State Notes

TOPICS OF LEGISLATIVE INTEREST

Fall 2013

FY 2013-14 Higher Education Appropriations and Tuition Restraint
By Bill Bowerman, Associate Director

Introduction

The fiscal year (FY) 2013-14 Higher Education budget includes $21.9 million allocated to universities based on performance funding criteria. Receipt of any performance funding is contingent upon several prerequisites, including tuition restraint. This is the third consecutive year in which some form of tuition restraint has been included in the Higher Education budget. It is the first year in recent times that a university has not complied with tuition restraint and forgone increases in State funding. If State aid continues to decline as a share of total university revenue, the ability of the State to limit tuition increases also will diminish. This article provides an overview of State appropriations for Higher Education and the impact of tuition restraint.

Background

While the last two years have included increases for university operations, budget reductions were predominant from FY 2002-03 through FY 2011-12, culminating in a 15.0% decrease to university operations in FY 2011-12. As shown in Table 1, the FY 2013-14 budget for university operations is $350.2 million (21.7%) below FY 2001-02 appropriations.

As a result of cost increases and State aid reductions, universities have substantially increased tuition since FY 2001-02. In FY 2001-02, the average annual resident undergraduate tuition at Michigan public universities was $4,928. In FY 2013-14, the average annual resident undergraduate tuition is $11,142, a 126.1% increase over that time period (Table 2).

State aid as a share of statewide university general fund revenue decreased from 45.3% of university general fund revenue in FY 2001-02 to 21.9% in FY 2011-12. In FY 1981-82, State aid accounted for 59.0% of university general fund operating revenue.

Tuition Restraint

FY 2011-12. The FY 2011-12 Higher Education appropriation included a 15.0% across-the-board reduction to university operations. The budget also removed $83.0 million from university operation line items and transferred those funds to tuition restraint appropriations for each university. Amounts withheld from each university were calculated using the average increase in tuition for that institution over a five-year period. Universities were required to keep FY 2011-12 increases for resident undergraduate tuition at, or below, 7.1%. All Michigan public universities complied and received their share of tuition restraint funding in FY 2011-12.

FY 2012-13. In FY 2012-13, $9.1 million of a $36.2 million increase for Higher Education was conditioned upon tuition restraint. Universities received a share of the $9.1 million tuition restraint appropriation based on limiting resident undergraduate tuition increases to not more than 4.0%. All Michigan public universities again complied with the requirements of tuition restraint in FY 2012-13. The remaining $27,162,800 was distributed based on a new performance funding model that included metrics for critical skill undergraduate degrees and certificates, six-year graduation rates, total degrees and completions, institutional support as a percentage of core expenditures, and research and development expenditures.

Table 1

State Appropriations for Higher Education[1]							
Universities	**FY 2001-02**	**FY 2002-03**	**FY 2003-04**	**FY 2004-05**	**FY 2005-06**	**FY 2006-07**	**FY 2007-08**
Central	$90,003,800	$88,353,522	$79,910,900	$79,910,900	$80,061,900	$80,994,600	$81,941,100
Eastern	87,637,200	84,993,688	77,295,800	77,295,800	76,140,600	76,955,400	77,774,100
Ferris	55,520,300	53,937,221	48,968,800	48,968,800	48,634,700	49,201,300	49,730,800
Grand Valley	60,095,400	57,992,024	57,904,100	57,904,100	61,129,900	62,603,400	63,387,500
Lake Superior	14,268,700	14,047,630	12,392,400	12,685,000	12,506,300	12,675,900	12,981,900
Michigan State	325,982,300	315,469,556	287,516,000	287,516,000	283,730,300	287,127,000	290,139,800
Michigan Tech	55,241,600	53,667,742	48,723,000	48,723,000	48,018,800	48,501,100	49,028,200
Northern	52,012,900	50,545,612	45,173,100	45,775,200	45,051,600	45,593,100	46,171,500
Oakland	52,384,700	50,551,147	48,106,100	48,106,100	50,685,700	51,378,000	51,932,900
Saginaw Valley	27,393,300	26,434,503	26,140,200	26,140,200	27,499,800	28,052,100	28,356,200
U of M-Ann Arbor	363,562,700	351,809,191	320,662,000	320,662,000	316,368,500	320,156,000	323,439,900
U of M-Dearborn	27,993,300	27,319,061	24,690,000	24,690,000	24,739,200	25,027,400	25,295,000
U of M-Flint	24,068,100	23,523,479	21,228,000	21,228,000	20,903,100	21,151,100	21,379,900
Wayne State	253,644,700	245,520,223	223,714,300	218,108,400	214,666,300	216,822,300	219,046,500
Western	125,677,200	121,778,193	110,847,100	110,847,100	109,695,200	110,973,200	112,122,000
Total Universities	**$1,615,486,200**	**$1,565,942,792**	**$1,433,271,800**	**$1,428,560,600**	**$1,419,831,900**	**$1,437,211,900**	**$1,452,727,300**

Universities	**FY 2008-09**	**FY 2009-10**	**FY 2010-11**	**FY 2011-12**	**FY 2012-13**	**Enacted FY 2013-14**	**FY 2013-14 Change to FY 2001-02**	**FY 2013-14 % Change to FY 2001-02**
Central	$82,760,500	$82,436,000	$80,132,000	$68,108,900	$71,352,300	$73,540,100	($16,463,700)	-18.3%
Eastern	78,551,800	78,212,100	76,026,200	64,619,100	66,466,700	67,275,400	(20,361,800)	-23.2%
Ferris	50,228,100	50,017,100	48,619,200	41,324,300	44,250,700	45,636,500	(9,883,800)	-17.8%
Grand Valley	64,021,400	63,758,300	61,976,400	52,677,400	55,436,000	57,823,500	(2,271,900)	-3.8%
Lake Superior	13,111,700	13,059,200	12,694,200	10,789,500	12,046,100	12,231,000	(2,037,700)	-14.3%
Michigan State	293,041,200	291,841,700	283,685,200	241,120,800	245,037,000	249,597,800	(76,384,500)	-23.4%
Michigan Tech	49,518,500	49,302,100	47,924,200	40,733,600	42,579,100	43,473,800	(11,767,800)	-21.3%
Northern	46,633,200	46,438,200	45,140,300	38,367,400	40,856,600	41,741,400	(10,271,500)	-19.7%
Oakland	52,452,200	52,220,800	50,761,300	43,145,000	44,964,100	45,651,600	(6,733,100)	-12.9%
Saginaw Valley	28,639,800	28,517,700	27,720,700	23,561,500	25,656,700	25,991,000	(1,402,300)	-5.1%
U of M-Ann Arbor	326,674,300	325,347,400	316,254,500	268,803,300	274,156,700	279,232,700	(84,330,000)	-23.2%
U of M-Dearborn	25,548,000	25,437,100	24,726,200	21,016,300	22,237,300	22,510,400	(5,482,900)	-19.6%
U of M-Flint	21,593,700	21,498,900	20,898,000	17,762,400	19,526,600	19,938,200	(4,129,900)	-17.2%
Wayne State	221,237,000	220,329,200	214,171,400	182,036,900	183,398,300	183,398,300	(70,246,400)	-27.7%
Western	113,243,200	112,766,800	109,615,100	93,168,300	95,487,500	97,279,000	(28,398,200)	-22.6%
Total Universities	**$1,467,254,600**	**$1,461,182,600**	**$1,420,344,900**	**$1,207,234,700**	**$1,243,451,700**	**$1,265,320,700**	**($350,165,500)**	**-21.7%**

[1] Amounts listed do not reflect FY 2003-04, FY 2004-05, FY 2006-07 or FY 2007-08 delayed payments or FY 2006-07 Michigan Public School Employees' Retirement System adjustment.

Table 2

Michigan Public University Annual Resident Undergraduate Tuition and Fees[1)]

Universities	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
Central	$4,247	$4,747	$5,228	$5,375	$5,868	$6,638	$7,343
Eastern	4,603	5,027	5,627	5,762	6,540	6,956	7,511
Ferris	5,070	5,417	6,044	6,190	6,740	7,200	7,875
Grand Valley	4,745	5,148	5,554	5,888	6,334	6,752	7,420
Lake Superior	4,334	4,758	5,604	5,736	6,306	6,733	7,271
Michigan State	5,952	6,454	7,044	7,352	8,685	8,887	9,910
Michigan Tech	6,101	6,591	7,440	7,610	8,194	9,660	10,579
Northern	4,357	4,780	5,210	5,334	5,858	6,184	6,759
Oakland	4,639	5,032	5,494	5,738	6,361	6,956	7,928
Saginaw Valley	3,927	4,382	4,724	4,913	5,282	5,543	6,258
U of M-Ann Arbor	7,075	7,960	8,481	8,722	9,798	10,341	11,112
U of M-Dearborn	5,088	5,521	6,047	6,215	6,957	7,516	8,110
U of M-Flint	4,376	4,786	5,312	5,761	6,441	6,948	7,392
Wayne State	4,680	5,104	5,693	5,840	6,948	7,350	8,450
Western	4,731	5,156	5,895	5,934	6,784	7,265	7,680
Unweighted Avg.	**$4,928**	**$5,391**	**$5,960**	**$6,158**	**$6,873**	**$7,395**	**$8,107**

Universities	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 13-14 % Chng to FY 01-02
Central	$8,190	$9,248	$10,065	$10,740	$10,950	$11,220	164.2%
Eastern	8,091	8,399	8,399	8,705	9,048	9,386	103.9%
Ferris	9,000	9,480	9,930	10,440	10,710	10,988	116.7%
Grand Valley	8,400	8,845	9,314	9,958	10,330	10,716	125.8%
Lake Superior	7,925	8,315	8,795	9,395	9,671	9,991	130.5%
Michigan State	10,690	11,383	11,670	12,769	13,211	13,579	128.1%
Michigan Tech	11,616	12,278	13,007	13,911	14,448	14,861	143.6%
Northern	7,128	7,511	7,728	8,470	8,766	9,094	108.7%
Oakland	8,426	9,188	9,716	10,399	10,706	11,108	139.5%
Saginaw Valley	6,492	6,900	7,308	7,815	8,120	8,423	114.5%
U of M-Ann Arbor	11,739	12,400	12,590	13,437	13,819	13,977	97.6%
U of M-Dearborn	8,636	9,216	9,575	10,236	10,617	10,989	116.0%
U of M-Flint	7,825	8,332	8,656	9,243	9,574	9,907	126.4%
Wayne State	8,751	9,319	9,732	10,578	10,989	11,967	155.7%
Western	8,382	8,858	9,510	10,140	10,536	10,928	131.0%
Unweighted Avg.	**$8,753**	**$9,311**	**$9,733**	**$10,416**	**$10,766**	**$11,142**	**126.1%**

1) Tuition and fees as reported by universities in the Higher Education Institutional Data Inventory (HEIDI). Beginning in FY 2006-07, instructions required reporting based on four class levels to account for new tuition/fee structures at various universities. Rates are based on 30 credit hours and exclude course fees and other fees not paid by a majority of students at a given class level and refundable student fees.

FY 2013-14. As with FY 2012-13, the Governor again recommended tying a specific portion of the overall funding increase to tuition restraint. The enacted version of the budget, however, conditioned all of performance funding ($21.9 million) on compliance with tuition restraint, which limits 2013-2014 academic year resident undergraduate tuition/fee increases to not greater than 3.75%. The FY 2013-14 budget basically continues metrics used in the FY 2012-13 budget; however, there were changes to distributions based on Carnegie classifications, i.e., scoring was changed and distributions are now weighted by the number of undergraduate fiscal year equated students. (For a more detailed explanation of performance funding metrics and prerequisites to receive this funding, please see the FY 2013-14 Higher Education Appropriations Report prepared jointly by the House and Senate Fiscal Agencies.[1]) Fiscal Year 2013-14 performance funding measured as a percentage increase for institutions ranged from a 0.3% increase for Wayne State University to a 4.2% increase for Grand Valley State University. In order to qualify for performance funding, according to Section 265a of the State School Aid Act, a university must comply with tuition restraint and certify by August 31, 2013, that it complied with all of the following requirements:

- The university participates in reverse transfer agreements with at least three Michigan community colleges or has made a good-faith effort to enter into reverse transfer agreements.
- The university does not and will not consider whether dual enrollment credits earned by an incoming student were used toward his or her high school graduation requirements when determining whether the student may use those credits toward completion of a university degree or certificate program.
- The university participates in the Michigan Transfer Network created as part of the Michigan Association of Collegiate Registrars and Admissions Officers transfer agreement.

Section 265 and 265a are included in the Appendix.

All 15 Michigan public universities complied with the three requirements listed above; however, Wayne State University (WSU) exceeded the tuition restraint limitation. Tuition increases ranged from 1.14% (University of Michigan-Ann Arbor) to 8.9% (Wayne State University), as shown in Table 3.

Wayne State University's FY 2013-14 tuition and fee increase exceeds the tuition restraint limit of 3.75% by 5.15%. As shown in Table 4, WSU would have received a $534,700 (0.3%) increase in State aid based on the performance metrics used for the FY 2013-14 Higher Education budget. In contrast, the 8.9% tuition/fee increase for WSU resident undergraduate students will generate an estimated $15.0 million. The amount in excess of the 3.75% limit (from 3.75% to 8.9%) will generate approximately $8.7 million.

Pursuant to Section 265a(2) of the State School Aid Act, any performance funding amounts that are not paid to a public university because it did not comply with any of the performance funding prerequisites, including tuition restraint, are unappropriated and reappropriated for performance funding to public universities that meet all of the performance funding prerequisites. The redistributed funds are to be appropriated in proportion to each university's FY 2013-14 enacted

[1] This report is located at the following link: http://www.senate.michigan.gov/sfa/Departments/DepartmentPublications/HigherEdAppropsReport2014.pdf.

performance funding appropriation amount. Table 4 shows the initial distribution of performance funding and the change resulting from WSU's noncompliance with tuition restraint.

Table 3

FY 2013-14 Resident Undergraduate Tuition/Fee Increases

University	FY 2012-13 Tuition/Fees	FY 2013-14 Tuition/Fees[1)]	Percent Change
Central	$10,950	$11,220	2.47%
Eastern	9,048	9,386	3.74%
Ferris	10,710	10,988	2.59%
Grand Valley	10,330	10,716	3.74%
Lake Superior	9,671	9,991	3.31%
Michigan State	13,211	13,579	2.79%
Michigan Tech	14,448	14,861	2.86%
Northern	8,766	9,094	3.74%
Oakland	10,706	11,108	3.75%
Saginaw Valley	8,120	8,423	3.73%
UM-Ann Arbor	13,819	13,977	1.14%
UM-Dearborn	10,617	10,989	3.50%
UM-Flint	9,574	9,907	3.48%
Wayne State	10,989	11,967	8.90%
Western	10,536	10,926	3.70%
Unweighted Average	**$10,766**	**$11,142**	**3.49%**

[1)] Tuition rates are based on Higher Education Institutional Data Inventory and requirements of Section 265 of the State School Aid Act. Amounts represent the average tuition/fees for resident undergraduates for four class levels (freshman, sophomore, junior, and senior) and are based on 30 credit hours.

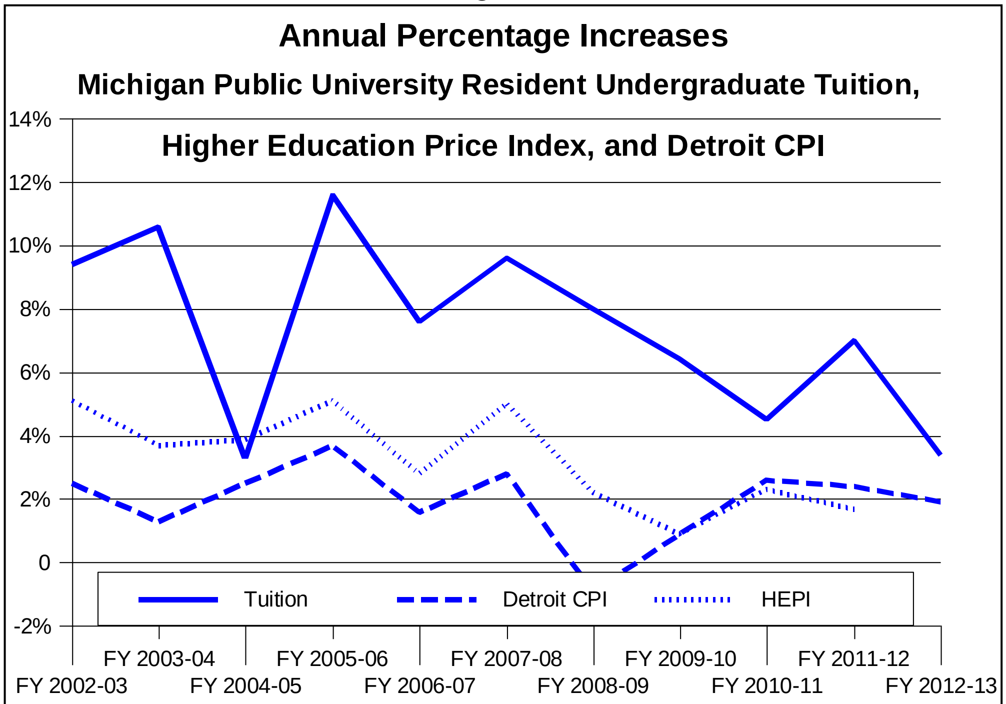
Table 4

FY 2013-14 Higher Education Performance Funding Allocations

University	FY 2012-13 Appropriation	Performance Funding as Enacted	Redistribution of Forfeited Funds	FY 2013-14 Appropriation	Percent Increase
Central	$71,352,300	$2,134,300	$53,500	$73,540,100	3.07%
Eastern	66,466,700	788,900	19,800	67,275,400	1.22%
Ferris	44,250,700	1,351,900	33,900	45,636,500	3.13%
Grand Valley	55,436,000	2,329,100	58,400	57,823,500	4.31%
Lake Superior	12,046,100	180,400	4,500	12,231,000	1.53%
Michigan State	245,037,000	4,449,300	111,500	249,597,800	1.86%
Michigan Tech	42,579,100	872,800	21,900	43,473,800	2.10%
Northern	40,856,600	863,200	21,600	41,741,400	2.17%
Oakland	44,964,100	670,700	16,800	45,651,600	1.53%
Saginaw Valley	25,656,700	326,100	8,200	25,991,000	1.30%
UM-Ann Arbor	274,156,700	4,952,000	124,000	279,232,700	1.85%
UM-Dearborn	22,237,300	266,400	6,700	22,510,400	1.23%
UM-Flint	19,526,600	401,500	10,100	19,938,200	2.11%
Wayne State	183,398,300	534,700	(534,700)	183,398,300	0.00%
Western	95,487,500	1,747,700	43,800	97,279,000	1.88%
Total	**$1,243,451,700**	**$21,869,000**	**$0**	**$1,265,320,700**	**1.76%**

Even in years in which the State has imposed tuition restraint, tuition increases have exceeded the Detroit Consumer Price Index and the Higher Education Price Index (Figure 1).

Figure 1



Source: Senate Fiscal Agency

Conclusion

This is the third consecutive year in which tuition restraint has been included in the Higher Education budget. The amount of State funding tied to tuition restraint compliance, and the tuition restraint limit, has varied over that time period. In FY 2013-14, Wayne State University made a decision that other universities may be compelled to follow in the future based on economic realities. State aid for university operations has deceased by $350.2 million (21.7%) (not adjusted for inflation) since FY 2001-02, and now accounts for approximately 21.9% of university operations funding on a statewide basis. While the State's share of university general fund revenue ranges from 16.7% to 32.8% of total university general fund revenue, State aid accounts for less than 25.0% of revenue for 10 universities. The ability of the State to constrain tuition increases in the future will depend on the overall level of State funding for Higher Education and the universities' ability to generate more funds by increasing tuition.

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Appendix:
FY 2013-14 Boilerplate Sections in Public Act 60 of 2013

Sec. 265. (1) Payments under section 265a for performance funding shall only be made to a public university that certifies to the state budget director by August 31, 2013 that its board did not adopt an increase in tuition and fee rates for resident undergraduate students after September 1, 2012 for the 2012-2013 academic year and that its board will not adopt an increase in tuition and fee rates for resident undergraduate students for the 2013-2014 academic year that is greater than 3.75%. As used in this subsection:

(a) Subject to subdivision (c), "fee" means any board-authorized fee that will be paid by more than 1/2 of all resident undergraduate students at least once during their enrollment at a public university. A university increasing a fee that applies to a specific subset of students or courses shall provide sufficient information to prove that the increase applied to that subset will not cause the increase in the average amount of board-authorized total tuition and fees paid by resident undergraduate students in the 2013-2014 academic year to exceed the limit established in this subsection.

(b) "Tuition and fee rate" means the average of full-time rates for all undergraduate classes, based on an average of the rates authorized by the university board and actually charged to students, deducting any uniformly-rebated or refunded amounts, for the 2 semesters with the highest levels of full-time equated resident undergraduate enrollment during the academic year.

(c) For purposes of subdivision (a), for a public university that compels resident undergraduate students to be covered by health insurance as a condition to enroll at the university, "fee" includes the annual amount a student is charged for coverage by the university-affiliated group health insurance policy if he or she does not provide proof that he or she is otherwise covered by health insurance. This subdivision does not apply to limited subsets of resident undergraduate students to be covered by health insurance for specific reasons other than general enrollment at the university.

(2) The state budget director shall implement uniform reporting requirements to ensure that a public university receiving a payment under section 265a for performance funding has satisfied the tuition restraint requirements of this section. The state budget director shall have the sole authority to determine if a public university has met the requirements of this section. Information reported by a public university to the state budget director under this subsection shall also be reported to the house and senate appropriations subcommittees on higher education and the house and senate fiscal agencies.

Sec. 265a. (1) Appropriations to public universities in section 236 for performance funding shall be paid only to a public university that complies with section 265 and certifies to the state budget director, the house and senate appropriations subcommittees on higher education, and the house and senate fiscal agencies by August 31, 2013 that it complies with all of the following requirements:

(a) The university participates in reverse transfer agreements described in section 286 with at least 3 Michigan community colleges or has made a good-faith effort to enter into reverse transfer agreements.

(b) The university does not and will not consider whether dual enrollment credits earned by an incoming student were utilized towards his or her high school graduation requirements when making a determination as to whether those credits may be used by the student toward completion of a university degree or certificate program.

(c) The university participates in the Michigan transfer network created as part of the Michigan association of collegiate registrars and admissions officers transfer agreement.

(2) Any performance funding amounts under section 236 that are not paid to a public university because it did not comply with 1 or more requirements under subsection (1) are unappropriated and reappropriated for performance funding to those public universities that meet the requirements under subsection (1), distributed in proportion to their performance funding appropriation amounts under section 236.

(3) The state budget director shall report to the house and senate appropriations subcommittees on higher education and the house and senate fiscal agencies by September 17, 2013, regarding any performance funding amounts that are not paid to a public university because it did not comply with 1 or more requirements under subsection (1) and any reappropriation of funds under subsection (2).

(4) Performance funding amounts described in section 236 are distributed based on the following formula:

(a) Based on weighted undergraduate completions in critical skills areas, 22.2%.

(b) Based on research and development expenditures, for universities classified in Carnegie classifications as doctoral/research universities, research universities (high research activity), or research universities (very high research activity) only, 11.1%.

(c) Based on 6-year graduation rate, total degree completions, and institutional support as a percentage of core expenditures, scored against national Carnegie classification peers and weighted by total undergraduate fiscal year equated students, 66.7%.

(5) For purposes of determining the score of a university under subsection (4)(c), each university is assigned 1 of the following scores:

(a) A university classified as in the top 20%, a score of 3.

(b) A university classified as above national median, a score of 2.

(c) A university classified as improving, a score of 2. It is the intent of the legislature that, beginning in the 2014-2015 state fiscal year, a university classified as improving is assigned a score of 1.

(d) A university that is not included in subdivision (a), (b), or (c), a score of 0.

(6) For purposes of this section, "Carnegie classification" shall mean the basic classification of the university according to the most recent version of the Carnegie classification of institutions of higher education, published by the Carnegie foundation for the advancement of teaching.

State Notes

TOPICS OF LEGISLATIVE INTEREST

Fall 2013

One-Time Appropriations: Three Years of Experience
By Elizabeth Pratt, Fiscal Analyst*

Beginning in fiscal year (FY) 2011-12, the Governor's recommended budget and the enacted budget designated some appropriations as one-time only. Other appropriations without the one-time designation were considered ongoing. One-time revenue, such as a carry-forward balance, was used only for one-time appropriations. This matched ongoing spending with ongoing revenue in order to demonstrate that the budget was structurally balanced. This device has been a part of the State budget for three fiscal years.

Under the Michigan Constitution, however, a balanced annual budget must be enacted each fiscal year. The current Legislature cannot bind future legislators to a specific spending plan. Essentially all State appropriations are one-time, except those required by the Constitution such as constitutional revenue sharing and the Proposal A guarantee for per-pupil school funding. Distinguishing between one-time and ongoing appropriations is thus problematic because few appropriations actually are ongoing. An issue also arises when determining what revenue is considered one-time. Current-year General Fund/General Purpose (GF/GP) revenue could be considered ongoing, although estimates and actual collections fluctuate. The deposit of ongoing revenue to reserve funds converts ongoing or baseline revenue to a one-time source for future use. While there are practical and policy questions in distinguishing between ongoing and one-time revenue and spending, the distinction may be useful to match spending with revenue.

The method of specifying that an appropriation is one-time has varied. In FY 2011-12, one-time items in most budgets were included in boilerplate. In FY 2012-13 and FY 2013-14, the one-time appropriations for most budgets were made in a separate appropriation unit for each department. For the School Aid budget, statutory language in FY 2011-12 and FY 2012-13 specified which appropriations were for one year only.

The Leadership Target Agreement on the FY 2013-14 budget designated the amount of one-time funding in each budget. Generally, these designations were built into the appropriations bills. For School Aid and Community Health, some appropriations designated by the target agreement as one-time items were characterized as one-time in budget tracking and documents in order to match ongoing spending with ongoing revenue; however, the budget bills did not reflect this designation.

One-time appropriations have been made for specific projects and deposits to reserve funds. Deposits to reserve funds consist of GF/GP appropriations to the Counter-Cyclical Budget and Economic Stabilization Fund (BSF) of $470.8 million over three years, School Aid Fund appropriations to the Michigan Public School Employees' Retirement System (MPSERS) Retirement Obligation Reform Reserve Fund ($133.0 million in FY 2011-12 and $41.0 million in FY 2012-13), and a GF/GP appropriation of $230.0 million in FY 2013-14 to the new Roads and Risks Reserve Fund.

* *The author would like to thank Joseph Snyder, Senate Fiscal Agency intern during Summer 2013, for gathering data for this article.*

Appropriations designated as one-time have been made in all State budgets. The amount of one-time appropriations from GF/GP revenue to departments has increased each year from approximately $171.6 million in FY 2011-12 to $428.8 million in FY 2013-14. Table 1 shows the recent history of one-time GF/GP appropriations.

Table 1

One-time Appropriations from GF/GP Revenue at Initial Budget Enactment			
GF/GP Appropriations	**FY 2011-12**	**FY 2012-13**	**FY 2013-14**
Appropriations to Departments	$171,550,000	$365,749,700	$428,803,300
Appropriations to Reserves			
Budget Stabilization Fund	255,800,000	140,000,000	75,000,000
Roads and Risks Reserve Fund[1]			230,000,000
Subtotal	255,800,000	140,000,000	305,000,000
Total	**$427,350,000**	**$505,749,700**	**$733,803,300**

[1] $115.0 million was appropriated in FY 2013-14 from the Roads and Risks Reserve Fund for the Priority Roads Investment Program. Language in PA 59 of 2013 states the intent of the Legislature to use the remaining balance of the Roads and Risks Reserve Fund during FY 2013-14.

The amount of GF/GP spending designated as one-time has increased by about $306.4 million or 71.7% from FY 2011-12 to FY 2013-14. This compares to the change in initial ongoing appropriations from $8,275.2 million in FY 2011-12 to $8,952.0 million in FY 2013-14, an increase of $676.8 million or 8.2%.

Appropriations have been made from the reserve funds, in one case in the same fiscal year as the deposit was made. In FY 2013-14, $115.0 million was appropriated from the Roads and Risks Reserve Fund for the Priority Roads Investment Program. Budget bill boilerplate (Public Act 59 of 2013, Article VIII, Sec. 211b) states the intent to use the remaining $115.0 million in the Roads and Risks Reserve Fund during FY 2013-14. In the School Aid budget, $156.0 million from the MPSERS Retirement Obligation Reform Reserve Fund will be spent in support of the MPSERS rate cap costs in FY 2013-14.

The one-time appropriations to departments can be grouped into several categories:

Single-Year Appropriation. Some appropriations appear solely in one fiscal year for separate projects that are not part of an ongoing appropriation. These appropriations for a single-year project are those that are most clearly one-time in nature. An example of this is the $4.0 million in FY 2011-12 appropriated to the Department of Natural Resources for a capital outlay project at the Grand Marais Harbor.

Additions to an Ongoing Program. There are a number of cases in which one-time funds are used to augment an existing line item. In the Department of Community Health, the Graduate Medical Education Program, which supports a portion of the cost of training medical residents, received one-time funding in three fiscal years, in addition to ongoing appropriations for that purpose.

Multiple Years of One-Time Funding. Many programs received one-time appropriations in more than one year. The Film Incentive Program within the Michigan Strategic Fund has received one-time appropriations that total $125.0 million over three fiscal years.

Appropriations that Became Ongoing, in Whole or in Part. Some one-time appropriations became ongoing in a subsequent year. The Facility for Rare Isotope Beams (FRIB) at Michigan State University received one-time funding of $1.2 million in FY 2011-12 in the Higher Education budget to fund a portion of the community share for that project. In FY 2012-13, State support for this project was increased and transferred to the Department of Treasury as an ongoing line item. The FRIB project received ongoing appropriations of $2,339,900 in FY 2012-13 and $7.3 million in FY 2013-14 in the Department of Treasury budget.

One-Time Designations Per Leadership Target Agreement. A number of appropriations in the School Aid budget for FY 2013-14 are considered one-time due to designation in the Leadership Target Agreement. These appropriations are not specified as one-time in the School Aid budget, but are designated and tracked as one-time funding. This budget tracking demonstrates how the School Aid budget complies with the target agreement on the amount of one-time funding.

Several appropriations fall into more than one of these categories. For the Economic Vitality Incentive Program, the program that replaced statutory revenue sharing for cities, villages, and townships, one-time funding has been used each year, has supplemented ongoing funding, and has become ongoing in subsequent years. In FY 2011-12, $15.0 million in one-time funding was provided in addition to $195.0 million in ongoing appropriations. The one-time funding in FY 2011-12 was built into the ongoing appropriation in FY 2012-13 and an additional $7.5 million in one-time revenue was added. In FY 2013-14, funds were added to both the ongoing and one-time funding for the program. The budget for FY 2013-14 added $16.3 million to the ongoing line item and $2.0 million to the one-time line item to increase total funding for the program to $235.8 million. These appropriations are summarized in Table 2.

Table 2

Economic Vitality Incentive Program
Summary of Year-to-Date Gross Appropriations
(millions)

Appropriations	FY 2011-12	FY 2012-13	FY 2013-14
Ongoing...	195.0	210.0	226.3
One-time..	15.0	7.5	9.5
Total...	**$210.0**	**$217.5**	**$235.8**

In the budget for the Michigan Strategic Fund Agency, the appropriations for Business Attraction and Community Revitalization also illustrate the complexity of dividing funding between ongoing and one-time. Funding for Business Attraction and Community Revitalization totaled $100.0 million in FY 2011-12, consisting of $50.0 million in ongoing and $50.0 million in one-time appropriations. In FY 2012-13, total funding for the program remained at $100.0 million, but all of the one-time funding became ongoing. In FY 2013-14, the total funding for the program increased to $120.0 million, but the ongoing portion declined. As shown in Table 3, total funding for the program was stable and then increased. The split between ongoing and one-time funding, however, has varied.

Table 3

Business Attraction and Community Revitalization[1)]
Summary of Year-to-Date Gross Appropriations
(millions)

Appropriations	FY 2011-12	FY 2012-13	FY 2013-14
Ongoing..	50.0	100.0	95.2
One-time...	50.0	0.0	24.8
Total...	**$100.0**	**$100.0**	**$120.0**

[1)] This appropriation was named Business Attraction and Economic Gardening in FY 2011-12 and FY 2012-13.

The Appendix lists the one-time appropriations at initial budget enactment for FY 2011-12, FY 2012-13, and FY 2013-14, with notations on the way each appropriation meets the above categories. One-time appropriations to departments are listed first, followed by the total of appropriations for one-time lump sum payments to employees, and ending with one-time deposits to reserve funds.

Conclusion

The distinction between ongoing and one-time appropriations may be useful in matching one-time and ongoing spending to one-time and ongoing revenue at enactment of the initial budget; however, as the budget is modified during the year and revenue is re-estimated, this distinction blurs. One-time appropriations are more complex than the term suggests given that one-time funds may supplement ongoing funding, be used for high-priority projects, and continue for more than one year. Similarly, the designation of revenue as one-time or ongoing is not clear cut. Any future program reductions or increases will be considered in the light of State needs and policy priorities at that time. Designation of spending as one-time will not prevent difficult decisions if budget reductions are needed in the future.

One-Time Appropriations at Initial Budget Enactment to Departments and Reserve Funds FY 2011-12 to FY 2013-14

	FY 2011-12		FY 2012-13		FY 2013-14						
Department/Budget Area/Program	**Adjusted Gross**	**GF/GP**	**Adjusted Gross**	**GF/GP**	**Adjusted Gross**	**GF/GP**	**Single-Year (or First-Year) Program**	**Added to an Ongoing Program**	**Multiple Years of One-Time Funding**	**Became Ongoing, in Whole or in Part**	**One-Time Per Target Agreement**
Agriculture & Rural Development											
Rural Development Grants			$900,000	$900,000			x				
Private Forestry Program			600,000	600,000			x				
Healthy Food Program			500,000	500,000			x				
Qualified Forest Affidavit Program					2,300,000	2,300,000	x				
Pesticide & Plant Pest Management					800,000	800,000	x				
Ottawa County Water Resources Study					300,000	300,000	x				
Total			**$2,000,000**	**$2,000,000**	**$3,400,000**	**$3,400,000**					
Community Colleges											
Virtual Learning Collaborative					1,100,000	1,100,000	x				
Total					**$1,100,000**	**$1,100,000**					
Community Health											
Graduate Medical Education	$17,129,400	$5,800,000	4,314,200	1,450,000	4,314,200	1,450,000		x	x	x	
Rural Hospitals	29,533,400	10,000,000								x	
Healthy Michigan Fund/Health & Wellness	3,000,000	3,000,000	5,000,000	5,000,000				x	x		
Community Mental Health Special Populations	3,000,000	3,000,000	3,000,000	3,000,000				x		x	
Island Health Clinics	300,000	300,000	325,000	325,000	325,000	325,000			x		
CHAMPS Diagnostic Coding Project/ Medicaid Info System			30,000,000	3,000,000	18,300,000	2,300,000	x		x		
Foregone Medicaid Expansion Savings					103,000,000	103,000,000	x				x
Mental Health Innovation					5,000,000	5,000,000	x				
Univ. Autism Centers & Services[1)]					2,000,000	2,000,000			x		
Total	**$52,962,800**	**$22,100,000**	**$42,639,200**	**$12,775,000**	**$132,939,200**	**$114,075,000**					
Corrections											
Information Technology Adjustments			1,129,500	1,129,500			x				
New Custody Training Staff					9,032,500	9,032,500		x			
Total			**$1,129,500**	**$1,129,500**	**$9,032,500**	**$9,032,500**					
Education											
CMU Lending Library			50,000	50,000			x				
Total			**$50,000**	**$50,000**							
Environmental Quality											
Muskegon Cleanup Site	6,000,000	6,000,000					x				
Drinking Water Revolving Fund			2,500,000	2,500,000			x				
Wetlands Program			1,500,000	1,500,000	600,000	600,000		x	x	x	
Hazardous Waste Management					400,000	400,000		x			
Total	**$6,000,000**	**$6,000,000**	**$4,000,000**	**$4,000,000**	**$1,000,000**	**$1,000,000**					

One-Time Appropriations at Initial Budget Enactment to Departments and Reserve Funds FY 2011-12 to FY 2013-14

Department/Budget Area/Program	FY 2011-12 Adjusted Gross	FY 2011-12 GF/GP	FY 2012-13 Adjusted Gross	FY 2012-13 GF/GP	FY 2013-14 Adjusted Gross	FY 2013-14 GF/GP	Single-Year (or First-Year) Program	Added to an Ongoing Program	Multiple Years of One-Time Funding	Became Ongoing, in Whole or in Part	One-Time Per Target Agreement
Higher Education											
EMU Autism Collaborative Center[1]	500,000	500,000								x	
MSU Facility for Rare Isotope Beams (FRIB)[2]	1,200,000	1,200,000					x			x	
WMU Economic Development	200,000	200,000					x				
Total	**$1,900,000**	**$1,900,000**									
Human Services											
State Emergency Relief Energy Services			59,900,000	27,700,000			x				
Inspector General Information Technology Upgrades			2,500,000	1,500,000			x				
Seita Scholars Program			750,000	750,000			x				
Juvenile Justice Behavioral Health Study			500,000	500,000			x				
Medicaid Eligibility Efficiency Pilot			250,000	250,000			x				
Information Tech. Services & Projects					2,000,000	1,039,600		x			
Demonstration Projects					1,500,000	1,000,000	x				
Total			**$63,900,000**	**$30,700,000**	**$3,500,000**	**$2,039,600**					
Judiciary											
Michigan Court System Case Management System					3,490,700	3,490,700	x				
Trial Court Performance Innovation Fund					1,000,000	1,000,000	x				
Total					**$4,490,700**	**$4,490,700**					
Licensing & Regulatory Affairs											
Nursing Home Survey Info. Tech. System					2,140,300	2,140,300	x				
Total					**$2,140,300**	**$2,140,300**					
Military & Veterans Affairs											
Veterans Service Delivery Initiative					3,955,000	3,955,000	x				
Vets Affairs Agency Computer Upgrade					1,500,000	1,500,000	x				
County Counselor Education and Training Expenses			200,000	200,000	45,000	45,000		x			
Armory Special Maintenance			2,400,000	2,400,000			x				
Grand Rapids Veterans' Home Special Maintenance			1,600,000	1,600,000			x				
Data Upgrades/Digitization of Records			750,000	750,000			x				
Jacobetti Veterans' Home Special Maintenance			516,000	516,000			x				
Veterans Service Enhancements			434,000	434,000			x				
Total			**$5,900,000**	**$5,900,000**	**$5,500,000**	**$5,500,000**					

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One-Time Appropriations at Initial Budget Enactment to Departments and Reserve Funds FY 2011-12 to FY 2013-14

Department/Budget Area/Program	FY 2011-12 Adjusted Gross	FY 2011-12 GF/GP	FY 2012-13 Adjusted Gross	FY 2012-13 GF/GP	FY 2013-14 Adjusted Gross	FY 2013-14 GF/GP	Single-Year (or First-Year) Program	Added to an Ongoing Program	Multiple Years of One-Time Funding	Became Ongoing, in Whole or in Part	One-Time Per Target Agreement
Natural Resources											
Capital Outlay: Grand Marais Harbor	4,000,000	4,000,000					x				
Dam Management			2,000,000	2,000,000			x				
Conservation Officer Training					600,000	600,000	x				
Total	**$4,000,000**	**$4,000,000**	**$2,000,000**	**$2,000,000**	**$600,000**	**$600,000**					
School Aid											
Public School Employees Retirement System (PSERS) Payments	155,000,000	0					x				
Best Practices	154,000,000	0	80,000,000		80,000,000				x		x
PSERS Retirement Obligation Reform Reserve Fund (See below)											
Partially Restore Small Class Size Grants	13,500,000	0	13,300,000	357,600	9,000,000				x		x
Equity Payments					36,000,000		x				x
Technology Grants			50,000,000		50,000,000	5,000,000			x		x
Consolidation Innovation Grants			10,000,000		5,000,000						x
Student Centric Learning Grants					8,000,000		x				x
FIRST Robotics					3,000,000		x				x
Career Prep Michigan Merit Exam Integration Grant					1,000,000			x			x
Career Prep Transfer Credit Partnership Grant					1,000,000		x				x
One-time Fund Shift, School Aid Fund to GF/GP			0	181,000,000							
One-time GF/GP Grant					0	45,000,000	x				
Total	**$322,500,000**	**$0**	**$153,300,000**	**$181,357,600**	**$193,000,000**	**$50,000,000**					
State											
Replace Commercial Driver License Fee Revenue			600,000	600,000			x				
ExpressSOS Marketing			150,000	150,000			x				
Total			**$750,000**	**$750,000**							
State Police											
Michigan International Speedway Traffic Control	800,000	800,000	800,000	800,000					x		
Replacement of Outdated Equipment/ Protective Gear			1,623,700	1,623,700			x				
Collins Road Rent and Building Occupancy Charges			350,000	350,000			x				
At-Post Troopers-Trooper School					3,661,900	3,661,900	x				
Disaster & Emergency Contingency Fund					2,000,000	2,000,000	x				
Grand Rapids Forensics Lab.					400,000	400,000	x				

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One-Time Appropriations at Initial Budget Enactment to Departments and Reserve Funds FY 2011-12 to FY 2013-14

Department/Budget Area/Program	FY 2011-12 Adjusted Gross	FY 2011-12 GF/GP	FY 2012-13 Adjusted Gross	FY 2012-13 GF/GP	FY 2013-14 Adjusted Gross	FY 2013-14 GF/GP	Single-Year (or First-Year) Program	Added to an Ongoing Program	Multiple Years of One-Time Funding	Became Ongoing, in Whole or in Part	One-Time Per Target Agreement
State Police (continued)											
Emergency Response Team Vehicle Replacement					350,000	350,000	x				
Secondary Road Patrol Program					150,000	150,000	x				
Total	**$800,000**	**$800,000**	**$2,773,700**	**$2,773,700**	**$6,561,900**	**$6,561,900**					
Technology, Mgt. & Budget											
Asbestos Abatement at Former State Police Headquarters	1,250,000	1,250,000					x				
Other Post-Employment Benefits Payment Adjustment	60,000,000	60,000,000					x				
Special Maintenance for State Buildings			10,000,000	10,000,000	10,000,000	10,000,000			x		
Space Consolidation Fund			7,000,000	7,000,000			x				
Teacher Evaluation Pilot			4,000,000	4,000,000			x				
Regional Prosperity Grants					2,500,000	2,500,000	x				
Legal Services[3)]					2,000,000	2,000,000	x		x		
Delta County Bridge Removal					1,500,000	1,500,000	x				
Technology Services Funding ($21.3 million IDG)					0	0					
Total	**$61,250,000**	**$61,250,000**	**$21,000,000**	**$21,000,000**	**$16,000,000**	**$16,000,000**					
Transportation											
Swing Bridge Maintenance	500,000	500,000					x				
General Fund Grant			23,000,000	23,000,000			x				
Fed Match for State Trunkline Road/Bridge Construction					121,300,000	121,300,000		x			
Priority Roads Investment Program					115,000,000	0	x				
Total	**$500,000**	**$500,000**	**$23,000,000**	**$23,000,000**	**$236,300,000**	**$121,300,000**					
Treasury-Operations											
Legal Services[3)]			3,000,000	3,000,000			x				
Distressed Communities					5,000,000	5,000,000	x				
Mi. Casino Gaming Bd. System Replace.					3,000,000	0	x				
Sales/Use Taxes & Withholding System Replacement					1,763,300	1,763,300	x				
Total			**$3,000,000**	**$3,000,000**	**$9,763,300**	**$6,763,300**					
Treasury-Revenue Sharing											
County Revenue Sharing	15,000,000	0						x	x	x	
Competitive Grant Assistance Program			10,000,000	0	10,000,000	0		x	x		
Econ. Vitality Incentive Program	15,000,000	0	7,500,000	0	9,500,000	0		x	x	x	
County Incentive Program			2,500,000	0	6,500,000	0		x	x		
Total	**$30,000,000**	**$0**	**$20,000,000**	**$0**	**$26,000,000**	**$0**					

One-Time Appropriations at Initial Budget Enactment to Departments and Reserve Funds FY 2011-12 to FY 2013-14

	FY 2011-12		FY 2012-13		FY 2013-14						
Department/Budget Area/Program	**Adjusted Gross**	**GF/GP**	**Adjusted Gross**	**GF/GP**	**Adjusted Gross**	**GF/GP**	**Single-Year (or First-Year) Program**	**Added to an Ongoing Program**	**Multiple Years of One-Time Funding**	**Became Ongoing, in Whole or in Part**	**One-Time Per Target Agreement**
Treasury-Strategic Fund											
Film Incentive Funding	25,000,000	25,000,000	50,000,000	50,000,000	50,000,000	50,000,000			x		
Business Attraction and Community Revitalization	50,000,000	50,000,000			24,800,000	24,800,000			x	x	
Skilled Trades Training Program					10,000,000	10,000,000	x				
Total	**$75,000,000**	**$75,000,000**	**$50,000,000**	**$50,000,000**	**$84,800,000**	**$84,800,000**					
State Employee Lump Sum Payments			53,213,500	25,313,900			x				
Total			**$53,213,500**	**$25,313,900**							
Subtotal One-Time Approps	**$554,912,800**	**$171,550,000**	**$448,655,900**	**$365,749,700**	**$736,127,900**	**$428,803,300**					
Approps. to Reserve Funds											
PSERS Retirement Obligation Reform Reserve Fund	133,000,000	0	41,000,000						x		
Budget Stabilization Fund	255,800,000	255,800,000	140,000,000	140,000,000	75,000,000	75,000,000			x		
Roads and Risks Reserve Fund					115,000,000	230,000,000	x				
Subtotal Approps. to Reserve Funds	**$388,800,000**	**$255,800,000**	**$181,000,000**	**$140,000,000**	**$190,000,000**	**$305,000,000**					
Total One-Time Approps.	**$943,712,800**	**$427,350,000**	**$629,655,900**	**$505,749,700**	**$926,127,900**	**$733,803,300**					

1) Autism Centers were one-time in Higher Education in FY 2011-12, ongoing in FY 2012-13 in DCH, and one-time in DCH in FY 2013-14.
2) FRIB funding became ongoing in the Department of Treasury budget beginning in FY 2012-13.
3) The line item for Legal Services for Department of Treasury was moved from the one-time appropriations for Treasury in FY 2012-13 to the one-time appropriations for DTMB in FY 2013-14.

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State Notes

TOPICS OF LEGISLATIVE INTEREST

Fall 2013

An Update on the Status of the Gray Wolf in Michigan
By Julie Cassidy, Legislative Analyst

Introduction

Several hundred years ago, various wolf species, including the gray wolf, could be found throughout much of the United States. Following settlement by Europeans, however, wolves nationwide came to be seen as a nuisance due to their predation on livestock and game animals. As a result, wolves were the target of extermination efforts that continued well into the 1900s. Hundreds of thousands were killed throughout the country, and by 1900, the animals were rare in the eastern United States and parts of Michigan, Minnesota, and Wisconsin. Eventually, the gray wolf was extirpated in 95% of its historic range. The gray wolf population is thought to have reached its lowest point in the 1960s, when only several hundred remained in northeastern Minnesota and approximately 20 lived on Michigan's Isle Royale.

Over time, the public perception of the wolf began to change, and the focus of policy pertaining to the animal shifted from eradication to protection. Michigan declared the gray wolf an endangered species in 1965. In 1967, the animal was granted protection on Federal land under the Endangered Species Preservation Act. In 1974, the gray wolf was listed as endangered under the Federal Endangered Species Act (ESA), meaning it was considered to be at risk of extinction. The listing made it illegal to kill, trap, or otherwise harm a gray wolf. In addition, over the next few decades efforts were made to reintroduce wolves within the species' historical territory.

As a result of these statutory protections and repopulation programs, the gray wolf has made a recovery in Minnesota, Wisconsin, and Michigan's Upper Peninsula. In fact, in recent years, there have been numerous reports of wolves venturing into developed areas and attacking pets and livestock in Northern Michigan. These incidents have raised concerns that the wolves' numbers have grown too large in that part of the State. The U.S. Fish and Wildlife Service (FWS) has attempted to remove the gray wolf from the list of endangered species several times over approximately the last decade, most recently by a final rule that took effect in January 2012. Some people believe that delisting the gray wolf and allowing the animal to be hunted in Michigan again is necessary to keep the population in check. Others, however, believe that the gray wolf has not yet rebounded sufficiently to ensure the long-term survival of the species, and have fought actions to eliminate Federal protection and classify the wolf as a game animal in Michigan. This article discusses the litigation surrounding the Federal delisting attempts and statutory changes related to wolf management that have been implemented in Michigan.

Delisting

In 1978, the FWS adopted a recovery plan for the eastern timber wolf (which is considered a subspecies of the gray wolf). The plan established a population goal of 1,250 to 1,400 wolves in the State of Minnesota by the year 2000 and 100 wolves combined for Wisconsin and Michigan. The Minnesota population reached the goal by 1989, and the desired level for Michigan and Wisconsin was met by 1994. According to the plan, the latter population had to be maintained for five years before the subspecies could be considered for delisting under the ESA.

Michigan reclassified the gray wolf under State statute as threatened, rather than endangered, in 2002. At that time, the population was estimated at 280 in the Upper Peninsula with an additional 17 on Isle Royale. (Under the State's Natural Resources and Environmental Protection Act (NREPA), a species is "endangered" when it is in danger of extinction throughout all or a significant part of its range. A species is "threatened" when it is likely to become an endangered species within the foreseeable future throughout all or a significant portion of its range.)

On several occasions over the next few years, the FWS issued a final rule to reclassify the gray wolf by identifying "distinct population segments" ("DPSs"), and to remove the species from the list of endangered and threatened wildlife in certain DPSs. A number of wildlife conservation and animal protection organizations sued the FWS and the U.S. Department of the Interior, claiming that the rule violated the ESA and the Department's own policy through improper use of the DPS designation. Each time, U.S. District Courts agreed with the plaintiffs, granting their motion for judgment and vacating the rule.

The FWS most recently delisted the gray wolf in the Western Great Lakes DPS (which includes Michigan, Minnesota, and Wisconsin and parts of Illinois, Indiana, Iowa, North Dakota, and South Dakota) by a final rule that took effect in January 2012. In response, the Humane Society of the United States, Born Free, USA, Help Our Wolves Live (HOWL), and Friends of Animals and Their Environment (FATE) filed a complaint in the U.S. District Court for the District of Columbia. The complaint alleges that the FWS has once again violated the ESA and the DPS policy, rendering the rule "arbitrary, capricious, an abuse of discretion, and not in accordance with the law".

The DPS tool enables the listing of a specific geographically limited population, even if the species as a whole is not endangered or threatened—in other words, according to the plaintiffs, its purpose is "to promote species prosperity and conservation", not to eliminate protection as the FWS did. The area in Michigan, Wisconsin, and Minnesota where the gray wolf has made a significant recovery represents only a small portion of the species' historic range. The boundaries of the Western Great Lakes DPS extend far beyond this core population area, and include a considerable amount of land that has not yet been repopulated by wolves, but that could be crucial to their dispersion as their numbers grow. The plaintiffs posit that the removal of Federal protection in these areas where the wolf remains extirpated could impede the species' full recovery, contrary to the objective of the DPS concept. In addition, the plaintiffs question the propriety of simultaneously creating and delisting a previously unlisted DPS.

Noting the similarities between the most recent delisting rule and previous rules that have been rejected by the courts, the complaint requests an order to vacate the rule and reinstate protections for the gray wolf in the Great Lakes region. A hearing in the case is expected to take place this winter and the court's final decision will likely be issued in early 2014.

Developments in Michigan

Following implementation of a 2007 FWS delisting rule, legislation was enacted in Michigan to authorize the owner of a dog or livestock to remove, capture, or kill a gray wolf that is preying upon the dog or livestock, and require the owner to report a wolf killing to the Department of Natural Resources. After a U.S. District Court decision vacated the FWS rule in 2008, placing the gray wolf back on the endangered list, the Michigan law was amended to provide that the authorization to remove, capture, or kill an actively preying wolf was contingent upon the District Court's decision being overturned or the promulgation and implementation of a new delisting rule. Thus, the Michigan law has been in force again since January 2012, when the FWS's most recent rule took effect.

Although this measure is welcomed by the owners of animals who are at risk of predation, some feel that it is an inadequate solution, and that a hunting season is a more proactive approach to managing the wolf population and protecting the animals and livelihoods of Upper Peninsula farmers. In response, Public Act 520 of 2012 (Senate Bill 1350) amended NREPA to include wolf in the definition of "game", authorize the establishment of the first open season for wolf, and allow the Natural Resources Commission (NRC) to issue orders establishing annual wolf hunting seasons. The Act establishes a wolf hunting license fee of $100 for a resident and $500 for a nonresident; makes it a misdemeanor to illegally possess or take wolf; and created the Wolf Management Advisory Council, which must submit to the NRC and the Legislature an annual report containing wolf management recommendations. The legislation took effect on December 28, 2012.

Wolf hunting opponents then launched a petition drive to compel a statewide referendum on the legislation. (In order for a law enacted by the Legislature to be submitted to voters for approval or rejection, the State Constitution requires the collection of a number of signatures equal to at least 5% of the total vote cast for all gubernatorial candidates at the last general election at which a governor was elected.) The Act's opponents have voiced concerns that people might want to hunt wolves for trophies rather than for genuine management reasons, and that a hunt could jeopardize the wolf's recovery. They also are worried that killing wolves could interfere with opportunities to observe the animals in the wild, having a negative impact on the State's tourism industry. In addition, a number of Michigan Indian tribes have opposed the hunt and participated in the petition drive, citing the important role of the gray wolf in their heritage and culture.

Petition circulators reportedly collected more than 200,000 signatures, enough to surpass the constitutional threshold. The Board of State Canvassers certified the petition in May 2013, and the question will appear on the 2014 general election ballot. As discussed below, however, subsequently enacted legislation will make the results of the vote moot.

For some people, the proposed referendum raised concerns about the extent to which electors should be directly involved in natural resource decisions, the appropriate use of the referendum, regional conflicts within the State, and the potential influence of money and out-of-State interests in Michigan's affairs. Noting that most electors are not experts in the subject of natural resources, some questioned the prudence of allowing wildlife management decisions to be made at the ballot box. In a related matter, there is concern surrounding ballot proposals generally that some stakeholder groups take advantage of voters' lack of knowledge and present misleading or inaccurate information in their efforts to sway public opinion. Ballot question campaigns may be financed by parties from outside the State, and sometimes, petition circulators are paid for each signature they obtain, which might encourage them to use tactics that cast doubt on the legitimacy of the political process. Supporters of the wolf hunt also note that some of the opposition has come from people who live in the southern part of the State and thus might have a limited understanding of the problems Upper Peninsula residents experience with regard to wolf encounters.

These concerns prompted the enactment of Public Act 21 of 2013 (Senate Bill 288), which took effect on May 8, 2013. This legislation amended NREPA to extend the authority to designate game species to the NRC, whose orders are not subject to the State Constitution's referendum provisions. (Previously, the Legislature had exclusive authority to designate game species.) Supporters of the measure believe it will ensure that the State's wildlife management decisions are based on scientific evidence.

Subsequently, the NRC issued an order to establish Michigan's first open season for wolf from November 15 to December 31, 2013. Under the order, 1,200 wolf hunting licenses are available for the season in three wolf management units (WMUs) designated in the Upper Peninsula. A target level of 43 wolves has been set. The Department of Natural Resources (DNR) may close the open season in any WMU before December 31 if the Department's harvest objectives are reached. A person may take one wolf per year by firearm, crossbow, or bow and arrow. The order specifically prohibits an individual from hunting a wolf with a dog, or taking a wolf with a snare, cable restraint, conibear, or any other kind of trap. The order requires a person to present a wolf's pelt and skull to the DNR for examination within 72 hours of harvest.

License sales for the first wolf season were scheduled to begin on August 3, 2013, but were delayed due to the anticipated high demand. Generally, in the case of a limited license hunt, licenses are issued through a lottery system. Licenses for the wolf hunt, however, were to be offered on a first-come, first-served basis. In order to ensure that the DNR's retail sales system could handle the expected transaction volume, the Department decided to wait until September 28 to make the licenses available for purchase. Once sales began, nearly 1,000 were sold within the first two hours and fewer than 100 remained by the end of the day.

Those who oppose wolf hunting in Michigan view Public Act 21 as an attempt to circumvent the democratic process, and again began collecting signatures to compel a referendum on the legislation at the 2014 election. Although the ballot will include a vote on Public Act 520 of 2012, that legislation essentially was superseded by the amendments enacted in 2013. Therefore, even if the voters reject Public Act 520, wolf hunting will remain legal in Michigan—absent statutory changes, judicial rulings, or orders of the Natural Resources Commission to the contrary—unless the opponents are able to secure a referendum on Public Act 21 of 2013 and the voters overturn that law.

State Notes

TOPICS OF LEGISLATIVE INTEREST

Fall 2013

Development of the Michigan Energy Assistance Program and Low-Income Energy Assistance Fund
By Frances Carley, Fiscal Analyst

Michigan has a history of assisting low-income residents to pay heating bills and other utility costs. When the Low-Income Energy Efficiency Fund (LIEEF) was suspended in 2011, however, no funding mechanism existed for the assistance program, and the State realized a significant loss of Restricted revenue in the fiscal year (FY) 2011-12 budget. In response to this loss, the Legislature spent several months developing a solution to replace the defunct revenue stream, a process that included hearings, work group discussions, temporary funding solutions, and new legislation. With the enactment of Public Act 95 of 2013, the new Low-Income Energy Assistance Fund (LIEAF) was created to replace the defunct LIEEF.[1] The LIEAF revenue will fund the new Michigan Energy Assistance Program (MEAP), which will provide energy assistance for low-income individuals, emphasizing a path to self-sufficiency. This report provides background on the formation of both the new fund and the new program.

State Emergency Relief: Energy Crisis Assistance Caseload Trends

Figure 1 shows the average monthly caseload for energy crisis assistance since FY 2006-07. When the national economic recession began in 2008, the request for services spiked along with the availability of additional Federal funding (Figure 2). The caseload has been declining steadily since FY 2010-11. This change is due to the economic recovery and, in part, the recent implementation of an asset test for eligibility, which began in March 2013. While the FY 2012-13 average caseload is comparable to the FY 2008-09 average caseload, the available funding is lower in FY 2012-13. (Figure 2 and Figure 3 portray funding trends.)

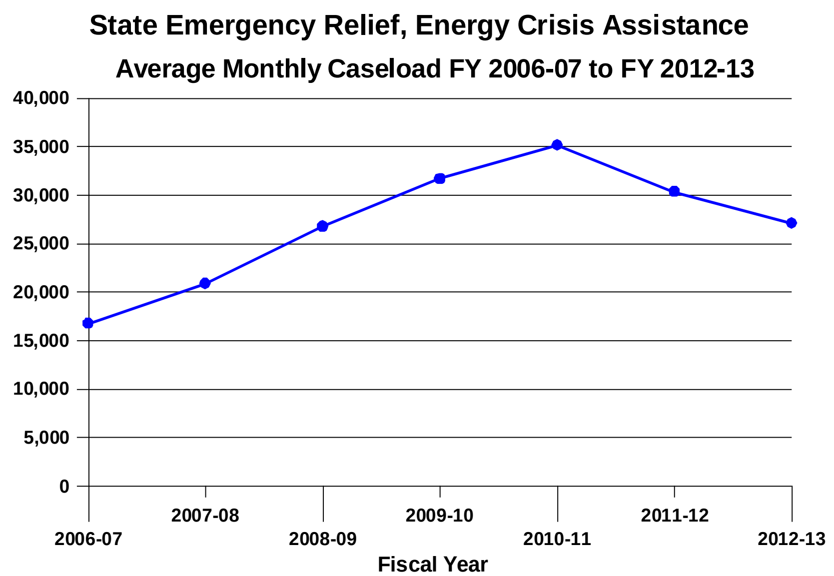
Federal Funding

Figure 2 shows the total amount of Federal Low-Income Home Energy Assistance Program (LIHEAP) funding the State received from FY 2006-07 through FY 2013-14 (projected). Three distinct categories of spending – crisis assistance, other programs, and MEAP – are shown.

When the national economic recession began, requests for services spiked. With the introduction of Federal American Recovery and Reinvestment Act (ARRA) funding in FY 2008-09, Michigan qualified for 84.0% more LIHEAP funding than what was received in the previous year. Since 2010, however, the Federal government has steadily decreased funding nationwide, and this decline is likely to continue. The amount of the State's LIHEAP block grant peaked in FY 2009-10 at $249.0 million and will have decreased by 78.0%, if the FY 2013-14 grant remains $139.7 million.

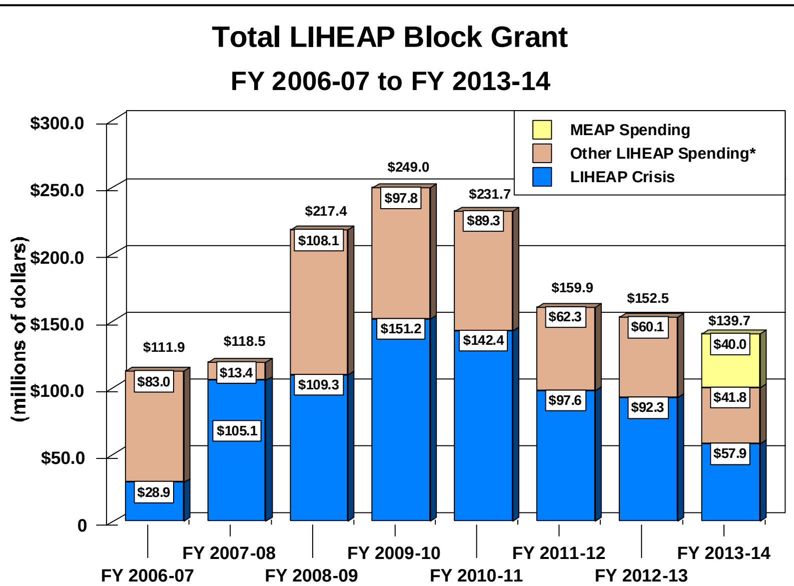
[1] This legislation is discussed below, and a detailed Senate Fiscal Agency analysis of Senate Bill 284, enacted as Public Act 95 of 2013, can be found at http://www.legislature.mi.gov/documents/2013-2014/billanalysis/Senate/pdf/2013-SFA-0284-N.pdf.

Figure 1



Source: Department of Human Services Trend Reports

Figure 2



* Other Programs include the Home Heating Credit, $1 Food Stamp program, administration, and, in some years, weatherization.

Source: Senate Fiscal Agency calculations based on Michigan Administrative Information Network data.

The Low-Income Energy Efficiency Fund

Public Act (PA) 141 of 2000 enacted the Customer Choice and Electricity Reliability Act. Among other things, the Act established LIEEF as a State Restricted fund that was permitted to collect up to $90.0 million in revenue. The Act was designed to open the electricity market to competition so alternative suppliers could market to the customers of major suppliers. In order to soften the transition for the major energy suppliers, the Act allowed them to find savings by issuing bonds to pay off their assets, i.e., through securitization savings. Later, the savings were collected as a customer fee rather than through securitization. The excess savings from both methods went to LIEEF, which in turn funded projects serving low-income customers and energy conservation efforts.

When Michigan revamped the State energy plan in 2008 with the enactment of PA 286 and PA 295, the authorization that permitted the State to collect and distribute funds through LIEEF was inadvertently eliminated from statute. This oversight exposed the State to a lawsuit, which ultimately led to the disbandment of the fund in 2011.

Temporary Funding Solutions

In response to loss of LIEEF Restricted revenue, the Legislature passed legislation to provide temporary funding for crisis assistance in FY 2011-12 and FY 2012-13.

In FY 2011-12, PA 274 of 2011, a supplemental appropriation, included $35.0 million for the Vulnerable Household Warmth Fund. According to the Department of Human Services (DHS), the funding made it possible for the Department to continue to provide emergency heating and energy assistance for any eligible family or individual. Without passage of the legislation, the Department indicated that the crisis assistance funding would have been exhausted by May 2012, four months before the close of the fiscal year.

In FY 2012-13, the DHS budget (PA 200 of 2012, Article X) included one-time funding for crisis assistance in the State Emergency Relief Energy Services line item. The budget provided a total of $59.9 million ($27.7 million GF/GP) for this purpose.

Energy Work Group

In the spring of 2012, Senator Bruce Caswell led a work group to review the State's model for providing low-income energy assistance, which was required in the FY 2011-12 DHS budget (PA 63 of 2011, Article X, Sec. 1103). Senator Caswell, along with representatives from other Senate and House offices (including Senator Mike Nofs), and representatives from the DHS, Michigan Public Service Commission (MPSC), utility companies, and nonprofit organizations convened to discuss the energy assistance model and ways to improve services.

The work group launched a conversation about the crisis model of energy assistance. The model requires a recipient to demonstrate an immediate need for assistance, such as a past-due or shut-off notice for utilities. One of the key problems identified with this model was that it limited the utilities' ability to work with customers to develop a long-term budget plan and also to avoid issuing shut-off notices. Over the course of several meetings, work group participants provided input on several key issues pertaining to the service model, including process, accountability, affordability, and measures of success.[2] The work group also discussed logistical matters, including how to improve the current system, develop a path to self-sufficiency, address energy needs statewide, implement fees, and disburse funds once they were collected. When the process was complete, Senator Caswell introduced Senate Bill 1135 (PA 615 of 2012) and Senator Nofs introduced SB 1134 in 2012, which was reintroduced in the following year as SB 284 (PA 95 of 2013). The enacted legislation was based on the work group discussions and included contributions from the House.

Michigan Energy Assistance Act: PA 615 of 2012

The Michigan Energy Assistance Program was established with the enactment of PA 615 of 2012, and went into effect on October 1, 2013.[3] The program makes it possible for eligible individuals to obtain energy assistance before they receive a shut-off notice for their energy or utility services. By reaching individuals before they experience a crisis, the goal of the program is to eliminate the costs incurred by the utilities and low-income families when utilities are turned off and then reinstated. The language also provides for individuals who use deliverable fuels to receive assistance.

The Act allows the program to be funded with any revenue source that is appropriated to the line item, and specifically refers to LIEAF. The Act allows the Department of Human Services, in consultation with the Michigan Public Service Commission, to contract with various third parties to provide energy assistance. Language also requires performance metrics for the contracts, and requires that 92.0% of funds be used for direct energy payments. A single-page application for the program is also identified. The maximum amount of LIEAF funding that may be spent outside of the crisis season (November 1 through May 31) is limited to 30.0%. (Up to $15.0 million may be used during the summer months.) The Act does not restrict the use of Federal funding to the crisis season.

By October 1, 2014, agencies that contract with the DHS to receive funding under the MEAP program must provide or coordinate services that will enable participants to become or move toward becoming energy self-sufficient. Self-sufficiency assistance includes programs that help recipients pay their energy bills on time, help them develop a budget for energy costs, and teach them how to optimize energy efficiency. Previously, the old LIEEF program allowed revenue to be used for weatherization projects, but the new LIEAF revenue will not be used in this way.

The DHS Pilot Program with DTE Energy

In FY 2011-12, the DHS implemented a pilot program with DTE Energy called the Low-Income Energy Self-Sufficiency program. The program received $6.5 million from the DHS

[2] The DHS provided a legislative report on the work group findings and recommendations. It can be found at the following link:
http://michigan.gov/documents/dhs/SER_LIHEAP_Workgrp_Report_396229_7.pdf?20130930120509.
[3] The Senate Fiscal Agency summary of Senate bill 1135, enacted as Public Act 615 of 2012, can be found at http://www.legislature.mi.gov/documents/2011-2012/billanalysis/Senate/pdf/2011-SFA-1135-N.pdf

in its first year and $6.5 million again in FY 2012-13. It is based on both the work group discussions and the guidelines for energy self-sufficiency that are defined in PA 615 of 2012.

The pilot program targeted DHS clients and DTE Energy clients. In order to participate in the pilot program, a client had to be low-income, eligible for State energy crisis assistance, and using less than $2,500 worth of combined energy services annually. While participating in the pilot, the client was not permitted to receive crisis assistance. In order to remain compliant, the client was required to pay a reduced rate to DTE Energy on a consistent basis, with the option of some arrearage forgiveness in some cases. The pilot operated statewide, with a high concentration of clients in southeastern Michigan.

Both DTE Energy and the DHS consider the pilot program to be a success. As of spring 2013, DTE Energy had enrolled 20,000 customers into the pilot. Of these 20,000 customers, just 60 had been disconnected from services due to nonpayment. Without the pilot program, DTE Energy indicated that, under normal circumstances, 11,000 of those customers would have been disconnected in the same time frame.[4]

Energy Funding in the FY 2013-14 Enacted Budget

The enacted FY 2013-14 budget for the DHS includes two line items for an energy self-sufficiency program, both of which were based on the MEAP requirements (PA 615 of 2012):

1) Michigan Energy Assistance Program, which was funded with $60.0 million in anticipated Restricted funding.
2) Energy Self-Sufficiency Program, which was funded with $25.0 million in Federal LIHEAP funding.

The Governor's FY 2013-14 budget proposed MEAP, providing the placeholder for $60.0 million in Restricted funding, and the Senate concurred. The House budget, however, did not include the Restricted fund source, instead funding the line with Temporary Assistance for Needy Families and General Fund/General Purpose dollars. In order for the MEAP program to go into effect, it required an appropriation. As the bill proposed by Senator Nofs to create the Restricted fund source had not been enacted yet, the fate of MEAP was uncertain during the budget process.

Due to this uncertainty, Senator Caswell proposed the Energy Self-Sufficiency Program line item in the Senate budget, and in the Conference budget, the Senate and House agreed to shift $25.0 million in Federal LIHEAP funding to the line. The Energy Self-Sufficiency Program was defined by boilerplate Section 621, which copied most of PA 615 word-for-word. The proposal was intended to ensure that the program model for energy self-sufficiency would be enacted regardless of whether legislation to create the Restricted fund source passed. The $25.0 million had its own line and boilerplate in order to avoid any potential conflicts with State statute in the event that MEAP was funded with a new Restricted fund source. Subsequently, Senator Nofs introduced SB 284 (PA 95 of 2013),

[4] DTE Energy provided testimony on the pilot program before the Senate Energy and Technology Committee on April 30, 2013.

which created LIEAF to replace the defunct LIEEF revenue. Pursuant to Section 621 of the budget act, the DHS may transfer the $25.0 million that was appropriated in the Energy Self-Sufficiency Program line item back to the Low-Income Home Energy Assistance Program line item.

Low-Income Energy Assistance Fund: PA 95 of 2013

Public Act 95 of 2013 created the Low-Income Energy Assistance Fund within the State Treasury to replace the defunct LIEEF program. The Low-Income Energy Assistance Fund is a State Restricted fund source that must be used for MEAP, as it was defined in PA 615 of 2012.

The Act includes several guidelines for the implementation of the Fund. The maximum amount the Fund can collect is $50.0 million (rather than the $60.0 million that was originally proposed) and there is a $1 cap on monthly customer fees. Utilities may opt out of the collection program by annually filing a notice with the MPSC, but these utilities will not be permitted to shut off service to any residential customer from November 1 to April 15 for nonpayment of a delinquent account. The Act pertains only to electricity. Additionally, the DHS in conjunction with the MPSC must ensure that the money that is collected from a geographic area is also returned to the same area.

The Michigan Public Service Commission will implement a funding factor of $0.99 that will be applied to customers' electric bills (residential and commercial), appearing as a separate line item. The funding factor will be added to each retail billing meter (but not more than one residential meter per residential site), and will be payable monthly by every customer receiving retail distribution service from an electric utility, regardless of the identity of the customer's electric generation supplier. Previously, the funding factor was applied to both gas and electricity rather than electricity alone. Under the old LIEEF plan, a combined Consumers residential customer would have paid an average of $1.36 per month; a combined DTE customer would have paid $1.85; a combined Consumers electric and DTE gas customer would have paid $0.78; and a combined DTE electric and Consumers gas customer would have paid $2.43 monthly. The combined commercial rates were higher, as well. All of the previous industrial rates were significantly higher.[5]

Spending Trends: Crisis Assistance and MEAP

Figure 3 shows actual spending on both crisis assistance and the new self-sufficiency model since FY 2006-07 (prior to the availability of temporary Federal ARRA funding). Most of the funding comes from State Restricted (LIEEF and LIEAF) and Federal sources (LIHEAP).

The Low-Income Energy Efficiency Fund was permitted to collect up to $90.0 million in revenue. The funding was distributed to the DHS, nonprofit organizations, and utility companies for both crisis assistance and energy efficiency projects. For example, in FY 2010-11, LIEEF provided a total of $82.0 million in grants to the DHS and private organizations. In order to provide crisis assistance, the DHS received $36.9 million and

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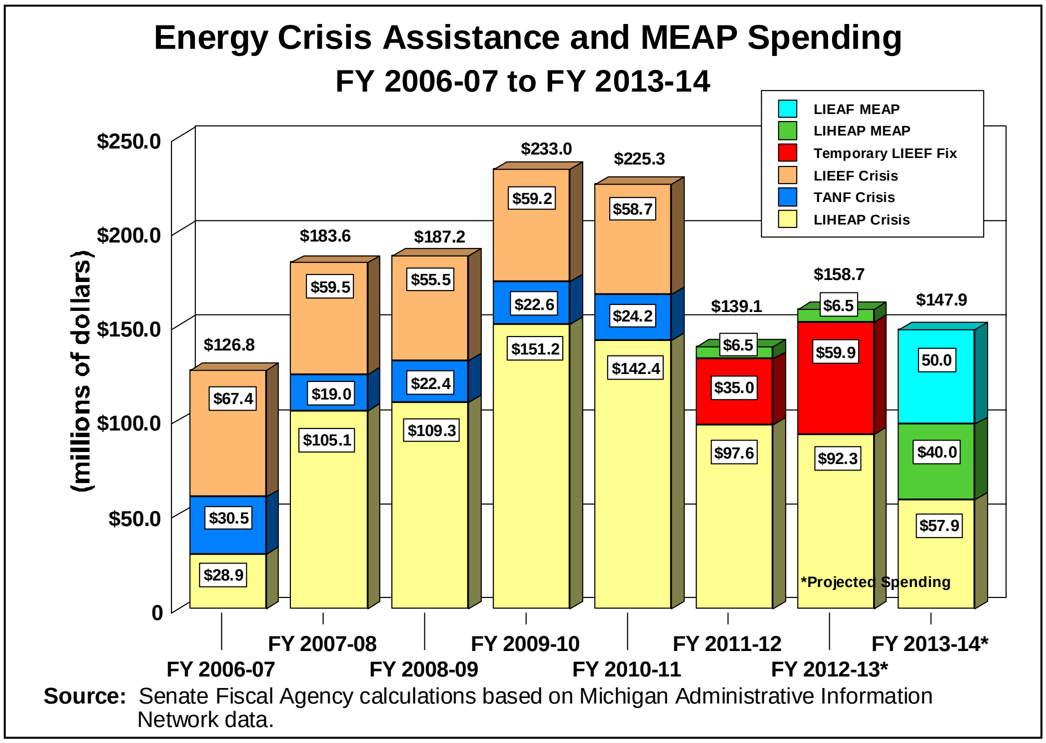
[5] Data provided by the Michigan Public Service Commission.

private organizations received a total of $21.8 million. Additionally, energy efficiency grants totaling $16.8 million to private organizations and $10.0 million for the DHS were provided.

The new LIEAF will be permitted to collect up to $50.0 million in revenue, which must be used exclusively for low-income energy assistance through MEAP.

Figure 3



Notes: 1) Federal LIHEAP spending trends show crisis and MEAP spending only. The trends do not show other programs funded by LIHEAP, including the Home Heating Credit, weatherization, and the enhanced food assistance program. 2) LIEEF Restricted revenue provided funding for various types of energy projects, such as weatherization. The spending trends in this graph represent only LIEEF grants that the DHS and other private organizations received to provide crisis assistance.

In FY 2006-07, LIEEF Restricted revenue accounted for 53.1% of the total crisis assistance spending. In FY 2009-10, the proportion of LIEEF spending declined significantly to 25.4% with the influx of temporary Federal funding. In FY 2013-14, the proportion of the new LIEAF revenue in total energy spending is 35.2%, demonstrating the decline of Federal dollars and increased reliance on State revenue. The Restricted funding source will continue to represent a greater portion of energy funding as Federal resources decrease.

The State did not allocate as much Federal funding to crisis assistance in FY 2006-07 as in other years. In FY 2006-07, the State's LIHEAP block grant totaled $111.9 million compared with $118.5 million in the following year (Figure 2). Although the grant did not increase substantially in FY 2007-08, the State allocated a much greater portion of the total grant to crisis assistance, increasing the portion from $28.9 million to $105.1 million.

FY 2013-14 Program Implementation

The DHS and the Department of Licensing and Regulatory Affairs (LARA) have entered into an interagency agreement in order to implement the new MEAP. The program will receive a total of $90.0 million: $50.0 million from the LIEAF State Restricted revenue and $40.0 million from the Federal LIHEAP block grant. Funding will be distributed through a grant process to eligible third-party agencies, which include nonprofit organizations, private agencies such as utility companies, and public agencies or local units of government.

The Michigan Public Service Commission within LARA is tasked with issuing a Request for Proposal (RFP) for the grants and administration of the program. The MPSC also will have the ability to conduct audits of grantees. The MPSC and the DHS will work together to select grantees and to complete an annual report to the Legislature. On October 25, 2013, the MPSC announced $89.6 million in grants to 14 organizations including DTE Energy. Each organization will develop its own energy self-sufficiency program based on the guidelines in the RFP.

Implementation of MEAP is still in the early, initial roll-out phase. The plans currently include several new policies that launched at the discretion of the DHS, as current State statute and Federal rules provide flexibility. Among these policies is the decision to transfer $40.0 million in Federal LIHEAP funding to MEAP, as the Department has the authority to allocate the Federal fund source. Additionally, the DHS will retain $57.9 million in Federal LIHEAP funding for crisis assistance. According to the DHS's new policy, crisis assistance will not be made available from June 1 to October 31. While clients will not be able to receive both MEAP and crisis assistance, the goal is to recruit as many clients as possible into the self-sufficiency path.

Conclusion

While the crisis assistance program model is still available to eligible low-income residents throughout the State, it is no longer the only option for energy services for those in need. Through the efforts of the Legislature, Department of Human Services, Michigan Public Service Commission, utility and energy providers, and nonprofit organizations, the State has developed an approach that creates a path for self-sufficiency. As the availability of Federal funding continues to decline, the new LIEAF Restricted fund source will provide a proportionately greater share of low-income energy assistance in the State.