

**OVERVIEW OF
GOVERNOR SNYDER'S
FY 2013-14 BUDGET**



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Summary

Overview of Governor Snyder's FY 2013-14 Budget

On February 7, 2013, Governor Rick Snyder presented his fiscal year (FY) 2013-14 State Budget Message and his budget projections for FY 2014-15. Pursuant to an Attorney General's letter opinion issued on February 9, 2011, the Governor is allowed to propose a two-year budget and the Legislature can enact a two-year budget but the second year would be only an expression of an "intent to appropriate", not binding or legally enforceable. This overview will focus on Governor Snyder's FY 2013-14 appropriation recommendation.

The FY 2013-14 budget recommendation from the Governor is based on the consensus revenue estimates agreed to on January 11, 2013. The FY 2013-14 General Fund/General Purpose (GF/GP) consensus revenue estimate is \$9.3 billion. This represents a 5.4% increase from the FY 2012-13 GF/GP consensus revenue estimate. The FY 2013-14 School Aid Fund (SAF) consensus revenue estimate is \$11.4 billion, a 2.7% increase from the FY 2012-13 consensus revenue estimate. The Governor is proposing to increase fuel taxes and vehicle registration fees by \$1.2 billion in order to fund his transportation investment package. In addition, the Governor's FY 2013-14 recommendation includes \$90.4 million in other fee adjustments, and assumes passage of legislation that would allow Health Insurance Claims Assessment (HICA) revenue to achieve a level of \$400.0 million.

The Governor recommends FY 2013-14 Adjusted Gross appropriations of \$50.8 billion. Included in this appropriation total are \$20.8 billion of Federal funds, \$481.6 million of local and private funds, \$20.4 billion of State Restricted revenue, and \$9.0 billion of GF/GP revenue. Table 1 outlines the sources of funding for each department and budget area included in the Governor's recommendation; Figures A and B provide illustrations of the total funding by source and major spending category. Compared with FY 2012-13 year-to-date appropriations, the Governor's FY 2013-14 budget includes an Adjusted Gross appropriation increase of \$2.5 billion or 5.3%, an increase in State Spending from State Resources appropriations of \$1.7 billion or 6.0%, and an increase in GF/GP appropriations of \$14.4 million or 0.2%.

The primary reasons for the large increases in Adjusted Gross and State Spending appropriations are the Governor's proposals for new spending of \$1.2 billion for the transportation investment package, and \$1.3 billion for the expansion of the Medicaid program. The transportation proposal would be funded from State Restricted revenue while the Medicaid expansion would be funded from Federal revenue. Tables 2 - 4 compare the Governor's FY 2013-14 recommendation for Adjusted Gross, State Spending from State Resources, and GF/GP appropriations with the FY 2012-13 year-to-date appropriations. Table 5 compares the FY 2013-14 recommended number of 52,878.9 full-time equated (FTE) positions to the FY 2012-13 level of 53,512.4 FTEs, a drop of 633.5 positions or 1.2%.

The FY 2013-14 recommendation includes appropriations that the Governor has designated as either "ongoing" or "one-time". Table 6 outlines the proposed FY 2013-14

one-time Adjusted Gross and GF/GP appropriations. In addition to the \$280.3 million of one-time Adjusted Gross appropriations for various budget areas, the Governor recommends a \$75.0 million one-time appropriation to the Budget Stabilization Fund, as well as a \$103.0 million one-time appropriation to the proposed new Michigan Health Savings Fund. The \$103.0 million appropriation to this new fund represents a deposit of 50.0% of the savings from the Governor's proposal to expand Medicaid.

Tables 7 and 8 present the GF/GP and SAF balance sheets for FY 2012-13, FY 2013-14, and FY 2014-15, which result in positive ending balances for all three fiscal years.

Although the total GF/GP dollar change from FY 2012-13 to FY 2013-14 is only \$14.4 million, Table 9 shows that the \$14.4 million consists of \$118.0 million of GF/GP funding for new programs, \$205.9 million of net GF/GP savings from the proposed Medicaid expansion, \$266.4 million of GF/GP funding increases, \$217.2 million of GF/GP funding reductions, a \$42.7 million GF/GP reduction from fund shifts, and \$95.8 million in GF/GP economic increases. Tables 10 - 13 provide the details of these GF/GP changes.

Table 14 lists the Governor's proposed fee adjustments for FY 2013-14. Tables 15 - 24 outline background information regarding major budget areas, and Tables 25 - 34 provide recent State appropriation history.

Similarly to both budgets that Governor Snyder has presented previously, the Governor's third budget message includes performance measures for State programs. The Governor again proposes to roll-up many line items in each budget area and to eliminate most legislatively initiated boilerplate language. The consolidation of line items and the elimination of boilerplate language would provide more flexibility for the Executive branch but also would greatly reduce the Legislature's oversight role.

Table 1

**FY 2013-14 GOVERNOR'S RECOMMENDATION
BY SOURCE OF FUNDS**

Department/Budget Area	Gross	IDGs	Adjusted Gross	Federal	Local & Private	State Restricted	General Fund/ General Purpose
Agriculture & Rural Development	\$76,993,300	\$524,300	\$76,469,000	\$9,720,900	\$96,900	\$29,020,900	\$37,630,300
Attorney General	89,306,900	27,355,500	61,951,400	9,838,200	0	17,631,900	34,481,300
Civil Rights	15,198,300	0	15,198,300	2,690,200	18,700	151,900	12,337,500
Community Colleges	335,977,600	0	335,977,600	0	0	197,614,100	138,363,500
Community Health	16,634,251,000	10,056,100	16,624,194,900	11,392,469,900	333,878,900	2,172,313,600	2,725,532,500
Corrections	2,029,308,000	1,109,600	2,028,198,400	8,852,500	266,200	56,026,100	1,963,053,600
Education	318,888,400	0	318,888,400	232,395,400	7,567,000	8,032,100	70,893,900
Environmental Quality	512,168,800	9,401,900	502,766,900	150,929,700	541,800	322,190,900	29,104,500
Executive	4,970,000	0	4,970,000	0	0	0	4,970,000
Higher Education	1,430,573,500	0	1,430,573,500	97,026,400	0	200,565,700	1,132,981,400
Human Services	6,045,776,100	30,594,600	6,015,181,500	4,802,702,800	47,747,500	151,618,800	1,013,112,400
Judiciary	285,316,200	2,350,500	282,965,700	5,343,900	8,064,600	86,115,900	183,441,300
Legislative Auditor General	20,554,400	5,092,100	15,462,300	0	0	1,951,000	13,511,300
Legislature	123,819,300	0	123,819,300	0	400,000	1,109,800	122,309,500
Licensing & Regulatory Affairs	573,906,300	14,228,200	559,678,100	197,470,000	2,668,300	320,734,900	38,804,900
Military & Veterans Affairs	162,608,000	650,000	161,958,000	89,782,700	2,240,000	27,554,000	42,381,300
Natural Resources	354,388,900	1,412,300	352,976,600	67,127,300	7,237,200	251,325,500	27,286,600
School Aid	13,235,234,800	0	13,235,234,800	1,764,421,300	0	11,240,813,500	230,000,000
State	219,548,900	20,000,000	199,548,900	1,810,000	100	182,485,400	15,253,400
State Police	603,801,700	25,219,700	578,582,000	98,846,100	7,207,200	121,554,400	350,974,300
Technology, Management, & Budget	1,185,975,200	677,159,800	508,815,400	8,790,900	1,511,200	92,625,900	405,887,400
Transportation	4,574,787,600	3,625,100	4,571,162,500	1,198,885,500	50,277,100	3,321,999,900	0
Treasury (Debt Service)	154,202,500	0	154,202,500	0	0	3,014,500	151,188,000
Treasury (Operations)	495,797,200	9,130,000	486,667,200	39,410,400	1,981,500	362,772,000	82,503,300
Treasury (Revenue Sharing)	1,123,150,200	0	1,123,150,200	0	0	1,123,150,200	0
Treasury (Strategic Fund)	1,000,613,900	0	1,000,613,900	638,370,300	9,888,400	141,851,300	210,503,900
TOTAL APPROPRIATIONS	\$51,607,117,000	\$837,909,700	\$50,769,207,300	\$20,816,884,400	\$481,592,600	\$20,434,224,200	\$9,036,506,100

Table 2
ADJUSTED GROSS APPROPRIATIONS
FY 2012-13 VERSUS GOVERNOR'S RECOMMENDATION

Department/Budget Area	FY 2012-13 Year-to-Date Appropriations	FY 2013-14 Governor's Recommendation	Dollar Difference	Percent Change
Agriculture & Rural Development	\$76,433,700	\$76,469,000	\$35,300	0.0%
Attorney General	61,000,400	61,951,400	951,000	1.6
Civil Rights	14,765,500	15,198,300	432,800	2.9
Community Colleges	294,130,500	335,977,600	41,847,100	14.2
Community Health	15,019,033,900	16,624,194,900	1,605,161,000	10.7
Corrections	2,017,523,800	2,028,198,400	10,674,600	0.5
Education	328,909,900	318,888,400	(10,021,500)	(3.0)
Environmental Quality	423,308,700	502,766,900	79,458,200	18.8
Executive	4,887,900	4,970,000	82,100	1.7
Higher Education	1,399,220,400	1,430,573,500	31,353,100	2.2
Human Services	6,673,512,400	6,015,181,500	(658,330,900)	(9.9)
Judiciary	271,121,900	282,965,700	11,843,800	4.4
Legislative Auditor General	14,895,600	15,462,300	566,700	3.8
Legislature	110,922,500	123,819,300	12,896,800	11.6
Licensing & Regulatory Affairs	632,404,900	559,678,100	(72,726,800)	(11.5)
Military & Veterans Affairs	170,907,100	161,958,000	(8,949,100)	(5.2)
Natural Resources	335,855,600	352,976,600	17,121,000	5.1
School Aid	12,944,687,000	13,235,234,800	290,547,800	2.2
State	200,669,300	199,548,900	(1,120,400)	(0.6)
State Police	552,744,200	578,582,000	25,837,800	4.7
Technology, Management, & Budget	507,408,700	508,815,400	1,406,700	0.3
Transportation	3,462,905,600	4,571,162,500	1,108,256,900	32.0
Treasury (Debt Service)	140,554,900	154,202,500	13,647,600	9.7
Treasury (Operations)	503,563,000	486,667,200	(16,895,800)	(3.4)
Treasury (Revenue Sharing)	1,083,700,000	1,123,150,200	39,450,200	3.6
Treasury (Strategic Fund)	984,196,800	1,000,613,900	16,417,100	1.7
TOTAL APPROPRIATIONS	\$48,229,264,200	\$50,769,207,300	\$2,539,943,100	5.3%

Figures A and B

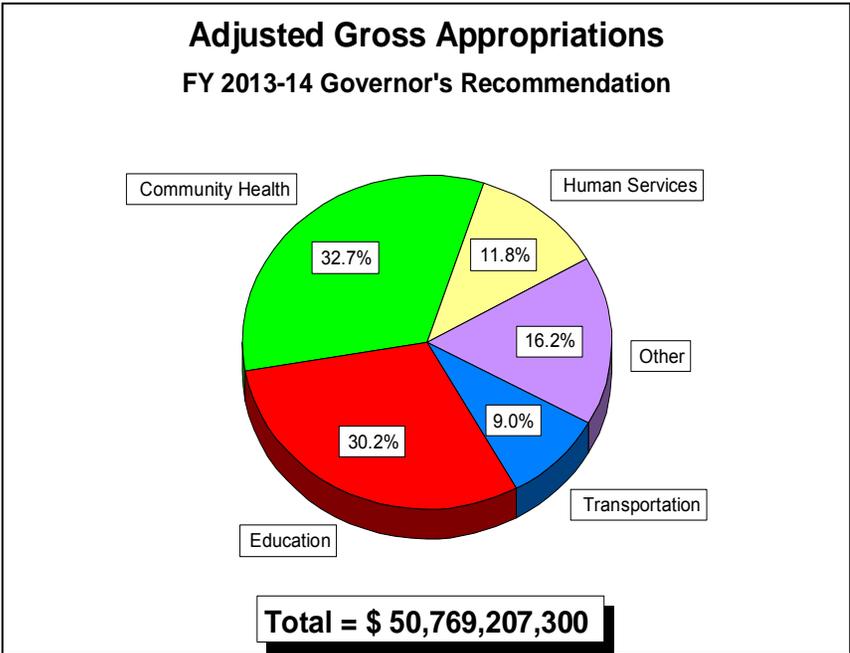
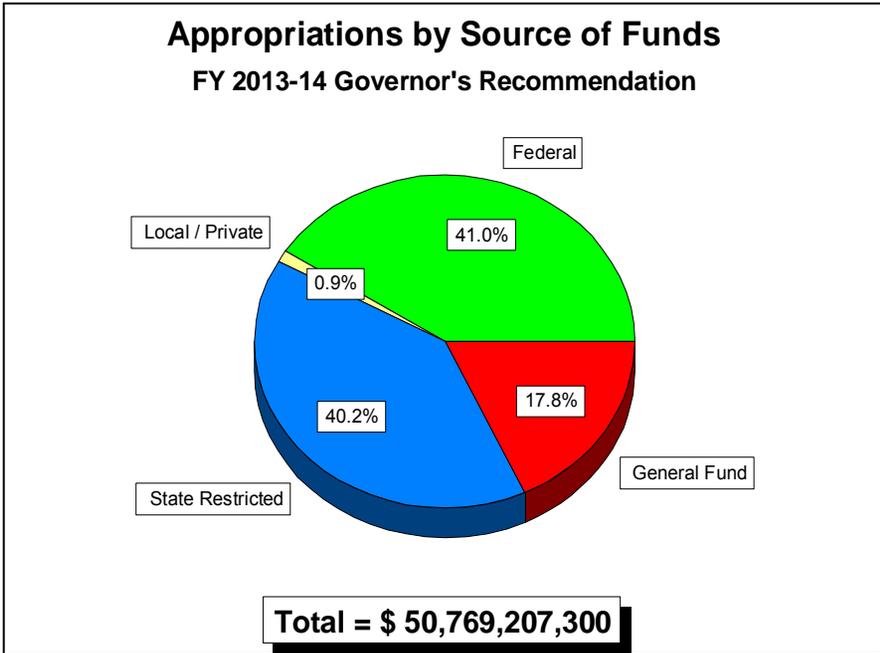


Table 3

STATE SPENDING FROM STATE RESOURCES APPROPRIATIONS FY 2012-13 VERSUS GOVERNOR'S RECOMMENDATION				
Department/Budget Area	FY 2012-13 Year-to-Date Appropriations	FY 2013-14 Governor's Recommendation	Dollar Difference	Percent Change
Agriculture & Rural Development	\$65,058,300	\$66,651,200	\$1,592,900	2.4%
Attorney General	51,067,800	52,113,200	1,045,400	2.0
Civil Rights	12,105,500	12,489,400	383,900	3.2
Community Colleges	294,130,500	335,977,600	41,847,100	14.2
Community Health	4,975,497,800	4,897,846,100	(77,651,700)	(1.6)
Corrections	2,008,475,100	2,019,079,700	10,604,600	0.5
Education	75,719,500	78,926,000	3,206,500	4.2
Environmental Quality	261,088,000	351,295,400	90,207,400	34.6
Executive	4,887,900	4,970,000	82,100	1.7
Higher Education	1,302,194,000	1,333,547,100	31,353,100	2.4
Human Services	1,117,223,200	1,164,731,200	47,508,000	4.3
Judiciary	257,133,700	269,557,200	12,423,500	4.8
Legislative Auditor General	14,895,600	15,462,300	566,700	3.8
Legislature	110,522,500	123,419,300	12,896,800	11.7
Licensing & Regulatory Affairs	361,024,900	359,539,800	(1,485,100)	(0.4)
Military & Veterans Affairs	68,660,400	69,935,300	1,274,900	1.9
Natural Resources	262,091,600	278,612,100	16,520,500	6.3
School Aid	11,243,645,600	11,470,813,500	227,167,900	2.0
State	198,859,200	197,738,800	(1,120,400)	(0.6)
State Police	440,732,500	472,528,700	31,796,200	7.2
Technology, Management, & Budget	496,433,400	498,513,300	2,079,900	0.4
Transportation	2,188,895,300	3,321,999,900	1,133,104,600	51.8
Treasury (Debt Service)	140,554,900	154,202,500	13,647,600	9.7
Treasury (Operations)	460,945,000	445,275,300	(15,669,700)	(3.4)
Treasury (Revenue Sharing)	1,083,700,000	1,123,150,200	39,450,200	3.6
Treasury (Strategic Fund)	316,362,700	352,355,200	35,992,500	11.4
TOTAL APPROPRIATIONS	\$27,811,904,900	\$29,470,730,300	\$1,658,825,400	6.0%

Table 4

GENERAL FUND/GENERAL PURPOSE (GF/GP) APPROPRIATIONS FY 2012-13 VERSUS GOVERNOR'S RECOMMENDATION				
Department/Budget Area	FY 2012-13 Year-to-Date Appropriations	FY 2013-14 Governor's Recommendation	Dollar Difference	Percent Change
Agriculture & Rural Development	\$36,098,900	\$37,630,300	\$1,531,400	4.2%
Attorney General	33,825,800	34,481,300	655,500	1.9
Civil Rights	11,953,600	12,337,500	383,900	3.2
Community Colleges	96,516,400	138,363,500	41,847,100	43.4
Community Health	2,817,437,800	2,725,532,500	(91,905,300)	(3.3)
Corrections	1,941,485,600	1,963,053,600	21,568,000	1.1
Education	68,093,200	70,893,900	2,800,700	4.1
Environmental Quality	29,812,400	29,104,500	(707,900)	(2.4)
Executive	4,887,900	4,970,000	82,100	1.7
Higher Education	1,101,628,300	1,132,981,400	31,353,100	2.8
Human Services	1,028,769,600	1,013,112,400	(15,657,200)	(1.5)
Judiciary	170,751,500	183,441,300	12,689,800	7.4
Legislative Auditor General	13,004,900	13,511,300	506,400	3.9
Legislature	109,412,700	122,309,500	12,896,800	11.8
Licensing & Regulatory Affairs	36,945,200	38,804,900	1,859,700	5.0
Military & Veterans Affairs	38,233,400	42,381,300	4,147,900	10.8
Natural Resources	19,737,900	27,286,600	7,548,700	38.2
School Aid	282,400,000	230,000,000	(52,400,000)	(18.6)
State	14,888,100	15,253,400	365,300	2.5
State Police	317,513,800	350,974,300	33,460,500	10.5
Technology, Management, & Budget	405,916,200	405,887,400	(28,800)	(0.0)
Transportation	23,000,000	0	(23,000,000)	(100.0)
Treasury (Debt Service)	135,040,400	151,188,000	16,147,600	12.0
Treasury (Operations)	111,294,500	82,503,300	(28,791,200)	(25.9)
Treasury (Revenue Sharing)	0	0	0	0.0
Treasury (Strategic Fund)	173,501,600	210,503,900	37,002,300	21.3
TOTAL APPROPRIATIONS	\$9,022,149,700	\$9,036,506,100	\$14,356,400	0.2%

Table 5**FULL-TIME EQUATED POSITIONS
FY 2012-13 VERSUS GOVERNOR'S RECOMMENDATION**

Department/Budget Area	FY 2012-13 Year-to-Date Appropriations	FY 2013-14 Governor's Recommendation	Position Change	Percent Change
Agriculture & Rural Development	425.0	428.0	3.0	0.7%
Attorney General	508.0	511.0	3.0	0.6
Civil Rights	121.0	122.0	1.0	0.8
Community Health	3,546.6	3,583.6	37.0	1.0
Corrections	14,695.2	14,496.5	(198.7)	(1.4)
Education	590.5	594.5	4.0	0.7
Environmental Quality	1,321.5	1,285.5	(36.0)	(2.7)
Executive	74.2	74.2	0.0	0.0
Higher Education	0.0	0.0	0.0	0.0
Human Services	12,308.0	12,276.5	(31.5)	(0.3)
Judiciary	472.0	482.0	10.0	2.1
Licensing & Regulatory Affairs	3,709.8	3,267.0	(442.8)	(11.9)
Military & Veterans Affairs	834.0	872.0	38.0	4.6
Natural Resources	2,093.8	2,135.3	41.5	2.0
State	1,689.0	1,562.0	(127.0)	(7.5)
State Police	2,881.0	2,914.0	33.0	1.1
Technology, Management, & Budget	2,808.0	2,806.0	(2.0)	(0.1)
Transportation	2,912.3	2,912.3	0.0	0.0
Treasury (Operations)	1,774.5	1,784.5	10.0	0.6
Treasury (Strategic Fund)	748.0	772.0	24.0	3.2
TOTAL POSITIONS	53,512.4	52,878.9	(633.5)	(1.2%)

Table 6

FY 2013-14 ONE-TIME ADJUSTED GROSS AND GF/GP APPROPRIATIONS		
Budget Area/Program	FY 2013-14 Adjusted Gross Appropriation	FY 2013-14 GF/GP Appropriation
Agriculture and Rural Development		
Private Forestry Program.....	\$600,000	\$600,000
Community Colleges		
Virtual Learning Collaborative.....	1,100,000	1,100,000
Community Health		
Diagnostic Coding Project	18,300,000	2,300,000
Primary Care Clinics (Beaver, Bois Blanc, Drummond, Mackinac).....	325,000	325,000
Mental Health Innovation Funding	5,000,000	5,000,000
Corrections		
New Employee Training School.....	9,032,500	9,032,500
Environmental Quality		
Hazardous Waste Management Program General Fund Support.....	400,000	400,000
Wetlands Program	600,000	600,000
Human Services		
Information Technology for Eligibility Determination	2,000,000	1,039,600
Fraud Prevention, Detection, and Recoupment	1,500,000	1,000,000
Family Preservation Programs Expansion	2,500,000	0
Judiciary		
Trial Court Performance Innovations Fund.....	4,000,000	4,000,000
Implementation of Michigan Court System.....	2,500,000	2,500,000
Military and Veterans Affairs		
Veterans Service Delivery Initiative	4,000,000	4,000,000
Natural Resources		
Conservation Officers School (25 Officers)	600,000	600,000
Replace Great Lakes Research Vessel Chinook	2,000,000	2,000,000
School Aid		
Expand Great Start Readiness Programs	15,000,000	0
Best Practices Funding.....	25,000,000	0
Foundation Allowance Equity Payments	24,000,000	24,000,000
Technology Infrastructure Grants	13,500,000	4,000,000
Student-Centric Learning Competitive Grants.....	8,000,000	8,000,000
Michigan Virtual University Online Education Reforms.....	5,000,000	5,000,000
Small Class Size Supplemental Payments.....	9,000,000	9,000,000
State Police		
Trooper School (107 Troopers)	4,211,900	4,211,900

FY 2013-14 ONE-TIME ADJUSTED GROSS AND GF/GP APPROPRIATIONS		
Budget Area/Program	FY 2013-14 Adjusted Gross Appropriation	FY 2013-14 GF/GP Appropriation
Replacement of Two Emergency Support Team Trucks	350,000	350,000
Creation of Statewide Disaster/Emergency Contingency Fund	4,000,000	4,000,000
Technology, Management, and Budget		
Special Maintenance for State Buildings	10,000,000	10,000,000
Regional Prosperity Grant Program	5,000,000	5,000,000
Delta County Bridge (Capital Outlay)	1,500,000	1,500,000
State Emergency Operations Center (Capital Outlay)	100	100
Treasury-Operations		
Distressed Communities Funding	5,000,000	5,000,000
Gaming Control Board System Replacement.....	3,000,000	0
Sales, Use, Withholding System Replacement	1,763,300	1,763,300
Treasury-Revenue Sharing		
Competitive Grant Assistance Program	10,000,000	0
Economic Vitality Incentive Program	7,500,000	0
County Incentive Program	4,500,000	0
Treasury-Strategic Fund		
Business Development and Community Revitalization	27,500,000	27,500,000
Film Incentive Program	25,000,000	25,000,000
Skilled Trades Training Program	10,000,000	10,000,000
Land Bank Fast Track Authority Blighted Property Demolitions	5,000,000	5,000,000
Land Bank Fast Track Authority Good Neighbor Program.....	2,000,000	2,000,000
Subtotal One-Time Appropriations	\$280,282,800	\$185,822,400
Appropriation to the Budget Stabilization Fund	\$75,000,000	\$75,000,000
Appropriation to the Health Savings Fund	103,000,000	103,000,000
TOTAL ONE-TIME APPROPRIATIONS.....	\$458,282,800	\$363,822,400

Table 7

FEBRUARY 2013 GOVERNOR'S RECOMMENDATION GENERAL FUND/GENERAL PURPOSE (GF/GP) REVENUE, EXPENDITURES, AND YEAR-END BALANCE (Millions of Dollars)			
	FY 2012-13	FY 2013-14	FY 2014-15
Beginning Balance	\$972.5	\$278.4	\$15.7
Ongoing Revenue:			
Consensus Revenue Estimate (January 2013)	\$8,792.2	\$9,264.4	\$9,639.9
Revenue Sharing Payments.....	(350.6)	(358.6)	(358.6)
Shift of Borrowing Costs to School Aid Fund.....	3.2	6.0	8.0
Blue Cross/Blue Shield Insurance Revenue	<u>0.0</u>	<u>62.0</u>	<u>75.0</u>
Subtotal Ongoing Revenue	\$8,444.8	\$8,973.8	\$9,364.3
Non-ongoing Revenue:			
One-Time Appropriation for Revenue Sharing.....	(20.0)	(22.0)	0.0
Other Restricted Revenue Adjustments	<u>(\$2.0)</u>	<u>\$0.0</u>	<u>\$0.0</u>
Total Estimated GF/GP Revenue.....	\$9,395.3	\$9,230.2	\$9,380.0
Expenditures:			
Ongoing Appropriations:			
Initial Ongoing Appropriations	\$8,628.5	\$8,850.7	\$9,034.7
Caseload/Cost Adjustments (request #2013-4/#2013-5).....	(44.9)	0.0	0.0
Health Insurance Claims Assessment Revenue Shortfall	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Subtotal Ongoing Appropriations	\$8,583.6	\$8,850.7	\$9,034.7
One-Time Appropriations:			
Initial One-Time Appropriations	\$365.7	\$185.8	\$4.0
Enacted Supplementals	28.0	0.0	0.0
Deposit to Budget Stabilization Fund.....	140.0	75.0	150.0
Deposit to Michigan Health Savings Fund.....	0.0	103.0	137.8
Savings from Refinancing SBA Bonds	(17.4)	0.0	0.0
Supplementals: DMVA, DNR, DTMB, Treasury, MSF (#2013-4).....	<u>17.0</u>	<u>0.0</u>	<u>0.0</u>
Subtotal One-Time Appropriations	\$533.3	\$363.8	\$291.8
Total Estimated GF/GP Expenditures	\$9,116.9	\$9,214.5	\$9,326.5
PROJECTED YEAR-END GF/GP BALANCE	\$278.4	\$15.7	\$53.5

Table 8

**FEBRUARY 2013 GOVERNOR'S RECOMMENDATION SCHOOL AID FUND
REVENUE, EXPENDITURES, AND YEAR-END BALANCE
(Millions of Dollars)**

	FY 2012-13	FY 2013-14	FY 2014-15
Beginning Balance	\$254.1	\$49.9	\$1.3
Ongoing Revenue:			
Consensus Revenue Estimate (January 2013)	\$11,127.7	\$11,432.5	\$11,768.8
MPERS Reserve Fund	0.0	150.0	100.0
iLottery.....	0.0	7.8	23.4
General Fund/General Purpose Grant.....	282.4	180.0	233.0
Federal Ongoing Aid	<u>1,701.0</u>	<u>1,764.4</u>	<u>1,764.4</u>
Subtotal Ongoing Revenue	\$13,111.1	\$13,534.7	\$13,889.6
Non-ongoing Revenue:			
General Fund/General Purpose Grant.....	0.0	50.0	0.0
Total Estimated School Aid Fund Revenue.....	\$13,365.2	\$13,634.6	\$13,890.9
Expenditures:			
Ongoing Appropriations:			
Initial Ongoing K-12 Appropriations	\$12,750.2	\$13,135.7	\$13,490.6
K-12 Cost Adjustments(Jan. Consensus; request #2013-5).....	(47.5)	0.0	0.0
Partially Fund Community Colleges with School Aid Fund	197.6	197.6	197.6
Partially Fund Higher Education with School Aid Fund	<u>200.5</u>	<u>200.5</u>	<u>200.5</u>
Subtotal Ongoing Appropriations	\$13,100.8	\$13,533.8	\$13,888.7
One-Time Appropriations:			
Best Practices Grants	\$80.0	\$25.0	\$0.0
Technology Grants	50.0	13.5	0.0
Consolidation Innovation Grants	10.0	0.0	0.0
MPERS Retirement Obligation Reform Reserve Fund	41.0	0.0	0.0
Class-Size Grants	13.3	9.0	0.0
Foundation Allowance Equity Payment	0.0	24.0	0.0
Early Childhood Grants	0.0	15.0	0.0
Competitive Student-Centric Learning Grants	0.0	8.0	0.0
Michigan Virtual University Digital Learning	0.0	5.0	0.0
Public Act 465 of 2012-PILT Supplemental	0.2	0.0	0.0
Pending Supplemental (request #2013-5)	<u>20.0</u>	<u>0.0</u>	<u>0.0</u>
Subtotal One-Time Appropriations	\$214.5	\$99.5	\$0.0
Total Estimated School Aid Fund Expenditures.....	\$13,315.3	\$13,633.3	\$13,888.7
PROJECTED YEAR-END SCHOOL AID FUND BALANCE.....	\$49.9	\$1.3	\$2.2

FY 2013-14 GF/GP Budget Changes

Table 9

FY 2013-14 BUDGET RECOMMENDATION MAJOR CHANGES FROM FY 2012-13 YEAR-TO-DATE GENERAL FUND/GENERAL PURPOSE (GF/GP) APPROPRIATIONS (Millions of Dollars)	
FY 2012-13 Year-to-Date Appropriations.....	\$9,022.1
FY 2013-14 Governor's Recommendation.....	<u>9,036.5</u>
Net Change in GF/GP Appropriations	\$14.4
Total New Programs	\$118.0
Total Net Savings Medicaid Expansion.....	(205.9)
Total Funding Increases	266.4
Total Funding Reductions	(217.2)
Total Fund Shifts	(42.7)
Total OPEB Funding Adjustment	14.3
Total Non-OPEB Economic Adjustments.....	<u>81.5</u>
TOTAL GF/GP FUNDING CHANGE	\$14.4

Table 10

FY 2013-14 GOVERNOR'S APPROPRIATION RECOMMENDATION NEW GF/GP PROGRAMS (Millions of Dollars)	
Budget Area/Program	
Agriculture and Rural Development	
Food/Agriculture Growth Initiative	\$1.0
Community Colleges	
MPSERS Rate Cap for Community Colleges	31.4
Virtual Learning Collaborative (one-time)	1.1
Community Health	
Health Innovation Grants	3.0
Infant Mortality Plan	2.5
Veterans' Mental Health/Substance Abuse Services.....	0.1
Medicaid Transformation Office	1.5
Behavioral Health Homes	0.1
Jail Diversion.....	1.6
Mental Health Innovation Funding (one-time)	5.0
Education	
MPSERS Rate Cap for Libraries	1.3
Judiciary	
Trial Court Performance Innovations Fund (one-time)	4.0
Implementation of Michigan Court System (one-time).....	2.5
Military and Veterans Affairs	
New Veterans Affairs Agency (ongoing).....	4.0
New Veterans Affairs Agency (one-time)	4.0
Natural Resources	
Aquatic Invasive Species Program.....	0.2
Belle Isle Management.....	3.7
School Aid	
Michigan Virtual University Digital Learning Innovation (ongoing)	5.0
Michigan Virtual University Digital Learning Innovation (one-time).....	5.0
Treasury - Operations	
Distressed Communities Funding (one-time)	5.0
Treasury - Strategic Fund	
Skilled Trades Training Program (one-time).....	10.0
Land Bank Good Neighbor Program (ongoing)	2.0
Land Bank Good Neighbor Program (one-time).....	2.0
Business Development-Innovative Debt Financing Program (one-time)	20.0
Business Development-Agribusiness Initiative (one-time).....	2.0
Total GF/GP Funding Increases	\$118.0
GF/GP Savings Related to Medicaid Expansion (total Gross cost increase of \$1,334,831,900	
Department of Community Health Net GF/GP Savings	(181.7)
Department of Corrections Net GF/GP Savings.....	(24.2)
Total GF/GP Net Savings from Medicaid Expansion	(\$205.9)

Table 11

**FY 2013-14 GOVERNOR'S APPROPRIATION RECOMMENDATION
GF/GP FUNDING INCREASES
(Millions of Dollars)**

<u>Budget Area/Program</u>	
Agriculture and Rural Development	
Food Safety Initiative.....	\$0.3
Export Assistance	1.0
Civil Rights	
Office of Deaf and Hard of Hearing Staff	0.1
Hispanic/Latino Commission Funding	0.1
Community Colleges	
2% Funding Increase	5.8
Community Health	
Medicaid Base and Caseload Adjustments	7.3
4x4 Childhood Obesity Program.....	1.5
Actuarially Sound Rates for Medicaid HMOs/PIHPs.....	37.9
Reduced GF/GP Savings from Medicaid Special Financing	15.4
Medicaid Autism Services	6.9
Long-Term Care Community Services Expansion	6.7
Healthy Kids Dental Expansion	3.9
Reduced Savings on Dual Eligible Waiver	10.0
Corrections	
Information Technology Adjustments	0.9
New Employee Training School	9.0
Detroit Re-Entry Center Staff	0.9
Post-Closure Facility Maintenance	0.6
Alger Housing Unit Conversion	0.5
Education	
Charter School Support.....	0.1
School Improvement Plan Reviews	0.1
Environmental Quality	
Wetlands Program (ongoing)	1.0
Wetlands Program (one-time)	0.6
Surface Water Program Match Dollars	0.2
Hazardous Waste Management (one-time).....	0.4
Executive Office	
Administrative Costs	0.1
Higher Education	
2% Increase for University Operations	24.9
MSU Agriculture/Bio Research.....	1.1
Tuition Incentive Program	3.2
Children of Veterans/Officers Survivors Grants	0.2
Human Services	
Mobile Worker Initiative	0.8
Pathways to Potential.....	2.2
Annualization of Child Welfare Staff	8.2
State Disbursement Unit	1.2
Disability Determination Operations	0.4
State Supplemental Administration	0.3
Community Support Services	0.3

FY 2013-14 GOVERNOR'S APPROPRIATION RECOMMENDATION
GF/GP FUNDING INCREASES
(Millions of Dollars)

Human Services (continued)	
County Juvenile Officers	0.3
Fraud Prevention, Detection, and Recoupment.....	0.9
Information Technology Infrastructure	1.3
Adoption Subsidy Caseload	3.8
Supplemental Security Income Caseload.....	0.7
Guardianship Assistance Caseload.....	0.2
Information Technology Investments for BRIDGES (one-time).....	1.0
Fraud Prevention (one-time)	1.0
Judiciary	
Mental Health and Drug Treatment Court Expansion	5.0
State Appellate Defender Staff Increase	0.1
Legislative Auditor General	
Funding Increase	0.3
Legislature	
Funding Increase	12.9
Military/Veterans Affairs	
Veterans Services Officers.....	0.6
Veterans Home Special Maintenance	0.5
Natural Resources	
New Conservation Officer School (25)	2.9
Conservation Officer Training (one-time).....	0.6
Replace Great Lakes Research Vessel (one-time).....	2.0
State	
Michigan Transportation Fund Adjustment	0.6
Customer Document Services.....	0.5
State Police	
New Trooper School (107)	11.0
Trooper School Support Costs (one-time).....	4.2
Mobile Computers Data Costs	1.9
Disaster/Emergency Response Contingency Fund (one-time)	4.0
Fleet Leasing Costs	1.1
Replacement of Response Support Vehicles	0.4
Technology, Management, and Budget	
State Building Authority Rent	1.7
Office of Retirement Services.....	0.8
Remove Old Escanaba River Bridge (one-time).....	1.5
Regional Prosperity Grant Program (one-time)	5.0
Special Maintenance of State Facilities (one-time).....	10.0
Treasury -Debt Service	
Great Lakes Water Quality Bond.....	9.4
Quality of Life Bond Payment.....	2.3
Clean Michigan Initiative Payments.....	2.9
Treasury-Operations	
Information Technology System Replacement	1.8
Payment in Lieu of Taxes Full Funding	0.5
Tax Administration	0.9
Information Technology Infrastructure	0.6

FY 2013-14 GOVERNOR'S APPROPRIATION RECOMMENDATION GF/GP FUNDING INCREASES (Millions of Dollars)	
Treasury-Strategic Fund	
Facility for Rare Isotope Beams Bond Debt Service	5.0
Land Bank Blight Elimination (ongoing).....	4.5
Land Bank Blight Elimination (one-time).....	5.0
Land Bank Staffing.....	0.6
Arts and Cultural Grants.....	0.5
Job Creation Services Arts Grants Administration.....	0.5
Other Funding Increases in Budget Recommendation	1.0
TOTAL GF/GP FUNDING INCREASES	\$266.4

Table 12

FY 2013-14 GOVERNOR'S APPROPRIATION RECOMMENDATION GF/GP FUNDING ELIMINATIONS/REDUCTIONS (Millions of Dollars)	
<u>Budget Area/Program</u>	
Agriculture	
Rural Value-Added Grants (one-time)	(\$0.9)
Food Safety Funding (one-time).....	(0.5)
Community Health	
Additional Savings from Enhanced Medication Program	(2.8)
Reduction in State Facility Funding to Reflect Diversions.....	(1.6)
Adjustment of Medicaid Payment Rates to Actual	(0.5)
Remove Harper/Hutzel Hospital Special Payment	(6.7)
Remove Health/Wellness Funding (one-time)	(5.0)
Remove One-Time Graduate Medical Education Funding.....	(1.5)
Remove One-Time CMH Special Populations Funding	(3.0)
Reduce Medicaid Computer Project Funding (one-time)	(0.7)
Corrections	
Remove Funding for Technology Projects (one-time).....	(1.1)
Education	
Remove One-Time Funding for CMU Lending Library.....	(0.1)
Human Services	
Savings from Automated Child Welfare Information System	(3.2)
State Disability Assistance Caseload	(0.5)
Foster Care Caseload	(7.0)
Child Care Fund Expenditures	(5.3)
Remove Energy Assistance Funding (one-time)	(27.7)
Remove One-Time Inspector General IT Funding.....	(1.5)
Remove One-Time Seita Scholarship Funding.....	(0.8)
Remove Juvenile Justice Study (one-time)	(0.5)
Remove One-Time Medicaid Eligibility Review Funding.....	(0.3)
Judiciary	
Eliminate Judgeships	(0.4)
Licensing and Regulatory Affairs	
Remove Appropriation from Right to Work Laws	(2.0)

**FY 2013-14 GOVERNOR'S APPROPRIATION RECOMMENDATION
GF/GP FUNDING ELIMINATIONS/REDUCTIONS
(Millions of Dollars)**

Military and Veterans Affairs	
Remove One-Time Special Maintenance Funding	(2.4)
Remove One-Time Veterans' Homes Remodeling Funding	(2.1)
Remove One-Time Veterans Services Enhancement Funding.....	(0.4)
Remove One-Time Data Upgrades Funding	(0.8)
Natural Resources	
Remove One-Time Dam Management Grant.....	(2.0)
State	
Remove Commercial Driver License Certification Funding (one-time).....	(0.6)
State Police	
Eliminate Michigan International Speedway Grant (one-time)	(0.8)
Remove One-Time Trooper Equipment Replacement Funding	(1.6)
Remove Collins Road Rent (one-time).....	(0.4)
Technology, Management, and Budget	
Statewide Cost Allocation Plan (SWCAP) Adjustments	(0.5)
Remove One-Time Special Maintenance Funding	(17.0)
Remove Teacher Evaluation Project Funding (one-time)	(4.0)
Transportation	
Remove One-Time GF/GP Federal Aid Match	(23.0)
Treasury-Debt Service	
Water Pollution Bond Repayment Schedule Changes.....	(0.9)
Treasury-Operations	
Eliminate Agriculture Loan Qualification Program	(15.0)
Reduce Dual Enrollment Funding.....	(9.0)
Remove Financial Accountability Supplemental	(5.8)
Remove One-Time Treasury Legal Services Funding	(3.0)
Treasury-Strategic Fund	
Reduce Film Incentive Payments (one-time).....	(25.0)
Remove FY 2012-13 State Employee Lump Sum Payments	(29.3)
TOTAL GF/GP FUNDING ELIMINATIONS/REDUCTIONS	(\$217.2)

Table 13

FY 2013-14 GOVERNOR'S APPROPRIATION RECOMMENDATION FUND SHIFTS TO INCREASE/(REDUCE) GF/GP (Millions of Dollars)	
<u>Budget Area/Program</u>	
Community Health	
Healthy Michigan Fund Shortfall.....	\$1.2
Decrease in Base Medicaid Match Rate.....	7.0
Senior Respite Care Revenue.....	(0.4)
Tobacco Settlement Dollars.....	(4.6)
Environmental Quality	
Replace Office of Great Lakes Revenue.....	0.5
Human Services	
Decrease in Base Medicaid Match Rate.....	0.2
TANF Fund Swap.....	(2.5)
Licensing and Regulatory Affairs	
Replace Revenue Lost from Exempting Veterans from Certain Fees.....	3.7
School Aid	
Shift from General Fund.....	(59.8)
State Police	
Replace Federal Funds.....	2.1
Treasury Debt Service	
Refined Petroleum Fund Shift to General Fund.....	2.5
Treasury Operations	
Business Attraction Fund Source Shift.....	5.5
Replace Land Bank Operations Fee Revenue.....	1.9
TOTAL GF/GP MAJOR FUND SHIFTS.....	(\$42.7)

Fee Proposals

Proposed Fee Adjustments

The FY 2013-14 budget proposes \$90.4 million in total fee adjustments. Of the total fee changes proposed, \$85.1 million would be from new fees or fee increases, while \$5.3 million would come from the delay of seven sunsets in fee legislation that would allow the fees to be maintained at their current levels. The bulk of the fee adjustments are in the Departments of Environmental Quality and Natural Resources, but the largest fee increase is the Department of Human Services' new low-income energy assistance fund fee which would replace a fee previously collected through a customer fee on utility bills. Table 14 provides a summary of the proposed fee changes.

Table 14

FY 2013-14 GOVERNOR'S RECOMMENDATION PROPOSED FEE ADJUSTMENTS INCLUDED IN BUDGET (Actual Dollars)		
Department	Fee Type	Estimated Revenue
Fee Increases and New Fees		
Community Health	Vital Records Fees (Increase)	\$1,500,000
Community Health	Emergency Medical Services Fees (Increase)	1,000,000
Community Health	Certificate of Need Fees (Increase)	700,000
Community Health	Newborn Screening Fees (Increase)	605,000
Environmental Quality	Hazardous Waste Management Fees (Increase)	2,500,000
Human Services	Low-Income Energy Assistance Fund Fee (New)	60,000,000
Natural Resources	Hunting and Fishing Licenses (Increase)	11,400,000
Natural Resources	Off-Road Vehicle License (Increase)	1,500,000
Natural Resources	Off-Road Vehicle State Trail Fee (New)	1,200,000
State	Record Look-Up Fee (Increase)	4,700,000
Subtotal New and Increased Fees		\$85,105,000
Maintenance of Current Fee Levels		
Environmental Quality	Environmental Pollution Prevention Fund (six fees)	\$1,000,000
Environmental Quality	Solid Waste Surcharge	4,300,000
Subtotal Fee Sunsets.....		\$5,300,000
TOTAL ALL FEE ADJUSTMENTS.....		\$90,405,000

Major Budget Areas Appropriation Summaries

Capital Outlay, Community Colleges, and Higher Education Recommendations

Capital Outlay

Capital Outlay appropriations for departments have been included in annual departmental appropriation bills since FY 2008-09. However, construction authorizations for new State Building Authority (SBA)-financed projects have remained in capital outlay appropriation bills. Section 242(6) of the Management and Budget Act (Public Act 431 of 1984) provides:

(6) Upon review and approval by the JCOS, the JCOS and the legislature may authorize the project for final design and construction with a line-item appropriation in an appropriation bill. The appropriations bill shall include appropriations for projected state building authority rental payments associated with the projects that are authorized for construction. The authorization shall include the legislative lease approval required for state building authority financing.

The Governor recommended three capital outlay projects as part of the Department of Technology, Management, and Budget appropriations that would be through the SBA. The Governor's FY 2013-14 recommendation includes a construction authorization for the State Emergency Operations Center (SEOC). The SEOC received \$80,000 GF/GP for planning in Public Act 89 of 2012. The estimated cost of the new facility is \$20.2 million. The proposal would house the SEOC and related support functions in a new facility at the Secondary Complex in Dimondale. Other functions that would move to the new facility include the Emergency Management and Homeland Security Division, the Business Emergency Operations Center, the Michigan Cyber Command Center, the Michigan Intelligence Operations Center and the Michigan Public Safety Communications System. The Governor recommended two SBA-financed projects for inclusion in an FY 2012-13 supplemental. They include a \$100,000 planning authorization for a new State Police post in Marshall and a construction authorization for the Lake Superior State University (LSSU) - School of Business Building. The LSSU project received planning authorization in Public Act 329 of 2010. The project includes the renovation of 32,000 square feet in South Hall, and the addition of 12,000 square feet. The total project cost is \$12.0 million; the SBA share is \$9.0 million and LSSU's share is \$3.0 million. Pursuant to recent changes to the Management and Budget Act, the recommendation includes \$900,000 in SBA Rent payments to reflect annual debt service costs.

Community Colleges

The Governor's recommendation includes a \$5.8 million (2.0%) increase for community college operations distributed through a modified version of the Performance Indicators Task Force Formula that has been used in recent budgets ([Table 15](#)). A one-time \$1.1 million GF/GP appropriation for the Virtual Learning Collaborative would fund new hardware and software to improve the system, which allows students to enroll in equivalent online courses from other community colleges when their home institution courses are full. It would also fund the development of a course database for jointly developed, high-cost,

low-enrollment online courses for all Michigan public community colleges to share. The Governor also included \$31.4 million GF/GP to fund the difference between the employer's capped contribution rate for unfunded accrued liabilities and the actual amount required. Statute requires the State to pay the amount over the cap.

Higher Education

The Governor's recommendation would increase university operations by \$24.9 million GF/GP (2.0%). Distributions are made consistent with the performance measures and tuition restraint used in the FY 2012-13 Higher Education budget (Tables 16 and 17). The MSU AgBioResearch also would be increased by \$1,084,100 (2.0%). The Tuition Incentive Program (TIP) would increase by \$3.2 million (7.3%) due to growth in the program. The Governor is recommending the removal of language from the Higher Education budget that provides criteria for the TIP. A bill is being proposed by the Governor to set criteria for the TIP and cap reimbursement for Phase I of the program at 300% of the statewide average in-district community college tuition on a per-credit basis beginning in FY 2014-15. In FY 2012-13 the statewide average in-district community college annual tuition rate per credit hour is \$90.03 and 300% of that average would be \$270.09. In comparison to four-year public institution average tuition and fee rates are \$350.30 per credit hour for freshmen and sophomores.

Table 15

FY 2013-14 COMMUNITY COLLEGE APPROPRIATIONS: GOVERNOR'S RECOMMENDATION

College	FY 2013-14 Governor's Recommendation									Percent Change
	FY 2012-13 Enacted ¹⁾	Remove Local Strategic Value (LSV)	50% Proportionate to Base	17.5% Weighted Degree Formula	10.0% Student Contract Hours	7.5% Administrative Costs	Total Formula Distribution	Other Changes	FY 2013-14	
Alpena	\$5,133,600	(22,400)	62,544	19,012	5,865	19,230	84,300		\$5,217,900	1.6%
Bay de Noc	5,184,000	(22,700)	63,157	19,959	7,636	6,513	74,600		5,258,600	1.4%
Delta	13,772,700	(60,000)	167,796	78,415	33,515	24,200	243,900		14,016,600	1.8%
Glen Oaks	2,393,500	(10,500)	29,160	9,877	4,352	5,988	38,900		2,432,400	1.6%
Gogebic	4,251,700	(18,600)	51,799	11,772	3,920	12,708	61,600		4,313,300	1.4%
Grand Rapids	17,129,200	(74,900)	208,686	52,661	48,590	24,278	259,300		17,388,500	1.5%
Henry Ford	20,687,400	(90,700)	252,033	58,109	49,553	18,637	287,600		20,975,000	1.4%
Jackson	11,542,000	(50,500)	140,616	44,971	20,129	15,672	170,900		11,712,900	1.5%
Kalamazoo Valley	11,880,200	(51,900)	144,738	48,295	32,025	26,866	200,000		12,080,200	1.7%
Kellogg	9,330,000	(40,700)	113,669	41,671	17,861	26,650	159,200		9,489,200	1.7%
Kirtland	2,981,200	(12,900)	36,322	19,493	5,775	18,361	67,100		3,048,300	2.3%
Lake Michigan	5,081,500	(22,200)	61,908	16,130	13,797	7,356	77,000		5,158,500	1.5%
Lansing	29,463,900	(128,900)	358,959	130,074	56,511	28,878	445,400		29,909,300	1.5%
Macomb	31,343,700	(137,200)	381,860	117,505	72,549	29,502	464,100		31,807,800	1.5%
Mid Michigan	4,412,600	(19,200)	53,760	29,939	14,507	14,048	93,100		4,505,700	2.1%
Monroe	4,241,900	(18,400)	51,681	17,338	11,757	26,590	89,000		4,330,900	2.1%
Montcalm	3,051,800	(13,300)	37,181	13,272	5,340	17,616	60,100		3,111,900	2.0%
Mott	14,955,800	(65,400)	182,207	55,598	35,978	26,577	235,000		15,190,800	1.6%
Muskegon	8,493,300	(37,200)	103,474	23,544	12,745	24,468	127,000		8,620,300	1.5%
North Central	2,992,900	(13,000)	36,464	12,751	6,852	20,105	63,200		3,056,100	2.1%
Northwestern	8,662,000	(37,900)	105,529	24,112	15,945	21,598	129,300		8,791,300	1.5%
Oakland	20,065,100	(87,600)	244,456	82,142	81,548	27,888	348,400		20,413,500	1.7%
St.Jair	6,726,700	(29,400)	81,952	24,862	13,823	17,291	108,500		6,835,200	1.6%
Schoolcraft	11,852,100	(51,600)	144,398	71,286	38,339	19,547	222,000		12,074,100	1.9%
Southwestern	6,296,600	(27,600)	76,711	14,535	9,424	7,563	80,600		6,377,200	1.3%
Washtenaw	12,295,200	(53,200)	149,800	125,558	39,701	24,658	286,500		12,581,700	2.3%
Wayne County	15,867,900	(69,400)	193,319	76,434	50,327	19,590	270,300		16,138,200	1.7%
West Shore	2,308,400	(10,200)	28,122	7,493	4,095	1,968	31,500		2,339,900	1.4%
Skilled Trades Formula Funding (15.0%)	\$0						1,068,700		1,068,700	---
Subtotal Operations	\$292,396,900	(\$1,277,500)	\$3,562,301	\$1,246,808	\$712,459	\$534,346	\$5,847,100	\$0	\$298,244,000	2.0%
Virtual Learning Collaborative	\$0							1,100,000	1,100,000	---
MPERS Retiree Health Care	\$1,733,600								1,733,600	0.0%
MPERS Reform Costs	\$0							31,400,000	31,400,000	---
Ren. Zone Reimbursements	\$0							3,500,000	3,500,000	---
TOTAL APPROPRIATIONS	\$294,130,500	(\$1,277,500)	\$3,562,301	\$1,246,808	\$712,459	\$534,346	\$5,847,100	\$36,000,000	\$335,977,600	14.2%
State School Aid Fund	197,614,100	0	0	0	0	0	0	0	197,614,100	0.0
GF/GP	96,516,400	(1,277,500)	3,562,301	1,246,808	712,459	534,346	5,847,100	36,000,000	138,363,500	43.4

¹⁾ Includes Local Strategic Value distributions

Table 16

FY 2013-14 HIGHER EDUCATION APPROPRIATIONS: GOVERNOR'S RECOMMENDATION						
	FY 2012-13 Y-T-D Approps.	Total Formula Distribution	Other Changes	FY 2013-14 Governor's Rec.	Dollar Change from FY 2012-13	Percent Change
University						
Central	\$71,352,300	\$1,660,100		\$73,012,400	\$1,660,100	2.3%
Eastern	66,466,700	600,900		67,067,600	600,900	0.9%
Ferris.....	44,250,700	2,083,400		46,334,100	2,083,400	4.7%
Grand Valley	55,436,000	1,778,500		57,214,500	1,778,500	3.2%
Lake Superior.....	12,046,100	620,200		12,666,300	620,200	5.1%
Michigan State	245,037,000	2,386,800		247,423,800	2,386,800	1.0%
Michigan Tech.....	42,579,100	1,190,900		43,770,000	1,190,900	2.8%
Northern	40,856,600	852,400		41,709,000	852,400	2.1%
Oakland	44,964,100	696,400		45,660,500	696,400	1.5%
Saginaw Valley	25,656,700	533,700		26,190,400	533,700	2.1%
UM-Ann Arbor	274,156,700	3,079,100		277,235,800	3,079,100	1.1%
UM-Dearborn	22,237,300	246,300		22,483,600	246,300	1.1%
UM-Flint	19,526,600	952,100		20,478,700	952,100	4.9%
Wayne State	183,398,300	456,000		183,854,300	456,000	0.2%
Western	95,487,500	1,514,900		97,002,400	1,514,900	1.6%
Tuition Restraint Incentive ¹⁾	0	6,217,300		6,217,300	6,217,300	---
MPERS Retiree Health Care.....	446,200			446,200	0	0.0%
MSU AgBioResearch & Extension.....	54,204,600		1,084,100	55,288,700	1,084,100	2.0%
Higher Education Database.....	105,000			105,000	0	0.0%
Midwest Higher Ed Compact.....	95,000			95,000	0	0.0%
King-Chavez-Parks	2,691,500			2,691,500	0	0.0%
College Access Program.....	0		2,000,000	2,000,000	2,000,000	---
Total Universities	\$1,300,994,000	\$24,869,000	\$3,084,100	\$1,328,947,100	\$27,953,100	2.1%
School Aid Fund.....	\$200,465,700		\$0	200,465,700	\$0	0.0%
State GF/GP	\$1,100,528,300	\$24,869,000	\$3,084,100	\$1,128,481,400	\$27,953,100	2.5%
Grants and Financial Aid						
State Competitive Scholarships.....	\$18,361,700			\$18,361,700	\$0	0.0%
Tuition Grants	31,664,700			31,664,700	0	0.0%
Tuition Incentive Program (TIP).....	43,800,000		3,200,000	47,000,000	3,200,000	7.3%
Children of Veterans & Officer's Tuition.....	1,200,000		200,000	1,400,000	200,000	16.7%
Project Gear-Up	3,200,000			3,200,000	0	0.0%
Total Grants/Financial Aid	\$98,226,400		3,400,000	\$101,626,400	\$3,400,000	3.5%
Federal Higher Ed Act.....	3,200,000		0	3,200,000	0	0.0%
Federal TANF.....	93,826,400		0	93,826,400	0	0.0%
Veterans Tax Check-off	100,000		0	100,000	0	0.0%
State GF/GP	\$1,100,000		\$3,400,000	\$4,500,000	\$3,400,000	309.1%
TOTAL HIGHER EDUCATION						
TOTAL ALL FUNDS	\$1,399,220,400	\$24,869,000	\$6,484,100	\$1,430,573,500	\$31,353,100	2.2%
TOTAL FEDERAL	97,026,400	0	0	97,026,400	0	0.0%
TOTAL STATE RESTRICTED	200,565,700	0	0	200,565,700	0	0.0%
TOTAL STATE GF/GP	\$1,101,628,300	\$24,869,000	\$6,484,100	\$1,132,981,400	\$31,353,100	2.8%

1) FY 2012-13 tuition restraint incentive appropriation is allocated to university line items. FY 2013-14 distributions will be made to universities after university boards set FY 2013-14 tuition and fee rates.

Table 17

**FY 2013-14 HIGHER EDUCATION APPROPRIATION BILL
UNIVERSITY OPERATIONS - GOVERNOR'S RECOMMENDATION**

	FY 2012-13 Year-to-Date	Critical Skills	Research & Development Expenditures	Six-Year Graduation Rate	Total Degree Completion	Institutional Support as % of Core Expenditures	Total Performance Funding	FY 2013-14 Governor's Rec.	Percent Change
Central	\$71,352,300	\$197,597	\$12,150	\$285,851	\$276,322	\$888,179	\$1,660,100	\$73,012,400	2.3%
Eastern	66,466,700	186,418	---	---	414,483	---	600,900	67,067,600	0.9%
Ferris	44,250,700	352,001	---	428,776	414,483	888,179	2,083,400	46,334,100	4.7%
Grand Valley	55,436,000	343,090	---	428,776	414,483	592,119	1,778,500	57,214,500	3.2%
Lake Superior	12,046,100	53,265	---	428,776	138,161	---	620,200	12,666,300	5.1%
Michigan State	245,037,000	773,473	474,036	428,776	414,483	296,060	2,386,800	247,423,800	1.0%
Michigan Tech	42,579,100	262,240	85,407	428,776	414,483	---	1,190,900	43,770,000	2.8%
Northern	40,856,600	137,109	---	142,925	276,322	296,060	852,400	41,709,000	2.1%
Oakland	44,964,100	266,560	15,383	---	414,483	---	696,400	45,660,500	1.5%
Saginaw Valley	25,656,700	104,969	---	428,776	---	---	533,700	26,190,400	2.1%
UM-Ann Arbor	274,156,700	763,383	1,176,389	428,776	414,483	296,060	3,079,100	277,235,800	1.1%
UM-Dearborn	22,237,300	103,372	---	142,925	---	---	246,300	22,483,600	1.1%
UM-Flint	19,526,600	108,889	---	428,776	414,483	---	952,100	20,478,700	4.9%
Wayne State	183,398,300	191,354	264,604	---	---	---	456,000	183,854,300	0.2%
Western	95,487,500	301,114	44,448	142,925	138,161	888,179	1,514,900	97,002,400	1.6%
Tuition Restraint ¹⁾							6,217,300	6,217,300	---
TOTAL	\$1,243,451,700	\$4,144,833	\$2,072,417	\$4,144,833	\$4,144,833	\$4,144,833	\$24,869,000	\$1,268,320,700	2.0%

¹⁾ FY 2012-13 tuition restraint included in university line items. Tuition restraint amounts for FY 2013-14 will not be allocated until August 2013.

Department of Community Health Recommendations

The FY 2013-14 Department of Community Health (DCH) budget has one major change, the proposal to expand the State's Medicaid program to cover all individuals up to 133% of the Federal Poverty Level, which, in the Administration's estimation, would add over 320,000 people to the program. The budget includes \$1.36 billion in total Gross costs and builds in assumed savings of \$181.7 million GF/GP.

The rest of the budget is basically a continuation budget, with some minor reductions and some new initiatives.

The FY 2013-14 DCH Budget Aside from the Medicaid Expansion

The FY 2013-14 DCH budget reflects an \$89.8 million GF/GP increase if the Medicaid expansion is excluded. The biggest components of this increase are technical adjustments, such as the annual actuarial soundness increase in Medicaid managed care payments (\$37.9 million GF/GP), reductions in special financing savings (\$15.4 million GF/GP), and a slight increase in Medicaid base and caseload costs (\$7.3 million GF/GP).

There are, however, several program reductions contained in the budget proposal. In particular, the \$5.0 million in one-time Health and Wellness Initiative funding is removed and replaced with \$1.5 million in funding to support the 4x4 childhood obesity initiative. The one-time funding for Graduate Medical Education (GME) of \$4.3 million Gross, \$1.45 million GF/GP is removed, reducing GME funding to \$158.6 million Gross. One-time funding of \$3.0 million for Community Mental Health (CMH) Special Populations is removed. Finally, a special payment of \$20.0 million Gross, \$6.7 million GF/GP to Harper/Hutzel Hospital is removed.

The budget includes a number of new initiatives: 1) \$3.0 million in grants to local and private entities to create healthier communities; 2) \$2.5 million to combat infant mortality; 3) \$60,000 for veterans' mental health and substance abuse needs; 4) \$1.5 million for a new Medicaid Transformation Office; 5) \$1.6 million for a new jail/prison mental health diversion program; and 6) \$5.0 million for home-based mental health services for children at high risk.

The Governor's budget also includes a number of program expansions: 1) further implementation of Medicaid autism services (\$20.5 million Gross, \$6.9 million GF/GP); 2) expansion of community-based services for those at risk of nursing home placement (\$17.5 million Gross, \$6.7 million GF/GP); and 3) expansion of the Healthy Kids Dental program to Ingham, Ottawa, and Washtenaw Counties (\$11.6 million Gross, \$3.9 million GF/GP).

There are four fee increases proposed, each of which would require a statutory change: a \$1.5 million increase in vital records fees, an increase of just over \$1.0 million in emergency medical services fees; a \$700,000 increase in certificate of need program fees; and a \$605,000 increase in newborn screening fees. The Administration notes that these fees have not been increased in a number of years.

Another issue is the Health Insurance Claims Assessment (HICA) revenue shortfall. The HICA, set at 1.0% of paid health claims, is projected to bring in about \$260.0 million, well short of the \$400.0 million assumed. The Governor's budget includes FY 2013-14 HICA revenue of \$400.0 million, based on the assumed passage of legislation setting the HICA rate at an amount necessary to raise \$400.0 million.

The Governor proposes that the Medicare/Medicaid dual eligible waiver would begin to be implemented in FY 2013-14. The waiver would merge Medicare and Medicaid funding for individuals who are eligible for both programs and would implement a managed care model for this population for both physical health and behavioral health services. Enrollment would not be mandatory. The budget reduces the estimated savings for the dual eligible waiver by \$10.0 million GF/GP due to the delay in implementation. The intent, assuming Federal approval, is to implement the waiver in FY 2013-14 in four regions (Wayne County, Macomb County, southwest Michigan, and the Upper Peninsula).

There are other changes in the budget, but most of them involve typical year-to-year adjustments and do not reflect programmatic changes.

The Proposed Medicaid Expansion

The central issue in the FY 2013-14 DCH budget is the proposal to expand Medicaid to cover all individuals up to 133% of the Federal Poverty Level. The increase would be 100% federally funded in FY 2013-14. The initial assumption is that 321,000 people would be covered in FY 2013-14, with that number growing to over 400,000 by FY 2014-15 and up toward 460,000 by FY 2017-18.

The State would see savings in several areas because services to people who become eligible for the expansion currently paid with State dollars instead would be covered with Federal dollars:

- 1) Department of Corrections: Adults are not eligible for Medicaid while in secure facilities, but when they receive services in facilities such as hospitals outside the secure facility, they are covered if otherwise eligible. The vast majority of prisoners would become Medicaid-eligible under the expansion, so there is assumed savings of \$24.2 million GF/GP in Corrections in FY 2013-14.
- 2) The Medicaid Adult Benefits Waiver (ABW). The ABW covers low-income people not presently Medicaid-eligible. If Medicaid expansion were implemented, this program would no longer be necessary as of January 1, 2014. The partial-year savings would be \$26.0 million GF/GP.
- 3) CMH Non-Medicaid. CMH non-Medicaid funding covers services to low-income people who are not presently Medicaid-eligible. Under Medicaid expansion, most of these individuals would become Medicaid-eligible, with the Federal government picking up 100% of the costs. The budget assumes that there would be \$152.9 million in GF/GP savings from January 1, 2014, through September 30, 2014. That equates to \$203.9 million in full-year savings.

These savings would mean that the \$283.7 million CMH non-Medicaid line would be reduced to roughly \$80 million by FY 2014-15. The assumption inherent in this adjustment is that \$80 million would be sufficient to pay for non-Medicaid covered mental health services and services to those who would not be eligible for the expansion. The \$203.9 million savings are greater than the amounts that were discussed earlier. As such, there is a question of whether the remaining \$80 million would be sufficient to provide the same level of services as provided before expansion. Further details will be necessary to evaluate whether the funding would be sufficient.

The budget also assumes a "woodwork effect", that is, individuals who realize that they are required to have health insurance and who show up at either the health exchanges or the Department of Human Services (DHS) office and learn that their income is sufficiently low that they must enroll in Medicaid, either the traditional or expansion Medicaid program depending on the individual's status. The budget builds in \$61.8 million Gross, \$20.9 million GF/GP to cover the cost of an estimated 11,288 new enrollees in FY 2013-14. As the Federal health reform impact matures in subsequent years, the estimated "woodwork effect" caseload increase would be just over 30,000, with an estimated GF/GP cost increase of roughly \$70 million.

One of the longer-term issues in the expansion is the likely increased demand for behavioral health services. It is likely that expenditures will increase significantly as it has been clear that demand for non-Medicaid behavioral health services exceeds the available funding. This will not have a GF/GP impact at first, but when the match rate starts to drop, State costs could increase beyond what is assumed in the Executive budget materials.

The expansion proposal sets aside \$10.0 million GF/GP in FY 2013-14 and \$11.0 million in FY 2014-15 to cover administration and information technology costs related to the expansion. Some of these dollars would be necessary to cover Department of Human Services costs, as DHS handles eligibility, but the money for now has been placed in the DCH budget.

The assumed total savings in the FY 2013-14 budget, covering nine months of the fiscal year, would be \$205.9 million, with that amount increasing to \$274.5 million in FY 2014-15 when the expansion goes from nine months of FY 2013-14 to 12 months of FY 2014-15.

Because the Federal match rate slowly drops from 100% to 90% by FY 2019-20, the State would begin to see significant costs from the expansion. The Administration proposes setting aside half of the savings through FY 2019-20, by its estimate a cumulative amount of over \$570.0 million, into a fund to cover out-year costs. The Administration states that it believes the money set aside would be sufficient to cover net costs of the program through 2035. As that claim (as well as many other claims related to the expansion) is based on a number of yet unverified assumptions, it will have to be carefully examined as the budget process proceeds.

Department of Corrections Recommendations

The FY 2013-14 Michigan Department of Corrections (MDOC) budget proposed by the Governor would provide an increase of 0.5% in Gross appropriations and a 1.1% increase in GF/GP funds relative to the FY 2012-13 budget. Those percentages correspond to absolute increases of \$10.8 million in Gross appropriations and \$21.6 million in GF/GP funding.

Included in the budget are two major drivers of savings and two major drivers of cost increases.

The major drivers of savings are the proposed expansion of Medicaid and the extension of the sunset included in Public Act 432 of 2012, which authorized the Department to rehire recently retired corrections officers on a part-time basis without mandating that they suspend their retirement benefits. The expansion of Medicaid would result in an estimated 80% of MDOC-supervised individuals becoming eligible for reimbursement, which would yield significant savings to the Department. Areas of savings include substance abuse and mental health treatment for parolees undergoing the re-entry process as well as inpatient hospitalization of inmates. Prison inmates have their eligibility suspended during the reception process, but if the need arises for them to be transported outside of the secure perimeter of a correctional facility, their eligibility can be reinstated and reimbursement can be sought for health services rendered. The FY 2012-13 MDOC budget included \$10.0 million in assumed savings associated with the rehiring of retired corrections officers on a part-time basis. The savings would be achieved because the officers hired back would be paid less than 80% of the maximum for their position and would receive no fringe benefits (other than mandated FICA contributions). Additionally, the officers would often be filling shifts that otherwise would have been filled by overtime shifts, so the Department would be able to avoid paying the time-and-a-half wage premium. The Governor proposes eliminating or extending the sunset associated with this legislation for the full 2013-14 fiscal year and his budget proposal assumes \$10.0 million in savings associated with continuing this initiative.

The major drivers of cost increases are economics and Other Post-Employment Benefits (OPEB) as well as the proposed increase in funding for the New Employee Training School. Department economics would be increased by \$42.2 million Gross, \$41.3 million GF/GP, while the OPEB increases would add \$6.7 million Gross, \$6.5 million GF/GP. The Governor proposes a one-time funding increase for the New Employee Training School of \$9.0 million, which would allow the Department to train an additional 400 new corrections officers during the fiscal year. Funding for the New Employee Training School was \$8.7 million in FY 2012-13 and allowed for the training of 390 new officers, so this increase would approximately double the capacity of the training school. The Department has over 400 vacancies to fill and anticipates hundreds of additional vacancies to occur due to attrition over the remainder of FY 2012-13 and throughout FY 2013-14.

The remaining changes are primarily incremental changes to maintain current services, bookkeeping adjustments, or investments in information technology.

Department of Human Services Recommendations

The Governor's recommended FY 2013-14 Department of Human Services (DHS) budget would reduce GF/GP expenditures by \$15.7 million from the current year-to-date appropriation and reduce Gross expenditures by \$658.3 million from the current year-to-date. Most of the Gross reduction is due to the loss of Federal ARRA food assistance funding and reduced caseload projections in the Food Assistance Program (\$683.7 million Gross/\$0.0 GF/GP). Two supplemental requests in FY 2012-13 (Public Act 305 and Public Act 518) adjusted the original FY 2012-13 enacted appropriation and resulted in increased expenditures of \$151.3 million Gross and \$18.6 million GF/GP.

In addition to the changes proposed in the FY 2013-14 recommended budget, there are three outstanding issues in the Department: the Family Independence Program (FIP) lawsuit (regarding time limits on FIP assistance), adoption subsidy rate increase, and Michigan Rehabilitative Services (MRS) Order of Selective Services. First, as part of Supplemental Request 2013-4, the Governor has requested an appropriation of approximately \$21.0 million to cover the remaining payments for the FIP lawsuit. Second, the FY 2012-13 budget included an appropriation of \$1.5 million to cover a \$3 per diem rate increase for new adoptive parents (an estimated 1,379 new cases). At the start of the fiscal year, the rate increase had been provided to all 26,700 cases at an annual cost of approximately \$26.0 million Gross. A solution will be presented to the Legislature before the development of the FY 2013-14 Conference bill. Third, in FY 2012-13, Executive Order 2012-10 transferred the MRS to the DHS. The Department indicated that \$2.8 million GF/GP was needed to avoid an Order of Selective Services (OSS), which would have reduced the services available. The Department identified a solution in the current-year budget to manage this funding gap, but the Governor's proposal does not address a possible gap in FY 2013-14. The Department might again find an internal solution to address the threat of an OSS, rather than trying to address the issue through the appropriations process.

Additionally, the proposed DHS budget does not include any costs associated with implementation of the proposed Medicaid expansion. If the expansion is approved, some of the administrative costs associated with Medicaid eligibility determination will transfer to the DHS budget through an as-of-yet undetermined mechanism.

Revenue Sharing Payments

The Governor recommended over \$1.1 billion in FY 2013-14 for revenue sharing and incentive program payments to local units of government. This is an increase of \$39.5 million or 3.6% over FY 2012-13. This increase consists of the projected increase in constitutional revenue sharing of \$29.5 million for cities, villages, and townships (CVTs) and an increase of \$10.0 million for County Revenue Sharing and the County Incentive Program to cover the cost of counties that return to the revenue sharing program and thus also become eligible for the County Incentive Program. The Governor's recommended appropriations for revenue sharing in FY 2013-14 are shown in Table 18.

Table 18

REVENUE SHARING APPROPRIATION SUMMARY				
Ongoing & One-Time Appropriations	FY 2012-13 Year-to-Date	FY 2013-14 Gov's Rec.	Dollar Change	Percent Change
Constitutional Revenue Sharing	\$713,100,000	\$742,550,200	\$29,450,200	4.1%
Economic Vitality Incentive Program.....	225,000,000	225,000,000	0	0.0
County Incentive Program	26,120,000	28,120,000	2,000,000	7.7
County Revenue Sharing.....	104,480,000	112,480,000	8,000,000	7.7
Competitive Grant Assistance Program ...	15,000,000	15,000,000	0	0.0
TOTAL	\$1,083,700,000	\$1,123,150,200	\$39,450,200	3.6%

Constitutional revenue sharing for CVTs is the largest part of the revenue sharing program. It is estimated to rise from \$713.1 million in FY 2012-13 to \$742.6 million in FY 2013-14, an increase of 4.1% based on the January consensus revenue estimates. The Constitution requires the distribution of 15.0% of the revenue from the sales tax levied at 4.0% to CVTs on a per-capita basis.

The Governor recommended \$112,480,000 in FY 2013-14 for county revenue sharing, an increase of \$8.0 million. An eligible county is a county that has exhausted its revenue sharing reserve fund created by acceleration of property tax collections in FY 2003-04. When a county has exhausted that reserve by making the required withdrawals, it returns to State-paid County Revenue Sharing, which increases State costs. The proposed increase of \$8.0 million would cover the projected cost of 11 counties that re-entered revenue sharing for a part-year in FY 2012-13 and will receive their first full year of County Revenue Sharing payments in FY 2013-14. The increase also would cover the cost of a county that is projected to re-enter County Revenue Sharing in FY 2013-14. Payments to other counties would remain the same as in FY 2012-13 and payments to all counties would be prorated at the same rate as in FY 2012-13. The Governor also recommended \$28,120,000 in FY 2013-14 for the County Incentive Program, an increase of \$2.0 million. Similar to the situation with County Revenue Sharing, this increase would cover the estimated cost of counties that become eligible in FY 2013-14 for payments under the incentive program. In total, revenue sharing and incentive payments to counties would be \$140.6 million in FY 2013-14 under the Governor's recommendation. This would be \$41.7 million below the estimated \$182.3 million needed to fund the county revenue sharing formula in FY 2013-14.

Funding for the Economic Vitality Incentive Program (EVIP) for CVTs would remain the same under the Governor's recommendation, which would provide \$225.0 million in FY 2013-14.

The Economic Vitality Incentive Program and the County Incentive Program requirements would be revised in each of the three program categories. For Category 1, accountability and transparency, the requirements would specify that debt service reporting consists of a statement of issuance dates, issuance amounts, and a listing of annual debt service payments. Category 2, consolidation of services, would require participants to report on the status of all previous proposals and add a new proposal for consolidation, collaboration, or cooperation with estimated potential savings and a timeline for implementation. Category 3, employment compensation, would require each participant to certify *both* that it has an employee compensation plan that it intends to implement with any new, modified, or extended employee contract or employment agreement that meets specific parameters with respect to retirement plans and health care premiums, *and* that it is in compliance with the Publicly Fund Health Insurance Contribution Act, Public Act 152 of 2011, or that it does not offer medical insurance to employees or elected officials.

The Competitive Grant Assistance Program would remain at \$15.0 million in FY 2013-14, the same amount as in FY 2012-13. The Governor would allocate \$7.5 million for projects to combine public safety operations. The Governor also recommended expanding eligibility for the program to authorities that combine operations with a CVT or county. Currently, CVTs, counties, school districts, and intermediate school districts (ISDs) are eligible. School districts and ISDs, as proposed for authorities, are eligible only when they combine operations with another local unit of government.

School Aid Recommendations

Overall, Gross spending for FY 2013-14 is proposed to increase \$318.0 million from revised FY 2012-13 levels, which equates to a 2.5% increase. Within the total spending, State spending in the School Aid budget is recommended to increase by \$254.7 million compared to FY 2012-13 revised appropriation levels, which represents a 2.3% increase. Federal funding in the budget also would increase by roughly \$63.4 million. Also, GF/GP support of the K-12 budget would decline from \$282.4 million to \$230.0 million, and a new \$150.0 million withdrawal from the Michigan Public School Employees' Retirement System (MPERS) reforms reserve fund is proposed to balance the budget.

Most of the increase in State spending would pay for the cost of keeping the employer retirement contribution rate relatively flat, at an increased cost of \$242.8 million compared to the revised recommended level for FY 2012-13. Public Act 300 of 2012 established a cap on the amount of contributions made by local employers (K-12 schools, intermediate school districts, community colleges, and libraries) to pay for unfunded liabilities in MPERS. Any required contributions above the cap are required to be paid for in an appropriation. For FY 2013-14, the cost of maintaining the rate cap for schools and ISDs increases by \$242.8 million, to total funding of \$403.3 million.

Early childhood funding also would see an increase in the Governor's budget, where the proposal is to increase Great Start Readiness Program (GSRP) funding by \$65.0 million (a 59% increase), which would fund an additional 16,000 placements for at-risk four-year-olds and increase the per-pupil half-day payment from \$3,400 to \$3,625. The Governor proposes another \$65.0 million increase in the planning budget for FY 2014-15.

For the foundation allowance, the Governor's budget includes a one-time payment in FY 2013-14 for districts with funding below \$7,000 per pupil. The budget refers to this as an equity payment, but it is not built into the base funding in the Governor's planning budget for FY 2014-15, and instead is regarded as one-time. Therefore, if enacted as proposed, districts would receive one-time funding to ensure that they received \$7,000 per pupil in FY 2013-14, but then would return to prior funding levels the following year. (Minimum funding is currently \$6,966 per pupil.) This categorical expenditure would be appropriated at \$24.0 million.

Significant reductions in FY 2013-14 are proposed for some programs. Best practices funding would be reduced from \$80.0 million to \$25.0 million; technology improvement grants reduced from \$50.0 million to \$13.5 million; one-time consolidation incentive grants would be eliminated (\$10.0 million); and no further deposits are recommended for the MPERS reforms reserve fund (\$41.0 million in the current year). District performance funding would remain flat at \$30.0 million.

Two new programs are proposed: an \$8.0 million one-time investment in competitive student-centric grants and \$10.0 million to the Michigan Virtual University to catalogue and benchmark online courses, as well as broaden and enhance blended learning opportunities, among other digital learning initiatives.

Transportation Investment Package

The Governor's FY 2013-14 budget recommendation includes a comprehensive transportation package that would provide \$1.2 billion in additional revenue for the Michigan Department of Transportation. This additional revenue primarily would be used to repair or replace the State's infrastructure of roads and bridges. The State's current transportation network is primarily funded through fees on its users in the form of gasoline taxes and vehicle registration fees. The Governor's proposal would increase these taxes and fees to raise the estimated \$1.2 billion in additional revenue as follows:

1. Increase the gasoline tax from 19 cents to 33 cents	\$598.7 million
2. Increase the diesel fuel tax from 15 cents to 33 cents.....	\$129.0 million
3. Increase vehicle, truck, and trailer registration fees (25% increase for trucks and trailers; 60% increase for light vehicles).....	<u>\$508.3 million</u>
Total	\$1,236.0 billion

The Governor also is proposing changes to the distribution formulas used to allocate revenue to different transportation funds, agencies, and projects. Certain funds, such as the Transportation Economic Development Fund, would be eliminated. The Governor's proposal would create two new funds and would create a new "baseline" allocation formula to replace the current statutory formulas for allocating revenue to the State Trunkline Fund and local road agencies.

In addition, the Governor proposes a local registration fee option whereby each of Michigan's 83 counties would be given the option of raising additional revenue for specific local transportation projects. Subject to local voter approval, counties could raise vehicle registration fees by up to 0.18% of the vehicle list price. If collected by every county, this additional fee is estimated to raise up to \$280.0 million in additional revenue for local entities. The fee would be collected by the Secretary of State at the time of vehicle registration or renewal and the revenue then remitted to each county collecting the fee.

The Governor estimates that the average cost of this investment package on each Michigan motorist would be \$120 annually per vehicle (not including the optional local fee).

State Employee Compensation Changes

Article XI, Section 5 of the Michigan Constitution provides that increases in the rates of compensation authorized by the Civil Service Commission require prior notice to the Governor, who then transmits the increases to the Legislature as part of the overall budget recommendation. Within 60 calendar days after the transmission, the Legislature, by a two-thirds vote of the members elected and serving in each house, may reject or reduce increases in the rate of compensation authorized by the Civil Service Commission. Reductions made by the Legislature must apply uniformly to all classes of employees and cannot adjust pay differentials already established by the Civil Service Commission. Rates of compensation also cannot be reduced below those in effect at the time the increases are transmitted to the Legislature.

The FY 2013-14 recommendation includes the Civil Service Commission-approved FY 2013-14 agreement for employees who are exclusively represented by employee unions (AFSCME, MCO, MSEA, SEIU, and UAW). The Commission approved a 1.0% lump-sum payment effective October 1, 2013, for represented employees. Contracts continue to require represented employees to pay 20.0% of their health care premiums.

On December 12, 2012, the Civil Service Commission adopted a Coordinated Compensation Plan for non-exclusively represented State classified employees (NEREs) for FY 2013-14. Beginning on October 1, 2013, NEREs will receive a 1.0% general wage increase and no lump-sum payment. They also will continue to be required to pay an employee share of health insurance premiums of 20.0%.

Table 19 provides a summary of the incremental State employee cost increases for FY 2013-14 recommended in the Governor's budget, including employee salary increases of \$29.4 million. In addition, the State's portion of the cost of employee health insurance is estimated to increase by 4.8%, or \$10.3 million. The amount that needs to be contributed to the State employee retirement systems in FY 2013-14 results in significant cost increases in the FY 2013-14 budget. Retirement contribution increases will total \$117.7 million Gross and \$59.2 million GF/GP. Finally, OPEB costs for FY 2013-14 will be significantly less than the costs in FY 2012-13. Gross costs will total \$28.4 million, with \$14.3 million coming from the GF/GP budget. The total GF/GP impact for FY 2013-14 on the budget is an increase of \$95.8 million.

Table 19

FY 2013-14 STATE BUDGET RECOMMENDATION ECONOMIC INCREASES INCLUDED IN BUDGET (Millions of Dollars)		
	Gross	GF/GP
Wages and Salaries.....	\$29.4	\$14.7
Employee Insurance Costs.....	10.3	5.3
Retirement Contributions.....	117.7	59.2
OPEB.....	28.4	14.3
Workers' Compensation.....	(0.06)	0.2
All Other Economics.....	1.0	2.1
TOTAL ECONOMICS.....	\$186.7	\$95.8

Employer Retirement Contribution Rates

A significant aspect of the State budget, as well as the budgets of K-12 school districts and community colleges, is the amount employers are required to pay into the retirement accounts of their employees. The Governor's budget includes the required employer contribution rates to the State Employees' Retirement System (SERS) and the Michigan Public School Employees' Retirement System (MPERS). Public Act 300 of 2012 implemented a cap on the rate local employers in MPERS will pay toward the unfunded accrued liabilities in the system, with any required payments above that cap to be made by an appropriation.

Table 20 provides a three-year summary of the contribution rates for defined benefit (DB) and defined contribution (DC) retirement for SERS. Beginning in FY 2012-13, the unfunded accrued liability in SERS was spread across both DB and DC payroll, rather than just the declining DB payroll as had been in place previously. Also, beginning in FY 2011-12, the funding methodology for retiree health care was changed from a cash basis to a prefunding basis, requiring larger contributions up front in order to save money down the road.

Table 20

STATE RETIREMENT CONTRIBUTION RATES AS A PERCENTAGE OF PAYROLL				
	FY 2011-12	FY 2012-13	FY 2013-14	FY 2012-13 Change
<u>State Employees' Retirement System</u> ¹⁾				
Defined Benefit Pension	37.15%	23.94%	26.04%	2.10%
Defined Benefit Health Care	23.00%	23.60%	24.19%	0.59%
Total Defined Benefit Costs	60.15%	47.54%	50.23%	2.69%
Defined Contribution Retirement	6.25%	25.55%	29.78%	4.23%
Defined Contribution Health Care	23.00%	23.60%	24.19%	0.59%
Total Defined Contribution Costs	29.25%	49.15%	53.97%	4.82%
¹⁾ Public Act 264 of 2011 required the unfunded accrued liability to be spread across both DB and DC payroll. Also, FY 2013-14 will be the third year of prefunding retiree health.				

Table 21 provides a look at the FY 2013-14 contribution rates for the seven different retirement plan combinations in MPERS. Before the significant MPERS reforms enacted in 2010 and 2012, there were two principal types of retirement plans available to school employees, based on hire date: the basic system and the Member Investment Plan (MIP) system. Since the passage of the reforms that began in 2010, there are now seven combinations of retirement and retiree health care plans in MPERS, including the earlier basic and MIP plans (no longer available to new hires), the Pension Plus hybrid plan (available since July 2010) and a straight defined contribution plan (available since September 2012). Retiree health care for employees first hired since September 4, 2012, is now strictly a personal health fund (401k or similar savings account) and does not contain any health care premium subsidy. All employees hired before September 4, 2012, also were given an opportunity to "cash out" the value of their health care premium subsidy and convert to a personal health fund. Similar to one of the SERS reforms, prefunding of retiree health care is now a component of MPERS.

Table 21

FY 2013-14 MPSERS EMPLOYER CONTRIBUTION RATES							
	Basic/MIP with Premium Subsidy	Pension Plus with Premium Subsidy	Pension Plus PHF	Pension Plus to DC with PHF	Basic/MIP to DC with Premium Subsidy	Basic/MIP to DC with PHF	Basic/MIP with PHF
<u>Pension Contributions</u>							
Pension Normal Cost	2.90%	2.67%	2.67%	0.00%	0.00%	0.00%	2.90%
Pension UAL	14.08	14.08	14.08	14.08	14.08	14.08	14.08
Pension Early Retirement Incentive	1.36	1.36	1.36	1.36	1.36	1.36	1.36
Pension Total Rate	18.34%	18.11%	18.11%	15.44%	15.44%	15.44%	18.34%
<u>Health Contributions</u>							
Health Normal Cost	0.93%	0.93%	0.00%	0.00%	0.93%	0.00%	0.00%
Health UAL	5.52	5.52	5.52	5.52	5.52	5.52	5.52
Health Total Rate	6.45%	6.45%	5.52%	5.52%	6.45%	5.52%	5.52%
DB CONTRIBUTION TOTAL	24.79%	24.56%	23.63%	20.96%	21.89%	20.96%	23.86%
<u>DC Contributions</u>							
DC Employer Contributions	0.00%	1.00%	1.00%	3.00%	4.00%	4.00%	0.00%
Personal Healthcare Fund	0.00	0.00	2.00	2.00	0.00	2.00	2.00
DC CONTRIBUTION TOTAL	0.00%	1.00%	3.00%	5.00%	4.00%	6.00%	2.00%
<u>Total Uncapped Rate</u>	29.35%	29.12%	28.19%	25.52%	26.45%	25.52%	28.42%
State Subsidy	4.56%	4.56%	4.56%	4.56%	4.56%	4.56%	4.56%
Note: The Governor's budget includes \$403.3 million in the K-12 budget and \$31.4 million in the Community Colleges budget to pay the State subsidy for the rate cap.							

Source: State Budget Office

Public Act 300 of 2012 capped the local employer contribution rate for unfunded liabilities at roughly 21% of payroll (the FY 2011-12 amount), and the State is required to make an appropriation for any liabilities above that amount. The "normal" cost for pension and retiree health care can fluctuate slightly from year to year. The maximum total employer cost for FY 2013-14 under any of the seven plans is between roughly 25% and 27% of payroll, depending on the plan and employee DC contributions, which is very close to the cost to local employers for FY 2012-13. The State subsidy is roughly 4.6% of MPSERS payroll, or about \$434.7 million.

Table 22 outlines the FY 2013-14 estimated contributions to SERS and MPSERS by the State and local employers. The total combined cost of the estimated employer (State and local) contributions is \$4.4 billion.

Table 22

FY 2013-14 ESTIMATED CONTRIBUTIONS TO TWO LARGEST RETIREMENT SYSTEMS	
	Millions of Dollars
<u>State Employees' Retirement System (SERS)</u> ¹⁾	
Defined Benefit Pension	\$349.0
Defined Contribution	521.0
Health Care	<u>743.6</u>
Subtotal State Employees' Retirement System ²⁾	\$1,613.6
<u>Michigan Public School Employees' Retirement System (MPSERS)</u> ³⁾	
<u>Local Share</u>	
Defined Benefit Pension	\$1,728.0
Health Care	<u>602.0</u>
Subtotal Public School Employees' Retirement System (Local)	\$2,330.0
<u>State Share</u>	
Unfunded Accrued Liabilities (Pension and Health)	\$434.7
Subtotal Michigan Public School Employees' Retirement System	<u>\$2,764.7</u>
TOTAL ESTIMATED RETIREMENT CONTRIBUTIONS	<u>\$4,378.3</u>
FY 2013-14 Estimated Subsidy Per Pupil on Average	\$250
<p>1) Public Act 264 of 2011 required the unfunded accrued liability to be spread across both DB and DC payroll. Also, FY 2013-14 will be the third year of prefunding retiree health.</p> <p>2) Excludes FICA, which totals approximately \$230.0 million.</p> <p>3) Excludes DC contributions.</p>	

Debt Service Adjustments

Table 23 provides a summary of recommended debt service appropriations for FY 2013-14. These include *Durant* bonds and School Bond Loan Fund bonds in K-12 School Aid; State Building Authority bonds appropriated in the Department of Technology, Management, and Budget; various transportation-related bonds in the Department of Transportation; general obligation bonds in the Department of Treasury; and new debt service costs related to the Facility for Rare Isotope Beams. Gross appropriations for debt service on these bonds total \$833.6 million for FY 2013-14. This represents a \$36.5 million (4.6%) increase from the \$797.1 million debt service appropriations in FY 2012-13. New costs result from additional bonding under the Great Lakes Initiative due to enacted changes for the Strategic Water Quality Initiative Fund, debt service to fund the community share of costs for the MSU Facility for Rare Isotope Beams, and scheduled payments based on existing bond issues.

Table 23

DEBT SERVICE APPROPRIATIONS¹⁾				
FY 2013-14 COMPARED WITH FY 2011-13				
Department/Program	FY 2012-13 Gross Appropriation	FY 2013-14 Gross Appropriation	Dollar Change	Percent Change
School Aid				
<i>Durant</i> Bonds	\$39,000,000	\$39,500,000	\$500,000	1.3%
School Bond Loan	120,390,000	131,660,000	11,270,000	9.4
Subtotal Education	\$159,390,000	\$171,160,000	\$11,770,000	7.4%
DTMB State Building Authority Rent				
State Agencies	68,305,800	70,005,800	1,700,000	2.5
Department of Corrections	47,379,900	47,379,900	0	0.0
Universities	117,225,300	117,225,300	0	0.0
Community Colleges	23,959,600	23,959,600	0	0.0
Subtotal DTMB	\$256,870,600	\$258,570,600	\$1,700,000	0.7%
Transportation				
State Trunkline	199,473,700	199,738,200	264,500	0.1
Economic Development	9,115,900	10,003,400	887,500	9.7
Local Bridge Fund	3,261,700	2,406,300	(855,400)	(26.2)
Blue Water Bridge Fund	5,950,200	6,962,500	1,012,300	17.0
Aeronautics	3,892,600	3,892,200	(400)	(0.0)
Comprehensive Transportation	18,580,400	19,318,500	738,100	4.0
Subtotal Transportation	\$240,274,500	\$242,321,100	\$2,046,600	0.9%
Treasury				
Water Pollution Control Bond	2,054,000	1,132,700	(921,300)	(44.9)
Quality of Life Bond	77,694,800	79,965,800	2,271,000	2.9
Clean Michigan Initiative	54,300,900	57,187,400	2,886,500	5.3
Great Lakes Water Initiative	6,505,200	15,916,600	9,411,400	144.7
Facility For Rare Isotope Beams (MSF)	0	7,300,000	7,300,000	---
Subtotal Treasury	\$140,554,900	\$161,502,500	\$20,947,600	14.9%
TOTAL	\$797,090,000	\$833,554,200	\$36,464,200	4.6%

¹⁾ Amounts do not include debt service for bonds issued to pay off Federal unemployment insurance loans.

Tobacco Settlement Revenue and Appropriations

When the FY 2012-13 budget was being developed, it was estimated that the State of Michigan would receive approximately \$249.0 million during the fiscal year as a result of the master settlement agreement between the United States tobacco industry and 46 states. This revenue is deposited in the Michigan Merit Award Trust Fund. The first column of Table 24 provides a summary of the disposition of that revenue, which would have resulted in a year-end balance in the Trust Fund of \$676,200.

Table 24

TOBACCO SETTLEMENT REVENUE AND APPROPRIATIONS				
FY 2012-13 COMPARED TO FY 2013-14 GOVERNOR'S RECOMMENDATION				
(Actual Dollars)				
	FY 2012-13 Year-To-Date	Adjusted FY 2012-13 Year-To-Date	FY 2013-14 Gov's Rec.	Gov's Rec. Change From Adjusted Year-to-Date
Revenue				
Unreserved Balance From Prior Fiscal Year	\$647,900	\$647,900	\$67,206,500	\$66,558,600
Total Annual Payments	286,066,100	286,066,100	283,319,200	(2,746,900)
Assumed Withheld Payments	(37,598,200)	0	0	0
Settlement Credit to Manufacturers/Adjustments	0	(88,154,600)	(28,167,500)	59,987,100
State Share of Disputed Payments	0	177,451,000	0	(177,451,000)
Interest Earnings	40,000	70,000	60,000	(10,000)
Total Tobacco Settlement Revenue	\$249,155,800	\$376,080,400	\$322,418,200	(\$53,662,200)
Less Transfers Out For:				
21st Century Jobs Trust Fund	(\$75,000,000)	(\$75,000,000)	(\$75,000,000)	\$0
Payment on 2006 Bond Securitization	(33,145,600)	(50,073,400)	(34,037,200)	16,036,200
Payment on 2007 Bond Securitization	(26,760,000)	(40,426,500)	(27,479,800)	12,946,700
Total Transfers Out	(\$134,905,600)	(\$165,499,900)	(\$136,517,000)	\$28,982,900
Net Revenue To Merit Award Trust Fund	\$114,250,200	\$210,580,500	\$185,901,200	(\$24,679,300)
Appropriations				
<u>Attorney General</u>				
Administration	\$463,100	\$463,100	\$487,300	\$24,200
<u>Community Health</u>				
Medicaid Base	76,733,500	76,733,500	81,766,000	5,032,500
Aging: Respite Care	4,468,700	4,468,700	4,068,700	(400,000)
<u>Higher Education</u>				
Tuition Incentive Program	30,100,000	30,100,000	30,100,000	0
<u>State Police</u>				
Tobacco Tax Enforcement	716,200	716,200	750,000	33,800
<u>Department of Treasury</u>				
Student Financial Services Administration	1,092,500	1,092,500	1,123,700	31,200
Total Merit Award Trust Fund Approps.	\$113,574,000	\$113,574,000	\$118,295,700	\$4,721,700
Supplemental to Offset HICA Revenue Shortfall	\$0	\$29,800,000	\$0	(29,800,000)
Merit Award Trust Fund Year-End Balance	\$676,200	\$67,206,500	\$67,605,500	\$399,000

Source: State Budget Office

After the enactment of the FY 2012-13 budget, the State Attorney General's Office, along with other states' attorneys general, continued to negotiate with certain tobacco companies that had been withholding annual tobacco settlement payments to the states due to legal issues. It appears that these negotiations may lead to a release to the State of Michigan during FY 2012-13 of \$177.5 million in disputed payments. This payment release would be coupled with a settlement credit to tobacco manufacturers of \$88.2 million, for a net one-time gain to the State of \$89.3 million. The Governor's budget recommends using \$29.8 million of that revenue to offset a portion of the projected FY 2012-13 Health Insurance Claims Assessment (HICA) revenue shortfall. After the HICA revenue offset, there would be a projected year-end balance in the Merit Award Trust Fund of \$67.2 million, which the Governor recommends be carried forward into FY 2013-14.

Recent State Appropriation History

Table 25

ADJUSTED GROSS APPROPRIATION HISTORY (Millions of Dollars)			
Fiscal Year	Appropriations	Dollar Change	Percent Change
1997-98	\$31,472.8	\$1,816.3	6.1%
1998-99	33,160.3	1,687.5	5.4
1999-2000	35,417.7	2,257.4	6.8
2000-01	36,953.3	1,535.6	4.3
2001-02	38,751.3	1,798.0	4.9
2002-03	39,553.1	801.8	2.1
2003-04	39,115.3	(437.8)	(1.1)
2004-05	39,908.5	793.2	2.0
2005-06	41,322.7	1,414.2	3.5
2006-07	41,851.8	529.1	1.3
2007-08	43,616.5	1,764.7	4.2
2008-09	47,941.9	4,325.4	9.9
2009-10	45,656.6	(2,285.3)	(4.8)
2010-11	48,089.6	2,433.0	5.3
2011-12	47,598.1	(491.6)	(1.0)
2012-13	48,229.3	631.2	1.3
2013-14 Gov's Rec.	50,769.2	2,539.9	5.3
Change FY 2003-04 to FY 2013-14		\$11,653.9	29.8%
Detroit CPI 10-Year Percent Change			20.8%

Table 26

STATE SPENDING FROM STATE RESOURCES APPROPRIATION HISTORY (Millions of Dollars)			
Fiscal Year	Appropriations	Dollar Change	Percent Change
1997-98	\$22,493.6	\$941.3	4.4%
1998-99	23,276.8	783.2	3.5
1999-2000	24,579.0	1,302.2	5.6
2000-01	25,761.6	1,182.6	4.8
2001-02	26,086.8	325.2	1.3
2002-03	26,020.5	(66.3)	(0.3)
2003-04	25,802.5	(218.0)	(0.8)
2004-05	26,285.3	482.8	1.9
2005-06	27,704.0	1,418.7	5.4
2006-07	27,928.6	224.6	0.8
2007-08	28,441.3	512.7	1.8
2008-09	26,309.8	(2,131.5)	(7.5)
2009-10	25,239.0	(1,070.8)	(4.1)
2010-11	26,266.7	1,027.7	4.1
2011-12	27,346.9	1,080.3	4.1
2012-13	27,811.9	465.0	1.7
2013-14 Gov's Rec.	29,470.7	1,658.8	6.0
Change FY 2003-04 to FY 2013-14		\$3,668.2	14.2%
Detroit CPI 10-Year Percent Change			20.8%

Table 27

GENERAL FUND/GENERAL PURPOSE APPROPRIATION HISTORY (millions of dollars)			
Fiscal Year	Appropriations	Dollar Change	Percent Change
1997-98	\$8,735.1	\$366.0	4.4%
1998-99	9,415.0	679.9	7.8
1999-2000	9,607.7	192.7	2.0
2000-01	9,744.4	136.7	1.4
2001-02	9,189.3	(555.1)	(5.7)
2002-03	8,830.9	(358.4)	(3.9)
2003-04	8,770.1	(60.8)	(0.7)
2004-05	8,702.8	(67.3)	(0.8)
2005-06	9,106.3	403.5	4.6
2006-07	9,118.7	12.4	0.1
2007-08	9,980.7	862.0	9.5
2008-09	8,568.6	(1,412.1)	(14.1)
2009-10	7,787.4	(781.2)	(9.1)
2010-11	8,424.6	637.2	8.2
2011-12	8,341.1	(83.6)	(1.0)
2012-13	9,022.1	681.1	8.2
2013-14 Gov's Rec.	9,036.5	14.4	0.2
Change FY 2003-04 to FY 2013-14		\$266.4	3.0%
Detroit CPI 10-Year Percent Change			20.8%

Table 28

SCHOOL AID FUND APPROPRIATION HISTORY (Millions of Dollars)			
Fiscal Year	State-Funded Appropriations	Dollar Change	Percent Change
1997-98	\$9,307.4	\$749.1	8.8%
1998-99	9,495.1	187.7	2.0
1999-2000	9,957.6	462.5	4.9
2000-01	10,732.3	774.7	7.8
2001-02	11,220.6	488.3	4.5
2002-03	11,334.6	114.0	1.0
2003-04	11,059.3	(275.3)	(2.4)
2004-05	11,113.5	54.2	0.5
2005-06	11,308.1	194.6	1.8
2006-07	11,597.0	288.9	2.6
2007-08	11,421.8	(175.2)	(1.5)
2008-09	11,097.8	(324.0)	(2.8)
2009-10	10,675.1	(422.7)	(3.8)
2010-11	10,803.4	128.3	1.2
2011-12	11,088.9	285.5	2.6
2012-13	11,243.6	154.7	1.4
2013-14 Gov's Rec.	11,470.8	227.2	2.0
Change FY 2003-04 to FY 2013-14		\$411.5	3.7%
Detroit CPI 10-Year Percent Change			20.8%

Table 29

PUPIL MEMBERSHIP HISTORY FY 1994-95 to FY 2014-15				
Blend Calculation	Fiscal Year	Local Districts	Charter Schools	Total
50/50	1994-95	1,593,306	0	1,593,306
50/50	1995-96	1,610,130	4,790	1,614,920
50/50	1996-97	1,634,074	11,520	1,645,594
60/40	1997-98	1,651,011	19,202	1,670,213
60/40	1998-99	1,656,186	31,109	1,687,295
75/25	1999-2000	1,651,300	45,290	1,696,590
80/20	2000-01	1,649,085	55,072	1,704,157
80/20	2001-02	1,647,459	62,113	1,709,572
80/20	2002-03	1,647,531	67,336	1,714,867
80/20	2003-04	1,640,929	73,473	1,714,402
75/25	2004-05	1,626,289	81,491	1,707,780
75/25	2005-06	1,607,880	89,654	1,697,534
75/25	2006-07	1,584,435	96,627	1,681,062
75/25	2007-08	1,553,568	98,987	1,652,555
75/25	2008-09	1,517,714	102,030	1,619,744
75/25	2009-10	1,487,297	108,425	1,595,722
75/25	2010-11	1,457,160	112,276	1,569,436
90/10	2011-12	1,432,200	119,900	1,552,100
90/10	2012-13	1,407,100	130,300	1,537,400
90/10	2013-14 Est.	1,384,000	148,000	1,532,000
90/10	2014-15 Est.	1,361,000	165,000	1,526,000

Table 30

STATE SPENDING PER PUPIL			
Fiscal Year	State-Funded Appropriations (Millions of Dollars)	Pupils (Millions)	Appropriations Per Pupil
1997-98	\$9,307.4	1.6702	\$5,572
1998-99	9,495.1	1.6873	5,627
1999-2000	9,957.6	1.6966	5,869
2000-01	10,732.3	1.7042	6,297
2001-02	11,220.6	1.7096	6,563
2002-03	11,334.6	1.7149	6,609
2003-04	11,059.3	1.7144	6,450
2004-05	11,113.5	1.7078	6,507
2005-06	11,308.1	1.6975	6,661
2006-07	11,597.0	1.6811	6,898
2007-08	11,421.8	1.6526	6,911
2008-09	11,097.8	1.6197	6,851
2009-10	10,675.1	1.5957	6,690
2010-11	10,803.4	1.5694	6,884
2011-12	11,088.9	1.5521	7,144
2012-13	11,243.6	1.5374	7,313
2013-14 Gov's Rec.	11,470.8	1.5320	7,487

Table 31

K-12 SCHOOLS MINIMUM FOUNDATION ALLOWANCE			
Fiscal Year	Enacted Per Pupil	After Reductions	Percent Change
2000-01	\$6,000	\$6,000	N/A
2001-02	6,500	6,500	8.3%
2002-03	6,700	6,626	1.9
2003-04	6,700	6,626	0.0
2004-05	6,700	6,700	1.1
2005-06	6,875	6,875	2.6
2006-07	7,108	7,085	3.4
2007-08	7,204	7,204	1.4
2008-09	7,316	7,316	1.6
2009-10	7,316	7,151	(2.3)
2010-11	7,316	7,146	0.0
2011-12	6,846	6,846	(4.2)
2012-13	6,966	6,966	1.8
2013-14 Gov's Rec.	7,000	7,000	0.5
Change FY 2003-04 to FY 2013-14	300	374	
Foundation 10-Year Percent Change	4.5%	5.6%	
Detroit CPI 10-Year Percent Change	20.8%	20.8%	

Table 32

APPROPRIATED FULL-TIME EQUATED POSITIONS (FTEs) IN MICHIGAN STATE BUDGET			
Fiscal Year	FTEs	Change	Percent Change
1997-98	64,119.8	(1,500.2)	(2.3)%
1998-99	62,082.6	(2,037.2)	(3.2)
1999-2000	63,630.9	1,548.3	2.5
2000-01	64,601.5	970.6	1.5
2001-02	64,190.1	(411.4)	(0.6)
2002-03	62,760.2	(1,429.9)	(2.2)
2003-04	57,817.1	(4,943.1)	(7.9)
2004-05	57,034.3	(782.8)	(1.4)
2005-06	56,442.4	(591.9)	(1.0)
2006-07	56,766.3	323.9	0.6
2007-08	57,041.7	275.4	0.5
2008-09	56,491.1	(550.6)	(1.0)
2009-10	55,603.2	(887.9)	(1.6)
2010-11	56,095.3	492.1	0.9
2011-12	54,801.5	(1,293.8)	(2.3)
2012-13	53,512.4	(1,289.1)	(2.4)
2013-14 Gov's Rec.	52,878.9	(633.5)	(1.2)
Change FY 2003-04 to FY 2013-14		(4,938.2)	(8.5%)
Detroit CPI 10-Year Percent Change			20.8%

Table 33

FEDERAL FUNDS APPROPRIATED IN MICHIGAN BUDGET (Millions of Dollars)			
Fiscal Year	Federal Funds	Adjusted Gross Appropriations	Federal as Percent of Total Adjusted Gross
1997-98	\$7,931.5	\$31,472.8	25.20%
1998-99	8,623.4	33,160.3	26.01
1999-2000	9,765.6	35,417.7	27.57
2000-01	10,002.2	36,953.3	27.07
2001-02	11,242.9	38,751.3	29.01
2002-03	12,226.7	39,553.1	30.91
2003-04	12,361.6	39,115.3	31.60
2004-05	12,855.5	39,908.5	32.21
2005-06	13,179.9	41,322.7	31.89
2006-07	13,436.1	41,851.8	32.10
2007-08	14,669.5	43,616.5	33.63
2008-09	21,124.7	47,941.9	44.06
2009-10	19,940.9	45,656.6	43.68
2010-11	21,314.5	48,089.6	44.32
2011-12	19,730.5	47,598.1	41.45
2012-13	19,914.2	48,229.0	41.29
2013-14 Gov's Rec.	20,816.9	50,769.2	41.00
Change FY 2003-04 to FY 2013-14	68.4%	29.8%	

Table 34

STATE SPENDING FROM STATE RESOURCES APPROPRIATIONS TOTAL COMPARED IN SELECTED BUDGET AREAS (Millions of Dollars)				
Department/Budget Area	FY 2003-04 Appropriations	FY 2013-14 Gov's Rec.	Dollar Change	Percent Change
Community Health	\$3,600.6	\$4,897.8	\$1,297.3	36.0%
Corrections	1,674.3	2,019.1	344.8	20.6
Human Services	1,159.1	1,164.7	5.7	0.5
K-12 School Aid	11,108.3	11,470.8	362.5	3.3
Community Colleges	276.8	336.0	59.1	21.4
Higher Education	1,649.2	1,333.5	(315.6)	(19.1)
Revenue Sharing	1,306.3	1,123.2	(183.1)	(14.0)
All Other Programs	5,028.0	7,125.6	2,097.6	41.7
Total State Spending	\$25,802.5	\$29,470.7	\$3,668.2	14.2%
Addendum:				
Medicaid Caseload	1,374,206	1,920,000	545,794	39.7
Prison Population	50,782	43,953	(6,829)	(13.4)
K-12 Pupil Count	1,714,402	1,532,000	(182,402)	(10.6)
University Students	249,621	264,915	15,294	6.1
Community College Students	127,717	164,830	37,113	29.1
Michigan Personal Income (millions)	\$318,668.5	\$392,211.5	\$73,543.0	23.1%
Detroit Consumer Price Index	184.2	222.5	38.3	20.8
Notes:				
Medicaid caseload: Number for FY 2013-14 does not include the estimated 320,000 individuals who would be eligible under the proposed expansion of Medicaid.				
Prison Population: These "average populations" are taken from the appropriation bill for the respective fiscal year; they do not represent the exact count on any particular date, but demonstrate how many beds are associated with the appropriation.				
K-12 Pupils: FY 2013-14 pupil count is from the January 2013 CREC.				
Community College and University Students: Numbers in FY 2013-14 column reflect FY 2011-12 fiscal-year-equated-students as reported in the Activities Classification Structure (ACS) and the Higher Education Institutional Data Inventory (HEIDI).				