

# **PRELIMINARY REVIEW**

of the

**FY 2015-16 and**

**FY 2016-17**

**Executive Budget**

**Recommendation**



**Mary Ann Cleary, Director**  
**February 17, 2015**



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## HFA STAFF LIST



## OVERVIEW OF FY 2015-16 EXECUTIVE BUDGET RECOMMENDATION *Mary Ann Cleary, Director, and Kyle I. Jen, Deputy Director*

The FY 2015-16 Executive Budget Recommendation incorporates the January 2015 Consensus Revenue Estimating Conference revenue estimates. In addition to those estimates, the recommendation assumes the following:

- Continued collection of the use tax on Medicaid managed care providers (\$377.1 million GF/GP).
- Increased revenue from Public Acts 553 and 554 of 2014 (online sales tax-related) of \$54.0 million (\$10.0 million GF/GP and \$44.0 million School Aid Fund [SAF]).
- A decrease in revenue from the Michigan Venture Fund tax vouchers of \$50.0 million (\$38.1 million GF/GP and \$11.9 million SAF).

The FY 2015-16 Executive Recommendation is for \$53,033.6 million in adjusted gross appropriations. This includes:

- \$22,662.5 million in federal funds.
- \$365.2 million in local and private funds.
- \$20,489.6 million in state restricted funds.
- \$9,480.5 million in General Fund/General Purpose (GF/GP) funds.

Of the \$29,970.0 million in state resources recommended for appropriation in FY 2015-16, \$16,681.3 million (55.7% 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 governments.

As of February 11, 2015, total year-to-date GF/GP appropriations for FY 2014-15 were \$10,116.8 million. Budget reductions and other adjustments contained in Executive Order (EO) 2015-5 and House Bills 4110 (H-1) and 4112 (H-1) are anticipated to reduce that total by \$522.6 million, to an adjusted year-to-date amount of \$9,594.2 million.

Total GF/GP appropriations under the Executive Recommendation for FY 2015-16 are \$9,480.5 million. This total reflects a reduction of \$636.5 million (6.3%) from the original FY 2014-15 year-to-date total—or a reduction of \$113.8 million (1.2%) from the FY 2014-15 total adjusted for EO 2015-5 and House Bills 4110 (H-1) and 4112 (H-1). (See Table 3)

**Throughout this document, comparisons are made to adjusted year-to-date figures, accounting for proposed FY 2014-15 budget reductions, in order to provide a more accurate measure of how resources allocated to the various areas of the state budget would change from FY 2014-15 to FY 2015-16 under the Executive Recommendation.**

The FY 2015-16 Executive Recommendation proposes both program reductions and increases to the state budget, as well as allocations designated as one-time in nature.

Two major fund shifts are proposed for the Medicaid program under the Executive Recommendation to offset existing GF/GP appropriations with proposed increases in state restricted revenue:

- A GF/GP reduction of \$180.1 million to the Medicaid budget to be offset by a proposed increase in the Health Insurance Claims Assessment (HICA) rate from 0.75% to 1.3% and removal of the current statutory cap on annual HICA collections.
- Total GF/GP reduction of \$77.1 million reduction (compared to original FY 2014-15 levels) for Graduate Medical Education and Special Rural Hospital Medicaid payments, to be offset by a proposed increase in the hospital provider tax.

Major GF/GP program reductions proposed in the Executive Recommendation compared to adjusted FY 2014-15 levels include:

- A reduction of \$16.8 million from moving pharmacy coverage from managed care contracts to fee-for-service effective January 1, 2016.
- A \$9.0 million fund shift to utilize Special Equipment Fund revenue in place of GF/GP funds for prisoner education in the Corrections budget.
- A reduction of \$7.1 million tied to reductions in foster care rates in the Human Services budget.

Major GF/GP program increases proposed in the Executive Recommendation compared to adjusted FY 2014-15 levels include:

- \$28.0 million for a 2.0% increase in funding for public university operations.
- \$13.0 million for maintenance at state facilities (including restoration of a \$5.0 million EO 2015-5 reduction).
- \$8.8 million (including \$3.2 million in one-time costs) for State Police trooper and motor carrier officer schools.
- \$7.9 million to implement an enhanced dental benefit for adults in the traditional Medicaid program effective July 1, 2016.
- \$7.5 million to expand the Healthy Kids Dental program to children age 0 to 8 in Kent, Oakland, and Wayne counties.
- \$9.5 million for information technology investment (including restoration of a \$2.5 million EO 2015-5 reduction in the EO).

Major one-time allocations of GF/GP funding proposed in the Executive Recommendation include:

- \$139.5 million for federal Transportation match needs (down from \$284.6 million in FY 2014-15).
- \$25.0 million for the Film Incentive Program; total funding would be restored to the original FY 2014-15 level of \$50.0 million (prior to a \$12.0 million reduction under EO 2015-5).
- \$17.9 million for the Business Attraction and Community Revitalization Program; total funding would be \$128.0 million (\$1.0 million below the original FY 2014-15 level, prior to EO 2015-5 adjustments).
- A \$95.0 million deposit to the Budget Stabilization Fund (BSF), consistent with the deposit amount estimated at the January Consensus Revenue Estimating Conference. (The BSF deposit is not included in appropriation totals.) This deposit would increase the projected BSF balance at the close of FY 2015-16 to \$615.9 million.

The Executive Recommendation proposes the following major adjustments for local revenue sharing programs:

- Reflect an estimated increase of \$30.2 million in constitutional revenue sharing payments to cities, villages, and townships based on projected growth in sales tax revenues.
- Hold discretionary revenue sharing payments to cities, villages, and townships flat after removal of \$5.8 million in payments to an expanded pool of local units that had been designated as one-time funding in FY 2014-15.
- Increase funding for revenue sharing and incentive payments to counties by \$3.5 million to provide full funding to two additional counties who will have exhausted their reserve funds.

Major School Aid and Community Colleges funding changes proposed in the Executive Recommendation compared to adjusted FY 2014-15 levels include:

- \$108.0 million for a \$75 across-the-board increase to district foundation allowances.
- \$100.0 million in increased funding for the At-Risk Program.
- A \$75.0 million deposit into the Distressed Districts Rehabilitation Fund.
- \$20.0 million for an early literacy (3<sup>rd</sup> grade reading) initiative.
- \$17.8 million to expand career and technical education middle college programs statewide.
- A \$216.6 million increase for state-level MPERS unfunded accrued liability costs in the School Aid budget and a \$17.2 million increase for such costs in the Community Colleges budget.

- \$112.6 million in reductions to other major School Aid categoricals (best practice grants, technology grants, and district performance grants).
- \$4.3 million for a 1.4% increase in funding for Community College operations.
- A continued \$30.0 million SAF shift from GF/GP in the Community Colleges budget compared to the original FY 2014-15 budget (i.e., reverses \$137.1 million of GF/GP fund shift in HB 4110 (H-1)).

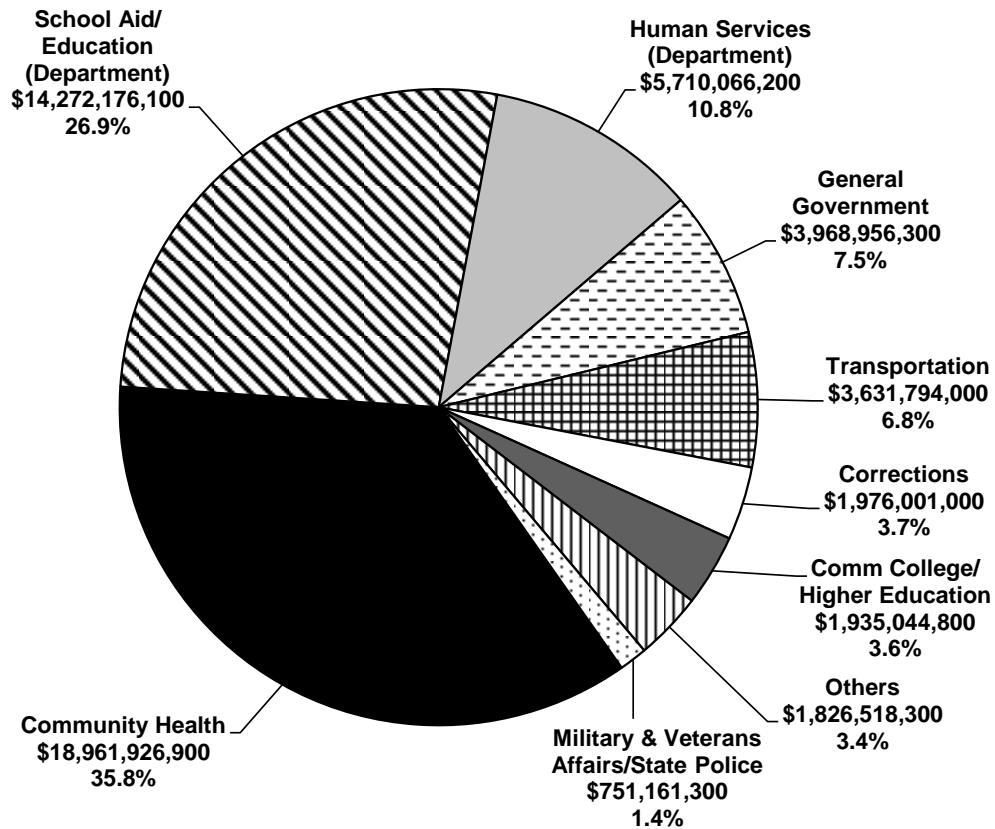
Finally, the Executive recommendation proposes a number of statutory adjustments related to fees (see Table 7). Proposed revenue impacts include:

- \$1.1 million from new fees.
- \$11.4 million from fee increases.
- \$17.6 million from maintaining current fee levels that would otherwise decline without statutory change.
- \$422.3 million from fee sunset extensions.

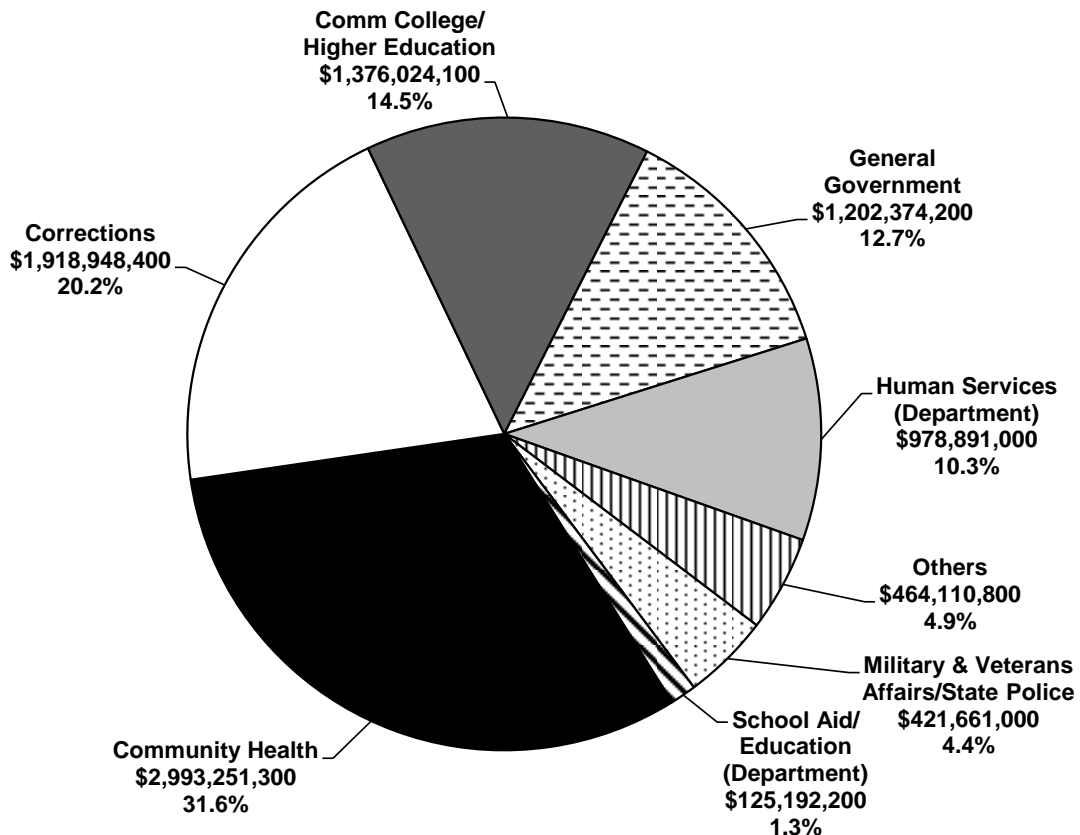
This preliminary review provides a quick look at the Executive Recommendation for FY 2015-16. The House Fiscal Agency's full Review and Analysis of the FY 2015-16 Executive Budget Recommendation will be available in approximately two weeks, and will contain a more detailed review of major budget and boilerplate changes by budget area.

A list of House Fiscal Agency staff by area of responsibility is included at the end of this document. Please do not hesitate to contact us if you have questions regarding this information.

**FY 2015-16 Executive Recommendation  
Adjusted Gross = \$53,033,644,900**



**FY 2015-16 Executive Recommendation  
General Fund/General Purpose (GF/GP) = \$9,480,453,000**





## **CHANGE IN ADJUSTED GROSS APPROPRIATIONS FY 2015-16 and FY 2016-17 Executive Recommendation**

The Executive Budget Recommendation for FY 2015-16 increases adjusted gross appropriations by \$1,123.0 million (2.2%) from FY 2014-15 year-to-date amounts adjusted for EO 2015-5, HB 4110 (H-1), and HB 4112 (H-1):

- GF/GP appropriations are decreased by \$113.8 million (1.2%).
- State restricted appropriations are increased by \$357.3 million (1.8%).
- Federal appropriations are increased by \$1,012.3 million (4.7%).
- Local and private appropriations are decreased by \$129.8 million (36.3%).

Total state spending from state sources (GF/GP plus state restricted) in the FY 2015-16 Executive Budget Recommendation is increased by \$243.6 million (0.8%) from adjusted FY 2014-15 year-to-date amounts.

Projected appropriation amounts for FY 2016-17 under the Executive Budget (which are presented only for planning purposes) reflect a 1.6% decrease in GF/GP appropriations, a 0.8% decrease in total state spending from state sources, and a 1.1% decrease in adjusted gross appropriations.

**FY 2015-16 and FY 2016-17  
Executive Budget Appropriation Changes  
Millions of Dollars**

	<b>Adjusted Year-to-Date FY 2014-15</b>	<b>Executive Recommendation FY 2015-16</b>	<b>Change Amounts</b>		<b>Executive Recommendation FY 2016-17</b>	<b>Change Amounts</b>	
General Fund/General Purpose	\$9,594.2	\$9,480.5	(\$113.8)	(1.2%)	\$9,331.1	(\$149.3)	(1.6%)
State Restricted	<u>20,132.2</u>	<u>20,489.6</u>	<u>357.3</u>	1.8%	<u>20,388.9</u>	<u>(100.7)</u>	(0.5%)
<b>Total State Spending from State Sources</b>	<b>\$29,726.4</b>	<b>\$29,970.0</b>	<b>\$243.6</b>	<b>0.8%</b>	<b>\$29,720.0</b>	<b>(\$250.0)</b>	<b>(0.8%)</b>
Federal	\$21,650.1	\$22,662.5	\$1,012.3	4.7%	\$22,335.7	\$326.8	(1.4%)
Local	357.6	227.8	(129.8)	(36.3%)	227.8	0.0	0.0%
Private	176.4	173.4	(3.0)	(1.7%)	172.6	(0.8)	(0.4%)
<b>Total Adjusted Gross</b>	<b>\$51,910.6</b>	<b>\$53,033.6</b>	<b>\$1,123.0</b>	<b>2.2%</b>	<b>\$52,456.1</b>	<b>(\$577.6)</b>	<b>(1.1%)</b>

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 2014-15 adjusted year-to-date figures includes proposed FY 2014-15 adjustments under Executive Order 2015-5, House Bill 4110 (H-1), and House Bill 4112 (H-1).

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

## RESOURCES USED IN THE EXECUTIVE BUDGET RECOMMENDATION

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

<b>FY 2015-16 and FY 2016-17 Executive Recommendation</b>		
<b>General Fund/General Purpose (GF/GP)</b>		
<b>Millions of Dollars</b>		
	<b>FY 2015-16</b>	<b>FY 2016-17</b>
<b><u>Resources</u></b>		
Beginning balance	\$0.3	\$28.9
Revenue estimate	9,713.2	10,000.6
Online sales tax legislation	10.0	10.0
Venture Michigan Fund certificates	(38.1)	(30.5)
Use tax on Medicaid MCOs	377.7	97.7
Revenue Sharing	(462.7)	(462.7)
Charge SAF for short-term borrowing cost	<u>4.0</u>	<u>5.0</u>
<b>Total Resources</b>	<b>\$9,604.4</b>	<b>\$9,649.0</b>
<b><u>Expenditures</u></b>		
Ongoing recommendations	\$9,264.3	\$9,331.1
One-time recommendations	76.7	0.0
One-time Transportation	139.5	0.0
BSF deposit	<u>95.0</u>	<u>0.0</u>
<b>Total Expenditures</b>	<b>\$9,575.5</b>	<b>\$9,331.1</b>
<b>Estimated Ending Balance</b>	<b>\$28.9</b>	<b>\$317.9</b>

**Beginning balance:** Estimated ending balance from FY 2014-15.

**Revenue estimate:** FY 2015-16 and FY 2016-17 revenue estimates agreed to at the January 2015 consensus revenue estimating conference.

**Online sales tax legislation:** Estimates from PAs 553 and 554 of 2014.

**Venture Michigan Fund certificates:** Revenue loss from tax certificates anticipated to be redeemed under Venture Michigan program.

**Use tax on Medicaid MCOs:** Use tax imposed on Medicaid Managed Care Organizations (MCOs) under PA 161 of 2014.

**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.

**One-time Transportation:** Allocation of GF/GP funds to match available federal Transportation funds.

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

<b>FY 2015-16 and FY 2016-17 Executive Recommendation School Aid Fund (SAF) Millions of Dollars</b>		
	<b>FY 2015-16</b>	<b>FY 2016-17</b>
<b><u>Resources</u></b>		
Beginning balance	\$119.8	\$5.3
Revenue estimate	12,263.7	12,640.9
Online sales tax legislation	44.0	45.3
Venture Michigan Fund certificates	(11.9)	(9.5)
Use tax on Medicaid MCOs	188.9	48.8
GF/GP contribution	45.9	57.00
Federal funds	<u>1,775.8</u>	<u>1,775.8</u>
<b>Total Resources</b>	<b>\$14,426.2</b>	<b>\$14,563.6</b>
<b><u>Expenditures</u></b>		
School Aid ongoing recommendations	\$13,844.3	\$13,839.3
School Aid one-time recommendations	114.7	0.0
Community College recommendations	256.7	263.6
Higher Education recommendations	<u>205.2</u>	<u>205.4</u>
<b>Total Expenditures</b>	<b>\$14,420.9</b>	<b>\$14,308.2</b>
<b>Estimated Ending Balance</b>	<b>\$5.3</b>	<b>\$255.4</b>

**Beginning balance:** Estimated ending balance from FY 2014-15.

**Revenue estimate:** FY 2015-16 and FY 2016-17 revenue estimates agreed to at the January 2015 consensus revenue estimating conference.

**Online sales tax legislation:** Estimates from PAs 553 and 554 of 2014.

**Venture Michigan Fund certificates:** Revenue loss from tax certificates anticipated to be redeemed under Venture Michigan program.

**Use tax on Medicaid MCOs:** Use tax imposed on Medicaid Managed Care Organizations (MCOs) under PA 161 of 2014.

**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.

<b>FY 2015-16 and FY 2016-17 Executive Recommendation</b>		
<b>Merit Award Trust Fund</b>		
<b>Millions of Dollars</b>		
	<b>FY 2015-16</b>	<b>FY 2016-17</b>
<b><u>Resources</u></b>		
Beginning balance	\$75.7	\$75.0
Tobacco Settlement MSA payment	276.7	275.4
Settlement adjustments	(22.8)	(21.1)
Payment on 2006/2007 securitization bonds (24.11%)	(61.2)	(61.3)
Deposit to 21st Century Jobs Trust Fund	(75.0)	(75.0)
BSF payment	<u>(17.5)</u>	<u>(17.5)</u>
<b>Total Resources</b>	<b>\$175.9</b>	<b>\$175.5</b>
<b><u>Expenditures</u></b>		
Attorney General: Administration	\$0.5	\$0.5
DCH: Aging-respite care	4.1	4.1
DCH: Medicaid base funding	64.3	64.3
DHS: Family Independence Program	30.1	30.1
State Police: Tobacco tax enforcement	0.8	0.8
Treasury: Tuition Incentive Program Administration	<u>1.1</u>	<u>1.1</u>
<b>Total Expenditures</b>	<b>\$100.9</b>	<b>\$100.9</b>
<b>Estimated Ending Balance</b>	<b>\$75.0</b>	<b>\$74.8</b>

## BUDGET SUMMARY TABLES

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

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

- FY 2014-15 adjusted year-to-date figures includes proposed FY 2014-15 adjustments under Executive Order 2015-5, House Bill 4110 (H-1), and House Bill 4112 (H-1).
- Some appropriation items in the FY 2014-15 budget are designated as one-time, indicating intent that those items will not be funded in the subsequent budget year in order to maintain a structurally-balanced budget. The FY 2015-16 Executive Budget continues this practice.
- The tables in this document show total appropriation amounts by budget area, including both standard line items and the items designated as one-time, in order to provide an accurate representation of resources available for expenditure in each budget year by state departments, local units of government, and other entities receiving funds through the state budget.

**TABLE 1  
FY 2015-16 EXECUTIVE BUDGET RECOMMENDATION BY SOURCE OF FUNDS**

<b>Department/Budget Area</b>	<b>Gross</b>	<b>IDG/IDT</b>	<b>Adjusted Gross</b>	<b>Federal</b>	<b>Local</b>	<b>Private</b>	<b>State Restricted</b>	<b>GF/GP</b>
Agriculture & Rural Development	\$84,144,000	\$317,300	\$83,826,700	\$10,427,900	\$0	\$128,100	\$30,897,100	\$42,373,600
Attorney General	91,941,600	28,533,900	63,407,700	9,278,600	0	0	17,281,700	36,847,400
Civil Rights	16,128,700	286,700	15,842,000	2,721,700	0	18,700	151,900	12,949,700
Community Colleges	393,825,600	0	393,825,600	0	0	0	256,714,800	137,110,800
Community Health	18,971,605,000	9,678,100	18,961,926,900	13,465,957,200	85,984,600	127,698,700	2,289,035,100	2,993,251,300
Corrections	1,976,226,000	225,000	1,976,001,000	5,568,700	8,533,200	0	42,950,700	1,918,948,400
Education	313,212,200	0	313,212,200	218,583,400	5,633,700	2,033,300	7,669,600	79,292,200
Environmental Quality	487,925,900	9,115,300	478,810,600	138,163,100	0	546,000	304,723,800	35,377,700
Executive Office	5,916,100	0	5,916,100	0	0	0	0	5,916,100
Higher Education	1,541,219,200	0	1,541,219,200	97,026,400	0	0	205,279,500	1,238,913,300
Human Services	5,734,326,500	24,260,300	5,710,066,200	4,542,043,600	45,441,300	26,356,900	117,333,400	978,891,000
Insurance & Financial Services	65,057,700	707,600	64,350,100	2,000,000	0	0	62,200,100	150,000
Judiciary	283,901,300	2,362,900	281,538,400	6,428,600	7,229,000	942,900	84,245,700	182,692,200
Legislative Auditor General	22,840,500	5,392,800	17,447,700	0	0	0	1,987,600	15,460,100
Legislature	136,464,300	0	136,464,300	0	0	400,000	4,192,000	131,872,300
Licensing & Regulatory Affairs	545,605,900	15,754,900	529,851,000	200,388,700	679,000	311,300	304,248,600	24,223,400
Military & Veterans Affairs	163,953,700	99,300	163,854,400	90,208,600	1,497,400	739,600	23,221,500	48,187,300
Natural Resources	389,494,200	1,352,700	388,141,500	76,028,000	0	8,157,700	264,183,000	39,772,800
School Aid	13,958,963,900	0	13,958,963,900	1,775,769,200	0	0	12,137,294,700	45,900,000
State	225,256,700	20,000,000	205,256,700	1,460,000	0	100	186,635,100	17,161,500
State Police	613,531,200	26,224,300	587,306,900	87,945,900	5,456,700	76,700	120,353,900	373,473,700
Tech., Mgmt. & Budget: Operations	1,010,335,700	678,478,500	331,857,200	7,997,300	3,587,700	190,100	95,771,900	224,310,200
Tech., Mgmt. & Budget: SBA Rent	254,570,600	0	254,570,600	0	0	0	0	254,570,600
Transportation	3,635,722,500	3,928,500	3,631,794,000	1,257,488,000	50,293,500	100,000	2,184,391,400	139,521,100
Treasury: Debt Service	156,449,000	0	156,449,000	0	0	0	0	156,449,000
Treasury: Michigan Strategic Fund	1,006,582,500	0	1,006,582,500	627,305,000	4,433,500	5,649,000	142,588,000	226,607,000
Treasury: Operations	533,426,200	9,500,700	523,925,500	39,661,500	9,029,700	25,400	354,978,600	120,230,300
Treasury: Revenue Sharing	1,251,237,000	0	1,251,237,000	0	0	0	1,251,237,000	0
<b>TOTAL APPROPRIATIONS</b>	<b>\$53,869,863,700</b>	<b>\$836,218,800</b>	<b>\$53,033,644,900</b>	<b>\$22,662,451,400</b>	<b>\$227,799,300</b>	<b>\$173,374,500</b>	<b>\$20,489,566,700</b>	<b>\$9,480,453,000</b>

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

**TABLE 2**  
**ADJUSTED GROSS APPROPRIATIONS**  
**FY 2015-16 Executive Recommendation Compared with FY 2014-15 Year-to-Date**

<u>Department/Budget Area</u>	<u>FY 2014-15 Year-to-Date as of 2/11/15</u>	<u>*Proposed Adjustments</u>	<u>Adjusted FY 2014-15 Appropriations</u>	<u>FY 2015-16 Exec Rec</u>	<u>Exec Rec Change from YTD as of 2/11/15</u>		<u>Exec Rec Change from Adjusted YTD</u>	
					<u>Dollar</u>	<u>Percent</u>	<u>Dollar</u>	<u>Percent</u>
Agriculture & Rural Development	\$84,144,100	(\$600,000)	\$83,544,100	\$83,826,700	(\$317,400)	(0.4)	\$282,600	0.3
Attorney General	66,038,500	0	66,038,500	63,407,700	(2,630,800)	(4.0)	(2,630,800)	(4.0)
Civil Rights	16,355,300	0	16,355,300	15,842,000	(513,300)	(3.1)	(513,300)	(3.1)
Community Colleges	364,724,900	0	364,724,900	393,825,600	29,100,700	8.0	29,100,700	8.0
Community Health	18,216,419,000	(181,133,200)	18,035,285,800	18,961,926,900	745,507,900	4.1	926,641,100	5.1
Corrections	2,040,296,700	(17,800,000)	2,022,496,700	1,976,001,000	(64,295,700)	(3.2)	(46,495,700)	(2.3)
Education	287,096,100	3,402,600	290,498,700	313,212,200	26,116,100	9.1	22,713,500	7.8
Environmental Quality	493,061,300	16,600,000	509,661,300	478,810,600	(14,250,700)	(2.9)	(30,850,700)	(6.1)
Executive Office	5,916,100	0	5,916,100	5,916,100	0	0.0	0	0.0
Higher Education	1,516,496,300	0	1,516,496,300	1,541,219,200	24,722,900	1.6	24,722,900	1.6
Human Services	5,733,628,800	(33,333,000)	5,700,295,800	5,710,066,200	(23,562,600)	(0.4)	9,770,400	0.2
Insurance & Financial Services	64,482,100	0	64,482,100	64,350,100	(132,000)	(0.2)	(132,000)	(0.2)
Judiciary	285,403,200	0	285,403,200	281,538,400	(3,864,800)	(1.4)	(3,864,800)	(1.4)
Legislative Auditor General	16,938,100	0	16,938,100	17,447,700	509,600	3.0	509,600	3.0
Legislature	131,930,500	0	131,930,500	136,464,300	4,533,800	3.4	4,533,800	3.4
Licensing & Regulatory Affairs	528,078,400	(200,000)	527,878,400	529,851,000	1,772,600	0.3	1,972,600	0.4
Military & Veterans Affairs	166,843,700	1,500,000	168,343,700	163,854,400	(2,989,300)	(1.8)	(4,489,300)	(2.7)
Natural Resources	383,330,300	6,800,000	390,130,300	388,141,500	4,811,200	1.3	(1,988,800)	(0.5)
School Aid	13,870,325,600	(183,365,500)	13,686,960,100	13,958,963,900	88,638,300	0.6	272,003,800	2.0
State	203,984,900	1,200,000	205,184,900	205,256,700	1,271,800	0.6	71,800	0.0
State Police	645,839,800	(23,331,100)	622,508,700	587,306,900	(58,532,900)	(9.1)	(35,201,800)	(5.7)
Tech, Mgmt, & Budget: Operations	330,568,100	(15,500,000)	315,068,100	331,857,200	1,289,100	0.4	16,789,100	5.3
Tech, Mgmt, & Budget: SBA Rent	254,570,600	(17,800,000)	236,770,600	254,570,600	0	0.0	17,800,000	7.5
Transportation	3,695,731,700	25,544,000	3,721,275,700	3,631,794,000	(63,937,700)	(1.7)	(89,481,700)	(2.4)
Treasury: Operations	536,227,300	8,700,000	534,927,300	523,925,500	(12,301,800)	(2.3)	(21,001,800)	(3.9)
Treasury: Michigan Strategic Fund	1,024,779,900	(22,000,000)	1,002,779,900	1,006,582,500	(18,197,400)	(1.8)	3,802,600	0.4
Treasury: Debt Service	152,395,000	0	152,395,000	156,449,000	4,054,000	2.7	4,054,000	2.7
Treasury: Revenue Sharing	1,226,312,400	0	1,226,312,400	1,251,237,000	24,924,600	2.0	24,924,600	2.0
<b>TOTAL</b>	<b>\$52,341,918,700</b>	<b>(\$431,316,200)</b>	<b>\$51,910,602,500</b>	<b>\$53,033,644,900</b>	<b>\$691,726,200</b>	<b>1.3</b>	<b>\$1,123,042,400</b>	<b>2.2</b>

\*Proposed FY 2014-15 adjustments under Executive Order 2015-5, House Bill 4110 (H-1), or House Bill 4112 (H-1).



**TABLE 3  
GENERAL FUND/GENERAL PURPOSE APPROPRIATIONS  
FY 2015-16 Executive Recommendation Compared with FY 2014-15 Year-to-Date**

<u>Department/Budget Area</u>	<u>FY 2014-15 Year-to-Date as of 2/11/15</u>	<u>*Proposed Adjustments</u>	<u>Adjusted FY 2014-15 Appropriations</u>	<u>FY 2015-16 Exec Rec</u>	<u>Exec Rec Change from YTD as of 2/11/15</u>		<u>Exec Rec Change from Adjusted YTD</u>	
					<u>Dollar</u>	<u>Percent</u>	<u>Dollar</u>	<u>Percent</u>
Agriculture & Rural Development	\$45,916,200	(\$600,000)	\$45,316,200	\$42,373,600	(\$3,542,600)	(7.7)	(\$2,942,600)	(6.5)
Attorney General	38,267,100	0	38,267,100	36,847,400	(1,419,700)	(3.7)	(1,419,700)	(3.7)
Civil Rights	13,448,200	0	13,448,200	12,949,700	(498,500)	(3.7)	(498,500)	(3.7)
Community Colleges	167,110,800	(167,110,800)	0	137,110,800	(30,000,000)	(18.0)	137,110,800	--
Community Health	3,239,701,400	(150,994,600)	3,088,706,800	2,993,251,300	(246,450,100)	(7.6)	(95,455,500)	(3.1)
Corrections	1,980,798,400	(20,700,000)	1,960,098,400	1,918,948,400	(61,850,000)	(3.1)	(41,150,000)	(2.1)
Education	82,083,000	(8,403,100)	73,679,900	79,292,200	(2,790,800)	(3.4)	5,612,300	7.6
Environmental Quality	40,875,900	(3,400,000)	37,475,900	35,377,700	(5,498,200)	(13.5)	(2,098,200)	(5.6)
Executive Office	5,916,100	0	5,916,100	5,916,100	0	0.0	0	0.0
Higher Education	1,214,902,000	(2,000,000)	1,212,902,000	1,238,913,300	24,011,300	2.0	26,011,300	2.1
Human Services	995,452,600	(14,297,100)	981,155,500	978,891,000	(16,561,600)	(1.7)	(2,264,500)	(0.2)
Insurance & Financial Services	55,000	0	55,000	150,000	95,000	172.7	95,000	172.7
Judiciary	186,527,400	0	186,527,400	182,692,200	(3,835,200)	(2.1)	(3,835,200)	(2.1)
Legislative Auditor General	14,937,300	0	14,937,300	15,460,100	522,800	3.5	522,800	3.5
Legislature	127,420,700	0	127,420,700	131,872,300	4,451,600	3.5	4,451,600	3.5
Licensing & Regulatory Affairs	40,133,800	(312,500)	39,821,300	24,223,400	(15,910,400)	(39.6)	(15,597,900)	(39.2)
Military & Veterans Affairs	49,154,500	3,300,000	52,454,500	48,187,300	(967,200)	(2.0)	(4,267,200)	(8.1)
Natural Resources	48,591,500	(2,000,000)	46,591,500	39,772,800	(8,818,700)	(18.1)	(6,818,700)	(14.6)
School Aid	114,900,000	(81,200,000)	33,700,000	45,900,000	(69,000,000)	(60.1)	12,200,000	36.2
State	17,539,000	200,000	17,739,000	17,161,500	(377,500)	(2.2)	(577,500)	(3.3)
State Police	414,171,000	(23,331,100)	390,839,900	373,473,700	(40,697,300)	(9.8)	(17,366,200)	(4.4)
Tech, Mgmt, & Budget: Operations	224,527,900	(15,500,000)	209,027,900	224,310,200	(217,700)	(0.1)	15,282,300	7.3
Tech, Mgmt, & Budget: SBA Rent	254,570,600	(17,800,000)	236,770,600	254,570,600	0	0.0	17,800,000	7.5
Transportation	284,647,900	0	284,647,900	139,521,100	(145,126,800)	(51.0)	(145,126,800)	(51.0)
Treasury: Operations	118,118,300	3,550,000	121,668,300	120,230,300	2,112,000	1.8	(1,438,000)	(1.2)
Treasury: Michigan Strategic Fund	244,642,500	(22,000,000)	222,642,500	226,607,000	(18,035,500)	(7.4)	3,964,500	1.8
Treasury: Debt Service	152,395,000	0	152,395,000	156,449,000	4,054,000	2.7	4,054,000	2.7
<b>TOTAL</b>	<b>\$10,116,804,100</b>	<b>(\$522,599,200)</b>	<b>\$9,594,204,900</b>	<b>\$9,480,453,000</b>	<b>(\$636,351,100)</b>	<b>(6.3)</b>	<b>(\$113,751,900)</b>	<b>(1.2)</b>

\*Proposed FY 2014-15 adjustments under Executive Order 2015-5, House Bill 4110 (H-1), or House Bill 4112 (H-1).

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

<u>Department/Budget Area</u>	<u>Exec. Rec. FY 2015-16 GF/GP</u>
Agriculture and Rural Development	\$500,000
Community Health	7,000,000
Human Services	400,000
Natural Resources	250,000
State Police	3,700,000
Tech., Mgmt. & Budget: Operations	2,000,500
Transportation	139,521,100
Treasury: Michigan Strategic Fund	42,900,000
Treasury: Operations	19,900,000
<b>TOTAL: ONE-TIME APPROPRIATIONS</b>	<b>\$216,171,600</b>
Budget Stabilization Fund Deposit	95,000,000
<b>TOTAL: ONE-TIME APPROPRIATION AND DEPOSITS</b>	<b>\$311,171,600</b>

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

<b>Department/Budget Area</b>	<b>** Adjusted Year-To-Date FY 2014-15</b>	<b>Executive Recommendation FY 2015-16</b>	<b>Difference FY 2015-16 vs. FY 2014-15</b>	
Agriculture & Rural Development	452.0	460.0	8.0	1.8%
Attorney General	519.5	524.5	5.0	1.0%
Civil Rights	138.0	135.0	(3.0)	(2.2%)
Community Colleges	0.0	0.0	0.0	--
Community Health	3,659.1	3,683.1	24.0	0.7%
Corrections	14,195.3	14,190.3	(5.0)	0.0%
Education	606.5	606.5	0.0	0.0%
Environmental Quality	1,291.5	1,227.0	(64.5)	(5.0%)
Executive Office	88.2	88.2	0.0	0.0%
Higher Education	0.0	0.0	0.0	--
Human Services	12,208.5	12,043.9	(164.6)	(1.3%)
Insurance & Financial Services	343.0	343.0	0.0	0.0%
Judiciary	490.0	487.0	(3.0)	(0.6%)
Legislative Auditor General	0.0	0.0	0.0	--
Legislature	0.0	0.0	0.0	--
Licensing & Regulatory Affairs	2,877.8	2,877.8	0.0	0.0%
Military & Veterans Affairs	898.5	897.5	(1.0)	(0.1%)
Natural Resources	2,228.3	2,225.8	(2.5)	(0.1%)
School Aid	0.0	0.0	0.0	--
State	1,593.0	1,593.0	0.0	0.0%
State Police	3,073.0	3,094.0	21.0	0.7%
Tech., Mgmt. & Budget: Operations	2,823.0	2,839.0	16.0	0.6%
Tech., Mgmt. & Budget: SBA Rent	0.0	0.0	0.0	--
Transportation	2,918.3	2,918.3	0.0	0.0%
Treasury: Debt Service	0.0	0.0	0.0	--
Treasury: Michigan Strategic Fund	756.0	756.0	0.0	0.0%
Treasury: Operations	1,873.5	1,911.5	38.0	2.0%
Treasury: Revenue Sharing	0.0	0.0	0.0	--
<b>TOTAL FTE APPROPRIATIONS</b>	<b>53,033.0</b>	<b>52,901.4</b>	<b>(131.6)</b>	<b>(0.2%)</b>

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

\*\* Proposed FY 2014-15 adjustments under Executive Order 2015-5, House Bill 4110 (H-1), or House Bill 4112 (H-1).

**TABLE 6  
STATE SPENDING FROM STATE SOURCES PAID TO LOCAL GOVERNMENTS**

<b>FY 2015-16 Executive Recommendation</b>			
<b><u>Department/Budget Area</u></b>	<b><u>Spending from State Sources</u></b>	<b><u>State Spending to Local Government Units</u></b>	<b><u>% of State Spending from State Sources as Payment to Locals</u></b>
Agriculture & Rural Development	\$73,270,700	\$4,750,000	6.5%
Attorney General	54,129,100	0	0.0%
Civil Rights	13,101,600	0	0.0%
Community Colleges	393,825,600	393,825,600	100.0%
Community Health	5,282,286,400	1,125,752,600	21.3%
Corrections	1,961,899,100	114,323,600	5.8%
Education	86,961,800	15,176,000	17.5%
Environmental Quality	340,101,500	3,648,500	1.1%
Executive Office	5,916,100	0	0.0%
Higher Education	1,444,192,800	0	0.0%
Human Services	1,096,224,400	97,088,300	8.9%
Insurance & Financial Services	62,350,100	0	0.0%
Judiciary	266,937,900	136,329,400	51.1%
Legislative Auditor General	17,447,700	0	0.0%
Legislature	136,064,300	0	0.0%
Licensing & Regulatory Affairs	328,472,000	30,936,900	9.4%
Military & Veterans Affairs	71,408,800	102,400	0.0%
Natural Resources	303,955,800	5,548,400	1.8%
School Aid	12,183,194,700	12,022,427,700	98.7%
State	203,796,600	1,272,100	0.6%
State Police	493,827,600	11,899,400	2.4%
Tech., Mgmt. & Budget: Operations	320,082,100	0	0.0%
Tech., Mgmt. & Budget: SBA Rent	254,570,600	0	0.0%
Transportation	2,323,912,500	1,252,574,400	53.9%
Treasury: Debt Service	156,449,000	0	0.0%
Treasury: Michigan Strategic Fund	369,195,000	15,224,800	4.1%
Treasury: Operations	475,208,900	199,157,300	41.9%
Treasury: Revenue Sharing	1,251,237,000	1,251,237,000	100.0%
<b>TOTALS APPROPRIATED</b>	<b>\$29,970,019,700</b>	<b>\$16,681,274,400</b>	<b>55.7%</b>

**TABLE 7**  
**FY 2015-16 Executive Recommendation – Fee Proposal**

<b>Department/Budget Area</b>	<b>New Fees</b>	<b>Increased Fees</b>	<b>Decreased Fees</b>	<b>(Potential Loss) Maintain Fees at Current Level Otherwise Decline</b>	<b>(Potential Loss) Sunset Extensions</b>
Agriculture	\$41,700	\$2,734,400		\$100,000	\$5,020,000
Community Health					249,800,000
Environmental Quality		2,250,000			27,143,700
Licensing & Regulatory Affairs	1,029,500	6,417,634	(16,628)	17,483,744	
State Police					30,729,500
State					109,600,000
<b>Totals</b>	<b>\$1,071,200</b>	<b>\$11,402,034</b>	<b>(\$16,628)</b>	<b>\$17,583,744</b>	<b>\$422,293,200</b>
<b>Total Executive Recommendation for Fees</b>					<b>\$452,333,550</b>



**FY 2015-16 and FY 2016-17 EXECUTIVE BUDGET HIGHLIGHTS**  
**Major Changes Proposed**

**Agriculture and Rural Development**

Analyst: William E. Hamilton

	FY 2014-15 Year-to-Date as of 2/11/15	Proposed FY 2014-15 Adjustments	Adjusted FY 2014-15 Year-to-Date	FY 2015-16 Executive Recommendation	Change: FY 2015-16 vs. FY 2014-15 Adjusted	
					Amount	%
<b>IDG/IDT</b>	\$318,100	\$0	\$318,100	\$317,300	(\$800)	(0.3)
<b>Federal</b>	10,126,200	0	10,126,200	10,427,900	301,700	3.0
<b>Local</b>	0	0	0	0	0	--
<b>Private</b>	98,300	0	98,300	128,100	29,800	30.3
<b>Restricted</b>	28,003,400	0	28,003,400	30,897,100	2,893,700	10.3
<b>GF/GP</b>	45,916,200	(600,000)	45,316,200	42,373,600	(2,942,600)	(6.5)
<b>Gross</b>	<b>\$84,462,200</b>	<b>(\$600,000)</b>	<b>\$83,862,200</b>	<b>\$84,144,000</b>	<b>\$281,800</b>	<b>0.3</b>
<b>FTEs</b>	452.0	0.0	452.0	460.0	8.0	1.8

Notes: (1) FY 2014-15 adjusted year-to-date figures include mid-year budget adjustments through February 11, 2015. (2) Proposed FY 2014-15 adjustments include Executive Order 2015-5 and House Bill 4112 (H-1). (3) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

**Major Proposed Budget Changes From Adjusted FY 2014-15 Appropriations**

**One-Time GF/GP Grant Programs**

Eliminates \$2.1 million GF/GP in one-time grant programs. Specific programs eliminated would include the one-time Food and Agriculture Industry Strategic Growth Initiative, (funded in the current year at \$1.4 million GF/GP after the \$600,000 reduction of Executive Order 2015-5). The proposed budget would retain a separate ongoing Agriculture Development/Strategic Growth Initiative grant program, funded at \$1.1 million GF/GP.

**Elimination/Reduction of Ongoing GF/GP Programs**

Eliminates the Commercial Forest Audit Program (\$150,000 GF/GP) and the Shows and Expositions grant program, (\$50,000 GF/GP). The budget would also reduce GF/GP funding for County Fairs Capital Improvement grants to \$170,000 (a \$150,000 GF/GP reduction) and Rural Development Value-added grants to \$100,000 (a \$950,000 GF/GP reduction from current year funding).

**One-Time Capital Support for Geagley Laboratory**

Provides \$500,000 in one-time GF/GP funding for laboratory equipment at the department's Geagley Laboratory in East Lansing.

**Increases to Support Fee-Based Programs**

Requests increases of \$2.7 million in various statutory fees used to support specific department program areas, including \$1.2 million in pesticide and fertilizer licensing and testing fees for Pesticide and Plant Pest Management programs, and \$1.5 million in retail food license fees to support food safety programs.

**Revenue Adjustments**

Adjusts restricted revenue in several appropriation line items to better reflect actual anticipated revenue. These adjustments net to an increase of \$564,800. In addition, the budget would provide a \$50,000 GF/GP increase to the Accounting Service Center to reflect actual service cost.

**Economic Adjustments**

Reflects net cost reduction of \$167,400 million Gross (\$92,600 GF/GP) for negotiated salary and wage amounts (2.0% base increase), insurance rate increases, reductions in actuarially determined retirement rates, and other economic adjustments.

## Community Colleges

Analyst: Marilyn Peterson

	FY 2014-15 Year-to-Date as of 2/11/15	Proposed FY 2014-15 Adjustments	Adjusted FY 2014-15 Year-to-Date	FY 2015-16 Executive Recommendation	Change: FY 2015-16 vs. FY 2014-15 Adjusted	
					Amount	%
<b>IDG/IDT</b>	\$0	\$0	\$0	\$0	\$0	--
<b>Federal</b>	0	0	0	0	0	--
<b>Local</b>	0	0	0	0	0	--
<b>Private</b>	0	0	0	0	0	--
<b>Restricted</b>	197,614,100	167,110,800	364,724,900	256,714,800	(108,010,100)	(29.6)
<b>GF/GP</b>	167,110,800	(167,110,800)	0	137,110,800	137,110,800	--
<b>Gross</b>	<b>\$364,724,900</b>	<b>\$0</b>	<b>\$364,724,900</b>	<b>\$393,825,600</b>	<b>\$29,100,700</b>	<b>8.0</b>

Notes: (1) FY 2014-15 adjusted year-to-date figures include mid-year budget adjustments through February 11, 2015. (2) Proposed FY 2014-15 adjustments reflect House Bill 4110 (H-1). (3) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

### **Major Proposed Budget Changes From Adjusted FY 2014-15 Appropriations**

#### ***Community College Operations Grants***

Increases funding for community college operations grants by \$4.3 million (1.4%), to be distributed according to a revised performance funding formula. Projected increases for individual community colleges range from 1.2% to 1.9%. Increase funded with School Aid Fund (SAF) revenues. Total funding would be \$311.5 million (\$81.3 million GF/GP).

#### ***Michigan Public School Employee Retirement System (MPSERS)***

Includes \$17.2 million increase, funded with SAF, for the state's share of colleges' unfunded liability to MPSERS; state's share is the difference between the actuarial accrued liability to the system and the employer contribution cap of 20.96% of payroll set by the Public School Employees Retirement Act (MCL 38.1341). Total funding for state share would be \$69.5 million (\$52.3 million GF/GP). An additional \$6.9 million is expected to be needed in FY 2016-17.

#### ***Financial Aid***

Provides \$6.0 million SAF to re-institute the Independent Part-Time Student Grant program, which was last funded in FY 2008-09. Program to be limited to community colleges and to provide assistance to adult students taking fewer than 12 credits, with priority for former postsecondary students who left prior to completing a degree or certificate.

#### ***Performance Funding Formula***

Eliminates the "local strategic value" component (currently set at 15%) of the formula for distributing performance-based funding, increases the weighted degree component from its current 17.5% to 32.5% of the formula, and adds a requirement to actively participate in the Michigan transfer network, which enables students to identify courses and credits transferable to and from Michigan postsecondary institutions.

#### ***Renaissance Zone Reimbursements***

Increases funding for Renaissance Zone reimbursements by \$1.6 million SAF, bringing total funding to \$5.1 million (\$3.5 million GF/GP), the approximate amount of college tax revenue lost under Renaissance Zones in FY 2013-14.



## Community Health

Analysts: Susan Frey, Kevin Koorstra, and Kyle I. Jen

	FY 2014-15 Year-to-Date as of 2/11/15	Proposed FY 2014-15 Adjustments	Adjusted FY 2014-15 Year-to-Date	FY 2015-16 Executive Recommendation	Change: FY 2015-16 vs. FY 2014-15 Adjusted	
					Amount	%
<b>IDG/IDT</b>	\$9,425,900	\$0	\$9,425,900	\$9,678,100	\$252,200	2.7
<b>Federal</b>	12,567,108,200	(111,200,600)	12,455,907,600	13,465,957,200	1,010,049,600	8.1
<b>Local</b>	220,349,300	6,771,100	227,120,400	85,984,600	(141,135,800)	(62.1)
<b>Private</b>	127,856,600	0	127,856,600	127,698,700	(157,900)	(0.1)
<b>Restricted</b>	2,061,403,500	74,290,900	2,135,694,400	2,289,035,100	153,340,700	7.2
<b>GF/GP</b>	3,239,701,400	(150,994,600)	3,088,706,800	2,993,251,300	(95,455,500)	(3.1)
<b>Gross</b>	<b>\$18,225,844,900</b>	<b>(\$181,133,200)</b>	<b>\$18,044,711,700</b>	<b>\$18,971,605,000</b>	<b>\$926,893,300</b>	<b>5.1</b>
<b>FTEs</b>	3,654.1	5.0	3,659.1	3,683.1	24.0	0.7

Notes: (1) FY 2014-15 adjusted year-to-date figures include mid-year budget adjustments through February 11, 2015. (2) Proposed FY 2014-15 adjustments include Executive Order 2015-5 and House Bill 4112 (H-1). (3) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

### Major Proposed Budget Changes From Adjusted FY 2014-15 Appropriations

#### **Healthy Michigan Plan Cost Increases**

Provides \$875.3 million in federal funding for caseload, utilization, and inflation adjustments in Medical Services and Behavioral Health Services for Healthy Michigan Plan/Medicaid expansion. Amount also includes a 2.0% increase for Medicaid health plans and a 1.5% increase for Prepaid Inpatient Health Plans (PIHPs) to meet federal requirement that capitation payment rates are actuarially sound.

#### **Base Medicaid Cost Increases**

Provides \$214.9 million Gross (\$59.6 million GF/GP) for caseload, utilization and inflation adjustments for Medical Services, Behavioral Health Services, Children's Special Health Care Services, and the Federal Medicare Pharmaceutical Program. Amount includes a 2.0% increase for Medicaid health plans and a 1.5% increase for Prepaid Inpatient Health Plans (PIHPs) to meet federal requirement that capitation payment rates are actuarially sound. Amount also includes the Federal Medical Assistance Percentage (FMAP) adjustment from 65.54% to 65.60%.

#### **Health Insurance Claims Assessment (HICA) Rate Increase and Cap Removal**

Increases HICA revenue \$180.1 million to offset a like amount of GF/GP. The additional HICA revenues are from a proposed rate increase from 0.75% to 1.30% (\$162.8 million) and the proposed removal of the statutory cap on HICA collections (\$17.3 million). Assumes no changes to the 6% Use Tax on Medicaid managed care providers until FY 2016-17.

#### **Medicaid Managed Care Services**

Reduces Medicaid managed care services \$91.6 million Gross (\$31.5 million GF/GP) from moving pharmacy coverage from managed care contracts to fee-for-service effective January 1, 2016 (\$48.8 million Gross), annualizing laboratory reimbursement savings within Executive Order 2015-5 (\$27.4 million Gross), and integrating MICHild managed care contracts with Medicaid managed care contracts effective January 1, 2016 (\$15.4 million Gross).

#### **Replacement of Restricted Revenue with GF/GP**

Increases \$90.0 million GF/GP to replace one-time Roads and Risks Reserve funds (\$62.9 million), a decline in Medicaid Benefits Trust Fund revenue (\$19.5 million), one-time Certified Public Expenditure funds (\$5.9 million), and a decline in Healthy Michigan Funds (\$1.7 million) that are currently used to support Medicaid medical services.

#### **Graduate Medical Education (GME)**

Restores \$14.5 million Gross (\$5.0 million GF/GP) Executive Order 2015-5 reduction and finances GME with \$63.5 million in increased hospital quality assurance assessment program (QAAP) revenue to offset \$63.5 million GF/GP. Amount includes \$7.4 million in GF/GP retainer savings.

#### **Special Rural Hospital Payments**

Restores \$5.8 million Gross (\$2.0 million GF/GP) Executive Order 2015-5 reduction and finances Special Rural Hospital payments with \$13.6 million in increased hospital QAAP revenue to offset \$13.6 million GF/GP. Amount includes \$1.6 million in GF/GP retainer savings.

**Health Policy - State Innovation Model Grant**

Recognizes \$50.0 million in federal grant funds to implement Michigan's Blueprint for Health Innovation, supporting testing and implementation of major health care service delivery and payment systems innovations. Authorization for the remaining \$20.0 million of the grant is included in a proposed supplemental for the current fiscal year, HB 4112 (H-1).

**Healthy Kids and Adult Dental**

Provides \$44.8 million Gross (\$15.4 million GF/GP) to expand Healthy Kids Dental for children ages 0-8 in Kent, Oakland, and Wayne counties and to enhance Medicaid adult dental statewide. Adult dental increase is effective for last quarter of FY 2015-16 only; full year cost is \$92.1 million Gross (\$31.7 million GF/GP).

**Medicaid Primary Care and OB/GYN Rates**

Reduces \$25.9 million Gross and increases \$4.5 million GF/GP to annualize the primary care rate adjustment and to eliminate the OB/GYN lump sum payment.

**Community Mental Health (CMH) Non-Medicaid Services**

Replaces \$20.0 million in Roads and Risks Reserve funds appropriated in FY 2014-15 through proposed House Bill 4112 (H-1) with \$20.0 million GF/GP to maintain annual funding at \$117.1 million. Also eliminates the transfer of GF/GP to local Community Mental Health Services Programs (CMHSP) for purchase of state services, reducing the corresponding \$139.5 million in local revenue appropriated for state psychiatric hospitals. The GF/GP currently appropriated for CMHSP purchase of state services is instead directly appropriated to support the state psychiatric hospitals.

**Autism University and Family Assistance Programs**

Provides one-time funding of \$2.5 million GF/GP for university autism programs related to education and development of autism service providers, which is a reduction from \$7.5 million GF/GP (\$7.0 million one-time and \$500,000 ongoing); also eliminates one-time funding of \$1.5 million GF/GP for autism family assistance services.

**Chronic Disease Prevention**

Includes \$3.5 million authorization for a new 4-year federal grant to support coordinated population approaches and reduce disparities in prevention of adult chronic disease, including obesity, diabetes, heart disease and stroke.

**Trauma Hospital Traumatic Brain Injury (TBI) Treatment Support**

Eliminates \$1.35 million GF/GP supporting evidence-based traumatic brain injury intensive care treatment management system, training, and interactive software at level I trauma hospitals, first funded in FY 2011-12.

**Real Alternatives Pilot Program**

Eliminates funding of \$800,000 GF/GP for alternative pregnancy and parenting support program which promotes childbirth and alternatives to abortion; pilot program was first funded in FY 2013-14.

**Economic Adjustments**

Reflects net cost reduction of \$607,500 Gross (\$232,100 GF/GP) for negotiated salary and wage amounts (2.0% base increase), insurance rate increases, reductions in actuarially determined retirement rates, and other economic adjustments.

## **Corrections**

Analyst: Robin R. Risko

	FY 2014-15 Year-to-Date as of 2/11/15	Proposed FY 2014-15 Adjustments	Adjusted FY 2014-15 Year-to-Date	FY 2015-16 Executive Recommendation	Change: FY 2015-16 vs. FY 2014-15 Adjusted	
					Amount	%
<b>IDG/IDT</b>	\$225,000	\$0	\$225,000	\$225,000	\$0	0.0
<b>Federal</b>	5,081,000	0	5,081,000	5,568,700	487,700	9.6
<b>Local</b>	8,547,700	0	8,547,700	8,533,200	(14,500)	(0.2)
<b>Private</b>	0	0	0	0	0	--
<b>Restricted</b>	45,869,600	2,900,000	48,769,600	42,950,700	(5,818,900)	(11.9)
<b>GF/GP</b>	1,980,798,400	(20,700,000)	1,960,098,400	1,918,948,400	(41,150,000)	(2.1)
<b>Gross</b>	<b>\$2,040,521,700</b>	<b>(\$17,800,000)</b>	<b>\$2,022,721,700</b>	<b>\$1,976,226,000</b>	<b>(\$46,495,700)</b>	<b>(2.3)</b>
<b>FTEs</b>	14,195.3	0.0	14,195.3	14,190.3	(5.0)	0.0

Notes: (1) FY 2014-15 adjusted year-to-date figures include mid-year budget adjustments through February 11, 2015. (2) Proposed FY 2014-15 adjustments include Executive Order 2015-5 and House Bill 4112 (H-1). (3) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

### **Major Proposed Budget Changes From Adjusted FY 2014-15 Appropriations**

#### ***Remove One-Time Funding***

Removes \$27.1 million GF/GP in one-time funding that was included in the FY 2014-15 budget: \$25.0 million for the Neal, et al. Settlement Agreement; \$1.0 million for the Education Program one-time enhancement costs; \$600,000 for 70 x 7 Life Recovery Muskegon Pilot Program; and \$440,600 for Field Operations one-time mobilization costs.

#### ***Continuation of FY 2014-15 Executive Order Reductions***

Reflects a savings of \$14.1 million GF/GP from continuing various FY 2014-15 reductions that were included in Executive Order 2015-5: \$7.4 million in savings from correctional facility operating efficiencies; \$4.0 million in savings from the purchase versus the leasing of electronic monitoring devices; \$1.8 million in savings from recognizing typical year-end lapses in the County Jail Reimbursement Program and Prisoner Re-Entry Local Service Providers line items; and \$1.0 million in savings from a reduction in transportation costs resulting from increased usage of tele-medicine and video-conferencing between prisoners and courts.

#### ***Utilize Special Equipment Fund Revenue to Offset GF/GP***

Replaces \$9.0 million GF/GP in the Education Program and Prisoner Re-Entry MDOC Programs line items with state restricted Special Equipment Fund revenue that is currently used to cover capital outlay, equipment, and special maintenance costs.

#### ***Eliminate Goodwill Flip the Script and IDG to DHS for Swift and Sure***

Eliminates \$2.5 million GF/GP appropriated in FY 2014-15 for Goodwill in Wayne County to provide education, job training, and mentoring to troubled 16-30 year-olds, in an effort to keep them out of prison; eliminates \$1.0 million (GF/GP) appropriated as an IDG to DHS for expansion of the Swift and Sure Sanctions Probation Program through the Michigan Rehabilitative Services program.

#### ***Closure of Kinross – Move Prisoners to Hiawatha***

Reflects a partial year savings of \$2.0 million GF/GP as a result of closing the Kinross Correctional Facility and transferring prisoners to the Hiawatha Correctional Facility.

#### ***Transfer Jail Mental Health Transition Pilot Program to DCH***

Reflects the transfer of \$1.0 million (GF/GP) and the Jail Mental Health Transition Pilot Program to DCH in an effort to streamline mental health diversion programming and projects.

#### ***Economic Adjustments***

Reflects a net cost reduction of \$5.3 million Gross (\$5.2 million GF/GP) for negotiated salary and wage amounts (2.0% base increase), insurance rate increases, reductions in actuarially determined retirement rates, and other economic adjustments.

## Education (Department)

Analyst: Samuel Christensen

	FY 2014-15 Year-to-Date as of 2/11/15	Proposed FY 2014-15 Adjustments	Adjusted FY 2014-15 Year-to-Date	FY 2015-16 Executive Recommendation	Change: FY 2015-16 vs. FY 2014-15 Adjusted	
					Amount	%
IDG/IDT	\$0	\$0	\$0	\$0	\$0	--
Federal	189,473,500	11,805,700	201,279,200	218,583,400	17,304,200	8.6
Local	5,633,700	0	5,633,700	5,633,700	0	0.0
Private	1,933,300	0	1,933,300	2,033,300	100,000	5.2
Restricted	7,972,600	0	7,972,600	7,669,600	(303,000)	(3.8)
GF/GP	82,083,000	(8,403,100)	73,679,900	79,292,200	5,612,300	7.6
<b>Gross</b>	<b>\$287,096,100</b>	<b>\$3,402,600</b>	<b>\$290,498,700</b>	<b>\$313,212,200</b>	<b>\$22,713,500</b>	<b>7.8</b>
FTEs	600.5	0.0	600.5	600.5	0.0	0.0

Notes: (1) FY 2014-15 adjusted year-to-date figures include mid-year budget adjustments through February 11, 2015. (2) Proposed FY 2014-15 adjustments include Executive Order 2015-5 and House Bill 4112 (H-1). (3) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

### Major Proposed Budget Changes From Adjusted FY 2014-15 Appropriations

#### ***Child Development and Care (CDC) — Increase Exit Threshold***

Increases funding by \$764,000 federal Child Care Developmental Fund (CCDF) to raise the exit threshold for determining CDC eligibility from 121% to 250% of the federal poverty level to reflect full-year funding, in addition to the proposed FY 2014-15 partial-year increase of \$764,000 federal CCDF, for a total increase of \$1.5 million federal CCDF compared to the original FY 2014-15 budget.

#### ***Child Development and Care (CDC) — 12-month Continuous Eligibility Model***

Increases funding by \$8.0 million federal CCDF to allow 12-month continuous child eligibility regardless of income after enrollment for CDC public assistance to reflect full-year funding, in addition to a proposed FY 2014-15 partial-year increase of \$8.0 million federal CCDF, for a total increase of \$16.0 million federal CCDF compared to the original FY 2014-15 budget.

#### ***Child Development and Care (CDC) — Increasing Provider Rates for Tiered Reimbursement***

Increases funding by \$3.1 million federal CCDF to increase provider reimbursement rates for the high quality licensed and registered programs as defined by the Great Start to Quality provider rating system to reflect full-year funding, in addition to a proposed FY 2014-15 partial-year increase of \$3.1 million federal CCDF, for a total increase of \$6.1 million federal CCDF compared to the original FY 2014-15 budget.

#### ***Child Development and Care (CDC) — Additional Child Care Licensing Consultants***

Increases the interdepartmental grant to Department of Human Services by \$5.7 million in federal CCDF to increase the number of Child Care Licensing (CCL) consultants and management by 39.0 FTEs.

#### ***Educator Evaluations***

Provides \$3.6 million GF/GP for educator evaluations. Funding would be used for staffing, compliance monitoring, and information technology systems modifications. This would restore a \$3.4 million GF/GP reduction to this line in Executive Order 2015-5 with an additional \$200,000. This line item originally comprised \$2.5 million GF/GP in ongoing funds and \$900,000 GF/GP in one-time funds. However, for the FY 2015-16 line item, all \$3.6 million GF/GP would be ongoing funds.

#### ***State Aid to Libraries Increase***

Increases state aid to libraries by \$1.0 million GF/GP for a total of \$9.9 million. This increase is tied to boilerplate Section 806, in which the increased funding to libraries would be prioritized to early literacy programming in public libraries.

#### ***Renaissance Zone Reimbursements to Libraries***

Increases reimbursements to libraries for local revenue lost due to renaissance zones by \$600,000 GF/GP to reflect the amount necessary to fully fund the payments at \$5.3 million. In FY 2014-15 the renaissance zone reimbursements were prorated.

***Economic Adjustments***

Reflects net cost reduction of \$159,400 Gross (\$14,200 GF/GP) for negotiated salary and wage amounts (2.0% base increase), insurance rate increases, reductions in actuarially determined retirement rates, and other economic adjustments.

## Environmental Quality

Analyst: Austin Scott

	FY 2014-15 Year-to-Date as of 2/11/15	Proposed FY 2014-15 Adjustments	Adjusted FY 2014-15 Year-to-Date	FY 2015-16 Executive Recommendation	Change: FY 2015-16 vs. FY 2014-15 Adjusted	
					Amount	%
<b>IDG/IDT</b>	\$9,530,500	\$0	\$9,530,500	\$9,115,300	(\$415,200)	(4.4)
<b>Federal</b>	149,867,600	(118,000)	149,749,600	138,163,100	(11,586,500)	(7.7)
<b>Local</b>	0	0	0	0	0	--
<b>Private</b>	546,900	0	546,900	546,000	(900)	(0.2)
<b>Restricted</b>	301,770,900	20,118,000	321,888,900	304,723,800	(17,165,100)	(5.3)
<b>GF/GP</b>	40,875,900	(3,400,000)	37,475,900	35,377,700	(2,098,200)	(5.6)
<b>Gross</b>	<b>\$502,591,800</b>	<b>\$16,600,000</b>	<b>\$519,191,800</b>	<b>\$487,925,900</b>	<b>(\$31,265,900)</b>	<b>(6.0)</b>
<b>FTEs</b>	1,290.5	1.0	1,291.5	1,227.0	(64.5)	(5.0)

Notes: (1) FY 2014-15 adjusted year-to-date figures include mid-year budget adjustments through February 11, 2015. (2) Proposed FY 2014-15 adjustments include Executive Order 2015-5 and House Bill 4112 (H-1). (3) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

### Major Proposed Budget Changes From Adjusted FY 2014-15 Appropriations

#### **Elimination of Fee Sunsets**

Proposes to eliminate the sunsets on 15 DEQ fees scheduled to sunset before the end of FY 2015-16. These 15 fees provide \$27.1 million in revenue for DEQ annually.

#### **Air Quality Fee Increase**

Increase air quality fee from \$47.95 per ton to \$65.00 per ton. Executive Recommendation includes a \$2.3 million increase in restricted revenue resulting from this proposed fee increase. Air quality fee is scheduled to sunset October 1, 2015.

#### **Drinking Water Revolving Fund Loan Program**

Continues the FY 2014-15 \$2.8 million GF/GP reduction included in Executive Order 2015-15 with an additional \$200,000 GF/GP reduction in FY 2015-16 for a total reduction of \$3.0 million GF/GP. Funds are used for state match to federal program that provides water suppliers with low interest loans to finance public drinking water system infrastructure projects. The DEQ does not anticipate a decrease in federal funding to result from this reduction in GF/GP.

#### **FTE Reductions**

Reduces FTEs by 5.5% from 1,291.5 to 1,221.0. This reduction adjusts FTE authorization to more accurately reflect available funding and does not represent the termination of current employees.

#### **Refined Petroleum Product Cleanup Program**

Reduces refined petroleum product cleanup program by \$12.9 million in restricted funding. This reduction partially offsets the \$20.0 million restricted funding increase for the underground storage tank cleanup program in HB 4112 (H-1) (FY 2014-15) and continued in FY 2015-16. The underground storage tank cleanup program was established by PA 416 of 2014 and receives the first \$20.0 million of the environmental protection regulatory fee.

#### **Removal of FY 2014-15 One-time GF/GP for Electronic Document Management**

Continues reduction of \$650,000 GF/GP for electronic document management included in Executive Order 2015-5 by removing the remaining \$1.9 million GF/GP for a total reduction of \$2.5 million GF/GP.

#### **Revenue Adjustments**

Reduces federal and restricted authorization by \$18.2 million to reflect available funds. Includes a \$10.9 million reduction in federal funding and a \$4.0 million reduction in Brownfield grants.

#### **Economic Adjustments**

Reflects net cost reduction of \$332,700 Gross (\$48,200 GF/GP) for negotiated salary and wage amounts (2.0% base increase), insurance rate increases, reductions in actuarially determined retirement rates, and other economic adjustments.

## All General Government

Analysts: Ben Gielczyk and Perry Zielak

	FY 2014-15 Year-to-Date as of 2/11/15	Proposed FY 2014-15 Adjustments	Adjusted FY 2014-15 Year-to-Date	FY 2015-16 Executive Recommendation	Change: FY 2015-16 vs. FY 2014-15 Adjusted	
					Amount	%
<b>IDG/IDT</b>	\$739,896,100	\$0	\$739,896,100	\$742,192,600	\$2,296,500	0.3
<b>Federal</b>	689,103,500	0	689,103,500	688,424,100	(679,400)	(0.1)
<b>Local</b>	9,969,700	0	9,969,700	17,050,900	7,081,200	71.0
<b>Private</b>	6,287,200	0	6,287,200	6,283,300	(3,900)	(0.1)
<b>Restricted</b>	2,048,873,600	6,150,000	2,055,023,600	2,054,823,800	(199,800)	(0.0)
<b>GF/GP</b>	1,211,782,700	(51,550,000)	1,160,232,700	1,202,374,200	42,141,500	3.6
<b>Gross</b>	<b>\$4,705,912,800</b>	<b>(\$45,400,000)</b>	<b>\$4,660,512,800</b>	<b>\$4,711,148,900</b>	<b>\$50,636,100</b>	<b>1.1</b>
<b>FTEs</b>	7,791.2	0.0	7,791.2	7,847.2	56.0	0.7

Notes: (1) FY 2014-15 adjusted year-to-date figures include mid-year budget adjustments through February 11, 2015. (2) Proposed FY 2014-15 adjustments include Executive Order 2015-5 and House Bill 4112 (H-1). (3) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Summary pages for individual department/agency budgets contained within the General Government appropriations bill follow.

## Attorney General

Analyst: Perry Zielak

	FY 2014-15 Year-to-Date as of 2/11/15	Proposed FY 2014-15 Adjustments	Adjusted FY 2014-15 Year-to-Date	FY 2015-16 Executive Recommendation	Change: FY 2015-16 vs. FY 2014-15 Adjusted	
					Amount	%
<b>IDG/IDT</b>	\$27,783,800	\$0	\$27,783,800	\$28,533,900	\$750,100	2.7
<b>Federal</b>	9,857,200	0	9,857,200	9,278,600	(578,600)	(5.9)
<b>Local</b>	0	0	0	0	0	--
<b>Private</b>	0	0	0	0	0	--
<b>Restricted</b>	17,914,200	0	17,914,200	17,281,700	(632,500)	(3.5)
<b>GF/GP</b>	38,267,100	0	38,267,100	36,847,400	(1,419,700)	(3.7)
<b>Gross</b>	<b>\$93,822,300</b>	<b>\$0</b>	<b>\$93,822,300</b>	<b>\$91,941,600</b>	<b>(\$1,880,700)</b>	<b>(2.0)</b>
<b>FTEs</b>	519.5	0.0	519.5	524.5	5.0	1.0

Notes: (1) FY 2014-15 adjusted year-to-date figures include mid-year budget adjustments through February 11, 2015. (2) Proposed FY 2014-15 adjustments include Executive Order 2015-5 and House Bill 4112 (H-1). (3) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

## Major Proposed Budget Changes From Adjusted FY 2014-15 Appropriations

### **Sexual Assault Law Enforcement**

Adds \$1.7 million GF/GP and 5.0 FTEs to test backlogged sexual assault kits in communities statewide with the exception of Wayne County, and to assist in investigations and prosecutions that may result.

### **Sexual Assault Prosecutions**

Eliminates \$3.0 million GF/GP of one-time funding for prosecutions of sexual assault cases within Wayne County that resulted from the testing of rape kits discovered upon the closure of the Detroit crime laboratory.

### **Economic Adjustments**

Reflects net cost reduction of \$341,500 Gross (\$119,700 GF/GP) for negotiated salary and wage amounts (2.0% base increase), insurance rate increases, reductions in actuarially determined retirement rates, and other economic adjustments.

## Civil Rights

Analyst: Perry Zielak

	FY 2014-15 Year-to-Date as of 2/11/15	Proposed FY 2014-15 Adjustments	Adjusted FY 2014-15 Year-to-Date	FY 2015-16 Executive Recommendation	Change: FY 2015-16 vs. FY 2014-15 Adjusted	
					Amount	%
IDG/IDT	\$288,900	\$0	\$288,900	\$286,700	(\$2,200)	(0.8)
Federal	2,736,500	0	2,736,500	2,721,700	(14,800)	(0.5)
Local	0	0	0	0	0	--
Private	18,700	0	18,700	18,700	0	0.0
Restricted	151,900	0	151,900	151,900	0	0.0
GF/GP	13,448,200	0	13,448,200	12,949,700	(498,500)	(3.7)
<b>Gross</b>	<b>\$16,644,200</b>	<b>\$0</b>	<b>\$16,644,200</b>	<b>\$16,128,700</b>	<b>(\$515,500)</b>	<b>(3.1)</b>
FTEs	138.0	0.0	138.0	135.0	(3.0)	(2.2)

Notes: (1) FY 2014-15 adjusted year-to-date figures include mid-year budget adjustments through February 11, 2015. (2) Proposed FY 2014-15 adjustments include Executive Order 2015-5 and House Bill 4112 (H-1). (3) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

## Major Proposed Budget Changes From Adjusted FY 2014-15 Appropriations

### Unclassified Funding

Reduces funding by \$90,000 GF/GP that was not utilized by the department.

### Vacant Public Affairs Position

Reduces funding by \$115,000 GF/GP through proposed elimination of a vacant Public Affairs position.

### Librarian Position

Reduces funding by \$105,000 GF/GP through proposed elimination of a librarian position.

### Executive Secretary Position

Reduces funding by \$90,000 GF/GP through proposed elimination of an executive secretary position.

### Economic Adjustments

Reflects net cost reduction of \$115,500 Gross (\$98,500 GF/GP) for negotiated salary and wage amounts (2.0% base increase), insurance rate increases, reductions in actuarially determined retirement rates, and other economic adjustments.

## Executive Office

Analyst: Ben Gielczyk

	FY 2014-15 Year-to-Date as of 2/11/15	Proposed FY 2014-15 Adjustments	Adjusted FY 2014-15 Year-to-Date	FY 2015-16 Executive Recommendation	Change: FY 2015-16 vs. FY 2014-15 Adjusted	
					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	5,916,100	0	5,916,100	5,916,100	0	0.0
<b>Gross</b>	<b>\$5,916,100</b>	<b>\$0</b>	<b>\$5,916,100</b>	<b>\$5,916,100</b>	<b>\$0</b>	<b>0.0</b>
FTEs	88.2	0.0	88.2	88.2	0.0	0.0

Notes: (1) FY 2014-15 adjusted year-to-date figures include mid-year budget adjustments through February 11, 2015. (2) Proposed FY 2014-15 adjustments include Executive Order 2015-5 and House Bill 4112 (H-1). (3) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

## Major Proposed Budget Changes From Adjusted FY 2014-15 Appropriations

There are no Proposed Budget Changes for FY 2015-16.



## Legislature

Analyst: Ben Gielczyk

	FY 2014-15 Year-to-Date as of 2/11/15	Proposed FY 2014-15 Adjustments	Adjusted FY 2014-15 Year-to-Date	FY 2015-16 Executive Recommendation	Change: FY 2015-16 vs. FY 2014-15 Adjusted	
					Amount	%
IDG/IDT	\$0	\$0	\$0	\$0	\$0	--
Federal	0	0	0	0	0	--
Local	0	0	0	0	0	--
Private	400,000	0	400,000	400,000	0	0.0
Restricted	4,109,800	0	4,109,800	4,192,000	82,200	2.0
GF/GP	127,420,700	0	127,420,700	131,872,300	4,451,600	3.5
<b>Gross</b>	<b>\$131,930,500</b>	<b>\$0</b>	<b>\$131,930,500</b>	<b>\$136,464,300</b>	<b>\$4,533,800</b>	<b>3.4</b>
FTEs	0.0	0.0	0.0	0.0	0.0	--

Notes: (1) FY 2014-15 adjusted year-to-date figures include mid-year budget adjustments through February 11, 2015. (2) Proposed FY 2014-15 adjustments include Executive Order 2015-5 and House Bill 4112 (H-1). (3) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

### Major Proposed Budget Changes From Adjusted FY 2014-15 Appropriations

#### Legislature Operations

Reflects increased costs of \$4.5 million Gross (\$4.5 GF/GP) related to legislative staff and other operations.

### Legislative Auditor General

Analyst: Ben Gielczyk

	FY 2014-15 Year-to-Date as of 2/11/15	Proposed FY 2014-15 Adjustments	Adjusted FY 2014-15 Year-to-Date	FY 2015-16 Executive Recommendation	Change: FY 2015-16 vs. FY 2014-15 Adjusted	
					Amount	%
IDG/IDT	\$5,220,700	\$0	\$5,220,700	\$5,392,800	\$172,100	3.3
Federal	0	0	0	0	0	--
Local	0	0	0	0	0	--
Private	0	0	0	0	0	--
Restricted	2,000,800	0	2,000,800	1,987,600	(13,200)	(0.7)
GF/GP	14,937,300	0	14,937,300	15,460,100	522,800	3.5
<b>Gross</b>	<b>\$22,158,800</b>	<b>\$0</b>	<b>\$22,158,800</b>	<b>\$22,840,500</b>	<b>681,700</b>	<b>3.1</b>
FTEs	0.0	0.0	0.0	0.0	0.0	--

Notes: (1) FY 2014-15 adjusted year-to-date figures include mid-year budget adjustments through February 11, 2015. (2) Proposed FY 2014-15 adjustments include Executive Order 2015-5 and House Bill 4112 (H-1). (3) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

### Major Proposed Budget Changes From Adjusted FY 2014-15 Appropriations

#### Auditor General Operations

Reflects increased costs of \$681,700 Gross (\$522,800 GF/GP) related to Auditor General staff and other operations.

**State (Department)**

Analyst: Perry Zielak

	FY 2014-15 Year-to-Date as of 2/11/15	Proposed FY 2014-15 Adjustments	Adjusted FY 2014-15 Year-to-Date	FY 2015-16 Executive Recommendation	Change: FY 2015-16 vs. FY 2014-15 Adjusted	
					Amount	%
<b>IDG/IDT</b>	\$20,000,000	\$0	\$20,000,000	\$20,000,000	\$0	0.0
<b>Federal</b>	1,460,000	0	1,460,000	1,460,000	0	0.0
<b>Local</b>	0	0	0	0	0	--
<b>Private</b>	100	0	100	100	0	0.0
<b>Restricted</b>	184,985,800	1,000,000	185,985,800	186,635,100	649,300	0.3
<b>GF/GP</b>	17,539,000	200,000	17,739,000	17,161,500	(577,500)	(3.3)
<b>Gross</b>	<b>\$223,984,900</b>	<b>\$1,200,000</b>	<b>\$225,184,900</b>	<b>\$225,256,700</b>	<b>\$71,800</b>	<b>0.0</b>
<b>FTEs</b>	1,593.0	0.0	1,593.0	1,593.0	0.0	0.0

Notes: (1) FY 2014-15 adjusted year-to-date figures include mid-year budget adjustments through February 11, 2015. (2) Proposed FY 2014-15 adjustments include Executive Order 2015-5 and House Bill 4112 (H-1). (3) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

**Major Proposed Budget Changes From Adjusted FY 2014-15 Appropriations**

**Removal of FY 2014-15 One-Time Appropriations**

Eliminates one-time funding (added through HB 4112 (H-1)) of \$200,000 GF/GP for IT system changes related to the May 2015 transportation ballot proposal.

**Credit and Debit Assessment Service Fees**

Increases funding authorization by \$1.0 million state restricted revenue as usage of credit and debit cards by customers increase at branch locations.

**Ignition Interlock Program**

Increases funding authorization by \$1.0 million state restricted revenue to accommodate increasing workload with inspecting and regulating businesses related to the installation of ignition interlocks to motor vehicles.

**Branch Operations**

Reduces funding by \$241,800 GF/GP due to departmental identified budgetary savings at various department branches.

**Unclassified Positions**

Reduces funding by \$122,100 GF/GP that was not utilized by the department.

**Department Service Operations**

Reduces funding by \$83,800 GF/GP due to departmental identified budgetary savings.

**Central Operations**

Reduces funding by \$26,900 GF/GP due to departmental identified budgetary savings.

**Election Administration and Services**

Reduces funding by \$25,000 GF/GP due to departmental identified budgetary savings.

**Economic Adjustments**

Reflects net cost reduction of \$228,200 Gross (increase of \$122,500 GF/GP) for negotiated salary and wage amounts (2.0% base increase), insurance rate increases, reductions in actuarially determined retirement rates, and other economic adjustments.

## **Technology, Management, and Budget**

Analyst: Perry Zielak

	FY 2014-15 Year-to-Date as of 2/11/15	Proposed FY 2014-15 Adjustments	Adjusted FY 2014-15 Year-to-Date	FY 2015-16 Executive Recommendation	Change: FY 2015-16 vs. FY 2014-15 Adjusted	
					Amount	%
<b>IDG/IDT</b>	\$677,193,600	\$0	\$677,193,600	\$678,478,500	\$1,284,900	0.2
<b>Federal</b>	7,974,100	0	7,974,100	7,997,300	23,200	0.3
<b>Local</b>	3,553,700	0	3,553,700	3,587,700	34,000	1.0
<b>Private</b>	190,400	0	190,400	190,100	(300)	(0.2)
<b>Restricted</b>	94,322,000	0	94,322,000	95,771,900	1,449,900	1.5
<b>GF/GP</b>	479,098,500	(33,300,000)	445,798,500	478,880,800	33,082,300	7.4
<b>Gross</b>	<b>\$1,262,332,300</b>	<b>(\$33,300,000)</b>	<b>\$1,229,032,300</b>	<b>\$1,264,906,300</b>	<b>\$35,874,000</b>	<b>2.9</b>
<b>FTEs</b>	2,823.0	0.0	2,823.0	2,839.0	16.0	0.6

Notes: (1) FY 2014-15 adjusted year-to-date figures include mid-year budget adjustments through February 11, 2015. (2) Proposed FY 2014-15 adjustments include Executive Order 2015-5 and House Bill 4112 (H-1). (3) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

### **Major Proposed Budget Changes From Adjusted FY 2014-15 Appropriations**

#### **Removal of FY 2014-15 One-Time Appropriations**

Eliminates one-time funding of \$22.5 million Gross (\$14.7 million GF/GP) for various projects: Litigation Fund (\$2.0 million GF/GP, on top of EO 2015-5 reduction of \$2.0 million); Regional Prosperity Grants (\$500,000 GF/GP, on top of EO 2015-5 reduction of \$500,000); Technology Services Funding (\$6.9 million IDG, \$300 GF/GP); Office of Urban Initiatives (\$4.0 million GF/GP, on top of EO 2015-5 reduction of \$1.0 million); Business One Stop – Depreciation (\$871,100 IDG); Special Projects (\$1.2 million GF/GP); and Enterprisewide Special Maintenance (\$7.0 million GF/GP).

#### **State Building Authority Rent**

Restores \$17.8 million GF/GP to State Building Authority rent funding that was reduced in the FY 2014-15 mid-year negative supplemental (HB 4112 (H-1)).

#### **Capital Outlay – Enterprisewide Special Maintenance at State Facilities**

Increases funding by \$13 million GF/GP for maintenance and upkeep projects at state-owned properties. The figure includes \$5.0 million in restored funding from reductions made in Executive Order 2015-5.

#### **Information Technology Investment Fund**

Increases funding by \$9.5 million GF/GP to continue upgrading various IT related projects and legacy systems. The figure includes \$2.5 million in restored funding from reductions made in Executive Order 2015-5.

#### **Motor Vehicle Fleet**

Increases spending authorization by \$6.5 million IDG to reflect anticipated costs of the state's motor vehicle fleet, which is wholly funded by charges paid by agencies using the fleet.

#### **Restoration of Executive Order 2015-5 Reductions**

Restores \$1.0 million GF/GP of funding reductions made in Executive Order 2015-5 with Homeland Security Initiative/Cyber Security projects.

#### **Office of Urban Initiatives**

Establishes ongoing funding of \$2.5 million GF/GP and 5.0 FTEs, partially restoring an Executive Order 2015-5 reduction to one-time funding, for urban and metropolitan initiatives respective to transportation, public services, land use/sustainability, housing, and workforce development.

#### **Michigan Public Safety Communications System (MPSCS)**

Increases funding by \$1.5 million GF/GP for radio replacement cycle and system maintenance. Funding was decreased by \$3.5 million in Executive Order 2015-5 for FY 2014-15, proposal maintains \$2.0 million of that reduction resulting in \$1.5 million increase over prior fiscal year adjusted numbers.

### **Legal Services**

Establishes ongoing funding of \$2.0 million GF/GP, restoring an Executive Order 2015-5 reduction to one-time funding, for major litigation involving the Governor and Attorney General in their official capacity, and for securing outside legal advice on major statewide issues not unique to a single agency.

### **Deferred Compensation Fund**

Increases funding authorization by \$1.2 million in state restricted revenue to Defined Contribution/Deferred Compensation Fund to cover increased administrative expenses.

### **Civil Service Commission**

Reduces funding of \$1.1 million GF/GP to the Civil Service Commission's Information Technology Services and Projects.

### **Procurement Improvement Plan – Category Management Implementation**

Includes funding of \$825,000 Gross (\$479,100 GF/GP) and 6.0 FTEs to examine state purchasing from an enterprisewide perspective and reduce the number of contracts and suppliers utilized.

### **Capital Outlay Planning Authorizations**

Includes \$500 GF/GP for three university and two community college capital outlay planning authorizations: Lake Superior State – Center for Freshwater Research and Education, University of Michigan – Dearborn – Engineering Laboratory Building Replacement, University of Michigan – Ann Arbor – School of Dentistry Renovation and Addition, Delta College – Saginaw Center, and Mott Community College – Southern Lakes Branch Center Renovation.

### **Economic Adjustments**

Reflects net cost increase of \$34,600 Gross (\$405,200 GF/GP) for negotiated salary and wage amounts (2.0% base increase), insurance rate increases, reductions in actuarially determined retirement rates, and other economic adjustments.

## **Treasury**

Analyst: Ben Gielczyk

	<b>FY 2014-15 Year-to-Date as of 2/11/15</b>	<b>Proposed FY 2014-15 Adjustments</b>	<b>Adjusted FY 2014-15 Year-to-Date</b>	<b>FY 2015-16 Executive Recommendation</b>	<b>Change: FY 2015-16 vs. FY 2014-15 Adjusted</b>	
					<b>Amount</b>	<b>%</b>
<b>IDG/IDT</b>	\$9,409,100	\$0	\$9,409,100	\$9,500,700	\$91,600	1.0
<b>Federal</b>	39,705,400	0	39,705,400	39,661,500	(43,900)	(0.1)
<b>Local</b>	1,982,500	0	1,982,500	9,029,700	7,047,200	355.5
<b>Private</b>	23,100	0	23,100	25,400	2,300	10.0
<b>Restricted</b>	1,602,710,400	5,150,000	1,607,860,400	1,606,215,600	(1,644,800)	(0.1)
<b>GF/GP</b>	270,513,300	3,550,000	274,063,300	276,679,300	2,616,000	1.0
<b>Gross</b>	<b>\$1,924,343,800</b>	<b>\$8,700,000</b>	<b>\$1,933,043,800</b>	<b>\$1,941,112,200</b>	<b>\$8,068,400</b>	<b>0.4</b>
<b>FTEs</b>	1,873.5	0.0	1,873.5	1,911.5	38.0	2.0

Notes: (1) FY 2014-15 adjusted year-to-date figures include mid-year budget adjustments through February 11, 2015. (2) Proposed FY 2014-15 adjustments include Executive Order 2015-5 and House Bill 4112 (H-1). (3) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

## **Major Proposed Budget Changes From Adjusted FY 2014-15 Appropriations**

### **Revenue Sharing**

- Provides \$30.2 million in restricted sales tax revenues to adjust constitutional revenue sharing payments upward 4.0% from the FY 2014-15 budget act appropriated amount (3.1% above the January 2015 consensus revenue estimate for FY 2014-15). FY 2015-16 Executive Recommended amount is based on January 2015 consensus revenue estimates plus \$6.0 million for revenues associated with the Main Street Fairness Act.
- Removes \$5.8 million in one-time restricted sales tax revenues for City, Village, and Township (CVT) Revenue Sharing and removes per capita distribution component. By removing the one-time funding per capita distribution component, 101 townships that were added in FY 2014-15 would not receive a payment in FY 2015-16. Maintains FY 2014-15 CVT Revenue Sharing ongoing funding level of \$243.0 million.
- Increases county payments by \$3.5 million in restricted sales tax revenue to accommodate two new counties coming online for state payments in FY 2015-16. Maintains full-funding levels for county revenue sharing.

- Removes \$3.0 million in one-time restricted sales tax revenues for Financially Distressed CVT grant program. Maintains \$5.0 million in ongoing funding for Financially Distressed CVT grant program.

***Payments in Lieu of Taxes***

Increases by \$4.9 million Gross (\$4.5 million GF/GP) to support scheduled and statutory-required payments in lieu of taxes (PILT). Swamp and tax reverted lands PILT increased from \$3 to \$4 per acre in FY 2015-16.

***Debt Service***

Increases by \$4.1 million GF/GP to support scheduled and statutory-required debt service payments. Funding increase allows for \$5.0 million in new bond issues related to the Strategic Water Quality Initiative.

***City Income Tax Administration Program***

Includes \$7.1 million in local funds and 24.0 FTEs to support the City Income Tax Administration Program. Under the program, the Department of Treasury would collect the City of Detroit's individual income tax. A portion of the funding would support development of the system to collect the City of Detroit's business tax.

***Personal Property Tax Reform Administration***

Includes \$3.3 million GF/GP and 9.0 FTEs to support administration of the personal property tax reform changes including collection and distribution of the essential services assessment.

***Financial Review Commission***

Includes \$2.0 million GF/GP and 8.0 FTEs to support new Financial Review Commission created under the Michigan Financial Review Commission Act. The commission will ensure that the City of Detroit is meeting statutory requirements under the city's debt-cutting plan, review and approve the city's four-year financial plan, and ensure fiscal management, among other roles and responsibilities.

***Treasury Online Business Portal***

Includes \$2.6 million GF/GP (\$600,000 GF/GP one-time) for the Department of Treasury's Business Portal. The portal allows businesses to conduct online business tax registration, tax returns, and tax payments.

***One-Time Appropriations***

Provides a net reduction of \$20.4 million Gross (\$15.2 million GF/GP) and 15.0 FTEs in one-time appropriations. Personal property tax payments to reimburse local units for lost debt service millages under the personal property tax reforms are retained at \$19.3 million GF/GP. Funding for the following items is removed: credit card payment services (\$500,000 GF/GP and 6.0 FTEs), personal property tax reform implementation (\$1.5 million GF/GP and 9.0 FTEs), City of Flint police and fire safety grant (\$1.1 million GF/GP), MBT adjustments under PA 282 of 2014 (\$1.0 million GF/GP), Financial Review Commission from PA 182 of 2014 (\$100,000 GF/GP), May Election Administration included in February 2015 supplemental (\$10.0 million GF/GP), Driver Responsibility Fee Phase Out Administrative Costs (\$550,000 Restricted), Transportation Ballot Proposal IT (\$1.0 million GF/GP), Gaming Control Board IT Replacement (\$3.0 million Restricted), and Fraud Prevention Services (\$1.6 million Restricted).

***Economic Adjustments***

Reflects net cost reduction of \$552,000 Gross (\$101,500 GF/GP) for negotiated salary and wage amounts (2.0% base increase), insurance rate increases, reductions in actuarially determined retirement rates, and other economic adjustments.

## Treasury - Michigan Strategic Fund

Analyst: Ben Gielczyk

	FY 2014-15 Year-to-Date as of 2/11/15	Proposed FY 2014-15 Adjustments	Adjusted FY 2014-15 Year-to-Date	FY 2015-16 Executive Recommendation	Change: FY 2015-16 vs. FY 2014-15 Adjusted	
					Amount	%
IDG/IDT	\$0	\$0	\$0	\$0	\$0	--
Federal	627,370,300	0	627,370,300	627,305,000	(65,300)	(0.0)
Local	4,433,500	0	4,433,500	4,433,500	0	0.0
Private	5,654,900	0	5,654,900	5,649,000	(5,900)	(0.1)
Restricted	142,678,700	0	142,678,700	142,588,000	(90,700)	(0.1)
GF/GP	244,642,500	(22,000,000)	222,642,500	226,607,000	3,964,500	1.8
Gross	<b>\$1,024,779,900</b>	<b>(\$22,000,000)</b>	<b>\$1,002,779,900</b>	<b>\$1,006,582,500</b>	<b>\$3,802,600</b>	<b>0.4</b>
FTEs	756.0	0.0	756.0	756.0	0.0	0.0

Notes: (1) FY 2014-15 adjusted year-to-date figures include mid-year budget adjustments through February 11, 2015. (2) Proposed FY 2014-15 adjustments include Executive Order 2015-5 and House Bill 4112 (H-1). (3) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

### **Major Proposed Budget Changes From Adjusted FY 2014-15 Appropriations**

#### ***Business Attraction and Community Revitalization***

Includes \$1.2 million Gross (\$10.0 million GF/GP) to support Business Attraction and Community Revitalization. FY 2014-15 mid-year negative supplemental (HB 4112 (H-1)) removed \$10.0 million GF/GP and shifted \$7.8 million 21<sup>st</sup> Century Jobs Trust Fund from Entrepreneurship Eco-System for a net reduction of \$2.2 million GF/GP to the line item. FY 2015-16 Executive Recommendation shifts \$7.8 million 21<sup>st</sup> Century Jobs Trust Fund back to Entrepreneurship Eco-System and restores \$10.0 million GF/GP. Shifts \$1.0 million 21<sup>st</sup> Century Jobs Trust Fund to Pure Michigan.

#### ***Entrepreneurship Eco-System***

Includes \$7.8 million 21<sup>st</sup> Century Jobs Trust Fund. FY 2014-15 mid-year negative supplemental shifted \$7.8 million 21<sup>st</sup> Century Jobs Trust Fund to the Business Attraction and Community Revitalization to mitigate GF/GP reductions in that line item. FY 2015-16 Executive Recommendation shifts \$7.8 million back to Entrepreneurship Eco-System.

#### ***Pure Michigan***

Shifts \$1.0 million 21<sup>st</sup> Century Jobs Trust Fund from Business Attraction and Community Revitalization to support Pure Michigan. Funding would support enhanced international marketing, update Pure Michigan commercials, and upgrade the Pure Michigan website.

#### ***Film Incentives***

Increases by \$12.0 million GF/GP for a total of \$50.0 million GF/GP. FY 2014-15 mid-year negative supplemental (HB 4112 (H-1)) reduced film incentives by \$12.0 million. FY 2015-16 Executive Recommendation restores the reduction.

#### ***Michigan Film Office***

Removes \$237,100 GF/GP from Michigan Film Office operations. Statute allows for the capture of 4.0% of film incentive appropriations to support administration thereby eliminating the need for appropriated GF/GP for Michigan Film Office operations.

#### ***One-Time Appropriations***

Removes \$17.8 million GF/GP in one-time appropriations for various special projects (\$15.8 million GF/GP) and the Automotive, Engineering, and Manufacturing Technology Fund (\$2.0 million GF/GP).

#### ***Economic Adjustments***

Reflects net cost reduction of \$210,300 Gross (\$48,400 GF/GP) for negotiated salary and wage amounts (2.0% base increase), insurance rate increases, reductions in actuarially determined retirement rates, and other economic adjustments.

## Higher Education

Analyst: Marilyn Peterson

	FY 2014-15 Year-to-Date as of 2/11/15	Proposed FY 2014-15 Adjustments	Adjusted FY 2014-15 Year-to-Date	FY 2015-16 Executive Recommendation	Change: FY 2015-16 vs. FY 2014-15 Adjusted	
					Amount	%
IDG/IDT	\$0	\$0	\$0	\$0	\$0	--
Federal	97,026,400	0	97,026,400	97,026,400	0	0.0
Local	0	0	0	0	0	--
Private	0	0	0	0	0	--
Restricted	204,567,900	2,000,000	206,567,900	205,279,500	(1,288,400)	(0.6)
GF/GP	1,214,902,000	(2,000,000)	1,212,902,000	1,238,913,300	26,011,300	2.1
<b>Gross</b>	<b>\$1,516,496,300</b>	<b>\$0</b>	<b>\$1,516,496,300</b>	<b>\$1,541,219,200</b>	<b>\$24,722,900</b>	<b>1.6</b>

Notes: (1) FY 2014-15 adjusted year-to-date figures include mid-year budget adjustments through February 11, 2015. (2) Proposed FY 2014-15 adjustments reflect House Bill 4110 (H-1). (3) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

### Major Proposed Budget Changes From Adjusted FY 2014-15 Appropriations

#### University Operations Funding

Increases university operations funding by \$26.8 million GF/GP (2.0%), bringing total support to \$1.4 billion (\$1.2 billion GF/GP). Funding increase to be distributed according to a performance funding formula, which would be revised to eliminate the component that distributes 50% of performance funding based on each university's share of operational funding appropriated in the baseline year of FY 2010-11. Percentages applying to the other formula components (weighted completions, research and development, and comparisons to Carnegie peers) thus would be doubled. Receipt of performance funding would be conditioned on restraining resident undergraduate tuition/fee increases to 2.8% (set at 3.2% in the current year). Projected funding increases for individual universities would range from 0.6% to 4.0%.

#### Michigan Public School Employees Retirement Act (MPERS)

Institutes a cap of 25.73% of payroll on university payments for unfunded accrued liability under MPERS. Funding of \$5.2 million in School Aid Fund (SAF) revenues would be provided to pay the difference between the 25.73% cap and universities' unfunded accrued liability. This would affect the seven universities with MPERS employees: Central, Eastern, Ferris, Lake Superior State, Michigan Tech, Northern, and Western. Current-year funding is \$6.4 million, which includes \$4.0 million designated as one-time appropriations.

#### Tuition Grant Program

Maintains funding for Tuition Grant Program, which provides need-based tuition assistance at Michigan independent (i.e., private, nonprofit) colleges and universities, at \$33.5 million and revises conditions:

- Deletes requirement for unexpended funds to continue to be available in the next fiscal year; unexpended funds thus would lapse to the General Fund.
- Reduces cap on awards at any one institution from the current \$3.2 million to \$3.0 million.
- Conditions student eligibility for awards on the college's submission of annual P-20 longitudinal data system data sets to the Center for Education Performance and Information (CEPI).

#### MSU Extension Service and AgBioResearch

Provides 2.0% increase (\$1.2 million GF/GP) for Michigan State's AgBioResearch (\$640,600) and Extension (\$551,600) programs, bringing total funding to \$60.8 million.

#### Michigan College Access Network (MCAN)

Moves support for the Michigan College Access Network, currently funded in the Higher Education budget at \$2.0 million GF/GP, to the K-12 budget.

## Human Services (Department)

Analyst: Viola Bay Wild

	FY 2014-15 Year-to-Date as of 2/11/15	Proposed FY 2014-15 Adjustments	Adjusted FY 2014-15 Year-to-Date	FY 2015-16 Executive Recommendation	Change: FY 2015-16 vs. FY 2014-15 Adjusted	
					Amount	%
<b>IDG/IDT</b>	\$21,545,900	\$0	\$21,545,900	\$24,260,300	\$2,714,400	12.6
<b>Federal</b>	4,551,275,200	(11,166,800)	4,540,108,400	4,542,043,600	1,935,200	0.0
<b>Local</b>	40,364,300	1,573,400	41,937,700	45,441,300	3,503,600	8.4
<b>Private</b>	20,299,300	(829,400)	19,469,900	26,356,900	6,887,000	35.4
<b>Restricted</b>	126,237,400	(8,613,100)	117,624,300	117,333,400	(290,900)	(0.2)
<b>GF/GP</b>	995,452,600	(14,297,100)	981,155,500	978,891,000	(2,264,500)	(0.2)
<b>Gross</b>	<b>\$5,755,174,700</b>	<b>(\$33,333,000)</b>	<b>\$5,721,841,700</b>	<b>\$5,734,326,500</b>	<b>\$12,484,800</b>	0.2
<b>FTEs</b>	12,227.5	(19.0)	12,208.5	12,043.9	(164.6)	(1.3)

Notes: (1) FY 2014-15 adjusted year-to-date figures include mid-year budget adjustments through February 11, 2015. (2) Proposed FY 2014-15 adjustments include Executive Order 2015-5 and House Bill 4112 (H-1). (3) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

### Major Proposed Budget Changes From Adjusted FY 2014-15 Appropriations

#### ***Foster Care Payments Caseload Adjustment***

Increases Foster Care caseload costs by \$2.7 million Gross (\$1.1 million GF/GP), in addition to FY 2014-15 supplemental reduction of \$4.2 million Gross (\$4.3 million GF/GP), for a net reduction of \$1.4 million Gross (total increase of \$5.4 million GF/GP) compared to the original FY 2014-15 budget. Because of the data system conversion, caseload forecast retains the consensus estimate for FY 2015-16 of 6,500 cases and annual cost per case estimate of \$27,085.

#### ***Other Caseload Adjustments***

Adjusts other caseload-adjusted programs for a total reduction of \$15.6 million Gross (\$2.2 million GF/GP). The programs included are Food Assistance Program, Family Independence Program, State Disability Assistance, SSI State Supplementation, Adoption Subsidies, Child Care Fund, and Guardianship Assistance.

#### ***Foster Care Rate Reductions***

Reduces funding by a total of \$8.8 million Gross (\$7.1 million GF/GP) through two changes: (1) \$3.7 million Gross (\$3.3 million GF/GP) reduction from rescinding the FY 2014-15 increase to private residential rate payments for foster care. DHS was required by statute to pay 100% of the increase; this provision sunsets at the end of FY 2014-15. (2) \$5.1 million Gross (\$3.8 million GF/GP) reduction from rescinding a \$3 per day administrative rate increase for foster care services provided by child placing agencies; private agency daily administrative rates would be reduced from \$40 to \$37.

#### ***Child Care Fund Administrative Rates – Eliminate County Hold Harmless Provision***

Reduces funding by \$1.7 million GF/GP by rescinding the county hold harmless provision that required DHS to pay 100% of the foster care administrative rate to private agencies for all new cases referred to service providers beginning October 1, 2013.

#### ***Adoption Subsidies Re-Determination of Care Program***

Continues a FY 2014-15 reduction of \$6.9 million Gross (\$6.5 million GF/GP) contained in Executive Order 2015-5 to reduce the funding for the Adoption Re-Determination of Care Program; program allows eligible adoptive parents to request a redetermination of payments for certain children with special needs after an agreement has been finalized; reduces program funding to \$1.0 million.

#### ***Family Independence Program***

Reduces funding by a total of \$1.7 million Gross (\$1.7 million GF/GP) through the following three changes: (1) the elimination of the Extended Family Independence Program (EFIP), which provided \$10 per month benefit for six months as clients exited FIP program (\$116.4 GF/GP savings); (2) elimination of the Short Term Family Support program, a short-term diversion program for families that could become eligible for ongoing FIP benefits (\$726,200 GF/GP savings); (3) new requirement of pre-assistance cooperation with child support before clients can receive public assistance benefits (\$900,300 Gross; \$889,200 GF/GP).



**Michigan Rehabilitation Services (MRS)**

Includes \$1.3 million GF/GP to replace the \$1.3 million GF/GP reduction in Executive Order 2015-5 to allow MRS to draw down sufficient federal funds to maintain current services.

**Centers for Independent Living**

Reduces funding by \$1.5 million GF/GP for Centers for Independent Living which provide core independent living services for persons with disabilities.

**Donated Funds Positions**

Provides \$20.6 million Gross (\$10.3 million federal; \$4.1 million local; \$6.2 million private) to increase the number of Donated Fund Positions by 200.0 FTEs with a focus on expanding the program further in adult placement and independent living facilities, certain health clinics and hospitals, and employer-based sites.

**Child Care Licensing (CCL)**

Provides \$5.7 million federal funding and 39.0 FTEs to increase the number of CCL consultants and management staff to align the state's consultant-to-caseload ratio with the national average (1 consultant: 98 programs). Current caseload ratio is estimated to be 1:150; program funded with federal Child Care and Development Fund.

**Office Closures and Consolidations**

Reduces funding by \$5.3 million Gross (\$2.2 million GF/GP) through the closure and consolidation of targeted DHS facilities and the use of the community partner network facilities for certain county offices.

**DHS Budget Restructure**

Restructures budget to better align with the organizational structure of the DHS; includes consolidation of budget units and certain line items, as well as recombining program areas differently than current-year. These proposed structural changes are independent of the proposed merger of DHS with the Department of Community Health under Executive Order 2015-4.

**Economic Adjustments**

Reflects net cost reduction of \$2.5 million Gross (\$740,800 GF/GP) for negotiated salary and wage amounts (2.0% base increase), insurance rate increases, reductions in actuarially determined retirement rates, and other economic adjustments.

## Insurance and Financial Services

Analyst: Paul Holland

	FY 2014-15 Year-to-Date as of 2/11/15	Proposed FY 2014-15 Adjustments	Adjusted FY 2014-15 Year-to-Date	FY 2015-16 Executive Recommendation	Change: FY 2015-16 vs. FY 2014-15 Adjusted	
					Amount	%
<b>IDG/IDT</b>	\$707,600	\$0	\$707,600	\$707,600	\$0	0.0
<b>Federal</b>	2,000,000	0	2,000,000	2,000,000	0	0.0
<b>Local</b>	0	0	0	0	0	--
<b>Private</b>	0	0	0	0	0	--
<b>Restricted</b>	62,427,100	0	62,427,100	62,200,100	(227,000)	(0.4)
<b>GF/GP</b>	55,000	0	55,000	150,000	95,000	172.7
<b>Gross</b>	<b>\$65,189,700</b>	<b>\$0</b>	<b>\$65,189,700</b>	<b>\$65,057,700</b>	<b>(\$132,000)</b>	<b>0.2</b>
<b>FTEs</b>	343.0	0.0	343.0	343.0	0.0	0.0

Notes: (1) FY 2014-15 adjusted year-to-date figures include mid-year budget adjustments through February 11, 2015. (2) Proposed FY 2014-15 adjustments include Executive Order 2015-5 and House Bill 4112 (H-1). (3) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

### Major Proposed Budget Changes From Adjusted FY 2014-15 Appropriations

#### ***Report on Healthy Michigan Plan Impact on Insurance Rates***

Increases spending authorization by \$95,000 GF/GP to support departmental expenses 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 care as it relates to changes in health insurance rates, pursuant to Section 105d of The Social Welfare Act (as amended by 2013 PA 107). 2014 PA 252 appropriated \$55,000 GF/GP, included as ongoing for FY 2015-16, resulting in a total of \$150,000 GF/GP for the aforementioned evaluation and report.

#### ***Elimination of Michigan Business One Stop Charges***

Decreases spending authorization by \$78,500 Gross (\$0 GF/GP) for information technology charges resultant from the elimination of the Michigan Business One Stop web portal and call center pursuant to 2014 PA 252.

#### ***Economic Adjustments***

Reflects net cost reduction of \$148,500 Gross (\$0 GF/GP) for negotiated salary and wage amounts (2.0% base increase), insurance rate increases, reductions in actuarially determined retirement rates, and other economic adjustments.

## Judiciary

Analyst: Robin R. Risko

	FY 2014-15 Year-to-Date as of 2/11/15	Proposed FY 2014-15 Adjustments	Adjusted FY 2014-15 Year-to-Date	FY 2015-16 Executive Recommendation	Change: FY 2015-16 vs. FY 2014-15 Adjusted	
					Amount	%
IDG/IDT	\$2,364,400	\$0	\$2,364,400	\$2,362,900	(\$1,500)	(0.1)
Federal	6,437,400	0	6,437,400	6,428,600	(8,800)	(0.1)
Local	7,241,100	0	7,241,100	7,229,000	(12,100)	(0.2)
Private	944,800	0	944,800	942,900	(1,900)	(0.2)
Restricted	84,252,500	0	84,252,500	84,245,700	(6,800)	(0.0)
GF/GP	186,527,400	0	186,527,400	182,692,200	(3,835,200)	(2.1)
<b>Gross</b>	<b>\$287,767,600</b>	<b>\$0</b>	<b>\$287,767,600</b>	<b>\$283,901,300</b>	<b>(\$3,866,300)</b>	<b>(1.3)</b>
FTEs	488.0	2.0	490.0	487.0	(3.0)	(0.6)

Notes: (1) FY 2014-15 adjusted year-to-date figures include mid-year budget adjustments through February 11, 2015. (2) Proposed FY 2014-15 adjustments include Executive Order 2015-5 and House Bill 4112 (H-1). (3) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

### **Major Proposed Budget Changes From Adjusted FY 2014-15 Appropriations**

#### ***Budgetary Savings***

Reflects a savings of \$3.2 million GF/GP from recognizing year-end lapses that typically occur in various line items and from delaying hiring for vacant positions. The largest amounts of savings are taken from the Swift and Sure Sanctions Program line item (\$2.5 million) and from the Mental Health Courts and Diversion Services line item (\$500,000). The remaining savings of \$150,000 is taken from various operation/administration line items throughout the budget.

#### ***Remove One-Time Funding***

Removes \$375,000 GF/GP in one-time funding that was included in the FY 2014-15 budget for the Trial Court Innovations Fund. The funding was used to create incentives which encourage positive change, adoption of best practices, and high performance in the state's trial courts.

#### ***Savings for Eliminated Judgeships***

Reflects a savings of \$351,800 GF/GP from elimination of 10.0 judgeships under Public Acts 35 of 2012, and 58, 59, and 60 of 2014. The amount of savings is a result of the effective dates of the retirements of the judges. Seventy-five percent of the savings was recognized in FY 2014-15 and the remaining twenty-five percent will be recognized in FY 2015-16.

#### ***Eliminate Community Court Pilot Program***

Eliminates the Community Court Pilot Program (\$20,000 GF/GP).

#### ***Economic Adjustments***

Reflects a net cost increase of \$30,500 Gross (\$61,600 GF/GP) for negotiated salary and wage amounts (2.0% base increase), insurance rate increases, reductions in actuarially determined retirement rates, and other economic adjustments.

## Licensing and Regulatory Affairs

Analyst: Paul Holland

	FY 2014-15 Year-to-Date as of 2/11/15	Proposed FY 2014-15 Adjustments	Adjusted FY 2014-15 Year-to-Date	FY 2015-16 Executive Recommendation	Change: FY 2015-16 vs. FY 2014-15 Adjusted	
					Amount	%
<b>IDG/IDT</b>	\$14,509,800	\$0	\$14,509,800	\$15,754,900	\$1,245,100	8.6
<b>Federal</b>	200,624,800	0	200,624,800	200,388,700	(236,100)	(0.1)
<b>Local</b>	656,500	0	656,500	679,000	22,500	3.4
<b>Private</b>	311,800	0	311,800	311,300	(500)	(0.2)
<b>Restricted</b>	286,351,500	112,500	286,464,000	304,248,600	17,784,600	6.2
<b>GF/GP</b>	40,133,800	(312,500)	39,821,300	24,223,400	(15,597,900)	(39.2)
<b>Gross</b>	<b>\$542,588,200</b>	<b>(\$200,000)</b>	<b>\$542,388,200</b>	<b>\$545,605,900</b>	<b>\$3,217,700</b>	<b>0.6</b>
<b>FTEs</b>	2,877.8	0.0	2,877.8	2,877.8	0.0	0.0

Notes: (1) FY 2014-15 adjusted year-to-date figures include mid-year budget adjustments through February 11, 2015. (2) Proposed FY 2014-15 adjustments include Executive Order 2015-5 and House Bill 4112 (H-1). (3) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

### Major Proposed Budget Changes From Adjusted FY 2014-15 Appropriations

#### **Career & Technology Education & Skilled Trades Initiative**

Includes spending authorization of \$15.6 Gross (\$0 GF/GP) for various programs intended to enhance career and technology education and skilled trades training; consisting of \$10.0 million for the Skilled Trades Training Program (in addition to an existing \$10.0 million appropriation within the MSF budget), \$2.1 million for an At-Risk Youth Initiative, \$1.8 million for a Michigan Advanced Technical Training Initiative, \$1.5 million to enhance re-employment opportunities for unemployed workers, and \$200,000 to support the re-tooling of credentials received by persons immigrating to Michigan. \$14.1 million of the aforementioned spending authorization is supported with revenue from the Penalty and Interest Account of the Unemployment Insurance Agency's Contingent Fund and \$1.5 million is supported with federal unemployment insurance administration grants.

#### **Unemployment Insurance Customer Service**

Includes ongoing spending authorization of \$18.0 million Gross (\$0 GF/GP) 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. 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. The Legislature approved a contingency transfer authorizing \$5.0 million from the Fund to support the maintenance of UIA operations during both FY 2012-13 and FY 2013-14 and included a one-time appropriation of \$18.0 million for FY 2014-15. The U.S. Department of Labor has notified the UIA that it is "at risk" of decertification, resulting in loss of federal employer tax credits and administration grants, for failing to satisfy timeliness standards for first benefit payments and determination of appeals.

#### **Remove FY 2014-15 One-Time Appropriations**

Eliminates spending authorization for FY 2014-15 one-time appropriations for Unemployment Insurance Agency customer service (\$18.0 million Gross), Delphi Corporation workers' compensation payments (\$15.0 million GF/GP), Liquor Control Commission IT upgrades (\$500,000 Gross), and a disability access pilot project implemented by the Disability Advocates of Kent County (\$100,000 Gross). Also, eliminates \$100,000 GF/GP appropriated by 2014 PA 414 for costs incurred by the Bureau of Employment Relations to receive and upload specified collective bargaining documents.

#### **Eliminate Statutory Fee Sunsets**

Assumes revenues generated by the elimination of sunsets on numerous past statutory fee increases, set to expire on September 30, 2015, on various corporate and business filing and securities registration fees collected by the Corporations, Securities, and Commercial Licensing Bureau (CSCLB) and numerous occupational registration and licensing fees collected by the CSCLB and Bureau of Construction Codes (BCC). LARA estimates that the elimination of these fee sunsets will preserve \$17.5 million in restricted revenue during FY 2015-16. The Legislature increased these fees between 2003 and 2008 and last extended the sunsets in 2012.

***Increase Health Facilities Fees***

Assumes revenues generated by implementation of increases in application, base rate, and per bed regulatory fees levied on acute and psychiatric hospitals, hospice agencies and residences, long term care and freestanding surgical outpatient facilities, and substance use disorder programs and collected by the Bureau of Health Care Services (BHCS). LARA estimates these fee increases would generated an additional \$1.3 million per year. These fees were last adjusted between 20 to 35 years ago and the increases are substantially similar to those proposed by LARA in the annual report required by boilerplate Sec. 509 of 2014 PA 252. It is further assumed that fees would be levied annually while inspections of facilities would be triennial.

***Increase Liquor License Fees***

Assumes and increases spending authorization for revenues generated by implementations of increases in annual licensure and ancillary fees levied on various on- and off-premise retailers of beer, wine, and liquor products and collected by the Liquor Control Commission (LCC). These fees would be increased by 50.0% for FY 2015-16 through FY 2018-19 and thereafter the increase would be reduced to 25.0% above current levels. LARA estimates these fee increases would generated an additional \$6.2 million per year through FY 2018-19 and \$3.1 million thereafter. Annual licensure fees were last adjusted in 1976. 55.0% of licensure fee revenue is distributed to local law enforcement agencies for enforcing of state liquor laws, 41.5% of licensure fee revenue and all ancillary fee revenue is retained by the LCC for implementation and enforcing of state liquor laws, and 3.5% of annual licensure fee revenue and all of the 15.0% surcharge for Sunday P.M. sales is deposited with the Department of Community Health for programs for the prevention, rehabilitation, care, and treatment of alcoholism.

***Economic Adjustments***

Reflects net cost reduction of \$1.9 million Gross (\$47,900 GF/GP) for negotiated salary and wage amounts (2.0% base increase), insurance rate increases, reductions in actuarially determined retirement rates, and other economic adjustments.

## **Military and Veterans Affairs**

Analyst: Perry Zielak

	FY 2014-15 Year-to-Date as of 2/11/15	Proposed FY 2014-15 Adjustments	Adjusted FY 2014-15 Year-to-Date	FY 2015-16 Executive Recommendation	Change: FY 2015-16 vs. FY 2014-15 Adjusted	
					Amount	%
<b>IDG/IDT</b>	\$100,000	\$0	\$100,000	\$99,300	(\$700)	(0.7)
<b>Federal</b>	90,362,800	0	90,362,800	90,208,600	(154,200)	(0.2)
<b>Local</b>	1,500,000	0	1,500,000	1,497,400	(2,600)	(0.2)
<b>Private</b>	740,000	0	740,000	739,600	(400)	(0.1)
<b>Restricted</b>	25,086,400	(1,800,000)	23,286,400	23,221,500	(64,900)	(0.3)
<b>GF/GP</b>	49,154,500	3,300,000	52,454,500	48,187,300	(4,267,200)	(8.1)
<b>Gross</b>	<b>\$166,943,700</b>	<b>\$1,500,000</b>	<b>\$168,443,700</b>	<b>\$163,953,700</b>	<b>(\$4,490,000)</b>	<b>(2.7)</b>
<b>FTEs</b>	898.5	0.0	898.5	897.5	(1.0)	(0.1)

Notes: (1) FY 2014-15 adjusted year-to-date figures include mid-year budget adjustments through February 11, 2015. (2) Proposed FY 2014-15 adjustments include Executive Order 2015-5 and House Bill 4112 (H-1). (3) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

### **Major Proposed Budget Changes From Adjusted FY 2014-15 Appropriations**

#### **Removal of FY 2014-15 One-Time Appropriations**

Eliminates one-time funding of \$3.4 million GF/GP: \$3.0 million GF/GP for Special Maintenance – Veterans' Homes; and \$400,000 GF/GP for National Guard Tuition Assistance Program Reserve.

#### **Income and Assessment Revenue Offsets**

Increases ongoing funding of \$3.3 million GF/GP to offset income and assessment restricted revenue shortfalls at the Grand Rapids and D.J. Jacobetti Veterans' Homes due to declining member census and the inability of veterans to pay the maximum assessment.

#### **Chargeable Transient Quarters Program and Billeting Fund**

Establishes ongoing funding of \$1.5 million state restricted revenue to reinstate the Chargeable Transient Quarters program and Billeting Fund for ongoing operations in National Guard lodging facilities at Fort Custer and Camp Grayling.

#### **Veteran Service Grants**

Reduces funding by \$429,000 GF/GP for grants made to veteran service organizations (VSOs) to support veterans outreach services statewide.

#### **Vacant Partnership Development Analyst Position**

Reduces funding by \$117,300 GF/GP through proposed elimination of a vacant Partnership Development Analyst position.

#### **Military Training Sites**

Reduces funding by \$100,000 GF/GP by eliminating Air National Guard Fire Protection Activities at the Battle Creek Air National Guard Base and Alpena Combat Readiness Training Center.

#### **Departmentwide Service**

Reduces funding by \$100,000 GF/GP through savings gained by increased departmentwide efficiencies within contractual services, supplies, and materials.

#### **Economic Adjustments**

Reflects net cost reductions of \$393,700 Gross (\$120,900 GF/GP) for negotiated salary and wage amounts (2.0% base increase), insurance rate increases, reduction in actuarially determined retirement rates, and other economic adjustments.

## Natural Resources

Analyst: Austin Scott

	FY 2014-15 Year-to-Date as of 2/11/15	Proposed FY 2014-15 Adjustments	Adjusted FY 2014-15 Year-to-Date	FY 2015-16 Executive Recommendation	Change: FY 2015-16 vs. FY 2014-15 Adjusted	
					Amount	%
<b>IDG/IDT</b>	\$1,355,100	\$0	\$1,355,100	\$1,352,700	(\$2,400)	(0.2)
<b>Federal</b>	67,954,500	3,150,000	71,104,500	76,028,000	4,923,500	6.9
<b>Local</b>	0	0	0	0	0	--
<b>Private</b>	10,286,300	0	10,286,300	8,157,700	(2,128,600)	(20.7)
<b>Restricted</b>	256,498,000	5,650,000	262,148,000	264,183,000	2,035,000	0.8
<b>GF/GP</b>	48,591,500	(2,000,000)	46,591,500	39,772,800	(6,818,700)	(14.6)
<b>Gross</b>	<b>\$384,685,400</b>	<b>\$6,800,000</b>	<b>\$391,485,400</b>	<b>\$389,494,200</b>	<b>(\$1,991,200)</b>	<b>(0.5)</b>
<b>FTEs</b>	2,228.3	0.0	2,228.3	2,225.8	(2.5)	(0.1)

Notes: (1) FY 2014-15 adjusted year-to-date figures include mid-year budget adjustments through February 11, 2015. (2) Proposed FY 2014-15 adjustments include Executive Order 2015-5 and House Bill 4112 (H-1). (3) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

### Major Proposed Budget Changes From Adjusted FY 2014-15 Appropriations

#### **Shooting Range Enhancement Projects**

Increases funding for shooting range enhancements around the state by \$3.0 million Gross (\$2.0 million federal, \$750,000 private, \$250,000 GF/GP), in addition to a proposed FY 2014-15 increase of \$1.0 million federal, for a total increase of \$4.0 million Gross (\$3.0 million federal) compared to the original FY 2014-15 budget.

#### **Forestry Investment**

Continues FY 2014-15 supplemental increase of \$4.0 million in restricted funding for cultivation equipment and technological enhancements for the vegetative management system.

#### **Wildlife Restoration**

Continues FY 2014-15 supplemental increases of \$2.2 million in federal funding for wildlife habitat restoration, conservation, and management.

#### **Non-Motorized Trail Initiative**

Continues FY 2014-15 reductions included in Executive Order 2015-5 to forest and recreation trails, Michigan Historical Center, Mackinac Island State Park, and non-motorized trail development and maintenance grants totaling \$1.3 million GF/GP, except restores \$100,000 for non-motorized trail development and maintenance grants in FY 2015-16.

#### **Recreation Passport Grants**

Provides one-time increase of \$500,000 in restricted funding to local governments for public recreation facility development and improvement.

#### **State Parks Repair and Maintenance**

Continues FY 2014-15 reduction of \$250,000 GF/GP and includes an additional reduction of \$1.25 GF/GP; total \$1.5 million GF/GP reduction is offset by \$1.5 million restricted funding.

#### **Removal of FY 2014-15 One-time GF/GP and Ongoing GF/GP**

Removes of one-time GF/GP for River Raisin National Battlefield (\$2 million), Saginaw River feasibility study (\$280,000), Flint River dike repair (\$1.0 million), Hart-Montague Trail (\$470,000), and City of Alma/Alma College public safety land improvements (\$1.0 million); total of \$4.8 million one-time GF/GP reduction. Also eliminates ongoing \$1.0 million GF/GP for the Great Lakes Research Vessel, \$530,000 GF/GP for Hart-Montague Trail, and \$150,000 GF/GP for cormorant population mitigation program; total of \$1.7 million on-going GF/GP reduction.

#### **Economic Adjustments**

Reflects net cost reduction of \$333,700 Gross (\$11,300 GF/GP increase) for negotiated salary and wage amounts (2.0% base increase), insurance rate increases, reductions in actuarially determined retirement rates, and other economic adjustments.

## School Aid

Analysts: Bethany Wicksall and Samuel Christensen

	FY 2014-15 Year-to-Date as of 2/11/15	Proposed FY 2014-15 Adjustments	Adjusted FY 2014-15 Year-to-Date	FY 2015-16 Executive Recommendation	Change: FY 2015-16 vs. FY 2014-15 Adjusted	
					Amount	%
IDG/IDT	\$0	\$0	\$0	\$0	\$0	--
Federal	1,808,162,700	0	1,808,162,700	1,775,769,200	(32,393,500)	(1.8)
Local	0	0	0	0	0	--
Private	0	0	0	0	0	--
Restricted	11,947,262,900	(102,165,500)	11,845,097,400	12,137,294,700	292,197,300	2.5
GF/GP	114,900,000	(81,200,000)	33,700,000	45,900,000	12,200,000	36.2
<b>Gross</b>	<b>\$13,870,325,600</b>	<b>(\$183,365,500)</b>	<b>\$13,686,960,100</b>	<b>\$13,958,963,900</b>	<b>\$272,003,800</b>	<b>2.0</b>
FTEs	0.0	0.0	0.0	0.0	0.0	--

Notes: (1) FY 2014-15 adjusted year-to-date figures include mid-year budget adjustments through February 11, 2015. (2) Proposed FY 2014-15 adjustments reflect House Bill 4110 (H-1). (3) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

### Major Proposed Budget Changes From Adjusted FY 2014-15 Appropriations

#### **Foundation Allowances**

Provides for a \$75 across-the-board increase to all districts, raising the minimum foundation allowance to \$7,326 (after rolling in the FY 2014-15 equity payment) and raising the state maximum guaranteed foundation allowance to \$8,174. The increase comes at a cost of \$108.0 million, but after an overall cost reduction of \$86.0 million due to increasing local contributions from increasing taxable values and declining pupils, the net cost increase totals \$22.0 million.

#### **At-Risk Program Funding Increase**

Provides for a \$100.0 million increase bringing the total At-Risk Program funding to \$409.0 million. Funding is intended to provide 11.5% of a district's foundation allowance for each student qualifying for free lunch; however, even after the proposed increase, the program would be approximately \$80 million short of reaching full funding, thus necessitating proration.

#### **Distressed Districts Rehabilitation Fund**

Deposits an additional \$75.0 million into a fund created originally as the distressed district emergency grant fund in FY 2014-15 with an appropriation of \$4.0 million. Funding may be disbursed per the State Treasurer and is intended to support the rehabilitation of districts experiencing severe academic and financial stress in order to mitigate the impact on student learning.

#### **Early Literacy (3<sup>rd</sup> Grade Reading) Initiative**

Provides a \$20.0 million for new efforts to improve early literacy in an attempt to have children reading on grade level by 3<sup>rd</sup> Grade. Also increases early childhood block grants by \$5.0 million to provide for a new home-visiting program targeted at at-risk families.

#### **Career and Technical Education (CTE)**

Provides \$17.8 million to expand CTE Middle College programs statewide. Programs are intended to provide high school students with an opportunity to finish an associates' degree or technical certification or earn college credit while taking high school courses. Programs would be based on 10 prosperity regions and focused on regional occupational needs.

#### **MPSERS Unfunded Liability – State Share**

Increases the appropriation for the state share of Michigan Public School Employees' Retirement System (MPSERS) unfunded liability costs for districts, ISDs, and public libraries pursuant to PA 300 of 2012 by \$216.6 million, bringing the total to \$893.5 million.

#### **Other Major Categoricals**

- Reduces Best Practices total funding from \$75.0 million to \$30.0 million and requires districts to satisfy 4 of 6 revised best practices.
- Reduces Technology Grants from \$41.5 million to \$25.0 million.
- Eliminates \$51.1 million in district performance grants.



## State Police

Analyst: Paul Holland

	FY 2014-15 Year-to-Date as of 2/11/15	Proposed FY 2014-15 Adjustments	Adjusted FY 2014-15 Year-to-Date	FY 2015-16 Executive Recommendation	Change: FY 2015-16 vs. FY 2014-15 Adjusted	
					Amount	%
<b>IDG/IDT</b>	\$26,233,200	\$0	\$26,233,200	\$26,224,300	(\$8,900)	(0.0)
<b>Federal</b>	99,429,900	0	99,429,900	87,945,900	(11,484,000)	(11.5)
<b>Local</b>	4,861,700	0	4,861,700	5,456,700	595,000	12.2
<b>Private</b>	77,200	0	77,200	76,700	(500)	(0.6)
<b>Restricted</b>	127,300,000	0	127,300,000	120,353,900	(6,946,100)	(5.5)
<b>GF/GP</b>	414,171,000	(23,331,100)	390,839,900	373,473,700	(17,366,200)	(4.4)
<b>Gross</b>	<b>\$672,073,000</b>	<b>(\$23,331,100)</b>	<b>\$648,741,900</b>	<b>\$613,531,200</b>	<b>(\$35,210,700)</b>	<b>(5.4)</b>
<b>FTEs</b>	3,073.0	0.0	3,073.0	3,094.0	21.0	0.7

Notes: (1) FY 2014-15 adjusted year-to-date figures include mid-year budget adjustments through February 11, 2015. (2) Proposed FY 2014-15 adjustments include Executive Order 2015-5 and House Bill 4112 (H-1). (3) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

### Major Proposed Budget Changes From Adjusted FY 2014-15 Appropriations

#### **129<sup>th</sup> Trooper Recruit School**

Increases spending authorization by \$7.7 million GF/GP and staff authorization by 75.0 FTEs for the 129<sup>th</sup> Trooper Recruit School, which is anticipated to commence April 2016 and graduate 75 new Troopers. Ongoing spending authorization (\$4.5 million GF/GP) supports personnel, fleet, and ancillary costs incurred throughout and subsequent to the School, while one-time authorization (\$3.2 million GF/GP) supports the costs of recruiting, boarding, training, and equipping recruits admitted to the School. Recommends increase of \$6.2 million GF/GP in spending authorization for FY 2016-17 which would annualize the ongoing personnel, fleet, and ancillary costs to account for the portion of FY 2015-16 that preceded commencement of the School.

#### **20<sup>th</sup> Motor Carrier Recruit School**

Increases spending authorization by \$1.1 million GF/GP and staff authorization by 10.0 FTEs for the ongoing personnel, fleet, and ancillary costs and positions associated with the 20<sup>th</sup> Motor Carrier Recruit School, which is anticipated to commence in October 2015 and graduate ten new Motor Carrier Officers. Spending authorization for the one-time costs of recruiting, boarding, training, and equipping recruits admitted to the School is expected to be supported with a forthcoming work project designation of the FY 2014-15 appropriation for one-time costs associated with the School, which was originally planned to occur during FY 2014-15 and graduate 35 new Officers, but was subsequently cancelled by MSP concomitant with the elimination, via Executive Order 2015-5, of the FY 2014-15 ongoing spending authorization (\$3.2 million GF/GP) and staff authorization (35.0 FTEs) associated with the School.

#### **Analysis of Sexual Assault Kit Evidence**

Increases spending authorization by \$1.6 million GF/GP and staff authorization by 11.0 FTEs for additional positions within the Forensic Science or Biometrics and Identification Divisions assigned to the MSP laboratories located in Northville and Stealing Heights pursuant to 2014 PA 227, which requires law enforcement agencies to submit sexual assault kit evidence to the MSP (or another accredited laboratory) for analysis within 14 days of taking possession and the MSP to analyze the evidence and upload extracted DNA profiles onto MSP-specified databases within 90 days of receiving all necessary evidence. MSP is currently analyzing sexual assault kit evidence within the 90 day standard, excluding time spent creating and uploading DNA profiles, yet anticipates the number of sexual assault kits submitted for analysis to increase consequent to the enactment of 2014 PA 227.

#### **Remove FY 2014-15 One-Time Appropriations**

Eliminates spending authorization for various FY 2014-15 one-time appropriations of \$18.7 million Gross (\$17.5 million GF/GP), in addition to the \$500,000 GF/GP reduction to the Local Public Safety Initiative for FY 2014-15 pursuant to Executive Order 2015-5, for a total decrease of \$19.2 million Gross (\$18.0 million GF/GP). Also, eliminates \$16.5 million Gross (\$14.0 million GF/GP) in spending authorization appropriated by 2014 PA 356 for disaster assistance (\$3.0 million GF/GP of which was subsequently transferred to the Disaster and Emergency Contingency Fund by HB 4112 (H-1)), in addition to the \$16.0 million GF/GP lapse recognized by Executive Order 2015-5, for a total decrease of \$32.5 million Gross (\$30.0 million GF/GP).

**Annualize 128<sup>th</sup> Trooper Recruit School Costs**

Increases spending authorization by \$178,600 GF/GP to annualize the personnel, fleet, and ancillary costs associated with the anticipated 60 graduates from the 128<sup>th</sup> Trooper Recruit School, which commences on 03/01/15 and concludes on 07/24/15. Personnel, fleet, and ancillary costs incurred throughout and subsequent to the School were appropriated for FY 2014-15 and incorporated into ongoing spending authorization for FY 2015-16. This additional ongoing spending authorization annualizes these costs for FY 2015-16 to account for the portion of FY 2014-15 that preceded commencement of the School. MSP initially estimated annualized costs of \$5.4 million; however, Executive Order 2015-5 reduced the number of anticipated graduates from 100 to 60 Troopers (reduction of 40.0 FTEs), resulting in an annual cost reduction of \$5.2 million for FY 2015-16.

**Eliminate Statutory Fee Sunsets**

Assumes revenues generated by the elimination of sunsets on statutory fees charged and collected by the MSP for taking and processing fingerprints (\$30) and processing and completing name-based criminal history searches (\$10) and on the \$2.25 regulatory fee levied on various vehicles specified by the Michigan Vehicle Code (1949 PA 300) and expended to enhance traffic law enforcement and safety. These fees are which are set to expire on September 30, 2015. MSP estimates that the elimination of these fee sunsets will preserve approximately \$30.5 million in restricted revenue during FY 2015-16.

**Technical Adjustments to Reflect Actual Revenues**

Increases and decreases spending authorization of numerous fund sources affecting various line items to more accurately reflect available and appropriate revenues; resulting in an overall reduction of \$14.6 million Gross (\$0 GF/GP).

**Economic Adjustments**

Reflects net cost increase of \$530,100 Gross (\$587,700 GF/GP) for negotiated salary and wage amounts (2.0% base increase), insurance rate increases, reductions in actuarially determined retirement rates, and other economic adjustments.

## Transportation

Analyst: William E. Hamilton

	FY 2014-15 Year-to-Date as of 2/11/15	Proposed FY 2014-15 Adjustments	Adjusted FY 2014-15 Year-to-Date	FY 2015-16 Executive Recommendation	Change: FY 2015-16 vs. FY 2014-15 Adjusted	
					Amount	%
<b>IDG/IDT</b>	\$3,786,900	\$0	\$3,786,900	\$3,928,500	\$141,600	3.7
<b>Federal</b>	1,205,821,500	17,778,000	1,223,599,500	1,257,488,000	33,888,500	2.8
<b>Local</b>	50,177,100	0	50,177,100	50,293,500	116,400	0.2
<b>Private</b>	100,000	7,766,000	7,866,000	100,000	(7,766,000)	(98.7)
<b>Restricted</b>	2,154,985,200	0	2,154,985,200	2,184,391,400	29,406,200	1.4
<b>GF/GP</b>	284,647,900	0	284,647,900	139,521,100	(145,126,800)	(51.0)
<b>Gross</b>	<b>\$3,699,518,600</b>	<b>\$25,544,000</b>	<b>\$3,725,062,600</b>	<b>\$3,635,722,500</b>	<b>(\$89,340,100)</b>	<b>(2.4)</b>
<b>FTEs</b>	2,918.3	0.0	2,918.3	2,918.3	0.0	0.0

Notes: (1) FY 2014-15 adjusted year-to-date figures include mid-year budget adjustments through February 11, 2015. (2) Proposed FY 2014-15 adjustments include Executive Order 2015-5 and House Bill 4112 (H-1). (3) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

### Major Proposed Budget Changes From Adjusted FY 2014-15 Appropriations

#### **Michigan Transportation Fund (MTF) Revenue Distribution**

Reflects an anticipated \$51.7 million increase in baseline MTF revenue (from motor fuel taxes and vehicle registration taxes), as compared to the estimates on which the current year budget was based. The increased revenue estimates are reflected in appropriations to statutory recipients of MTF funding including county road commissions (\$18.1 million increase) and cities/villages (\$10.1 million increase). Budget does not include new revenue that may flow through this budget if the Ballot Proposal 1 passes on May 5, 2015.

#### **General Fund/General Purpose (GF/GP) to Match Federal Funds**

Retains GF/GP funding, although at a reduced level, to ensure that the state match all available federal-aid transportation funds. The total request of \$139.5 million GF/GP is \$145.1 million less than current year. Specific uses of GF/GP funding would be \$113.0 million for the federal-aid highway program, \$25.0 million for federal transit and rail programs, and \$1.5 million for federal Airport Improvement Programs. The Governor would eliminate GF/GP funding in FY 2016-17 budget.

Budget also assumes the transfer of \$12.0 million from Transportation Economic Development Fund (a statutory categorical program) to the State Trunkline Fund as an additional element in providing sufficient state funds to match all available federal-aid highway funds. This transfer will require an amendment to statute, 1987 PA 281.

#### **Increase in Anticipated Federal Grant Funding**

Reflects \$51.4 million additional federal grant revenue as compared to the original enacted budget—specifically, a \$50.0 million Federal Railroad Administration grant for capital improvement along the Detroit-Chicago Accelerated Rail Corridor and \$1.4 million in anticipated federal transit grants to nonurban transit systems. The net change in federal funds shown in the table above is only \$33.9 million because FY 2014-15 supplemental appropriation bill, House Bill 4112 (H-1), included \$17.8 million in additional federal funds to reflect a federal grant associated with the M-1 Rail project in Detroit, as well as \$7.8 million in private funds for the project.

#### **State Trunkline Maintenance**

Includes additional \$10.0 million in State Trunkline Fund support for state trunkline maintenance program to reflect increased prices of maintenance materials, slope restoration/erosion control needed on urban freeways, and cost of on-going problem of copper theft from electrical fixtures.

#### **Economic Adjustments**

Reflects net cost reduction of \$1.5 million Gross (\$0 GF/GP) for negotiated salary and wage amounts (2.0% base increase), insurance rate increases, reductions in actuarially determined retirement rates, and other economic adjustments.







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