMMENDATION SUMMARY/TABLES

The Executive Budget Recommendation for FY 2014-15 increases adjusted gross appropriations by \$1,078.6 million (2.1%) from current FY 2013-14 year-to-date amounts:

- GF/GP appropriations are increased by \$649.8 million (7.1%).
- State restricted appropriations are increased by \$479.9 million (2.5%).
- Federal appropriations are decreased by \$30.1 million (-0.1%).
- Local and private appropriations are decreased by \$21.0 million (-3.9%).

Total state spending from state sources (GF/GP plus state restricted) in the FY 2014-15 Executive Budget Recommendation is increased by \$1,129.6 million (3.9%) from FY 2013-14 year-to-date amounts.

Projected appropriation amounts for FY 2015-16 under the Executive Budget (which will not be legally binding) reflect a 2.9% decrease in GF/GP appropriations, a 1.1% decrease in total state spending from state sources, and a 0.4% decrease in adjusted gross appropriations.

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

Note that 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.

OVERVIEW

**FY 2014-15 and FY 2015-16
Executive Budget Appropriation Changes
Millions of Dollars**

	<u>Year-to-Date FY 2013-14</u>	<u>Executive Recommendation FY 2014-15</u>	<u>Change Amounts</u>		<u>Executive Recommendation FY 2015-16</u>	<u>Change Amounts</u>	
General Fund/General Purpose	\$9,193.7	\$9,843.4	\$649.8	7.1%	\$9,558.0	(\$285.4)	-2.9%
State Restricted	<u>19,462.0</u>	<u>19,941.9</u>	<u>479.9</u>	2.5%	<u>19,910.8</u>	<u>(31.1)</u>	-0.2%
Total State Spending from State Sources	\$28,655.7	\$29,785.3	\$1,129.6	3.9%	\$29,468.8	(\$316.5)	-1.1%
Federal	\$21,036.1	\$21,006.0	(\$30.1)	-0.1%	\$21,106.0	\$100.0	0.5%
Local	375.7	344.1	(31.6)	-8.4%	344.1	0.0	0.0%
Private	157.8	168.4	10.6	6.7%	167.9	(0.5)	-0.3%
Total Adjusted Gross	\$50,225.2	\$51,303.9	\$1,078.6	2.1%	\$51,086.8	(\$217.0)	-0.4%

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 laws 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 2013-14 year-to-date figures include mid-year budget adjustments through February 5, 2014.

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

(3) Appropriation figures for the Department of Community Health and Corrections include appropriation adjustments contained in Public Act 107 of 2013, which will take effect in March 2014.

TABLE 1
 FY 2014-15 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	371,524,900	0	371,524,900	0	0	0	197,614,100	173,910,800
Education	326,576,100	0	326,576,100	226,097,500	5,633,700	1,933,300	7,972,600	84,939,000
Higher Education	1,512,494,100	0	1,512,494,100	97,026,400	0	0	200,565,700	1,214,902,000
School Aid	13,797,139,600	0	13,797,139,600	1,808,162,700	0	0	11,808,976,900	180,000,000
EDUCATION	\$16,007,734,700	\$0	\$16,007,734,700	\$2,131,286,600	\$5,633,700	\$1,933,300	\$12,215,129,300	\$1,653,751,800
Attorney General	91,022,300	27,783,800	63,238,500	9,857,200	0	0	17,914,200	35,467,100
Civil Rights	16,769,200	288,900	16,480,300	2,736,500	0	18,700	151,900	13,573,200
Executive Office	5,916,100	0	5,916,100	0	0	0	0	5,916,100
Legislative Auditor General	21,758,800	5,220,700	16,538,100	0	0	0	2,000,800	14,537,300
Legislature	131,570,500	0	131,570,500	0	0	400,000	4,109,800	127,060,700
State	224,112,300	20,000,000	204,112,300	1,460,000	0	100	184,713,200	17,939,000
Tech., Mgmt. & Budget: Operations	1,027,633,600	680,315,500	347,318,100	7,974,100	3,553,700	190,400	94,322,000	241,277,900
Tech., Mgmt. & Budget: SBA Rent	254,570,600	0	254,570,600	0	0	0	0	254,570,600
Treasury: MI Strategic Fund	1,019,429,900	0	1,019,429,900	637,370,300	4,433,500	5,654,900	142,678,700	229,292,500
Treasury: Operations	543,976,000	9,409,100	534,566,900	39,705,200	1,982,500	23,100	376,076,000	116,780,100
Treasury: Debt Service	152,395,000	0	152,395,000	0	0	0	0	152,395,000
Treasury: Revenue Sharing	1,252,967,600	0	1,252,967,600	0	0	0	1,252,967,600	0
GENERAL GOVERNMENT	\$4,742,121,900	\$743,018,000	\$3,999,103,900	\$699,103,300	\$9,969,700	\$6,287,200	\$2,074,934,200	\$1,208,809,500
Community Health	17,374,567,800	9,425,900	17,365,141,900	11,941,802,500	216,656,400	127,056,600	2,140,657,600	2,938,968,800
Human Services	5,621,313,700	18,545,900	5,602,767,800	4,397,966,500	38,876,800	18,050,700	136,237,400	1,011,636,400
HEALTH AND HUMAN SERVICES	\$22,995,881,500	\$27,971,800	\$22,967,909,700	\$16,339,769,000	\$255,533,200	\$145,107,300	\$2,276,895,000	\$3,950,605,200
Corrections	2,049,921,700	225,000	2,049,696,700	5,081,000	8,547,700	0	45,869,600	1,990,198,400
Military & Veterans Affairs	173,594,900	100,000	173,494,900	90,362,800	1,500,000	740,000	25,086,400	55,805,700
State Police	639,323,000	26,233,200	613,089,800	99,429,900	4,861,700	77,200	124,800,000	383,921,000
PUBLIC SAFETY AND DEFENSE	\$2,862,839,600	\$26,558,200	\$2,836,281,400	\$194,873,700	\$14,909,400	\$817,200	\$195,756,000	\$2,429,925,100
Agriculture & Rural Development	82,494,300	318,100	82,176,200	9,198,300	0	98,300	28,003,400	44,876,200
Environmental Quality	504,091,800	9,530,500	494,561,300	150,367,600	0	546,900	302,770,900	40,875,900
Natural Resources	383,185,400	1,355,100	381,830,300	67,954,500	0	10,286,300	256,498,000	47,091,500
RESOURCE PROTECTION	\$969,771,500	\$11,203,700	\$958,567,800	\$227,520,400	\$0	\$10,931,500	\$587,272,300	\$132,843,600
Capital Outlay	0	0	0	0	0	0	0	0
Insurance & Financial Services	65,284,700	707,600	64,577,100	2,000,000	0	0	62,427,100	150,000
Judiciary	289,483,100	2,364,400	287,118,700	6,437,400	7,241,100	944,800	84,252,500	188,242,900
Licensing & Regulatory Affairs	531,860,800	14,509,800	517,351,000	199,124,800	656,500	2,311,800	290,224,100	25,033,800
Transportation	3,668,998,600	3,786,900	3,665,211,700	1,205,885,500	50,177,100	100,000	2,155,001,200	254,047,900
ALL OTHERS	\$4,555,627,200	\$21,368,700	\$4,534,258,500	\$1,413,447,700	\$58,074,700	\$3,356,600	\$2,591,904,900	\$467,474,600
TOTAL APPROPRIATIONS	\$52,133,976,400	\$830,120,400	\$51,303,856,000	\$21,006,000,700	\$344,120,700	\$168,433,100	\$19,941,891,700	\$9,843,409,800

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 2014-15 and FY 2015-16 Executive Recommendation Compared with FY 2013-14 Year-to-Date**

<u>Department/Budget Area</u>	<u>Year-To-Date FY 2013-14</u>	<u>Exec. Rec. FY 2014-15</u>	<u>Difference FY 2014-15 vs. FY 2013-14</u>		<u>Exec. Rec. FY 2015-16</u>	<u>Difference FY 2015-16 vs. FY 2014-15</u>	
Community Colleges	138,363,500	173,910,800	35,547,300	25.7%	192,610,800	18,700,000	10.8%
Education	70,893,900	84,939,000	14,045,100	19.8%	84,639,000	(300,000)	-0.4%
Higher Education	1,132,981,400	1,214,902,000	81,920,600	7.2%	1,214,902,000	0	0.0%
School Aid	234,900,000	180,000,000	(54,900,000)	-23.4%	180,000,000	0	0.0%
EDUCATION	\$1,577,138,800	\$1,653,751,800	\$76,613,000	4.9%	\$1,672,151,800	\$18,400,000	1.1%
Attorney General	34,481,300	35,467,100	985,800	2.9%	35,467,100	0	0.0%
Civil Rights	12,337,500	13,573,200	1,235,700	10.0%	13,573,200	0	0.0%
Executive Office	5,370,000	5,916,100	546,100	10.2%	5,916,100	0	0.0%
Legislative Auditor General	13,911,300	14,537,300	626,000	4.5%	14,537,300	0	0.0%
Legislature	122,309,500	127,060,700	4,751,200	3.9%	127,060,700	0	0.0%
State	15,253,400	17,939,000	2,685,600	17.6%	17,939,000	0	0.0%
Tech., Mgmt. & Budget: Operations	150,647,200	241,277,900	90,630,700	60.2%	218,277,600	(23,000,300)	-9.5%
Tech., Mgmt. & Budget: SBA Rent	258,570,600	254,570,600	(4,000,000)	-1.5%	254,570,600	0	0.0%
Treasury: MI Strategic Fund	218,163,900	229,292,500	11,128,600	5.1%	214,292,500	(15,000,000)	-6.5%
Treasury: Operations	89,803,300	116,780,100	26,976,800	30.0%	113,280,100	(3,500,000)	-3.0%
Treasury: Debt Service	151,188,000	152,395,000	1,207,000	0.8%	159,822,000	7,427,000	4.9%
Treasury: Revenue Sharing	0	0	0	--	0	0	--
GENERAL GOVERNMENT	\$1,072,036,000	\$1,208,809,500	\$136,773,500	12.8%	\$1,174,736,200	(\$34,073,300)	-2.8%
Community Health	2,747,583,600	2,938,968,800	191,385,200	7.0%	2,978,509,700	39,540,900	1.3%
Human Services	1,003,000,000	1,011,636,400	8,636,400	0.9%	1,006,736,400	(4,900,000)	-0.5%
HEALTH AND HUMAN SERVICES	\$3,750,583,600	\$3,950,605,200	\$200,021,600	5.3%	\$3,985,246,100	\$34,640,900	0.9%
Corrections	1,958,053,600	1,990,198,400	32,144,800	1.6%	1,963,712,500	(26,485,900)	-1.3%
Military & Veterans Affairs	46,503,300	55,805,700	9,302,400	20.0%	48,805,700	(7,000,000)	-12.5%
State Police	353,474,300	383,921,000	30,446,700	8.6%	371,591,700	(12,329,300)	-3.2%
PUBLIC SAFETY AND DEFENSE	\$2,358,031,200	\$2,429,925,100	\$71,893,900	3.0%	\$2,384,109,900	(\$45,815,200)	-1.9%
Agriculture & Rural Development	40,580,300	44,876,200	4,295,900	10.6%	42,876,200	(2,000,000)	-4.5%
Environmental Quality	29,104,500	40,875,900	11,771,400	40.4%	38,375,900	(2,500,000)	-6.1%
Natural Resources	25,436,600	47,091,500	21,654,900	85.1%	48,091,500	1,000,000	2.1%
RESOURCE PROTECTION	\$95,121,400	\$132,843,600	\$37,722,200	39.7%	\$129,343,600	(\$3,500,000)	-2.6%
Capital Outlay	0	0	0	--	0	0	--
Insurance & Financial Services	11,000,000	150,000	(10,850,000)	-98.6%	150,000	0	0.0%
Judiciary	183,441,300	188,242,900	4,801,600	2.6%	187,242,900	(1,000,000)	-0.5%
Licensing & Regulatory Affairs	25,004,900	25,033,800	28,900	0.1%	25,033,800	0	0.0%
Transportation	121,300,000	254,047,900	132,747,900	109.4%	0	(254,047,900)	-100.0%
ALL OTHERS	\$340,746,200	\$467,474,600	\$126,728,400	37.2%	\$212,426,700	(\$255,047,900)	-54.6%
TOTAL APPROPRIATIONS	\$9,193,657,200	\$9,843,409,800	\$649,752,600	7.1%	\$9,558,014,300	(\$285,395,500)	-2.9%

Notes: (1) FY 2013-14 year-to-date figures include mid-year budget adjustments through February 5, 2014. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as one-time. (3) Appropriation figures for the Department of Community Health and Corrections include appropriation adjustments contained in Public Act 107 of 2013, which will take effect in March 2014.

TABLE 3
ADJUSTED GROSS APPROPRIATIONS
FY 2014-15 and FY 2015-16 Executive Recommendation Compared with FY 2013-14 Year-to-Date

<u>Department/Budget Area</u>	<u>Year-To-Date FY 2013-14</u>	<u>Exec. Rec. FY 2014-15</u>	<u>Difference FY 2014-15 vs. FY 2013-14</u>		<u>Exec. Rec. FY 2015-16</u>	<u>Difference FY 2015-16 vs. FY 2014-15</u>	
Community Colleges	335,977,600	371,524,900	35,547,300	10.6%	390,224,900	18,700,000	5.0%
Education	298,366,000	326,576,100	28,210,100	9.5%	326,276,100	(300,000)	-0.1%
Higher Education	1,430,573,500	1,512,494,100	81,920,600	5.7%	1,512,494,100	0	0.0%
School Aid	13,366,703,600	13,797,139,600	430,436,000	3.2%	13,790,723,500	(6,416,100)	0.0%
EDUCATION	\$15,431,620,700	\$16,007,734,700	\$576,114,000	3.7%	\$16,019,718,600	\$11,983,900	0.1%
Attorney General	61,951,400	63,238,500	1,287,100	2.1%	63,238,500	0	0.0%
Civil Rights	15,198,300	16,480,300	1,282,000	8.4%	16,480,300	0	0.0%
Executive Office	5,370,000	5,916,100	546,100	10.2%	5,916,100	0	0.0%
Legislative Auditor General	15,862,300	16,538,100	675,800	4.3%	16,538,100	0	0.0%
Legislature	123,819,300	131,570,500	7,751,200	6.3%	131,570,500	0	0.0%
State	199,548,900	204,112,300	4,563,400	2.3%	204,112,300	0	0.0%
Tech., Mgmt. & Budget: Operations	255,075,200	347,318,100	92,242,900	36.2%	324,317,800	(23,000,300)	-6.6%
Tech., Mgmt. & Budget: SBA Rent	258,570,600	254,570,600	(4,000,000)	-1.5%	254,570,600	0	0.0%
Treasury: MI Strategic Fund	1,008,273,900	1,019,429,900	11,156,000	1.1%	1,004,429,900	(15,000,000)	-1.5%
Treasury: Operations	489,103,500	534,566,900	45,463,400	9.3%	531,066,900	(3,500,000)	-0.7%
Treasury: Debt Service	154,202,500	152,395,000	(1,807,500)	-1.2%	159,822,000	7,427,000	4.9%
Treasury: Revenue Sharing	1,133,857,700	1,252,967,600	119,109,900	10.5%	1,252,395,300	(572,300)	0.0%
GENERAL GOVERNMENT	\$3,720,833,600	\$3,999,103,900	\$278,270,300	7.5%	\$3,964,458,300	(\$34,645,600)	-0.9%
Community Health	16,924,497,500	17,365,141,900	440,644,400	2.6%	17,506,688,700	141,546,800	0.8%
Human Services	6,000,256,300	5,602,767,800	(397,488,500)	-6.6%	5,595,867,800	(6,900,000)	-0.1%
HEALTH AND HUMAN SERVICES	\$22,924,753,800	\$22,967,909,700	\$43,155,900	0.2%	\$23,102,556,500	\$134,646,800	0.6%
Corrections	2,031,325,000	2,049,696,700	18,371,700	0.9%	2,023,210,800	(26,485,900)	-1.3%
Military & Veterans Affairs	166,080,000	173,494,900	7,414,900	4.5%	166,494,900	(7,000,000)	-4.0%
State Police	581,599,300	613,089,800	31,490,500	5.4%	599,510,500	(13,579,300)	-2.2%
PUBLIC SAFETY AND DEFENSE	\$2,779,004,300	\$2,836,281,400	\$57,277,100	2.1%	\$2,789,216,200	(\$47,065,200)	-1.7%
Agriculture & Rural Development	79,659,000	82,176,200	2,517,200	3.2%	80,176,200	(2,000,000)	-2.4%
Environmental Quality	507,766,900	494,561,300	(13,205,600)	-2.6%	492,061,300	(2,500,000)	-0.5%
Natural Resources	341,726,600	381,830,300	40,103,700	11.7%	381,830,300	0	0.0%
RESOURCE PROTECTION	\$929,152,500	\$958,567,800	\$29,415,300	3.2%	\$954,067,800	(\$4,500,000)	-0.5%
Capital Outlay	0	0	0	--	0	0	--
Insurance & Financial Services	74,627,900	64,577,100	(10,050,800)	-13.5%	64,577,100	0	0.0%
Judiciary	281,063,600	287,118,700	6,055,100	2.2%	286,118,700	(1,000,000)	-0.3%
Licensing & Regulatory Affairs	488,690,500	517,351,000	28,660,500	5.9%	494,951,000	(22,400,000)	-4.3%
Transportation	3,595,491,600	3,665,211,700	69,720,100	1.9%	3,411,163,800	(254,047,900)	-6.9%
ALL OTHERS	\$4,439,873,600	\$4,534,258,500	\$94,384,900	2.1%	\$4,256,810,600	(\$277,447,900)	-6.1%
TOTAL APPROPRIATIONS	\$50,225,238,500	\$51,303,856,000	\$1,078,617,500	2.1%	\$51,086,828,000	(\$217,028,000)	-0.4%

Notes: (1) FY 2013-14 year-to-date figures include mid-year budget adjustments through February 5, 2014. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as one-time. (3) Appropriation figures for the Department of Community Health and Corrections include appropriation adjustments contained in Public Act 107 of 2013, which will take effect in March 2014.

**TABLE 4
GF/GP APPROPRIATIONS DESIGNATED AS ONE-TIME ONLY**

<u>Department/Budget Area</u>	<u>Year-To-Date</u> <u>FY 2013-14</u>	<u>Exec. Rec.</u> <u>FY 2014-15</u>
	<u>GF/GP</u>	<u>GF/GP</u>
Agriculture and Rural Development	\$3,400,000	\$2,000,000
Community Colleges	1,100,000	0
Community Health	11,075,000	14,092,300
Corrections	9,032,500	26,485,900
Education	0	900,000
Environmental Quality	1,000,000	2,500,000
Human Services	2,039,600	4,900,000
Judiciary	4,490,700	1,000,000
Licensing & Regulatory Affairs	2,140,300	0
Military and Veterans Affairs	5,500,000	7,000,000
Natural Resources	750,000	3,000,000
School Aid	54,900,000	0
State Police	6,561,900	17,729,300
Technology, Management, and Budget	16,430,500	23,000,300
Transportation	121,300,000	254,047,900
Treasury: Michigan Strategic Fund	84,800,000	15,000,000
Treasury: Operations	6,763,300	22,800,000
TOTAL: ONE-TIME APPROPRIATIONS	\$331,283,800	\$394,455,700
Treasury: Revenue Sharing (Sales Tax Reduction)	26,000,000	28,800,000
TOTAL: WITH RESTRICTED IMPACTS	\$357,283,800	\$423,255,700
Budget Stabilization Fund Deposit	140,000,000	120,000,000
Health Savings Sub-Fund Deposit	0	122,000,000
TOTAL: ONE-TIME APPROPRIATION AND DEPOSITS	\$497,283,800	\$665,255,700

Note: Does not reflect supplemental items and Healthy Michigan Plan.

TABLE 5
FULL-TIME EQUATED (FTE) POSITIONS*
FY 2014-15 and FY 2015-16 Executive Recommendation Compared with FY 2013-14 Year-to-Date

<u>Department/Budget Area</u>	<u>Year-To-Date FY 2013-14</u>	<u>Executive Recommendation FY 2014-15</u>	<u>Difference FY 2014-15 vs. FY 2013-14</u>	
Community Colleges	0.0	0.0	0.0	--
Education	593.5	627.5	34.0	5.7%
Higher Education	0.0	0.0	0.0	--
School Aid	0.0	0.0	0.0	--
EDUCATION	593.5	627.5	34.0	5.7%
Attorney General	517.0	519.5	2.5	0.5%
Civil Rights	128.0	138.0	10.0	7.8%
Executive Office	84.2	88.2	4.0	4.8%
Legislative Auditor General	0.0	0.0	0.0	--
Legislature	0.0	0.0	0.0	--
State	1,568.0	1,599.0	31.0	2.0%
Tech., Mgmt. & Budget: Operations	2,822.0	2,823.0	1.0	0.0%
Tech., Mgmt. & Budget: SBA Rent	0.0	0.0	0.0	--
Treasury: MI Strategic Fund	756.0	756.0	0.0	0.0%
Treasury: Operations	1,794.5	1,832.5	38.0	2.1%
Treasury: Debt Service	0.0	0.0	0.0	--
Treasury: Revenue Sharing	0.0	0.0	0.0	--
GENERAL GOVERNMENT	7,669.7	7,756.2	86.5	1.1%
Community Health	3,591.6	3,654.1	62.5	1.7%
Human Services	12,150.5	12,197.5	47.0	0.4%
HEALTH AND HUMAN SERVICES	15,742.1	15,851.6	109.5	0.7%
Corrections	14,559.6	14,195.3	(364.3)	-2.5%
Military & Veterans Affairs	898.5	898.5	0.0	0.0%
State Police	2,934.0	3,073.0	139.0	4.7%
PUBLIC SAFETY AND DEFENSE	18,392.1	18,166.8	(225.3)	-1.2%
Agriculture & Rural Development	440.0	452.0	12.0	2.7%
Environmental Quality	1,287.5	1,290.5	3.0	0.2%
Natural Resources	2,141.3	2,229.3	88.0	4.1%
RESOURCE PROTECTION	3,868.8	3,971.8	103.0	2.7%
Capital Outlay	0.0	0.0	0.0	--
Insurance & Financial Services	343.0	343.0	0.0	0.0%
Judiciary	483.0	485.0	2.0	0.4%
Licensing & Regulatory Affairs	2,970.5	2,978.5	8.0	0.3%
Transportation	2,918.3	2,918.3	0.0	0.0%
ALL OTHERS	6,714.8	6,724.8	10.0	0.1%
TOTAL FTE APPROPRIATIONS	52,981.0	53,098.7	117.7	0.2%

*Includes classified, unclassified, and nonlegislative exempt positions.

**TABLE 6
STATE SPENDING FROM STATE SOURCES PAID TO LOCAL GOVERNMENTS
FY 2014-15 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	371,524,900	371,524,900	100.0%
Education	92,911,600	16,132,000	17.4%
Higher Education	1,415,467,700	0	0.0%
School Aid	11,988,976,900	11,833,379,100	98.7%
EDUCATION	\$13,868,881,100	\$12,221,036,000	88.1%
Attorney General	53,381,300	0	0.0%
Civil Rights	13,725,100	0	0.0%
Executive Office	5,916,100	0	0.0%
Legislative Auditor General	16,538,100	0	0.0%
Legislature	131,170,500	0	0.0%
State	202,652,200	1,360,800	0.7%
Tech., Mgmt. & Budget: Operations	335,599,900	0	0.0%
Tech., Mgmt. & Budget: SBA Rent	254,570,600	0	0.0%
Treasury: MI Strategic Fund	371,971,200	15,224,800	4.1%
Treasury: Operations	492,856,100	190,464,800	38.6%
Treasury: Debt Service	152,395,000	0	0.0%
Treasury: Revenue Sharing	1,252,967,600	1,252,967,600	100.0%
GENERAL GOVERNMENT	\$3,283,743,700	\$1,460,018,000	44.5%
Community Health	5,079,626,400	1,190,485,800	23.4%
Human Services	1,147,873,800	93,129,600	8.1%
HEALTH AND HUMAN SERVICES	\$6,227,500,200	\$1,283,615,400	20.6%
Corrections	2,036,068,000	115,714,000	5.7%
Military & Veterans Affairs	80,892,100	100,000	0.1%
State Police	508,721,000	20,205,600	4.0%
PUBLIC SAFETY AND DEFENSE	\$2,625,681,100	\$136,019,600	5.2%
Agriculture & Rural Development	72,879,600	5,000,000	6.9%
Environmental Quality	343,646,800	2,775,000	0.8%
Natural Resources	303,589,500	5,123,300	1.7%
RESOURCE PROTECTION	\$720,115,900	\$12,898,300	1.8%
Capital Outlay	0	0	--
Insurance & Financial Services	62,577,100	0	0.0%
Judiciary	272,495,400	136,461,900	50.1%
Licensing & Regulatory Affairs	315,257,900	29,417,500	9.3%
Transportation	2,409,049,100	1,251,343,700	51.9%
ALL OTHER	\$3,059,379,500	\$1,417,223,100	46.3%
TOTALS APPROPRIATED	\$29,785,301,500	\$16,530,810,400	55.5%

TABLE 7
FY 2014-15 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
Agriculture & Rural Development	\$266.0	\$478.4	\$98.9	\$220.0	(\$181.2)	(\$385.5)	\$183.7	\$312.9
Attorney General	358.0	927.6	220.7	593.9	(1.5)	(2.7)	577.2	1,518.8
Civil Rights	128.8	151.1	138.8	168.2	(6.7)	(6.7)	260.9	312.6
Community Health	2,511.2	4,118.6	429.2	1,261.7	301.5	445.2	3,241.9	5,825.5
Corrections	14,055.4	14,382.6	6,867.3	7,061.4	184.5	298.0	21,107.2	21,742.0
Education	123.7	707.5	122.4	760.4	16.7	22.1	262.8	1,490.0
Environmental Quality	189.2	1,367.4	110.4	782.9	(415.9)	(1,868.3)	(116.3)	282.0
Executive Office	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Human Services	4,226.2	11,603.4	4,427.2	11,936.5	137.5	379.0	8,790.9	23,918.9
Insurance & Financial Services	0.0	564.7	0.0	381.9	0.0	(163.9)	0.0	782.7
Judiciary	812.3	963.5	420.1	512.2	172.9	172.0	1,405.3	1,647.7
Legislative Auditor General	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Legislature	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Licensing & Regulatory Affairs	197.2	3,270.2	241.6	1,834.5	(208.1)	(1,379.7)	230.7	3,725.0
Military & Veterans Affairs	262.7	851.7	110.8	415.0	0.0	0.0	373.5	1,266.7
Natural Resources	151.3	2,059.8	268.9	3,797.0	(169.7)	(385.1)	250.5	5,471.7
State	99.4	1,483.5	75.4	1,023.9	(116.9)	(131.2)	57.9	2,376.2
State Police	2,318.8	3,480.8	11,207.6	14,894.0	375.8	426.2	13,902.2	18,801.0
Tech, Management & Budget	1,617.7	4,291.7	1,167.4	2,943.9	99.0	(198.2)	2,884.1	7,037.4
Transportation	11.8	3,316.0	13.6	2,274.4	0.0	(2.2)	25.4	5,588.2
Treasury	393.2	2,515.2	251.4	1,977.5	107.6	154.5	752.2	4,647.2
Treasury: MI Strategic Fund	187.0	966.7	116.6	580.8	0.0	24.9	303.6	1,572.4
TOTAL	\$27,909.9	\$57,500.4	\$26,288.3	\$53,420.1	\$295.5	(\$2,601.6)	\$54,493.7	\$108,318.9

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.

OVERVIEW

**TABLE 8
FY 2014-15 PROPOSED FEE SUNSET EXTENSIONS**

<u>Department</u>	<u>Fee Title</u>	<u>FY 2014-15 Fee Amount</u>	<u>Estimated Revenue</u>
Community Health	<u>Crime Victim's Rights Funds</u> Statewide EMS Trauma System Earmark (Sunset Extension)	N/A	\$1.75 million
Environmental Quality	<u>Hazardous Waste Fees</u> (Sunset Extension) <ul style="list-style-type: none">• Manifest processing user charge• Site ID number user charge• Annual handler user charge• Treatment, storage or disposal facility user charge• Used oil handler user charge• Administrative file • Generator user charge<ul style="list-style-type: none">- Small quantity- Large quantity- Very large quantity	\$8 \$50 \$100-\$2,000 \$2,000 \$100 5% (not to exceed 25% of total amount owed) \$100 \$400 \$1,000	\$1.1 million

**FY 2014-15 AND FY 2015-16
Budget Detail
for
EDUCATION**

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

**Summary: Executive Budget Recommendation
for Fiscal Years 2014-15 and 2015-16
COMMUNITY COLLEGES**

Analyst: Marilyn Peterson

	FY 2013-14	FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14		FY 2015-16 Executive	Difference: FY 2015-16 Vs. FY 2014-15	
	Year-to-Date as of 2/5/14		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	138,363,500	173,910,800	35,547,300	25.7	192,610,800	18,700,000	10.8
Gross	\$335,977,600	\$371,524,900	\$35,547,300	10.6	\$390,224,900	\$18,700,000	5.0
FTEs	0.0	0.0	0.0	--	0.0	0.0	--

Notes: (1) FY 2013-14 year-to-date figures include mid-year budget adjustments through February 5, 2014. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2015-16 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.

Executive Changes

Major Budget Changes From FY 2013-14 YTD Appropriations	FY 2013-14 YTD (as of 2/5/14)	FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
1. Operations Grants	Gross \$298,244,000	\$8,947,300	\$0
Increases funding for community college operations grants by \$8.9 million (3.0%). Projected increases for individual community colleges range from 2.7% to 3.7%. Funding increase to be distributed as provided in current performance funding formula, newly subject to a condition that a receiving college restrain its tuition and fee increases to 3.2% or less. Amounts not paid due to a college's failure to comply with the tuition restraint condition would be distributed to complying colleges according to the performance funding formula.	Restricted 195,880,500	0	0
	GF/GP \$102,363,500	\$8,947,300	\$0

<u>Major Budget Changes From FY 2013-14 YTD Appropriations</u>	FY 2013-14 YTD (as of 2/5/14)	Executive Changes		
		FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16	
2. <i>MPSERS Contributions</i>	Gross	\$33,133,600	\$27,700,000	\$18,700,000
Includes \$27.7 million GF/GP increase for the state's share of colleges' unfunded liability to the Michigan Public School Employees Retirement System (MPSERS). Increase consists of:	Restricted	1,733,600	0	0
	GF/GP	\$31,400,000	\$27,700,000	\$18,700,000

- \$20.9 million to fund the difference between the actuarial accrued liability to the system and the employer contribution cap of 20.96% of covered payroll set by 2012 amendments (2012 PA 300) to the Public School Employees Act.
- \$6.8 million, combined with redirection of existing School Aid Fund (SAF) appropriations, to fund the estimated cost of reducing the current 20.96%-of-payroll employer cap to 19.76%, a reduction of 1.2 percentage points.

Total state support for such payments would be \$60.8 million (\$59.1 million GF/GP). An additional increase of \$18.7 million GF/GP is projected for FY 2015-16.

3. <i>One-Time Appropriations</i>	Gross	\$1,100,000	(\$1,100,000)	\$0
Eliminates funding for one-time appropriation of \$1.1 million GF/GP to the Michigan Community College Association for the purpose of updating and expanding the Michigan Community College Virtual Learning Collaborative.	GF/GP	\$1,100,000	(\$1,100,000)	\$0

Major Boilerplate Changes From FY 2013-14

Sec. 207a. MPSERS Funding Allocation and Employer Cap Buy-Down – NEW/REVISED

Specifies allocation method for distribution of consolidated MPSERS-related state funding (see No. 2, above) and assumes statutory change to Public School Employees Retirement Act to reduce maximum employer contribution to 19.76% of covered payroll. Distribution calculation would mirror current allocations of SAF and GF/GP portions, which are separately allocated based on each participating community college's percentage of the total covered payroll for all participating community colleges in immediately preceding fiscal year. Each college receiving MPSERS-related support would have to forward the amount allocated to the retirement system.

Sec. 209. Online Information – REVISED

Revises current online posting requirements by deleting requirements for each community college to post a statement of its estimated cost resulting from the federal Affordable Care Act, and a copy of the Board of Trustees resolution regarding compliance with best practices needed to qualify for local strategic value component of performance funding. Also deletes requirement for state budget director to determine community college compliance and provisions allowing withholding of monthly grant installment for non-compliance with online posting requirements.

Sec. 230. Local Strategic Value – REVISED

Changes from November 1 to October 14 the deadline for colleges to certify compliance with specified best practices, which is required to for a college to receive its share of the funding increase distributed under the local strategic value portion of the performance funding formula.

Sec. 230a. Tuition Restraint – NEW

Conditions receipt of funding increases on restraining tuition and fee increases for Michigan residents to 3.2% or less. Payments for performance funding and local strategic value would only be made to a community college that certified by August 31 that it had not adopted a tuition and fee increase after February 5, 2014 for the 2013-14 academic year and that it would not adopt a tuition and fee increase over 3.2% for the 2014-15 academic year.

COMMUNITY COLLEGES

Community College Operation Funding Increases in FY 2014-15 Executive Recommendation

PERFORMANCE FUNDING FORMULA DISTRIBUTIONS									
<i>Percent of Formula-Distributed Increase:</i>		<i>50.0%</i>	<i>17.5%</i>	<i>10.0%</i>	<i>7.5%</i>	<i>15.0%</i>	<i>100.0%</i>		
Community College	FY 2013-14 Year-to-Date Appropriation³	Proportional to FY 2013-14 Funding	Weighted Completions	Contact Hour Equated Students	Adjusted Administrative Costs	Local Strategic Value³	Total Increase³	Proposed FY 2014-15 Appropriation	Percent Increase
Alpena	\$5,236,500	\$78,547	\$20,374	\$7,346	\$24,344	\$23,600	\$154,200	\$5,390,700	2.9%
Bay de Noc	\$5,279,300	\$79,189	\$24,053	\$9,488	\$3,660	\$23,800	\$140,200	\$5,419,500	2.7%
Delta	\$14,063,500	\$210,952	\$86,758	\$42,521	\$31,892	\$63,300	\$435,400	\$14,498,900	3.1%
Glen Oaks	\$2,441,500	\$36,622	\$19,578	\$5,397	\$1,963	\$11,000	\$74,600	\$2,516,100	3.1%
Gogebic	\$4,330,300	\$64,954	\$13,861	\$4,853	\$17,882	\$19,500	\$121,100	\$4,451,400	2.8%
Grand Rapids	\$17,454,900	\$261,823	\$62,200	\$60,876	\$29,226	\$78,500	\$492,600	\$17,947,500	2.8%
Henry Ford	\$21,060,000	\$315,899	\$72,402	\$63,497	\$17,230	\$94,800	\$563,800	\$21,623,800	2.7%
Jackson	\$11,758,200	\$176,373	\$58,725	\$23,594	\$17,546	\$52,900	\$329,100	\$12,087,300	2.8%
Kalamazoo Valley	\$12,122,500	\$181,837	\$68,519	\$40,857	\$34,744	\$54,600	\$380,600	\$12,503,100	3.1%
Kellogg	\$9,522,000	\$142,830	\$49,135	\$22,883	\$33,849	\$42,800	\$291,500	\$9,813,500	3.1%
Kirtland	\$3,055,700	\$45,835	\$22,898	\$7,037	\$22,397	\$13,800	\$112,000	\$3,167,700	3.7%
Lake Michigan	\$5,178,100	\$77,671	\$20,753	\$16,859	\$26,254	\$23,300	\$164,800	\$5,342,900	3.2%
Lansing	\$30,023,700	\$450,354	\$164,993	\$69,533	\$33,950	\$135,100	\$853,900	\$30,877,600	2.8%
Macomb	\$31,931,200	\$478,967	\$134,078	\$93,596	\$35,040	\$143,700	\$885,400	\$32,816,600	2.8%
Mid Michigan	\$4,517,900	\$67,768	\$36,235	\$16,919	\$22,875	\$20,300	\$164,100	\$4,682,000	3.6%
Monroe	\$4,342,600	\$65,139	\$20,491	\$14,506	\$30,682	\$19,500	\$150,300	\$4,492,900	3.5%
Montcalm	\$3,121,200	\$46,818	\$15,938	\$6,646	\$22,065	\$14,000	\$105,500	\$3,226,700	3.4%
Mott	\$15,247,100	\$228,706	\$68,034	\$44,351	\$29,299	\$68,600	\$439,000	\$15,686,100	2.9%
Muskegon	\$8,653,500	\$129,802	\$30,595	\$18,565	\$29,685	\$38,900	\$247,500	\$8,901,000	2.9%
North Central	\$3,064,400	\$45,966	\$13,580	\$9,057	\$25,633	\$13,800	\$108,000	\$3,172,400	3.5%
Northwestern	\$8,825,300	\$132,379	\$33,333	\$20,046	\$28,065	\$39,700	\$253,500	\$9,078,800	2.9%
Oakland	\$20,483,100	\$307,246	\$106,831	\$104,290	\$29,666	\$92,200	\$640,200	\$21,123,300	3.1%
Schoolcraft	\$12,112,200	\$181,683	\$91,660	\$49,560	\$24,108	\$54,500	\$401,500	\$12,513,700	3.3%
Southwestern	\$6,404,300	\$96,064	\$21,471	\$11,173	\$14,578	\$28,800	\$172,100	\$6,576,400	2.7%
St Clair County	\$6,860,100	\$102,901	\$27,819	\$16,907	\$22,982	\$30,900	\$201,500	\$7,061,600	2.9%
Washtenaw	\$12,610,800	\$189,162	\$141,232	\$49,381	\$29,984	\$56,700	\$466,500	\$13,077,300	3.7%
Wayne County	\$16,194,300	\$242,914	\$131,399	\$59,710	\$26,386	\$72,900	\$533,300	\$16,727,600	3.3%
West Shore	\$2,349,800	\$35,247	\$8,833	\$5,281	\$5,059	\$10,600	\$65,100	\$2,414,900	2.8%
TOTALS:	\$298,244,000	\$4,473,650	\$1,565,778	\$894,730	\$671,048	\$1,342,100	\$8,947,300	\$307,191,300	3.0%

Notes: (1) Assumes that all colleges qualify for increases under tuition restraint requirement and under existing local strategic value component of performance funding formula. (2) Local strategic value component is distributed to qualifying colleges after certification of compliance after start of fiscal year. (3) Year-to-date appropriations, local strategic value distributions, and total increases are rounded to the nearest hundred.

**Summary: Executive Budget Recommendation
for Fiscal Years 2014-15 and 2015-16
DEPARTMENT OF EDUCATION**

Analyst: Karen Shapiro

	FY 2013-14	FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14		FY 2015-16 Executive	Difference: FY 2015-16 Vs. FY 2014-15	
	Year-to-Date as of 2/5/14		Amount	%		Amount	%
IDG/IDT	\$0	\$0	\$0	--	\$0	\$0	--
Federal	211,873,000	226,097,500	14,224,500	6.7	226,097,500	0	0.0
Local	5,633,700	5,633,700	0	0.0	5,633,700	0	0.0
Private	1,933,300	1,933,300	0	0.0	1,933,300	0	0.0
Restricted	8,032,100	7,972,600	(59,500)	(0.7)	7,972,600	0	0.0
GF/GP	70,893,900	84,939,000	14,045,100	19.8	84,639,000	(300,000)	(0.4)
Gross	\$298,366,000	\$326,576,100	\$28,210,100	9.5	\$326,276,100	(\$300,000)	(0.1)
FTEs	593.5	627.5	34.0	5.7	627.5	0.0	0.0

Notes: (1) FY 2013-14 year-to-date figures include mid-year budget adjustments through February 5, 2014. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2015-16 figures are projected budget amounts only and would not be legally binding appropriations.

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 early education and child day care support for low-income and other qualifying families.

Major Budget Changes From FY 2013-14 YTD Appropriations		FY 2013-14 YTD	Executive Changes	
		(as of 2/5/14)	FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
1. Child Development and Care – Hours Increase Includes a \$6.9 million increase for the Child Development and Care (CDC) program to increase the maximum allowable reimbursable hours for subsidized child care from 80 hours to 90 hours in a two-week period.	Gross	\$136,344,000	\$6,900,000	\$0
	Federal	97,355,200	6,900,000	0
	GF/GP	\$38,988,800	\$0	\$0
2. Child Development and Care – Tiered Reimbursement Includes \$3.7 million to reimburse high quality childcare providers at higher hourly rates per a tiered reimbursement system, as defined by the Great Start to Quality provider rating system.	Gross	\$136,344,000	\$3,672,000	\$0
	Federal	97,355,200	3,672,000	0
	GF/GP	\$38,988,800	\$0	\$0
3. Educator Evaluations and Student Assessments Provides \$5.0 million of ongoing funds for the phase-in of educator evaluations and new student assessments. This includes 21.0 FTEs. Funding is split between the following units: Accountability Services (\$4.1 million), Professional Preparation Services (\$167,000), and Educational Improvement and Innovation Services (\$738,200). There is an additional \$900,000 one-time GF/GP to implement educator evaluations for teachers and administrators throughout the state. Funding at MDE will be used for staffing, compliance monitoring, and information technology systems modifications. Additionally, there is a \$2.0 million transfer of federal assessment funding from the School Aid Budget.	FTE	N/A	21.0	0.0
	Gross	N/A	\$7,900,000	(\$900,000)
	Federal	N/A	2,000,000	0
	GF/GP	N/A	\$5,900,000	(\$900,000)

EDUCATION (DEPARTMENT)

Major Budget Changes From FY 2013-14 YTD Appropriations	Executive Changes			
	FY 2013-14 YTD (as of 2/5/14)	FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16	
4. Financial Independence Team	FTE	N/A	4.0	0.0
Includes \$778,100 GF/GP and 4.0 FTEs, to be utilized in conjunction with \$6.5 million and 9.0 FTEs in the Department of Treasury, to create a new financial independence team tasked with implementing early warning systems for distressed schools in need of financial attention.	Gross	N/A	\$778,100	\$0
	GF/GP	N/A	\$778,100	\$0
5. Low Achieving Schools – School Reform	FTE	N/A	6.0	0.0
Provides \$918,600 GF/GP for resources to help the lowest achieving schools to improve their academic programs and performance. This addition in school reform efforts includes 6.0 FTEs. Funding is split between the School Reform unit (\$306,200) and the Educational Improvement and Innovation Services unit (\$612,400).	Gross	N/A	\$918,600	\$0
	GF/GP	N/A	\$918,600	\$0
6. Office of Great Start	FTE	61.0	3.0	0.0
Increases the Office of Great Start Operations line by 3.0 FTEs and \$404,000 GF/GP to provide additional administrative support for the Great Start Readiness Program, which under the Executive proposal in the School Aid budget would increase by another \$65.0 million, more than doubling the program since FY 2012-13.	Gross	\$22,192,900	\$404,000	\$0
	Federal	20,732,300	0	0
	Private	250,000	0	0
	Restricted	63,500	0	0
	GF/GP	\$1,147,100	\$404,000	\$0
7. Library Funding – Renaissance Zone Reimbursements	Gross	\$1,500,000	\$3,200,000	\$0
Transfers \$3.2 million in Renaissance Zone Reimbursements from the School Aid budget, which when combined with existing MDE funds totals \$4.7 million for FY 2014-15.	GF/GP	\$1,500,000	\$3,200,000	\$0
8. Library Funding – MPSERS Payments	Gross	N/A	\$2,556,000	\$600,000
Transfers \$1.3 million state share for MPSERS payments to Libraries. Also provides \$900,000 for the required increase in the state share for MPSERS payments and \$356,000 GF/GP to cover the proposed rate cap reduction to 19.76%.	GF/GP	N/A	\$2,556,000	\$600,000
9. Economic Adjustments	Gross	N/A	\$1,867,400	\$0
Reflects increased costs of \$1.9 million Gross (\$274,400 GF/GP) for negotiated salary and wage amounts (2.0% ongoing increase plus 0.5% lump sum payments), actuarially-required retirement rate increases, and other economic adjustments. Insurance costs held flat due to recent state employee health plan revisions.	Federal	N/A	1,472,500	0
	Restricted	N/A	120,500	0
	GF/GP	N/A	\$274,400	\$0

Major Boilerplate Changes From FY 2013-14

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.

Sec. 216. Communication with the Legislature – DELETED

Prohibits MDE from taking disciplinary action against an employee for communicating truthfully and factually with a legislator or his/her Staff.

Sec. 218. Records Retention – DELETED

Requires MDE to retain all reports funded from appropriations according to federal and state guidelines for short-term and long-term retention of records.

Sec. 220. Timely Data – DELETED

Requires MDE to provide data requested by legislature, staff, and fiscal agencies in a timely manner; subjects the State Board/Superintendent Operations line item to a penalty of 1% of state funds if reasonably requested data is not received within 30 days or if reports required by boilerplate or statute are not submitted within 30 after it is due.

Major Boilerplate Changes From FY 2013-14

Sec. 231. Common Core Standards and Smarter Balanced Assessments – DELETED

Prohibits expenditures of funds on common core standards and smarter balanced assessments unless authorized by an affirmative action of the Legislature.

Sec. 6-231. Legacy Costs – NEW

Identifies total appropriations in part 1 for legacy costs for FY 2014-15 equal to \$15,367,500. Pension-related costs are estimated at \$8,739,900. Retiree health care costs are estimated at \$6,897,600.

Sec. 232. Subrecipient Monitoring Services – DELETED

In addition to funds appropriated in part 1, appropriates up to \$180,000 from payments for subrecipient monitoring expenses provided to other departments.

Sec. 233. Requests for Proposals – DELETED

Prohibits department from issuing a request for proposal for a contract exceeding \$5.0 million unless it first considers issuing a request for information or request for qualification.

Sec. 302. Travel Expenditures – DELETED

Prohibits spending over \$35,000 for in-state and out-of-state travel for Board of Education members.

Sec. 401. Michigan School for the Deaf and Blind Employees – NEW

States that employees at the Michigan School for the Deaf and Blind who work on a school-year basis be considered annual employees for the purposes of service credits, retirement, and insurance benefits.

Sec. 803. Keep Library Functions 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. 805. MPSERS Funds for District Libraries – NEW

States that Part 1 funds for MPSERS costs shall be used for payments to participating district libraries. Describes how payments are to be calculated for, and allocated to, district libraries. Participating entities that receive funds under this section are required to forward the designated amount to the retirement system in a form, manner and timeframe determined by the retirement system.

Sec. 901. Federal and Private Grants – DELETED

Requires department to notify the Legislature within 10 days of receiving a federal or private grant appropriated in part 1 under the federal and private grants line.

Sec. 1001. Number of Childcare Providers – DELETED

Requires a report by November 1, 2013 on the number of childcare providers (by type) receiving payment for childcare services on October 1, 2013.

Sec. 1003. Early Childhood Systems Planning RFP Process – NEW

States that all new and expiring department contracts for early childhood comprehensive systems planning shall be bid out through a statewide RFP process.

Sec. 1003. Early Childhood Investment Corporation Annual Report – DELETED

Requires the department to submit an annual report on all funding appropriated to the Early Childhood Investment Corporation (ECIC) for FY 2012-13 by February 15. Report must detail the amounts of grants awarded, grant recipients, the activities funded by each grant, and an analysis of the work of each grantee. Also requires contracts for early childhood comprehensive systems planning to be bid through a statewide RFP process.

Sec. 1004. Head Start Programs – DELETED

Requires Head Start providers to ensure that regulations related to Head Start programs be at least as rigorous as those for Great Start Readiness Programs by FY 2014-15. Allows for lead teachers to continue as Head Start lead teachers if they meet requirements for continuing education and have on file a planned program leading to proper certification.

Sec. 1201. FY 2014-15 Appropriation – DELETED

Expresses intent that the FY 2014-15 appropriations are anticipated to be the same as FY 2013-14 appropriations, except for adjustments for changes in caseloads, federal match rates, economic factors, and available revenue.

Sec. 1202. Retirement Costs – DELETED

Expresses intent that for FY 2014-15, the department identify the amount of normal and legacy retirement costs in part 1.

EDUCATION (DEPARTMENT)

Supplemental Recommendations for FY 2013-14 Appropriations

**FY 2013-14
Recommendation**

1. *Child Development and Care*

Includes a \$3.5 million increase in federal funds for the Child Development and Care (CDC) program to increase the maximum allowable reimbursable hours for subsidized child care from 80 hours to 90 hours in a two-week period. This represents partial year funding to implement proposed changes in FY 2013-14.

Gross	\$5,286,000
Federal	5,286,000
GF/GP	\$0

Also includes an additional \$1.8 million in federal revenue authorization for the CDC program to reimburse high quality childcare providers at higher hourly rates per a tiered reimbursement system, as defined by the Great Start to Quality provider rating system. This represents partial year funding to implement proposed changes in FY 2013-14.

Summary: Executive Budget Recommendation for Fiscal Years 2014-15 and 2015-16 HIGHER EDUCATION

Analyst: Kyle I. Jen

	FY 2013-14	FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14		FY 2015-16 Executive	Difference: FY 2015-16 Vs. FY 2014-15	
	Year-to-Date as of 2/5/14		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	1,132,981,400	1,214,902,000	81,920,600	7.2	1,214,902,000	0	0.0
Gross	\$1,430,573,500	\$1,512,494,100	\$81,920,600	5.7	\$1,512,494,100	\$0	0.0
FTEs	0.0	0.0	0.0	--	0.0	0.0	--

Notes: (1) FY 2013-14 year-to-date figures include mid-year budget adjustments through February 5, 2014. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2015-16 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 AgBioResearch and Extension programs 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.

<u>Major Budget Changes From FY 2013-14 YTD Appropriations</u>	FY 2013-14 YTD (as of 2/5/14)	Executive Changes	
		FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
1. University Operations	Gross \$1,265,320,700	\$76,892,000	\$0
Increases total university operations funding by \$76.9 million GF/GP (6.1%). Percentage increases for individual universities range from 4.0% to 9.5%. Half of the overall increase is distributed in proportion to FY 2010-11 university appropriation amounts (prior to FY 2011-12 15.0% reduction).	Restricted 200,019,500	0	0
	GF/GP \$1,065,301,200	\$76,892,000	\$0

Remaining half is distributed among the universities based on continuing performance funding formula. Only significant change in formula from FY 2013-14 is addition of component based on enrollment of Pell Grant students compared to national peers. To receive the funding increase, a university would have to restrain its FY 2014-15 resident undergraduate tuition/fee increase to 3.2% or lower and comply with three other continuing policy requirements (see Sec. 265a).

Re-aligns \$200.0 million in School Aid Fund (SAF) revenue among 15 university appropriations as equal percentage of total, with no net change in SAF funding.

No further adjustments included in FY 2015-16 planning budget.

2. MSU AgBioResearch and Extension	Gross \$56,288,700	\$3,433,600	\$0
Increases funding for AgBioResearch and Extension programs operated by Michigan State University by \$3.4 million GF/GP (6.1%). Proposed appropriations for FY 2014-15 are \$32.1 million and \$27.6 million GF/GP, respectively.	GF/GP \$56,288,700	\$3,433,600	\$0

HIGHER EDUCATION

<u>Major Budget Changes From FY 2013-14 YTD Appropriations</u>		FY 2013-14 YTD (as of 2/5/14)	Executive Changes	
			FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
3. Tuition Grant Program	Gross	\$31,664,700	\$0	\$0
Maintains appropriation for need-based financial aid to students at independent colleges at FY 2013-14 level of \$31.7 million (Federal TANF). Adds requirement that colleges submit student performance data as condition of participation in program.	Federal	31,644,700	0	0
4. Tuition Incentive Program	Gross	\$47,000,000	\$1,500,000	\$0
Increases appropriation for program paying associate's degree tuition costs for Medicaid-eligible middle and high school students by \$1.5 million GF/GP (3.2%) to fund continued projected growth in program participation. Proposed appropriation for FY 2014-15 is \$48.5 million Gross (43.8 million Federal TANF, \$4.7 million GF/GP).	Federal	43,800,000	0	0
	GF/GP	\$3,200,000	\$1,500,000	\$0
5. Higher Education Database	Gross	\$105,000	\$95,000	\$0
Increases funding for maintenance of state database to \$200,000 GF/GP in order to continue improvements in system functionality. Public universities submit finance, enrollment, and other data annually under statutory and budget act requirements.	GF/GP	\$105,000	\$95,000	\$0

Major Boilerplate Changes From FY 2013-14

GENERAL SECTIONS

Sec. 236c. State Building Authority (SBA) Rent Payments – REVISED

Lists amounts appropriated through Department of Technology, Management, and Budget, totaling \$125.4 million, for SBA rent payments associated with state costs for previous capital outlay projects at universities. Revised to update amounts, with new total of \$124.8 million.

Sec. 239a. Foreign Auto Manufacturers – DELETED

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

Sec. 242. Federal or Private Funds – REVISED

Appropriates federal or private funds received by the state for use by a college or university. Deletes language specifying that acceptance of funds does not create ongoing obligation.

Sec. 245. University Transparency – REVISED

Requires universities to post various budget, compensation (including salary list), other financial, and performance data, as well as transfer policies, on its website, using a standard format. Deletes requirement that state budget director determine compliance and language granting authority to withhold payments for a university not in compliance.

GRANTS AND FINANCIAL AID

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; caps awards received by students at a single institution at \$3.0 million. Revised to move application deadline up from July 1 to March 1; deletes requirement that unexpended funds be carried forward to subsequent fiscal year; adds requirement that independent colleges submit data to state P-20 longitudinal data system, along with other specified student performance data (Tuition Grant students completing degrees, Tuition Grant students enrolled in remedial classes, and Pell Grant students completing degrees), in order for students at the college to participate in the program.

Sec. 256. Tuition Incentive Program – REVISED

Specifies criteria for Tuition Incentive Program eligibility; provides for award conditions and limits under Phases I and II of the program. Revised to clarify application window for middle and high school students (deadline of August 31 of senior year); adds requirement that college students meet individual institutions' satisfactory academic progress policies.

UNIVERSITY OPERATIONS

Sec. 261. Douglas Lake Biological Station – DELETED

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

Major Boilerplate Changes From FY 2013-14**Sec. 262a. Textbook Policies – DELETED**

States intent that universities develop policies for reviewing required textbook and course materials to minimize costs while maintaining quality of education; requires report on university policies.

Sec. 265. Tuition Restraint Funding – REVISED

Provides tuition restraint requirements in order to receive performance funding. Revised to specify limit of 3.2% for resident undergraduate tuition/fee increase for FY 2014-15 (lowered from 3.75% for FY 2013-14); deletes 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

Includes requirements for a university to receive performance funding:

- Comply with tuition restraint requirements under section 265.
- Certify that university participates in reverse transfer agreements with at least three Michigan community colleges.
- Certify that dual enrollment policy does not consider use of credits toward high school graduation requirements.
- Participate in Michigan Transfer Network.

Establishes process for universities to certify (by August 31, 2012) they have complied with all requirements. Provides that performance funding forfeited by a university due to noncompliance with boilerplate requirements be redistributed to other universities based on performance funding amounts. Describes data components utilized to calculate performance funding amounts and scoring system utilized for national peer comparisons. Revised to include funding allocated proportional to FY 2010-11 appropriation amounts and Pell Grant-based component. Deletes statement of intent to lower scoring for university improving over three-year period from 2 points to 1 point.

Sec. 268. Unfunded Indian Tuition Waiver Costs – REVISED

States legislative intent to allocate funds for unfunded Indian Tuition Waiver costs at universities from the General Fund. Requires Department of Civil Rights to report certain information related to the waivers. Deletes statement of intent.

Sec. 272a. Transfer Credit Reporting – REVISED

Requires universities to report on the number of transfer credits, with grade of C or better, rejected for incoming students, by both academic area and prior institution. Revised to clarify that reporting applies only to resident students transferring from other institutions in Michigan.

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. 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. 275. Veterans Policies – REVISED

States intent for universities to participate in the Yellow Ribbon GI Education Enhancement Program and provide other veterans-related services; requires report on program participation. States intent that universities consider all veterans as in-state residents for determining tuition/fees and waive enrollment fees for all veterans. Deletes reporting requirement.

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.

MARTIN LUTHER KING, JR. - CESAR CHAVEZ - ROSA PARKS PROGRAMS**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 up to \$100,000 in unexpended grant funds to be utilized for state administrative costs.

GENERAL REPORTS AND AUDITS**Sec. 293. Student Records – DELETED**

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

HIGHER EDUCATION

**FY 2014-15 University Performance Funding Increases
Executive Budget Recommendation**

University	FY 2013-14 Year-to-Date Appropriation	Proportional to FY 2010-11		Performance Funding Proportional to Share of Total			Performance Funding Scored vs. National Carnegie Peers										*Total Funding Increase	Proposed FY 2014-15 Appropriation	Percent Change	
		50.0%	11.1%	11.1%		5.6%		33.3%												
		Funding per unit:		\$573 per completion		\$0.0033 per dollar		\$14.04 per weighted point												
		Funding	Critical Skills Undergrad Completions	Funding	Research & Development Expenditures	Funding	6-year Grad Rate	Total Degrees	Instit Support as % of Expend	Pell Grant Students	Total Points	Total Undergrad FYES	FYES- Weighted Points	Funding						
Michigan State	\$249,597,800	\$7,678,812	2,718	\$1,558,482	\$318,951,530	\$1,057,934	2	3	2	3	10	35,494	354,940	\$4,984,188	\$15,279,400	\$264,877,200	6.1%			
UM-Ann Arbor	279,232,700	8,560,400	2,743	1,572,744	714,903,000	2,371,270	3	3	2	2	10	27,905	279,050	3,918,515	16,422,900	295,655,600	5.9%			
Wayne State	183,398,300	5,797,207	661	378,709	153,453,343	508,991	0	0	0	3	3	15,470	46,410	651,705	7,336,600	190,734,900	4.0%			
Michigan Tech	43,473,800	1,297,216	927	531,332	56,380,000	187,008	3	0	2	2	7	5,165	36,155	507,701	2,523,300	45,997,100	5.8%			
Western	97,279,000	2,967,070	1,069	612,929	23,042,963	76,431	2	2	2	2	8	17,550	140,400	1,971,544	5,628,000	102,907,000	5.8%			
Central	73,540,100	2,169,019	693	397,056	9,894,583	32,819	3	3	3	3	12	18,660	223,920	3,144,361	5,743,300	79,283,400	7.8%			
Oakland	45,651,600	1,374,011	1,023	586,554	11,252,501	37,324	0	2	0	2	4	14,182	56,728	796,594	2,794,500	48,446,100	6.1%			
Eastern	67,275,400	2,057,883	664	380,715			2	3	2	3	10	15,616	156,160	2,192,852	4,631,400	71,906,800	6.9%			
Ferris	45,636,500	1,316,028	1,241	711,584			2	3	2	3	10	10,875	108,750	1,527,104	3,554,700	49,191,200	7.8%			
Grand Valley	57,823,500	1,677,582	1,299	744,552			3	3	2	3	11	19,751	217,261	3,050,853	5,473,000	63,296,500	9.5%			
Saginaw Valley	25,991,000	750,346	394	225,620			2	2	0	2	6	8,215	49,290	692,147	1,668,100	27,659,100	6.4%			
UM-Dearborn	22,510,400	669,291	374	214,152			2	0	0	2	4	5,894	23,576	331,062	1,214,500	23,724,900	5.4%			
UM-Flint	19,938,200	565,669	437	250,274			2	2	2	2	8	5,571	44,568	625,839	1,441,800	21,380,000	7.2%			
Northern	41,741,400	1,221,861	488	279,624			2	3	2	3	10	7,911	79,110	1,110,889	2,612,400	44,353,800	6.3%			
Lake Superior	12,231,000	343,608	173	99,228			0	2	0	2	4	2,231	8,924	125,314	568,100	12,799,100	4.6%			
TOTAL:	\$1,265,320,700	\$38,446,000	14,901	\$8,543,556	\$1,287,877,920	\$4,271,778	28	31	21	37	117	210,490	1,825,242	\$25,630,667	\$76,892,000	\$1,342,212,700	6.1%			

Total funding increase: **\$76,892,000**

Component	Source	Years	Notes
Critical skills undergrad completions	State HEIDI	FYs 2012-2013	STEM/health/etc.
Research & develop expends	Federal IPEDS	FY 2012	Carnegie research universities only
Six-year graduation rate	Federal IPEDS^	FYs 2008-2011	First-time, full-time degree seeking students
Total degree completions	Federal IPEDS^	FYs 2008-2011	Includes graduate degrees
Inst support as % of core expends	Federal IPEDS^	FYs 2008-2011	Measure of administrative costs
Pell grant students	Federal IPEDS^	FYs 2009-2011	Federal need-based aid for undergrads
	^Via BLM/AEG		
Undergrad FYES	State HEIDI	FY 2013	Includes nonresident students

***Requirements to receive funding increase:**

1. Restrain FY 2014-15 resident undergraduate tuition/fee rate increase to 3.2% or below
2. Participate in at least three reverse transfer agreements with community colleges (or make good-faith effort)
3. Maintain a dual enrollment credit policy that does not consider whether credits were used toward high school graduation
4. Participate in the Michigan Transfer Network

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

Summary: Executive Budget Recommendation for Fiscal Years 2014-15 and 2015-16 SCHOOL AID

Analysts: Bethany Wicksall and Karen Shapiro

	FY 2013-14	FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14		FY 2015-16 Executive	Difference: FY 2015-16 Vs. FY 2014-15	
	Year-to-Date as of 2/5/14		Amount	%		Amount	%
IDG/IDT	\$0	\$0	\$0	--	\$0	\$0	--
Federal	1,764,421,300	1,808,162,700	43,741,400	2.5	1,808,162,700	0	0.0
Local	0	0	0	--	0	0	--
Private	0	0	0	--	0	0	--
Restricted	11,367,382,300	11,808,976,900	441,594,600	3.9	11,802,560,800	(6,416,100)	(0.1)
GF/GP	234,900,000	180,000,000	(54,900,000)	(23.4)	180,000,000	0	--
Gross	\$13,366,703,600	\$13,797,139,600	\$430,436,000	3.2	\$13,790,723,500	(\$6,416,100)	(0.0)

Notes: (1) FY 2013-14 year-to-date figures include mid-year budget adjustments through February 5, 2014. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2015-16 figures are projected budget amounts only and would not be legally binding appropriations.

Overview

The School Aid budget makes appropriations to the state's 548 local school districts, 296 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 2013-14 YTD Appropriations	FY 2013-14 YTD (as of 2/5/14)	Executive Changes	
		FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
1. Foundation Allowances (Secs. 22a, 22b, 22c)	Gross \$8,946,400,000	\$34,600,000	(\$49,000,000)
Increases FY 2014-15 foundation allowances by \$28-\$56 per pupil through the 2x formula plus \$55 per pupil across the board, providing total increases varying from \$83 to \$111 per pupil, at a cost of \$150.0 million. The FY 2014-15 minimum foundation would be \$7,187 and the state guaranteed maximum foundation would be \$8,132.	Restricted 8,742,797,600	86,617,700	(47,000,000)
	GF/GP \$203,602,400	(\$52,017,700)	(\$2,000,000)

(The FY 2013-14 equity payment in Sec. 22c is rolled into the foundation allowance and included in a revised baseline for Sec. 22b.)

Much of the cost of increasing foundation allowances is offset by baseline cost adjustments based on consensus estimates for taxable values and pupils. *Supplemental Request 2014-3* would reduce FY 2013-14 costs by \$49.4 million to reflect this. FY 2014-15 baseline costs would have decreased by another \$66.0 million from the revised FY 2013-14 baseline based on consensus estimates due to anticipated increases in local taxable values and further decreases in pupil memberships. FY 2015-16 baseline cost estimates drop by another \$49.0 million.

SCHOOL AID

Major Budget Changes From FY 2013-14 YTD Appropriations		Executive Changes			
		FY 2013-14 YTD (as of 2/5/14)	FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16	
2. MPERSERS - State Share of Unfunded Liabilities (Sec. 147c)		Gross	\$404,600,000	\$379,344,000	\$233,500,000
Increases total funding for the state's share of Michigan Public School Employees' Retirement System (MPERSERS) unfunded accrued liability (UAL) costs, as required by PA 300 of 2012, by \$379.3 million to a total of \$674.7 million for FY 2014-15 to recognize several cost adjustments:		Restricted	403,300,000	380,644,000	233,500,000
		GF/GP	\$1,300,000	(\$1,300,000)	\$0
<ul style="list-style-type: none"> • \$2.2 million increase in <i>Supplemental Request 2014-3</i> to cover the UAL costs that would have been paid by the Buena Vista and Inkster school districts had they not been dissolved. • \$1.3 million decrease to reflect the transfer of library related MPERSERS costs to the Department of Education budget. • \$269.2 million increase to reflect the increased costs of the required state share for FY 2014-15. • \$100.0 million shift from Sec. 147a, to reflect the Executive proposal to permanently decrease the PA 300 employer UAL cap from 20.96% of MPERSERS payroll to 19.76%. • \$9.2 million to extend the proposed rate cap reduction to ISDs which were not included in Sec. 147a. 					
Increases funding by another \$233.5 million to a total of \$908.2 million for FY 2015-16 to reflect the anticipated increases in UAL costs.					
3. MPERSERS - Cost Offset (Sec. 147a)		Gross	\$100,000,000	(\$100,000,000)	\$0
Rolls the funding for the cost offset, which currently equates to approximately 1.2% of MPERSERS payroll, into Sec. 147c and proposes to permanently reduce the employer cap on MPERSERS UAL from 20.96% to 19.76%.		Restricted	100,000,000	(100,000,000)	0
4. Great Start Readiness Program (Sec. 32d)		Gross	\$174,575,000	\$65,000,000	\$0
Increases funding for preschool programs by \$65.0 million to \$239.6 million in FY 2014-15. Additional funding increases the current allocation for each half-day slot from \$3,625 to \$3,725 and provides up to 16,000 more half-day slots in FY 2014-15. ISDs may use two half-day slots to provide a child with a full-day program.		Restricted	174,275,000	65,000,000	0
		GF/GP	\$300,000	\$0	\$0
5. Educator Evaluations (Sec. 95a) – NEW		Gross	\$0	\$27,800,000	(\$5,954,900)
Provides \$27.8 million to implement educator evaluations. \$22.1 million would be distributed to districts to provide educator evaluator training and to implement one of the evaluation tools identified by the Michigan Council for Educator Effectiveness. \$2.7 million is appropriated to CEPI to develop a system for districts to do local calculations of student growth data. Another \$3.0 million is appropriated to provide a value-added model of student growth, procure an electronic reporting system to integrate observation and value-added model data, and pilot alternative evaluation for student populations that cannot be evaluated by the system being implemented.		Restricted	0	22,070,000	(5,954,900)
		GF/GP	\$0	\$5,730,000	\$0

		<u>Executive Changes</u>		
		<u>FY 2013-14 YTD (as of 2/5/14)</u>	<u>FY 2013-14 to FY 2014-15</u>	<u>FY 2014-15 to FY 2015-16</u>
Major Budget Changes From FY 2013-14 YTD Appropriations				
6. Student Assessments (Sec. 104)				
Increases funding for student assessments by \$5.2 million Gross (\$7.2 million SAF after shifting \$2.0 million in federal funds to MDE Bureau of Assessment and Accountability) bringing the total to \$40.1 million in FY 2014-15. Earmarks \$4.0 million for the multi-year phase-in of interim assessments and \$3.2 million for an online reporting tool to provide student-level assessment data to educators, parents, and pupils immediately after assessments are scored.				
	Gross	\$34,944,400	\$5,200,000	\$11,132,100
	Federal	8,250,000	(2,000,000)	0
	Restricted	26,694,400	7,200,000	11,132,100
Increases by an additional \$11.1 million bringing the total to \$51.3 million in FY 2015-16 as more interim assessments are added, and as the \$8.5 million earmarked in Sec. 22i Technology funding for FY 2014-15 for the cost of online testing conversion is shifted to this line.				
7. District Fiscal Emergency Fund (Sec. 11r) – NEW				
Deposits \$10.0 million into a newly created contingency fund to provide funds to either help pay the debts of districts that voluntarily dissolve or to provide funding to districts that receive students and a portion of a dissolved district. Treasury would determine award amounts, and funding would not lapse back to the School Aid Fund.				
	Gross	\$0	\$10,000,000	(\$10,000,000)
	Restricted	0	10,000,000	(10,000,000)
8. Year-Round Schools Pilot (Sec. 31b) – NEW				
Provides \$2.0 million in one-time funding for FY 2014-15 for competitive grants to at-risk districts that are eligible for the community eligibility option in the free/reduced lunch program. Grants would pay for modifications to school facilities, personnel contracts, and other nonrecurring costs experienced in moving to a year-round school calendar.				
	Gross	\$0	\$2,000,000	(\$2,000,000)
	Restricted	0	2,000,000	(2,000,000)
9. Dual Enrollment Incentive Payments (Sec. 64b) – NEW				
Provides \$1.8 million in one-time payments to districts that provide dual enrollment options to students for FY 2014-15. Payments equal to \$10 per credit hour for up to 3 credits for each student enrolled plus \$30 per pupil per course if the pupil successfully completes and is awarded both high school and post-secondary credit for the course.				
	Gross	\$0	\$1,750,000	(\$1,750,000)
	Restricted	0	1,750,000	(1,750,000)
10. Career Readiness Study (Sec. 64c) – NEW				
Provides \$250,000 for the MDE to commission an independent third party to conduct a study and prepare a report analyzing the state's current career readiness education system.				
	Gross	\$0	\$250,000	(\$250,000)
	GF/GP	\$0	\$250,000	(\$250,000)
11. Advanced Placement Incentive Program (Sec. 94) – NEW				
Provides \$250,000 to pay for some or all of Advanced Placement (AP) and International Baccalaureate (IB) test fees for low-income students. Also included in <i>Supplemental Request 2014-3</i> for FY 2013-14.				
	Gross	\$0	\$250,000	(\$250,000)
	GF/GP	\$0	\$250,000	(\$250,000)
12. Durant – Debt Service (Sec. 11g)				
Maintains funding to pay debt service for Durant nonplaintiff district bonds for FY 2014-15, which is the last fiscal year for which these payments must be made.				
	Gross	\$39,500,000	\$0	(\$39,500,000)
	Restricted	39,500,000	0	(39,500,000)

SCHOOL AID

		FY 2013-14 YTD (as of 2/5/14)	Executive Changes	
			FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
Major Budget Changes From FY 2013-14 YTD Appropriations				
13. School Bond Loan Redemption Fund (Sec. 11j)	Gross	\$131,660,000	\$10,940,000	\$17,900,000
Increases by \$10.9 million to a total of \$142.6 million in FY 2014-15 and increases by another \$17.9 million to a total of \$160.5 million for FY 2015-16 to pay for increased interest payments associated with loans to districts participating in the School Bond Loan Program.	Restricted	131,660,000	10,940,000	17,900,000
14. District Dissolution Transition Grants (Sec. 20g)	Gross	\$2,200,000	\$0	(\$2,200,000)
Maintains transition grants for districts that received students and portions of Buena Vista and Inkster after they were dissolved for FY 2014-15 but does not include funding for FY 2015-16.	Restricted	2,200,000	0	(2,200,000)
15. Best Practices (Sec. 22f)	Gross	\$80,000,000	\$0	(\$80,000,000)
Maintains grants of up to \$52 per pupil that meet 7 out of 8 identified criteria for FY 2014-15. Does not include funding for FY 2015-16.	Restricted	80,000,000	0	(80,000,000)
16. Consolidation Innovation Grants (Sec. 22g)	Gross	\$5,000,000	\$0	(\$5,000,000)
Maintains grants to districts and ISDs for consolidation and expands the language to cover consolidations of operations or services in addition to full district or ISD consolidations. Does not include funding for FY 2015-16.	Restricted	5,000,000	0	(5,000,000)
17. Technology Infrastructure Improvement (Sec. 22i)	Gross	\$50,000,000	\$0	(\$50,000,000)
Maintains technology infrastructure grants for FY 2014-15 but does not include funding for FY 2015-16. For FY 2014-15, eliminates a \$5.0 million grant for whole-school technology, which was awarded in FY 2013-14 to Genesee ISD. Earmarks \$8.5 million to convert existing assessments to online assessments, provide paper/pencil tests for districts not prepared for online tests, expand writing assessments to additional grade levels, and provide more constructed response test questions to test higher-order skills.	Restricted	50,000,000	0	(50,000,000)
18. District Performance Funding Grants (Sec. 22j)	Gross	\$46,400,000	\$0	(\$46,400,000)
Maintains current funding levels for FY 2014-15 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. Does not include funding for FY 2015-16.	Restricted	46,400,000	0	(46,400,000)
19. Student-Centric Grants (Sec. 22k)	Gross	\$8,000,000	(\$8,000,000)	\$0
Eliminates \$8.0 million in one-time funding for 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. Awards went to the EAA (\$7.1 million) and Port Huron School District (\$0.9 million).	Restricted	8,000,000	(8,000,000)	0
20. Renaissance Zone Reimbursements (Sec. 26a)	Gross	\$29,500,000	(\$3,200,000)	\$0
Maintains renaissance zone reimbursements for districts and ISDs, but 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	\$3,200,000	(\$3,200,000)	\$0
21. Payments In Lieu of Taxes (PILT) (Sec. 26b)	Gross	\$4,009,500	\$200,500	\$0
Increases funding to \$4.2 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	4,009,500	200,500	0
22. School Lunch Program (Sec. 31d)	Gross	\$485,695,100	\$50,000,000	\$0
Increases by \$50.0 million in federal school lunch funding to bring the total funding to \$535.7 million.	Federal	463,200,000	50,000,000	0
	Restricted	22,495,100	0	0

<u>Major Budget Changes From FY 2013-14 YTD Appropriations</u>		FY 2013-14 YTD (as of 2/5/14)	Executive Changes	
			FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
23. Special Education (Secs. 51a, 51c, 51d, 53a, 54, 56)	Gross	\$1,424,446,100	(\$41,500,000)	\$22,700,000
Decreases by \$41.5 million from the current YTD appropriation to a total of \$938.9 million SAF for FY 2014-15 (Supplemental request 2014-3 would reduce FY 2013-14 costs by \$60.6 million). Increases by \$22.7 million to a total of \$961.6 million SAF for FY 2015-16 to adjust for consensus estimates for the growth in special education reimbursement costs.	Federal	444,000,000	0	0
	Restricted	980,446,100	(41,500,000)	22,700,000
24. Vocational Education (Sec. 61a)	Gross	\$27,611,300	\$0	(\$1,000,000)
Maintains funding for FY 2014-15 and maintains general funding for career and technical education programs in FY 2015-16, but eliminates \$1.0 million grants to districts and ISDs for career and technical education centers to integrate Michigan merit curriculum content standards into career and technical education.	Restricted	27,611,300	0	(1,000,000)
25. High School/Post-Secondary Credit Transfers (Sec. 64a)	Gross	\$1,000,000	(\$1,000,000)	\$0
Eliminates \$1.0 million for grants to districts and ISDs to work with early middle colleges, colleges, and universities to develop statewide transfer or articulation agreements to ensure that postsecondary credit earned in high school is transcribed and transferred to postsecondary institutions.	Restricted	1,000,000	(1,000,000)	0
26. Center for Educational Performance and Information (CEPI) (Sec. 94a)	Gross	\$9,728,600	\$2,248,700	\$2,500,000
Increases funding by \$2.9 million bringing the total to \$12.2 million for FY 2014-15 and increases by another \$2.5 million bringing the total to \$14.7 million in FY 2015-16. Funding would support the longitudinal data system and the MI School Data web portal, which were originally funded with federal funds that are no longer available.	Federal	193,500	0	0
	GF/GP	\$9,535,100	\$2,248,700	\$2,500,000
27. Principal Educator Evaluation Training (Sec. 95)	Gross	\$500,000	(\$500,000)	\$0
With the addition of new Evaluation programs in Sec. 95a, Executive budget eliminates this line which provided grants to districts to support professional development for principals and assistant principals in a department-approved training program on implementing educator evaluation programs.	Restricted	500,000	(500,000)	0
28. FIRST Robotics Grants (Sec. 99h)	Gross	\$3,000,000	(\$1,000,000)	(\$2,000,000)
Reduces district grants by \$1.0 million to a total of \$2.0 million for FY 2014-15 for coaches, program, and competition costs for FIRST Robotics programs. Makes unexpended funds a work project to be carried forward into FY 2015-16 but eliminates the appropriation for FY 2015-16.	Restricted	3,000,000	(1,000,000)	(2,000,000)

Major Boilerplate Changes From FY 2013-14

Sec. 6(11). Definitions: School District of the First Class – REVISED

Revises the population requirements necessary to be a school district of the first class from 60,000 to 45,000 to reflect the decline in Detroit Public School's pupil membership to 48,860 in FY 2013-14.

Sec. 15. Adjustments in Apportionments – REVISED

Revises to allow MDE to perform or require an audit of all records for the current fiscal year and three prior fiscal years related to any program funded in the School Aid budget. Revises to require that MDE "shall" revise apportionments based on such audits or other new information in the current year as well as prior fiscal years, and that the revision be done in the next apportionment after the adjustment is finalized.

SCHOOL AID

Major Boilerplate Changes From FY 2013-14

Sec. 17a. Withholding Payments to Districts and ISDs – REVISED

Adds that Treasury may withhold payments related to two additional statutes: the Emergency Municipal Loan Act and the Local Financial Stability and Choice Act, and that Treasury may withhold payments for all other financial obligations of a district or ISD in addition to current law's outstanding obligations on which the district or ISD has defaulted. Adds reference to the newly proposed enhanced deficit elimination plan (see Sections 102 and 102a).

Sec. 18. Application of Money Received Under the Act – REVISED

Amends the 20% cap on certain funds received which a district may transfer to pay for capital projects or debt retirement to fix an error in the statute that was inadvertently changed when the Higher Education and Community Colleges were added to the bill in FY 2011-12 and the articles of the act were revised.

Revises the budget transparency requirements to shorten the time by which a district must post budget information from 30 to 15 days after a board adopts its budget or subsequent revisions. Also adds that a district must include links to its deficit elimination plan or enhanced deficit elimination plan on its budget transparency page.

Expands the potential frequency the MDE can require a district to have an audit and requires that records shall be retained for the current fiscal year and the three previous fiscal years. Requires that districts and ISDs provide all of their audited financial information by October 15 after the close of a fiscal year rather than November 15. Deletes the required online course cost report.

Sec. 19. State and Federal Reporting Requirements – REVISED

Deletes legislative intent that by 2014-2015 there be standard statewide reporting requirements for education data.

Sec. 20. District Foundation Allowance Calculation – REVISED

Provides for the Executive recommended increases in the foundation allowances, which include a 2x formula increase equal to between \$28 and \$56 per pupil plus an additional increase of \$55 per pupil across the board. Also includes a number of technical revisions to simplify the statutory language.

Sec. 21f. Online Courses – REVISED

Revises to require districts to allow for online courses under this section from grades 7-12 rather than 5-12. Deletes the exemption from this section for a district that is a cyber school. Expands to allow a pupil that has demonstrated previous success to take more than 2 online courses per semester under this section.

Expands the reasons for which a district may deny a pupil's request to include that the cost of the online course exceeds the amount identified in this section and that the request does not occur within the same timelines required for other enrollment and schedule changes. Deletes the provision that a district can pay the online school 80% upon enrollment and 20% upon completion, so would have to pay 100% upon enrollment. Revises the maximum cost a district must pay for an online course from 1/12 of a district's foundation allowance to 6.25% of the minimum foundation allowance.

Sec. 31a. At-Risk Pupil Funding – REVISED

Provides a revised purpose for the use of At-Risk funding to ensure that third grade pupils are proficient in reading by the end of third grade and that high school graduates are career and college ready. Expands flexibility by deleting some suggested uses of funding and allows a district to use all of its funds to implement school-wide reform consistent with the school's improvement plan in schools with 40% or more of its pupils identified as at-risk. Requires an ISD to provide data to MDE for dissolved districts so receiving districts could receive funds in the first year following dissolution.

Maintains funding distribution in current law based on the number of pupils that qualify for free or reduced breakfast, lunch, or milk; but revises the definition of an At-Risk pupil for whom the funding may be used to serve to include a pupil that meets any of the following criteria:

--A pupil enrolled in a priority school or a pupil enrolled in a focus school who is in the bottom 30% of achievement.

--A pupil who did not achieve proficiency or a satisfactory score on 2 or more state or locally administered assessments.

--In the absence of assessment data, the pupil is eligible for free or reduced breakfast, lunch or milk; is absent more than 10% of enrolled days or 10 school days; is homeless; is a migrant; is an English language learner; is an immigrant; did not complete high school in four years and is still continuing in school.

Requires that if a district cannot demonstrate improvement in third grade reading proficiency for at-risk pupils and improvement in career and college readiness as measured by the ACT for at-risk pupils after three subsequent school years, the district must revise its school improvement plan regarding expenditures of funds under this section.

Sec. 32d. Great Start Readiness Program – REVISED

Revises the requirement that an ISD ensure that 90% of children in the program are from families with a household income up to 250% of the federal poverty level, such that if an ISD determines that all eligible children are served with no children on the waiting list, the ISD may enroll children that live in families with a household income up to 300% of the federal poverty level. Would consider any child in foster care or who is experiencing homelessness as living with a family with household income up to 250% of the federal poverty level regardless of actual family income.

Major Boilerplate Changes From FY 2013-14

Sec. 41. Bilingual Instruction Program – REVISED

Deletes language prohibiting a district or ISD from receiving funds if it allows pupils who do not reside in the United States legally to participate in the program.

Sec. 94a(9). Truancy Report – REVISED

Deletes legislative intent that beginning in 2014-2015 districts report to the Center for Educational Performance and Information (CEPI) the number of pupils who have had 10 or more unexcused absences each school year.

Sec. 102. Deficit Budget and Deficit Elimination Plan (DEP) – REVISED

Revises the procedures for a district or ISD that has a deficit to require the district or ISD to notify the MDE immediately and to submit to the MDE and the State Treasurer a preplan financial report within 30 days of notifying MDE of the deficit, and allows the MDE to withhold some or all of its state aid payments in an amount the MDE determines is necessary to incentivize the district or ISD to eliminate the deficit until the district or ISD submits a DEP to the MDE or until the DEP is approved by the MDE. Allows the department to require a DEP to include an education plan for the district or ISD.

If the State Treasurer determines based on information in a periodic financial status report under Section 102a, notification from the State Superintendent, a preplan financial report or deficit elimination plan, that a district or ISD has indicators of financial stress likely to result in recurring deficits or financial stress, the State Treasurer may require the district or ISD to submit an Enhanced DEP subject to approval by the State Treasurer, which may include entering into a financial recovery agreement with the State Treasurer. Requires withholding of funds until a district or ISD has an approved Enhanced DEP and requires enhanced monthly monitoring reports on withholding of funds until a district or ISD has an approved Enhanced DEP and requires enhanced monthly revenue, expenditures, cash flow, liabilities, budget amendments, pupil membership, and other financial data.

Sec. 102a. Periodic Financial Status Reports – NEW

Allows the State Superintendent or the State Treasurer to require a district or ISD to submit periodic financial status reports if it is determined that potential financial stress may exist, or that an operating deficit may arise within the current or next two fiscal years, or that a district or ISD will be unable to meet its financial obligations to provide public education based upon a number of factors. Details financial information that may be required in a periodic financial status report. Allows the State Treasurer to require that a district or ISD submit an enhanced DEP if the periodic financial status report indicates financial stress or a deficit.

Sec. 107. Adult Education – REVISED

Revises the funding distribution over a 3-year phase-in period away from the current calculation which makes awards based on prior year allocations and instead would make awards to the ISD acting as fiscal agent for each of the 10 prosperity regions identified by MDE. The revised distribution would be based on the following:

- 60% based on the proportion of the state population between ages 18 and 24 that are not high school graduates in each region.
- 35% based on the proportion of the state population ages 25 or older that are not high school graduates in each region.
- 5% based on the proportion of the state population ages 18 or older that lack basic English proficiency in each region.

The ISD that is the fiscal agent would distribute funds to adult education programs within the prosperity region based on collaboration with education advisory groups and the workforce development boards in the region. Funding would be awarded to adult education programs based on 75% enrollment and 25% completion rather than the current 90/10 split.

Sec. 147. MPSERS Contribution Rates – DELETED

Revises the total and employer contribution rates based on the Executive recommendation to roll Sec. 147a MPSERS offset funds into Sec. 147c and permanently reduce the capped employer contribution rate for the unfunded accrued liability (UAL) in PA 300 of 2012 from 20.96% to 19.76%.

Sec. 147b. MPSERS Retirement Reform Reserve Fund – REVISED

Transfers \$50,000,000 from the School Aid Fund to the MPSERS Reserve Fund for future use.

SCHOOL AID

<u>Supplemental Recommendations for FY 2013-14 Appropriations</u>		<u>FY 2013-14 Recommendation</u>
1. Federal Early Learning Challenge Grant (Sec. 32r)	Gross	\$51,737,500
Reflects Michigan's receipt of a federal Race to the Top – Early Learning Challenge Grant of \$51.7 million. Funds would be spent according to the state's application which focused on 6 objectives:	Federal	51,737,500
<ul style="list-style-type: none">Increasing access for high needs children to high-quality learning programs.Increasing opportunities to improve quality of licensed and unlicensed subsidized home care providers.Improving family engagement in children's early learning and development.Expanding efforts to promote children's physical, social, and emotional health.Increasing professional development for early learning care providers.Developing an early learning data system to monitor and evaluate quality standards of individual programs.		
Funds would be spent over 4 years and would be designated as a work project with an estimated completion date of September 30, 2018.		
2. Foundation Allowances (Secs. 22a and 22b)	Gross	(\$49,400,000)
Decreases by \$49.4 million to reflect reduced costs due to revised consensus estimates for taxable values and pupil memberships.	Restricted	(49,400,000)
3. Special Education Costs (Secs. 51a and 51c)	Gross	(\$60,600,000)
Decreases by \$60.6 million to a total \$919.8 million in SAF to adjust for consensus estimates for lower than anticipated growth in special education reimbursement costs.	Restricted	(60,600,000)
4. MPERS - State Share of Unfunded Liabilities (Sec. 147c)	Gross	\$2,200,000
Increases by \$2.2 million to a total of \$406.8 million to cover the share of the UAL costs that would have been paid by the Buena Vista and Inkster school districts had they not been dissolved.	Restricted	2,200,000
5. Cash Flow Borrowing Costs (Sec. 11m)	Gross	(\$1,500,000)
Decreases costs from \$4.0 million to \$2.5 million to reflect lower than anticipated interest rates and reduced need for short-term borrowing related to the School Aid Fund.	Restricted	(1,500,000)
6. Advanced Placement Incentive Program (Sec. 94)	Gross	\$250,000
Provides \$250,000 to pay for some or all of Advanced Placement (AP) and International Baccalaureate (IB) test fees for low-income students.	GF/GP	\$250,000

**FY 2014-15 AND FY 2015-16
Budget Detail
for
GENERAL GOVERNMENT**

Attorney General

Civil Rights

Executive Office

Legislature

Legislative Auditor General

State

Technology, Management, and Budget

Treasury

Treasury – Michigan Strategic Fund

**Summary: Executive Budget Recommendation
for Fiscal Years 2014-15 and 2015-16
TOTAL GENERAL GOVERNMENT**

Analysts: Ben Gielczyk and Marilyn Peterson

	FY 2013-14	FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14		FY 2015-16 Executive	Difference: FY 2015-16 Vs. FY 2014-15	
	Year-to-Date as of 2/5/14		Amount	%		Amount	%
IDG/IDT	\$738,570,400	\$743,018,000	\$4,447,600	0.6	\$736,118,000	(\$6,900,000)	(0.9)
Federal	700,910,000	699,103,300	(1,806,700)	(0.3)	699,103,300	0	0.0
Local	7,713,800	9,969,700	2,255,900	29.2	9,969,700	0	0.0
Private	6,086,100	6,287,200	201,100	3.3	6,287,200	0	0.0
Restricted	1,934,087,700	2,074,934,200	140,846,500	7.3	2,074,361,900	(572,300)	(0.0)
GF/GP	1,072,036,000	1,208,809,500	136,773,500	12.8	1,174,736,200	(34,073,300)	(2.8)
Gross	\$4,459,404,000	\$4,742,121,900	\$282,717,900	6.3	\$4,700,576,300	(\$41,545,600)	(0.9)
FTEs	7,669.7	7,756.2	86.5	1.1	7,741.2	(15.0)	(0.2)

Notes: (1) FY 2013-14 year-to-date figures include mid-year budget adjustments through February 5, 2014. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2015-16 figures are projected budget amounts only and would not be legally binding appropriations.

Overview

Currently, the following departmental and agency budgets are included in the General Government budget: 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). **Budget issues are listed by department on the following pages.**

Major Boilerplate Changes From FY 2013-14

Sec. 211. Budget Stabilization Fund Pay-In – REVISED

Appropriates GF/GP revenue into the Countercyclical Budget and Economic Stabilization Fund (BSF). Revises appropriated amount to \$120.0 million. Includes two new subsections, the first dedicating 25 percent of FY 2014-15 GF/GP surplus revenues and 25 percent of FY 2014-15 GF/GP lapse funds to the BSF, and the second appropriating \$122.0 million GF/GP into the public health sub-fund of the BSF.

Sec. 211b. Roads and Risk Reserve Fund – DELETED

Requires \$230.0 million GF/GP to be deposited in the Roads and Risk Reserve Fund. Directs that not more than half of the funds are available for appropriation on October 1, 2013. States that the balance will be available for roads effective February 1, 2014 if those funds have not been appropriated for other purposes prior to that date.

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

Requires departments to receive and retain copies of all reports required in Article VIII; requires federal and state guidelines to be followed for short-term and long-term retention of records; authorizes departments to electronically retain copies of reports unless otherwise required by federal and state guidelines.

Sec. 215. Disciplinary Action Against State Employees – DELETED

Prohibits departments from taking disciplinary action against employees for communicating with legislators or their staff.

Sec. 217. General Fund Restrictions – DELETED

Prohibits use of General Fund appropriations where federal funds are available for the same purpose.

Sec. 221. Reporting Requirements on Policy Changes – DELETED

Requires departments to report on policy changes made in order to implement enacted legislation.

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

Requires departments to report on their efforts and progress made toward achieving savings and efficiencies identified by the Auditor General in audit reports.

Major Boilerplate Changes From FY 2013-14

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

Expresses intent of the Legislature that departments properly account for their spending and do not use FTE positions as placeholders for spending in other parts of their budgets; requires report.

Sec. 235. Contract Request for Information and Qualification – DELETED

Requires state departments and agencies to issue and receive a RFI or RFQ before a RFP for any contract in excess of \$5.0 million. States that department may not issue RFP unless it first considers issuing an RFI or RFQ. Requires department to notify DTMB of evaluation process used to determine if an RFI or RFQ was not necessary.

Sec. 1201. Anticipated Appropriations – DELETED

States legislative intent to provide appropriations for FY 2014-15, adjusting FY 2013-14 amounts based on economic and other factors.

Sec. 1202. Retirement Costs – REVISED

Specifies intent that departments identify the amounts for normal retirement costs and legacy retirement costs for the fiscal year ending on September 30, 2015 for the line items in part 1. Included section in each budget identifying legacy costs for FY 2014-15.

Summary: Executive Budget Recommendation for Fiscal Years 2014-15 and 2015-16 ATTORNEY GENERAL

Analyst: Marilyn Peterson

	FY 2013-14	FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14		FY 2015-16 Executive	Difference: FY 2015-16 Vs. FY 2014-15	
	Year-to-Date as of 2/5/14		Amount	%		Amount	%
IDG/IDT	\$27,188,500	\$27,783,800	\$595,300	2.2	\$27,783,800	\$0	0.0
Federal	9,838,200	9,857,200	19,000	0.2	9,857,200	0	0.0
Local	0	0	0	--	0	0	--
Private	0	0	0	--	0	0	--
Restricted	17,631,900	17,914,200	282,300	1.6	17,914,200	0	0.0
GF/GP	34,481,300	35,467,100	985,800	2.9	35,467,100	0	0.0
Gross	\$89,139,900	\$91,022,300	\$1,882,400	2.1	\$91,022,300	\$0	0.0
FTEs	517.0	519.5	2.5	0.5	519.5	0.0	0.0

Notes: (1) FY 2013-14 year-to-date figures include mid-year budget adjustments through February 5, 2014. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2015-16 figures are projected budget amounts only and would not be legally binding appropriations.

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.

<u>Major Budget Changes From FY 2013-14 YTD Appropriations</u>		FY 2013-14 YTD	Executive Changes	
		(as of 2/5/14)	FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
1. Human Trafficking	FTE	0.5	2.5	0.0
Adds \$400,000 (all GF/GP) and 2.5 FTEs to enhance Attorney General efforts to combat human trafficking; the additional resources would supplement the 0.5 FTE attorney position currently dedicated to these efforts.	Gross	\$95,000	\$400,000	\$0
	GF/GP	\$95,000	\$400,000	\$0
2. Michigan Gaming Control Board	FTE	1.0	1.0	0.0
Increases restricted revenue from the Casino Gaming Fund by \$113,600, to add one illegal gambling investigator to the one that is already funded.	Gross	\$107,000	\$113,600	\$0
	Restricted	107,000	113,600	0
	GF/GP	\$0	\$0	\$0
3. Assigned Claims Assessments	FTE	1.0	(1.0)	0.0
Removes funding for assistance to Department of State for assigned claims facility, which has been privatized.	Gross	\$158,600	(\$158,600)	\$0
	Restricted	158,600	(158,600)	0
	GF/GP	\$0	\$0	\$0
4. Economics	Gross	N/A	\$1,527,400	\$0
Reflects increased costs of \$1.5 million Gross (\$585,800 GF/GP) for negotiated salary and wage amounts (2.0% ongoing increase plus 0.5% lump sum payments), actuarially-required retirement rate increases, and other economic adjustments. Insurance costs held flat due to recent state employee health plan revisions.	IDG	N/A	595,300	0
	Federal	N/A	19,000	0
	Restricted	N/A	327,300	0
	GF/GP	N/A	\$585,800	\$0

Major Boilerplate Changes From FY 2013-14

Proposes no major boilerplate changes from FY 2013-14.

Summary: Executive Budget Recommendation for Fiscal Years 2014-15 and 2015-16 CIVIL RIGHTS

Analyst: Marilyn Peterson

	FY 2013-14	FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14		FY 2015-16 Executive	Difference: FY 2015-16 Vs. FY 2014-15	
	Year-to-Date as of 2/5/14		Amount	%		Amount	%
IDG/IDT	\$0	\$288,900	\$288,900	--	\$288,900	\$0	0.0
Federal	2,690,200	2,736,500	46,300	1.7	2,736,500	0	0.0
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	12,337,500	13,573,200	1,235,700	10.0	13,573,200	0	0.0
Gross	\$15,198,300	\$16,769,200	\$1,570,900	10.3	\$16,769,200	\$0	0.0
FTEs	128.0	138.0	10.0	7.8	138.0	0.0	0.0

Notes: (1) FY 2013-14 year-to-date figures include mid-year budget adjustments through February 5, 2014. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2015-16 figures are projected budget amounts only and would not be legally binding appropriations.

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.

<u>Major Budget Changes From FY 2013-14 YTD Appropriations</u>		FY 2013-14 YTD (as of 2/5/14)	Executive Changes	
			FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
1. Civil Rights Outreach and Education	FTE	N/A	4.0	0.0
Adds \$500,000 GF/GP and 4.0 FTEs for ongoing outreach and education programs: Advocates and Leaders for Police and Community Trust (\$250,000, 2.0 FTEs), Michigan Alliance Against Hate Crimes (\$125,000 and 1.0 FTE), and anti-bullying (\$125,000 and 1.0 FTE).	Gross	N/A	\$500,000	\$0
	GF/GP	N/A	\$500,000	\$0
2. Civil Rights Complaints	FTE	N/A	2.0	0.0
Provides additional \$175,000 and 2.0 FTEs for expansion of the intake unit that handles all initial customer contacts.	Gross	N/A	\$175,000	\$0
	GF/GP	N/A	\$175,000	\$0
3. Transfer of ADA Program from DTMB	FTE	0.0	4.0	0.0
Transfers unit and funding associated with compliance activities under Americans with Disabilities Act (ADA) from Department of Technology, Management, and Budget (DTMB) to Department of Civil Rights (\$583,500 Gross, \$300,000 GF/GP, 4.0 FTEs). An Executive Order to effect the administrative change is expected in March 2014.	Gross	\$0	\$583,500	\$0
	IDG	0	283,500	0
	GF/GP	\$0	\$300,000	\$0

CIVIL RIGHTS

<u>Major Budget Changes From FY 2013-14 YTD Appropriations</u>	FY 2013-14 YTD (as of 2/5/14)	Executive Changes		
		FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16	
4. Economics	Gross	N/A	\$273,600	\$0
Reflects increased costs of \$312,400 Gross (\$260,700 GF/GP) for negotiated salary and wage amounts (2.0% ongoing increase plus 0.5% lump sum payments), actuarially-required retirement rate increases, and other economic adjustments. Insurance costs held flat due to recent state employee health plan revisions.	IDG	N/A	5,400	0
	Federal	N/A	46,300	0
	GF/GP	N/A	\$221,900	\$0

Major Boilerplate Changes From FY 2013-14

Proposes no major boilerplate changes from FY 2013-14.

Summary: Executive Budget Recommendation for Fiscal Years 2014-15 and 2015-16 EXECUTIVE OFFICE

Analyst: Ben Gielczyk

	FY 2013-14	FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14		FY 2015-16 Executive	Difference: FY 2015-16 Vs. FY 2014-15	
	Year-to-Date as of 2/5/14		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	5,370,000	5,916,100	546,100	10.2	5,916,100	0	0.0
Gross	\$5,370,000	\$5,916,100	\$546,100	10.2	\$5,916,100	\$0	0.0
FTEs	84.2	88.2	4.0	4.8	88.2	0.0	0.0

Notes: (1) FY 2013-14 year-to-date figures include mid-year budget adjustments through February 5, 2014. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2015-16 figures are projected budget amounts only and would not be legally binding appropriations.

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.

	FY 2013-14 YTD (as of 2/5/14)	Executive Changes	
		FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
Major Budget Changes From FY 2013-14 YTD Appropriations			
1. Office for New Americans	FTE	N/A	0.0
Includes \$385,000 GF/GP and 4.0 FTEs for a new Office for New Americans that would assist in attracting high-skilled immigrants to Michigan.	Gross	N/A	\$0
	GF/GP	N/A	\$0
2. Executive Office Operations	FTE	74.2	0.0
Provides \$161,100 GF/GP funding increase for Executive Office operations (3.0%).	Gross	\$3,841,800	\$161,100
	GF/GP	\$3,841,800	\$161,100

Major Boilerplate Changes From FY 2013-14

There are no major boilerplate changes recommended for FY 2014-15.

	FY 2013-14 Recommendation
Supplemental Recommendations for FY 2013-14 Appropriations	
1. Office for New Americans	Gross
Includes \$171,000 GF/GP and 4.0 FTEs for a new Office for New Americans that would assist in attracting high-skilled immigrants to Michigan.	\$171,000
	GF/GP
	\$171,000

**Summary: Executive Budget Recommendation
for Fiscal Years 2014-15 and 2015-16
LEGISLATURE**

Analyst: Ben Gielczyk

	FY 2013-14	FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14		FY 2015-16 Executive	Difference: FY 2015-16 Vs. FY 2014-15	
	Year-to-Date as of 2/5/14		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	4,109,800	3,000,000	270.3	4,109,800	0	0.0
GF/GP	122,309,500	127,060,700	4,751,200	3.9	127,060,700	0	0.0
Gross	\$123,819,300	\$131,570,500	\$7,751,200	6.3	\$131,570,500	\$0	0.0
FTEs	0.0	0.0	0.0	--	0.0	0.0	--

Notes: (1) FY 2013-14 year-to-date figures include mid-year budget adjustments through February 5, 2014. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2015-16 figures are projected budget amounts only and would not be legally binding appropriations.

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.

Major Budget Changes From FY 2013-14 YTD Appropriations		FY 2013-14 YTD (as of 2/5/14)	Executive Changes	
			FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
1. State Capitol Historic Site	Gross	\$3,078,700	\$3,138,500	\$0
Includes \$3.1 million Gross (\$138,500 GF/GP) to support restoration, renewal, and maintenance for the State Capitol Historic Site. Creation of State Capitol Historic Site is contingent upon passage of Senate Bill 678. FY 2013-14 appropriations included \$3.1 million for Capitol Building Operations which were shifted under new Capitol Historic Site unit.	Restricted	0	3,000,000	0
	GF/GP	\$3,078,700	\$138,500	\$0
2. Economic Adjustments	Gross	N/A	\$4,612,700	\$0
Reflects increased costs of \$4.6 million GF/GP for economic adjustments related to legislative staff and operations.	GF/GP	N/A	\$4,612,700	\$0

Major Boilerplate Changes From FY 2013-14

Sec. 12-609. Capitol Historic Site Fund – NEW

Designates appropriations from the Capitol Historic Site Fund subject to enrollment of Senate Bill 678 of the 97th Legislature.

Summary: Executive Budget Recommendation for Fiscal Years 2014-15 and 2015-16

LEGISLATIVE AUDITOR GENERAL

Analyst: Ben Gielczyk

	FY 2013-14	FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14		FY 2015-16 Executive	Difference: FY 2015-16 Vs. FY 2014-15	
	Year-to-Date as of 2/5/14		Amount	%		Amount	%
IDG/IDT	\$5,092,100	\$5,220,700	\$128,600	2.5	\$5,220,700	\$0	0.0
Federal	0	0	0	--	0	0	--
Local	0	0	0	--	0	0	--
Private	0	0	0	--	0	0	--
Restricted	1,951,000	2,000,800	49,800	2.6	2,000,800	0	0.0
GF/GP	13,911,300	14,537,300	626,000	4.5	14,537,300	0	0.0
Gross	\$20,954,400	\$21,758,800	\$804,400	3.8	\$21,758,800	\$0	0.0
FTEs	0.0	0.0	0.0	--	0.0	0.0	--

Notes: (1) FY 2013-14 year-to-date figures include mid-year budget adjustments through February 5, 2014. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2015-16 figures are projected budget amounts only and would not be legally binding appropriations.

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.

<u>Major Budget Changes From FY 2013-14 YTD Appropriations</u>		FY 2013-14 YTD (as of 2/5/14)	Executive Changes	
			FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
1. Operations Increase	Gross	N/A	\$276,500	\$0
Includes \$276,500 GF/GP to support Auditor General operations.	GF/GP	N/A	\$276,500	\$0
2. Economic Adjustments	Gross	N/A	\$527,900	\$0
Reflects increased costs of \$527,900 Gross (\$349,500 GF/GP) for negotiated salary and wage amounts (2.0% ongoing increase plus 0.5% lump sum payments), actuarially-required retirement rate increases, and other economic adjustments. Insurance costs held flat due to recent state employee health plan revisions.	IDG	N/A	128,600	0
	Restricted	N/A	49,800	0
	GF/GP	N/A	\$349,500	\$0

Major Boilerplate Changes From FY 2013-14

There are no major boilerplate changes recommended for FY 2014-15.

Summary: Executive Budget Recommendation for Fiscal Years 2014-15 and 2015-16 STATE

Analyst: Marilyn Peterson

	FY 2013-14	FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14		FY 2015-16 Executive	Difference: FY 2015-16 Vs. FY 2014-15	
	Year-to-Date as of 2/5/14		Amount	%		Amount	%
IDG/IDT	\$20,000,000	\$20,000,000	\$0	0.0	\$20,000,000	\$0	0.0
Federal	1,810,000	1,460,000	(350,000)	(19.3)	1,460,000	0	0.0
Local	0	0	0	--	0	0	--
Private	100	100	0	0.0	100	0	0.0
Restricted	182,485,400	184,713,200	2,227,800	1.2	184,713,200	0	0.0
GF/GP	15,253,400	17,939,000	2,685,600	17.6	17,939,000	0	0.0
Gross	\$219,548,900	\$224,112,300	\$4,563,400	2.1	\$224,112,300	\$0	0.0
FTEs	1,568.0	1,599.0	31.0	2.0	1,599.0	0.0	0.0

Notes: (1) FY 2013-14 year-to-date figures include mid-year budget adjustments through February 5, 2014. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2015-16 figures are projected budget amounts only and would not be legally binding appropriations.

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. Services provided by the department include: 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 operates 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 2013-14 YTD Appropriations</u>		FY 2013-14 YTD (as of 2/5/14)	Executive Changes	
			FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
1. Fraud Prevention	FTE	N/A	31.0	0.0
Provides \$1.8 million to support Secretary of State efforts to combat fraud, particularly with regard to fraudulent certificates of insurance. Includes \$1.2 million and 27.0 FTEs for verification of questionable paper certificates of insurance prior to issuing or renewing a vehicle registration, and \$627,400 and 4.0 FTEs for development of data analytics and prosecutorial assistance.	Gross	N/A	\$1,830,800	\$0
	GF/GP	N/A	\$1,830,800	\$0
2. Campaign Finance and Lobbyist Registration	Gross	N/A	\$500,000	\$0
Provides additional \$500,000 (all GF/GP) to meet increased costs of payments to vendors who maintain campaign finance and lobbyist registration systems.	GF/GP	N/A	\$500,000	\$0
3. Offset for Michigan Transportation Fund Economics	Gross	\$20,000,000	\$0	\$0
Provides GF/GP to offset economic adjustments that would otherwise be applied to funding from the Michigan Transportation Fund (MTF). MTF funds are received as IDG revenues from MDOT and partially reimburse the Department of State for the costs of collecting registration and title fee revenue that is deposited into the MTF. MTF support is statutorily capped at \$20.0 million (MCL 247.660). GF/GP and IDG changes are offsets against total economics, below.	IDG	20,000,000	(300,700)	0
	GF/GP	\$0	\$300,700	\$0

<u>Major Budget Changes From FY 2013-14 YTD Appropriations</u>		FY 2013-14 YTD (as of 2/5/14)	Executive Changes	
			FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
4. Federal HAVA Grant Funds	Gross	\$350,000	(\$350,000)	\$0
Aligns budget with status of grant program under federal Help America Vote Act (HAVA) by eliminating the federal fund source. HAVA projects are going forward under work project funding.	Federal	350,000	(350,000)	0
	GF/GP	\$0	\$0	\$0
5. Economics	Gross	N/A	\$2,582,600	\$0
Reflects increased costs of \$2.6 million Gross (\$54,100 GF/GP) for negotiated salary and wage amounts (2.0% ongoing increase plus 0.5% lump sum payments), actuarially-required retirement rate increases, and other economic adjustments. Insurance costs held flat due to recent state employee health plan revisions.	IDG	N/A	300,700	0
	Restricted	N/A	2,227,800	0
	GF/GP	N/A	\$54,100	\$0

Major Boilerplate Changes From FY 2013-14**Sec. 714. Branch Office Closings or Consolidations – DELETED**

Requires DOS to notify legislature in advance of closing or relocating a branch office to another local unit of government.

Sec. 716b. Business Application Modernization (BAM) Report – DELETED

Requires DOS to report on funding expended for the BAM project since its inception.

Sec. 718. Buena Vista Branch – DELETED

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

<u>Supplemental Recommendations for FY 2013-14 Appropriations</u>		FY 2013-14 Recommendation
1. ExpressSOS	Gross	\$300,000
Provides \$300,000 in one-time GF/GP funding to support promotion of ExpressSOS, which enables Michigan residents to complete many Secretary of State transactions online.	GF/GP	\$300,000
2. Interlock Violation Processing	Gross	\$200,000
Provides \$200,000 in one-time GF/GP funding for purchase of a system for electronic processing of interlock violations.	GF/GP	\$200,000
3. Late Fee Reimbursements	Gross	\$117,000
Provides \$117,000 in one-time GF/GP funding to reimburse late filing fees imposed between January 1, 2010 and July 3, 2012, and which under 2012 PA 277 must be reimbursed upon appropriation if all other required campaign statements were timely filed.	GF/GP	\$117,000

**Summary: Executive Budget Recommendation
for Fiscal Years 2014-15 and 2015-16
TECHNOLOGY, MANAGEMENT, AND BUDGET**

Analyst: Marilyn Peterson

	FY 2013-14	FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14		FY 2015-16 Executive	Difference: FY 2015-16 Vs. FY 2014-15	
	Year-to-Date as of 2/5/14		Amount	%		Amount	%
IDG/IDT	\$677,159,800	\$680,315,500	\$3,155,700	0.5	\$673,415,500	(\$6,900,000)	(1.0)
Federal	8,790,900	7,974,100	(816,800)	(9.3)	7,974,100	0	0.0
Local	1,320,800	3,553,700	2,232,900	169.1	3,553,700	0	0.0
Private	190,400	190,400	0	0.0	190,400	0	0.0
Restricted	94,125,900	94,322,000	196,100	0.2	94,322,000	0	0.0
GF/GP	409,217,800	495,848,500	86,630,700	21.2	472,848,200	(23,000,300)	(4.6)
Gross	\$1,190,805,600	\$1,282,204,200	\$91,398,600	7.7	\$1,252,303,900	(\$29,900,300)	(2.3)
FTEs	2,822.0	2,823.0	1.0	0.0	2,823.0	0.0	0.0

Notes: (1) FY 2013-14 year-to-date figures include mid-year budget adjustments through February 5, 2014. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2015-16 figures are projected budget amounts only and would not be legally binding appropriations.

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 2013-14 YTD Appropriations		FY 2013-14 YTD	Executive Changes	
		(as of 2/5/14)	FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
1. Enterprisewide Information Technology (IT) Investments Adds \$28.0 million GF/GP for continuation of efforts targeting technology upgrades and replacing legacy systems, bringing total funding to \$75.0 million.	Gross	\$47,000,000	\$28,000,000	\$0
	GF/GP	\$47,000,000	\$28,000,000	\$0
2. Michigan Public Safety Communications System (MPSCS) Transfers MPSCS from State Police to DTMB and adds funds for equipment replacement. Program currently funded in DTMB with IDG from State Police, which uses GF/GP and about \$2.2 million in local subscriber and maintenance funds to support the program. Executive also recommends additional \$20.0 million for commencement of equipment lifecycle replacement schedule and \$5.3 million for statewide radio replacement cycle. Shift from State police to DTMB also includes transfer of \$53,200 in local revenue currently retained by State Police for administrative costs.	FTE	100.0	0.0	0.0
	Gross	\$16,287,700	\$25,353,200	\$0
	IDG	16,287,700	(16,287,700)	0
	Local	0	2,183,000	0
	GF/GP	\$0	\$39,457,900	\$0
3. Cyber Security Adds 3.0 FTEs and \$6.8 million for new cyber security initiatives; coupled with \$240,000 increase for full-year funding of positions partially funded in current year, total increase would be 13.0 FTEs and \$7.0 million.	FTE	10.0	3.0	0.0
	Gross	\$2,000,000	\$7,025,000	\$0
	GF/GP	\$2,000,000	\$7,025,000	\$0

<u>Major Budget Changes From FY 2013-14 YTD Appropriations</u>	Executive Changes			
	FY 2013-14 YTD (as of 2/5/14)	FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16	
4. Motor Vehicle Fleet	FTE	35.0	0.0	0.0
Increases spending authorization to meet anticipated costs of the state's motor vehicle fleet, which is wholly funded by charges paid by agencies using the fleet. Additional \$8.3 million authorization brings total to \$67.7 million IDG.	Gross	\$59,221,400	\$8,300,000	\$0
	IDG	59,221,400	8,300,000	0
5. Special Maintenance	Gross	\$28,000,000	\$5,000,000	(\$10,000,000)
Increases ongoing funding for maintenance and upkeep projects at state-owned properties from current \$18.0 million to \$23.0 million, and retains \$10.0 million in one-time funding for the third year.	GF/GP	\$28,000,000	\$5,000,000	(\$10,000,000)
6. Office of Urban and Metropolitan Initiatives	FTE	0.0	0.0	0.0
Provides one-time funding for the Office of Urban and Metropolitan Initiatives, which has been housed in the Executive Office. The Office works with foundations, community partners, and the Michigan Economic Development Corporation to establish policies and create a strategic framework for urban economic development.	Gross	\$0	\$5,500,000	(\$5,500,000)
	GF/GP	\$0	\$5,500,000	(\$5,500,000)
7. Legal Services/Litigation Funding	Gross	\$2,000,000	\$3,000,000	(\$5,000,000)
Renames one-time funding for state litigation costs from "Legal Services" to "Litigation Fund" and increases by \$3.0 million.	GF/GP	\$2,000,000	\$3,000,000	(\$5,000,000)
8. Office of Children's Ombudsman	FTE	10.0	4.0	0.0
Funds 4.0 additional positions for the Children's Ombudsman's office. Addition of two intake staff and two investigators aimed speeding investigations by reducing investigator caseloads and reducing intake tasks.	Gross	\$1,235,100	\$510,200	\$0
	GF/GP	\$1,235,100	\$510,200	\$0
9. Regional Prosperity Grants	Gross	\$2,500,000	\$2,500,000	(\$2,500,000)
Adds \$2.5 million in ongoing funding for Regional Prosperity Initiative and retains \$2.5 million as one-time funding. Funding supports economic and workforce development grants to eligible regional planning organizations working in collaboration with local governmental, non-profit, business, and educational community partners.	GF/GP	\$2,500,000	\$2,500,000	(\$2,500,000)
10. Technology Innovation Fund	Gross	\$2,500,000	(\$2,500,000)	\$0
Eliminates spending authorization for the revolving Technology Innovation Fund, established under the FY 2011-12 budget and retained in subsequent budget acts, as a means of financing loans to other state agencies and local governmental units for high-priority, low-cost projects that offer a significant return on investment. Executive seeks legislation to continue program under statute.	GF/GP	\$2,500,000	(\$2,500,000)	\$0
11. Add Lansing Township Annex to Building Occupancy	Gross	\$0	\$644,200	\$0
Increases IDG authorization for state building occupancy to recognize addition of Lansing Township property to DTMB responsibility.	IDG	0	644,200	0
12. Adjutant General and Assistant Adjutant Retirement	Gross	\$0	\$437,000	\$0
Provides funding for the costs of PA 99 of 2013, which returned the Adjutant General and Assistant Adjutant General to the defined benefit retirement system and reversed PA 255 of 2010, which had placed those appointees hired after January 1, 2011 into the state's defined contribution plan. Pending FY 2013-14 supplemental request would provide \$400,000 for current-year costs of prefunding those retirements under 2013 PA 99. Executive recommends \$437,000 to cover the estimated additional FY 2014-15 costs.	GF/GP	\$0	\$437,000	\$0

TECHNOLOGY, MANAGEMENT, AND BUDGET

Major Budget Changes From FY 2013-14 YTD Appropriations		FY 2013-14 YTD (as of 2/5/14)	Executive Changes	
			FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
13. Professional Development Program	Gross	\$0	\$720,000	\$0
Provides \$720,000 IDG authorization for ongoing costs of employee training and services under negotiated contract with UAW.	IDG	0	720,000	0
14. MiResults Maintenance	Gross	N/A	\$225,000	\$0
Adds funding for maintenance of MiResults system that enables development and tracking of standardized scorecards and dashboard reports for all state agencies. System was rolled out in April 2012 and is currently in development with completion expected in September 2014.	GF/GP	N/A	\$225,000	\$0
15. One-Time Technology Services Funding	Gross	\$21,300,000	(\$14,400,000)	(\$6,900,000)
Replaces current year's one-time technology services authorization of \$21.3 million IDG with \$6.9 million IDG to align authorization with agency funding requests. Consists of:	IDG	21,300,000	(14,400,000)	(6,900,000)
<ul style="list-style-type: none"> \$2.5 million for DEQ electronic document management project (DEQ funds with GF/GP). \$2.0 million for the third and final year of a rewrite of an IT application for the Liquor Control Commission (LCC/LARA funds with restricted revenues). \$2.4 million for development of a mobile application for LARA's Unemployment Insurance Agency (LARA funds with restricted revenues). 				
16. Align DTMB IT Funding with Agency Appropriations	Gross	\$477,153,800	\$15,437,600	\$0
Includes technical IDG authorization increase to align DTMB's budget with state agencies' FY 2013-14 enacted appropriations for information technology services and projects.	IDG	477,153,800	15,437,600	0
17. Align DTMB IT Funding with Agency Executive Recommendations for FY 2014-15	Gross	N/A	\$6,099,200	\$0
Includes technical IDG authorization adjustments to align DTMB's budget with changes proposed to agency budgets under Executive Recommendation for FY 2014-15. Reflects changes proposed in budgets for Corrections, Human Services, LARA, Strategic Fund, State Police, and Treasury. Figures do not include IDG adjustment associated with transfer of MPSCS (see No. 2, above).	IDG	N/A	\$6,099,200	0
18. Statewide Cost Allocation Plan Adjustments	Gross	N/A	\$0	\$0
Incorporates technical adjustments pertaining to statewide cost allocation plan.	IDG	N/A	110,000	0
	Restricted	N/A	(75,700)	0
	GF/GP	N/A	(\$34,300)	\$0
19. State Building Authority (SBA) Rent Payments	Gross	\$258,570,600	(\$4,000,000)	\$0
Includes a net reduction in funding for SBA rent payments to better align funding with debt obligations. Decreases of \$2.5 million for MDOC projects and \$11.6 million for other state agency projects are partially offset by increases of \$7.6 million for university projects and \$2.5 million for community college projects.	GF/GP	\$258,570,600	(\$4,000,000)	\$0
20. University and Community College Capital Outlay Projects	Gross	N/A	\$300	(\$300)
Provides one-time planning authorization for three new capital outlay projects, one each at Ferris State University (\$30.0 million, state share \$22.5 million), West Shore Community College (\$4.1 million, state share \$2.05 million), and Lake Michigan Community College (\$16.6 million, state share \$8.3 million).	GF/GP	N/A	\$300	(\$300)

<u>Major Budget Changes From FY 2013-14 YTD Appropriations</u>		FY 2013-14 YTD (as of 2/5/14)	Executive Changes	
			FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
21. Transfer State Building Authority (SBA) to Treasury	FTE	4.0	(4.0)	0.0
Transfers funding and FTEs for State Building Authority to Treasury, as provided under Executive Order 2013-8. Funding for SBA rent payments would continue to be appropriated in DTMB budget.	Gross	\$699,100	(\$699,100)	\$0
	Restricted	699,100	(699,100)	0
	GF/GP	\$0	\$0	\$0
22. Transfer ADA Staff to Civil Rights	FTE	4.0	(4.0)	0.0
Transfers unit and funding associated with compliance activities under Americans with Disabilities Act (ADA) from DTMB to Department of Civil Rights. Of the \$583,400 total cost, only \$300,000 of GF/GP is being transferred to Civil Rights. The balance of the program's cost will be funded with an IDG from DTMB. An Executive Order to effect the administrative change is expected in March 2014.	Gross	\$583,500	(\$300,000)	\$0
	GF/GP	\$583,500	(\$300,000)	\$0
23. MSU Combined Sewer Overflow Project	Gross	\$430,500	(\$430,500)	\$0
Removes one-time funding provided under boilerplate appropriation in FY 2013-14 budget pertaining to work at the site of the former Michigan State Police headquarters. The budget act appropriated up to \$430,000 for combined sewer overflow connections to the municipal sewer system at the old headquarters site. Funding was appropriated following return of asbestos abatement funds by Michigan State University.	GF/GP	\$430,500	(\$430,500)	\$0
24. Delta County Bridge	Gross	\$1,500,000	(\$1,500,000)	\$0
Removes one-time funding in FY 2013-14 budget for removal of a deteriorated bridge over the Escanaba River.	GF/GP	\$1,500,000	(\$1,500,000)	\$0
25. U.S. Department of Labor Funding	Gross	N/A	(\$1,000,000)	\$0
Includes technical adjustment to align federal funding authorization with amounts being received for collection and transmittal of labor statistics to federal authorities.	Federal	N/A	(1,000,000)	0
26. Recognize Additional Accounting Savings	Gross	N/A	(\$42,500)	\$0
Includes technical adjustment to recognize additional savings under consolidation of accounting services.	IDG	N/A	(42,500)	0
27. Economic Adjustments	Gross	N/A	\$7,519,000	\$0
Reflects increased costs of \$7.5 million Gross (\$3.7 million GF/GP) for negotiated salary and wage amounts (2.0% ongoing increase plus 0.5% lump sum payments), actuarially-required retirement rate increases, and other economic adjustments. Insurance costs held flat due to recent state employee health plan revisions.	IDG	N/A	2,574,900	0
	Federal	N/A	183,200	0
	Local	N/A	49,900	0
	Private	N/A	0	0
	Restricted	N/A	970,900	0
	GF/GP	N/A	\$3,740,100	\$0

Major Boilerplate Changes From FY 2013-14

Sec. 813. Motor Vehicle Fleet – REVISED

Adds language to allow state budget director to adjust spending authorization and the IDG from the motor transport fund in order to ensure that fleet appropriations equal agency expenditures. Deletes language expressing legislative intent for fleet to utilize remanufactured parts.

Sec. 822b. Enterprisewide IT Federal and State Restricted Funds – DELETED

Appropriates federal and state restricted revenue for Enterprisewide IT investments up to the amounts earned based on initiatives undertaken with the General Fund appropriation.

Sec. 822c. Former State Police Headquarters Re-Appropriation – DELETED

Provides one-time boilerplate appropriation for combined sewer overflow project at former State Police headquarters in East Lansing.

TECHNOLOGY, MANAGEMENT, AND BUDGET

Major Boilerplate Changes From FY 2013-14

Sec. 822e. Detroit River International Crossing – DELETED

Prohibits funds appropriated in Part 1 from being spent on the Detroit River International Crossing or any successor project unless approved by the Legislature and signed into law.

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

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

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

Requires report with analysis and recommendations on life-cycles of IT hardware and software.

Sec. 830. Change Orders and Contract Extensions – DELETED

Requires report on IT contract change orders and extensions greater than \$50,000.

Sec. 831. IT Innovation Revolving Fund – DELETED

In conjunction with elimination of funding, deletes language providing for IT Innovation Revolving Fund.

Sec. 832. Child Support Enforcement System – DELETED

Requires report on potential or actual federal penalties imposed for failure of Michigan Child Support Enforcement System to receive federal certification.

Sec. 890. Regional Prosperity Grants – REVISED

Newly specifies that \$1.0 million of regional prosperity funding is to be used by DTMB to assist state agencies in delivering state services along regional boundaries. The remaining \$4.0 million in funding would be used for grants as currently provided, with the addition of requirements for grantees/eligible planning organizations to provide detailed grant project status reports and to post project information online. New language also would allow two or more regional planning organizations to submit a joint application.

<u>Supplemental Recommendations for FY 2013-14 Appropriations</u>		<u>FY 2013-14 Recommendation</u>
1. Unified State of Michigan Web Portal	Gross	\$6,000,000
Proposes \$6.0 million in one-time GF/GP funding for development of unified web portal for citizens to access state agency websites. Need may be forestalled if alternative proposal to self-fund through vendor fees is enacted.	GF/GP	\$6,000,000
2. Professional Development Program	Gross	\$720,000
Provides \$720,000 IDG authorization for ongoing costs of employee training and services under negotiated contract with UAW.	IDG	720,000
3. MiResults Performance Metrics Project	Gross	\$700,000
Provides \$700,000 in one-time GF/GP support for further development of MiResults performance metrics project. MiResults is an integrated system that enables development and tracking of scorecards and dashboard reports. System has grown significantly since its rollout in April 2012 as a tool for Department-level scorecards. Expected completion date is September 2014.	GF/GP	\$700,000
4. Military Retirement	Gross	\$107,000
Adds \$107,000 in ongoing GF/GP support for increased costs of military retirement system, administration of which transferred from Department of Military and Veterans' Affairs to DTMB in FY 2012-13.	GF/GP	\$107,000
5. Reduce Appropriations for State Building Authority (SBA) Rent Payments	Gross	(\$23,935,300)
Includes \$23.9 million net reduction in State Building Authority (SBA) rents, reflecting overall reduction in obligations.	GF/GP	(\$23,935,300)
6. Cotton Correctional Facility Planning Grant	Gross	\$100,000
Provides \$100,000 planning grant for conversion of Cotton Correctional Facility to specialized housing for geriatric and medically fragile prisoners.	GF/GP	\$100,000
7. Construction Authorizations	Gross	\$500
Provides construction authorizations for five college and university capital outlay projects approved in 2013 PA 102.	GF/GP	\$500

Supplemental Recommendations for FY 2013-14 Appropriations

**FY 2013-14
Recommendation**

Boilerplate: Emergency Operations Center Project Scope and Cost

Includes language authorizing increase in project scope and cost for State Emergency Operations Center; associated federal and state funding provided in current-year Department of Military and Veterans Affairs budget.

**Gross
GF/GP**

**N/A
N/A**

**Summary: Executive Budget Recommendation
for Fiscal Years 2014-15 and 2015-16
DEPARTMENT OF TREASURY**

Analyst: Ben Gielczyk

	FY 2013-14	FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14		FY 2015-16 Executive	Difference: FY 2015-16 Vs. FY 2014-15	
	Year-to-Date as of 2/5/14		Amount	%		Amount	%
IDG/IDT	\$9,130,000	\$9,409,100	\$279,100	3.1	\$9,409,100	\$0	0.0
Federal	39,410,400	39,705,200	294,800	0.7	39,705,200	0	0.0
Local	1,959,500	1,982,500	23,000	1.2	1,982,500	0	0.0
Private	22,000	23,100	1,100	5.0	23,100	0	0.0
Restricted	1,494,780,500	1,629,043,600	134,263,100	9.0	1,628,471,300	(572,300)	(0.0)
GF/GP	240,991,300	269,175,100	28,183,800	11.7	273,102,100	3,927,000	1.5
Gross	\$1,786,293,700	\$1,949,338,600	\$163,044,900	9.1	\$1,952,693,300	\$3,354,700	0.2
FTEs	1,794.5	1,832.5	38.0	2.1	1,817.5	(15.0)	(0.8)

Notes: (1) FY 2013-14 year-to-date figures include mid-year budget adjustments through February 5, 2014. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2015-16 figures are projected budget amounts only and would not be legally binding appropriations.

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. MSF changes are summarized separately.

Major Budget Changes From FY 2013-14 YTD Appropriations		FY 2013-14 YTD (as of 2/5/14)	Executive Changes	
			FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
1. Constitutional Revenue Sharing	Gross	\$737,257,700	\$27,669,900	\$28,227,700
Provides \$27.7 million Gross (\$0 GF/GP) to adjust constitutional revenue sharing payments upward 3.8% in FY 2014-15 based on January Consensus Revenue Estimating Conference (CREC). Projected increase of \$28.2 million Gross (\$0 GF/GP) for FY 2015-16.	Restricted	737,257,700	27,669,900	28,227,700
2. Economic Vitality Incentive Program	Gross	\$235,840,000	\$7,200,000	\$0
Economic Vitality Incentive Program (EVIP) increased by \$7.2 million Gross (\$0 GF/GP) to provide 3.1% increase to 486 currently eligible local units.	Restricted	235,840,000	7,200,000	0
3. Supplemental Economic Vitality Incentive Program	Gross	N/A	\$28,800,000	(\$28,000,000)
Includes \$28.8 million Gross (\$0 GF/GP) one-time funding for an adjusted population per capita supplemental distribution to EVIP-eligible local units. Local unit population would be adjusted upward by 10% for each of the four criteria (See Boilerplate Sec. 952) a CVT qualified under. Only those 486 local units that currently qualify under EVIP would be eligible for Supplemental EVIP. Of the total amount, \$300,000 would support administration. One-time funding removed in FY 2015-16.	Restricted	N/A	28,000,000	(28,800,000)

Major Budget Changes From FY 2013-14 YTD Appropriations		FY 2013-14 YTD (as of 2/5/14)	Executive Changes	
			FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
4. County Revenue Sharing	Gross	\$145,760,000	\$65,440,000	\$0
Increases county payments by \$65.4 million Gross (\$0 GF/GP) to achieve full funding for eligible counties in FY 2014-15. Maintains 80% of funding distributed through county revenue sharing and 20% through County Incentive Program.	Restricted	145,760,000	65,440,000	0
5. Competitive Grant Assistance Program	Gross	\$15,000,000	(\$10,000,000)	\$0
Reduces Competitive Grant Assistance Program by \$10.0 million Gross (\$0 GF/GP) from FY 2013-14.	Restricted	15,000,000	(10,000,000)	0
6. Debt Service	Gross	\$154,202,500	(\$1,807,500)	\$7,427,000
Provides \$3.0 million GF/GP to replace remaining amount of Refined Petroleum Fund in Debt Service. Debt service adjustments also include a net decrease of \$1.8 million GF/GP for scheduled FY 2014-15 adjustments. Additional \$7.4 million GF/GP proposed for FY 2015-16 for new bond issues.	Restricted	3,014,500	(3,014,500)	0
	GF/GP	\$151,188,000	\$1,207,000	\$7,427,000
7. Financial Independence Team	FTE	N/A	9.0	0.0
Includes \$6.5 million GF/GP and 9.0 FTEs for the Department of Treasury's portion of a joint request with the Department of Education for a Financial Independence Team that would assist financially troubled school districts.	Gross	N/A	\$6,500,000	\$0
	GF/GP	N/A	\$6,500,000	\$0
8. Office of Tax Implementation	FTE	N/A	9.0	0.0
Includes \$1.6 million GF/GP and 9.0 FTEs to support new Office of Tax Implementation. The office would serve as a dedicated testing office to ensure all tax systems are properly tested.	Gross	N/A	\$1,550,000	\$0
	GF/GP	N/A	\$1,550,000	\$0
9. Convention Facility Development Fund	Gross	\$74,850,000	\$16,100,000	\$0
Provides \$16.1 million Gross (\$0 GF/GP) in additional authorization due to expected increase in revenue collected to be distributed to local units.	Restricted	74,850,000	16,100,000	0
10. Payments in Lieu of Taxes	Gross	\$17,347,100	\$867,400	\$0
Provides \$867,400 Gross (\$668,200 GF/GP) to cover expected 5.0% increase due to future purchases and estimated special assessment costs.	Private	22,000	1,100	0
	Restricted	3,962,200	198,100	0
	GF/GP	\$13,362,900	\$668,200	\$0
11. Personal Property Tax Reform	FTE	N/A	9.0	(9.0)
Includes \$19.3 million GF/GP in one-time funding for two years for distribution of payments from the proceeds of the metropolitan area component tax. Additional \$1.5 million GF/GP and 9.0 FTEs in one-time funding included to support implementation of the personal property tax reform. One-time implementation funding removed in FY 2015-16 due to pending August 2014 ballot initiative.	Gross	N/A	\$20,800,000	(\$1,500,000)
	GF/GP	N/A	\$20,800,000	(\$1,500,000)
12. Credit Card Payment Services	FTE	N/A	6.0	(6.0)
Includes \$2.0 million GF/GP and 6.0 FTEs to implement a program to accept credit card payments for individual income taxpayers. One-time funding and FTEs removed in FY 2015-16.	Gross	N/A	\$2,000,000	(\$2,000,000)
	GF/GP	N/A	\$2,000,000	(\$2,000,000)
13. Treasury Systems Upgrades	FTE	N/A	8.0	0.0
Includes various data and system upgrades:	Gross	N/A	\$1,601,000	\$0
	IDG	N/A	200,000	0
<ul style="list-style-type: none"> Tax System Technical Issues Resolution Unit: \$600,000 GF/GP and 6.0 FTEs Data Governance and Storage System Upgrade: \$401,000 GF/GP and 2.0 FTEs Student Scholarships and Grants System Upgrade and Maintenance: \$400,000 GF/GP International Fuel Tax Agreement Tax Return Processing Center: \$200,000 Gross (\$0 GF/GP) 	GF/GP	N/A	\$1,401,000	\$0

TREASURY

Major Budget Changes From FY 2013-14 YTD Appropriations		FY 2013-14 YTD (as of 2/5/14)	Executive Changes	
			FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
14. Fund Shifts	Gross	N/A	\$706,100	\$0
Includes various fund shifts and adjustments totaling \$706,100	IDG	N/A	(41,900)	0
Gross (\$41,900 GF/GP):	Restricted	N/A	706,100	0
<ul style="list-style-type: none"> Transfers State Building Authority from DTMB: \$699,100 Gross (\$0 GF/GP) MSHDA Director fringe benefit adjustment: \$7,000 Gross (\$0 GF/GP) Michigan Transportation Fund Adjustment: \$0 Gross (\$41,900 GF/GP) 	GF/GP	N/A	41,900	\$0
15. Casino Gaming Adjustments	FTE	N/A	3.0	0.0
Includes various new positions and funding totaling \$412,300	Gross	N/A	\$412,300	\$0
Gross (\$0 GF/GP) and 3.0 FTEs to support operations:	Restricted	N/A	412,300	0
<ul style="list-style-type: none"> \$113,600 Gross (\$0 GF/GP) to support Attorney General position to help with review of illegal gaming. \$76,600 Gross (\$0 GF/GP) to support secretarial position assisting in Criminal Investigations subunit. \$76,600 Gross (\$0 GF/GP) to support secretarial position supporting millionaire parties, Office of Racing Commissioner, Indian Gaming Section, and IT staff. \$129,500 Gross (\$0 GF/GP) to fund programmer that would support new IT systems. \$16,000 Gross (\$0 GF/GP) to adjust costs to actual changes for Attorney General Review of Indian Gaming Activities. 				
16. Removal of Other One-Time Appropriations	Gross	\$9,763,300	(\$9,763,300)	\$0
Removes various FY 2013-14 one-time appropriations:	Restricted	3,000,000	(3,000,000)	0
<ul style="list-style-type: none"> Treasury Sales, Use, and Withholding Replacement: \$1.8 million GF/GP Michigan Gaming Control Board System Replacement: \$3.0 million Gross (\$0 GF/GP) Office of Fiscal Responsibility: \$5.0 million GF/GP 	GF/GP	\$6,763,300	(\$6,763,300)	\$0
17. Economic Adjustments	Gross	N/A	\$4,969,000	\$0
Reflects increased costs of \$5.0 million Gross (\$779,000 GF/GP)	IDG	N/A	121,000	0
for negotiated salary and wage amounts (2.0% ongoing increase plus 0.5% lump sum payments), actuarially-required retirement rate	Federal	N/A	294,900	0
increases, and other economic adjustments. Insurance costs held	Local	N/A	23,000	0
flat due to recent state employee health plan revisions.	Restricted	N/A	3,751,100	0
	GF/GP	N/A	\$779,000	\$0

Major Boilerplate Changes From FY 2013-14

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. 902a. Notification of Bond Refinancing and Restructuring – DELETED

Requires Department of Treasury to report, within 30 days after a new refinancing or restructuring bond sale, on the annual debt service changes, change in principal and interest over the duration of the debt, and the projected change in present value of the debt service due to the refinancing.

Sec. 946. Convention Facility Development Fund Distribution – NEW

Specifies that revenue collected in the Convention Facility Development Fund is appropriated and distributed according to the Convention Facility Development Act.

Major Boilerplate Changes From FY 2013-14

Sec. 951. Competitive Grant Assistance Program – REVISED

Includes direction for distribution of \$15.0 million appropriated for assistance grants to cities, villages, townships, and counties that elect to merge government services via a Competitive Grant Assistance Program; \$10.0 million of total available funding considered one-time appropriation. Includes authorities, school districts, ISDs, public community colleges, and public universities; includes work project language; and continues to make available unclaimed EVIP funds. Revises language to state that consideration may be given for projects that result in more efficient government services through increased cooperation and/or collaboration; amount appropriated revised to \$5.0 million.

Sec. 952. Economic Vitality Incentive Program and County Incentive Program – REVISED

Specifies three category requirements for cities, villages, townships, and counties to meet to receive funding under the Economic Vitality Incentive Program and County Incentive Program. Creates bifurcated system whereby CVTs and counties that did not previously participate in the program would retain the FY 2012-13 requirements, while those CVTs that participated in FY 2012-13 would be required to meet new benchmarks. Changes distribution method to allow for partial payments and ties each bi-monthly payment to a specific category. Language revised to create Ongoing and Supplemental (One-Time) EVIP Programs; Ongoing EVIP keeps three category requirements but offers alternative method of qualifying for eligible payment by meeting 4 standards outlined in boilerplate. New Supplemental EVIP provides for adjusted population per capita distribution of \$28.5 million appropriated as one-time. Population would be adjusted upward by 10% for each of the four criteria a CVT qualified under.

BUREAU OF STATE LOTTERY

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

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

STATE BUILDING AUTHORITY

Executive Recommendation transfers the following State Building Authority (SBA) boilerplate sections from DTMB to the Department of Treasury:

- Sec. 840. General Fund Advances (Sec. 1100)
- Sec. 841. Excess Facility Revenue (Sec. 1101)
- Sec. 843. Status of Construction Projects (Sec. 1103)

Supplemental Recommendations for FY 2013-14 Appropriations

**FY 2013-14
Recommendation**

1. Convention Facility Development Fund	Gross	\$11,500,000
Provides \$11.5 million Gross (\$0 GF/GP) in additional authorization due to expected increase in revenue collected to be distributed to local units.	Restricted	11,500,000
2. Workload Management and Distribution	Gross	\$3,900,000
Provides boilerplate work project authorization for remaining \$3.9 million GF/GP of Tax Plan Implementation funds to support implementation of new workload management and distribution system for tax processing.	GF/GP	\$3,900,000

**Summary: Executive Budget Recommendation
for Fiscal Years 2014-15 and 2015-16**

DEPARTMENT OF TREASURY - MICHIGAN STRATEGIC FUND

Analyst: Ben Gielczyk

	FY 2013-14	FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14		FY 2015-16 Executive	Difference: FY 2015-16 Vs. FY 2014-15	
	Year-to-Date as of 2/5/14		Amount	%		Amount	%
IDG/IDT	\$0	\$0	\$0	--	\$0	\$0	--
Federal	638,370,300	637,370,300	(1,000,000)	(0.2)	637,370,300	0	0.0
Local	4,433,500	4,433,500	0	0.0	4,433,500	0	0.0
Private	5,454,900	5,654,900	200,000	3.7	5,654,900	0	0.0
Restricted	141,851,300	142,678,700	827,400	0.6	142,678,700	0	0.0
GF/GP	218,163,900	229,292,500	11,128,600	5.1	214,292,500	(15,000,000)	(6.5)
Gross	\$1,008,273,900	\$1,019,429,900	\$11,156,000	1.1	\$1,004,429,900	(\$15,000,000)	(1.5)
FTEs	756.0	756.0	0.0	0.0	756.0	0.0	0.0

Notes: (1) FY 2013-14 year-to-date figures include mid-year budget adjustments through February 5, 2014. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2015-16 figures are projected budget amounts only and would not be legally binding appropriations.

Overview

The Michigan Strategic Fund (MSF) contains programs that work with existing Michigan businesses and communities to retain and expand jobs through coordination of business assistance services through interdisciplinary account management teams and other economic development services. These programs build partnerships with local, state, and federal economic development agencies and the business community to coordinate and leverage resources and improve the State's business climate. The MSF has administrative responsibilities over Workforce Investment Act activities, Community Development Block Grants, GEAR-UP grants, Carl D. Perkins grants, adult education, Bureau of Energy Systems, postsecondary education services, and welfare-to-work programs. Funds and programs of the MSF are administered by the Michigan Economic Development Corporation (MEDC), which also administers the 21st Century Jobs Fund. Michigan State Housing Development Authority (MSHDA) is an autonomous agency within the MSF. Under Executive Order 2011-4, the MSF supervises and directs the budgeting, procurement, and related management function of the MSHDA.

Major Budget Changes From FY 2013-14 YTD Appropriations		FY 2013-14 YTD (as of 2/5/14)	Executive Changes	
			FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
1. University Engineering Talent Investment Program	Gross	N/A	\$7,900,000	\$0
Includes \$7.9 million GF/GP for annual debt service on \$100.0 million in bonds associated with the new Engineering Talent Investment Program. The Michigan Strategic Fund (MSF) would distribute the funds on a competitive basis for capital improvements to facilities providing instructional, laboratory, or research support to engineering programs. Universities would be required to provide a minimum 25% match of the total project cost.	GF/GP	N/A	\$7,900,000	\$0
2. Community College Skilled Trades Equipment Program	Gross	N/A	\$4,600,000	\$0
Includes \$4.6 million GF/GP for annual debt service on \$50.0 million in bonds associated with the new Community College Skilled Trades Equipment Program. The MSF would distribute the funds on a competitive basis for upgrades of instructional equipment with the latest technologies to assist in high-demand and high-skilled trade occupations training. Colleges would be required to provide a minimum 25% match of the total project cost.	GF/GP	N/A	\$4,600,000	\$0

Major Budget Changes From FY 2013-14 YTD Appropriations		FY 2013-14 YTD (as of 2/5/14)	Executive Changes	
			FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
3. Business Attraction and Community Revitalization	Gross	\$120,000,000	\$18,500,000	(\$10,000,000)
Includes additional \$18.5 million Gross (\$15.0 million GF/GP) to support Business Attraction and Community Revitalization projects. Provides additional \$15.0 million GF/GP (\$10.0 million GF/GP considered one-time) to support community revitalization projects. Moves \$24.8 million GF/GP that was considered one-time appropriations in FY 2013-14 to the ongoing line item. Shifts \$3.5 million Gross (\$0 GF/GP) from the Entrepreneurship Eco-System (formerly Innovation and Entrepreneurship) line item to the Business Attraction and Community Revitalization line item. One-time funding totaling \$10.0 million GF/GP removed in FY 2015-16.	Restricted	17,500,000	3,500,000	0
	GF/GP	\$102,500,000	\$15,000,000	(\$10,000,000)
4. Entrepreneurship Eco-System	Gross	\$28,500,000	(\$3,500,000)	\$0
Shifts \$3.5 million Gross (\$0 GF/GP) from the Entrepreneurship Eco-System (formerly Innovation and Entrepreneurship) line item to the Business Attraction and Community Revitalization line item. See #3.	Restricted	28,500,000	(3,500,000)	0
5. Film Incentives	Gross	\$50,000,000	(\$25,000,000)	\$0
Includes \$25.0 million GF/GP film incentives which is a reduction of \$25.0 million GF/GP from FY 2013-14. Funding is reclassified from one-time to ongoing.	GF/GP	\$50,000,000	(\$25,000,000)	\$0
6. Pure Michigan	Gross	\$29,000,000	\$2,000,000	\$0
Provides \$2.0 million GF/GP to increase support for Pure Michigan marketing campaign. Funds would be used to expand current advertising campaign for spring/summer and enhance international marketing in Canada, Europe, and Asia.	Restricted	29,000,000	0	0
	GF/GP	\$0	\$2,000,000	\$0
7. Arts and Cultural Grants	Gross	\$8,150,000	\$2,000,000	\$0
Provides \$2.0 million GF/GP to increase support for arts and cultural grants to local communities.	Federal	1,050,000	0	0
	Private	100,000	0	0
	GF/GP	\$7,000,000	\$2,000,000	\$0
8. Automotive, Engineering, and Manufacturing Technology Fund	Gross	N/A	\$5,000,000	(\$5,000,000)
Includes \$5.0 million GF/GP in one-time funding for new program to assist in the global marketing of Michigan's automotive sector and public-private partner engagement and collaborations within the auto industry. Funding removed in FY 2015-16.	GF/GP	N/A	\$5,000,000	(\$5,000,000)
9. Land Bank Fast Track Authority – MSHDA	FTEs	6.0	0.0	0.0
Includes \$4.0 million GF/GP to support Land Bank Fast Track Authority Good Neighbor Program (\$2.0 million GF/GP) and operations (\$2.0 million GF/GP). Land Bank shifted to MSHDA.	Gross	\$1,300,000	\$3,950,000	\$0
	Federal	1,000,000	0	0
	Restricted	300,000	0	0
	GF/GP	\$0	\$3,950,000	\$0
10. Removal of Special Projects	Gross	\$4,650,000	(\$4,625,000)	\$0
Eliminates \$4.6 million GF/GP in projects included in the Job Creation Services line item. Projects included grants to Kalamazoo Valley Community College (\$2.0 million GF/GP); Grand Rapids Public Museum (\$2.0 million GF/GP); Holland Windmill Restoration (\$375,000 GF/GP); and Chaldean Association (\$200,000).	GF/GP	\$4,650,000	(\$4,625,000)	\$0
11. Technical Adjustments	Gross	N/A	(\$1,291,900)	\$0
Adjusts various line items by \$1.3 million Gross (\$0 GF/GP) to align funding with anticipated revenues and expenditures.	Federal	N/A	(1,448,800)	0
	Private	N/A	156,900	0

Major Budget Changes From FY 2013-14 YTD Appropriations		FY 2013-14 YTD (as of 2/5/14)	Executive Changes	
			FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
12. Economic Adjustments	Gross	N/A	\$1,622,900	\$0
Reflects increased costs of \$1.6 million Gross (\$303,600 GF/GP) for MSF and \$818,300 Gross (\$0 GF/GP) for MSHDA for negotiated salary and wage amounts (2.0% ongoing increase plus 0.5% lump sum payments), actuarially-required retirement rate increases, and other economic adjustments. Insurance costs held flat due to recent state employee health plan revisions.	Federal	N/A	448,800	0
	Private	N/A	43,100	0
	Restricted	N/A	827,400	0
	GF/GP	N/A	\$303,600	\$0

Major Boilerplate Changes From FY 2013-14

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. 1034. Business Incubator Program – DELETED

Requires each of the 10 business incubators that received awards in FY 2012-13 from the Innovation and Entrepreneurship line item to submit a dashboard of indicators to gauge performance. Indicates intent of the legislature that any additional funding be based on performance of the business incubator.

Sec. 1034b. Van Andel Institute Funding – DELETED

Requires \$500,000 of the funding appropriated for Innovation and Entrepreneurship 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 advanced medical research.

Sec. 1040. MAIN System Reporting – DELETED

Requires MSF to use MAIN or a DTMB-administered successor program to report encumbrances and expenditures

Sec. 1041. Business Attraction and Community Revitalization Transfer of Funds – DELETED

Requires MSF to request not more than 60% of the funds appropriated for Business Attraction and Community Revitalization prior to April 1, 2014.

Sec. 1051. Engineering Talent Investment Program Debt Service – NEW

Stipulates that no long-term indebtedness shall be issued by the MSF until the MSF board approves the RFP and guidelines for the Engineering Talent Investment Program. Specifies that up to \$100.0 million shall be made available for capital improvements at public universities that are necessary to enhance talent critical to Michigan’s economic growth. Program awards shall be made by April 1, 2015 through a competitive process. Specifies required proposal requirements for universities. Provides guidelines for program and requirements for universities participating in program. 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. 1052. Community College Skilled Trades Equipment Program Debt Service – NEW

Stipulates that no long-term indebtedness shall be issued by the MSF until the MSF board approves the RFP and guidelines for the Community College Skilled Trades Equipment Program. Specifies that up to \$50.0 million shall be made available for equipment and related investments at community colleges to deliver educational programs in high-wage, high-skill, and high-demand occupations, as identified by regional labor market conditions. Awards shall be made by April 1, 2015 through a competitive process. Specifies required proposal requirements for community colleges. Provides guidelines for program and requirements for community colleges participating in program. 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.

**FY 2014-15 AND FY 2015-16
Budget Detail
for
HEALTH AND HUMAN
SERVICES**

**Community Health
Human Services**

Summary: Executive Budget Recommendation for Fiscal Years 2014-15 and 2015-16 COMMUNITY HEALTH

Analysts: Margaret Alston, Matthew Ellsworth, Susan Frey, and Steve Stauff

	FY 2013-14	FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14		FY 2015-16 Executive	Difference: FY 2015-16 Vs. FY 2014-15	
	Year-to-Date as of 2/5/14		Amount	%		Amount	%
IDG/IDT	\$10,056,100	\$9,425,900	(\$630,200)	(6.3)	\$9,425,900	\$0	0.0
Federal	11,620,170,500	11,941,802,500	321,632,000	2.8	12,043,808,400	102,005,900	0.9
Local	251,820,200	216,656,400	(35,163,800)	(14.0)	216,656,400	0	0.0
Private	126,342,400	127,056,600	714,200	0.6	127,056,600	0	0.0
Restricted	2,178,580,800	2,140,657,600	(37,923,200)	(1.7)	2,140,657,600	0	0.0
GF/GP	2,747,583,600	2,938,968,800	191,385,200	7.0	2,978,509,700	39,540,900	1.3
Gross	\$16,934,553,600	\$17,374,567,800	\$440,014,200	2.6	\$17,516,114,600	\$141,546,800	0.8
FTEs	3,591.6	3,654.1	62.5	1.7	3,654.1	0.0	0.0

Notes: (1) FY 2013-14 year-to-date figures include mid-year budget adjustments through February 5, 2014. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2015-16 figures are projected budget amounts only and would not be legally binding appropriations. (4) FY 2013-14 year-to-date figures include appropriation adjustments in 2013 PA 102, and 2013 PA 107 for Medicaid Reform/Healthy Michigan Plan effective March 14, 2014, but based on the waiver, implemented on April 1, 2014.

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 2013-14 YTD Appropriations	FY 2013-14 YTD (as of 2/5/14)	Executive Changes	
		FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
1. Medicaid Cost Increases	Gross \$12,519,116,300	\$98,547,300	\$155,639,100
Includes a FY 2014-15 increase of \$98.3 million Gross (\$37.0 million GF/GP) for caseload, utilization, and inflation adjustments in Medical Services, Behavioral Health Services, Children's Special Health Care Services, and the Federal Medicare Pharmaceutical program. Includes a FY 2014-15 FMAP adjustment of \$249,000 (\$79.7 million GF/GP; reduction of \$81.8 million Federal). The preliminary projection for FY 2015-16 is an increase of \$155.6 million Gross (\$53.6 million GF/GP).	Federal 8,502,877,500	(20,550,300)	102,005,900
	Restricted 1,892,460,100	2,416,700	0
	Local 45,970,200	0	0
	Private 2,100,000	0	0
	Merit Awd 81,766,000	0	0
	GF/GP \$1,993,942,500	\$116,680,900	\$53,633,200
2. Healthy Michigan Plan	FTE 0.0	36.0	0.0
Includes an increase of \$625.3 million Gross (reduction of \$63.6 million GF/GP) for a full-year of Healthy Michigan Plan implementation. The adjustments reflect changes in Behavioral Health Services, Medical Services Administration, and Medical Services. In Medical Services, the Plan First Family Planning Waiver and Medicaid Adult Benefits Waiver lines are zeroed out and removed. The Medicaid Adult Benefits Waiver line is also zeroed out and removed in Behavioral Health Services. Includes an increase of 36.0 FTEs for administration of the expanded program.	Gross \$1,549,115,700	\$625,348,100	\$0
	Federal 1,704,523,500	681,847,600	0
	Restricted 13,145,000	7,058,700	0
	Local 0	0	0
	Private 0	0	0
	GF/GP (\$168,552,800)	(\$63,558,200)	\$0

Major Budget Changes From FY 2013-14 YTD Appropriations		FY 2013-14 YTD (as of 2/5/14)	Executive Changes	
			FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
3. Family Support Subsidy Program	Gross	\$19,364,900	(\$1,215,000)	\$0
Includes \$1.2 million reduction in TANF revenue supporting the Family Support Subsidy Program anticipating a projected caseload decrease of (0.3%) over the FY 2013-14 appropriated level and an average caseload of 6,809. The program provides \$222.11 monthly payment to income-eligible families with a child under 18 living at home who is severely mentally impaired, severely multiply impaired, or autistic.	TANF	19,364,900	(1,215,000)	0
	GF/GP	\$0	\$0	\$0
4. Mental Health Jail Diversion Council	FTE	1.0	0.0	0.0
Includes \$3.4 million GF/GP to support recommendations of the Mental Health Diversion Council. In accordance with Executive Order 2013-7, the Council was charged with the responsibility of implementing an action plan that improves upon efforts to divert individuals with mental illness and developmental disabilities from the criminal justice system to appropriate treatment. Additional funding of \$2.7 million GF/GP is included in the Department of Corrections and Judiciary budgets.	Gross	\$1,630,000	\$3,350,000	\$0
	GF/GP	\$1,630,000	\$3,350,000	\$0
5. Mental Health and Wellness Commission	Gross	N/A	\$15,620,000	\$0
Adds new ongoing funds of \$10.6 million GF/GP and one-time funds of \$5.0 million GF/GP for implementation of recommendations included in the State of Michigan Mental Health and Wellness Commission 2013 Report. In accordance with Executive Order 2013-6, the Commission was required to make recommendations addressing gaps in the delivery of mental health services and propose new models to strengthen the delivery system in the state.	GF/GP	N/A	\$15,620,000	\$0
6. Actuarially Sound Capitation Payment Rates Adjustment	Gross	\$6,945,303,500	\$121,901,200	\$0
Includes a capitation payment rate increase of 2.5% for Health Plans and 1.5% for Prepaid Inpatient Health Plans (PIHPs) to comply with federal requirements that rates for these managed care entities are actuarially sound in FY 2014-15. This adjustment results in an additional \$121.9 million Gross (\$42.0 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	4,732,604,900	79,894,100	0
	Restricted	1,318,458,800	0	0
	Local	39,086,400	0	0
	GF/GP	\$852,227,500	\$42,007,100	\$0
7. Immunization Registry	Gross	\$2,098,800	\$0	\$0
Sustains inclusion of \$89,300 GF/GP increase in funding for the Michigan Care Improvement immunization Registry (MCIR) that is included as a supplemental appropriation adjustment for FY 2013-14 in the YTD amount shown (2013 PA 102). This change restores the ongoing budget for MCIR to the FY 2012-13 funding level.	GF/GP	\$2,098,800	\$0	\$0
8. Public Health Federal and Private Grants	Gross	N/A	(\$5,173,200)	\$0
Recognizes a net \$5.2 million reduction of federal and private grant funds for public health programs and family, maternal, and child health programs: including 6 new grants totaling \$14.2 million, 11 completed grants of \$15.9 million, and a net reduction of \$3.5 million in adjustments to 8 ongoing grants.	Federal	N/A	(5,283,200)	0
	Private	N/A	110,000	0
	GF/GP	N/A	\$0	\$0
9. Emergency Medical Services (EMS) Program	FTE	23.0	0.0	0.0
Provides \$1.0 million GF/GP to replace unrealized state restricted fee revenue from EMS licensure fee increases budgeted in FY 2013-14 that were not subsequently enacted in statute.	Gross	\$6,187,400	\$0	\$0
	Federal	908,900	0	0
	Restricted	4,887,800	(1,006,100)	0
	GF/GP	\$390,700	\$1,006,100	\$0

COMMUNITY HEALTH

Major Budget Changes From FY 2013-14 YTD Appropriations		FY 2013-14 YTD (as of 2/5/14)	Executive Changes	
			FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
10. Bioterrorism Preparedness	FTE	55.0	(3.0)	0.0
Recognizes \$5.5 million reduction of federal bioterrorism grant funds for public health and hospital preparedness and response to bioterrorism and other public health threats and emergencies.	Gross	\$35,466,400	(\$5,466,400)	\$0
	Federal	35,466,400	(5,466,400)	0
	GF/GP	\$0	\$0	\$0
11. Maternal, Infant and Child Home Visiting Care Programs	FTE	0.0	9.0	0.0
Includes increased FTEs and funding to expand home visiting programs for at-risk families, including 7.0 FTEs and \$6.0 million of increased funds from the federal maternal, infant, and early childhood home visiting program grant, and 2.0 FTEs and \$2.5 million GF/GP to expand home visit programs in rural northern Michigan and the Upper Peninsula for families with children, during pregnancy through age 5.	Gross	\$8,601,400	\$8,526,300	\$0
	Federal	6,601,400	6,026,300	0
	GF/GP	\$2,000,000	\$2,500,000	\$0
12. University Autism Centers and Services	Gross	\$2,500,000	\$1,000,000	\$0
Provides an increase of \$1.0 million GF/GP for one-time funding for university autism centers and services, revises grants from \$500,000 each to 4 universities to \$1.0 million each to 3 universities, and revises line item name to University Autism Programs. Ongoing funding of \$500,000 for Eastern Michigan University is retained and moved from maternal and child health special projects to behavioral health administration in the budget.	GF/GP	\$2,500,000	\$1,000,000	\$0
13. Child and Adolescent Health Care Pilot	Gross	N/A	\$2,000,000	\$0
Provides a new one-time appropriation of \$2.0 million GF/GP for a child and adolescent health services pilot, for nursing and behavioral health care in schools provided by mobile health professional teams.	GF/GP	N/A	\$2,000,000	\$0
14. Crime Victim Services	FTE	13.0	0.0	0.0
Increases funding by \$1.0 million for grants to county prosecutors for training and services for crime victims, with state restricted Crime Victim's Rights Fund monies. Also recognizes \$4.1 million reduction of federal Victims of Crime Act (VOCA) assistance grant for services to crime victims, and a negative adjustment of \$700,000 of federal VOCA funding for victim compensation.	Gross	\$37,775,200	(\$3,806,100)	\$0
	Federal	23,494,800	(4,806,100)	0
	Restricted	14,280,400	1,000,000	0
	GF/GP	\$0	\$0	\$0
15. Senior Services Expansion and Fund Shift	FTE	40.0	0.0	0.0
Provides an additional \$6.0 million GF/GP for increased services for Michigan seniors, including \$1.0 million to address elder abuse prevention supporting legislation enacted in 2012, \$3.2 million for in-home services, and \$1.8 million for home-delivered meal programs. The increases are intended to eliminate waiting lists for meals and in-home services. Also provides \$400,000 GF/GP for respite care program to replace a \$400,000 shortfall of state restricted funds from the Senior Care Respite Fund. Federal funds reduction of \$661,500 is also shown which reflects net funding adjustments for 5 grants for senior programs.	Gross	\$94,081,600	\$5,338,500	\$0
	Federal	58,154,600	(661,500)	0
	Private	677,500	0	0
	Merit Awd	4,068,700	0	0
	Other Restr	1,800,000	(400,000)	0
	GF/GP	\$29,380,800	\$6,400,000	\$0
16. Health Insurance Claims Assessment (HICA)	Gross	\$400,000,000	\$0	\$0
Changes the identity of the \$110.0 million state restricted HICA revenue shortfall to an unidentified state restricted revenue authorization of a like amount. However, the recommendation acknowledges that the shift is pending legislation or an administrative remedy.	Restricted	400,000,000	0	0
	GF/GP	\$0	\$0	\$0
17. Eliminate Special Rural Hospital Payment	Gross	\$35,629,500	(\$35,629,500)	\$0
Includes a reduction of \$35.6 million Gross (\$12.0 million GF/GP) to eliminate special rural hospital payments. (Related boilerplate in section 1866 is also proposed for removal).	Federal	23,629,500	(23,629,500)	0
	GF/GP	\$12,000,000	(\$12,000,000)	\$0

Major Budget Changes From FY 2013-14 YTD Appropriations		FY 2013-14 YTD (as of 2/5/14)	Executive Changes	
			FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
18. Healthy Kids Dental Expansion	Gross	N/A	\$15,670,300	\$0
Continues the phase-in of the Healthy Kids Dental program with increased funding of \$15.6 million Gross (\$5.4 million GF/GP) to expand the program into Kalamazoo and Macomb counties, which will cover an estimated 100,000 children. If this recommendation is funded, remaining counties for future program expansion include Kent, Oakland, and Wayne.	Federal	N/A	10,270,300	0
	GF/GP	N/A	\$5,400,000	\$0
19. Primary Care Rate Increase – Partial Continuation	Gross	\$385,000,000	(\$309,550,200)	\$0
Continues, in part, a rate increase for primary care providers that was included temporarily with 100% federal funds from the Affordable Care Act. Includes an increase of \$75.4 million Gross (\$26.0 million GF/GP) to extend the rate increase at roughly half of ACA levels on an ongoing basis. Full federal payment of the increased rate continues through calendar year 2014, so this adjustment reflects three-quarters of the year.	Federal	385,000,000	(335,550,200)	0
	GF/GP	\$0	\$26,000,000	\$0
20. MIChoice – Waiting List Elimination	Gross	\$299,895,900	\$26,177,900	\$0
Includes an increase of \$26.2 million Gross (\$9.0 million GF/GP) to expand the home- and community-based services (MIChoice) program. It is intended to eliminate the program waiting list and serve an additional 1,250 individuals. Includes a net zero transfer of \$7.7 million from the Long Term Care Services line to the Program of All-Inclusive Care for the Elderly (PACE) line to expand the program into Genesee, Ingham, and Saginaw counties.	Federal	192,309,500	17,157,000	0
	Local	265,000	0	0
	GF/GP	\$107,321,400	\$9,020,900	\$0
21. University Disproportionate Share Hospital Backfill	Gross	\$15,309,000	(\$5,610,800)	\$0
Increases GF/GP by \$5.6 million, ongoing, for the Wayne State Psychiatric Residency program. The increase partially offsets a reduction of \$8.5 million Gross (\$0 GF/GP) in disproportionate share hospital (DSH) payments that are no longer available. Includes an increase of \$4.1 million GF/GP, one-time, for the University of Detroit Dental program. The increase partially offsets a reduction of \$6.9 million Gross (\$0 GF/GP) in DSH payments that are no longer available.	Federal	10,152,900	(10,152,900)	0
	Restricted	5,156,100	(5,156,100)	0
	GF/GP	\$0	\$9,698,200	\$0
22. Merit Award Fund Shift – Distressed Communities Assistance	Gross	\$81,766,000	\$0	\$0
Includes a \$17.5 million fund shift from GF/GP to replace a like amount of Merit Award Trust Fund revenue. The Governor proposes reserving the MATF revenue for distressed communities purposes. To avoid a shortfall, this transfer replaces Merit Award funds with GF/GP.	Merit Awd	81,766,000	(17,500,000)	0
	GF/GP	\$0	\$17,500,000	\$0
23. Graduate Medical Education (GME)	Gross	\$4,314,200	(\$4,314,200)	\$0
Removes \$4.3 million Gross (\$1.4 GF/GP) in one-time GME funding. No adjustments are proposed to ongoing GME funds in the Medical Services unit. (Related boilerplate sections 1740, 1846, and 1870 are also proposed for removal).	Federal	2,864,200	(2,864,200)	0
	GF/GP	\$1,450,000	(\$1,450,000)	\$0
24. Economic Adjustments	Gross	N/A	\$8,789,500	\$0
Includes a net increase of \$8.8 million Gross (\$3.2 million GF/GP) for negotiated salary and wage increases (2.0% ongoing increase plus 0.5% lump sum increase), actuarially-required retirement rate increases, and economic adjustments for worker's compensation, building occupancy, and rent.	IDG	N/A	27,900	0
	Federal	N/A	2,042,100	0
	Restricted	N/A	452,700	0
	Local	N/A	3,018,400	0
	Private	N/A	4,200	0
	GF/GP	N/A	\$3,244,200	\$0

COMMUNITY HEALTH

Major Boilerplate Changes From FY 2013-14

Executive Boilerplate Deletions

The Executive Budget deletes a significant amount of boilerplate language included in the FY 2013-14 budget. The list below includes major changes to boilerplate, but is not a comprehensive list of all sections proposed to be deleted.

GENERAL SECTIONS

Sec. 4-297. Legacy Costs – NEW

Specifies that the total authorized appropriations for FY 2014-15 legacy costs are \$89,124,600 in which the pension-related legacy costs are estimated at \$49,676,000 and the retiree health care legacy costs are estimated at \$39,448,600.

BEHAVIORAL HEALTH SERVICES

Sec. 403. Mental Health Services for Special Populations – REVISED

Revises language in which the DCH is required to competitively award grants for mental health services for special populations and the state is not held liable for any spending above the contract amount.

HEALTH POLICY

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.

FAMILY, MATERNAL, AND CHILDREN'S HEALTH SERVICES

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. 1502. Transparency Database/Website – DELETED

Requires the Department to spend \$300,000 GF/GP and any associated federal match to create a transparency database website. Enabling legislation is required.

Sec. 1607. Pregnant Women Enrollment and Services – DELETED

Stipulates that Medicaid applicants whose qualifying condition is pregnancy shall be presumed to be eligible unless the preponderance of evidence in the application indicates otherwise. Sets procedures to facilitate access to health care for pregnant women including provision of an authorization letter, a listing of Medicaid physicians and health plans, referral to public health clinics for ineligible persons, and allowing qualified applicants to select or remain with the participating obstetrician of her choice. Specifies that obstetrical and prenatal care claims are to be paid at Medicaid fee-for-service rates if there is no contract between provider and managed care plan. Mandates enrollment of Medicaid eligible pregnant women into Medicaid HMOs and requires DCH to encourage physicians to provide these women a referral to a Medicaid participating dentist at the first pregnancy-related appointment.

Sec. 1670. MICHild Eligibility and Services – REVISED

Increases eligibility range as a percentage of the federal poverty level from 150% - 200% to 160% - 212%.

Sec. 1682. Civil Monetary Penalty Funds for Independent Living – REVISED

Removes subsection (3), which allows DCH to provide civil monetary penalty funds to centers for independent living to assist individuals with disabilities who reside in nursing homes to return to their own homes, and subsection (4), which allows DCH to use the same source of funds to conduct a customer/resident satisfaction survey of nursing home residents.

Sec. 1764. Actuarial Soundness Rate Certification – DELETED

Requires DCH to annually certify that rates paid to Medicaid health plans and specialty prepaid inpatient health plans are actuarially sound and to notify the House, Senate, and fiscal agencies immediately upon rate certification and approval. The DCH shall include an economic impact of the approved rates on Medicaid health plans.

Supplemental Recommendations for FY 2013-14 Appropriations

**FY 2013-14
Recommendation**

1. Family Support Subsidy Program	Gross	(\$1,215,000)
Includes a \$1.2 million reduction in TANF revenue supporting the Family Support Subsidy Program anticipating a projected caseload decrease of (0.3%) over the FY 2013-14 appropriated level.	TANF	(1,215,000)
	GF/GP	\$0
2. Community Mental Health (CMH) Non-Medicaid Services	Gross	\$0
Includes an increase of \$8.0 million GF/GP in the CMH Non-Medicaid Services line item, in conjunction with a corresponding reduction in the federal Medicaid revenue supporting the Healthy Michigan Plan – Behavioral Health line item, to reflect a FY 2013-14 revised estimate of savings for CMH non-Medicaid services.	Federal	(8,018,000)
	GF/GP	\$8,018,000
3. Healthy Michigan Plan – Immediate Effect Adjustment	Gross	(\$455,377,400)
Adjusts the appropriations included in P.A. 107 of 2013 to reflect the number of months the enacted changes are expected to be in effect. The FY 2013-14 budgetary adjustments in P.A. 107 were based on an effective date of January 1, 2014, or nine months (January – September). Because programmatic changes are not expected to occur until April 1, 2014, these adjustments reverse the first three months to reflect an April – September enrollment period. Also increases federal authorization for expansion-related administrative costs by \$40.0 million. P.A. 107 included \$20.0 million Federal and \$20.0 million GF/GP for administration. The increase is necessary based on (1) an additional review of the work required for changes included in P.A. 107 and (2) new information about available federal match rates, which, in the aggregate, will be higher than the conventional 50/50 rate for Medicaid administration.	Federal	(515,413,300)
	Restricted	(5,224,400)
	GF/GP	\$65,260,300
4. Medicaid Cost Adjustments	Gross	\$40,909,600
Includes an increase of \$40.9 million Gross (\$5.9 million GF/GP) for caseload, inflation, and utilization for Medical services, behavioral health services, children's special health care services, and other health services programs.	Federal	34,992,300
	GF/GP	\$5,917,300
5. Replace Declining School Based Services Revenue	Gross	(\$19,400,000)
Recognizes lower GF/GP savings from school-based services program claims with a \$19.4 million Gross reduction (increase of \$12.9 million GF/GP).	Federal	(32,333,300)
	GF/GP	\$12,933,300
6. Dual Eligibles to Managed Care – Restoration of Unrealized Savings	Gross	\$5,286,800
Restores \$5.3 million Gross (\$1.8 million GF/GP) of unrealized savings related to integration of dual eligibles into managed care. Incorporates related net zero special financing and graduate medical education (GME) payment adjustments between Medicaid line items.	Federal	3,465,000
	GF/GP	\$1,821,800
7. Special Payment Alignment	Gross	(\$44,139,700)
Includes a reduction of \$44.1 million Gross (\$0 GF/GP) to align special payment revenues with anticipated expenditures.	Federal	(28,767,700)
	Local	(4,940,000)
	Restricted	(10,432,000)
	GF/GP	\$0

**Summary: Executive Budget Recommendation
for Fiscal Years 2014-15 and 2015-16
DEPARTMENT OF HUMAN SERVICES**

Analyst: Kevin Koorstra

	FY 2013-14	FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14		FY 2015-16 Executive	Difference: FY 2015-16 Vs. FY 2014-15	
	Year-to-Date as of 2/5/14		Amount	%		Amount	%
IDG/IDT	\$18,127,100	\$18,545,900	\$418,800	2.3	\$18,545,900	\$0	0.0
Federal	4,814,517,900	4,397,966,500	(416,551,400)	(8.7)	4,395,966,500	(2,000,000)	(0.0)
Local	35,685,600	38,876,800	3,191,200	8.9	38,876,800	0	0.0
Private	11,582,800	18,050,700	6,467,900	55.8	18,050,700	0	0.0
Restricted	135,470,000	136,237,400	767,400	0.6	136,237,400	0	0.0
GF/GP	1,003,000,000	1,011,636,400	8,636,400	0.9	1,006,736,400	(4,900,000)	(0.5)
Gross	\$6,018,383,400	\$5,621,313,700	(\$397,069,700)	(6.6)	\$5,614,413,700	(\$6,900,000)	(0.1)
FTEs	12,150.5	12,191.5	41.0	0.3	12,191.5	0.0	0.0

Notes: (1) FY 2013-14 year-to-date figures include mid-year budget adjustments through February 5, 2014. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2015-16 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.

Executive Changes

<u>Major Budget Changes From FY 2013-14 YTD Appropriations</u>		FY 2013-14 YTD	Executive Changes	
		(as of 2/5/14)	FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
1. Public Assistance Caseload Adjustments	Gross	\$3,131,610,200	(\$509,540,800)	\$0
Reduces funding for public assistance programs \$509.5 million	Federal	2,901,593,400	(473,532,200)	0
Gross (\$36.0 million GF/GP) as follows:	Restricted	64,985,400	0	0
• Food Assistance Program (FAP) is reduced \$445.5 million	GF/GP	\$165,031,400	(\$36,008,600)	\$0
Gross (\$0 GF/GP) from 894,750 cases at \$264 per month to				
890,000 cases at \$224 per month.				
• Family Independence Program (FIP) is reduced \$62.8 million				
Gross (\$34.7 million GF/GP) from 44,400 cases at \$395 per				
month to 33,200 cases at \$372 per month.				
• State Disability Assistance (SDA) program is reduced \$2.9				
million GF/GP from 7,777 cases at \$223 per month to 6,693				
cases at \$223 per month.				
• State Supplementation program is increased \$1.6 million				
GF/GP from 275,000 cases at \$18.95 per month to 281,600				
cases at \$18.98 per month.				

Major Budget Changes From FY 2013-14 YTD Appropriations		FY 2013-14 YTD (as of 2/5/14)	Executive Changes	
			FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
2. Child Welfare Caseload Adjustments	Gross	\$608,677,500	\$2,794,000	\$0
Increases funding for child welfare programs \$2.8 million Gross (\$5.8 million GF/GP) as follows:	Federal	340,844,300	(2,769,100)	0
	Local	14,494,000	(231,000)	0
	Private	3,200,900	(51,000)	0
	GF/GP	\$250,138,300	\$5,845,100	\$0
<ul style="list-style-type: none"> Foster care payments are reduced \$2.4 million Gross (\$1.0 million GF/GP) from 6,250 cases at \$27,655 per year to 6,075 cases at \$28,061 per year. Adoption subsidies are reduced \$2.9 million Gross and are increased \$3.0 million GF/GP from 27,150 cases at \$732 per month to 26,800 cases at \$732 per month. The Child Care Fund is increased \$7.0 million Gross (\$3.6 million GF/GP). Guardianship assistance payments are increased \$1.2 million Gross (\$278,500 GF/GP). 				
3. Foster Care Payments	Gross	\$187,703,500	\$5,000,000	\$0
Provides \$5.0 million GF/GP for the state to pay 100% of the private child placing agency administrative rates for new cases entering care, rather than the state and counties sharing the costs for these rates under certain circumstances through the Child Care Fund.	Federal	102,652,400	0	0
	Local	14,494,400	0	0
	Private	3,200,900	0	0
	GF/GP	\$67,356,200	\$5,000,000	\$0
4. Child Welfare Performance-Base Funding Implementation	FTE	0.0	3.0	0.0
Provides \$1.4 million Gross (\$1.0 million GF/GP) for a Project Team, actuarial study for setting rates, and project evaluation to implement the recommendations from the Child Welfare Performance-Based Funding Task Force.	Gross	\$0	\$1,372,100	\$0
	Federal	0	372,100	0
	GF/GP	\$0	\$1,000,000	\$0
5. Community Support Services	FTE	2.0	1.0	0.0
Provides \$800,000 Gross (\$200,000 GF/GP) for juvenile justice re-entry programming expansion that would provide services six months prior to re-entry.	Gross	\$1,295,200	\$800,000	\$0
	Federal	0	600,000	0
	GF/GP	\$1,295,200	\$200,000	\$0
6. Disability Determination Operations	FTE	546.9	0.0	0.0
Provides \$20.6 million Gross (\$0 GF/GP) to hire 71.0 disability examiners and 9.0 clerical support staff. Funding based on final federal Social Security Administration appropriations and hiring allocations. There is sufficient FTE authorization in the line item that a FTE increase is not needed.	Gross	\$85,975,200	\$20,639,700	\$0
	IDG	112,200	0	0
	Federal	84,257,900	20,639,700	0
	GF/GP	\$1,605,100	\$0	\$0
7. Healthy Michigan Plan Call Center	Gross	\$0	\$20,250,000	\$0
Provides \$20.3 million Gross (\$6.4 million GF/GP) to implement a contract to provide call center services for applicants and recipients of the Healthy Michigan Plan/Medicaid Expansion. FY 2013-14 funding for this call center is within the Department of Community Health budget.	Federal	0	13,888,800	0
	GF/GP	\$0	\$6,361,200	\$0
8. Donated Funds Positions	FTE	208.0	150.0	0.0
Expand donated funds positions by 150.0 FTEs, \$19.3 million Gross (\$0 GF/GP). These caseworkers would be located based on the requests of hospitals, nursing homes, school-based centers, and workplaces where the entity expends its own funds to draw down federal funding to cover the personnel costs of that caseworker.	Gross	\$13,757,600	\$19,290,000	\$0
	IDG	234,300	0	0
	Federal	7,573,100	9,645,000	0
	Local	3,349,100	3,182,500	0
	Private	2,601,100	6,462,500	0
	GF/GP	\$0	\$0	\$0
9. Information Technology	Gross	\$156,676,900	\$8,000,000	(\$3,000,000)
Provides \$8.0 million Gross (\$3.8 million GF/GP) to automate asset verifications and to develop a child support web-based employer portal an information data base. The child support program is designated as one-time funding.	IDG	1,134,800	0	0
	Federal	105,325,600	4,250,000	(2,000,000)
	GF/GP	\$50,216,500	\$3,750,000	(\$1,000,000)

HUMAN SERVICES (DEPARTMENT)

Major Budget Changes From FY 2013-14 YTD Appropriations		FY 2013-14 YTD (as of 2/5/14)	Executive Changes	
			FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
10. Michigan Rehabilitation Services (MRS)	FTE	550.0	0.0	0.0
Provides \$4.4 million GF/GP for MRS to draw down sufficient federal funds that will allow MRS to maintain current services and to prevent the implementation of an Order of Selection (i.e. a wait-list for services). There is sufficient federal authorization in the line item that a federal increase is not needed. \$2.4 million GF/GP is designated as one-time funding.	Gross	\$138,275,900	\$4,400,000	(\$2,400,000)
	Federal	114,263,900	0	0
	Local	6,500,000	0	0
	Private	1,835,000	0	0
	Restricted	1,582,700	0	0
	GF/GP	\$14,094,300	\$4,400,000	(\$2,400,000)
11. Contractual Services, Supplies, and Materials	Gross	\$35,583,600	\$2,543,300	\$0
Increases \$2.5 million Gross (\$1.5 million GF/GP) to support single audit costs, increased TALX income verification costs, to pilot iPads for child welfare workers in 3 counties, and for the public assistance cost allocation plan.	IDG	531,200	0	0
	Federal	21,103,900	1,046,900	0
	Restricted	5,400	0	0
	GF/GP	\$13,943,100	\$1,496,400	\$0
12. Office of Inspector General	FTE	132.0	20.0	0.0
Increases funding to support 20.0 new inspector general field agents. Amount also includes payroll taxes and fringe benefit line item costs for new staff.	Gross	\$7,495,100	\$2,438,000	\$0
	Federal	5,751,900	975,200	0
	GF/GP	\$1,743,200	\$1,462,800	\$0
13. Child Support Enforcement	FTE	185.7	0.0	0.0
Provides \$2.0 million GF/GP to replace lost revenue due to IRS negative offset. When IRS intercepts federal tax returns for child support in error, the state must return the money to the IRS even if it has already been sent to the custodial parent. This issue is nationwide as the IRS has experienced an increase in fraudulent income tax returns. \$1.0 million GF/GP is designated as one-time funding.	Gross	\$134,950,800	\$2,000,000	(\$1,000,000)
	Federal	125,096,000	0	0
	GF/GP	\$9,854,800	\$2,000,000	(\$1,000,000)
14. Other Program Increases or New Programs	Gross	N/A	\$1,811,800	(\$500,000)
Provides \$1.8 million Gross (\$1.6 million GF/GP) to increase various line items and programs including: domestic violence prevention treatment, Catholic Charities Center for Hope Project, Attorney General contract, Michigan Community Services Commission, and Children's Trust Fund administration. Funding for Catholic Charities Center for Hope Project is designated as one-time funding.	Federal	N/A	189,400	0
	GF/GP	N/A	\$1,622,400	(\$500,000)
15. Temporary Assistance for Needy Families (TANF) Fund Source	Gross	\$4,814,517,900	\$0	\$0
Rolls the federal TANF block grant fund source into the general "total federal revenues" fund source.	Federal	4,268,278,700	546,239,200	0
	TANF	546,239,200	(546,239,200)	0
	GF/GP	\$0	\$0	\$0
16. TANF Offset of GF/GP and Other Federal Revenues	Gross	N/A	\$0	\$0
\$7.9 million in federal TANF is appropriated in the adoption subsidies line item to offset GF/GP. That offset GF/GP is then redirected to the payroll taxes and fringes benefits, local office salaries and wages, and child welfare field staff line items to offset excess other federal revenues in those line items.	Federal	N/A	(7,893,000)	0
	TANF	N/A	7,893,000	0
	GF/GP	N/A	\$0	\$0
17. Youth in Transition	FTE	5.5	0.0	0.0
Youth in Transition line item is adjusted in two ways. First, the line is increased by \$608,000 with federal TANF funds to support the Homeless Youth and Runaway contracts. The TANF is from a reduction in TANF funds for family preservation programs. Second, \$600,000 in TANF is used to offset \$600,000 in other federal revenues that cannot be claimed for the fostering futures college scholarship program.	Gross	\$14,443,600	\$608,000	\$0
	Federal	7,893,100	(600,000)	0
	TANF	3,548,500	1,208,000	0
	GF/GP	\$3,002,000	\$0	\$0

Executive Changes

Major Budget Changes From FY 2013-14 YTD Appropriations		FY 2013-14 YTD (as of 2/5/14)	FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
18. FY 2013-14 IDG from Michigan Department of Education (MDE) Offset Adjustment	Gross	N/A	\$0	\$0
FY 2013-14 budget increased federal TANF by \$12.5 million to offset a reduction of \$12.5 million in IDG funding from MDE for Child Development and Care program administration. Adjusts that offset through the following steps. First, reduces \$4.1 million in TANF from payroll taxes and fringes benefits and local office salaries and wages line items and transfers those TANF funds to the Bureau of Child and Adult Licensing (BCAL) line item. Second, BCAL activities are not TANF eligible, so the \$4.1 million in TANF funds are then offset with other federal revenues. The other federal revenues that have historically supported BCAL are Title IV-E matching funds and the capped Social Services Block Grant.	IDG	N/A	0	0
	Federal	N/A	4,127,800	0
	TANF	N/A	(4,127,800)	0
	GF/GP	N/A	\$0	\$0
19. Budgetary Savings: Staffing Reductions	FTE	0.0	(51.0)	0.0
Rolls out the \$3.5 million GF/GP staffing reductions line item to various line items within the DHS budget. The roll out is achieved through the following steps. First, 51.0 FTE positions are removed or held vacant saving \$7.7 million Gross (\$2.8 million GF/GP). Second, \$741,100 in available federal block grant funding from the 51.0 FTE reduction is used to offset GF/GP.	Gross	(\$3,500,000)	(\$4,218,500)	\$0
	Federal	0	(4,218,500)	0
	GF/GP	(\$3,500,000)	\$0	\$0
20. Adjustments to Current Services Baseline	FTE	N/A	(72.0)	0.0
Increases \$6.3 million Gross (\$4.5 million GF/GP) to align line item appropriations with projected spending and available revenues. Line items adjusted are adoption support services (\$3.1 million Gross), child welfare medical/psychiatric evaluations (\$2.1 million Gross), and travel (\$993,600 Gross). Also adjusts FTE allocations to align with supportable positions in the donated funds (70.0 FTEs) and SSI advocacy (2.0 FTEs) line items.	Gross	N/A	\$6,307,400	\$0
	Federal	N/A	1,759,300	0
	GF/GP	N/A	\$4,548,100	\$0
21. Employee Economics	Gross	N/A	\$23,880,300	\$0
Reflects increased costs of \$23.9 million Gross (\$8.1 million GF/GP) for negotiated salary and wage amounts (2.0% ongoing increase plus 0.5% lump sum payments), actuarially-required retirement rate increases, and other economic adjustments. Insurance costs held flat due to recent state employee health plan revisions.	IDG	N/A	282,200	0
	Federal	N/A	15,184,400	0
	Local	N/A	239,700	0
	Private	N/A	56,400	0
	Restricted	N/A	29,200	0
	GF/GP	N/A	\$8,088,400	\$0
22. Federal Medical Assistance Percentage (FMAP) Adjustments	Gross	N/A	\$143,700	\$0
Increases GF/GP by \$2.1 million from the FMAP federal match rate adjustment from 66.32% to 65.54%. This rate is used to determine federal cost sharing for foster care payments, adoption subsidies and retained child support collections.	Federal	N/A	(2,287,500)	0
	Restricted	N/A	343,300	0
	GF/GP	N/A	\$2,087,900	\$0
23. One-Time Funding: Eliminate FY 2013-14 Appropriations	FTE	4.0	(4.0)	0.0
Discontinues FY 2013-14 one-time appropriations of \$4.6 million Gross (\$2.8 million GF/GP) for information technology investments, fraud prevention demonstration project, medical consultation, and the juvenile justice behavioral health study.	Gross	\$4,557,300	(\$4,557,300)	\$0
	Federal	1,734,900	(1,734,900)	0
	GF/GP	\$2,822,400	(\$2,822,400)	\$0

Major Boilerplate Changes From FY 2013-14

Executive Boilerplate Deletions

In general, the Executive Budget deletes a large majority of boilerplate language included in the FY 2013-14 budget. The list below includes major changes to boilerplate, but is not a comprehensive list of all sections proposed to be deleted.

HUMAN SERVICES (DEPARTMENT)

Major Boilerplate Changes From FY 2013-14

GENERAL SECTIONS

Sec. 226. Request for Information or Qualification – DELETED

Requires DHS to issue a Request for Information or Qualification before any contract for new services, programs, or concepts in excess of \$1.0 million is approved, also requires DHS to provide the results of the Request for Information or Qualification before approval.

Sec. 264. DHS Employee Communication With Legislature – DELETED

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

Sec. 284. Contingency Fund Appropriations – REVISED

Appropriates \$200.0 million in federal, \$5.0 million in state restricted, \$20.0 million in local, and \$20.0 million in private contingency funds; appropriations may not be expended until transferred through legislative transfer process; prohibits increasing TANF authorization with contingency funds. Strikes prohibition of using contingency funds to increase TANF authorization.

Sec. 290. Welfare Fraud Hotline – DELETED

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

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 number of employees found to not be legally present in the United States.

ADULT AND FAMILY SERVICES

Sec. 404. Centers for Independent Living Guide Services – DELETED

Provides \$1.5 million for Centers for Independent Living guide services to assist persons with disabilities.

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 repairs and exceptions.

CHILD AND FAMILY SERVICES

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 report on number of children in out-of-state placements, costs of placements, and per diems of residential facilities; states intent for DHS and State Court Administrative Office to identify data needed to calculate recidivism rates; requires report on status of legislative intent.

Sec. 524. Strong Families/Safe Children Spending Plan – DELETED

Requires counties to submit service spending plans for strong families/safe children, requires DHS to approve spending plans within 30 days after receipt of properly completed spending plan.

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. 532. Licensing and Contract Compliance Review – DELETED

Requires collaboration between DHS and representatives of private child and family agencies to revise and improve contract compliance and licensing review processes, requires report; restricts licensing reviews to no more than once every two years for nationally-accredited organizations with no outstanding violations.

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 and in-home care services; requires report on implementation and operation.

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; increases administrative rate for foster care services by \$3, provided that the county match rate is eliminated for this increase; requires providers to submit quarterly expenditure reports, if required by federal guidelines.

Sec. 585. Private Agency Staff Training – DELETED

Requires DHS to make available at least 1 pre-service training class each month for caseworkers of private agencies.

Major Boilerplate Changes From FY 2013-14

Sec. 587. In-Home Community Programs Expansion – DELETED

Provides \$1.0 million to expand and create new in-home and community-based programs for juvenile justice services in rural counties, requires report.

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

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

PUBLIC ASSISTANCE

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. Indigent Burial – DELETED

Provides reimbursements for the final disposition of indigent persons, establishes maximum allowable reimbursements, accounts for religious preferences that prohibits cremation.

Sec. 620. Medicaid Eligibility Determination Standards of Promptness – DELETED

Requires DHS to determine Medicaid eligibility in 60 days when disability is an eligibility factor and 45 days for other Medicaid applicants, including patients in nursing homes; requires report on outcomes of LEAN process to achieve eligibility standards of promptness.

Sec. 621. Energy Self-Sufficiency Program – DELETED

Establishes requirements and guidelines for the energy self-sufficiency program.

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. 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. 686. Caseworker Policy – DELETED

Requires DHS to ensure that individuals presenting out-of-state identification are not enrolled in benefit programs in other states; requires caseworkers to confirm resident addresses in FIP and SDA cases; prohibits individuals with homes worth more than \$250,000 from receiving assistance; requires caseworkers to collect up-to-date phone numbers from Medicaid recipients during eligibility determination and provide this information to DCH.

Sec. 695. Jewish Federation of Metropolitan Detroit – DELETED

Appropriates \$500,000 to the Jewish Federation of Metropolitan Detroit to assist low-income individuals achieve self-sufficiency.

Sec. 695. Services for Special Populations – NEW

Requires grants for services for special populations be competitively awarded; establishes contractor requirements and metrics; requires annual report.

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 Required – 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; requires report on number of plans not submitted by the deadline and number of plans not approved by the deadline.

Sec. 709. Child Care Fund Financial Review – DELETED

Requires DHS to conduct financial reviews of County Child Care Fund claims; requires report on number of items disallowed.

HUMAN SERVICES (DEPARTMENT)

Major Boilerplate Changes From FY 2013-14

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.

Supplemental Recommendations for FY 2013-14 Appropriations

**FY 2013-14
Recommendation**

1. Food Assistance Program (FAP) Caseload Adjustments	Gross	(\$381,800,600)
Reduces \$381.8 million Gross (\$0 GF/GP) for FAP caseload adjustments.	Federal	(381,800,600)
	GF/GP	\$0
2. Other Caseload Adjustments	Gross	(\$43,441,400)
Reduces \$43.4 million Gross (\$21.9 million GF/GP) for other caseload adjusted programs. Programs include Family Independence Program, State Disability Assistance, SSI State Supplementation, Adoption Subsidies, Child Care Fund, Foster Care, and Guardianship Assistance. Adjustment also reduces TANF by \$17.0 million, of which \$13.5 million is redirected to other adjustments within the supplemental request.	Federal	(21,712,200)
	Local	110,200
	Private	24,300
	GF/GP	(\$21,863,700)
3. TANF Offset of Other Federal Revenues	Gross	\$0
Provides \$12.7 million in federal TANF funds to offset other federal revenues in various line items. Also reorganizes federal TANF and GF/GP to avoid exceeding the federal TANF administrative cap.	Federal	(12,693,600)
	TANF	12,693,600
	GF/GP	\$0
4. Adoption Support Services	Gross	\$3,185,800
Provides \$3.2 million Gross (\$2.1 million GF/GP) align the line item with projected spending and available revenue. The number and amount of private adoption finalizations have increased by 5%.	Federal	1,099,100
	GF/GP	\$2,086,700
5. Foster Care Payments	Gross	\$2,500,000
Provides \$2.5 million GF/GP for the state to pay 100% of the private child placing agency administrative rates for new cases entering care, rather than the state and counties sharing the costs for these rates under certain circumstances through the Child Care Fund.	GF/GP	\$2,500,000
6. Youth in Transition	Gross	\$0
Provides \$600,000 in TANF to offset \$600,000 in other federal revenues that cannot be claimed for the foster futures college scholarship program.	Federal	(600,000)
	TANF	600,000
	GF/GP	\$0
7. Disability Determination Operations	Gross	\$500,000
Provides \$500,000 Gross (\$0 GF/GP) based on final federal Social Security Administration appropriations and hiring allocations.	Federal	500,000
	GF/GP	0
8. Parent to Parent	Gross	\$200,000
Provides \$200,000 Gross (\$0 GF/GP) in federal TANF for Parent to Parent.	Federal	200,000
	GF/GP	0

**FY 2014-15 AND FY 2015-16
Budget Detail
for
PUBLIC SAFETY AND
DEFENSE**

**Corrections
Military and Veterans Affairs
State Police**

Summary: Executive Budget Recommendation for Fiscal Years 2014-15 and 2015-16 DEPARTMENT OF CORRECTIONS

Analyst: Robin R. Risko

	FY 2013-14	FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14		FY 2015-16 Executive	Difference: FY 2015-16 Vs. FY 2014-15	
	Year-to-Date as of 2/5/14		Amount	%		Amount	%
IDG/IDT	\$1,109,600	\$225,000	(\$884,600)	(79.7)	\$225,000	\$0	0.0
Federal	8,852,500	5,081,000	(3,771,500)	(42.6)	5,081,000	0	0.0
Local	8,392,800	8,547,700	154,900	1.8	8,547,700	0	0.0
Private	0	0	0	--	0	0	--
Restricted	56,026,100	45,869,600	(10,156,500)	(18.1)	45,869,600	0	0.0
GF/GP	1,958,053,600	1,990,198,400	32,144,800	1.6	1,963,712,500	(26,485,900)	(1.3)
Gross	\$2,032,434,600	\$2,049,921,700	\$17,487,100	0.9	\$2,023,435,800	(\$26,485,900)	(1.3)
FTEs	14,559.6	14,195.3	(364.3)	(2.5)	14,195.3	0.0	0.0

Notes: (1) FY 2013-14 year-to-date figures include mid-year budget adjustments through February 5, 2014. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2015-16 figures are projected budget amounts only and would not be legally binding appropriations.

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, food service, transportation, 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 December 31, 2013, the department was responsible for 109,196 Michigan offenders: 43,704 prisoners, 47,528 probationers, and 17,964 parolees.

<u>Major Budget Changes From FY 2013-14 YTD Appropriations</u>		FY 2013-14 YTD (as of 2/5/14)	Executive Changes	
			FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
1. Healthy Michigan Plan Savings	Gross	N/A	\$5,131,400	\$0
Reflects a net positive adjustment related to implementation of the Healthy Michigan Plan under the Affordable Care Act. A three-quarter year savings of \$24.2 million GF/GP was built into the FY 2013-14 budget through Public Act 107 of 2013. It has since been determined that certain costs relative to treatment of sex offender and substance abuse disorders will not be eligible for Medicaid reimbursement, which requires a portion of the savings originally taken to be restored. Full-year savings in FY 2014-15 are estimated to be \$19.1 million GF/GP.	GF/GP	N/A	\$5,131,400	\$0
2. Healthy Michigan Plan Administrative Costs	FTE	N/A	6.0	0.0
Includes FTE authorization and funding to cover the administrative costs of implementing the Healthy Michigan Plan. Administrative costs are currently paid for from the DCH budget. The Department of Corrections will pay DHS via an IDG for staff who handle eligibility determination and enrollment (\$497,600), and will pay for MDOC staff who handle discharge planning (\$475,000) and oversight functions (\$107,100).	Gross	N/A	\$1,079,700	\$0
	Federal	N/A	248,800	0
	GF/GP	N/A	\$830,900	\$0
3. Food Service Legacy Costs	Gross	N/A	(\$8,167,100)	\$0
Reflects a reduction as a result of privatizing food service operations and removing legacy payroll costs associated with former MDOC food service employees.	GF/GP	N/A	(\$8,167,100)	\$0

Major Budget Changes From FY 2013-14 YTD Appropriations		FY 2013-14 YTD (as of 2/5/14)	Executive Changes	
			FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
4. Neal Settlement	Gross	\$20,000,000	\$5,000,000	(\$25,000,000)
Includes additional funding, to be added to the \$20.0 million appropriated in the base, to make the final year of Neal et. al. Settlement Agreement payments. (The \$20.0 million in FY 2013-14 is eliminated from on-going funding and the \$25.0 million in FY 2014-15 will be counted as one-time funding.)	GF/GP	\$20,000,000	\$5,000,000	(\$25,000,000)
5. Hepatitis C	Gross	N/A	\$4,900,000	\$0
Includes funding to implement the new treatment protocol for Hepatitis C that has been promulgated by the Centers for Disease Control and Prevention. Current treatment for the disease is long in duration, with many side effects, and is not guaranteed to cure the disease. The new treatment protocol is shorter in duration, has fewer side effects, and has shown a higher success rate.	GF/GP	N/A	\$4,900,000	\$0
6. Prisoner Education	FTE	244.0	20.0	0.0
Includes FTE authorization and funding for enhancement of prisoner education programs. Funding will be used to hire 5.0 trade instructors and 15.0 employment counselors. The trade instructors will work to provide critical job skills for prisoners who are reentering the community. The goal is to reduce the waiting list for vocational programming and improve employment opportunities. The employment counselors will work with employers to determine specific employment training desired for employees. They will work to implement specific curricula and training to meet local job requirements, and to connect trained offenders with employers prior to release from prison. Also, the counselors will work with local colleges to provide instruction inside the prisons to eligible prisoners. (\$1.0 million of the funding is one-time and \$3.3 million is on-going.)	Gross	\$33,492,000	\$4,295,300	(\$1,045,300)
	Federal	3,437,600	0	0
	GF/GP	\$30,054,400	\$4,295,300	(\$1,045,300)
7. Leased Beds	Gross	\$1,000,000	\$4,000,000	\$0
Includes additional funding to pay counties for bed space at county jail facilities to be used to house convicted felons. Prisoners who are classified as Level I prisoners, who are not serving time for sex offenses, and who are serving flat sentences are eligible to be housed in county jail facilities at a lower cost to the department.	GF/GP	\$1,000,000	\$4,000,000	\$0
8. Mental Health Diversion – Local Jail Pilot Project	Gross	N/A	\$1,000,000	\$0
Includes funding for MDOC's role in a multi-agency statewide mental health diversion program. Funding will be used by the department to contract with a local jail for a post-release transition project that will offer comprehensive in-reach and post-release mental health services to inmates who are returning to the community.	GF/GP	N/A	\$1,000,000	\$0
9. Mobilize Parole and Probation Staff	Gross	N/A	\$1,023,000	(\$440,600)
Includes funding to deploy and maintain devices such as smart phones, tablets, and laptops to mobilize parole and probation staff in Detroit, Pontiac, Saginaw, and Flint. This will allow 380 parole and probation agents and 53 supervisors to spend more time in the field with parolees and probationers. (\$440,600 of the funding is one-time and \$582,400 is on-going.)	GF/GP	N/A	\$1,023,000	(\$440,600)

CORRECTIONS

Major Budget Changes From FY 2013-14 YTD Appropriations		FY 2013-14 YTD (as of 2/5/14)	Executive Changes	
			FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
10. Central Records Maintenance	Gross	\$5,506,700	\$600,000	\$0
Includes funding to cover costs associated with the conversion of the Corrections Management Information System (CMIS) to the Offender Management Network Information system (OMNI). CMIS holds information about all current and past prisoners and parolees. OMNI will replace CMIS and several other databases within the department, and will also include information about probationers who are supervised by the department.	GF/GP	\$5,506,700	\$600,000	\$0
11. Facility Maintenance	Gross	N/A	\$500,000	\$0
Includes funding to cover costs of smaller maintenance projects needed at a number of facilities, such as patching of holes in parking lots, meeting ADA compliance, and installing energy efficient lighting.	GF/GP	N/A	\$500,000	\$0
12. Prosecutorial and Detainer Expenses	Gross	\$4,551,000	\$449,000	\$0
Includes funding to cover increased prosecutorial and detainer expenses. As local budgets have been reduced, prosecutors have shifted the costs of prosecuting offenses which occur on MDOC property to the department. Also, local sheriffs charge the department for detaining offenders who have outstanding MDOC warrants.	GF/GP	\$4,551,000	\$449,000	\$0
13. Health Care Staff Training	FTE	N/A	2.0	0.0
Includes FTE authorization and funding to enhance professional development and training for all Bureau of Health Care Services staff. A Registered Nurse will work to develop training curriculums and computer based training sessions, provide classroom staff training, develop a mentor program to be offered in each clinic, and assist in recruiting activities. A Human Resource Developer will work on grant writing, community partnerships, assisting with developing training materials, and assisting in recruiting activities.	Gross	N/A	\$402,600	\$0
	GF/GP	N/A	\$402,600	\$0
14. Economic Adjustments	Gross	N/A	\$21,847,000	\$0
Includes funding for negotiated salary and wage amounts (2.0% ongoing increase plus 0.5% lump sum payments), actuarially-required retirement rate increases, rent, building occupancy, and worker's compensation. Insurance costs are held flat due to recent revisions to the state employee health plan.	Federal	N/A	37,900	0
	Local	N/A	221,100	0
	Restricted	N/A	375,800	0
	GF/GP	N/A	\$21,212,200	\$0
15. Restricted Fund Adjustments	Gross	N/A	(\$15,541,300)	\$0
Adjusts a number of IDG, federal, local, and state restricted fund sources within the budget in order to reflect the actual amount of revenue that is collected/awarded. There is no GF/GP impact resulting from these adjustments.	IDG	N/A	(884,600)	0
	Federal	N/A	(4,058,200)	0
	Local	N/A	(66,200)	0
	Restricted	N/A	(10,532,300)	0
16. Technical Adjustments	Gross	N/A	\$0	\$0
Makes internal funding adjustments and transfers throughout the budget, which have no overall Gross or GF/GP impact. Adjustments are made in order to more accurately reflect where expenditures occur and to reflect reorganization within the department.	GF/GP	N/A	\$0	\$0
17. Eliminate FTE Position Authorization	FTE	N/A	(392.3)	0.0
Eliminates authorization for unfunded FTE positions to more accurately reflect department resources.	Gross	N/A	\$0	\$0
	GF/GP	N/A	\$0	\$0
18. Eliminate One-Time New Employee School Funding	Gross	\$9,032,500	(\$9,032,500)	\$0
Eliminates one-time funding that was included in the FY 2013-14 budget for a new employee school. Funding of \$9.0 million remains in the base appropriation for new custody staff training.	GF/GP	\$9,032,500	(\$9,032,500)	\$0

Major Boilerplate Changes From FY 2013-14

Executive Boilerplate Deletions

The Executive deletes the majority of boilerplate language included in the FY 2013-14 appropriations bill (52 sections and 2 subsections). Deletions include legislative reporting requirements, sections providing guidance and placing conditions on appropriations, earmarks of funding for specific purposes, sections which express legislative intent, and sections which served a one-time purpose and are no longer applicable. Following are current year sections and subsections of boilerplate recommended for deletion: 206, 207, 212, 214, 219, 238, 239, 245, 304, 305, 402, 405, 407, 410(1), 410(2), 411, 412, 413, 417, 418, 419, 420, 431, 434, 506, 601, 608, 611, 612, 615, 802, 804, 806, 807, 809, 814, 816, 904, 907, 910, 911, 912, 913, 916, 925, 937, 939, 940, 942, 947, 1009, 1011, 1201, and 1202. Below is a listing of new sections of language recommended by the Executive for the department.

Sec. 246. Legacy Costs – NEW

States that the total amount of funding estimated to be expended on legacy costs in FY 2014-15 is \$351.6 million. Of that, \$196.5 million is estimated to be expended on pension-related legacy costs, and \$155.1 million is estimated to be expended on health care-related legacy costs.

Sec. 421. Mental Health Diversion Council – NEW

Expresses intent that the appropriation for the Jail Mental Health Transition Pilot Program be used to address the recommendations of the Mental Health Diversion Council.

Supplemental Recommendations for FY 2013-14 Appropriations

**FY 2013-14
Recommendation**

1. Healthy Michigan Plan Savings Adjustment

Includes funding to restore Healthy Michigan Plan savings taken in the FY 2013-14 budget that will not be achieved. A three-quarter year savings of \$24.2 million GF/GP was built into the FY 2013-14 budget, but it has since been determined that certain costs relative to treatment of sex offender and substance abuse disorders will not be eligible for Medicaid reimbursement. As a result, a portion of the savings originally taken needs to be restored. The level of substance abuse and sex offender services required by the department and the Parole Board cannot be met through programs that are reimbursed through Medicaid.

Gross	\$6,601,100
GF/GP	\$6,601,100

**Summary: Executive Budget Recommendation
for Fiscal Years 2014-15 and 2015-16
DEPARTMENT OF MILITARY AND VETERANS AFFAIRS**

Analyst: Mark Wolf

	FY 2013-14 Year-to-Date as of 2/5/14	FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14		FY 2015-16 Executive	Difference: FY 2015-16 Vs. FY 2014-15	
			Amount	%		Amount	%
IDG/IDT	\$650,000	\$100,000	(\$550,000)	(84.6)	\$100,000	\$0	0.0
Federal	89,782,700	90,362,800	580,100	0.6	90,362,800	0	0.0
Local	1,500,000	1,500,000	0	0.0	1,500,000	0	0.0
Private	740,000	740,000	0	0.0	740,000	0	0.0
Restricted	27,554,000	25,086,400	(2,467,600)	(9.0)	25,086,400	0	0.0
GF/GP	46,503,300	55,805,700	9,302,400	20.0	48,805,700	(7,000,000)	(12.5)
Gross	\$166,730,000	\$173,594,900	\$6,864,900	4.1	\$166,594,900	(\$7,000,000)	(4.0)
FTEs	898.5	898.5	0.0	0.0	898.5	0.0	0.0

Notes: (1) FY 2013-14 year-to-date figures include mid-year budget adjustments through February 5, 2014. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2015-16 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 support the operations of the Michigan National Guard in support of the military and security needs of the state and the federal government. The department, through the Michigan Veterans Affairs Agency, also oversees state programs for veterans, including the state's veterans' homes, grants to veterans service organizations, and the Michigan Veterans' Trust Fund.

Executive Changes

Major Budget Changes From FY 2013-14 YTD Appropriations

1. National Guard Tuition Assistance Program

Adds \$5.0 million GF/GP (1.0 transferred FTE) to reestablish a state tuition assistance (TA) program for National Guard members in active drilling status (1 weekend/month and 2 weeks/year). The program would cover 100% of tuition and fees, up to \$4,500 per year, for programs leading to a certificate, associate's degree, baccalaureate degree, or master's degree. Guard members could not pursue a lateral or lower degree, must remain in good standing, and must maintain a 2.0/4.0 GPA. The aim is to aid recruiting and retention efforts, as most other states provide this type of benefit, supplementing available federal education benefits. The state previously provided a TA program from FY 2000 to FY 2009, but ended the program amid state budget reductions and declining utilization rates largely due to the expanded availability of federal education benefits following Post-9/11 active duty service. However, federal active duty deployments are becoming less frequent, and recent changes to the Army's TA program now provide benefits to service members (including National Guard members in active drilling status) after one year of service (rather than making TA available upon entry into the service), and cap assistance at 16 semester hours per year.

	FY 2013-14 YTD (as of 2/5/14)	FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
FTE	N/A	1.0	0.0
Gross	N/A	\$5,000,000	\$0
GF/GP	N/A	\$5,000,000	\$0

<u>Major Budget Changes From FY 2013-14 YTD Appropriations</u>	Executive Changes			
		FY 2013-14 YTD (as of 2/5/14)	FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
2. Veterans Service Regional Coordinators Adds \$750,000 GF/GP for veterans service organizations (not the MVAA) to hire 10 regional coordinators who would be responsible for managing the workload of VSO service officers, monitoring service officer performance, and ensuring compliance with grant and boilerplate performance requirements. These coordinators would also serve as a liaison to other public and private agencies serving veterans.	Gross GF/GP	N/A N/A	\$750,000 \$750,000	\$0 \$0
3. County Veterans Counselors (CVCs) Adds \$250,000 to counties to expand the veterans claims processing capabilities of their county veterans service departments. These funds would be used to support technology improvements, such as the acquisition of an electronic claims management system, to hire additional VA-accredited counselors, or to establish a veterans service department either directly through county employees or through service agreements with neighboring counties. The department provided a similar grant program in FY 2012-13 through the availability of a one-time appropriation.	Gross GF/GP	N/A N/A	\$250,000 \$250,000	\$0 \$0
4. Annualize MVAA Staffing Costs Adds \$1.2 million GF/GP to annualize the full-year, full-staffing costs for the Michigan Veterans Affairs Agency. Ostensibly, the FY 2013-14 budget did not support the full-year costs for the full-staffing compliment of the MVAA, recognizing that while the agency was being established, some positions would remain vacant after the start of the fiscal year, as the agency continued to define its work plan and operations.	Gross GF/GP	\$5,017,000 \$5,017,000	\$1,200,000 \$1,200,000	\$0 \$0
5. Grand Rapids Veteran' Home Fund Sourcing Adjusts the fund sourcing for the Grand Rapids Veterans' Home (GRVH) to better align spending authority with actual revenues and expenditures. These adjustments include a reduction in excess authorization from Income and Assessment revenue (paid by resident members) by \$2.5 million, as continuing renovations to members' rooms (from 4/room to 2/room or 1/room) have reduced the home's member census, thus generating less Income and Assessment revenue. Over the years the home has also seen an increase in members with a disability rating of 70%-100% for whom the home receives a higher per diem payment from the VA, which represents the full cost of care, thereby no longer requiring any additional assessments paid by the member. Because Income and Assessment revenue has been over-appropriated, annual economics adjustments (for salaries, benefits, etc.) charged to Income and Assessment revenues have actually been paid from available GF/GP funds. The Executive adds \$225,000 GF/GP to account for that shift in costs.	Gross Federal Restricted GF/GP	\$47,869,900 21,650,300 13,951,900 \$12,267,700	(\$2,275,000) 0 (2,500,000) \$225,000	\$0 0 0 \$0
6. National Guard Armories – Operations Adds \$2.0 million from funds received through the National Guard Bureau to reflect the availability of additional federal NGB funds for the cost of utilities and related services (snow/trash removal, etc.) at the state's armories. A similar adjustment was made in FY 2013 through a September 2013 Legislative Transfer.	Gross Federal Restricted GF/GP	\$13,705,300 5,780,700 346,400 \$7,578,200	\$2,000,000 2,000,000 0 \$0	\$0 0 0 \$0

MILITARY AND VETERANS AFFAIRS

<u>Major Budget Changes From FY 2013-14 YTD Appropriations</u>		FY 2013-14 YTD (as of 2/5/14)	Executive Changes	
			FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
7. Veterans' Homes – Special Maintenance	Gross	\$500,000	\$3,000,000	(\$3,000,000)
Appropriates \$3.0 million GF/GP as a "one-time" appropriation for various maintenance projects at the state's two veterans' homes. This one-time appropriation would be separate from an ongoing \$500,000 GF/GP appropriation for maintenance at the homes. The ongoing appropriation is unchanged.	GF/GP	\$500,000	\$3,000,000	(\$3,000,000)
8. National Guard Armories – Special Maintenance	Gross	\$20,351,200	\$1,700,000	(\$4,000,000)
Adds \$4.0 million GF/GP as a "one-time" appropriation for various maintenance projects at the state's National Guard armories. Projects would include repairs and maintenance to roofs, parking lots, plumbing, heating/cooling systems, etc. This one-time appropriation would be in addition to an ongoing appropriation, which the Executive reduces by \$2.3 million Federal to align the spending authorization with actual available revenues.	Federal	17,300,000	(2,300,000)	0
	GF/GP	\$3,051,200	\$4,000,000	(\$4,000,000)
9. Economics Adjustments	Gross	N/A	\$1,289,800	\$0
Reflects increased costs of \$1.3 million Gross (\$377,400 GF/GP) for negotiated salary and wage amounts (2.0% base increase plus 0.5% lump sum payments), actuarially-required retirement rate increases, and other economic adjustments. Insurance costs held flat due to recent state employee health plan revisions.	Federal	N/A	730,000	0
	Restricted	N/A	182,400	0
	GF/GP	N/A	\$377,400	\$0
10. Homeland Security – Align Authorization	Gross	\$650,000	(\$550,000)	\$0
Reduces appropriations by \$550,000 IDG-State Police to eliminate excess authorization for this program line. This program line has not been used to any great degree in recent years. The remaining \$100,000 authorization would provide the department with sufficient spending authority should the need arise.	IDG	650,000	(550,000)	0
11. D.J. Jacobetti Veterans' Home – Align Authorization	Gross	\$19,385,000	\$0	\$0
Adjusts authorization between VA per diem payments and Income and Assessment Revenue.	Federal	7,781,200	150,000	0
	Restricted	5,491,000	(150,000)	0
	GF/GP	\$6,112,800	\$0	\$0
12. Eliminate FY 2014 One-Time Appropriations	Gross	\$5,500,000	(\$5,500,000)	\$0
Reduces \$5.5 million GF/GP designated as one-time appropriations in FY 2013-14. This include \$4.0 million GF/GP in initial start-up funds for the Michigan Veterans Affairs Agency, \$45,000 GF/GP to allow county veterans counselors to attend the national conference of the National Association of County Veterans Service Officers (NACVSO) to be held in Grand Rapids in June 2014, and \$1.5 million GF/GP to integrate the Michigan Talent Connect website with the Hero 2 Hired (H2H) platform to translate veterans' military skills, training, and experience into the equivalent skills, training, and experience for civilian employment.	GF/GP	\$5,500,000	(\$5,500,000)	\$0

Major Boilerplate Changes From FY 2013-14

Sec. 14-209. Purchasing Preferences – REVISED

Prohibits the purchase of foreign goods and services if American-sourced goods and services are competitively priced and of comparable quality; give preference to goods and services from Michigan businesses, veteran-owned Michigan businesses, and Michigan small businesses where veterans comprise at least 35% of the workforce.

Sec. 14-215. Communications with the Legislature – DELETED

Prohibits the department from taking disciplinary action against employees for communicating with legislators or legislative staff.

Major Boilerplate Changes From FY 2013-14

Sec. 14-216. Schedule of Programs Disclaimer – REVISED

Provides that the programs funded through the schedule of programs included in the bill may not be funded at the levels specified in the bill; provides that funding in the schedule of revenues may not be received from the fund sources listed; and provides that notwithstanding the funding flexibility provided by the schedule of program appropriations, funding shall be made in accordance with any applicable statute.

Sec. 14-217. 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 through the reduction or elimination of programs.

Sec. 14-219. Quarterly Performance Metrics – REVISED

Requires the department to provide quarterly reports on the status of work projects, finances, performance against stated performance metrics, internal fund shifts, corrective action plans, employees and job classifications, armory closings, and property sales.

Sec. 14-223. Notice of Property Sales – DELETED

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

Sec. 14-227. Bid Process – DELETED

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

Sec. 14-228. General Fund Lapses – REVISED

Requires the State Budget Office to provide a report on estimated general fund lapses at the close of the fiscal year by November 30.

Sec. 14-229. Report on State Restricted Funds – REVISED

Requires the department and the State Budget Office to provide a report on projected state restricted fund revenues, expenditures, and balances for FYs 2013 and 2014.

Sec. 14-230. Performance Metrics Website – RETAINED

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

Sec. 14-231. Retirement Costs – NEW

States that FY 2015 legacy retirement costs total \$20,013,100 Gross, including pension costs of \$11,180,100 and retiree health care costs of \$8,833,000.

Sec. 14-501(9)-(13). GRVH Competency Evaluated Nursing Assistants (CENAs) – RETAINED

Requires that contractors that provide nursing assistants (CENAs) at the home meet certain performance standards regarding pre-service and in-service training and experience.

Sec. 14-501(15) and (25). GRVH Complaint Management Process – REVISED

Requires that complaints of alleged abuse or neglect received by a supervisor at the home be reported to the director of nursing within 10 days, and requires that the director of nursing provide information on the nature and final disposition of complaints received at least monthly to the home administrator, Board of Managers, Michigan Veterans Affairs Agency, subcommittees, and legislative fiscal agencies. Also requires a report by November 30, 2013 on the complaint management process utilized by the home.

Sec. 14-501(16)-(24). GRVH Specific Performance Requirements – RETAINED

Requires the GRVH to meet certain specific requirements concerning psychiatric care, the monitoring of comprehensive care plans, supply inventory, pharmaceutical inventory, controls over donated goods and monies, personal funds of residents, and direct care nursing staff levels. The GRVH must also provide quarterly reports on the performance standards established in the section.

<u>Supplemental Recommendations for FY 2013-14 Appropriations</u>		<u>FY 2013-14 Recommendation</u>
1. Grand Rapids Veterans' Home	Gross	\$1,200,000
Adds \$1.2 million GF/GP for the Grand Rapids Veterans' Home to replace a water-cooled chiller that serves the cooling system at GRVH. One of the chillers, which date to 1987, failed in August 2013 requiring the department to temporarily lease equipment until a new unit is installed.	GF/GP	\$1,200,000
2. Veterans Advocacy Services	Gross	\$2,000,000
Adds \$2.0 million GF/GP to expand outreach services by the Michigan Veterans Affairs Agency. Funds would be used to expand training programs for veterans' service officers, and to establish veterans' resource officers through the veterans' service organizations in partnership with post-secondary institutions to provide on-campus advocacy and assistance to student veterans.	GF/GP	\$2,000,000

**Summary: Executive Budget Recommendation
for Fiscal Years 2014-15 and 2015-16
DEPARTMENT OF STATE POLICE**

Analyst: Mark Wolf

	FY 2013-14	FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14		FY 2015-16 Executive	Difference: FY 2015-16 Vs. FY 2014-15	
	Year-to-Date as of 2/5/14		Amount	%		Amount	%
IDG/IDT	\$25,219,700	\$26,233,200	\$1,013,500	4.0	\$26,233,200	\$0	0.0
Federal	98,846,100	99,429,900	583,800	0.6	99,429,900	0	0.0
Local	6,967,500	4,861,700	(2,105,800)	(30.2)	4,861,700	0	0.0
Private	239,700	77,200	(162,500)	(67.8)	77,200	0	0.0
Restricted	122,071,700	124,800,000	2,728,300	2.2	123,550,000	(1,250,000)	(1.0)
GF/GP	353,474,300	383,921,000	30,446,700	8.6	371,591,700	(12,329,300)	(3.2)
Gross	\$606,819,000	\$639,323,000	\$32,504,000	5.4	\$625,743,700	(\$13,579,300)	(2.1)
FTEs	2,934.0	3,073.0	139.0	4.7	3,073.0	0.0	0.0

Notes: (1) FY 2013-14 year-to-date figures include mid-year budget adjustments through February 5, 2014. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2015-16 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 programs, technologies, and specialized services that enhance enforcement and emergency response capabilities for the entire public safety community.

Major Budget Changes From FY 2013-14 YTD Appropriations		FY 2013-14 YTD	Executive Changes	
		(as of 2/5/14)	FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
1. Trooper Recruit School	FTE	N/A	100.0	0.0
Adds \$13.5 million Gross for a trooper recruit school expected to graduate 100 new troopers. The school would commence after January 1, 2015. This includes \$7.4 million GF/GP for ongoing costs for salaries and wages (including benefits) paid to recruits during the time at the academy and upon graduation and placement in the field, as well as \$431,100 GF/GP for ongoing fleet costs. This also includes \$5.7 million Gross (\$4.8 million GF/GP) in one-time costs for recruitment and selection of candidates, overtime costs for training instructors, outfitting and equipping the recruits, and costs related to the Field Officer Training Program. Adds \$5.4 million GF/GP ongoing for FY 2016.	Gross	N/A	\$13,500,000	(\$300,000)
	Restricted	N/A	900,000	(900,000)
	GF/GP	N/A	\$12,600,000	\$600,000
2. Automated Fingerprint Identification System (AFIS)	Gross	N/A	\$2,187,200	\$0
Adds \$2.2 million (Criminal Justice Information Center Service Fees) to support upgrades to the hardware and software systems that support the operation of the Automated Fingerprint Identification System (AFIS), the electronic database through which fingerprint records are maintained and searched. The system interfaces with the state's criminal history records databases and is integrated into the FBI's fingerprint identification system, allowing for the automated search of ten-print and latent-print submissions. AFIS contains records on 3.6 million people (applicants and offenders), and processes an average of 2,000 ten-print transactions and 500 palm print transactions per day.	Restricted	N/A	2,187,200	0

Major Budget Changes From FY 2013-14 YTD Appropriations		FY 2013-14 YTD (as of 2/5/14)	Executive Changes	
			FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
3. Motor Carrier Recruit School	FTE	N/A	31.0	0.0
Adds \$5.2 million GF/GP for a motor carrier recruit school expected to graduate 31 new motor carrier officers. This includes \$3.2 million in ongoing costs and \$2.0 million in one-time costs. Motor Carrier Officers are civilian (non-enlisted) peace officers tasked with enforcing laws of the state applicable to commercial motor vehicles (CMVs), ensuring compliance applicable federal and state motor carrier safety regulations, size and weight limits, vehicle registration and certificate of authority requirements, and driver requirements. Motor carrier officers have limited arrest authority for other non-CMV offenses. The motor carrier recruit school is similar to the traditional trooper recruit school, although much of the academic training focuses on CMV issues.	Gross	N/A	\$5,232,300	(\$2,022,300)
	GF/GP	N/A	\$5,232,300	(\$2,022,300)
4. Criminal Justice Information Systems Disaster Recovery	Gross	N/A	\$312,800	\$0
Adds \$312,800 (CJIC Service Fees) for the development and maintenance of a disaster recovery system for the Law Enforcement Information Network (LEIN) and other CJIS applications maintained by the department. The LEIN system interfaces with, and provides law enforcement access to, a number of CJIS databases, including criminal history records, warrants, motor vehicle records, etc. The disaster recovery system provides a back-up system allowing for the recovery and continued operation of LEIN and the other applications in the event of cyber security breaches and other systemic disasters.	Restricted	N/A	312,800	0
5. Electronic Warrant Reporting System	Gross	N/A	\$800,000	(\$750,000)
Adds \$800,000 GF/GP (\$50,000 GF/GP ongoing) for the development of an electronic warrant reporting system, which would establish an electronic tracking system that eliminates redundant entry of warrant information by prosecutors, courts, LEIN users, MSP, and the State Court Administrative Office.	GF/GP	N/A	\$800,000	(\$750,000)
6. LEIN Programming Language Upgrade	Gross	N/A	\$350,000	\$0
Adds \$350,000 (CJIC Service Fees) to update and re-write the programming language that operates the LEIN system.	Restricted	N/A	350,000	0
7. Statewide Records Management System (SRMS)	Gross	N/A	\$1,528,000	\$0
Adds \$1.5 million GF/GP to expand the use of the SRMS. With initial support of a \$3.7 million grant from the Competitive Grant Assistance Program (CGAP) awarded to the Saginaw County Sheriff's Office (SCSO), MSP is assuming responsibility for operating the Area Records Management System (ARMS) developed by the SCSO and used by more than 50 local law enforcement agencies. A record management system (RMS) allows for the storage and retrieval of investigation records, including information on accidents, traffic citations, incidents, evidence, stolen properties, booking and incarceration, probation and parole, criminal histories, case files, etc.	GF/GP	N/A	\$1,528,000	\$0
8. 126th Recruit School Costs	Gross	\$14,661,900	\$2,964,400	\$0
Adds \$2.7 million GF/GP to annualize the costs related to the 126 th Trooper Recruit School, which began in January 2014 with 115 recruits and will graduate on May 30 th . Includes \$2.2 million in personnel and other costs and \$0.5 million in fleet-related costs.	GF/GP	\$14,661,900	\$2,964,400	\$0
9. Aviation Unit	Gross	N/A	\$5,178,000	(\$4,932,000)
Adds \$5.2 million GF/GP (\$246,000 GP/GP ongoing) for a new helicopter for the Special Operations Division, Aviation Unit. The helicopter would be hangared in the Metro Detroit area.	Restricted	N/A	0	0
	GF/GP	N/A	\$5,178,000	(\$4,932,000)

STATE POLICE

Major Budget Changes From FY 2013-14 YTD Appropriations		FY 2013-14 YTD (as of 2/5/14)	Executive Changes	
			FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
10. Local Public Safety Initiative	Gross	N/A	\$5,000,000	(\$5,000,000)
Adds \$5.0 million GF/GP (one-time) to provide grants for local public safety technology and equipment needs, with a focus on school safety issues. Grant funds could be used for acquiring and implementing various public safety improvements including enhanced 911 (E911) abilities, malicious call tracing, physical deterrents, real-time location systems, and emergency alert software, and other technology and equipment upgrades. The Council on Law Enforcement and Reinvention (CLEAR) would review grant applications and make grant recommendations.	GF/GP	N/A	\$5,000,000	(\$5,000,000)
11. Emergency Support Team	Gross	N/A	\$225,000	(\$225,000)
Adds \$225,000 GF/GP (one-time) for the acquisition of a new armored vehicle for the Emergency Support Team (EST). This new vehicle would replace a 1981 Dodge Peacekeeper.	GF/GP	N/A	\$225,000	(\$225,000)
12. Forensic Science – State Services Fee Fund	Gross	\$11,666,600	\$0	\$0
Replaces \$4.0 million of the \$11.7 million State Services Fee Fund (SSFF) appropriation for the Forensic Science Division (FSD) with GF/GP funds. The SSFF was first appropriated for the FSD in FY 2008-09 to offset mid-year reductions made by EO 2009-22. The plan is to phase-out SSFF appropriations for the FSD over 3 years. The SSFF is collected by the Michigan Gaming Control Board (MGCB) through assessments paid by the 3 Detroit casinos. Appropriations have exceeded revenues in recent years.	Restricted	11,666,600	(4,000,000)	0
	GF/GP	\$0	\$4,000,000	\$0
13. Forensic Science – Impaired Driving Funding	Gross	\$118,000	\$0	\$0
Replaces \$118,000 in federal highway safety funds expended by the Forensics Science Division with GF/GP funds, allocated to the FSD for toxicological analyses. FY 2012-13 reduced this funding by 75%, replacing it with GF/GP. This adjustment eliminates the remaining 25%, replacing it with GF/GP.	Federal	118,000	(118,000)	0
	GF/GP	\$0	\$118,000	\$0
14. Michigan Public Safety Communications System	Gross	\$16,340,900	(\$16,340,900)	\$0
Transfers funding for the MPSCS to the Department of Technology, Management, and Budget (DTMB). Operational authority concerning the MPSCS was transferred from MSP to DTMB with ERO 2005-2 (MCL 28.42). Since that transfer, funding for the MPSCS continued to be appropriated within the MSP budget, with that funding also recorded in the DTMB appropriation bill as an interdepartmental grant (IDG) from MSP.	Local	2,183,000	(2,183,000)	0
	GF/GP	\$14,157,900	(\$14,157,900)	\$0
15. FY 2014-15 Economic Adjustments	Gross	N/A	\$18,768,800	\$0
Reflects increased costs of \$18.8 million Gross (\$13.8 million GF/GP) for negotiated salary and wage amounts (2.0% base increase, plus a 0.5% lump sum), actuarially-required retirement rate increases, and other economic adjustments. Insurance costs are held flat due to recent state employee health plan revisions.	IDG	N/A	569,400	0
	Federal	N/A	744,200	0
	Local	N/A	77,200	0
	Private	N/A	2,200	0
	Restricted	N/A	3,585,000	0
	GF/GP	N/A	\$13,790,800	\$0
16. Remove FY 2014 One-Time Appropriations	Gross	\$6,561,900	(\$6,561,900)	\$0
Removes \$6.6 million GF/GP for one-time funding appropriated in FY 2013-14 for the 126 th trooper recruit school, EST vehicles, the Grand Rapids forensics laboratory, the Disaster and Emergency Contingency Fund, and the Secondary Road Patrol Program.	GF/GP	\$6,561,900	(\$6,561,900)	\$0

<u>Major Budget Changes From FY 2013-14 YTD Appropriations</u>		FY 2013-14 YTD (as of 2/5/14)	Executive Changes	
			FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
17. Technical Adjustments (Align Spending Authority)	Gross	N/A	(\$369,700)	\$0
Reduces \$369,700 Gross (\$0 GF/GP) to align spending authority with actual expenditures. These adjustments reduce excess appropriation authorization (but not actual spending) for various program lines, and make two dozen other internal transfers to align appropriations with MSP's actual organizational structure.	IDG	N/A	444,100	0
	Federal	N/A	(42,400)	0
	Private	N/A	(164,700)	0
	Restricted	N/A	(606,700)	0

Major Boilerplate Changes From FY 2013-14

Sec. 17-209. Purchasing Preferences – REVISED

Prohibits the purchase of foreign goods or services if competitively priced and comparable quality American goods and services are available; requires preferences be given to goods and services manufactured by Michigan businesses, Michigan businesses owned by veterans, and Michigan small businesses with at least 35% of their workforce being veterans.

Sec. 17-219. Quarterly Performance Metrics Reports – DELETED

Requires the department to provide quarterly reports on the status of work projects, finances, performance against stated performance metrics, internal fund shifts, and corrective action plans.

Sec. 17-222. Post Closures or Consolidations – DELETED

Requires the department to notify the subcommittees, fiscal agencies, and appropriations committee chairs at least 90 days before recommending the closure or consolidation of any post.

Sec. 17-254. Retirement Costs – NEW

States that FY 2015 legacy retirement costs total \$121,652,900 Gross, including pension costs of \$66,300,300 and retiree health care costs of 55,352,600.

SCIENCE, TECHNOLOGY, AND TRAINING

Training

Sec. 17-302. Training and Education Metrics – REVISED

Requires the department to deliver training courses to the criminal justice community with a performance goal training 10,000 state and local law enforcement and public safety employees and 3,000 community members; sets a performance goal of achieving a 55% classroom occupancy rate; requires preference in recruiting MCOLES-certified officers for trooper recruit schools, requires course evaluations; and requires a report on the number of veterans and MCOLES-certified officers in the recruit schools.

Sec. 17-304(9)-(11). Law Enforcement Information Network – REVISED

Requires the department to provide LEIN services to law enforcement agencies in accordance with the CJIS Policy Council Act (1974 PA 163); requires audits of criminal justice agencies in accordance with federal guidelines; and requires a report on reducing the LEIN costs by 5% without adversely impacting services to customers.

Sec. 17-304(12)-(13). Sex Offenders Registry – REVISED

Requires the department to maintain the sex offender registry in accordance with the Sex Offenders Registration Act, and to follow up on tips assigned to law enforcement agencies within 10 working days.

UNIFORM SERVICES

Traffic Safety and Enforcement

Sec. 17-501(1)-(3). Traffic Safety and Enforcement – REVISED

Requires the department to provide traffic safety and enforcement, including 300,000 statewide patrol hours, and 24,000 patrol hours dedicated to distressed cities.

Sec. 17-501(6). Secure Cities Initiative – REVISED

Requires the department to report by December 1 statistics regarding trooper levels, recruit schools, criminal activity, and law enforcement offices associated with the secure cities initiative.

Criminal Investigations

Sec. 17-602(1)-(3). Criminal Investigation – REVISED

Requires the department to provide criminal investigative services, dedicating a minimum number of hours comparable to FY 2010-11, and maintaining a case clearance rate of 56%.

Sec. 702(9) (FY 2014) Urban Search and Rescue – DELETED

Allocates \$500,000 from the funds appropriated in part 1 to support the urban search and rescue taskforce.

STATE POLICE

Supplemental Recommendations for FY 2013-14 Appropriations

**FY 2013-14
Recommendation**

1. *NTIA Public Safety Broadband State and Local Implementation Grant Program (SLIGP)*

Authorizes the receipt and expenditure of a \$3.3 million federal grant received from the National Telecommunications and Information Administration (NTIA) for planning for the establishment of a nationwide public safety broadband network. This initial grant focuses on governance, planning, outreach, education, strategy and timeline development, and preparation for consultation with federal authorities. Overseen the MSP 911 Administration Office, grant funds will be used to update the state's Statewide Communication Interoperability Plan (SCIP) and conduct education and outreach to local jurisdictions on the development of a public safety broadband network. Accompanying boilerplate would establish a work project, allowing the carryforward of grant funds.

Gross	\$3,350,000
Federal	3,350,000

**FY 2014-15 AND FY 2015-16
Budget Detail
for
RESOURCE PROTECTION**

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

**Summary: Executive Budget Recommendation
for Fiscal Years 2014-15 and 2015-16**

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

Analyst: Paul Holland

	FY 2013-14	FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14		FY 2015-16 Executive	Difference: FY 2015-16 Vs. FY 2014-15	
	Year-to-Date as of 2/5/14		Amount	%		Amount	%
IDG/IDT	\$524,300	\$318,100	(\$206,200)	(39.3)	\$318,100	\$0	0.0
Federal	9,960,900	9,198,300	(762,600)	(7.7)	9,198,300	0	0.0
Local	0	0	0	--	0	0	--
Private	96,900	98,300	1,400	1.4	98,300	0	0.0
Restricted	29,020,900	28,003,400	(1,017,500)	(3.5)	28,003,400	0	0.0
GF/GP	40,580,300	44,876,200	4,295,900	10.6	42,876,200	(2,000,000)	(4.5)
Gross	\$80,183,300	\$82,494,300	\$2,311,000	2.9	\$80,494,300	(\$2,000,000)	(2.4)
FTEs	440.0	452.0	12.0	2.7	452.0	0.0	0.0

Notes: (1) FY 2013-14 year-to-date figures include mid-year budget adjustments through February 5, 2014. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2015-16 figures are projected budget amounts only and would not be legally binding appropriations.

Overview

The Department of Agriculture and Rural Development (DARD) is responsible for regulating and promoting Michigan's agriculture and food industries in collaboration with the Michigan Commission of Agriculture and Rural Development, industry stakeholders, and citizens. DARD is organized into the following programmatic divisions: Animal Industry, which mitigates and eradicates infectious and contagious diseases, toxic substance contamination, and inhumane treatment affecting livestock and pets; Environmental Stewardship, which promotes resource sustainability and protects the natural environment in collaboration with conservation districts, drain commissioners, and landowners; Food and Dairy, which ensures the safety and sanitation of food and dairy products through inspection and licensure of suppliers and investigations of foodborne illness incidents; Pesticide and Plant Pest Management, which manages plant pest and disease prevention and regulates seed, plant, grain, and feed products and storage and the manufacture and use of pesticides and fertilizers; and Laboratory, which tests and analyzes groundwater, plant seeds, livestock, food and dairy products, and motor fuels and verifies nutritional labeling and weighting and measuring devices. Additionally, the Office of Agriculture Development promotes international marketing; endeavors to attract, expand, and retain jobs and investment; and administers various grant programs.

<u>Major Budget Changes From FY 2013-14 YTD Appropriations</u>		FY 2013-14 YTD (as of 2/5/14)	Executive Changes	
			FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
1. Food Safety and Inspections	FTE	75.0	8.0	0.0
Increases spending and staff authorization to enhance inspections of and safety programs for food establishments. According to DARD, 55.0% of food establishments inspected in December of 2013 were in compliance with the Michigan Food Law of 2012. During FY 2012-13, GF/GP supported 61.0% of food safety and inspection expenditures.	Gross	\$10,881,200	\$1,160,000	\$0
	Federal	1,039,600	0	0
	Restricted	3,390,000	0	0
	GF/GP	\$6,451,600	\$1,160,000	\$0
2. Dairy Safety and Inspections	FTE	26.0	4.0	0.0
Increases spending and staff authorization to enhance inspections of and safety programs dairy producers. According to DARD, 91.3% milk safety inspections met national enforcement standards. During FY 2012-13, GF/GP supported 94.1% of dairy/milk safety expenditures.	Gross	\$3,821,300	\$600,000	\$0
	Federal	240,600	0	0
	Restricted	254,400	0	0
	GF/GP	\$3,326,300	\$600,000	\$0

<u>Major Budget Changes From FY 2013-14 YTD Appropriations</u>	Executive Changes			
	FY 2013-14 YTD (as of 2/5/14)	FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16	
3. Strategic Growth Initiative (One-Time)	Gross	N/A	\$2,000,000	(\$2,000,000)
Includes one-time spending authorization for the Strategic Growth Initiative (SGI) grant program which is intended to increase the economic impact of the food and agriculture industry. The FY 2013-14 DARD budget included \$1.0 million in ongoing GF/GP for the SGI within the DARD budget. Additionally, boilerplate Sec. 711(2) authorized DARD to receive and expend funds from the Michigan Economic Development Corporation (MEDC) which committed \$2.0 million for the SGI during FY 2013-14. MEDC funds are not anticipated for FY 2014-15.	GF/GP	N/A	\$2,000,000	(\$2,000,000)
4. Qualified Forest Program	FTE	5.0	0.0	0.0
Transfers spending authorization for the Qualified Forestry Program (QFP), modified by 2013 PAs 42 through 50) included in 2013 PA 59 as a one-time appropriation to the ongoing baseline. The 5.0 FTEs added by the FY 2013-14 DARD budget for the QFP were filled and work with landowners, local units of government, and conservation districts to verify affidavits, monitor Forestry Management Plans, provide training and outreach, audit property tax receipts, and develop and oversee forestry grants. (See #8 below.)	Gross	\$200,000	\$2,300,000	\$0
	IDG/IDT	200,000	0	0
	GF/GP	\$0	\$2,300,000	\$0
5. Pesticide and Plant Pest Management	FTE	81.0	0.0	0.0
Transfers spending authorization for the Pesticide and Plant Pest Management Division (PPPM) included in the FY 2013-14 DARD budget as a one-time appropriation, due to insufficient restricted revenue generated by statutory fees and past reductions in General Fund appropriations, to the ongoing baseline. For example, PPPM staff inspects and certifies horticultural and agricultural products for export; during FY 2012-13, PPPM expended \$1.0 million to issue 3,822 export certificates while related inspection fees generated \$231,750 in revenue. (See #8 below.)	Gross	\$10,996,300	\$800,000	\$0
	Federal	1,778,500	0	0
	Private	20,400	0	0
	Restricted	4,460,800	0	0
	GF/GP	\$4,736,600	\$800,000	\$0
6. Capital Outlay	Gross	\$300,000	(\$300,000)	\$0
Eliminates appropriation for DARD acquisition of development rights for unique or critical farmland and open space pursuant to Parts 361 and 362 of 1994 PA 451 because of lack of available revenue from the Agricultural Preservation Fund.	Restricted	300,000	(300,000)	0
7. Align with Available and Appropriate Revenues	Gross	\$2,602,600	(\$1,196,900)	\$0
Increases and decrease spending authorizations, for numerous funds affecting various line items to more accurately reflect available and appropriate revenues; results in a net decrease overall, but a net increase of GF/GP.	IDG/IDT	210,200	(210,200)	0
	Federal	1,348,000	(848,000)	0
	Private	20,000	0	0
	Restricted	1,024,400	(758,100)	0
	GF/GP	\$0	\$619,400	\$0
8. FY 2013-14 One-Time Appropriations	Gross	\$3,400,000	(\$3,400,000)	\$0
Eliminates FY 2013-14 one-time appropriations for qualified forest affidavit program (\$2.3 million, see #4 above), pesticide and plant pest management (\$800,000, see #5 above), and the Ottawa County water resources study (300,000 GF/GP).	GF/GP	\$3,400,000	(\$3,400,000)	\$0
9. Economic Adjustments	Gross	N/A	\$347,900	\$0
Increases and decreases spending authorization, resulting in a net increase, for negotiated salary and wage increases, insurance rates, actuarially-required retirement benefit rates, other postemployment benefits prefunding, workers' compensation costs, building occupancy costs and rent, and other incidental economic adjustments.	IDG/IDT	N/A	4,000	0
	Federal	N/A	85,400	0
	Private	N/A	1,400	0
	Restricted	N/A	40,600	0
	GF/GP	N/A	\$216,500	\$0

AGRICULTURE AND RURAL DEVELOPMENT

Major Boilerplate Changes From FY 2013-14

Sec. 215. Communication with the Legislature – DELETED

Prohibits DARD from taking disciplinary action against an employee for communicating with a member of the Legislature or its staff.

Sec. 232. Annual Legacy Costs – NEW

Identifies annual pension-related and retiree health care legacy costs for DIFS as pursuant to boilerplate Section 1202 of 2013 PA 59.

Sec. 302. Grants Reporting Requirements – DELETED

Prohibits DARD from awarding grants, excluding line item grants, unless DARD provides notice to the Legislature at least 10 days prior to award and the grants are used for research and related activities to enhance Michigan agricultural industrials.

Sec. 402. Foodborne Illness Reporting Requirement – DELETED

Requires DARD to submit a report to the Legislature describing significant foodborne illness outbreaks, including food safety enforcement actions taken during the previous fiscal year.

Sec. 451. Bovine Tuberculosis Split-State Status – DELETED

Requires DARD to pay for whole herd and individual animal testing costs, including indemnity and compensation for injuries causing animal death or downer, in the modified accredited zone to maintain split-state status requirements.

Sec. 453. Livestock Indemnification Payments – DELETED

Stipulates that DARD may expended up to \$100,000 per order from any line item for livestock indemnification provided that DARD reports the amount and the recipient to the Legislature and that indemnification payments shall be for fair market value for livestock killed by wolf, coyote, or cougar and shall be reported to the Legislature.

Sec. 454. Bovine Tuberculosis Eradication – DELETED

Requires DARD to collaborate with the USDA to obtain TB-free status for the Lower Peninsula zoned as a modified accredited area and convene a workgroup to aggressively work toward eradicating Bovine TB in the zone.

Sec. 456. Electronic Animal Identification – DELETED

Prohibits DARD from expending appropriations to enforce the mandatory electronic animal identification program for domestic animals other than cattle until guidelines are established in statute.

Sec. 457. Bovine Tuberculosis Program Report – DELETED

Requires DARD to submit quarterly reports to the Legislature pertaining to DARD's progress toward meeting USDA requirements outlined in the March 2007 Bovine TB Program review.

Sec. 458. Aquaculture Facility Testing – DELETED

Requires DARD to inspect and test aquaculture facilities and researchers and work with aquaculture facilities and researchers to identify, contain, and eradicate viral hemorrhagic septicemia.

Sec. 607. Intercounty Drainage Districts – DELETED

Stipulates intent that DARD continue activities supporting intercounty drainage districts pursuant to Chapter 5 of The Drain Code of 1956 and work with representatives of inter county drainage districts to fund associated costs.

Sec. 701. Rural Development Value-Added Grant Program – REVISED

Requires DARD to establish and administer the Rural Development Value-Added Grant Program and, in collaboration with a joint evaluation committee, award competitive grants to grantees proving a cash match; designates unexpended appropriation as work project and requires semiannual reports to the Legislature. Eliminates work project designation for unexpended appropriation and semiannual reporting requirement.

Sec. 706. Agriculture Development Activity Report – DELETED

Requires DARD to submit a report to the Legislature describing prior year agriculture development and export market development activities, including grant awards and resultant private and federal revenue availability.

Sec. 709. Grape and Wine Industry Council Report – DELETED

Requires DARD to submit a report to the Legislature describing the activities of the Grape and Wine Industry Council, including prior year accomplishments, expenditures, and grant awards.

Sec. 801. Agriculture Equine Industry Development Fund – DELETED

Stipulates that all appropriations from the Agriculture Equine Industry Fund shall be spent on equine-related purposes without prior approval from the Legislature.

Sec. 803. Thoroughbred Program Escrow – DELETED

Stipulates that if there is no live thoroughbred race meet during the fiscal year, the thoroughbred purse and program money shall be held in escrow for up to 18 months and that if there is no live thoroughbred race meet in the subsequent year, the purse pool distribution shall be the same as the distribution in the previous year.

Major Boilerplate Changes From FY 2013-14

Sec. 804. Michigan Gaming Control Board Costs – DELETED

Requires the Michigan Gaming Control Board (MGCB) to utilize actual expenditure data in determining the actual regulatory costs of conducting horse racing and shall provide that data to the Legislature and stipulates procedures to rectify regulatory costs with a certified horseman's organization funds and future race meets.

Sec. 1002. Capital Outlay Lump-Sum Payments – DELETED

Requires DARD to allocate lump-sum payments consistent with statutory provisions and the purposes for which funds are appropriated, addressing priority program and facility needs, and stipulates that the State Budget Director may authorize lump-sum appropriations to be available for no more than three subsequent fiscal years, with remaining appropriations lapsing into the originating funds.

Sec. 1003. Capital Outlay Carryforward – DELETED

Stipulates that the appropriations for capital outlay me be carried forward pursuant to Section 248 of the Management and Budget Act of 1984.

Sec. 1104. Ottawa County Water Resources Study – DELETED

Stipulates that the appropriation for the Ottawa County Water Resources Study shall utilize local partnership with stakeholder groups representing groundwater and public water supplies, delimitates the scope of the study, and requires the findings to be made available to DARD and DEQ.

**Summary: Executive Budget Recommendation
for Fiscal Years 2014-15 and 2015-16
ENVIRONMENTAL QUALITY**

Analyst: Viola Bay Wild

	FY 2013-14	FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14		FY 2015-16 Executive	Difference: FY 2015-16 Vs. FY 2014-15	
	Year-to-Date as of 2/5/14		Amount	%		Amount	%
IDG/IDT	\$9,401,900	\$9,530,500	\$128,600	1.4	\$9,530,500	\$0	0.0
Federal	150,779,700	150,367,600	(412,100)	(0.3)	150,367,600	0	0.0
Local	0	0	0	--	0	0	--
Private	541,800	546,900	5,100	0.9	546,900	0	0.0
Restricted	327,340,900	302,770,900	(24,570,000)	(7.5)	302,770,900	0	0.0
GF/GP	29,104,500	40,875,900	11,771,400	40.4	38,375,900	(2,500,000)	(6.1)
Gross	\$517,168,800	\$504,091,800	(\$13,077,000)	(2.5)	\$501,591,800	(\$2,500,000)	(0.5)
FTEs	1,287.5	1,290.5	3.0	0.2	1,290.5	0.0	0.0

Notes: (1) FY 2013-14 year-to-date figures include mid-year budget adjustments through February 5, 2014. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2015-16 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 2013-14 YTD Appropriations</u>		FY 2013-14 YTD	Executive Changes	
		(as of 2/5/14)	FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
1. Funding and FTE Authorization Adjustments	FTE	N/A	(5.0)	0.0
Eliminates authorization for 5.0 unfunded FTEs in the Water Division; removes \$1.0 million one-time GF/GP for wetlands program and hazardous waste program; reduces IDG and restricted funding by \$970,000 to align with anticipated revenues; reduces funding by \$2.2 million Gross (\$7,100 GF/GP increase) to reflect various technical funding adjustments - including reductions for the following funding that is no longer available:	Gross	N/A	(\$4,788,600)	\$0
	IDG	N/A	(240,600)	0
	Federal	N/A	(700,000)	0
	Restricted	N/A	(2,855,100)	0
	GF/GP	N/A	(\$992,900)	\$0
<ul style="list-style-type: none"> - Federal Funding (\$ 700,000) - Cleanup and Redevelopment Fund (1.3 million) - CMI - Clean Water Fund (1.2 million) - Environmental Protection Fund (668,100) - Environmental Pollution Prevention Fund (263,000) 				
2. Water Quality and Use Initiative	FTE	N/A	5.0	0.0
Provides \$4.0 million GF/GP funding and 5.0 FTEs for development of a comprehensive state water strategy, including water quality, use, permit issuance, and water monitoring efforts. Funding will also be used for DEQ's Water Access Tool, additional beach monitoring equipment and programs, and the wetlands program.	Gross	N/A	\$3,977,200	\$0
	GF/GP	N/A	\$3,977,200	\$0

<u>Major Budget Changes From FY 2013-14 YTD Appropriations</u>	Executive Changes			
		FY 2013-14 YTD (as of 2/5/14)	FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
3. Recycling Initiative	FTE	N/A	3.0	0.0
Includes \$1.0 million GF/GP funding and 3.0 additional FTE authorizations to support a recycling initiative in the state to help increase the number of counties with convenient access to recycling.	Gross	N/A	\$1,000,000	\$0
	GF/GP	N/A	\$1,000,000	\$0
4. Office of Environmental Assistance	FTE	40.0	0.0	0.0
Provides additional \$1.0 million GF/GP funding for the Office of Environmental Assistance; use of funding would include increasing expenditures for the Retired Engineers Technical Assistance Program (RETAP) that provides pollution prevention technical assistance to businesses and industries.	Gross	\$6,187,200	\$1,000,000	\$0
	Federal	773,200	0	0
	Private	356,600	0	0
	Restricted	5,057,400	0	0
	GF/GP	\$0	\$1,000,000	\$0
5. Electronic Document Management System	Gross	N/A	\$2,500,000	(\$2,500,000)
Includes \$2.5 million one-time GF/GP funding for the implementation of an electronic document management system which would enable the Department to make available to the public a greater amount of requested information and documents by making them directly accessible on the Department's website.	GF/GP	N/A	\$2,500,000	(\$2,500,000)
6. Hazardous Waste Management Program	FTE	51.0	0.0	0.0
Provides \$1.9 million GF/GP support to maintain the current funding of the Hazardous Waste Management Program. Funding would replace \$400,000 one-time GF/GP funding and \$1.5 million one-time restricted funding appropriated in FY 2013-14 that is no longer available.	Gross	\$6,331,600	\$1,900,000	\$0
	Federal	3,255,000	0	0
	Restricted	3,076,600	0	0
	GF/GP	\$0	\$1,900,000	\$0
7. Refined Petroleum Fund Increase	Gross	N/A	\$3,014,500	\$0
Includes additional \$3.0 million Refined Petroleum Fund (RPF) revenue for cleanup work at LUST sites (\$1.9 million) and staff support for contaminated site investigations and cleanups (\$1.1 million). Funding is available by replacing the remaining \$3.0 million of RPF revenues currently used for debt service in Treasury with GF/GP funding.	Restricted	N/A	3,014,500	0
In addition, shifts \$2.0 million RPF from Refined Petroleum Product Cleanup Program line item for LUST cleanups to the line item for staff funding, so the cleanup line item has a net reduction from these two changes of \$100,000 RPF funding in FY 2014-15 and the line item supporting cleanup staff has a net increase of \$3.1 million RPF funding.				
8. Drinking Water Revolving Fund Program	Gross	N/A	\$2,500,000	\$0
Provides \$2.5 million GF/GP funding to be as used as matching funds to qualify for additional federal grant money for the Drinking Water Revolving Fund Program which provides low-interest loans to local governments for drinking water infrastructure projects.	GF/GP	N/A	\$2,500,000	\$0
9. Strategic Water Quality Initiative Fund (SWQIF)	Gross	N/A	(\$24,600,000)	\$0
Reduces SWQIF support by \$15.0 million for the Environmental Cleanup and Redevelopment Program to reflect actual projected needs; removes \$9.6 million SWQIF funding for SWQIF loans no longer needed pursuant to PA 562 of 2012 which redirected funding for loans to new SWQIF Grants and Loans Program which remains funded at \$97.0 million in FY 2014-15.	Restricted	N/A	(24,600,000)	0
10. Cost Allocation Adjustment	Gross	N/A	\$0	\$0
Adjusts funding to reflect cost allocation changes from FY 2013-14.	IDG	N/A	281,700	0
	Federal	N/A	(312,700)	0
	Restricted	N/A	31,000	0

ENVIRONMENTAL QUALITY

<u>Major Budget Changes From FY 2013-14 YTD Appropriations</u>		FY 2013-14 YTD (as of 2/5/14)	Executive Changes	
			FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
11. Economic Adjustments	Gross	N/A	\$419,900	\$0
Reflects increased costs of \$419,900 Gross (\$112,900 GF/GP reduction) for negotiated salary and wage amounts (2.0% ongoing increase plus 0.5% lump sum payments), actuarially-required retirement rate increases, and other economic adjustments. Insurance costs held flat due to recent state employee health plan revisions.	IDG	N/A	87,500	0
	Private	N/A	5,100	0
	Federal	N/A	600,600	0
	Restricted	N/A	(160,400)	0
	GF/GP	N/A	(\$112,900)	\$0

Major Boilerplate Changes From FY 2013-14

Sec. 207. Retention of Reports – DELETED

Requires DEQ to retain copies of all reports funded from appropriations.

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. 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 which programs have implemented the expedited program.

Sec. 232. Publication Revenue Fund Transfer – DELETED

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. 233. Request for Proposal (RFP) Language – DELETED

Prohibits Department from issuing an RFP for a contract greater than \$5.0 million unless issuing a request for information (RFI) or a request for qualification (RFQ) has been considered.

Sec. 234. Identification of Legacy Costs – NEW

States that appropriations for legacy costs in part 1 for FY 2014-15 equal \$34.0 million. Of this amount, pension-related legacy costs are estimated to be \$19.0 million and retiree health care legacy costs are estimated to be \$15.0 million.

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; requires report on amount spent at each site and work performed.

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

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

Sec. 407. Groundwater Discharge Sodium Levels – DELETED

Prohibits Department from establishing or enforcing an effluent limitation for amount of sodium in groundwater discharge.

Sec. 408. Beach Monitoring – DELETED

Provides that \$100,000 of funding appropriated in part 1 for surface water be allocated for water quality beach monitoring equipment for Lake St. Clair Metropark Beach.

Major Boilerplate Changes From FY 2013-14

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. 603. Environmental Pollution Prevention Fund (EPPF) – DELETED

Provides that if statutory changes are made to combine the Waste Reduction Fund and Hazardous Material Transportation Permit Fund into the EPPF, appropriations in part 1 from these funds shall be appropriated from the EPPF.

Sec. 604. EPPF Balance Stipulation – DELETED

Provides that if the EPPF balance declines below spending levels, appropriations other than those for the Hazardous Waste Management Program shall be reduced.

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.

Sec. 1202. Identification of Future Retirement Costs – DELETED

States legislative intent that the DEQ identify the FY 2015 retirement costs for line items listed in part 1.

**Summary: Executive Budget Recommendation
for Fiscal Years 2014-15 and 2015-16
NATURAL RESOURCES**

Analyst: Viola Bay Wild

	FY 2013-14	FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14		FY 2015-16 Executive	Difference: FY 2015-16 Vs. FY 2014-15	
	Year-to-Date as of 2/5/14		Amount	%		Amount	%
IDG/IDT	\$1,412,300	\$1,355,100	(\$57,200)	(4.1)	\$1,355,100	\$0	0.0
Federal	67,127,300	67,954,500	827,200	1.2	67,954,500	0	0.0
Local	0	0	0	--	0	0	--
Private	7,237,200	10,286,300	3,049,100	42.1	9,786,300	(500,000)	(4.9)
Restricted	241,925,500	256,498,000	14,572,500	6.0	255,998,000	(500,000)	(0.2)
GF/GP	25,436,600	47,091,500	21,654,900	85.1	48,091,500	1,000,000	2.1
Gross	\$343,138,900	\$383,185,400	\$40,046,500	11.7	\$383,185,400	\$0	0.0
FTEs	2,141.30	2,229.3	88.0	4.1	2,229.3	0.0	0.0

Notes: (1) FY 2013-14 year-to-date figures include mid-year budget adjustments through February 5, 2014. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2015-16 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. Program areas include forest management, land and minerals management, wildlife and fisheries management, conservation law enforcement, state parks and forest campgrounds, and Michigan's historical programs.

Executive Changes

<u>Major Budget Changes From FY 2013-14 YTD Appropriations</u>		FY 2013-14 YTD (as of 2/5/14)	FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
1. Funding Adjustments	Gross	N/A	(\$689,300)	\$0
Removes \$600,000 one-time GF/GP funding for conservation officer academy in FY 2013-14; reduces gross funding authorization by \$1.5 million to align with anticipated revenues; replaces \$1.5 million federal funding with restricted funding for recreational boating; increases restricted funding by \$674,000 for various programs due to available revenue – including \$350,000 for forest fire equipment and \$228,700 for additional recreation passport local grants.	IDG	N/A	(85,000)	0
	Federal	N/A	(783,700)	0
	Restricted	N/A	779,400	0
	GF/GP	N/A	(\$600,000)	\$0
2. Conservation Officers	FTE	N/A	25.0	0.0
Provides additional \$3.5 million GF/GP to fund 25 additional conservation officers and a conservation officer academy which would begin in first quarter of FY 2014-15. In current year, FY 2013-14, it is projected that there will be 202 officers after the current academy is completed. FTE increases for FY 2014-15 is anticipated to bring the total to 227 conservation officers.	Gross	N/A	\$3,500,000	\$0
	GF/GP	N/A	\$3,500,000	\$0
3. Annualize Increased Revenue from Hunting and Fishing License Fees	FTE	N/A	26.0	0.0
Includes \$8.1 million additional restricted funding and 26.0 FTE authorizations to reflect full-year implementation of the hunting and fishing license fee increase enacted in PA 108 of 2013; increased fees go into effect March 1, 2014.	Gross	N/A	\$8,057,500	\$0
	Restricted	N/A	8,057,500	0

Major Budget Changes From FY 2013-14 YTD Appropriations	Executive Changes			
		FY 2013-14 YTD (as of 2/5/14)	FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
4. Invasive Species Initiative	FTE	0.0	16.0	0.0
Provides \$4.0 million ongoing GF/GP funding and 16.0 FTEs to develop a comprehensive response program for invasive species. Funding and FTEs would be distributed to DNR, DEQ, MDARD, and MDOT. DNR would be the lead agency for the initiative. Program would also fund local grants. One-time funding in FY 2014-15 provides additional \$2.0 million GF/GP for local grants and one-time funding in FY 2015-16 would provide \$4.0 million for grants.	Gross	\$0	\$6,000,000	\$2,000,000
	GF/GP	\$0	\$6,000,000	\$2,000,000
5. Michigan Conservation Corps	FTE	0.0	1.0	0.0
Merges the Summer Youth Initiative Program with the Michigan Conservation Corps, increases funding \$1.0 million GF/GP, and adds 1.0 FTE position. Program would be expanded statewide and year-long to employ individuals up to 27 years old and include returning veterans.	Gross	\$2,500,000	\$1,000,000	\$0
	GF/GP	\$2,500,000	\$1,000,000	\$0
6. Forestry Program	FTE	N/A	10.0	0.0
Provides \$4.0 million GF/GP funding to wildfire protection program to offset \$4.0 million forest development fund revenue that would be redirected to forest management, increasing funding for that program by \$4.0 million; the use of new forestry funding would include enhanced technology for program, increased contracts and agreements with forestry partners, increased wood fiber extraction from state lands, and the hiring of 10 additional foresters.	Gross	N/A	\$4,000,000	\$0
	GF/GP	N/A	\$4,000,000	\$0
7. Great Lakes Research Vessel	Gross	N/A	\$2,000,000	(\$2,000,000)
Includes \$2.0 million (\$1.0 million GF/GP) one-time funding to replace the <i>Chinook</i> , DNR's 67-year-old Lake Huron research vessel.	Private	N/A	500,000	(500,000)
	Restricted	N/A	500,000	(500,000)
	GF/GP	N/A	\$1,000,000	(\$1,000,000)
8. Non-Motorized Trail Initiative	FTE	N/A	10.0	0.0
Includes 10.0 FTE positions and \$2.5 million GF/GP funding for non-motorized trail programs. Funding would be distributed to DNR forest recreation and trails program, Mackinac Island Park, Michigan Historical Center, and trail grants. Funding would also support the development of a 1,000 mile showcase trail stretching from Belle Isle in Detroit to the Wisconsin border.	Gross	N/A	\$2,500,000	\$0
	GF/GP	N/A	\$2,500,000	\$0
9. State Park Funding	Gross	\$58,883,100	\$2,000,000	\$0
Includes additional \$2.0 million restricted funding from the State Park Improvement Fund to maintain and operate state parks.	Federal	136,300	0	0
	Private	411,900	0	0
	Restricted	56,634,900	2,000,000	0
	GF/GP	\$1,700,000	\$0	\$0
10. Capital Outlay Projects – State Parks and Wetlands	Gross	\$9,500,000	\$6,000,000	\$0
Increases funding for state parks repair and maintenance by \$3.0 million Gross overall (\$4.0 million GF/GP and \$2.5 million private funding are added, restricted funding is reduced by \$3.5 million). In a new line item, \$3.0 million restricted funding from the waterfowl hunting stamp is appropriated for wetlands restoration and acquisition.	Private	0	2,500,000	0
	Restricted	9,500,000	(500,000)	0
	GF/GP	\$0	\$4,000,000	\$0
11. Capital Outlay Projects – Waterways Boating Program	Gross	\$6,915,600	\$84,400	\$0
Includes additional \$84,400 Gross funding for waterways boating projects. Restricted funding is appropriated from the State Waterways Fund.	Federal	1,638,000	787,000	0
	Restricted	5,277,600	(702,600)	0

NATURAL RESOURCES

<u>Major Budget Changes From FY 2013-14 YTD Appropriations</u>		FY 2013-14 YTD (as of 2/5/14)	Executive Changes	
			FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
12. Economic Adjustments	Gross	N/A	\$5,593,900	\$0
Reflects increased costs of \$5.6 million Gross (\$254,900 GF/GP) for negotiated salary and wage amounts (2.0% ongoing increase plus 0.5% lump sum payments), actuarially-required retirement rate increases, and other economic adjustments. Insurance costs held flat due to recent state employee health plan revisions.	IDG	N/A	27,800	0
	Private	N/A	49,100	0
	Federal	N/A	823,900	0
	Restricted	N/A	4,438,200	0
	GF/GP	N/A	\$254,900	\$0

Major Boilerplate Changes From FY 2013-14

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. 217. Retention of Reports – DELETED

Requires DNR to retain copies of all reports funded from appropriations.

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.

Sec. 233. FTE Report – DELETED

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

Sec. 236. Request for Proposal (RFP) Language – DELETED

Prohibits Department from issuing an RFP for a contract greater than \$5.0 million unless issuing a request for information (RFI) or a request for qualification (RFQ) has been considered.

Sec. 237. FY 2014-15 Retirement Costs – NEW

States that appropriations for legacy costs in part 1 for FY 2014-15 equal \$46.7 million. Of this amount, pension-related legacy costs are estimated to be \$26.1 million and retiree health care legacy costs are estimated to be \$20.6 million.

Sec. 408. Land Transactions – DELETED

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

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. 703. Soo-Raco Trail – DELETED

Requires DNR to work with MDOT, local officials, and local landowners to investigate traffic routing and flow on the Soo-Raco trail through Brimley.

Major Boilerplate Changes From FY 2013-14

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. 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. 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.

Sec. 1104. Federal Reimbursement For Harbor Dredging – DELETED

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.

Sec. 1201. FY 2014-15 Anticipated Appropriations – DELETED

States legislative intent that the FY 2014-15 line item appropriations will be the same as those for FY 2013-14 with certain economic adjustments.

Sec. 1202. Identification of Future Retirement Costs – DELETED

States legislative intent that the DNR identify the FY 2014-15 retirement costs for line items listed in Part 1.

Supplemental Recommendations for FY 2013-14 Appropriations

		<u>FY 2013-14 Recommendation</u>
1. Waterways Boating Capital Outlay Projects		Gross \$1,910,000
Includes \$1.9 million Gross funding for Waterways Boating Program capital outlay projects. Funding includes \$330,000 restricted funding from the State Waterways Fund for additional local boating facility grants, \$1.5 million federal funding for the Munising Bayshore Marina, and \$80,000 private funding for a boat washing station for an existing park project at South Higgins State Park.		Federal 1,500,000
		Private 80,000
		Restricted 330,000
2. Michigan Natural Resources Trust Fund (MNRTF) Land Development and Acquisition Projects		Gross \$27,677,800
Includes \$27.7 million restricted funding for 32 land acquisition projects and 44 land development projects supported with revenues from the MNRTF. The MNRTF provides financial assistance to local units of government and to the DNR for the purchase and/or development of outdoor recreation lands.		Restricted 27,677,800

**FY 2014-15 AND FY 2015-16
Budget Detail
for
ALL OTHERS**

**Insurance and Financial Services
Judiciary
Licensing and Regulatory Affairs
Transportation**

**Summary: Executive Budget Recommendation
for Fiscal Years 2014-15 and 2015-16
DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES**

Analyst: Paul Holland

	FY 2013-14 Year-to-Date as of 2/5/14	FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14		FY 2015-16 Executive	Difference: FY 2015-16 Vs. FY 2014-15	
			Amount	%		Amount	%
IDG/IDT	\$707,600	\$707,600	\$0	0.0	\$707,600	\$0	0.0
Federal	2,000,000	2,000,000	0	0.0	2,000,000	0	0.0
Local	0	0	0	--	0	0	--
Private	0	0	0	--	0	0	--
Restricted	61,627,900	62,427,100	799,200	1.3	62,427,100	0	0.0
GF/GP	11,000,000	150,000	(10,850,000)	(98.6)	150,000	0	0.0
Gross	\$75,335,500	\$65,284,700	(\$10,050,800)	(13.3)	\$65,284,700	\$0	0.0
FTEs	343.0	343.0	0.0	0.0	343.0	0.0	0.0

Notes: (1) FY 2013-14 year-to-date figures include mid-year budget adjustments through February 5, 2014. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2015-16 figures are projected budget amounts only and would not be legally binding appropriations.

Overview

The Department of Insurance and Financial Services (DIFS) is responsible for licensing, evaluating, regulating, and promoting the insurance and financial industries operating within the state and providing consumer protection for Michigan residents by managing consumer information and inquiries and investigating consumer complaints. DIFS administers, implements, and enforces state statutes pertaining to state-chartered banks, credits unions, mortgage lenders, consumer finance entities, insurance companies and agents, health maintenance organizations, and various consumer finance entities. DIFS is organized into the offices of Banking, Consumer Finance, Credit Unions, Insurance Evaluation, Insurance Rates and Forms, Insurance Licensing and Market Conduct, Consumer Services, General Counsel, Finance and Administrative Services, and Policy. Additionally, DIFS administers the Autism Coverage Reimbursement Program created by Public Act 101 of 2012.

DIFS was created by Executive Order 2013-1 through the transfer of the authority, powers, duties, functions, and responsibilities of the former Office of Financial and Insurance Regulation and functions of the Autism Coverage Reimbursement Program from the Department of Licensing and Regulatory Affairs.

Major Budget Changes From FY 2013-14 YTD Appropriations	Executive Changes		
	FY 2013-14 YTD (as of 2/5/14)	FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
1. Autism Coverage Fund	Gross	\$11,000,000	(\$11,000,000)
Eliminates appropriation for the Autism Coverage Fund which supports the Autism Coverage Reimbursement Program established by 2012 PA 101. Of the \$26.0 million GF/GP appropriated for the non-lapsing Autism Coverage Fund over the past two years, as of 12/03/13 \$501,937 has been paid to insurance carriers for reimbursement of claims for diagnosis and treatment of autism spectrum disorders. DIFS anticipates that claims for reimbursement will substantially increase during FY 2014-15 but estimates that there is currently sufficient money in the Autism Coverage Fund to cover these claims.	GF/GP	\$11,000,000	(\$11,000,000)
			\$0
			\$0

<u>Major Budget Changes From FY 2013-14 YTD Appropriations</u>		FY 2013-14 YTD (as of 2/5/14)	Executive Changes	
			FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
2. Healthy Michigan Plan Analysis and Reports	FTE	4.0	0.0	0.0
Increases spending authorization for DIFS pursuant to 2013 PA 107 which directs DIFS to evaluate and issue an annual report on the impact of expanding medical coverage via the Healthy Michigan Plan (i.e. Medicaid Expansion/Reform) on the cost of uncompensated relating to health insurance rates and to staff the Michigan Health Care Cost and Quality Advisory Committee which is charged with analyzing various facets of the health care and health insurance industries and issuing a report with recommendations on the creation of a database on health care cost and quality in Michigan.	Gross	\$615,700	\$150,000	\$0
	Restricted	615,700	0	0
	GF/GP	\$0	\$150,000	\$0
3. Economic Adjustments	Gross	N/A	\$799,200	\$0
Increases and decrease spending authorizations, resulting in a net increase, for negotiated salary and wage increases, insurance rates, actuarially-required retirement benefit rates, other postemployment benefits prefunding, workers' compensation costs, building occupancy costs and rent, and other incidental economic adjustments.	Restricted	N/A	799,200	0

Major Boilerplate Changes From FY 2013-14

Sec. 212. Record Retention – DELETED

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

Sec. 215. Communication with the Legislature – DELETED

Prohibits DIFS from taking disciplinary action against an employee for communicating with a member of the Legislature or its staff.

Sec. 219. Office Space Utilization Report – DELETED

Requires DIFS to submit a report pertaining to the amount of office space paid for during the previous year, the amount actually utilized during the previous year, and the estimated amount that will be utilized during the current and subsequent years.

Sec. 232. Television and Radio Productions – DELETED

Prohibits DIFS from developing or producing television or radio productions.

Sec. 235. Annual Legacy Costs – NEW

Identifies annual pension-related and retiree health care legacy costs for DIFS as pursuant to boilerplate Section 1202 of 2013 PA 59.

Sec. 238. Require RFIs and RFQs Prior to Issuing RFPs – DELETED

Prohibits DIFS from issuing requests for proposals (RFP) for contracts in excess of \$50.0 million without first considering issuing requests for information (RFI) or requests for qualifications (RFQ) and requires that DIFS notify DTMB of the evaluation process used to determine that a RFI or RFQ was not necessary.

Sec. 240. Filled FTE Report – DELETED

Stipulates that the Legislature intends that DIFS does not use FTE positions as spending placeholders and requires DIFS to provide a report specifying the quarterly number of filled FTE positions by line item during the preceding fiscal year.

Sec. 310. Economic Development Report – DELETED

Requires DIFS to submit a report pertaining to the total amounts expended and number of FTEs utilized during the preceding fiscal year to support the economic development of the insurance or financial industries and to provide a detailed plan for ongoing and future DIFS activities to support the economic development of the insurance or financial industries.

Sec. 341. Administrative Rules Restriction – DELETED

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

Sec. 801. Autism Coverage Reimbursement Program Appropriation – DELETED

Appropriates the money in the Autism Coverage Fund to be expended on the Autism Coverage Reimbursement Program as authorized by 2012 PA 101.

INSURANCE AND FINANCIAL SERVICES

Major Boilerplate Changes From FY 2013-14

Sec. 802. Autism Coverage Reimbursement Program Reporting Requirements – DELETED

Requires DIFS to submit a report pertaining to the number of reimbursements for and the average costs of diagnosis and treatment under the Autism Coverage Reimbursement Program authorized by 2012 PA 101.

Summary: Executive Budget Recommendation for Fiscal Years 2014-15 and 2015-16 JUDICIARY

Analyst: Robin R. Risko

	FY 2013-14	FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14		FY 2015-16 Executive	Difference: FY 2015-16 Vs. FY 2014-15	
	Year-to-Date as of 2/5/14		Amount	%		Amount	%
IDG/IDT	\$2,350,500	\$2,364,400	\$13,900	0.6	\$2,364,400	\$0	0.0
Federal	5,343,900	6,437,400	1,093,500	20.5	6,437,400	0	0.0
Local	7,133,100	7,241,100	108,000	1.5	7,241,100	0	0.0
Private	931,500	944,800	13,300	1.4	944,800	0	0.0
Restricted	84,213,800	84,252,500	38,700	0.0	84,252,500	0	0.0
GF/GP	183,441,300	188,242,900	4,801,600	2.6	187,242,900	(1,000,000)	(0.5)
Gross	\$283,414,100	\$289,483,100	\$6,069,000	2.1	\$288,483,100	(\$1,000,000)	(0.3)
FTEs	483.0	485.0	2.0	0.4	484.0	(1.0)	(0.2)

Notes: (1) FY 2013-14 year-to-date figures include mid-year budget adjustments through February 5, 2014. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2015-16 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. The Judiciary budget provides operational funding for the Michigan Supreme Court, the Court of Appeals, and related judicial agencies. The budget 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. Funding assistance for local trial court operations is provided through a variety of grant programs. The largest of these, the Court Equity Fund Reimbursement 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 2013-14 YTD Appropriations		FY 2013-14 YTD	Executive Changes	
		(as of 2/5/14)	FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
1. Mental Health Diversion Program Includes funding for judiciary's role in a multi-agency statewide mental health diversion program. Assisted Outpatient Treatment is a court-ordered program of community-based mental health services designed to improve outcomes for people with serious mental illness who have a history of repeated incarcerations. Funding will be used for reinforcement of existing mental health courts through court coordination, mental health services, substance abuse treatment, housing, and transportation services (\$1.0 million) and for court evaluations, attorney services, and training (\$730,000).	Gross	N/A	\$1,730,000	\$0
	GF/GP	N/A	\$1,730,000	\$0
2. Regionalization and Expansion of Specialty Courts Includes additional federal funding made available for drug treatment courts, for regionalization and expansion of driving while intoxicated/sobriety courts, and for evaluation of the ignition interlock program. The goal is to make the courts available to more citizens in the state by regionalizing courts to serve multiple jurisdictions and expanding the number of courts available.	Gross	\$9,583,000	\$1,375,000	\$0
	IDG	1,500,000	0	0
	Federal	800,000	1,375,000	0
	Restricted	1,920,500	0	0
	GF/GP	\$5,362,500	\$0	\$0

JUDICIARY

Major Budget Changes From FY 2013-14 YTD Appropriations		FY 2013-14 YTD (as of 2/5/14)	Executive Changes	
			FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
3. Michigan Indigent Defense Commission	Gross	N/A	\$1,000,000	\$0
Includes funding for implementation of the Michigan Indigent Defense Commission (MIDC), which was established under Public Act 93 of 2013. The MIDC was created as an autonomous entity in the judicial branch to develop and oversee the implementation, enforcement, and modification of minimum standards, rules, and procedures to ensure that indigent criminal defense services are consistently delivered to all indigent adults throughout the state. The MIDC is charged with hiring an executive director and the appropriate number of staff needed to accomplish the purpose of the MIDC. The appropriation will support the administrative staff for the commission and staff-related costs.	GF/GP	N/A	\$1,000,000	\$0
4. Next Gen/MiCS	Gross	\$3,490,700	\$634,300	\$0
Includes additional funding to assist with implementation of a unified case management information system, called the Next Generation Michigan Court System (Next Gen/MiCS). A one-time appropriation of \$3.5 million GF/GP is included in the FY 2013-14 budget. That funding, along with the additional \$634,300, will be considered an on-going appropriation in the FY 2014-15 budget. The new system will combine the four current legacy case management systems in at least 264 trial court locations that are built on technology that is almost 30 years old. Funding will also be used to train the more than 4,000 users of the system.	GF/GP	\$3,490,700	\$634,300	\$0
5. Savings for Eliminated Judgeships	Gross	N/A	(\$563,000)	\$0
Reflects a savings from elimination of 5.0 judgeships under Public Act 300 of 2011. One Court of Appeals judgeship and four District Court judgeships, from Midland, Lansing, Alpena/Montmorency, and Gogebic/Ontonagon Counties, will be eliminated. One Circuit Court judgeship will be eliminated from Newaygo/Oceana County, and one Circuit Court judgeship restored in Oakland County. The amount of savings is a result of the effective dates of the retirements of the judges.	GF/GP	N/A	(\$563,000)	\$0
6. State Appellate Defender Office (SADO) Staff Support	Gross	\$6,646,900	\$0	\$0
Includes funding to pay for staff who are currently funded with federal grant funding which is set to expire on October 1, 2014. These staff assist the office with meeting the statutory requirement of managing 25% of the state's criminal defense appellate cases for indigents, and supporting the criminal defense bar. The office met 16% in FY 2011-12, 19% in FY 2012-13, and is expected to meet 26% in FY 2013-14.	IDG	342,900	0	0
	Federal	408,300	(350,000)	0
	Private	81,300	0	0
	Restricted	117,600	0	0
	GF/GP	\$5,696,800	\$350,000	\$0
7. Foreign Language Proficiency	FTE	N/A	2.0	0.0
Includes funding to support 2.0 FTE positions and the associated costs. These staff will oversee Limited English Proficiency programs at the local trial courts and the testing and certification of interpreters. They will also assist the Foreign Language Board of Review. These positions are necessary to ensure the state's compliance with federal directives that interpreters be provided to individuals with limited English proficiency.	Gross	N/A	\$245,000	\$0
	GF/GP	N/A	\$245,000	\$0
8. Economic Adjustments	Gross	N/A	\$1,647,700	\$0
Includes funding for justices' and judges' retirement, salary and wage increases (2.0% ongoing increase plus 0.5% lump sum payments), actuarially-required retirement rate increases, rent, building occupancy, and worker's compensation. Insurance costs are held flat due to recent revisions to the state employee health plan.	IDG	N/A	13,900	0
	Federal	N/A	64,800	0
	Local	N/A	111,700	0
	Private	N/A	13,300	0
	Restricted	N/A	38,700	0
	GF/GP	N/A	\$1,405,300	\$0

<u>Major Budget Changes From FY 2013-14 YTD Appropriations</u>		FY 2013-14 YTD (as of 2/5/14)	Executive Changes	
			FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
9. Maintain One-Time Trial Court Innovations Funding	FTE	1.0	0.0	(1.0)
Maintains 1.0 FTE position and funding to be used to create incentives which encourage positive change, adoption of best practices, and high performance in the state's trial courts. The funding is included in the FY 2013-14 budget as a one-time appropriation, is maintained in the FY 2014-15 budget as a one-time appropriation, and is removed in the FY 2015-16 budget.	Gross	\$1,000,000	\$0	(\$1,000,000)
	GF/GP	\$1,000,000	\$0	(\$1,000,000)

Major Boilerplate Changes From FY 2013-14

Sec. 224. Legacy Costs – NEW

States that the total amount of funding estimated to be expended on legacy costs in FY 2014-15 is \$14.3 million. Of that, \$8.0 million is estimated to be expended on pension-related legacy costs, and \$6.3 million is estimated to be expended on health care-related legacy costs.

Sec. 307. Mental Health Diversion Council – NEW

Expresses intent that the appropriation for Mental Health and Diversion Services be used to address the recommendations of the Mental Health Diversion Council.

Sec. 309. Mental Health Courts – DELETED

Requires SCAO to provide an annual update on the status of the 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 and to provide an annual review.

Sec. 312. Parental Rights Restoration Act – DELETED

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

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 persons representing themselves in civil legal proceedings; requires SCAO to evaluate the effectiveness of the website, and to summarize costs and estimate savings.

Sec. 323. Report on Juvenile Out-of-State Placements – DELETED

Requires SCAO to provide courts with a listing of out-of-state placements of juveniles made by each court, a listing of per diem costs of the public and private residential care facilities located or doing business in the state, and recidivism data for each facility.

<u>Supplemental Recommendations for FY 2013-14 Appropriations</u>		<u>FY 2013-14 Recommendation</u>
1. Regionalization and Expansion of Specialty Courts	Gross	\$650,000
Includes authorization to receive additional federal revenue being made available for drug treatment courts, regionalization and expansion of driving while intoxicated/sobriety courts, and for evaluation of the ignition interlock program.	Federal	650,000

**Summary: Executive Budget Recommendation
for Fiscal Years 2014-15 and 2015-16**

DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS

Analyst: Paul Holland

	FY 2013-14	FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14		FY 2015-16 Executive	Difference: FY 2015-16 Vs. FY 2014-15	
	Year-to-Date as of 2/5/14		Amount	%		Amount	%
IDG/IDT	\$14,228,200	\$14,509,800	\$281,600	2.0	\$14,509,800	\$0	0.0
Federal	195,559,900	199,124,800	3,564,900	1.8	199,124,800	0	0.0
Local	656,500	656,500	0	0.0	656,500	0	0.0
Private	2,011,800	2,311,800	300,000	14.9	2,311,800	0	0.0
Restricted	265,457,400	290,224,100	24,766,700	9.3	267,824,100	(22,400,000)	(7.7)
GF/GP	25,004,900	25,033,800	28,900	0.1	25,033,800	0	0.0
Gross	\$502,918,700	\$531,860,800	\$28,942,100	5.8	\$509,460,800	(\$22,400,000)	(4.2)
FTEs	2,970.5	2,978.5	8.0	0.3	2,977.5	(1.0)	(0.0)

Notes: (1) FY 2013-14 year-to-date figures include mid-year budget adjustments through February 5, 2014. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2015-16 figures are projected budget amounts only and would not be legally binding appropriations.

Overview

The Department of Licensing and Regulatory Affairs (LARA) is primarily responsible for business regulatory and employment services programs and is organized according to its four principal functions: 1) Licensing and Regulation, which implements and enforces statutory laws and administrative rules pertaining to commercial and occupational, construction and fire safety, healthcare provider and facility, 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.

Major Budget Changes From FY 2013-14 YTD Appropriations		FY 2013-14 YTD (as of 2/5/14)	Executive Changes	
			FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
1. Customer Service at the UIA (One-Time)	Gross	N/A	\$18,000,000	(\$18,000,000)
Includes one-time spending authorization to maintain customer services at the Unemployment Insurance Agency (UIA), supported with revenue from the Penalty and Interest Account of the Contingent Fund (Fund) in which penalties, damages, and interest collected from employers and claimants are deposited. The UIA anticipates that process improvement efforts will enable it to operate within existing federal grant funding by the end of FY 2014-15. In August of 2012, due to the decline in the state's Insured Unemployment Rate during 2012, the federal government reduced the amount of administration grants to the UIA by \$37.2 million, resulting in 402 FTEs being laid-off. In response, the Legislature approved a contingency transfer authorizing \$5.0 million from the Fund to support the maintenance of UIA operations during FY 2012-13. LARA anticipates a similar transfer request for FY 2013-14 dependent upon the level of quarterly supplemental federal grants allocated to the UIA during the year.	Restricted	N/A	18,000,000	(18,000,000)

Major Budget Changes From FY 2013-14 YTD Appropriations		FY 2013-14 YTD (as of 2/5/14)	Executive Changes	
			FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
2. Unemployment Insurance Mobile Application (One-Time)	Gross	N/A	\$2,400,000	(\$2,400,000)
Includes one-time spending authorization to develop a mobile device application which will facilitate the remote filing of unemployment insurance claims, supported with revenue from the Penalty and Interest Account of the Contingent Fund.	Restricted	N/A	2,400,000	(2,400,000)
3. Operations and IT Upgrades for BCC	FTE	104.7	0.0	0.0
Increases spending authorization for the Bureau of Construction Code (BCC), supported with revenue from the Construction Code Fund, subsequent to a \$5.8 million decrease in spending authorization in the FY 2013-14 appropriation; approximately \$350,000 to maintain current operations which includes expanded permitting activities as part of the effort to remediate blight in Detroit, and approximately \$650,000 to fund the replacement of the BCC's online permitting/licensing system.	Gross	\$8,933,700	\$1,066,300	\$0
	Restricted	8,933,700	1,066,300	0
4. Elevator Inspectors and Elevator Portion of IT Upgrades	FTE	30.0	2.0	0.0
Increases spending authorization and staff, supported with revenue from the Elevator Safety Fund, to hire an additional two elevator inspectors to address elevator inspection backlog resulting in approximately 30% of annual elevator inspections overdue in FY 2012-13 (approximately \$224,000) and fund the Elevator Division's portion of the replacement of the BCC's online permitting/licensing system (approximately \$476,000).	Gross	\$3,645,700	\$700,000	\$0
	Restricted	3,645,700	700,000	0
5. Long-Term Care Facility Survey and Certification	FTE	211.4	0.0	0.0
Increases spending authorization, supported with federal Title XIX reimbursements, for the Bureau of Health Care Services (BHCS) to perform surveys (i.e. inspections) of long-term care facilities (e.g. nursing homes) in order to issue certifications required for eligibility to provide medical and custodial care of Medicaid-enrollees.	Gross	\$27,825,600	\$700,000	\$0
	Federal	18,519,900	700,000	0
	Private	200,000	0	0
	Restricted	3,300,200	0	0
	GF/GP	\$5,805,500	\$0	\$0
6. Property Management for UIA Grand Rapids Facility	Gross	\$10,007,300	\$1,275,000	\$0
Increases spending authorization, supported with federal unemployment insurance administration grants, for DTMB property management charges for the "One Division" facility in Grand Rapids, resultant from a FY 2013-14 reduction for UIA property management which was not realized.	Federal	4,328,200	1,275,000	0
	Restricted	5,374,900	0	0
	GF/GP	\$304,200	\$0	\$0
7. Reinventing Performance in Michigan	FTE	87.0	0.0	0.0
Increases GF/GP spending authorization to offset expenditures made within the Office of Financial and Administrative Services Team since FY 2011-12 for the Reinventing Performance in Michigan (RPM) initiative; statewide regulatory process improvement efforts designed to improve customer satisfaction, shorten customer response time, reduce redundant forms, and ensure customer-facing materials are utilized.	Gross	\$8,725,000	\$700,000	\$0
	Federal	1,659,000	0	0
	Restricted	7,066,000	0	0
	GF/GP	\$0	\$700,000	\$0
8. Registration Fees for Long-Term Care Training Event	Gross	\$200,000	\$300,000	\$0
Increases spending authorization enabling LARA to expend registration fees collected from attendees of the LARA-sponsored biennial "Joint Provided and Surveyor Training" events for long-term care staff and regulators pursuant to the Public Health Code.	Private	200,000	300,000	0
9. Accounting Services Provided to DIFS	FTE	87.0	0.0	0.0
Increases spending authorization, supported with an IDG from the Department of Insurance and Financial Services (DIFS), for accounting services provided to DIFS by the Financial and Administrative Services Team within LARA.	Gross	\$8,725,000	\$150,000	\$0
	IDG/IDT	0	150,000	0
	Federal	1,659,000	0	0
	Restricted	7,066,000	0	0
	GF/GP	\$0	\$0	\$0

LICENSING AND REGULATORY AFFAIRS

Major Budget Changes From FY 2013-14 YTD Appropriations		FY 2013-14 YTD (as of 2/5/14)	Executive Changes	
			FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
10. Compensation Supplement Fund	Gross	\$820,000	\$1,000,000	\$0
Increases in GF/GP spending authorization for the Compensation Supplement Fund to support reimbursements to self-insured entities that no longer receive a MBT tax credit which was repealed by 2011 PA 39. Equivalent FY 2012-13 supplemental appropriation was enacted by 2013 PA 102 and equivalent supplemental request for FY 2013-14 has been issued by SBO.	Restricted	820,000	0	0
	GF/GP	\$0	\$1,000,000	\$0
11. DEQ Administrative Hearing Caseload	FTE	209.0	0.0	0.0
Decreases spending authorization, supported with an IDG from the Department of Environmental Quality (DEQ), to more accurately reflect anticipated administrative hearing caseload from DEQ for the Michigan Administrative Hearing System (MAHS).	Gross	\$38,803,900	(\$236,300)	\$0
	IDG/IDT	14,128,200	(236,300)	0
	Federal	9,154,300	0	0
	Restricted	12,508,700	0	0
	GF/GP	\$1,012,700	\$0	\$0
12. Medicaid Administrative Hearing Caseload	FTE	209.0	6.0	0.0
Increases spending authorization and staff, supported by 50/50 state/federal match, for the Michigan Administrative Hearing System (MAHS) to support an anticipated escalation in administrative hearings engender by an estimated 35% increase in the Medicaid caseload under the Healthy Michigan Plan (i.e. Medicaid Expansion/Reform). To illustrate context, during FY 2012-13, MAHS opened 23,539, heard 6,213, and closed 24,031 administrative hearings pertaining to Medicaid eligibility and benefits.	Gross	\$36,803,900	\$900,000	\$0
	IDG/IDT	14,128,200	0	0
	Federal	9,154,300	450,000	0
	Restricted	12,508,700	0	0
	GF/GP	\$1,012,700	\$450,000	\$0
13. LCC IT Upgrades (One-Time)	Gross	\$2,000,000	\$0	(\$2,000,000)
Transfers spending authorization for replacement of the Liquor Control Commission's (LCC) COBOL-based information technology system, supported with revenue from state wholesale liquor sales, from ongoing baseline to a one-time appropriation, eliminating funding in subsequent fiscal years.	Restricted	2,000,000	0	(2,000,000)
14. FY 2013-14 One-Time Appropriation	Gross	\$2,140,300	(\$2,140,300)	\$0
Eliminates one-time GF/GP spending authorization for upgrades to the information technology system utilized by nursing home surveyors within the Bureau of Health Care Services (BHCS).	GF/GP	\$2,140,300	(\$2,140,300)	\$0
15. Fund Shifts	Gross	\$2,100,700	\$0	\$0
Incorporates numerous fund shifts within various line items between fund sources that net out to zero gross, though they may alter the types of fund sources, but which reflect changes in the availability and allocation of funds or reflect allocations to more accurately reflect program administration.	Federal	555,000	(293,000)	0
	Restricted	1,545,700	293,000	0
16. Economic Adjustments	Gross	N/A	\$4,127,400	\$0
Increases and decreases spending authorization, resulting in a net increase, for negotiated salary and wage increases, insurance rates, actuarially-required retirement benefit rates, other postemployment benefits prefunding, workers' compensation costs, building occupancy costs and rent, and other incidental economic adjustments.	IDG/IDT	N/A	367,900	0
	Federal	N/A	1,432,900	0
	Restricted	N/A	2,307,400	0
	GF/GP	N/A	\$19,200	\$0

Major Boilerplate Changes From FY 2013-14

Sec. 211. LCC IT Work Project – REVISED

Designates the appropriation for LCC IT upgrades as a work project, stipulates that the appropriation remain available and shall not lapse, and anticipates future appropriations until the project is completed. Executive eliminates language pertaining to additional appropriations and anticipated completion date.

Sec. 212. Records Retention – DELETED

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

Sec. 215. Communication with the Legislature – DELETED

Prohibits LARA from taking disciplinary action against an employee for communicating with a member of the Legislature or its staff.

Sec. 219. Office-Space Utilization Report – DELETED

Requires LARA to submit a report pertaining to the amount of office space paid for during the previous year, the amount actually utilized during the previous year, and the estimated amount that will be utilized during the current and subsequent years.

Sec. 225. Private Grant Funded Project Notice – DELETED

Requires LARA to provide notice to the Legislature within ten days of receipt of grants under the private grant programs line item.

Sec. 232. Televisions and Radio Productions – DELETED

Prohibits LARA from developing or producing television or radio productions.

Sec. 235. Annual Legacy Costs – NEW

Identifies annual pension-related and retiree health care legacy costs for DIFS as pursuant to boilerplate Section 1202 of 2013 PA 59.

Sec. 238. Require RFIs and RFQs Prior to Issuing RFPs – DELETED

Prohibits LARA from issuing requests for proposals (RFP) for contracts in excess of \$50,000,000 without first considering issuing requests for information (RFI) or requests for qualifications (RFQ) and requires that LARA notify DTMB of the evaluation process used to determine that a RFI or RFQ was not necessary.

Sec. 240. Filled FTE Report – DELETED

Stipulates that the Legislature intends that LARA does not use FTE positions as spending placeholders and requires LARA to provide a report specifying the quarterly number of filled FTE positions by line item during the preceding fiscal year.

Sec. 250. OPEB Prefunding – DELETED

Stipulates that the Legislature intends that LARA continues the prefunding of other postemployment benefits (OPEB) pursuant to 2011 PA 264.

Sec. 305. Fireworks Safety Grants – DELETED

Stipulates that the Legislature intends that LARA expends \$1.0 million in fireworks safety grants to local units of government, requires local units of government to submit a report to LARA indicating the annual costs of inspections and enforcement activities associated with the Fireworks Safety Act of 2011, and requires LARA to submit a report providing information pertaining to the amounts of fireworks safety grants awarded to local units of government.

Sec. 332. UI Computer System Report – DELETED

Requires quarterly reports on the status of the UIA's integrated IT system re-write project until project completion.

Sec. 333. UI Internet Claims Report – DELETED

Requires LARA to submit quarterly reports pertaining to the percentage of claimants using the internet MARVIN system, or any application developed for that purpose, to certify and receive UI benefits and implement improvement to the system to reach a goal of 80.0% of claimants certifying on systems that reduces staff face time and MARVIN telephone system usage.

Sec. 341. Administrative Rules Restriction – DELETED

Prohibits LARA from promulgating administrative rules that are more stringent than applicable federal standards unless specifically authorized by statute. In a signing letter dated June 13, 2013, the Governor asserts that this boilerplate section is unenforceable.

Sec. 368. Regulatory Statistical Report – DELETED

Requires LARA to submit an annual report including statistical information pertaining to revenues, expenditures, application determinations, timeliness, examinations, complaints, investigations, and enforcement actions for each regulatory product administered by regulatory agencies within LARA.

Sec. 390. Tax Tribunal Caseload Report – DELETED

Requires the Michigan Tax Tribunal to submit a report containing specified information pertaining to the caseload, timeliness, dispositions, and backlog of Tax Tribunal cases.

LICENSING AND REGULATORY AFFAIRS

Major Boilerplate Changes From FY 2013-14

Sec. 611. Vocational Rehabilitation Matching Funds – DELETED

Requires the Bureau of Services for Blind People to 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, the number of allegations that are substantiated on an annual basis, the most frequently cited complaint deficiencies for the prior three years, the causes of the changes in the number of citations, and whether education and training are need; also requires LARA to make every effort to contact complainants during the investigations.

Sec. 726. Medical Marihuana Program Report and Fees – REVISED

Requires LARA to submit a report pertaining to the revenue, expenditures, application determinations, and timeliness of the Medical Marihuana Program and other specified information and permits LARA to raise application and renewal fees if revenue is insufficient to offset expenses of the Program. Eliminates reporting requirements.

Sec. 728. Medical Marihuana Registry Cards Report and Grants to County Law Enforcement – REVISED

Requires LARA to submit a report pertaining to the number of medical marihuana registry identification cards issued or renewed in each county. Stipulates that LARA award Medical Marihuana Operation and Oversight Grants to county law enforcement departments. Requires reports submitted by both county law enforcement departments and LARA pertaining to the amounts, recipients, and uses of the grants. Permits county law enforcement departments to distribute discretionary grants to municipal law enforcement agencies. Executive includes new subsection further delineating the granting process and alters grant application and reporting dates.

Sec. 731. Bureau of Health Care Services Regulatory Costs and Fee Reports – REVISED

Requires the Bureau of Health Care Services (BHCS) to submit to the Legislature an updated report pertaining to the costs to regulate each of the several types of health facilities and a proposed fee schedule to offset BHCS' regulatory costs, including recommended statutory and rule changes. Eliminates regulatory cost reporting requirement.

Sec. 732. Support for BHCS Inspection of FSOFs – DELETED

Requires that the Bureau of Health Care Services (BHCS) expend at least \$530,000 of the amount appropriated in Part 1 for the inspection of Freestanding Surgical Outpatient Facilities (FSOFs).

Sec. 801. Nursing Home Survey IT System Project – DELETED

Stipulates that the appropriation for nursing home survey IT system is for costs associated with complying with 2012 PA 322 and is one-time, sufficient to cover expenditures, and that no future appropriations are anticipated.

Supplemental Recommendations for FY 2013-14 Appropriations

FY 2013-14
Recommendation

1. Compensation Supplement Fund

Increase in spending authorization for the Compensation Supplement Fund to support reimbursements to self-insured entities that no longer receive a MBT tax credit which was repealed by 2011 PA 39. Equivalent FY 2012-13 supplemental appropriation was enacted by 2013 PA 102 and equivalent spending authorization request is included in the FY 2014-15 Executive Recommendation.

Gross \$1,000,000
GF/GP \$1,000,000

2. Delphi Corporation Workers' Compensation Claims

Increase in spending authorization for the Insurance Funds Administration to assist in providing sufficient resources within the Self-Insurers Security Fund to cover the workers' compensation claims of former employees of Delphi Corporation which was reorganized under bankruptcy protection from 2005 to 2009.

Gross \$8,000,000
GF/GP \$8,000,000

**Summary: Executive Budget Recommendation
for Fiscal Years 2014-15 and 2015-16
DEPARTMENT OF TRANSPORTATION**

Analyst: William E. Hamilton

	FY 2013-14	FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14		FY 2015-16 Executive	Difference: FY 2015-16 Vs. FY 2014-15	
	Year-to-Date as of 2/5/14		Amount	%		Amount	%
IDG/IDT	\$3,625,100	\$3,786,900	\$161,800	4.5	\$3,786,900	\$0	0.0
Federal	1,198,885,500	1,205,885,500	7,000,000	0.6	1,205,885,500	0	0.0
Local	50,177,100	50,177,100	0	0.0	50,177,100	0	0.0
Private	100,000	100,000	0	0.0	100,000	0	0.0
Restricted	2,225,029,000	2,155,001,200	(70,027,800)	(3.1)	2,155,001,200	0	0.0
GF/GP	121,300,000	254,047,900	132,747,900	109.4	0	(254,047,900)	(100.0)
Gross	\$3,599,116,700	\$3,668,998,600	\$69,881,900	1.9	\$3,414,950,700	(\$254,047,900)	(6.9)
FTEs	2,918.3	2,918.3	0.0	0.0	2,918.3	0.0	0.0

Notes: (1) FY 2013-14 year-to-date figures include mid-year budget adjustments through February 5, 2014. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2015-16 figures are projected budget amounts only and would not be legally binding appropriations.

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 62% of the revenue in this budget comes from state restricted revenue, with approximately one-third from federal sources. Most of the state-restricted revenue in this budget is constitutionally restricted – from motor fuel taxes and vehicle registration taxes – and 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.

Major Budget Changes From FY 2013-14 YTD Appropriations		FY 2013-14 YTD	Executive Changes	
		(as of 2/5/14)	FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
1. Debt Service	Gross	\$242,321,100	(\$2,800)	\$0
Reflects anticipated debt service schedules.	Federal	45,912,200	(185,800)	0
	Restricted	196,408,900	183,000	0
2. Support Services by Other State Departments	Gross	\$46,525,700	\$407,100	\$0
Interdepartmental grants (IDGs) authorize the reimbursement of other state departments from restricted transportation funds for services provided to those transportation funds. Governor's budget includes \$20.0 million MTF for Department of State vehicle registration tax collection program – same as current year, and \$2.7 million MTF for Department of Treasury motor fuel tax collection program, an increase of \$200,000 for costs of International Fuel Tax Agreement data system.	Restricted	46,525,700	407,100	0
3. Transportation Planning	FTE	141.0	0.0	0.0
Recognizes economic adjustments of \$477,200. Budget would also shift \$1.5 million from STF to MTF to reflect reallocation of staff for Local agency program activity.	Gross	\$38,283,400	\$477,200	\$0
	Federal	20,000,000	0	0
	Restricted	18,283,400	477,200	0

Budget also reflects economic and cost allocation adjustments, \$227,700 and (\$20,600), respectively.

TRANSPORTATION

Major Budget Changes From FY 2013-14 YTD Appropriations		FY 2013-14 YTD (as of 2/5/14)	Executive Changes	
			FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
4. Design and Engineering Services	FTE	1,500.8	85.5	0.0
Recognizes economic adjustments, \$2.9 million; position transfers, \$9.2 million; and increase in baseline MTF support for Local agency program, \$3.5 million. Recommends roll-up of <i>Intelligent transportation systems</i> line into <i>Engineering services</i> .	Gross	\$144,461,200	\$15,627,400	\$0
	Federal	23,529,800	0	0
	Restricted	120,931,400	15,627,400	0
5. State Trunkline Maintenance	FTE	808.7	(61.0)	0.0
Recognizes economic adjustments, \$1.0 million; reduction associated with position transfers (\$6.3 million); and increase in baseline STF funding, \$40.0 million.	Gross	\$275,689,500	\$34,751,800	\$0
	Restricted	275,689,500	34,751,800	0
6. State Trunkline Road and Bridge Construction	Gross	\$868,193,500	(\$43,547,300)	\$0
Governor recommends \$824.6 million for line item that supports MDOT's capital road and bridge construction/preservation program. Change from current year represents net changes in estimated available revenue as follows:	Federal	742,092,000	185,800	0
	Local	30,000,000	0	0
	Restricted	96,101,500	(43,733,100)	0
Increase in federal funds of \$185,800 reflects reduction in debt service attributable to federal funds.				
Net reduction in state restricted revenue reflects: reduction in Blue Water Bridge Fund appropriation, (\$8.5 million); increase in STF share of estimated MTF revenue, \$14.6 million; increase in estimated miscellaneous STF revenue, \$5.9 million; restoration of driver's license fee revenue to the Transportation Economic Development Fund, (\$13.0 million); increase in available STF due to reduction in STF debt service, \$1.6 million; economic increases in STF funded administrative units, (\$5.0 million); STF shift to State trunkline maintenance, (\$40.0 million); net of other miscellaneous STF revenue and program adjustments, \$620,400.				
Governor's budget does not assume any increases in transportation revenue from changes to tax rates or tax bases, or changes to current statutory distribution programs.				
Budget includes a separate one-time appropriation of \$242.0 million GF/GP for state trunkline road and bridge construction. (See Item #25b, below)				
7. Local Federal Aid Road and Bridge Construction	Gross	\$240,443,000	\$0	\$0
Governor proposes no change in line used as placeholder for estimated federal aid revenue earmarked for local federal aid programs.	Federal	240,443,000	0	0
8. Local Bridge Program	Gross	\$21,381,600	\$5,095,800	\$0
Restores \$5.0 million Act 51 earmark to this program. [This is a technical adjustment; even though not included in current year-to-date appropriations, the Local Bridge program will receive the \$5.0 million statutory distribution of MTF revenue in current year.]	Restricted	21,381,600	5,095,800	0
9. MTF to Local Road Agencies	Gross	\$908,098,400	\$22,703,100	\$0
FY 2014-15 MTF distribution to county road commissions, \$597,608,200, and cities/villages, \$333,193,300, reflects estimated MTF revenue and Act 51 statutory distribution.	Restricted	908,098,400	22,703,100	0
10. Transportation Economic Development Fund (TEDF)	Gross	\$32,058,200	\$9,457,600	\$0
Increase reflects restoration of \$12.0 million in driver's license fee revenue which had previously been redirected to the STF; offset in part by \$1.7 million increase in TEDF debt service, and \$880,000 reduction in estimated fund balance interest earnings.	Restricted	32,058,200	9,457,600	0

<u>Major Budget Changes From FY 2013-14 YTD Appropriations</u>		<u>FY 2013-14 YTD (as of 2/5/14)</u>	<u>Executive Changes</u>	
			<u>FY 2013-14 to FY 2014-15</u>	<u>FY 2014-15 to FY 2015-16</u>
11. Aeronautics Services	FTE	54.0	0.0	0.0
Support for Office of Aeronautics reflects economic adjustments, \$99,100; and adjustment to estimated SAF revenue (\$23,200). <i>Air service</i> grant program, funded at \$289,300, reflects reduction (\$11,500) to estimated available SAF revenue.	Gross	\$7,655,900	\$64,400	\$0
	Restricted	7,655,900	64,400	0
12. Public Transportation Services	FTE	36.0	0.0	0.0
Provides administrative support for public transportation passenger programs. Reflects economic adjustments, \$75,600; eliminates MTF funding (\$38,900).	Gross	\$5,662,800	\$36,700	\$0
	Federal	972,100	0	0
	Restricted	4,690,700	36,700	0
13. Bus Transit - Local Bus Operating Assistance	Gross	\$166,624,000	\$776,000	\$0
Provides increased state operating assistance from CTF to local public transit agencies; current year funding unchanged since FY 2006-07.	Restricted	166,624,000	776,000	0
14. Bus Transit - Non-Urban Operating/Capital	Gross	\$25,187,900	\$0	\$0
Recognizes federal non-urban transit grants; reflects MAP-21 funding levels.	Federal	23,187,900	0	0
	Local	2,000,000	0	0
15. Discretionary State Operating	Gross	\$5,400,000	(\$5,400,000)	\$0
Does not retain \$5.4 million Discretionary state operating line item, first established in FY 2012-13 budget.	Restricted	5,400,000	(5,400,000)	0
16. Rail Operations and Infrastructure	Gross	\$24,592,000	\$32,430,400	\$0
Line item supports rail freight economic development programs, as well as rail passenger service, including capital and operating assistance for the <i>Wolverine</i> (Detroit-Chicago) high speed rail corridor. Recognizes \$7.0 million in additional federal funds, as well as \$2.1 million increase in baseline CTF support, and \$4.0 million anticipated increase in Rail Freight Fund support.	Federal	3,100,000	7,000,000	0
	Local	100,000	0	0
	Private	100,000	0	0
	Restricted	21,292,000	25,430,400	0
Rolls up \$19.3 million <i>Wolverine</i> line item into <i>Rail operations and infrastructure</i> line.				
Budget includes a separate one-time appropriation of \$10.0 million GF/GP for transit capital and rail infrastructure. (See Item #26, below)				
17. Terminal Development	Gross	\$461,000	(\$311,000)	\$0
Reduces CTF to reflect anticipated program activity.	Restricted	461,000	(311,000)	0
18. Specialized Services	Gross	\$18,028,800	(\$89,900)	\$0
Supports transit programs for elderly and disabled citizens. Reduces CTF support.	Federal	9,900,000	0	0
	Local	4,185,000	0	0
	Restricted	3,943,800	(89,900)	0
19. Municipal Credit Program	Gross	\$2,000,000	\$0	\$0
No change in current Act 51 earmark for transit services in Southeast Michigan.	Restricted	2,000,000	0	0
20. Bus Capital/Transit Capital	Gross	\$32,145,300	\$0	\$0
No change in line; reflects anticipated federal pass-through grants to transit grants to local transit agencies and related state and federal matching funds.	Federal	5,000,000	0	0
	Local	1,250,000	0	0
	Restricted	25,895,300	0	0

Budget includes a separate one-time appropriation of \$10.0 million GF/GP for transit capital and rail infrastructure. (See Item #26, below)

TRANSPORTATION

Major Budget Changes From FY 2013-14 YTD Appropriations		FY 2013-14 YTD (as of 2/5/14)	Executive Changes	
			FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
21. Van Pooling	Gross	\$807,000	(\$612,000)	\$0
Line provides CTF funds for matching federal transit grants. Budget would reduce CTF support to reflect anticipated program activity.	Restricted	807,000	(612,800)	0
22. Service Initiatives	Gross	\$1,682,900	\$2,514,400	\$0
Governor proposes \$2.5 million increase in baseline CTF support.	Federal	1,150,000	0	0
	Local	200,000	0	0
	Restricted	332,900	2,514,100	0
23. Airport Improvement Program	Gross	\$93,104,300	(\$1,126,300)	\$0
Reflects anticipated federal funding, related local matching funds, and available state restricted SAF revenue for the federal Airport Improvement Program.	Federal	78,578,000	0	0
	Local	12,392,100	0	0
	Restricted	2,134,200	(1,126,300)	0
Budget includes a separate one-time appropriation of \$2.0 million GF/GP for airport capital program. (See Item #27, below)				
24. Priority Roads Investment Program	Gross	\$115,000,000	(\$115,000,000)	\$0
Eliminates one-time line item funded through the Roads and Risks Reserve Fund.	Restricted	115,000,000	(115,000,000)	0
25a. Federal Aid Match for State Trunkline Road and Bridge Construction	Gross	\$121,000,000	(\$121,000,000)	\$0
Eliminates one-time GF/GP item; see related line item below.	GF/GP	\$121,000,000	(\$121,000,000)	\$0
25b. State Trunkline Road and Bridge Construction	Gross	\$0	\$242,000,000	(\$242,000,000)
Of the recommended GF/GP funding, \$127.0 million represents estimated federal-aid match requirement; \$115.0 million reflects increase in State trunkline road and bridge capital program for certain critical needs. Eliminates one-time GF/GP funding in FY 2015-16.	GF/GP	\$0	\$242,000,000	(\$242,000,000)
26. Transit Capital and Rail Infrastructure	Gross	\$0	\$10,000,000	(\$10,000,000)
Provides one-time GF/GP support to match federal transit and rail infrastructure grants. Eliminates one-time GF/GP funding in FY 2015-16.	GF/GP	\$0	\$10,000,000	(\$10,000,000)
27. Airport Safety, Safety, and Improvement Program	Gross	\$0	\$2,047,900	(\$2,047,900)
Provides one-time GF/GP support to match federal Airport Improvement Program grants. Eliminates one-time GF/GP funding in FY 2015-16.	GF/GP	\$0	\$2,047,900	(\$2,047,900)
28. Economics	Gross	N/A	\$5,942,400	\$0
Reflects increased costs of \$5.9 million Gross (\$0 GF/GP) for negotiated salary and wage amounts (2.0% ongoing increase plus 0.5% lump sum payments), actuarially-required retirement rate increases, and other economic adjustments. These adjustments are reflected in many of the line item changes described above.	IDG	N/A	77,300	0
	Restricted	N/A	5,864,700	0

Major Boilerplate Changes From FY 2013-14

Sec. 212. Receive/Retain Reports – DELETED

Requires department to retain reports funded from appropriations in part 1.

Sec. 215. Communication with the Legislature – DELETED

Prohibits the department from taking disciplinary action against an employee for communicating with a legislator or his/her staff.

Major Boilerplate Changes From FY 2013-14

Sec. 233. Report on Department Administration/Planning for Local Units of Government – DELETED

Does not include current-year reporting requirement.

Sec. 263. Impact of New Legislation and Administrative Rules – DELETED

Report on specific policy changes adopted to implement new public acts; prohibited department from adopting administrative rules that have a disproportionate impact on small business.

Sec. 270. Remanufactured Parts – DELETED

Requires use of remanufactured parts for repair and maintenance of state motor vehicle fleet.

Sec. 271. Estimate of Legacy Costs – NEW

Describes estimated agency pension and retiree health care (legacy) costs.

Sec. 303. Legislative Report – DELETED

Report of funds received by city, village, and county road commission by legislative district.

Sec. 307. Rolling Five-Year Plan – DELETED

Requires Five-Year Plan report to legislature by March 1st.

Sec. 308. Contract Compliance – DELETED

Current year language requires department and local road agencies to pursue compliance with contract specifications for construction and maintenance and provides for sanctions for unsatisfactory contractors; also provides for a reporting requirement on the department's prequalification process and unsatisfactory contractor performance rating.

Sec. 310. State Transportation Commission Minutes/Agenda – DELETED

Requires department provide copies of minutes and agenda to House and Senate Appropriations Subcommittees on Transportation, House and Senate Fiscal Agencies, and State Budget Director.

Sec. 311. Father Marquette National Memorial Museum – DELETED

Directs the department to work with the MEDC to update a 1992 study, including identification of funding alternatives. Governor's budget does not include this apparent one-time item.

Sec. 313. State Infrastructure Bank – REVISED

Allows department to increase and make loans from the State Infrastructure Bank. Governor does not include reporting requirement.

Sec. 319. Rest Area Maintenance – DELETED

Requires signs/telephone numbers for reporting unclean and unsafe conditions at rest areas.

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. 382. Finalize Local Agency Cost Sharing Agreements – DELETED

Requires the department to submit final bill to the local agency within two years of final payment to construction contractor. In his signing letter dated June 13, 2013, the Governor indicates that this boilerplate section "is considered enforceable to the extent that it does not alter or amend Act 51 of 1951 requiring local cost sharing."

Sec. 383. Report on Use of State Airfleet – REVISED

Requires quarterly report on use of MDOT-owned aircraft; recovery of department costs. No change from current year other than date reference and minor wording change.

Secs. 384 and 385. Detroit River International Crossing (DRIC) – DELETED

Sec. 384 currently restricts the department's ability to obligate the state to expend state transportation revenue on the project, referenced by the Executive as the *New International Trade Crossing* (NITC). The current year budget states that "an expenditure for staff resources used in connection with project activities, which expenditure is subject to full and prompt reimbursement from Canada, shall not be considered an expenditure of state transportation resources." **Sec. 385** provides reporting requirements.

TRANSPORTATION

Major Boilerplate Changes From FY 2013-14

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. 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. 610. Dead Deer – DELETED

Legislative intent language regarding cleanup of dead deer and other large animal remains.

Sec. 612. Incentive/Disincentive – DELETED

Requires department to establish guidelines for use of incentive/disincentive contracts; establishes a reporting requirement; report due January 1st of each year.

Sec. 660. Use of Alternative Materials – DELETED

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

Sec. 703. Rail Abandonment Notice – DELETED

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

Sec. 735. Street Railway Appropriation – REVISED

Provides for \$0 appropriation to a street railway pursuant to section 10e(22) of 1951 PA 51. No change from current year other than date reference.

Sec. 736. Rail Grade Crossing Pilot Project – VETOED

The Governor's budget does not include the boilerplate earmark of \$1.5 million (CTF) for a pilot project on high-speed rail corridor, which was vetoed in current year budget.

Sec. 740. Review of CTF Fund Balances – DELETED

Requires report on unencumbered CTF balance by March 1 of each year.

Sec. 902. Aeronautics Capital Program Status Report – DELETED

Reporting requirement.

Supplemental Recommendations for FY 2013-14 Appropriations

**FY 2013-14
Recommendation**

1. Rail Operations and Infrastructure

Recognizes federal Transportation Investment Generating Economic Recovery (TIGER) grant, and associated state restricted Comprehensive Transportation Fund matching funds, for capital improvements on state-owned Dearborn-Kalamazoo Amtrak route aimed at increasing speeds up to 110 MPH.

Gross	\$11,728,900
Federal	9,383,100
Restricted	2,345,800
GF/GP	\$0

2. Beaver Island Transportation Authority

Intended to reimburse Beaver Island Transportation Authority for costs associated with repair of ferry to Beaver Island, the Emerald Isle, in July, 2013.

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

3. Regional Transit Authority

Requests \$2.0 million to support operations of the Regional Transit Authority established under Public Act 387 of 2012.

Gross	\$2,000,000
GF/GP	\$2,000,000

FY 2014-15 and FY 2015-16

CONSENSUS REVENUE

Consensus Revenue: FY 2014-15 and FY 2015-16

Senior Economist: Jim Stansell

This section explains January 2014 Consensus Revenue Estimating Conference estimates for GF/GP and School Aid Fund (SAF) revenue for FY 2013-14 through FY 2015-16 by major revenue sources.

For Michigan:

Wage and salary employment is expected to increase 1.5% in 2014, 1.4% in 2015, and 1.3% in 2016.

The unemployment rate is expected to be 8.3% in 2014, and then decrease to 6.7% by 2016.

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

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2014-15 Over FY 2013-14		FY 2015-16 Over FY 2014-15	
				Change		Change	
Personal Income Tax	\$6,027.1	\$6,273.7	\$6,569.9	\$246.6	4.1%	\$296.2	4.7%
Sales Tax	1,146.1	1,197.8	1,246.0	51.7	4.5%	48.2	4.0%
Use Tax	919.7	956.7	996.7	37.0	4.0%	40.0	4.2%
Business Taxes	708.0	847.0	946.9	139.0	19.6%	99.9	11.8%
Other Taxes	409.1	411.8	415.1	2.7	0.7%	3.3	0.8%
GF/GP Tax Revenue	\$9,210.0	\$9,687.0	\$10,174.6	\$477.0	5.2%	\$487.6	5.0%
Non-Tax Revenue	362.5	359.5	361.0	(3.0)	-0.8%	1.5	0.4%
Net Total GF/GP Revenue	\$9,572.5	\$10,046.5	\$10,535.6	\$474.0	5.0%	\$489.1	4.9%

General Fund/General Purpose Revenue by Source

Personal Income Tax

Michigan personal income tax revenue is forecast to increase 1.6% in FY 2013-14, increase 4.1% in FY 2014-15, and increase 4.7% in FY 2015-16.

Sales Tax

Improving wage and salary income growth will increase GF/GP sales tax revenue from \$1,146.1 million in FY 2013-14 to \$1,197.8 million in FY 2014-15, and \$1,246.0 million in FY 2015-16.

Use Tax

Use tax revenue is forecast to increase from \$919.7 million in FY 2013-14 to \$956.7 million in FY 2014-15, and \$996.7 million in FY 2015-16.

Business Taxes

Net business taxes will decrease 26.4% to \$708.0 million in FY 2013-14 is due to a significant business tax cut which replaced the Michigan Business Tax with the Corporate Income Tax. Net business taxes will increase 19.6% to \$847.0 million in FY 2014-15, and 11.8% to \$946.9 million in FY 2015-16.

GF/GP Tax Revenue

GF/GP tax revenue is expected to increase to \$9,210.0 million (0.6% increase) in FY 2013-14, to \$9,687.0 million (5.2% increase) in FY 2014-15, and to \$10,174.6 million or 5.0% in FY 2015-16

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 is expected to increase to \$9,572.5 million (0.1% increase) in FY 2013-14, and to \$10,046.5 million (increase of \$474.0 million, or 5.0%) in FY 2014-15, and to \$10,535.6 million (increase of \$489.1, or 4.9%) in FY 2015-16.

**SCHOOL AID FUND REVENUE ESTIMATES
(Millions of Dollars)**

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2014-15 Over FY 2013-14		FY 2015-16 Over FY 2014-15	
				Change	Change	Change	Change
Sales and Use Taxes	\$5,807.6	\$6,019.6	\$6,247.2	\$212.0	3.7%	\$227.6	3.8%
Income Tax Earmark	2,413.3	2,505.9	2,604.5	92.6	3.8%	98.6	3.9%
Lottery and Casinos	859.0	869.0	887.0	10.0	1.2%	18.0	2.1%
Tobacco Taxes	361.1	353.2	345.7	(7.9)	-2.2%	(7.5)	-2.1%
State Education Tax	1,798.0	1,849.3	1,905.8	51.3	2.9%	56.5	3.1%
Real Estate Transfer Tax	217.4	229.1	240.3	11.7	5.4%	11.2	4.9%
Liquor Excise Tax	44.5	45.5	46.5	1.0	2.2%	1.0	2.2%
Other Specific Taxes	59.1	60.2	61.2	1.1	1.7%	1.0	1.7%
Total SAF Revenue	\$11,560.0	\$11,931.8	\$12,338.2	\$371.8	3.2%	\$406.4	3.4%

School Aid Fund Revenue by Source

Sales and Use Taxes

Combined sales and use tax revenue dedicated to the SAF is forecast to increase to \$5,807.6 million in FY 2013-14, \$6,019.6 million (3.7% increase) in FY 2014-15, and \$6,247.2 million in FY 2015-16.

Income Tax Earmark

Approximately 23.8% of gross income tax collections are dedicated to the SAF.

Dedicated income tax revenue is forecast to increase to \$2,413.3 million (3.2% increase) in FY 2013-14, \$2,505.9 million (3.8% increase) in FY 2014-15, and \$2,604.5 million in FY 2015-16.

Lottery and Casinos

Lottery and Casino revenue is projected to increase to \$859.0 million (1.7% increase) in FY 2013-14, \$869.0 in FY 2014-15, and \$887.0 million in FY 2015-16.

Tobacco Taxes

Approximately 39% of gross tobacco tax revenue is dedicated to the SAF.

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 \$361.1 million in FY 2013-14, \$353.2 million in FY 2014-15, and \$345.7 million in FY 2015-16.

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 is expected to increase to \$1,798.0 million (1.5% increase) in FY 2013-14, \$1,849.3 million (2.9% increase) in FY 2014-15, and \$1,905.8 million in FY 2015-16.

RET contributed \$202.3 million to the SAF in FY 2012-13. It is forecast to contribute \$217.4 million in FY 2013-14, \$229.1 million in FY 2014-15, and \$240.3 million in FY 2015-16.

CONSENSUS REVENUE

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.

Total SAF revenue is expected to increase 2.6% to \$11,560.0 million in FY 2013-14, increase 3.2% to \$11,931.8 million in FY 2014-15, and increase 3.4% to \$12,338.2 million in FY 2015-16.

Budget Stabilization Fund Year-End Balances

The following table notes BSF deposits, withdrawals, and interest earnings from FY 1990-91 to FY 2012-13, along with the Executive Recommendation for deposits, and HFA estimates of expected interest earnings and year-end balances for FY 2013-14 and FY 2014-15.

The BSF fund balance was \$508.6 million for FY 2012-13. The fund balance is forecast to be \$588.7 million for FY 2014-15 and \$717.6 million for FY 2015-16.

In addition to amounts shown, the Executive Budget proposes to deposit \$122.0 million into a new Health Savings Sub-Fund. This deposit would be equal to 50% of the projected FY 2014-15 state savings under the Healthy Michigan Plan (Medicaid Expansion).

BUDGET STABILIZATION FUND HISTORY
(Millions of Dollars)

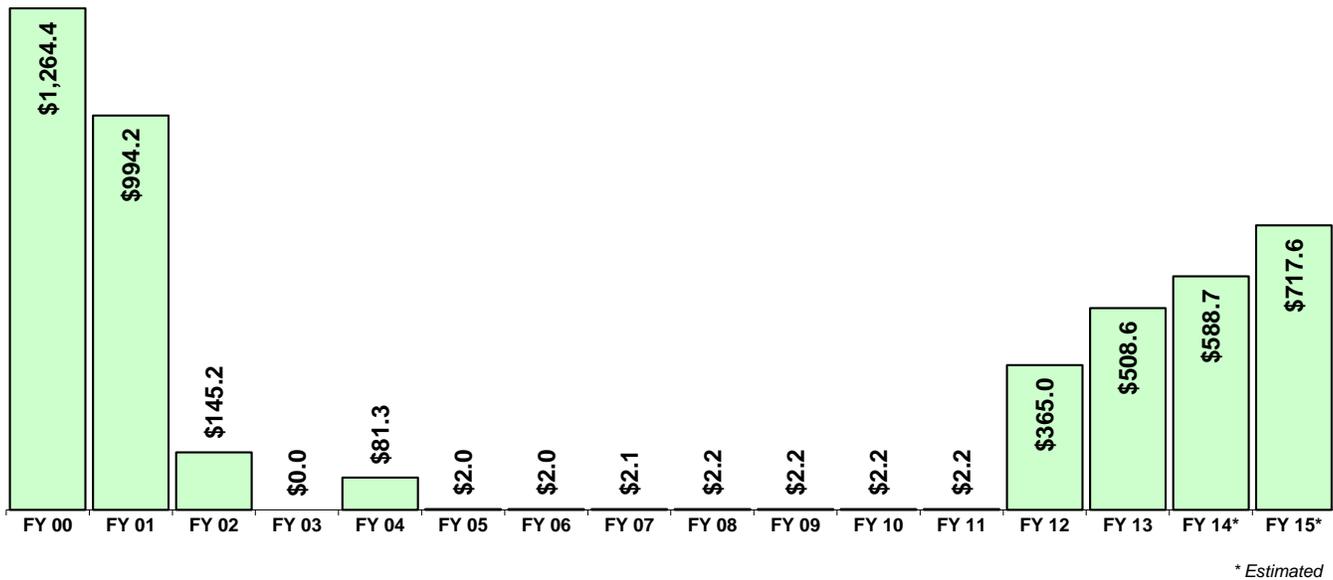
<u>Fiscal Year</u>	<u>Deposits</u>	<u>Withdrawals</u>	<u>Interest Earned</u>	<u>Balance</u>
1990-91	0.0	230.0	27.1	182.2
1991-92	0.0	170.1	8.1	20.1
1992-93	282.6	0.0	0.7	303.4
1993-94	460.2	0.0	11.9	775.5
1994-95	260.1	90.4	57.7	1,003.0
1995-96	91.3	0.0	59.2	1,153.6
1996-97	0.0	69.0	67.8	1,152.4
1997-98	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	3.6	508.6
2013-14	75.0**	0.0	5.1*	588.7
2014-15	120.0**	0.0	8.8*	717.6

* HFA Estimate

** FY 2014 actual appropriated deposit; FY 2015 Executive Recommendation

Note: Numbers may not add due to rounding.

Budget Stabilization Fund (BSF) Balance
(Millions of Dollars)



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 2013-14</u>	<u>FY 2014-15</u>	<u>FY 2015-16</u>
Personal Income	CY 2012	CY 2013	CY 2014
Amount	\$378,443	\$389,418	\$406,552
X Limit Ratio	9.49%	9.49%	9.49%
State Revenue Limit	\$35,914.2	\$36,955.8	\$38,581.9
Total Revenue Subject to Revenue Limit	\$28,472.0	\$29,480.3	\$30,566.6
Amount Under (Over) State Revenue Limit	\$7,442.3	\$7,475.5	\$8,015.2

CONSENSUS REVENUE

Implications of Exceeding the State Revenue Limit

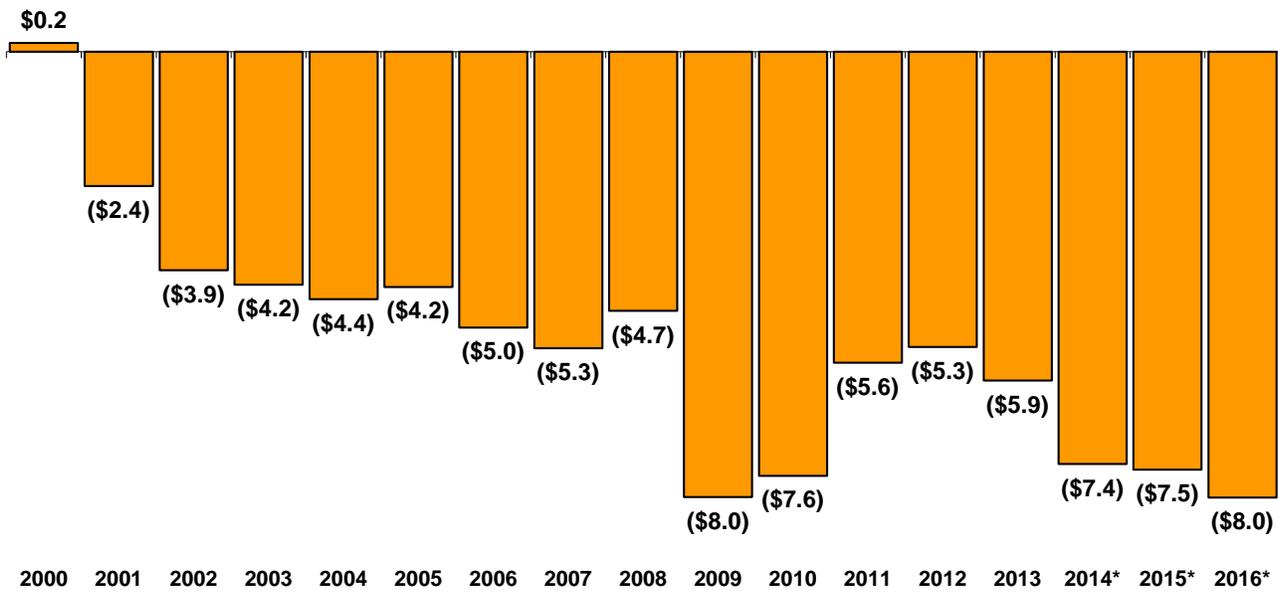
Article IX, Section 26, Constitution of the State of Michigan, provides that:

. . . 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 final FY 2012-13 revenue limit calculation indicates that the state revenue collections were under the revenue limit by \$5.9 billion. For FY 2013-14 through FY 2015-16, state revenue is estimated to be substantially below the revenue limit—by \$7.4 billion, \$7.5 billion, and \$8.0 billion respectively.

**Constitutional Revenue Limit
(Billions of Dollars)**



*Consensus Estimates



Mary Ann Cleary, Director
Kyle I. Jen, Deputy Director

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Capital Outlay	Benjamin Gielczyk
Community Colleges	Marilyn Peterson
Community Health	
Mental Health/Substance Abuse	Margaret Alston
Public Health/Aging/Medicaid-Backup	Susan Frey
Medicaid/Children's Special Health Care Services	Steve Stauff; Matthew Ellsworth
Corrections	Robin R. Risko
Education (Department)	Karen Shapiro
Environmental Quality	Viola Bay Wild
General Government:	
Attorney General/Civil Rights/State (Department)/	
Technology, Management, and Budget	Marilyn Peterson
Executive Office/Legislature/Legislative Auditor General/	
Lottery/Michigan Strategic Fund/Treasury	Benjamin Gielczyk
Higher Education	Kyle I. Jen
Human Services (Department)	Kevin Koorstra
Insurance and Financial Services	Paul Holland
Judiciary	Robin R. Risko
Licensing and Regulatory Affairs	Paul Holland
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Natural Resources	Viola Bay Wild
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