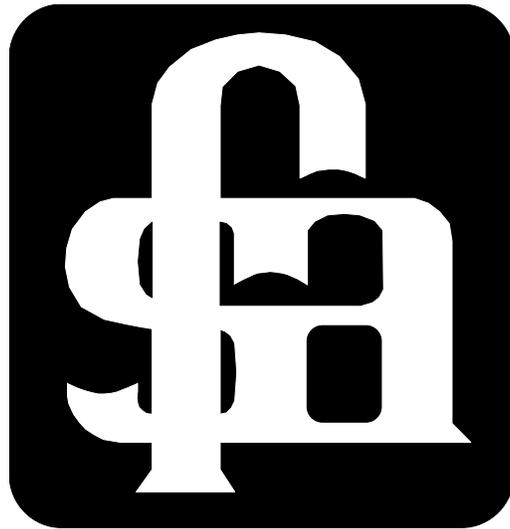


**OVERVIEW OF
GOVERNOR SNYDER'S
FY 2014-15 BUDGET**



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<http://www.senate.michigan.gov/sfa/>

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Summary

Overview of Governor Snyder's FY 2014-15 Budget

On February 5, 2014, Governor Rick Snyder presented his fiscal year (FY) 2014-15 State Budget Message and his budget projections for FY 2015-16. 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 2014-15 appropriation recommendation.

The FY 2014-15 budget recommendation from the Governor is based on the consensus revenue estimates agreed to on January 10, 2014. The FY 2014-15 General Fund/General Purpose (GF/GP) consensus revenue estimate is \$10.0 billion. This represents a 5.0% increase from the FY 2013-14 GF/GP consensus revenue estimate. The FY 2014-15 School Aid Fund (SAF) consensus revenue estimate is \$11.9 billion, a 3.2% increase from the FY 2013-14 consensus revenue estimate. The Governor is proposing to provide \$102.7 million in property tax relief by expanding the provisions of the Homestead Property Tax Credit but is not calling for any other tax changes at the current time. In addition, the Governor's FY 2014-15 recommendation includes \$2.9 million in 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 2014-15 Adjusted Gross appropriations of \$51.3 billion. Included in this appropriation total are \$21.0 billion of Federal funds, \$512.6 million of local and private funds, \$19.9 billion of State Restricted revenue, and \$9.8 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 2013-14 year-to-date appropriations, the Governor's FY 2014-15 budget includes an Adjusted Gross appropriation increase of \$2.6 billion or 5.3%, an increase in State Spending from State Resources appropriations of \$941.7 million or 3.3%, and an increase in GF/GP appropriations of \$457.0 million or 4.9%.

The primary reason for the large increase in Adjusted Gross appropriations is the Governor's proposal for new spending of \$2.2 billion for the expansion of the Medicaid program because the Federal Medicaid expansion dollars will not be a part of the FY 2013-14 base funding until March 2014. Tables 2-4 compare the Governor's FY 2014-15 recommendation for Adjusted Gross, State Spending from State Resources, and GF/GP appropriations with the FY 2013-14 year-to-date appropriations. Table 5 compares the FY 2014-15 recommended number of 52,921.2 full-time equated (FTE) positions to the FY 2013-14 level of 52,809.5 FTEs, an increase of 111.7 positions or 0.2%.

The FY 2014-15 recommendation includes appropriations that the Governor has designated as either "ongoing" or "one-time". Table 6 outlines the proposed FY 2014-15 one-time Adjusted Gross and GF/GP appropriations. In addition to the \$718.3 million of one-time Adjusted Gross appropriations for various budget areas, the Governor

recommends a \$120.0 million one-time GF/GP appropriation to the Budget Stabilization Fund, as well as a \$122.0 million one-time GF/GP appropriation to the proposed new Michigan Health Savings Fund. The \$122.0 million appropriation to this new fund represents a deposit of approximately half of the savings from the Governor's proposal to expand Medicaid. The Governor also recommends a \$50.0 million one-time School Aid Fund deposit to the Michigan Public School Employees' Retirement System (MPSERS) Reserve Fund.

Tables 7 and 8 present the GF/GP and SAF balance sheets for FY 2013-14, FY 2014-15, and FY 2015-16, which result in positive ending balances for all three fiscal years.

The total GF/GP dollar change from FY 2013-14 to FY 2014-15 is a \$457.0 million increase. Table 9 shows that the \$457.0 million consists of \$89.9 million of GF/GP funding for new programs, \$251.2 million of net GF/GP savings from the expansion of Medicaid, \$800.9 million of GF/GP funding increases, \$284.1 million of GF/GP funding reductions, a \$46.6 million GF/GP increase due to fund shifts, and \$55.0 million in GF/GP economic increases. Tables 10-13 provide the details of these GF/GP changes.

The FY 2014-15 School Aid Fund budget changes proposed by the Governor are outlined in Table 14. As the table indicates, the net change in SAF appropriations is an increase of \$430.4 million. This \$430.4 million change consists of \$42.2 million for new programs, \$558.8 million of funding increases for existing programs, and \$170.6 million of funding reductions.

Table 15 lists the Governor's proposed fee adjustments for FY 2014-15. Tables 16-25 outline background information regarding major budget areas and other general appropriation issues, and Tables 26-35 provide recent State appropriation history.

Similarly to the three budgets that Governor Snyder has presented previously, the Governor's fourth 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 reduce the Legislature's oversight role.

Table 1

**FY 2014-15 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 | \$82,494,300 | \$318,100 | \$82,176,200 | \$9,198,300 | \$98,300 | \$28,003,400 | \$44,876,200 |
| Attorney General | 91,022,300 | 27,783,800 | 63,238,500 | 9,857,200 | 0 | 17,914,200 | 35,467,100 |
| Civil Rights | 16,769,200 | 288,900 | 16,480,300 | 2,736,500 | 18,700 | 151,900 | 13,573,200 |
| Community Colleges | 371,524,900 | 0 | 371,524,900 | 0 | 0 | 197,614,100 | 173,910,800 |
| Community Health | 17,374,567,800 | 9,425,900 | 17,365,141,900 | 11,941,802,500 | 343,713,000 | 2,140,657,600 | 2,938,968,800 |
| Corrections | 2,049,921,700 | 225,000 | 2,049,696,700 | 5,081,000 | 8,547,700 | 45,869,600 | 1,990,198,400 |
| Education | 326,576,100 | 0 | 326,576,100 | 226,097,500 | 7,567,000 | 7,972,600 | 84,939,000 |
| Environmental Quality | 504,091,800 | 9,530,500 | 494,561,300 | 150,367,600 | 546,900 | 302,770,900 | 40,875,900 |
| Executive | 5,916,100 | 0 | 5,916,100 | 0 | 0 | 0 | 5,916,100 |
| Higher Education | 1,512,494,100 | 0 | 1,512,494,100 | 97,026,400 | 0 | 200,565,700 | 1,214,902,000 |
| Human Services | 5,621,313,700 | 18,545,900 | 5,602,767,800 | 4,397,966,500 | 56,927,500 | 136,237,400 | 1,011,636,400 |
| Insurance and Financial Services | 65,284,700 | 707,600 | 64,577,100 | 2,000,000 | 0 | 62,427,100 | 150,000 |
| Judiciary | 289,483,100 | 2,364,400 | 287,118,700 | 6,437,400 | 8,185,900 | 84,252,500 | 188,242,900 |
| Legislative Auditor General | 21,758,800 | 5,220,700 | 16,538,100 | 0 | 0 | 2,000,800 | 14,537,300 |
| Legislature | 131,570,500 | 0 | 131,570,500 | 0 | 400,000 | 4,109,800 | 127,060,700 |
| Licensing & Regulatory Affairs | 531,860,800 | 14,509,800 | 517,351,000 | 199,124,800 | 2,968,300 | 290,224,100 | 25,033,800 |
| Military & Veterans Affairs | 173,594,900 | 100,000 | 173,494,900 | 90,362,800 | 2,240,000 | 25,086,400 | 55,805,700 |
| Natural Resources | 383,185,400 | 1,355,100 | 381,830,300 | 67,954,500 | 10,286,300 | 256,498,000 | 47,091,500 |
| School Aid | 13,797,139,600 | 0 | 13,797,139,600 | 1,808,162,700 | 0 | 11,808,976,900 | 180,000,000 |
| State | 224,112,300 | 20,000,000 | 204,112,300 | 1,460,000 | 100 | 184,713,200 | 17,939,000 |
| State Police | 639,323,000 | 26,233,200 | 613,089,800 | 99,429,900 | 4,938,900 | 124,800,000 | 383,921,000 |
| Technology, Management, & Budget | 1,282,204,200 | 680,315,500 | 601,888,700 | 7,974,100 | 3,744,100 | 94,322,000 | 495,848,500 |
| Transportation | 3,668,998,600 | 3,786,900 | 3,665,211,700 | 1,205,885,500 | 50,277,100 | 2,155,001,200 | 254,047,900 |
| Treasury (Debt Service) | 152,395,000 | 0 | 152,395,000 | 0 | 0 | 0 | 152,395,000 |
| Treasury (Operations) | 543,976,000 | 9,409,100 | 534,566,900 | 39,705,200 | 2,005,600 | 376,076,000 | 116,780,100 |
| Treasury (Revenue Sharing) | 1,252,967,600 | 0 | 1,252,967,600 | 0 | 0 | 1,252,967,600 | 0 |
| Treasury (Strategic Fund) | 1,019,429,900 | 0 | 1,019,429,900 | 637,370,300 | 10,088,400 | 142,678,700 | 229,292,500 |
| TOTAL APPROPRIATIONS | \$52,133,976,400 | \$830,120,400 | \$51,303,856,000 | \$21,006,000,700 | \$512,553,800 | \$19,941,891,700 | \$9,843,409,800 |

Table 2
ADJUSTED GROSS APPROPRIATIONS
FY 2013-14 VERSUS GOVERNOR'S RECOMMENDATION

| Department/Budget Area | FY 2013-14 Year-to-Date Appropriations | FY 2014-15 Governor's Recommendation | Dollar Difference | Percent Change |
|----------------------------------|--|--|------------------------|----------------|
| Agriculture & Rural Development | \$79,659,000 | \$82,176,200 | \$2,517,200 | 3.2% |
| Attorney General | 61,951,400 | 63,238,500 | 1,287,100 | 2.1 |
| Civil Rights | 15,198,300 | 16,480,300 | 1,282,000 | 8.4 |
| Community Colleges | 335,977,600 | 371,524,900 | 35,547,300 | 10.6 |
| Community Health | 15,375,381,800 | 17,365,141,900 | 1,989,760,100 | 12.9 |
| Corrections | 2,055,537,200 | 2,049,696,700 | (5,840,500) | (0.3) |
| Education | 298,366,000 | 326,576,100 | 28,210,100 | 9.5 |
| Environmental Quality | 507,766,900 | 494,561,300 | (13,205,600) | (2.6) |
| Executive | 5,370,000 | 5,916,100 | 546,100 | 10.2 |
| Higher Education | 1,430,573,500 | 1,512,494,100 | 81,920,600 | 5.7 |
| Human Services | 6,000,256,300 | 5,602,767,800 | (397,488,500) | (6.6) |
| Insurance and Financial Services | 74,627,900 | 64,577,100 | (10,050,800) | (13.5) |
| Judiciary | 281,063,600 | 287,118,700 | 6,055,100 | 2.2 |
| Legislative Auditor General | 15,862,300 | 16,538,100 | 675,800 | 4.3 |
| Legislature | 123,819,300 | 131,570,500 | 7,751,200 | 6.3 |
| Licensing & Regulatory Affairs | 488,690,500 | 517,351,000 | 28,660,500 | 5.9 |
| Military & Veterans Affairs | 166,080,000 | 173,494,900 | 7,414,900 | 4.5 |
| Natural Resources | 341,726,600 | 381,830,300 | 40,103,700 | 11.7 |
| School Aid | 13,366,703,600 | 13,797,139,600 | 430,436,000 | 3.2 |
| State | 199,548,900 | 204,112,300 | 4,563,400 | 2.3 |
| State Police | 581,599,300 | 613,089,800 | 31,490,500 | 5.4 |
| Technology, Management, & Budget | 513,645,800 | 601,888,700 | 88,242,900 | 17.2 |
| Transportation | 3,595,491,600 | 3,665,211,700 | 69,720,100 | 1.9 |
| Treasury (Debt Service) | 154,202,500 | 152,395,000 | (1,807,500) | (1.2) |
| Treasury (Operations) | 489,103,500 | 534,566,900 | 45,463,400 | 9.3 |
| Treasury (Revenue Sharing) | 1,142,143,500 | 1,252,967,600 | 110,824,100 | 9.7 |
| Treasury (Strategic Fund) | 1,008,273,900 | 1,019,429,900 | 11,156,000 | 1.1 |
| TOTAL APPROPRIATIONS | \$48,708,620,800 | \$51,303,856,000 | \$2,595,235,200 | 5.3% |

Figure A

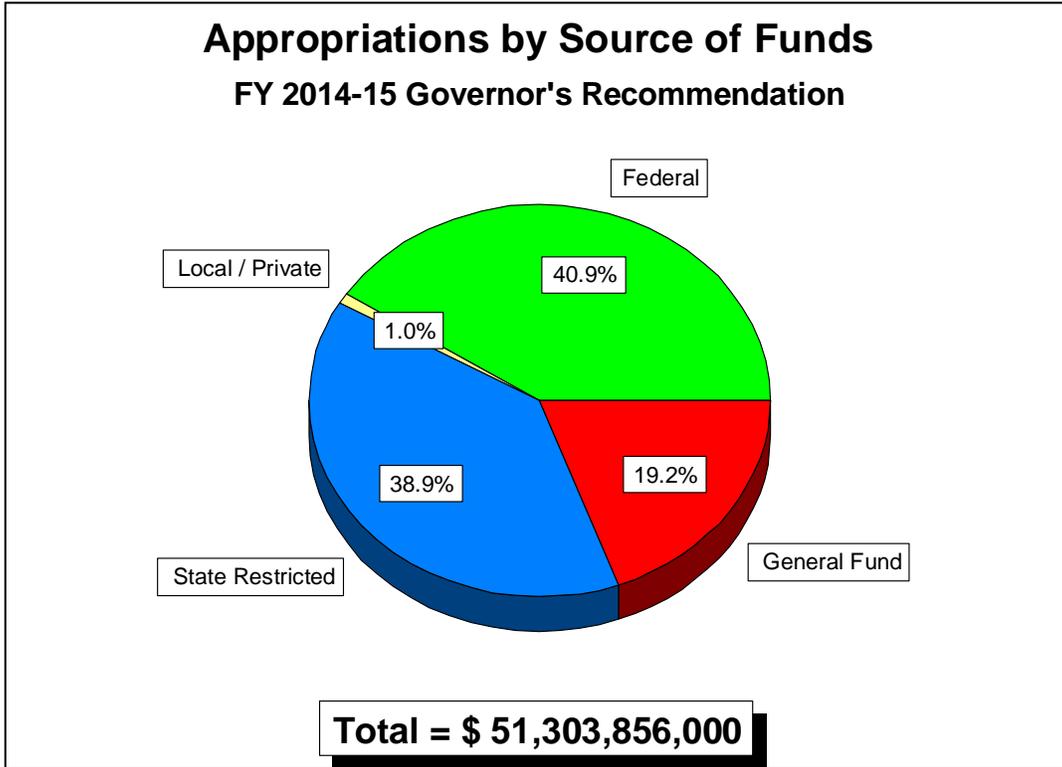


Figure B

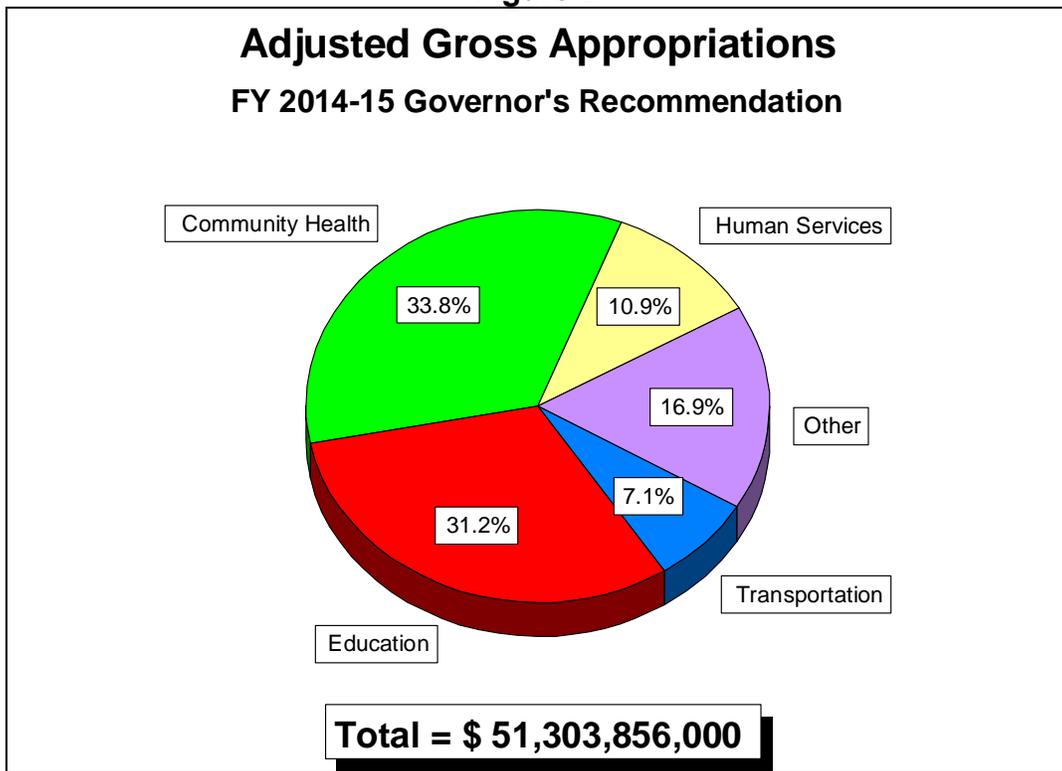


Table 3

| STATE SPENDING FROM STATE RESOURCES APPROPRIATIONS FY 2013-14 VERSUS GOVERNOR'S RECOMMENDATION | | | | |
|---|---|---|--------------------------|-----------------------|
| Department/Budget Area | FY 2013-14 Year-to-Date Appropriations | FY 2014-15 Governor's Recommendation | Dollar Difference | Percent Change |
| Agriculture & Rural Development | \$69,601,200 | \$72,879,600 | \$3,278,400 | 4.7% |
| Attorney General | 52,113,200 | 53,381,300 | 1,268,100 | 2.4 |
| Civil Rights | 12,489,400 | 13,725,100 | 1,235,700 | 9.9 |
| Community Colleges | 335,977,600 | 371,524,900 | 35,547,300 | 10.6 |
| Community Health | 5,081,572,200 | 5,079,626,400 | (1,945,800) | (0.0) |
| Corrections | 2,038,291,900 | 2,036,068,000 | (2,223,900) | (0.1) |
| Education | 78,926,000 | 92,911,600 | 13,985,600 | 17.7 |
| Environmental Quality | 356,445,400 | 343,646,800 | (12,798,600) | (3.6) |
| Executive | 5,370,000 | 5,916,100 | 546,100 | 10.2 |
| Higher Education | 1,333,547,100 | 1,415,467,700 | 81,920,600 | 6.1 |
| Human Services | 1,138,470,000 | 1,147,873,800 | 9,403,800 | 0.8 |
| Insurance and Financial Services | 72,627,900 | 62,577,100 | (10,050,800) | (13.8) |
| Judiciary | 267,655,100 | 272,495,400 | 4,840,300 | 1.8 |
| Legislative Auditor General | 15,862,300 | 16,538,100 | 675,800 | 4.3 |
| Legislature | 123,419,300 | 131,170,500 | 7,751,200 | 6.3 |
| Licensing & Regulatory Affairs | 290,462,300 | 315,257,900 | 24,795,600 | 8.5 |
| Military & Veterans Affairs | 74,057,300 | 80,892,100 | 6,834,800 | 9.2 |
| Natural Resources | 267,362,100 | 303,589,500 | 36,227,400 | 13.5 |
| School Aid | 11,602,282,300 | 11,988,976,900 | 386,694,600 | 3.3 |
| State | 197,738,800 | 202,652,200 | 4,913,400 | 2.5 |
| State Police | 475,546,000 | 508,721,000 | 33,175,000 | 7.0 |
| Technology, Management, & Budget | 503,343,700 | 590,170,500 | 86,826,800 | 17.3 |
| Transportation | 2,346,329,000 | 2,409,049,100 | 62,720,100 | 2.7 |
| Treasury (Debt Service) | 154,202,500 | 152,395,000 | (1,807,500) | (1.2) |
| Treasury (Operations) | 447,711,600 | 492,856,100 | 45,144,500 | 10.1 |
| Treasury (Revenue Sharing) | 1,142,143,500 | 1,252,967,600 | 110,824,100 | 9.7 |
| Treasury (Strategic Fund) | 360,015,200 | 371,971,200 | 11,956,000 | 3.3 |
| TOTAL APPROPRIATIONS | \$28,843,562,900 | \$29,785,301,500 | \$941,738,600 | 3.3% |

Table 4

| GENERAL FUND/GENERAL PURPOSE (GF/GP) APPROPRIATIONS FY 2013-14 VERSUS GOVERNOR'S RECOMMENDATION | | | | |
|--|---|---|--------------------------|-----------------------|
| Department/Budget Area | FY 2013-14 Year-to-Date Appropriations | FY 2014-15 Governor's Recommendation | Dollar Difference | Percent Change |
| Agriculture & Rural Development | \$40,580,300 | \$44,876,200 | \$4,295,900 | 10.6% |
| Attorney General | 34,481,300 | 35,467,100 | 985,800 | 2.9 |
| Civil Rights | 12,337,500 | 13,573,200 | 1,235,700 | 10.0 |
| Community Colleges | 138,363,500 | 173,910,800 | 35,547,300 | 25.7 |
| Community Health | 2,916,136,400 | 2,938,968,800 | 22,832,400 | 0.8 |
| Corrections | 1,982,265,800 | 1,990,198,400 | 7,932,600 | 0.4 |
| Education | 70,893,900 | 84,939,000 | 14,045,100 | 19.8 |
| Environmental Quality | 29,104,500 | 40,875,900 | 11,771,400 | 40.4 |
| Executive | 5,370,000 | 5,916,100 | 546,100 | 10.2 |
| Higher Education | 1,132,981,400 | 1,214,902,000 | 81,920,600 | 7.2 |
| Human Services | 1,003,000,000 | 1,011,636,400 | 8,636,400 | 0.9 |
| Insurance and Financial Services | 11,000,000 | 150,000 | (10,850,000) | (98.6) |
| Judiciary | 183,441,300 | 188,242,900 | 4,801,600 | 2.6 |
| Legislative Auditor General | 13,911,300 | 14,537,300 | 626,000 | 4.5 |
| Legislature | 122,309,500 | 127,060,700 | 4,751,200 | 3.9 |
| Licensing & Regulatory Affairs | 25,004,900 | 25,033,800 | 28,900 | 0.1 |
| Military & Veterans Affairs | 46,503,300 | 55,805,700 | 9,302,400 | 20.0 |
| Natural Resources | 25,436,600 | 47,091,500 | 21,654,900 | 85.1 |
| School Aid | 234,900,000 | 180,000,000 | (54,900,000) | (23.4) |
| State | 15,253,400 | 17,939,000 | 2,685,600 | 17.6 |
| State Police | 353,474,300 | 383,921,000 | 30,446,700 | 8.6 |
| Technology, Management, & Budget | 409,217,800 | 495,848,500 | 86,630,700 | 21.2 |
| Transportation | 121,300,000 | 254,047,900 | 132,747,900 | 109.4 |
| Treasury (Debt Service) | 151,188,000 | 152,395,000 | 1,207,000 | 0.8 |
| Treasury (Operations) | 89,803,300 | 116,780,100 | 26,976,800 | 30.0 |
| Treasury (Revenue Sharing) | 0 | 0 | 0 | 0.0 |
| Treasury (Strategic Fund) | 218,163,900 | 229,292,500 | 11,128,600 | 5.1 |
| TOTAL APPROPRIATIONS | \$9,386,422,200 | \$9,843,409,800 | \$456,987,600 | 4.9% |

Table 5

| FULL-TIME EQUATED CLASSIFIED POSITIONS FY 2013-14 VERSUS GOVERNOR'S RECOMMENDATION | | | | |
|---|---|---|------------------------|-----------------------|
| Department/Budget Area | FY 2013-14 Year-to-Date Appropriations | FY 2014-15 Governor's Recommendation | Position Change | Percent Change |
| Agriculture and Rural Development | 434.0 | 446.0 | 12.0 | 2.8% |
| Attorney General | 511.0 | 513.5 | 2.5 | 0.5 |
| Civil Rights | 122.0 | 132.0 | 10.0 | 8.2 |
| Community Health | 3,585.6 | 3,648.1 | 62.5 | 1.7 |
| Corrections | 14,559.6 | 14,179.3 | (380.3) | (2.6) |
| Education | 587.5 | 621.5 | 34.0 | 5.8 |
| Environmental Quality | 1,281.5 | 1,284.5 | 3.0 | 0.2 |
| Executive | 74.2 | 78.2 | 4.0 | 5.4 |
| Higher Education | 0.0 | 0.0 | 0.0 | 0.0 |
| Human Services | 12,144.5 | 12,191.5 | 47.0 | 0.4 |
| Insurance and Financial Services | 337.0 | 337.0 | 0.0 | 0.0 |
| Judiciary | 483.0 | 485.0 | 2.0 | 0.4 |
| Licensing and Regulatory Affairs | 2,913.0 | 2,921.0 | 8.0 | 0.3 |
| Military and Veterans Affairs | 889.5 | 889.5 | 0.0 | 0.0 |
| Natural Resources | 2,135.3 | 2,223.3 | 88.0 | 4.1 |
| State | 1,562.0 | 1,593.0 | 31.0 | 2.0 |
| State Police | 2,931.0 | 3,070.0 | 139.0 | 4.7 |
| Technology, Management, and Budget | 2,816.0 | 2,817.0 | 1.0 | 0.0 |
| Transportation | 2,912.3 | 2,912.3 | 0.0 | 0.0 |
| Treasury (Operations) | 1,774.5 | 1,822.5 | 48.0 | 2.7 |
| Treasury (Strategic Fund) | 756.0 | 756.0 | 0.0 | 0.0 |
| TOTAL POSITIONS | 52,809.5 | 52,921.2 | 111.7 | 0.2% |

Table 6

| FY 2014-15 ONE-TIME ADJUSTED GROSS AND GF/GP APPROPRIATIONS | | |
|---|-------------------------------------|----------------------------|
| Budget Area/Program | Adjusted Gross Appropriation | GF/GP Appropriation |
| Agriculture and Rural Development | | |
| Food and Agricultural Industry Growth Initiative | \$2,000,000 | \$2,000,000 |
| Community Health | | |
| Mental Health and Wellness Commission Recommendations | 5,000,000 | 5,000,000 |
| University of Detroit Dental Program | 4,092,300 | 4,092,300 |
| University Autism Funding | 3,000,000 | 3,000,000 |
| Child and Adolescent Health Services Pilot Program | 2,000,000 | 2,000,000 |
| Corrections | | |
| Neal Settlement Agreement | 25,000,000 | 25,000,000 |
| Prisoner Education Enhancement | 1,045,300 | 1,045,300 |
| Mobilize Parole/Probation Staff | 440,600 | 440,600 |
| Education | | |
| Michigan Council for Educator Effectiveness Staff/System Upgrades | 900,000 | 900,000 |
| Environmental Quality | | |
| Electronic Document Management System | 2,500,000 | 2,500,000 |
| Human Services | | |
| Michigan Rehabilitation Services Matching Funds | 2,400,000 | 2,400,000 |
| Child Support: Impact of IRS Offset | 1,000,000 | 1,000,000 |
| Child Support Technology Initiatives | 3,000,000 | 1,000,000 |
| Catholic Charities Center for Hope Project | 500,000 | 500,000 |
| Judiciary | | |
| Trial Court Performance Innovations Fund | 1,000,000 | 1,000,000 |
| Licensing and Regulatory Affairs | | |
| Unemployment Insurance Agency Authorization Increase | 18,000,000 | 0 |
| Unemployment Insurance Agency Mobile Claim Filing Application | 2,400,000 | 0 |
| Michigan Liquor Control Commission Technology Rewrite Project | 2,000,000 | 0 |
| Military and Veterans Affairs | | |
| Special Maintenance for Armories/Veterans' Homes | 7,000,000 | 7,000,000 |
| Natural Resources | | |
| Invasive Species Initiative | 2,000,000 | 2,000,000 |
| Great Lakes Research Vessel Chinook Replacement | 2,000,000 | 1,000,000 |
| School Aid | | |
| Best Practices Funding | 80,000,000 | 0 |
| Technology Infrastructure Grants | 50,000,000 | 0 |
| Performance Funding | 46,400,000 | 0 |
| Durant Debt Service Payments | 39,500,000 | 0 |

Table 6: Wēbībi YX

| FY 2014-15 ONE-TIME ADJUSTED GROSS AND GF/GP APPROPRIATIONS | | |
|--|------------------------------|---------------------|
| Budget Area/Program | Adjusted Gross Appropriation | GF/GP Appropriation |
| School Aid (continued) | | |
| Michigan Educator Effectiveness Evaluations/Student Testing..... | 15,000,000 | 0 |
| Small Class Size Supplemental Payments | 13,000,000 | 0 |
| Emergency Reserve for Schools in Fiscal Distress | 10,000,000 | 0 |
| Consolidation of Innovation Grants/Pilot Projects..... | 5,000,000 | 0 |
| Dissolution Transition Grants | 2,200,000 | 0 |
| Year-Round School Pilot Program | 2,000,000 | 0 |
| FIRST Robotics | 2,000,000 | 0 |
| Dual Enrollment Programs | 1,750,000 | 0 |
| Michigan Merit Curriculum Integration into Career/Technical Education..... | 1,000,000 | 0 |
| Statewide Career Readiness Study | 250,000 | 0 |
| Advanced Placement Testing Incentives | 250,000 | 0 |
| State Police | | |
| Trooper School (100 Troopers)..... | 5,700,000 | 4,800,000 |
| Local Public Safety Initiatives: Grants to Locals | 5,000,000 | 5,000,000 |
| Helicopter Purchase | 4,932,000 | 4,932,000 |
| New Motor Carrier Officers (31 Officers)..... | 2,022,300 | 2,022,300 |
| Electronic Warrant to Disposition Reporting System | 750,000 | 750,000 |
| LEIN System Update | 350,000 | 0 |
| Armored Car Replacement..... | 225,000 | 225,000 |
| Technology, Management, and Budget | | |
| Enterprisewide Maintenance | 10,000,000 | 10,000,000 |
| Office of Urban Initiatives | 5,500,000 | 5,500,000 |
| Litigation Fund | 5,000,000 | 5,000,000 |
| Regional Prosperity Grants | 2,500,000 | 2,500,000 |
| Capital Outlay Planning Authority: Ferris, Lake Michigan, West Shore..... | 300 | 300 |
| Transportation | | |
| Road and Bridge Construction Federal Match..... | 127,000,000 | 127,000,000 |
| Funding for State Roads and Bridges | 115,000,000 | 115,000,000 |
| Transit Grants Federal Match..... | 10,000,000 | 10,000,000 |
| Aeronautics Federal Match..... | 2,047,900 | 2,047,900 |
| Treasury-Debt Service | | |
| Refined Petroleum Fund Fund-Shift..... | 0 | 0 |
| Treasury-Operations | | |
| Personal Property Tax Reform: Grants to Locals | 19,300,000 | 19,300,000 |
| Credit Card Payments for State Taxes..... | 2,000,000 | 2,000,000 |
| Personal Property Tax Reform: Administration..... | 1,500,000 | 1,500,000 |

Table 6: Wēbībi YX

| FY 2014-15 ONE-TIME ADJUSTED GROSS AND GF/GP APPROPRIATIONS | | |
|---|---------------------------------|------------------------|
| Budget Area/Program | Adjusted Gross Appropriation | GF/GP Appropriation |
| Treasury-Revenue Sharing | | |
| Economic Vitality Incentive Program..... | 28,800,000 | 0 |
| Treasury-Strategic Fund | | |
| Business Attraction and Community Revitalization..... | 10,000,000 | 10,000,000 |
| Automotive, Engineering and Manufacturing Tech Fund..... | 5,000,000 | 5,000,000 |
| Subtotal One-Time Appropriations..... | \$718,255,700 | \$394,455,700 |
| Appropriation to the Health Savings Sub-Fund..... | \$122,000,000 | \$122,000,000 |
| Appropriation to the Budget Stabilization Fund..... | 120,000,000 | 120,000,000 |
| Appropriation to the MPSERS Reserve Fund..... | 50,000,000 | 0 |
| TOTAL ONE-TIME APPROPRIATIONS | \$1,010,255,700 | \$636,455,700 |

Table 7

| FEBRUARY 2014 GOVERNOR'S RECOMMENDATION GENERAL FUND/GENERAL PURPOSE (GF/GP) REVENUE, EXPENDITURES, AND YEAR-END BALANCE (Millions of Dollars) | | | |
|---|-------------------|-------------------|-------------------|
| | FY 2013-14 | FY 2014-15 | FY 2015-16 |
| Revenue: | | | |
| Beginning Balance | \$1,186.5 | \$667.0 | \$41.3 |
| Ongoing Revenue: | | | |
| Consensus Revenue Estimate (January 2014)..... | \$9,572.5 | \$10,046.5 | \$10,535.6 |
| Revenue Sharing Payments..... | (370.6) | (459.2) | (459.2) |
| Shift Borrowing Costs to School Aid Fund | 2.5 | 4.0 | 5.0 |
| Tax Relief..... | (102.7) | (102.7) | (102.7) |
| Personal Property Tax Reform (If Ballot Question Approved)..... | 0.0 | 0.0 | (41.7) |
| Subtotal Ongoing Revenue | \$9,101.7 | \$9,488.6 | \$9,937.0 |
| Non-ongoing Revenue: | | | |
| One-Time Appropriation for Revenue Sharing | (26.0) | (28.8) | 0.0 |
| Total Estimated GF/GP Revenue..... | \$10,262.2 | \$10,126.8 | \$9,978.3 |
| Expenditures: | | | |
| Ongoing Appropriations: | | | |
| Initial Ongoing Appropriations | \$8,952.0 | \$9,449.0 | \$9,648.2 |
| Medicaid Expansion Savings (PA 107 of 2013/Req. #2014-1)..... | (192.8) | 0.0 | 0.0 |
| Health Insurance Claims Assessment Revenue Shortfall | 0.0 | 0.0 | 0.0 |
| Subtotal Ongoing Appropriations | \$8,759.3 | \$9,449.0 | \$9,648.2 |
| One-Time Appropriations: | | | |
| Initial One-Time Appropriations | \$428.8 | \$394.5 | \$23.3 |
| Initial One-Time Boilerplate Appropriation (DTMB) | 0.4 | 0.0 | 0.0 |
| Enacted Supplementals | 5.1 | 0.0 | 0.0 |
| Deposit to Budget Stabilization Fund..... | 75.0 | 120.0 | 0.0 |
| Deposit to Roads and Risks Reserve Fund | 230.0 | 0.0 | 0.0 |
| Deposit to Michigan Health Savings Sub-Fund..... | 0.0 | 122.0 | 122.0 |
| Supplemental Request #2014-1 (Multiple Departments) | 78.5 | 0.0 | 0.0 |
| Supplemental Request #2014-4 (Multiple Departments) | 18.0 | 0.0 | 0.0 |
| Subtotal One-Time Appropriations | \$835.9 | \$636.5 | \$145.3 |
| Total Estimated GF/GP Expenditures..... | \$9,595.2 | \$10,085.5 | \$9,793.5 |
| PROJECTED YEAR-END GF/GP BALANCE | \$667.0 | \$41.3 | \$184.8 |

Table 8

| FEBRUARY 2014 GOVERNOR'S RECOMMENDATION SCHOOL AID FUND REVENUE, EXPENDITURES, AND YEAR-END BALANCE (Millions of Dollars) | | | |
|--|-------------------|-------------------|-------------------|
| | FY 2013-14 | FY 2014-15 | FY 2015-16 |
| Revenue: | | | |
| Beginning Balance | \$292.0 | \$351.6 | \$34.4 |
| Ongoing Revenue: | | | |
| Consensus Revenue Estimate (January 2014)..... | \$11,560.0 | \$11,931.8 | \$12,338.2 |
| MPSERS Reserve Fund..... | 156.0 | 18.0 | 0.0 |
| Personal Property Tax Reform (If Ballot Question Approved)..... | 0.0 | (10.0) | (20.9) |
| General Fund/General Purpose Grant..... | 180.0 | 180.0 | 180.0 |
| Federal Ongoing Aid..... | <u>1,764.5</u> | <u>1,808.2</u> | <u>1,808.2</u> |
| Subtotal Ongoing Revenue | \$13,660.5 | \$13,928.0 | \$14,305.5 |
| Non-ongoing Revenue: | | | |
| General Fund/General Purpose Grant | 54.9 | 0.0 | 0.0 |
| Federal Race to Top Challenge Grant (Request #2014-3) | 51.7 | 0.0 | 0.0 |
| Total Estimated School Aid Fund Revenue..... | \$14,059.1 | \$14,279.6 | \$14,339.9 |
| Expenditures: | | | |
| Ongoing Appropriations: | | | |
| Initial Ongoing K-12 Appropriations | \$13,168.8 | \$13,528.7 | \$13,790.7 |
| Consensus Cost Adjustments (Request #2014-3) | (109.3) | 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 | \$13,457.6 | \$13,926.8 | \$14,188.8 |
| One-Time Appropriations: | | | |
| Initial One-Time K-12 Appropriations..... | \$193.0 | \$268.4 | \$0.0 |
| Deposit to MPSERS Reserve Fund..... | 0.0 | 50.0 | 0.0 |
| PA 97 of 2013: District Dissolution General Fund Grant | 4.9 | 0.0 | 0.0 |
| Supplemental Request #2014-3 (excluding Consensus) | <u>52.0</u> | <u>0.0</u> | <u>0.0</u> |
| Subtotal One-Time Appropriations | \$249.9 | \$318.4 | \$0.0 |
| Total Estimated School Aid Fund Expenditures..... | \$13,707.5 | \$14,245.2 | \$14,188.8 |
| PROJECTED YEAR-END SCHOOL AID FUND BALANCE | \$351.6 | \$34.4 | \$151.1 |

FY 2014-15 GF/GP Budget Changes

Table 9

| FY 2014-15 BUDGET RECOMMENDATION MAJOR CHANGES FROM FY 2013-14 YEAR-TO-DATE GENERAL FUND/GENERAL PURPOSE (GF/GP) APPROPRIATIONS (Millions of Dollars) | |
|--|----------------|
| FY 2013-14 Year-to-Date Appropriations..... | \$9,386.4 |
| FY 2014-15 Governor's Recommendation..... | 9,843.4 |
| Net Change in GF/GP Appropriations | \$457.0 |
| | |
| Total New Programs | \$89.9 |
| Total Net Savings Medicaid Expansion..... | (251.2) |
| Total Funding Increases | 800.9 |
| Total Funding Reductions | (284.1) |
| Total Funding Shifts..... | 46.6 |
| Total OPEB Funding Change | (12.8) |
| Total Non-OPEB Economic Adjustments..... | 67.7 |
| TOTAL GF/GP FUNDING CHANGE | \$457.0 |

Table 10

| FY 2014-15 GOVERNOR'S APPROPRIATION RECOMMENDATION NEW GF/GP PROGRAMS (Millions of Dollars) | |
|--|------------------|
| <u>Budget Area/Program</u> | |
| Attorney General | |
| Human Trafficking Initiative | \$0.4 |
| Community Health | |
| Mental Health Commission Recommendations (\$5.0M one-time) | 15.6 |
| Corrections | |
| Mental Health Diversion Council | 1.0 |
| Education | |
| Education evaluation and student assessment phase-in..... | 5.0 |
| Financial independence team | 0.8 |
| Environmental Quality | |
| Water Quality and Use Initiative | 4.0 |
| Recycling Initiative..... | 1.0 |
| Executive | |
| Office for New Americans..... | 0.4 |
| Human Services | |
| County share of child placing agency administrative costs | 5.0 |
| Asset test automation contract..... | 2.8 |
| Performance-based contracting model | 1.0 |
| Catholic Charities Center for Hope | 0.5 |
| Pilot iPad program for child welfare workers..... | 0.5 |
| Military and Veterans Affairs | |
| National Guard tuition assistance | 5.0 |
| Natural Resources | |
| Nonmotorized Trail Initiative..... | 2.5 |
| Invasive Species Initiative (\$2.0M one-time) | 6.0 |
| Great Lakes research vessel (one-time)..... | 1.0 |
| School Aid | |
| Educator evaluations..... | 5.7 |
| Advanced placement scholarships..... | 0.3 |
| Career readiness study | 0.3 |
| Technology, Management, and Budget | |
| Office of Urban Initiative (one-time) | 5.5 |
| Treasury (Operations) | |
| Financial independence team | 6.5 |
| Office of Tax Implementation tax testing system | 1.6 |
| Treasury (Strategic Fund) | |
| Engineering talent investment program debt service..... | 7.9 |
| Community colleges skilled trades equipment program debt service | 4.6 |
| Automotive, Engineering, and Manufacturing Technology Fund (one-time) | 5.0 |
| TOTAL GF/GP FUNDING INCREASES | \$89.9 |
| GF/GP Savings Related to Medicaid Expansion (total Gross cost increase of \$2,155,383,000)..... | |
| Department of Community Health Net GF/GP Savings | (232.1) |
| Department of Corrections Net GF/GP Savings..... | (19.1) |
| TOTAL GF/GP NET SAVINGS FROM MEDICAID EXPANSION | (\$251.2) |

Table 11

| FY 2014-15 GOVERNOR'S APPROPRIATION RECOMMENDATION GF/GP FUNDING INCREASES (Millions of Dollars) | |
|---|-------|
| Budget Area/Program | |
| Agriculture and Rural Development | |
| Food safety inspections | \$1.2 |
| Pesticide and Plant Pest Management (replace one-time with ongoing) | 0.8 |
| Dairy inspections | 0.6 |
| Qualified Forest Program (replace \$2.3M one-time with \$2.5M ongoing) | 0.2 |
| Competitive grant for agriculture business growth (one-time) | 2.0 |
| Civil Rights | |
| Advocates and leaders for police and community trust | 0.3 |
| Expand Civil Rights intake unit | 0.2 |
| Michigan alliance against hate crimes | 0.1 |
| Anti-bullying funding | 0.1 |
| Community Colleges | |
| MPSERS unfunded liability rate cap increase | 27.7 |
| 3.0% Operations increase | 8.9 |
| Community Health | |
| Medicaid Base and Caseload Adjustments | 44.7 |
| Actuarially sound rates for Medicaid HMOs/PIHPs | 42.0 |
| Retain primary care rate increase at half of federally funded level | 26.0 |
| Reduced GF/GP savings from Medicaid special financing | 12.9 |
| Eliminate Home/Community-Based Waiver wait list | 9.0 |
| Continue Wayne State Psychiatric residency funding with General Fund | 5.6 |
| Healthy Kids dental expansion | 5.4 |
| Eliminate senior home delivered meal and in-home services wait list | 5.0 |
| Expand mental health jail diversion | 3.4 |
| Expand Rural Prenatal Home Visitation Program | 2.5 |
| Delay in savings from dual eligible waiver | 1.8 |
| Increase elder abuse prevention funding | 1.0 |
| Continue U-D dental clinic funding with General Fund (one-time) | 4.1 |
| Increase WMU/EMU autism by \$500K, \$1.0M for MSU autism (one-time) | 2.0 |
| Child and adolescent services pilot (one-time) | 2.0 |
| Corrections | |
| Hepatitis C treatment protocol | 4.9 |
| Increased local leased bed space | 4.0 |
| Prisoner education | 3.3 |
| Medicaid expansion administrative costs | 0.8 |
| Central records funding | 0.6 |
| Central facility maintenance | 0.5 |
| Expenditures for detainer and in-facility | 0.4 |
| Health care services training and professional development | 0.4 |
| Neal settlement (convert from \$20.0M ongoing to \$25.0M one-time) | 5.0 |
| Prison vocational services startup costs (one-time) | 1.0 |
| Parole/probation staff mobilization (\$0.4M one-time) | 1.0 |
| Education | |
| MPSERS reforms, technical adjustments | 0.9 |
| School reform staff | 0.9 |
| MPSERS rate reduction for public libraries | 0.4 |
| Office of Great Start analysis on early childhood programs | 0.4 |
| Educator evaluations and student assessment phase-in (one-time) | 0.9 |

Table 100: Webjbi YX

| FY 2014-15 GOVERNOR'S APPROPRIATION RECOMMENDATION GF/GP FUNDING INCREASES (Millions of Dollars) | |
|---|------|
| Environmental Quality | |
| Drinking Water Revolving Fund, match for Federal funds..... | 2.5 |
| Hazardous Waste Management Program | 1.9 |
| Environmental law compliance assistance | 1.0 |
| Electronic document management (one-time)..... | 2.5 |
| Executive Office | |
| Funding increase..... | 0.2 |
| Higher Education | |
| 6.1% increase for University Operations..... | 76.9 |
| 6.1% increase for MSU Agriculture/Bio Research | 1.8 |
| 6.1% increase for MSU Extension | 1.6 |
| 3.2% increase for Tuition Incentive Program..... | 1.5 |
| Increased funding for HEIDI database..... | 0.1 |
| Human Services | |
| Child Care Fund expenditures | 3.6 |
| Adoption subsidy caseload | 3.0 |
| Adoption support services costs | 2.1 |
| Child welfare medical and psychiatric evaluations | 2.1 |
| Supplemental Security Income caseload increase | 1.6 |
| Inspector General field agents | 1.5 |
| Child support enforcement and legal support..... | 1.0 |
| Single audit and public assistance cost allocation..... | 0.8 |
| Domestic violence prevention and treatment..... | 0.5 |
| Guardianship Assistance Program | 0.3 |
| Travel costs for mobile workers and community services | 0.3 |
| Michigan Community Service Commission | 0.3 |
| Children's Trust Fund increase | 0.2 |
| Income verification | 0.2 |
| Juvenile Justice Re-entry Program | 0.2 |
| Attorney General contracts | 0.1 |
| Michigan Rehabilitative Services (\$2.4M one-time) | 4.4 |
| Web-based employer portal for child support (one-time) | 1.0 |
| Child support enforcement increase to replace lost revenue (one-time)..... | 1.0 |
| Insurance and Financial Services | |
| Medicaid expansion administrative costs | 0.2 |
| Judiciary | |
| Trial Court Case Management System..... | 4.1 |
| Mental Health Diversion Program | 1.7 |
| Indigent defense funding..... | 1.0 |
| Compliance with language proficiency requirements | 0.2 |
| Legislative Auditor General | |
| Funding increase | 0.3 |
| Legislature | |
| Funding increase | 4.8 |
| Licensing and Regulatory Affairs | |
| Self-insurers tax credit replacement | 1.0 |
| Departmentwide process improvement | 0.7 |
| Increased administrative hearings due to Medicaid expansion..... | 0.5 |

Table 100: Web 100 YX

| FY 2014-15 GOVERNOR'S APPROPRIATION RECOMMENDATION GF/GP FUNDING INCREASES (Millions of Dollars) | |
|---|-------|
| Military/Veterans Affairs | |
| Veterans service delivery enhancements | 1.2 |
| Michigan Veterans Affairs Agency regional coordinators | 0.8 |
| Veterans Service Officers Incentive Program | 0.3 |
| Guard headquarters and armories special maintenance (one-time) | 4.0 |
| Veterans home special maintenance (one-time) | 3.0 |
| Natural Resources | |
| State Park repair and maintenance | 4.0 |
| Add 25 conservation officers | 3.5 |
| Michigan Conservation Corps increase | 1.0 |
| School Aid | |
| Center for Educational Performance and Innovation (CEPI) | 2.4 |
| State | |
| Process to verify paper certificates before renewal of registration | 1.2 |
| Develop fraud deterrence | 0.6 |
| Increase vendor payments for campaign finance and lobby registration | 0.5 |
| State Police | |
| New trooper school, first year costs | 7.8 |
| New motor carrier officer school, first year costs | 3.2 |
| Trooper school, second year costs | 2.7 |
| Saginaw County/statewide records management system | 1.5 |
| Increase in one-time trooper school costs | 1.1 |
| New helicopter operations costs | 0.3 |
| Local public safety initiative (one-time) | 5.0 |
| New helicopter purchase costs (one-time) | 4.9 |
| Motor vehicle carrier officer costs (one-time) | 2.0 |
| Electronic warrant information exchange system (one-time) | 0.8 |
| Support team vehicle replacement (one-time) | 0.2 |
| Technology, Management, and Budget | |
| Information Technology Investment Fund | 28.0 |
| State Police lifecycle and radio replacement programs | 25.3 |
| Enhance cyber security services | 6.8 |
| Enterprisewide special maintenance | 5.0 |
| Regional prosperity grants | 2.5 |
| Children's Ombudsman staff | 0.5 |
| Prefund pension costs for Department of Military and Veterans Affairs | 0.4 |
| Increase legal services funding (one-time) | 3.0 |
| Transportation | |
| New funding for trunkline and road/bridge (one-time) | 242.0 |
| New funding for rail infrastructure (one-time) | 10.0 |
| New funding for aeronautics (one-time) | 2.0 |
| Treasury (Debt Service) | |
| New debt service for Environmental Quality | 6.9 |
| Treasury (Operations) | |
| 5% increase in PILT payments | 0.7 |
| Expand technical issues resolution unit | 0.6 |
| Data Governance Program | 0.4 |
| Personal property tax reform for municipalities (one-time) | 19.3 |
| Credit card payment services (one-time) | 2.0 |
| Personal property tax reform implementation (one-time) | 1.5 |

Table 11: Funding YX

| FY 2014-15 GOVERNOR'S APPROPRIATION RECOMMENDATION GF/GP FUNDING INCREASES (Millions of Dollars) | |
|---|----------------|
| Treasury (Strategic Fund) | |
| Business attraction (\$24.8M one-time to \$29.8M ongoing/\$10M one-time)..... | 15.0 |
| Land Bank Fast Track Authority..... | 4.0 |
| Pure Michigan increase..... | 2.0 |
| Arts and Cultural grants..... | 2.0 |
| Other Funding Increases in Budget Recommendation | 5.4 |
| TOTAL GF/GP FUNDING INCREASES | \$800.9 |

Table 12

| FY 2014-15 GOVERNOR'S APPROPRIATION RECOMMENDATION GF/GP FUNDING ELIMINATIONS/REDUCTIONS (Millions of Dollars) | |
|---|---------|
| Agriculture | |
| Plant and Pesticide Management (one-time) | (\$0.8) |
| Ottawa County water resource study (one-time)..... | (0.3) |
| Community Colleges | |
| Eliminate Virtual Learning Collaborative funding (one-time)..... | (1.1) |
| Community Health | |
| Eliminate rural and sole community hospital pool | (12.0) |
| Remove Mental Health Innovations Fund (one-time)..... | (5.0) |
| Reflect end of Medicaid Computer Project (one-time) | (2.3) |
| Remove graduate medical education funding (one-time) | (1.5) |
| Eliminate CMU and Oakland autism programs (one-time)..... | (1.0) |
| Corrections | |
| Remove food service legacy cost funding..... | (8.2) |
| Remove custody training funding (one-time)..... | (9.0) |
| Environmental Quality | |
| Reduce Administrative Hearing funding | (0.2) |
| Remove Wetlands funding (one-time)..... | (0.6) |
| Remove Hazardous Waste Management funding (one-time)..... | (0.4) |
| Human Services | |
| Family Independence Program caseload | (34.7) |
| State Disability Assistance caseload | (2.9) |
| Foster Care expenditure projection | (1.0) |
| Remove BRIDGES funding (one-time)..... | (1.0) |
| Remove Fraud Detection funding (one-time) | (1.0) |
| Insurance and Financial Services | |
| Eliminate General Fund appropriation for Autism Coverage Fund | (11.0) |
| Judiciary | |
| Reduction in judgeships through attrition | (0.6) |
| Remove Michigan Court System case management system (one-time)..... | (3.5) |
| Licensing and Regulatory Affairs | |
| Remove nursing home surveillance IT system funding (one-time) | (2.1) |
| Military and Veterans Affairs | |
| Remove funding for Veterans Service Delivery Initiative (one-time)..... | (4.0) |
| Remove computer upgrade funding (one-time)..... | (1.5) |

Table 10.1 - Webjbi YX

| FY 2014-15 GOVERNOR'S APPROPRIATION RECOMMENDATION GF/GP FUNDING ELIMINATIONS/REDUCTIONS (Millions of Dollars) | |
|---|------------------|
| Natural Resources | |
| Remove Conservation Officer training (one-time) | (0.6) |
| State Police | |
| Remove emergency response vehicle purchase costs (one-time) | (0.4) |
| Remove Disaster and Emergency Fund (one-time) | (2.0) |
| Remove Grand Rapids crime lab funding (one-time) | (0.4) |
| Remove Secondary Road Patrol funding (one-time) | (0.2) |
| Technology, Management, and Budget | |
| Reduce State Building Authority rent costs | (4.0) |
| Remove IT Innovations Fund | (2.5) |
| Remove Delta County bridge removal funding (one-time) | (1.5) |
| Remove MSU asbestos abatement funding (one-time) | (0.4) |
| Transportation | |
| Remove GF/GP Federal Aid Match (one-time) | (121.3) |
| Treasury (Debt Service) | |
| Adjust current Debt Service programs | (8.7) |
| Treasury (Operations) | |
| Remove Distressed Communities funding (one-time) | (5.0) |
| Replace Treasury sales withholding system (one-time) | (1.8) |
| Treasury (Strategic Fund) | |
| Reduce Film Incentive payments (from \$50M one-time to \$25M ongoing) | (25.0) |
| Reduce Job Creation Services special projects funding | (4.6) |
| TOTAL GF/GP FUNDING ELIMINATIONS/REDUCTIONS | (\$284.1) |

Table 13

| FY 2014-15 GOVERNOR'S APPROPRIATION RECOMMENDATION FUND SHIFTS TO INCREASE/(REDUCE) GF/GP (Millions of Dollars) | |
|--|---------------|
| Budget Area/Program | |
| Agriculture | |
| Building occupancy charge Federal revenue | \$0.4 |
| Community Health | |
| Decrease in base Medicaid match rate | 79.7 |
| Tobacco Settlement dollars | 17.5 |
| Replace unrealized EMS fee revenue with General Fund | 1.0 |
| Senior Respite Care revenue | 0.4 |
| Medicaid Trust Fund shortfall..... | 0.4 |
| Increase in match rate for Home/Community Waiver..... | (7.6) |
| Environmental Quality | |
| Environmental Pollution Prevention fund shift..... | 0.2 |
| Human Services | |
| Decrease in base Medicaid match rate..... | 2.1 |
| Increase in available retained child support to offset General Fund..... | (0.4) |
| Judiciary | |
| Replace Federal State Appellate Defender funds with General Fund | 0.4 |
| Military and Veterans Affairs | |
| Grand Rapids Veterans Home fund source shift..... | 0.2 |
| Natural Resources | |
| Wildlife Protection fund shift | 4.0 |
| School Aid | |
| Replace General Fund with School Aid Fund | (59.1) |
| State | |
| Reduce use of MTF funds | 0.3 |
| State Police | |
| Lab Operations fund source | 4.1 |
| Treasury (Debt Service) | |
| Refined Petroleum fund shift to General Fund..... | 3.0 |
| TOTAL GF/GP FUND SHIFTS..... | \$46.6 |

**FY 2014-15
School Aid Fund
Budget Changes**

School Aid Recommendations

The Governor's recommended budget for School Aid/K-12 totals \$13.8 billion, of which \$1.8 billion is Federal funds, \$180.0 million is GF/GP, \$18.0 million is the State funding remaining in the Michigan Public School Employees' Retirement System (MPERS) Reserve Fund, and \$11.8 billion is from the School Aid Fund. The total spending from all funds represents an increase of \$430.4 million (or 3.2%) over current law year-to-date funding, although the GF/GP grant to the School Aid budget is reduced by \$54.9 million.

The largest increase in the Governor's recommendation is used to pay the MPERS rate cap costs, which are appropriated in FY 2014-15 at \$270.1 million above current levels. (This line item caps the amount that local employers (schools) pay toward the unfunded accrued liability (UAL) at 20.96% of payroll, and the School Aid Fund makes up the difference between the total amount of UAL and the 20.96% cap.) The Governor is further proposing to "repurpose" the existing \$100.0 million categorical that provides grants to districts to help with MPERS costs in general, and use that money instead to lower the rate cap to 19.76% of payroll. Doing so results in an additional cost of \$9.2 million to cover the cost of capping the rate for intermediate districts (and there is similar funding for community colleges and libraries in other budget areas to pay for the proposed lower cap).

The Governor also proposes the expenditure to \$150.0 million to increase per-pupil foundation allowances between \$83 and \$111 per pupil. Of this \$150.0 million cost, \$115.6 million is available because of lower State costs due to declining enrollment around the State. The per-pupil increase is in addition to the current-year equity payment that provided \$50 to the lowest-funded districts. Therefore, under the Governor's budget for FY 2014-15, the minimum foundation allowance would be \$7,187, and the basic foundation allowance (which is the target and also the hold-harmless threshold) would be \$8,132. The proposed increase was calculated by using a formula that would provide all districts first with a \$55 increase, then using the "2x" formula to distribute an additional \$28 to \$56 per pupil.

The Governor proposes a further expansion of the Great Start Readiness Program (GSRP), which provides preschool education to at-risk four-year-olds. The program received a \$65.0 million increase in the current year, and the Governor is proposing another \$65.0 million increase for FY 2014-15, along with a \$100 per-pupil increase in the reimbursement rate, to \$3,725. The additional funding would provide another roughly 16,000 slots in FY 2014-15, and would bring total GSRP funding to nearly \$240.0 million.

The Governor proposes two new major funding initiatives: 1) a \$10.0 million District Fiscal Emergency Contingency Fund to ensure that dissolving districts are able to provide educational services through the end of the year in which they plan to close; and 2) \$27.8 million for Educator Evaluations, along with \$7.2 million in additional student assessment costs and an \$8.5 million earmark out of technology funds.

The bulk of the educator evaluation dollars would provide for phased-in observer training and licenses for teacher and administrator evaluation tools, and the remaining funds would

provide teacher-student rosters for local evaluation systems, value-added modeling for existing tests, electronic reporting, and other items. The \$7.2 million in additional student assessment costs would fund the first year of a multiyear computer-based student assessment phase-in, with access to results immediately after tests are scored. The \$8.5 million earmark from technology funds would be used to convert existing tests to online student assessments, provide paper tests to districts not technologically ready, expand writing assessments to additional grade levels, and increase the number of constructed response questions.

The FY 2014-15 School Aid/K-12 budget also includes some smaller new initiatives, including \$2.0 million for a Year-Round Schools Pilot Program; \$1.75 million for Dual Enrollment Incentive Payments to districts (up to \$60 per successfully completed three-credit course); \$250,000 for a new Career Readiness Study to be completed by an independent third-party; and \$250,000 to pay the costs of Advanced Placement and International Baccalaureate testing fees for low-income students. Best Practices (\$80.0 million) and Pupil Performance Grants (\$46.4 million) are retained at current-year levels and with no changes in qualifying criteria. Technology grants are also maintained at the current-year level of \$50.0 million, but, as noted above, \$8.5 million is earmarked in the Governor's budget for related assessment costs.

The Governor also proposes to transfer \$50.0 million from the School Aid Fund (SAF) into the MPSERS Reserve Fund. This is not an appropriation, but instead would be a transfer of unrestricted SAF dollars into the MPSERS Reserve Fund; subsequent legislative action would be needed for the expenditure of money from that Fund. In addition, there is a projected year-end balance of \$34.4 million on the School Aid Fund balance sheet for FY 2014-15, meaning that there is a total of \$84.4 million in unappropriated funding in the Governor's recommendation.

Table 14

| FY 2014-15 GOVERNOR'S APPROPRIATION RECOMMENDATION K-12 SCHOOL AID APPROPRIATION CHANGES (Millions of Dollars) | |
|---|-----------------|
| FY 2013-14 Year-to-Date Appropriations | \$13,366.7 |
| FY 2014-15 Governor's Recommended Appropriations | <u>13,797.1</u> |
| Net Change in School Aid Appropriations | \$430.4 |
| Recommended Appropriations for New Programs: | |
| District Fiscal Emergency Contingency Fund | \$10.0 |
| Dual Enrollment Incentive Payments | 1.8 |
| Educator Evaluations..... | 27.8 |
| Year-Round School Pilot Program..... | 2.0 |
| Advanced Placement Incentive Program..... | 0.3 |
| Career Readiness Study | <u>0.3</u> |
| Subtotal Appropriations for New Programs..... | \$42.2 |
| Recommended Appropriation Increases in Existing Programs: | |
| MPSERS Rate Cap Costs | \$270.1 |
| Foundation Allowance Increase (\$83 - \$111 per pupil)..... | 150.0 |
| Great Start Readiness Program | 65.0 |
| MPSERS Cost Offset (additional rate cap reduction to 19.76%) | 9.2 |
| Student Assessments (State portion) | 7.2 |
| Federal Grants | 43.7 |
| School Bond Loan Fund Debt Service..... | 10.9 |
| CEPI..... | 2.5 |
| PILT and Promise Zone Adjustments | <u>0.2</u> |
| Subtotal Appropriation Increases in Existing Programs | \$558.8 |
| Recommended Appropriation Eliminations or Reductions: | |
| Cost Savings from Declining Pupils | (\$115.4) |
| Competitive Student-Centric Grants (eliminated)..... | (8.0) |
| Technical Special Education Cost Adjustments..... | (41.5) |
| Dual Enrollment Credit Transfer Program (eliminated) | (1.0) |
| Principal Educator Evaluation Training (eliminated) | (0.5) |
| FIRST Robotics | (1.0) |
| Renaissance Zone Library Reimbursement Transfer to Department of Ed..... | <u>(3.2)</u> |
| Subtotal Appropriation Decreases or Eliminations..... | (\$170.6) |
| Total Recommended Appropriation Changes..... | \$430.4 |

Fee and Revenue Proposals

Proposed Fee Adjustments

The FY 2014-15 budget proposes no new or increased fees but does include sunset delays for four fees with annual revenue totaling \$2.9 million. Of the delayed fee sunsets, three occur in the Department of Environmental Quality budget and are for permits related to the generation, transportation, treatment, storage, processing, and disposal of hazardous waste. The annual revenue generated from these fees is estimated to total \$1.1 million. The Department of Community Health budget includes the delay of a sunset on the use of the Crime Victim Rights Fund for the Statewide EMS Trauma System. In FY 2013-14, \$1.8 million in revenue from the Crime Victim Rights Fund is used for this purpose.

Table 15

| FY 2014-15 GOVERNOR'S RECOMMENDATION PROPOSED FEE ADJUSTMENTS INCLUDED IN BUDGET (Actual Dollars) | | |
|--|---|--------------------------|
| Department | Fee Type | Estimated Revenue |
| Maintenance of Current Fee Levels | | |
| Community Health | Crime Victims Rights Fund for Statewide EMS Trauma System | \$1,750,000 |
| Environmental Quality | Hazardous Waste Management Fees | \$1,100,000 |
| TOTAL FEE SUNSETS..... | | \$2,850,000 |

Property Tax Relief

Under current law, the Homestead Property Tax Credit provides a refundable credit to taxpayers with household resources of less than \$50,000. The credit is generally equal to 60% of the amount any property taxes exceed 3.5% of the taxpayer's household resources, although low-income seniors and disabled individuals are eligible for more. The credit may not exceed \$1,200 and is available to both homeowners and renters.

The Governor's FY 2014-15 budget recommendation includes an additional \$102.7 million in property tax relief that would result from expanding the Homestead Property Tax Credit. The 3.5% threshold would be lowered to 3.0% and the income limit would be increased to \$60,000.

Taxpayers who qualify for the credit for tax year 2013 would receive a supplemental refund check during the summer of 2014, although taxpayers newly eligible for the expanded credit would need to file amended returns in order to claim the credit for tax year 2013.

Major Budget Areas Appropriation Summaries

Community Colleges and Higher Education Recommendations

Community Colleges

The Governor proposes to increase funding for community college operations by \$8.9 million (3.0%), distributed pursuant to the current Performance Indicators funding model. The Governor adds a prerequisite of tuition restraint (3.2%) for community colleges to qualify for any performance funding. The Governor would increase State funding for MPERS unfunded accrued liability costs from \$31.4 million to \$60.8 million for costs of the current 20.96% cap and also reduce the cap to 19.76% in FY 2014-15. The increase is funded by \$27.7 million GF/GP and the transfer of \$1.7 million in funds previously allocated for a portion of MPERS retiree health care to the rate cap cost. The Governor also is proposing \$50.0 million in bonding under the Michigan Strategic Fund in the General Government budget for a Community College Skilled Trades Equipment Program to reimburse eligible expenses related to the acquisition and installation of equipment. Funding would be allocated through a competitive selection process administered by the Michigan Strategic Fund.

Higher Education

The Governor's recommendation includes a \$76.9 million (6.1%) increase for university operations. The funding is distributed through the same performance metrics as FY 2013-14 with certain modifications. The changes include distributing half the increase proportionally to universities based on FY 2010-11 appropriations, and adding Pell grants to the metrics that are based on Carnegie classifications. Michigan State University (MSU) AgBioResearch and MSU Extension also would receive 6.1% increases (\$3,433,600 GF/GP). The Tuition Incentive Program would be increased by \$1.5 million GF/GP, from \$47.0 million to \$48.5 million based on program need. Funding for the Higher Education Institutional Data Inventory is increased by \$95,000 GF/GP for improvements to the database. The Governor also includes a new Engineering Talent Investment Program in the Michigan Strategic Fund (MSF) budget. The program would provide up to \$100.0 million in bond funds for capital improvements related to the construction, expansion, renovation, repurposing, and equipping of facilities that provide primary instructional, laboratory, or research support of engineering programs. The bonds would be issued by the MSF and the funds distributed based on a competitive selection process.

Table 16

| FY 2014-15 COMMUNITY COLLEGE APPROPRIATIONS: GOVERNOR'S RECOMMENDATION | | | | | | | | | | | |
|--|----------------------|-------------------------|---------------------------|-------------------------------|----------------------------|-------------------|----------------------------|-----------------------------|---------------------|-----------------------|----------------|
| College | FY 2013-14 Enacted | Non-Formula Adjustments | 50% Proportionate to Base | 17.5% Weighted Degree Formula | 10.0% Student Contact Hrs. | 7.5% Admin. Costs | Total Formula Distribution | 15.0% Local Strategic Value | Total Adjustments | FY 2014-15 Gov's Rec. | Percent Change |
| Alpena | \$5,236,500 | | 78,547 | 20,374 | 7,346 | 24,344 | 130,600 | 23,600 | \$154,200 | \$5,390,700 | 2.9% |
| Bay de Noc | 5,279,300 | | 79,189 | 24,053 | 9,488 | 3,660 | 116,400 | 23,800 | 140,200 | 5,419,500 | 2.7% |
| Delta | 14,063,500 | | 210,952 | 86,758 | 42,521 | 31,892 | 372,100 | 63,300 | 435,400 | 14,498,900 | 3.1% |
| Glen Oaks | 2,441,500 | | 36,622 | 19,578 | 5,397 | 1,963 | 63,600 | 11,000 | 74,600 | 2,516,100 | 3.1% |
| Gogebic | 4,330,300 | | 64,954 | 13,861 | 4,853 | 17,882 | 101,600 | 19,500 | 121,100 | 4,451,400 | 2.8% |
| Grand Rapids | 17,454,900 | | 261,823 | 62,200 | 60,876 | 29,226 | 414,100 | 78,500 | 492,600 | 17,947,500 | 2.8% |
| Henry Ford | 21,060,000 | | 315,899 | 72,402 | 63,497 | 17,230 | 469,000 | 94,800 | 563,800 | 21,623,800 | 2.7% |
| Jackson | 11,758,200 | | 176,373 | 58,725 | 23,594 | 17,546 | 276,200 | 52,900 | 329,100 | 12,087,300 | 2.8% |
| Kalamazoo Valley | 12,122,500 | | 181,837 | 68,519 | 40,857 | 34,744 | 326,000 | 54,600 | 380,600 | 12,503,100 | 3.1% |
| Kellogg | 9,522,000 | | 142,830 | 49,135 | 22,883 | 33,849 | 248,700 | 42,800 | 291,500 | 9,813,500 | 3.1% |
| Kirtland | 3,055,700 | | 45,835 | 22,898 | 7,037 | 22,397 | 98,200 | 13,800 | 112,000 | 3,167,700 | 3.7% |
| Lake Michigan | 5,178,100 | | 77,671 | 20,753 | 16,859 | 26,254 | 141,500 | 23,300 | 164,800 | 5,342,900 | 3.2% |
| Lansing | 30,023,700 | | 450,354 | 164,993 | 69,533 | 33,950 | 718,800 | 135,100 | 853,900 | 30,877,600 | 2.8% |
| Macomb | 31,931,200 | | 478,967 | 134,078 | 93,596 | 35,040 | 741,700 | 143,700 | 885,400 | 32,816,600 | 2.8% |
| Mid Michigan | 4,517,900 | | 67,768 | 36,235 | 16,919 | 22,875 | 143,800 | 20,300 | 164,100 | 4,682,000 | 3.6% |
| Monroe | 4,342,600 | | 65,139 | 20,491 | 14,506 | 30,682 | 130,800 | 19,500 | 150,300 | 4,492,900 | 3.5% |
| Montcalm | 3,121,200 | | 46,818 | 15,938 | 6,646 | 22,065 | 91,500 | 14,000 | 105,500 | 3,226,700 | 3.4% |
| Mott | 15,247,100 | | 228,706 | 68,034 | 44,351 | 29,299 | 370,400 | 68,600 | 439,000 | 15,686,100 | 2.9% |
| Muskegon | 8,653,500 | | 129,802 | 30,595 | 18,565 | 29,685 | 208,600 | 38,900 | 247,500 | 8,901,000 | 2.9% |
| North Central | 3,064,400 | | 45,966 | 13,580 | 9,057 | 25,633 | 94,200 | 13,800 | 108,000 | 3,172,400 | 3.5% |
| Northwestern | 8,825,300 | | 132,379 | 33,333 | 20,046 | 28,065 | 213,800 | 39,700 | 253,500 | 9,078,800 | 2.9% |
| Oakland | 20,483,100 | | 307,246 | 106,831 | 104,290 | 29,666 | 548,000 | 92,200 | 640,200 | 21,123,300 | 3.1% |
| St. Clair | 6,860,100 | | 102,901 | 27,819 | 16,907 | 22,982 | 170,600 | 30,900 | 201,500 | 7,061,600 | 2.9% |
| Schoolcraft | 12,112,200 | | 181,683 | 91,660 | 49,560 | 24,108 | 347,000 | 54,500 | 401,500 | 12,513,700 | 3.3% |
| Southwestern | 6,404,300 | | 96,064 | 21,471 | 11,173 | 14,578 | 143,300 | 28,800 | 172,100 | 6,576,400 | 2.7% |
| Washtenaw | 12,610,800 | | 189,162 | 141,232 | 49,381 | 29,984 | 409,800 | 56,700 | 466,500 | 13,077,300 | 3.7% |
| Wayne County | 16,194,300 | | 242,914 | 131,399 | 59,710 | 26,386 | 460,400 | 72,900 | 533,300 | 16,727,600 | 3.3% |
| West Shore | 2,349,800 | | 35,247 | 8,833 | 5,281 | 5,059 | 54,500 | 10,600 | 65,100 | 2,414,900 | 2.8% |
| Subtotal Operations | \$298,244,000 | \$0 | \$4,473,648 | \$1,565,778 | \$894,729 | \$671,044 | \$7,605,200 | \$1,342,100 | \$8,947,300 | \$307,191,300 | 3.0% |
| Virtual Learning Collabor. | 1,100,000 | (1,100,000) | | | | | | | (1,100,000) | 0 | -100.0% |
| MPERS Retiree Hlth Care | 1,733,600 | (1,733,600) | | | | | | | (1,733,600) | 0 | -100.0% |
| MPERS Reform Costs | 31,400,000 | 29,433,600 | | | | | | | 29,433,600 | 60,833,600 | 93.7% |
| Ren. Zone Reimbursement | 3,500,000 | 0 | | | | | | | 0 | 3,500,000 | 0.0% |
| Total Appropriations | \$335,977,600 | \$26,600,000 | \$4,473,648 | \$1,565,778 | \$894,729 | \$671,044 | \$7,605,200 | \$1,342,100 | \$35,547,300 | \$371,524,900 | 10.6% |
| State School Aid Fund | 197,614,100 | 1,733,600 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$197,614,100 | 0.0% |
| GF/GP | \$138,363,500 | \$24,866,400 | \$4,473,648 | \$1,565,778 | \$894,729 | \$671,044 | \$7,605,200 | \$1,342,100 | \$35,547,300 | \$173,910,800 | 25.7% |

Table 17

FY 2014-15 HIGHER EDUCATION APPROPRIATIONS: GOVERNOR'S RECOMMENDATION

| University | FY 2013-14 Year-to-Date Appropriation | Across-Board Adjustment | Critical Skills | Research & Development | Metrics Based on | | | FY 2014-15 Gov's Rec. | \$ Change from FY 2013-14 | % Change from FY 2013-14 |
|---|---|----------------------------|--------------------|---------------------------|---------------------|-------------------------------|--------------------|--------------------------|---------------------------------|--------------------------------|
| | | | | | Carnegie Peers | Total Formula Distribution | Other Changes | | | |
| Central | \$73,540,100 | 2,169,019 | 397,056 | 32,819 | 3,144,361 | 5,743,300 | | \$79,283,400 | \$5,743,300 | 7.8% |
| Eastern | 67,275,400 | 2,057,883 | 380,715 | 0 | 2,192,852 | 4,631,400 | | 71,906,800 | 4,631,400 | 6.9% |
| Ferris | 45,636,500 | 1,316,028 | 711,584 | 0 | 1,527,104 | 3,554,700 | | 49,191,200 | 3,554,700 | 7.8% |
| Grand Valley | 57,823,500 | 1,677,582 | 744,552 | 0 | 3,050,853 | 5,473,000 | | 63,296,500 | 5,473,000 | 9.5% |
| Lake Superior | 12,231,000 | 343,608 | 99,228 | 0 | 125,314 | 568,100 | | 12,799,100 | 568,100 | 4.6% |
| Michigan State | 249,597,800 | 7,678,812 | 1,558,482 | 1,057,934 | 4,984,188 | 15,279,400 | | 264,877,200 | 15,279,400 | 6.1% |
| Michigan Tech | 43,473,800 | 1,297,216 | 531,332 | 187,008 | 507,701 | 2,523,300 | | 45,997,100 | 2,523,300 | 5.8% |
| Northern | 41,741,400 | 1,221,861 | 279,624 | 0 | 1,110,889 | 2,612,400 | | 44,353,800 | 2,612,400 | 6.3% |
| Oakland | 45,651,600 | 1,374,011 | 586,554 | 37,324 | 796,594 | 2,794,500 | | 48,446,100 | 2,794,500 | 6.1% |
| Saginaw Valley | 25,991,000 | 750,346 | 225,620 | 0 | 692,147 | 1,668,100 | | 27,659,100 | 1,668,100 | 6.4% |
| UM-Ann Arbor | 279,232,700 | 8,560,400 | 1,572,744 | 2,371,270 | 3,918,515 | 16,422,900 | | 295,655,600 | 16,422,900 | 5.9% |
| UM-Dearborn | 22,510,400 | 669,291 | 214,152 | 0 | 331,062 | 1,214,500 | | 23,724,900 | 1,214,500 | 5.4% |
| UM-Flint | 19,938,200 | 565,669 | 250,274 | 0 | 625,839 | 1,441,800 | | 21,380,000 | 1,441,800 | 7.2% |
| Wayne State | 183,398,300 | 5,797,207 | 378,709 | 508,991 | 651,705 | 7,336,600 | | 190,734,900 | 7,336,600 | 4.0% |
| Western | 97,279,000 | 2,967,070 | 612,929 | 76,431 | 1,971,544 | 5,628,000 | | 102,907,000 | 5,628,000 | 5.8% |
| MPSERS Reimbursement | 2,446,200 | | | | | | 0 | 2,446,200 | 0 | 0.0% |
| MSU AgBioResearch | 30,243,900 | | | | | | 1,844,900 | 32,088,800 | 1,844,900 | 6.1% |
| MSU Extension | 26,044,800 | | | | | | 1,588,700 | 27,633,500 | 1,588,700 | 6.1% |
| Higher Education Database | 105,000 | | | | | | 95,000 | 200,000 | 95,000 | 90.5% |
| Midwest Higher Ed Compact | 95,000 | | | | | | 0 | 95,000 | 0 | 0.0% |
| King-Chavez-Parks | 2,691,500 | | | | | | 0 | 2,691,500 | 0 | 0.0% |
| College Access Program | 2,000,000 | | | | | | 0 | 2,000,000 | 0 | 0.0% |
| Total Universities | \$1,328,947,100 | \$38,446,003 | \$8,543,555 | \$4,271,777 | \$25,630,667 | \$76,892,000 | \$3,528,600 | \$1,409,367,700 | \$80,420,600 | 6.1% |
| School Aid Fund | \$200,465,700 | 0 | 0 | 0 | 0 | 0 | \$0 | 200,465,700 | \$0 | 0.0% |
| State GF/GP | \$1,128,481,400 | \$38,446,003 | \$8,543,555 | \$4,271,777 | \$25,630,667 | \$76,892,000 | \$3,528,600 | \$1,208,902,000 | \$80,420,600 | 7.1% |
| Grants and Financial Aid | | | | | | | | | | |
| State Comp. Scholarships | \$18,361,700 | | | | | | \$0 | \$18,361,700 | \$0 | 0.0% |
| Tuition Grants | 31,664,700 | | | | | | 0 | 31,664,700 | 0 | 0.0% |
| Tuition Incentive Prgm (TIP) | 47,000,000 | | | | | | 1,500,000 | 48,500,000 | 1,500,000 | 3.2% |
| Children of Vets & Officer's Tuition | 1,400,000 | | | | | | 0 | 1,400,000 | 0 | 0.0% |
| Project Gear-Up | 3,200,000 | | | | | | 0 | 3,200,000 | 0 | 0.0% |
| Total Grants/Financial Aid | \$101,626,400 | | | | | | 1,500,000 | \$103,126,400 | \$1,500,000 | 1.5% |
| 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 | \$4,500,000 | | | | | | \$1,500,000 | \$6,000,000 | \$1,500,000 | 33.3% |
| HIGHER EDUCATION SUMMARY | | | | | | | | | | |
| TOTAL ALL FUNDS | \$1,430,573,500 | \$38,446,003 | \$8,543,555 | \$4,271,777 | \$25,630,667 | \$76,892,000 | \$5,028,600 | \$1,512,494,100 | \$81,920,600 | 5.7% |
| TOTAL FEDERAL | 97,026,400 | 0 | 0 | 0 | 0 | 0 | 0 | 97,026,400 | 0 | 0.0% |
| TOTAL STATE RESTR. | 200,565,700 | 0 | 0 | 0 | 0 | 0 | 0 | 200,565,700 | 0 | 0.0% |
| TOTAL STATE GF/GP | \$1,132,981,400 | \$38,446,003 | \$8,543,555 | \$4,271,777 | \$25,630,667 | \$76,892,000 | \$5,028,600 | \$1,214,902,000 | \$81,920,600 | 7.2% |

Department of Community Health Recommendations

Governor Snyder's proposed FY 2014-15 Department of Community Health budget has a number of significant program expansions and several reductions of interest to the Legislature.

As was the case a year ago, the largest adjustment in the Governor's budget reflects the Medicaid expansion, officially titled "The Healthy Michigan Plan". The budget includes almost \$2.16 billion in Gross funding to cover services for over 300,000 individuals projected to be enrolled in the expansion in FY 2014-15. The budget also assumes GF/GP savings of \$232.1 million due to the shifting of people from State-funded programs, in particular Community Mental Health (CMH) non-Medicaid, to the expansion program. The Governor's full-year savings estimate for the CMH program has been reduced from \$203.9 million to \$187.9 million after further examination of expenditure detail.

The budget reflects a relatively modest increase in the Medicaid base of \$44.7 million GF/GP and rate increases totaling \$42.0 million GF/GP to maintain actuarially sound rates for Medicaid managed care organizations. After several years of increases, the Medicaid match rate will drop from 66.32% to 65.54%, increasing costs by \$79.7 million GF/GP.

Among new programs and programmatic increases are \$15.6 million Gross and GF/GP to help fund proposals found in the Mental Health Commission's January 2014 report. The budget includes \$6.0 million Gross and GF/GP to eliminate the waiting list for senior home delivered meals and in-home services and to prevent elder abuse. In addition, the Governor proposes \$26.2 million Gross and \$9.0 million GF/GP to eliminate the waiting list for the Home and Community Based Waiver program. There are also increases for rural prenatal home visitation (\$2.5 million Gross and GF/GP) and mental health jail diversion (\$3.35 million Gross and GF/GP). Finally, the Healthy Kids Dental program would be expanded to Kalamazoo and Macomb Counties, at a cost of \$15.7 million Gross and \$5.4 million GF/GP. This would leave Kent, Oakland, and Wayne Counties as the only counties not covered by the program.

The budget makes an adjustment to Medicaid primary care rates. Under the Affordable Care Act, Medicaid primary care rates were increased to Medicare rates for the calendar years 2013 and 2014, with the funding being 100% Federal. The Federal funding for that rate increase will expire on December 31, 2014. The Governor's budget includes \$75.4 million Gross and \$26.0 million GF/GP to retain half of the rate increase beginning January 1, 2015.

The budget does not address the projected \$110.0 million shortfall in FY 2014-15 in the Health Insurance Claims Assessment tax. The budget does assume that some action will be taken either by the Legislature or in some unspecified "administrative" way to resolve the shortfall.

There are several proposed reductions. Funding of \$500,000 apiece for the Central Michigan University Central Assessment Lending Library and the Oakland University Center for Autism Research, Education, and Support is eliminated. One-time Graduate Medical Education funding of \$4.3 million Gross, \$1.45 million GF/GP is removed. Finally, a \$35.6 million Gross, \$12.0 million GF/GP Rural and Sole Community Hospital funding pool is eliminated.

There are very few boilerplate changes aside from the usual deletions of boilerplate. Of most significance in new language is a section that would require the competitive bidding of CMH Services for Special Populations. In the past, this has basically been earmarked funding, so a change to competitive bidding could result in major shifts in funding among groups providing such services.

Department of Corrections Recommendations

The FY 2014-15 Michigan Department of Corrections (DOC) budget proposed by the Governor would provide an increase in total Gross appropriations of 0.9% and a 1.6% increase in GF/GP funds relative to the FY 2013-14 budget. Those appropriations correspond to absolute increases of \$17.5 million in Gross appropriations and \$32.1 million in GF/GP funding.

Included in the budget are drivers of both cost and savings.

Savings Drivers:

The main area of cost savings is due to Medicaid expansion. The initial estimates of the savings due to Medicaid expansion for DOC were \$32.2 million (both Gross and GF/GP). The Governor's revised projected savings amount is \$19.0 million (both Gross and GF/GP). The expected savings in substance abuse treatment as well as sex offender treatment services were not realized due to limited reimbursements in these two areas.

The other main area of cost savings is in the removal of legacy costs for food service. The privatization of food service resulted in \$8.1 million in Gross and GF/GP savings.

Cost Drivers:

The main cost driver is the economics adjustment (both standard economics and OPEB), which totals \$21.8 million Gross and \$21.2 million GF/GP.

In addition to the economics adjustments, there are five other cost drivers, which total \$19.2 million Gross and GF/GP. The increases in costs are as follows:

- Increase in the final Neal Settlement payment: \$5.0 million (\$25.0 million in final year vs. \$20.0 million annually in past years)
- Expansion of Prisoner Education: \$4.3 million
 - This appropriation would enable the DOC to hire new staff and improve vocational training programs to help inmate training to match employer-demanded skillsets
- Enhanced Hepatitis C Treatment Practice: \$4.9 million
 - Compliance with Centers for Disease Control protocols
- Leased beds from local sheriff departments: \$4.0 million
 - Use of county jail space to house DOC prisoners.
- Mental health diversion program: \$1.0 million
 - Pilot program that seeks to engage local/regional programs to coordinate behavioral health treatment.

The remaining changes are primarily incremental measures to maintain current services, bookkeeping adjustments, or investments in enhanced technology for field staff services.

Department of Human Services Recommendations

The Governor's recommended FY 2014-15 Department of Human Services budget reduces Gross expenditures by \$397.1 million below the current year-to-date amount and increases GF/GP expenditures by \$8.6 million above the current year-to-date appropriation. A large portion of the Gross reduction is due to reduced caseload projections in the Food Assistance Program (a negative \$445.5 million Gross/\$0.0 GF/GP). The increase in GF/GP spending is primarily due to new programs and the expansion of existing programs, as described in the previous sections, and the total number of FTEs increases from 12,150.5 to 12,197.5. The Governor's recommendation also rolls up the Temporary Assistance for Needy Families (TANF) fund sourcing into the Federal Funding revenue source.

Some of the key highlights in the budget recommendation include funding for the first-year implementation costs of the performance-based contracting model for child welfare services, a new call center for the Healthy Michigan Plan, increased funding for child support collections, increased vendor contracts for income and asset verification for public assistance eligibility, and additional GF/GP funding for Michigan Rehabilitative Services that will allow the State to draw down \$14.8 million in additional Federal funding.

As part of Supplemental Request 2014-4, the Governor has requested funding adjustments for revised caseload projections, adjustments to increase TANF spending and reduce other Federal funding claims in several line items, increased funding to align the county and State cost share with the requirements defined in boilerplate Section 589, and funding for both new and existing programs.

Revenue Sharing Payments

The Governor recommends revenue sharing payments of approximately \$1.25 billion in FY 2014-15, an increase of 9.7% or \$110.8 million over FY 2013-14 year-to-date appropriations. This increase consists of a \$19.4 million increase in constitutional revenue sharing for cities, villages, and townships (CVTs), an increase to the Economic Vitality Incentive Program (EVIP) of \$36.0 million or 15.3%, and an increase to revenue sharing payments to counties of \$65.4 million or 44.9% which would bring counties to full funding under the county revenue sharing formula. The Governor's recommended appropriations for revenue sharing for FY 2014-15 are shown in Table 18.

Table 18

| REVENUE SHARING APPROPRIATION SUMMARY | | | | |
|---|------------------------------------|----------------------------------|--------------------------|---------------------------|
| Ongoing & One-Time Appropriations | FY 2013-14 Year-to-Date | FY 2014-15 Gov's Rec. | Dollar Change | Percent Change |
| Constitutional Revenue Sharing | \$745,543,500 | \$764,927,600 | \$19,384,100 | 2.6% |
| Economic Vitality Incentive Program | 235,840,000 | 271,840,000* | 36,000,000 | 15.3 |
| County Incentive Program | 29,152,000 | 42,240,000 | 13,088,000 | 44.9 |
| County Revenue Sharing | 116,608,000 | 168,960,000 | 52,352,000 | 44.9 |
| Competitive Grant Assistance Program | 15,000,000 | 5,000,000 | (10,000,000) | (66.7) |
| TOTAL | \$1,142,143,500 | \$1,252,967,600 | \$110,824,100 | 9.7% |
| * Includes \$300,000 for administrative expenses of the Department of Treasury. | | | | |

Based on the January 2014 consensus revenue estimates, constitutional revenue sharing is estimated at \$764,927,600 in FY 2014-15. This would provide CVTs with a 2.6% increase in payments over the revised FY 2013-14 estimate. Constitutional revenue sharing pays CVTs 15.0% of sales tax collected at a rate of 4.0%. The funds are distributed on a per capita basis.

The Governor recommends full funding for counties under their existing statutory distribution formula. In total, revenue sharing payments to counties would increase by 44.9% to \$211.2 million. As in the current year, this funding would be distributed through two line items. The county revenue sharing line would increase by \$52,352,000 to \$158,960,000 and the county incentive program would increase by \$13,088,000 to \$42,240,000. These increases cover the cost of the 11 counties projected to return to State-paid revenue sharing in FY 2014-15 and the cost of bringing all 74 eligible counties up to full funding. Nine counties would continue to make authorized withdrawals from their revenue sharing reserve funds in lieu of State-paid revenue sharing.

The Governor recommends \$271,840,000 in FY 2014-15 for EVIP, an increase of 15.3%. The Governor would fund the existing EVIP distribution and add a second distribution that would be available to most, but not all, of the current EVIP-eligible CVTs. The current EVIP-eligible CVTs would receive up to \$243,040,000, a 3.1% increase in the maximum available payment, either by satisfying the current incentive requirements in accountability and transparency, consolidation of services, and unfunded accrued liabilities, or by meeting an alternative set of financial responsibility standards. The proposed new standards would consist of specific targets for budget reserves, contributions to defined benefit (DB) pension plans (or the absence of a DB plan), contributions to other post-employment benefits (OPEB) (or the absence of OPEB), and the local government's bond or credit rating (or the absence of debt). Qualifying under the proposed new standards also would be an option for participants in the county incentive program.

The Governor also would allocate \$28.5 million for a new supplemental EVIP distribution. This supplemental distribution would be made to EVIP-eligible cities, villages, and townships on a modified per capita basis. Higher population weights would apply to communities that demonstrated high performance or high need based on criteria established in boilerplate. The criteria would increase payments to CVTs that met the financial responsibility standards discussed above or, depending on the population of the local unit, that met certain levels of unemployment or crime, or were subject to a deficit reduction plan. A community could receive additional weighting for each of the criteria it met. No payment of less than \$5,000 would be made under this supplemental EVIP; thus, some CVTs that are eligible for EVIP would not receive a supplemental payment. All supplemental payments would be determined by the Department of Treasury and paid late in the State fiscal year. The remaining \$300,000 of the EVIP appropriation would be used for Treasury administrative costs.

The Competitive Grant Assistance Program would be reduced from \$15.0 million in FY 2013-14 to \$5.0 million in FY 2014-15. The pace of awards has been slower than anticipated. Part of the current year funding is expected to carry forward for distribution in FY 2014-15. Cities, villages, townships, counties, authorities, school districts, intermediate school districts, public community colleges, and public universities would be eligible to apply for grants to improve the efficiency of governmental services through cooperation and collaboration.

Department of Transportation Recommendations

In FY 2013-14, the Governor proposed a \$1.2 billion annual transportation investment plan to address deteriorating roads, but the final budget did not include this proposal. As roads have continued to deteriorate, the State Budget Office estimates that \$1.3 billion in additional transportation funding currently is necessary to address this problem, and that without additional funding for transportation, the projected cost to rebuild the State's transportation system in 10 years is \$26.0 billion. Although the Governor is not proposing an additional \$1.3 billion for FY 2014-15, the State Budget Office has indicated that the Governor remains committed to securing a comprehensive transportation funding solution.

The Governor's budget recommendation includes \$254.0 million in GF/GP funding allocated to the following: State trunkline road and bridge construction at \$242.0 million; transit capital and rail infrastructure at \$10.0 million; and airport safety, protection and improvement program at approximately \$2.0 million. Due to Federal aid matching requirements, the State must meet the following thresholds in order to receive over \$561.0 million in Federal aid: \$127.0 million is needed to match Federal highway aid; \$10.0 million is needed to match Federal transit and rail aid; and approximately \$2.0 million is needed to match Federal aeronautics aid. Including \$254.0 million in GF/GP funding would exceed the minimum requirements to receive Federal aid by \$115.0 million.

Summary of Other General Appropriation Issues

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 2014-15 recommendation includes the impasse panel recommendations adopted by the Civil Service Commission on January 15, 2014. The FY 2014-15 agreement for employees who are exclusively represented by employee unions (AFSCME, MCO, MSEA, SEIU, and UAW) includes a 2.0% base wage increase and a 0.5% lump-sum payment effective October 1, 2014. Contracts continue to require represented employees to pay 20.0% of their health care premiums.

The Civil Service Commission also adopted a Coordinated Compensation Plan for non-exclusively represented State classified employees (NEREs) for FY 2014-15. Beginning on October 1, 2014, NEREs also will receive a 2.0% general wage increase and a 0.5% 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 2014-15 recommended in the Governor's budget, including employee salary increases of \$57.5 million. The State's portion of the cost of employee health insurance is estimated to remain at the current FY 2013-14 level and thus no increase in economics for insurance is anticipated. The amount that needs to be contributed to the State employee retirement systems in FY 2014-15 results in an increase in costs for the FY 2014-15 budget. Retirement contributions will increase \$82.8 million Gross and \$42.9 million GF/GP. Finally, OPEB costs for FY 2014-15 will be less than the costs in FY 2013-14. Gross changes will total a negative \$26.1 million and a negative \$12.8 million GF/GP. These figures are negative due to the decline in retirement rates associated with retirement health costs. The total GF/GP impact of economic adjustments for FY 2014-15 is an increase of \$54.5 million.

Table 19

| FY 2014-15 STATE BUDGET RECOMMENDATION ECONOMIC INCREASES INCLUDED IN BUDGET (Millions of Dollars) | | |
|---|----------------|---------------|
| | Gross | GF/GP |
| Wages and Salaries..... | \$57.5 | \$27.9 |
| Employee Insurance Costs | 0 | 0 |
| Retirement Contributions | 82.8 | 42.9 |
| OPEB..... | (26.1) | (12.8) |
| Workers' Compensation..... | (3.2) | (3.8) |
| All Other Economics..... | (2.6) | 0.3 |
| TOTAL ECONOMICS..... | \$108.4 | \$54.5 |

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 (MPSERS). Public Act 300 of 2012 implemented a cap on the rate local employers in MPSERS 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. Contribution rates are a combination of the amount required to pay down liabilities accrued in the past (legacy costs) and the amount required to pay for benefits earned today (normal cost). 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. The State Employees' Retirement System pension component was closed to newly hired employees on March 31, 1997, and the retiree health care premium coverage component was closed to new employees on January 1, 2012.

Table 20

| STATE RETIREMENT CONTRIBUTION RATES AS A PERCENTAGE OF PAYROLL | | | | |
|---|-------------------|-------------------|-------------------|---------------------------|
| | FY 2012-13 | FY 2013-14 | FY 2014-15 | 2014-15 Change |
| <u>State Employees' Retirement System</u> ¹⁾ | | | | |
| Defined Benefit Pension | 23.94% | 26.04% | 27.46% | 1.42% |
| Defined Benefit Health Care | 23.60% | 24.19% | 22.76% | (1.43)% |
| Total Defined Benefit Costs | 47.54% | 50.23% | 50.22% | (0.01)% |
| Defined Contribution Retirement | 25.55% | 29.78% | 31.09% | 1.31% |
| Defined Contribution Health Care | 23.60% | 24.19% | 22.76% | (1.43)% |
| Total Defined Contribution Costs | 49.15% | 53.97% | 53.85% | (0.12)% |
| ¹⁾ Public Act 264 of 2011 required the unfunded accrued liability to be spread across both DB and DC payroll. Also, FY 2014-15 will be the fourth year of prefunding retiree health. | | | | |

Table 21 provides a look at the FY 2014-15 contribution rates for the seven different retirement plan combinations in MPSERS. Before the significant MPSERS 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 MPSERS, including the earlier basic and MIP plans (no longer available to new employees), the Pension Plus hybrid plan (available since July 2010), and a straight defined contribution plan (available since September 2012). Retiree health care for school 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 MPSERS.

Table 21

| FY 2014-15 MPSERS EMPLOYER CONTRIBUTION RATES ASSUMING UAL RATE CAP IS LOWERED TO 19.76% | | | | | | | |
|--|--------------------------------------|---|---------------------|-----------------------------------|---|-----------------------------|-----------------------|
| | 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 | 4.31% | 3.23% | 3.23% | 0.00% | 0.00% | 0.00% | 4.31% |
| Pension UAL | 17.40 | 17.40 | 17.40 | 17.40 | 17.40 | 17.40 | 17.40 |
| Pension Early Retirement Incentive | 1.36 | 1.36 | 1.36 | 1.36 | 1.36 | 1.36 | 1.36 |
| Pension Total Rate | 23.07% | 21.99% | 21.99% | 18.76% | 18.76% | 18.76% | 23.07% |
| <u>Health Contributions</u> | | | | | | | |
| Health Normal Cost | 0.51% | 0.51% | 0.00% | 0.00% | 0.51% | 0.00% | 0.00% |
| Health UAL | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Health Total Rate | 1.51% | 1.51% | 1.00% | 1.00% | 1.51% | 1.00% | 1.00% |
| DB CONTRIBUTION TOTAL | 24.58% | 23.50% | 22.99% | 19.76% | 20.27% | 19.76% | 24.07% |
| <u>DC Contributions</u> | | | | | | | |
| DC Employer Contributions | 0.00% | 1.00% | 1.00% | 3.00% | 4.00% | 4.00% | 0.00% |
| Personal Health Care 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> | 33.99% | 32.91% | 32.40% | 29.17% | 29.68% | 29.17% | 33.48% |
| State Subsidy | 9.41% | 9.41% | 9.41% | 9.41% | 9.41% | 9.41% | 9.41% |
| DC = Define Contribution; MIP = Member Investment Plan; PHF = Personal Health Fund | | | | | | | |
| Note: The Governor's budget includes \$783.9 million in the K-12 budget, \$60.8 million in the Community Colleges budget, and \$2.6 million in the Department of Education budget (for libraries) to pay the State subsidy for the UAL rate cap, assuming the rate cap is lowered from 20.96% to 19.76% of payroll. | | | | | | | |

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. In addition, for FY 2014-15, the Governor is proposing to amend statute to reduce the existing cap from 20.96% to 19.76%, again with the State paying for the liabilities above that amount. For K-12, this money would come from grants districts currently receive to help pay MPERS costs. The "normal" cost for pension and retiree health care can fluctuate slightly from year to year. The maximum total employer cost for FY 2014-15 under any of the seven plans is between roughly 24% and 26% of payroll, depending on the plan and employee DC contributions. The State subsidy is roughly 9.4% of MPERS payroll, or about \$847.3 million.

Table 22 outlines the FY 2014-15 estimated contributions to SERS and MPERS by the State and local employers, as proposed in the Governor's budget. The total combined cost of the estimated employer (State and local) contributions is \$4.8 billion.

Table 22

| FY 2014-15 ESTIMATED CONTRIBUTIONS TO TWO LARGEST RETIREMENT SYSTEMS | |
|--|--------------------------------|
| | Millions of Dollars |
| <u>State Employees' Retirement System (SERS)</u> ¹⁾ | |
| Defined Benefit Pension | \$346.0 |
| Defined Contribution..... | 587.6 |
| Retiree Health Care..... | <u>725.4</u> |
| Subtotal State Employees' Retirement System ²⁾ | \$1,659.0 |
| <u>Michigan Public School Employees' Retirement System (MPERS)</u> ³⁾ | |
| <u>Local Share</u> | |
| Defined Benefit Pension | \$2,145.5 |
| Health Care | <u>144.4</u> |
| Subtotal Public School Employees' Retirement System (Local) | \$2,289.9 |
| <u>State Share</u> | |
| Unfunded Accrued Liabilities (Pension and Health)..... | \$847.3 |
| Subtotal Michigan Public School Employees' Retirement System | <u>\$3,137.2</u> |
| TOTAL ESTIMATED RETIREMENT CONTRIBUTIONS | <u>\$4,796.2</u> |
| FY 2014-15 Estimated Subsidy Per Pupil on Average..... | \$475 |
| 1) Public Act 264 of 2011 required the unfunded accrued liability to be spread across both DB and DC payroll. Also, FY 2014-15 will be the fourth year of prefunding retiree health. | |
| 2) Excludes FICA, which totals approximately \$237.0 million. | |
| 3) Excludes DC contributions. | |

New for FY 2014-15 in the Governor’s proposed budget is a boilerplate section for each department identifying how much of the appropriations is in support of the legacy costs associated with the State Employees’ Retirement System. As noted earlier, the total contributions made to a retirement system are a combination of a payment toward the past unfunded accrued liabilities for benefits already earned (legacy costs) and a payment toward the accrual of service credit in the future (normal costs). As shown on Table 22, the total contributions in the State Employees’ Retirement System are estimated by the Senate Fiscal Agency at \$1.66 billion, and of that total, \$1.37 billion is estimated by the State Budget Office for legacy costs (both pension and health), with the remaining \$290.0 million for normal costs. Table 23 below identifies the estimated legacy costs for pension and for retiree health care, and the total of the two, for each department.

Table 23
FY 2014-15
LEGACY COSTS BREAKOUT – PENSIONS AND HEALTH CARE

| Department | Pension-Related Legacy Costs (Retirement) Gross | Health Care Legacy Costs (OPEB) Gross | Total Legacy Costs Gross |
|----------------------------------|---|---|-----------------------------|
| Agriculture & Rural Development | \$6,512,000 | \$5,139,400 | \$11,651,400 |
| Attorney General | 9,790,800 | 7,903,300 | 17,694,100 |
| Civil Rights | 1,745,300 | 1,394,200 | 3,139,500 |
| Community Health | 49,676,000 | 39,448,600 | 89,124,600 |
| Corrections | 196,513,200 | 155,082,200 | 351,595,400 |
| Education | 8,739,900 | 6,897,600 | 15,637,500 |
| Environmental Quality | 19,029,300 | 15,017,300 | 34,046,600 |
| Executive Office | 0 | 0 | 0 |
| Human Services | 159,146,200 | 124,248,100 | 283,394,300 |
| Insurance & Financial Services | 5,627,200 | 4,521,000 | 10,148,200 |
| Judiciary | 7,996,600 | 6,310,900 | 14,307,500 |
| Legislature & Auditor General | 12,198,100 | 10,626,800 | 22,824,900 |
| Licensing & Regulatory Affairs | 40,484,400 | 31,954,100 | 72,438,500 |
| Military & Veterans Affairs | 11,180,100 | 8,833,000 | 20,013,100 |
| Natural Resources | 26,090,800 | 20,589,900 | 46,680,700 |
| State | 18,188,200 | 14,353,600 | 32,541,800 |
| State Police | 66,300,300 | 55,352,600 | 121,652,900 |
| Technology, Management, & Budget | 45,810,900 | 36,132,300 | 81,943,200 |
| Transportation | 42,130,400 | 33,194,100 | 75,324,500 |
| Treasury | 26,860,700 | 21,775,800 | 48,636,500 |
| Michigan Strategic Fund | 10,508,300 | 8,293,000 | 18,801,300 |
| TOTAL | \$764,528,700 | \$607,067,800 | \$1,371,596,500 |

Source: State Budget Office

Debt Service Adjustments

Table 24 provides a summary of recommended debt service appropriations for FY 2014-15. These include *Durant* bonds and School Bond Loan Fund bonds in K-12 School Aid; State Building Authority rent payments appropriated in the Department of Technology, Management, and Budget (DTMB); various transportation-related bonds in the Department of Transportation; general obligation bonds in the Department of Treasury; debt service costs related to the Facility for Rare Isotope Beams and debt service costs associated with the Governor's proposed new bonding for the Engineering Talent Investment Program (\$100.0 million bonding for universities) and the Community College Skilled Trades Equipment Program (\$50.0 million bonding). Gross appropriations for debt service on these bonds total \$851.2 million for FY 2014-15. This represents a \$17.6 million (2.1%) increase from the \$833.6 million debt service appropriations in FY 2013-14.

Table 24

| DEBT SERVICE APPROPRIATIONS FY 2014-15 COMPARED WITH FY 2013-14 | | | | |
|--|--------------------------------------|---|---------------------|-------------------|
| Department/Program | FY 2013-14 Gross Appropriation | FY 2014-15 Est. Gross Appropriation | Dollar Change | Percent Change |
| School Aid | | | | |
| Durant Bonds | \$39,500,000 | \$39,500,000 | \$0 | 0.0% |
| School Bond Loan | 131,660,000 | 142,600,000 | 10,940,000 | 8.3 |
| Subtotal Education | 171,160,000 | 182,100,000 | 10,940,000 | 6.4 |
| DTMB State Building Authority Rent | | | | |
| State Agencies | 70,005,800 | 58,405,800 | (11,600,000) | (16.6) |
| Department of Corrections | 47,379,900 | 44,879,900 | (2,500,000) | (5.3) |
| Universities | 117,225,300 | 124,825,300 | 7,600,000 | 6.5 |
| Community Colleges | 23,959,600 | 26,459,600 | 2,500,000 | 10.4 |
| Subtotal DTMB | 258,570,600 | 254,570,600 | (4,000,000) | (1.5) |
| Transportation | | | | |
| State Trunkline | 199,738,200 | 198,076,600 | (1,661,600) | (0.8) |
| Economic Development | 10,003,400 | 11,665,300 | 1,661,900 | 16.6 |
| Local Bridge Fund | 2,406,300 | 2,406,700 | 400 | 0.0 |
| Blue Water Bridge Fund | 6,962,500 | 6,962,000 | (500) | (0.0) |
| Aeronautics..... | 3,892,200 | 4,992,200 | 1,100,000 | 28.3 |
| Comprehensive Transportation | 19,318,500 | 18,215,500 | (1,103,000) | (5.7) |
| Subtotal Transportation | 242,321,100 | 242,318,300 | (2,800) | (0.0) |
| Treasury | | | | |
| Water Pollution Control Bond | 1,132,700 | 0 | (1,132,700) | (100.0) |
| Quality of Life Bond | 79,965,800 | 81,360,000 | 1,394,200 | 1.7 |
| Clean Michigan Initiative | 57,187,400 | 57,224,000 | 36,600 | 0.1 |
| Great Lakes Water Initiative | 15,916,600 | 13,811,000 | (2,105,600) | (13.2) |
| Facility For Rare Isotope Beams (MSF) | 7,300,000 | 7,300,000 | 0 | 0.0 |
| Engineering Talent Invest. Program (MSF) | 0 | 7,900,000 | 7,900,000 | --- |
| Community College Skilled Trades Equipment Program (MSF) | 0 | 4,600,000 | 4,600,000 | --- |
| Subtotal Treasury | 161,502,500 | 172,195,000 | 10,692,500 | 6.6 |
| TOTAL..... | \$833,554,200 | \$851,183,900 | \$17,629,700 | 2.1% |

Tobacco Settlement Revenue and Appropriations

In 1998, there was a Master Settlement Agreement reached between 46 states and certain U.S. tobacco manufacturers, to provide annual payments to states. The payments began in 2000 and will continue in perpetuity. As Table 25 illustrates, there are several transfers out of the tobacco settlement revenue prior to its deposit into the Merit Award Trust Fund where it is available for appropriation by the Legislature. Pursuant to law, \$1.0 billion of the tobacco settlement revenue has been earmarked for the 21st Century Jobs Fund, and unless the law is amended, the final installment of approximately \$72.0 million will occur in FY 2015-16. The FY 2014-15 transfer to the 21st Century Jobs Fund is \$75.0 million.

The other transfer of funds from tobacco settlement revenue is for debt service on the securitization of a portion of the tobacco settlement revenue in 2006 and 2007. The debt service amount for FY 2014-15 is estimated to be \$53.3 million. For FY 2014-15, the Governor is also recommending the creation of an earmark of tobacco settlement revenue to help mitigate the impact of the City of Detroit bankruptcy on its pensioners. The Governor proposes to reserve an amount of \$17.5 million annually for 20 years for this purpose. Under the Governor's proposal, there would be an estimated FY 2014-15 year-end balance in the Merit Award Trust Fund of \$27.9 million, which the Governor recommends be carried forward into FY 2015-16.

Table 25

**TOBACCO SETTLEMENT REVENUE AND APPROPRIATIONS
FY 2013-14 COMPARED TO FY 2014-15 GOVERNOR'S RECOMMENDATION
(Actual Dollars)**

| | FY 2013-14 Year-To-Date | FY 2014-15 Gov's Rec. | Gov's Rec. Change From FY 2013-14 |
|--|----------------------------|--------------------------|---|
| Revenue | | | |
| Unreserved Balance From Prior Fiscal Year | \$76,663,500 | \$53,271,200 | (\$23,392,300) |
| Total Annual Payments | 253,484,600 | 250,924,200 | (2,560,400) |
| Assumed Withheld Payments..... | 0 | 0 | 0 |
| Settlement Credit to Manufacturers/Adjustments | (29,682,500) | (29,682,500) | 0 |
| State Share of Disputed Payments | 0 | 0 | 0 |
| Interest Earnings | 60,000 | 60,000 | 0 |
| Total Tobacco Settlement Revenue | <u>\$300,525,600</u> | <u>\$274,572,900</u> | <u>(\$25,952,700)</u> |
| Less Transfers Out For: | | | |
| 21st Century Jobs Trust Fund | (\$75,000,000) | (\$75,000,000) | \$0 |
| Reserve for Detroit Bankruptcy/Pensioners..... | 0 | (17,500,000) | (17,500,000) |
| Payment on 2006 Bond Securitization | (29,855,200) | (29,513,600) | 341,600 |
| Payment on 2007 Bond Securitization | <u>(24,103,500)</u> | <u>(23,827,700)</u> | <u>275,800</u> |
| Total Transfers Out | <u>(\$128,958,700)</u> | <u>(\$145,841,300)</u> | <u>(\$16,882,600)</u> |
| Net Revenue To Merit Award Trust Fund | \$171,566,900 | \$128,731,600 | (\$42,835,300) |
| Appropriations | | | |
| <u>Attorney General</u> | | | |
| Operations..... | \$487,300 | \$487,300 | \$0 |
| <u>Community Health</u> | | | |
| Medicaid Base..... | 81,766,000 | 64,266,000 | (17,500,000) |
| Aging: Respite Care | 4,068,700 | 4,068,700 | 0 |
| <u>Human Services</u> | | | |
| Family Independence Program | 30,100,000 | 30,100,000 | 0 |
| <u>State Police</u> | | | |
| Tobacco Tax Enforcement | 750,000 | 793,900 | 43,900 |
| <u>Department of Treasury</u> | | | |
| Student Financial Services Administration | 1,123,700 | 1,143,200 | 19,500 |
| Total Merit Award Trust Fund Appropriations | \$118,295,700 | \$100,859,100 | (\$17,436,600) |
| EST. MERIT AWARD TRUST FUND YEAR-END BALANCE. | \$53,271,200 | \$27,872,500 | (\$25,398,700) |

Recent State Appropriation History

Table 26

| ADJUSTED GROSS APPROPRIATION HISTORY (Millions of Dollars) | | | |
|--|----------------|---------------|----------------|
| Fiscal Year | Appropriations | Dollar Change | Percent Change |
| 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 | 47,758.6 | 160.6 | 0.3 |
| 2013-14 | 48,708.6 | 950.0 | 2.0 |
| 2014-15 (Gov. Rec.) | 51,303.9 | 2,595.2 | 5.3 |
| Change FY 2004-05 to FY 2014-15 | | \$11,395.4 | 28.6% |
| Detroit CPI 10-Year Percent Change | | | 19.4% |
| Note: Does not include Budget Stabilization Fund appropriations of \$362.7 million, \$140.0 million, \$75.0 million, and \$120.0 million for FYs 2011-12, 2012-13, 2013-14, and 2014-15, respectively; includes \$115.0 million FY 2013-14 appropriation from the Roads and Risks Reserve Fund; does not include FY 2014-15 recommendation of \$122.0 million for the Michigan Health Savings Sub-fund. | | | |

Table 27

| STATE SPENDING FROM STATE RESOURCES APPROPRIATION HISTORY (Millions of Dollars) | | | |
|--|----------------|---------------|----------------|
| Fiscal Year | Appropriations | Dollar Change | Percent Change |
| 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 | 27,847.1 | 500.2 | 1.8 |
| 2013-14 | 28,843.6 | 996.5 | 3.6 |
| 2014-15 (Gov. Rec.) | 29,785.3 | 941.7 | 3.3 |
| Change FY 2004-05 to FY 2014-15 | | \$3,500.0 | 13.3% |
| Detroit CPI 10-Year Percent Change | | | 19.4% |
| Note: Does not include Budget Stabilization Fund appropriations of \$362.7 million, \$140.0 million, \$75.0 million, and \$120.0 million for FYs 2011-12, 2012-13, 2013-14, and 2014-15, respectively; includes \$115.0 million FY 2013-14 appropriation from the Roads and Risks Reserve Fund; does not include FY 2014-15 recommendation of \$122.0 million for the Michigan Health Savings Sub-fund. | | | |

Table 28

| GENERAL FUND/GENERAL PURPOSE APPROPRIATION HISTORY (millions of dollars) | | | |
|---|-----------------------|----------------------|-----------------------|
| Fiscal Year | Appropriations | Dollar Change | Percent Change |
| 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 | 9,024.2 | 683.2 | 8.2 |
| 2013-14 | 9,386.4 | 362.2 | 4.0 |
| 2014-15 (Gov. Rec.) | 9,843.4 | 457.0 | 4.9 |
| Change FY 2004-05 to FY 2014-15 | | \$1,140.6 | 13.1% |
| Detroit CPI 10-Year Percent Change | | | 19.4% |
| Note: Does not include Budget Stabilization Fund appropriations of \$362.7 million, \$140.0 million, \$75.0 million, and \$120.0 million for FYs 2011-12, 2012-13, 2013-14, and 2014-15, respectively; does not include \$230.0 million FY 2013-14 appropriation for the Roads and Risks Reserve Fund; does not include FY 2014-15 recommendation of \$122.0 million for the Michigan Health Savings Sub-fund. | | | |

Table 29

| SCHOOL AID FUND APPROPRIATION HISTORY (Millions of Dollars) | | | |
|---|------------------------------------|----------------------|-----------------------|
| Fiscal Year | State-Funded Appropriations | Dollar Change | Percent Change |
| 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 | 11,211.0 | 122.1 | 1.1 |
| 2013-14 | 11,602.3 | 358.7 | 3.2 |
| 2014-15 Gov's Rec | 11,989.0 | 386.7 | 3.3 |
| Change FY 2004-05 to FY 2014-15 | | \$875.5 | 7.9% |
| Detroit CPI 10-Year Percent Change | | | 19.4% |

Table 30

| 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 | 1,405,599 | 130,390 | 1,535,989 |
| 90/10 CY | 2013-14 Est. | 1,375,400 | 147,900 | 1,523,300 |
| 90/10 CY | 2014-15 Est. | 1,354,000 | 160,000 | 1,514,000 |
| 90/10 CY | 2015-16 Est. | 1,337,000 | 170,000 | 1,507,000 |

Table 31

| STATE SPENDING PER PUPIL | | | |
|---------------------------------|--|--------------------------|-------------------------------------|
| Fiscal Year | State-Funded Appropriations (Millions of Dollars) | Pupils (Millions) | Appropriations Per Pupil |
| 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 | 11,211.0 | 1.5360 | 7,299 |
| 2013-14 | 11,602.3 | 1.5233 | 7,617 |
| 2014-15 Gov's Rec | 11,989.0 | 1.5140 | 7,919 |

Table 32

| 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 ^{a)} | 7,076 | 7,076 | 1.6 |
| 2014-15 Gov's Rec | 7,187 | 7,187 | 1.6 |
| 10-Year Change | \$487 | \$487 | |
| 10-Year % Change | 7.3% | 7.3% | |
| 10-Year Detroit CPI % Change | 19.4% | 19.4% | |

^{a)} Includes \$50 equity payment.

Table 33

| APPROPRIATED FULL-TIME EQUATED CLASSIFIED POSITIONS (FTEs) IN MICHIGAN STATE BUDGET | | | |
|--|-------------|---------------|-----------------------|
| Fiscal Year | FTEs | Change | Percent Change |
| 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 | 57,028.3 | (788.8) | (1.4) |
| 2005-06 | 56,436.4 | (591.9) | (1.0) |
| 2006-07 | 56,760.3 | 323.9 | 0.6 |
| 2007-08 | 57,041.7 | 281.4 | 0.5 |
| 2008-09 | 56,491.1 | (550.6) | (1.0) |
| 2009-10 | 55,597.2 | (893.9) | (1.6) |
| 2010-11 | 56,089.3 | 492.1 | 0.9 |
| 2011-12 | 54,795.5 | (1,293.8) | (2.3) |
| 2012-13 | 53,583.5 | (1,212.0) | (2.2) |
| 2013-14 | 52,809.5 | (774.0) | (1.4) |
| 2014-15 (Gov. Rec.) | 52,921.2 | 111.7 | 0.2 |
| Change FY 2004-05 to FY 2014-15 | | (4,107.1) | (7.2%) |
| Detroit CPI 10-Year Percent Change | | | 19.4% |

Table 34

| FEDERAL FUNDS APPROPRIATED IN MICHIGAN BUDGET (Millions of Dollars) | | | |
|--|---------------|-------------------------------|--|
| Fiscal Year | Federal Funds | Adjusted Gross Appropriations | Federal as Percent of Total Adjusted Gross |
| 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 | 19,372.7 | 47,758.6 | 40.56 |
| 2013-14 | 19,331.5 | 48,708.2 | 39.69 |
| 2014-15 (Gov. Rec.) | 21,006.0 | 51,303.9 | 40.94 |
| Change FY 2004-05 to FY 2014-15 | 63.4% | 28.6% | |

Table 35

| STATE SPENDING FROM STATE RESOURCES APPROPRIATIONS TOTAL COMPARED IN SELECTED BUDGET AREAS (Millions of Dollars) | | | | |
|--|---------------------------|-----------------------|------------------|----------------|
| Department/Budget Area | FY 2004-05 Appropriations | FY 2014-15 Gov's Rec. | Dollar Change | Percent Change |
| Community Health | \$4,129.5 | \$5,079.6 | \$950.2 | 23.0% |
| Corrections | 1,756.0 | 2,036.1 | 280.1 | 16.0 |
| Human Services | 1,146.7 | 1,147.9 | 1.1 | 0.1 |
| K-12 School Aid | 11,113.5 | 11,989.0 | 875.5 | 7.9 |
| Community Colleges | 294.3 | 371.5 | 77.3 | 26.3 |
| Higher Education | 1,718.5 | 1,415.5 | (303.0) | (17.6) |
| Revenue Sharing - Constitutional | 666.8 | 764.9 | 98.1 | 14.7 |
| Revenue Sharing - Nonconstitutional | 446.1 | 488.0 | 41.9 | 9.4 |
| All Other Programs | 5,013.9 | 6,492.8 | 1,478.8 | 29.5 |
| Total State Spending | \$26,285.3 | \$29,785.3 | \$3,500.0 | 13.3% |
| Addendum: | | | | |
| Medicaid Caseload | 1,437,983 | 2,160,000 | 722,017 | 50.2% |
| Prison Population | 49,377 | 44,997 | (4,380) | (8.9) |
| K-12 Pupil Count | 1,707,780 | 1,514,000 | (193,780) | (11.3) |
| University Students | 250,030 | 263,817 | 13,787 | 5.5 |
| Community College Students | 131,150 | 154,118 | 22,968 | 17.5 |
| Michigan Personal Income (millions) | \$330,030.5 | \$420,578.5 | \$90,548.0 | 27.4% |
| Detroit Consumer Price Index | 189.0 | 225.6 | 36.6 | 19.4 |
| Notes: Medicaid caseload: Number for FY 2014-15 includes the estimated 320,000 individuals who would be eligible under the expansion of Medicaid. Prison Population: These are "average populations" and do not represent the exact count on any particular date, but demonstrate how many beds are associated with the appropriation; the FY 2014-15 number is taken from the Governor's Recommended appropriation bill. K-12 Pupils: FY 2014-15 pupil count is from the January 2014 Consensus Revenue Estimating Conference. Community College and University Students: Numbers in FY 2014-15 column reflect FY 2012-13 fiscal-year-equated-students as reported in the Activities Classification Structure (ACS) and the Higher Education Institutional Data Inventory (HEIDI). | | | | |

