



FY 2014-15

APPROPRIATIONS REPORT
Part I - Governor's Recommendations

March 2014

Senate Fiscal Agency



Ellen Jeffries, Director - Lansing, Michigan - (517) 373-2768
Internet Address: <http://www.senate.michigan.gov/sfa>

THE SENATE FISCAL AGENCY

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1. To provide technical, analytical, and preparatory support for all appropriations bills.
2. To provide written analyses of all Senate bills, House bills, and Administrative Rules considered by the Senate.
3. To review and evaluate proposed and existing State programs and services.
4. To provide economic and revenue analysis and forecasting.
5. To review and evaluate the impact of Federal budget decisions on the State.
6. To review and evaluate State issuance of long-term and short-term debt.
7. To review and evaluate the State's compliance with constitutional and statutory fiscal requirements.
8. To prepare special reports on fiscal issues as they arise and at the request of members of the Senate.

The Agency is located on the 8th floor of the Victor Office Center. The Agency is an equal opportunity employer.



Ellen Jeffries, Director
Senate Fiscal Agency
P.O. Box 30036
Lansing, Michigan 48909-7536
Telephone (517) 373-2768

Internet Home Page <http://www.senate.michigan.gov/sfa>

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TABLE OF CONTENTS

OVERVIEW	1
Table 1: FY 2014-15 Governor's Recommendation by Source of Funds	3
Figure A: Appropriations by Source of Funds FY 2014-15 Governor's Recommendation	4
Table 2: Adjusted Gross Appropriations FY 2013-14 Versus Governor's Recommendation.....	5
Figure B: Adjusted Gross Appropriations FY 2014-15 Governor's Recommendation	6
Table 3: State Spending From State Resources Appropriations FY 2013-14 Versus Governor's Recommendation	7
Figure C: State Spending From State Resources FY 2014-15 Governor's Recommendation	8
Table 4: General Fund/General Purpose (GF/GP) Appropriations FY 2013-14 Versus Governor's Recommendation	9
Figure D: General Fund/General Purpose FY 2014-15 Governor's Recommendation.....	10
Table 5: Full-Time Equated Classified Positions FY 2013-14 Versus Governor's Recommendation	11
Figure E: Full-Time Equated Classified Positions FY 2014-15 Governor's Recommendation	12
Table 6: FY 2014-15 One-Time Adjusted Gross and GF/GP Appropriations.....	13
Table 7: State Payments to Local Units of Government FY 2013-14 Versus Governor's Recommendation	15
Table 8: February 2014 Governor's Recommendation General Fund/General Purpose Revenue, Expenditures, and Year-End Balance	16
Table 9: February 2014 Governor's Recommendation School Aid Fund Revenue, Expenditures, and Year-End Balance	17
 SUMMARY OF MAJOR FY 2014-15 GF/GP APPROPRIATION CHANGES	17
Table 10: FY 2014-15 Budget Recommendation Major Changes From FY 2013-14 Year-to-Date GF/GP Appropriations	18
Table 11: FY 2014-15 Governor's Appropriation Recommendation New GF/GP Programs	19
Table 12: FY 2014-15 Governor's Appropriation Recommendation GF/GP Funding Increases	20
Table 13: FY 2014-15 Governor's Appropriation Recommendation GF/GP Funding Eliminations/Reductions	23
Table 14: FY 2014-15 Governor's Appropriation Recommendation Fund Shifts to Increase/(Reduce) GF/GP	25
Table 15: FY 2014-15 Governor's Appropriation Recommendation GF/GP Unclassified Salaries, OPEB, and Other Economic Adjustments	26
 SUMMARY OF MAJOR SCHOOL AID FUND APPROPRIATION CHANGES	26
Table 16: FY 2014-15 Governor's Appropriation Recommendation K-12 School Aid Appropriation Changes	28
 SUMMARY OF OTHER MAJOR FY 2014-15 APPROPRIATION ISSUES	28
Table 17: FY 2014-15 Governor's Recommendation Proposed Fee Adjustments Included in Budget	29
Table 18: Revenue Sharing Appropriation Summary	29
Table 19: FY 2014-15 State Budget Recommendation Economic Increases Included in Budget.....	31
Table 20: State Retirement Contribution Rates as a Percentage of Payroll	32

Table 21: FY 2014-15 MPSERS Employer Contribution Rates Assuming UAL Rate Cap Is Lowered to 19.76%.....	34
Table 22: FY 2014-15 Estimated Contributions to Two Largest Retirement Systems	35
Table 23: FY 2014-15 Legacy Costs Breakout - Pensions and Health Care	35
Table 24: Debt Service Appropriations FY 2014-15 Compared with FY 2013-14.....	36
Table 25: Tobacco Settlement Revenue and Appropriations FY 2013-14 Compared to FY 2014-15 Governor's Recommendation	37
ECONOMIC AND REVENUE FORECAST	38
Table 26: Consensus Economic Forecast: January 10, 2014	40
Table 27: Governor's Projected Total State Revenue: FY 2012-13 Through FY 2014-15.....	41
Table 28: General Fund/General Purpose Revenue Estimates: FY 2013-14 and FY 2014-15	43
Table 29: School Aid Fund Revenue Estimates: FY 2013-14 and FY 2014-15	44
DETAILS FOR DEPARTMENTS AND BUDGET AREAS.....	45
Table 30: Governor's FY 2014-15 Gross and GF/GP Changes from FY 2013-14.....	45
GOVERNOR'S RECOMMENDATION HIGHLIGHT SHEETS.....	57

OVERVIEW

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 Senate Fiscal Agency (SFA) report, *FY 2014-15 Appropriations Report Part I - Governor's Recommendations*, will focus on Governor Snyder's FY 2014-15 appropriation recommendation and is the first report in a series that will include *Part II - Initial Appropriations* and *Part III - Year-End Appropriations*.

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 appropriations¹ 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 as of February 5, 2014, 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 appropriations² 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 appropriations³ with the FY 2013-14 year-to-date appropriations. Figures B-D present the same fund sources by general budget areas. 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%. Figure E outlines the FTE positions by general budget area.

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

¹ Adjusted Gross appropriations are defined as Gross appropriations less interdepartmental grants received.

² State Spending from State Resources appropriations are Adjusted Gross appropriations less Federal, Local, and Private revenue.

³ General Fund/General Purpose appropriations are State Spending from State Resources appropriations less State Restricted revenue.

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 Sub-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 (MPERS) Reserve Fund.

The Governor's recommendation includes \$16.5 billion of estimated payments to local units of government. This exceeds the required level of payments pursuant to Article IX, Section 30 of the State Constitution by nearly \$2.0 billion. Below is a summary of the estimate and Table 7 lists the payments to local units by department or budget area.

STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT ARTICLE IX, SECTION 30 REQUIREMENT (Millions of Dollars)	
	FY 2014-15 Estimate
State Spending from State Resources	\$29,762.8 ^{a)}
Required Payments to Local Units of Government (48.97%).....	\$14,574.8
Estimated Payments to Local Units of Government	\$16,532.0
Estimated Payments as a Percentage of Total State Spending.....	55.55%
Surplus of Section 30 Payments	\$1,957.2
^{a)} Does not include \$22.503 million of Federal aid counted as GF/GP revenue.	

Tables 8 and 9 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 10 shows that the \$457.0 million consists of \$94.9 million of GF/GP funding for new programs, \$251.2 million of net GF/GP savings from the expansion of Medicaid, \$795.9 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 \$54.9 million in GF/GP economic increases. Tables 11-15 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 16. 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 17 lists the Governor's proposed fee and revenue adjustments for FY 2014-15. Tables 18-26 outline background information regarding other major budget issues.

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

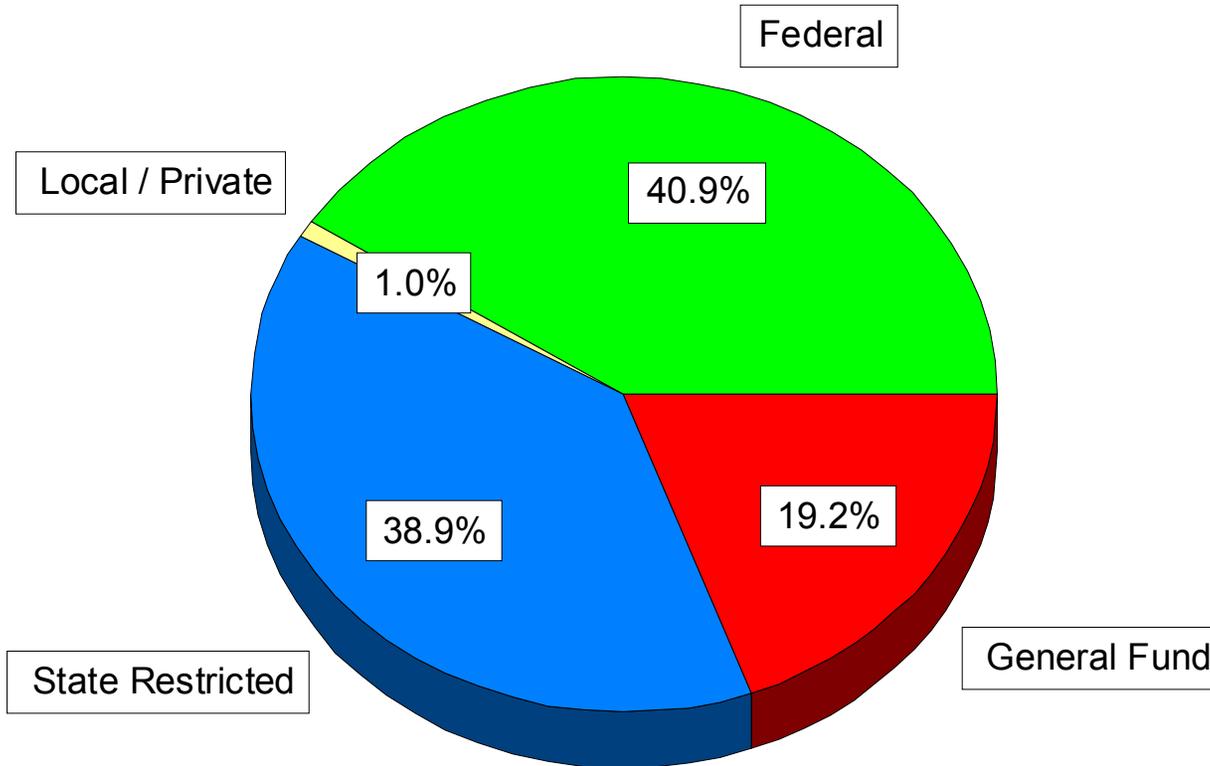
**FY 2014-15 GOVERNOR'S RECOMMENDATION
BY SOURCE OF FUNDS**

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 & 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	39,705,400	2,005,600	376,075,800	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	\$21,006,000,900	\$512,553,800	\$19,941,891,500	\$9,843,409,800

Figure A

Appropriations by Source of Funds

FY 2014-15 Governor's Recommendation



Total = \$ 51,303,856,000

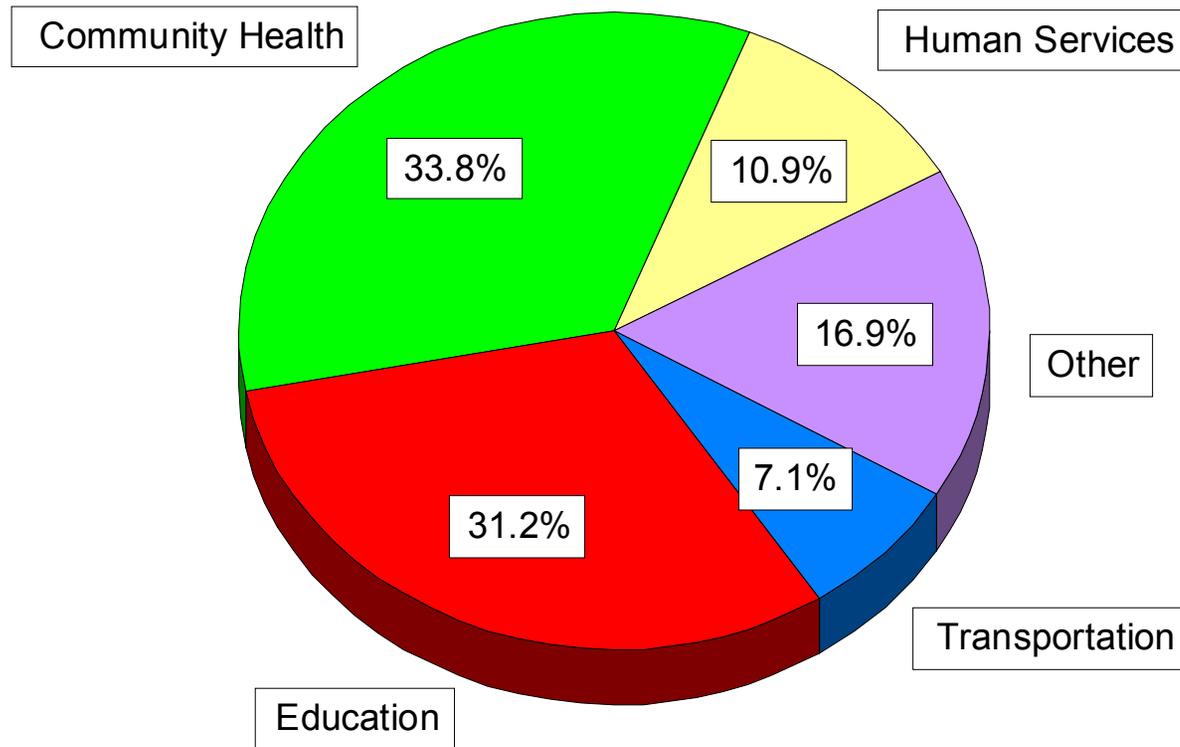
Table 2

**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 & 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 B

Adjusted Gross Appropriations FY 2014-15 Governor's Recommendation



Total = \$ 51,303,856,000

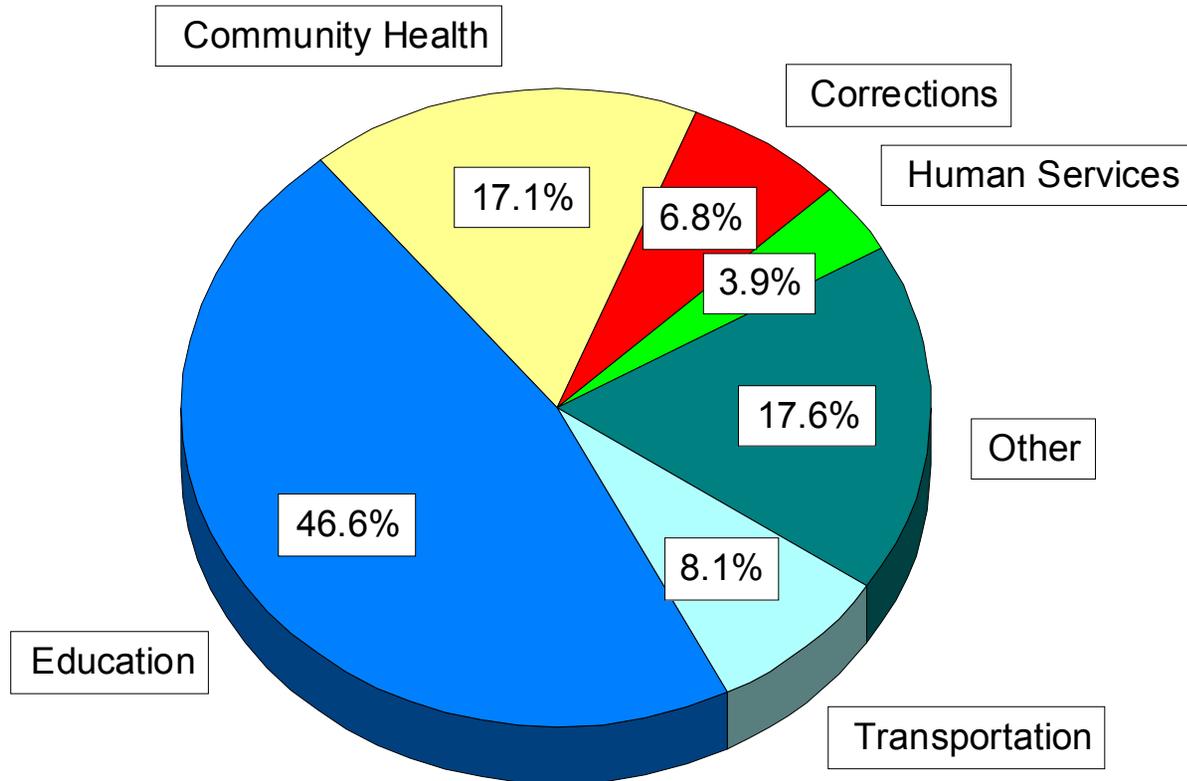
Table 3

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 & 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	492,855,900	45,144,300	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	\$29,785,301,300	\$941,738,400	3.3%

Figure C

State Spending From State Resources

FY 2014-15 Governor's Recommendation



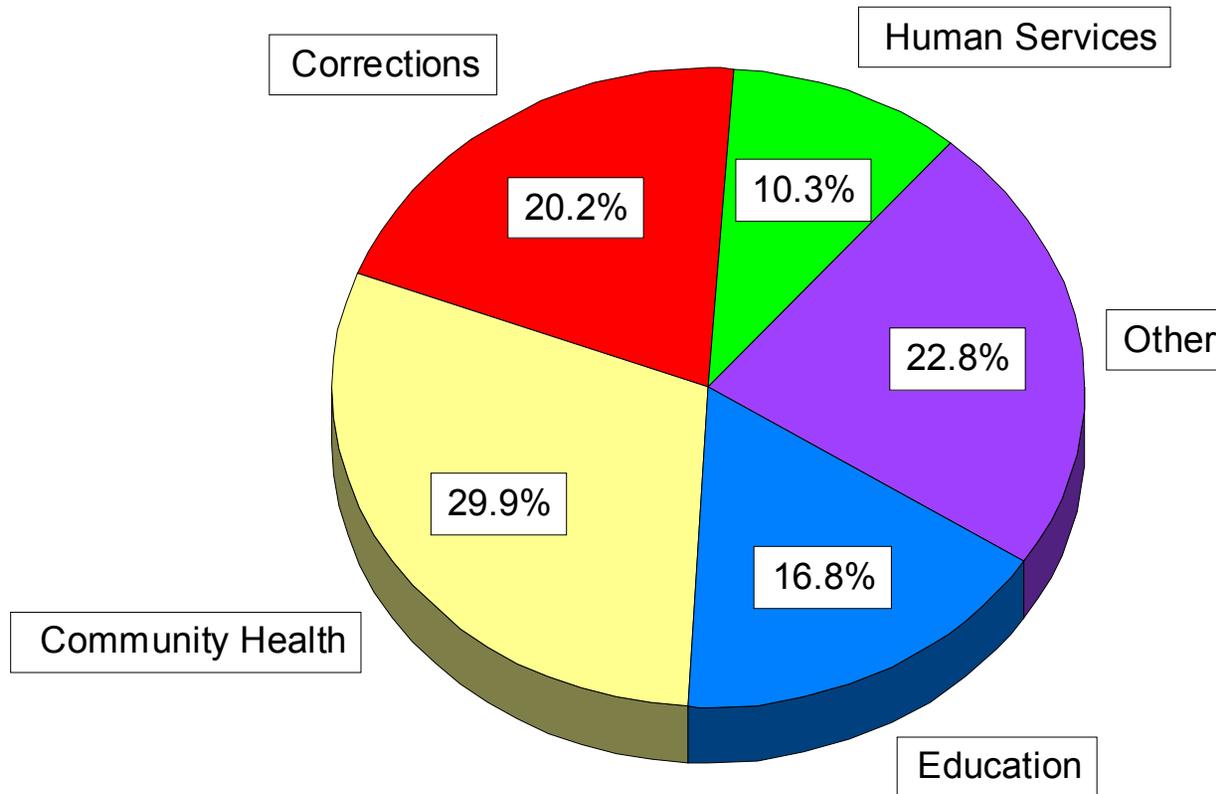
Total = \$ 29,785,301,300

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 & 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%

Figure D

General Fund/General Purpose FY 2014-15 Governor's Recommendation



Total = \$ 9,843,409,800

Table 5

**FULL-TIME EQUATED CLASSIFIED POSITIONS
FY 2013-14 VERSUS GOVERNOR'S RECOMMENDATION**

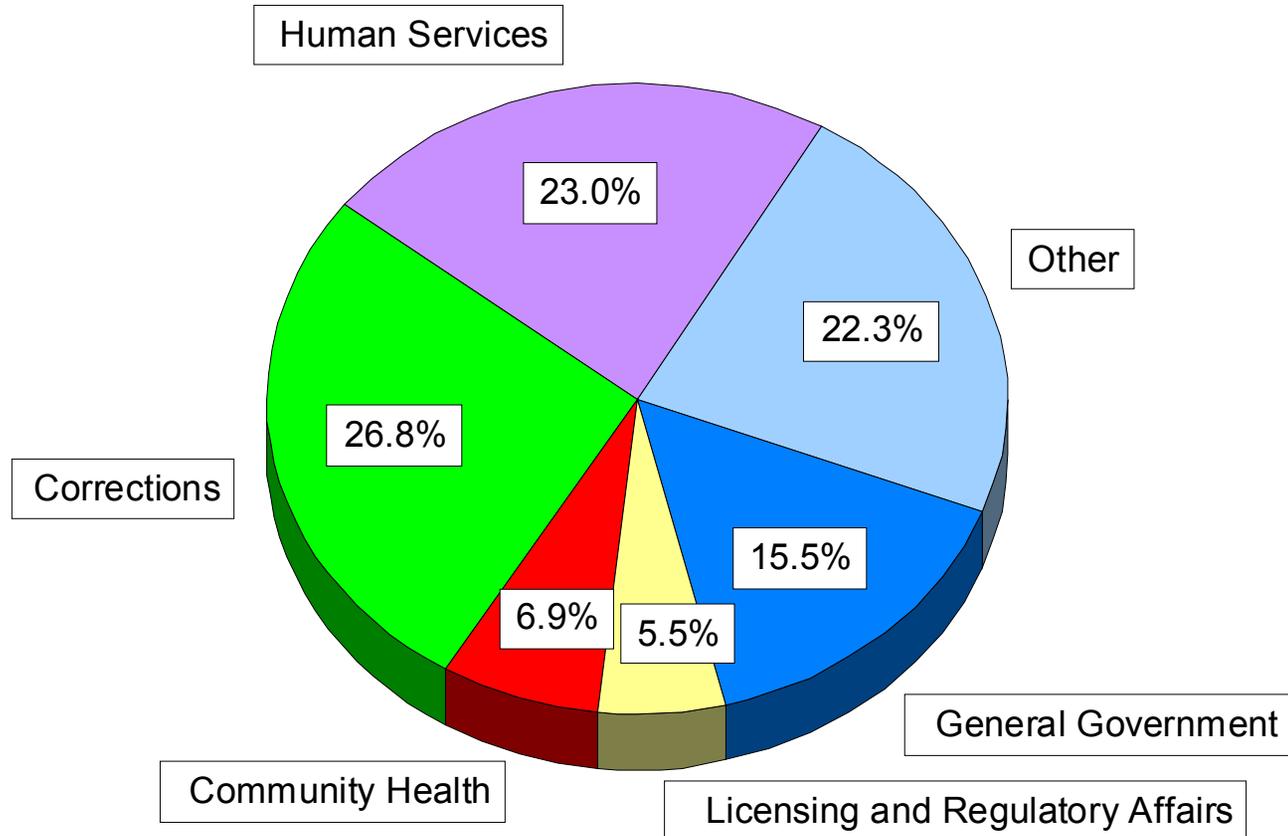
Department/Budget Area	FY 2013-14 Year-to-Date Appropriations	FY 2014-15 Governor's Recommendation	Position Change	Percent Change
Agriculture & Rural Development	434.0	446.0	12.0	2.8%
Attorney General	511.0	513.5	2.5	0.5
Civil Rights	122.0	132.0	10.0	8.2
Community Health	3,585.6	3,648.1	62.5	1.7
Corrections	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 & Financial Services	337.0	337.0	0.0	0.0
Judiciary	483.0	485.0	2.0	0.4
Licensing & Regulatory Affairs	2,913.0	2,921.0	8.0	0.3
Military & 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, & 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%

Note: Full-Time Equated classified positions include exempt positions in Judiciary.

Figure E

Full-Time Equated Classified Positions

FY 2014-15 Governor's Recommendation



Total = 52,921.2

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
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

FY 2014-15 ONE-TIME ADJUSTED GROSS AND GF/GP APPROPRIATIONS		
Budget Area/Program	Adjusted Gross Appropriation	GF/GP Appropriation
State Police (continued)		
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 (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
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

**STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT
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	\$3,500,000	\$5,000,000	\$1,500,000	42.9%
Attorney General	0	0	0	0.0
Capital Outlay	0	0	0	0.0
Community Colleges	335,977,600	371,524,900	35,547,300	10.6
Community Health	1,227,298,200	1,190,485,800	(36,812,400)	(3.0)
Corrections	90,609,700	115,714,000	25,104,300	27.7
Education	10,376,000	16,132,000	5,756,000	55.5
Environmental Quality	2,775,000	2,775,000	0	0.0
Executive	0	0	0	0.0
Higher Education	0	0	0	0.0
Human Services	92,153,400	93,129,600	976,200	1.1
Insurance & Financial Services	0	0	0	0.0
Judiciary	136,975,300	136,461,900	(513,400)	(0.4)
Legislative Auditor General	0	0	0	0.0
Legislature	0	0	0	0.0
Licensing & Regulatory Affairs	29,417,500	30,917,500	1,500,000	5.1
Military & Veterans Affairs	165,000	100,000	(65,000)	(39.4)
Natural Resources	5,109,400	5,123,300	13,900	0.3
School Aid	11,442,024,700	11,833,379,100	391,354,400	3.4
State	1,360,800	1,360,800	0	0.0
State Police	16,187,600	20,205,600	4,018,000	24.8
Technology, Management, & Budget	0	0	0	0.0
Transportation	1,210,687,600	1,251,343,700	40,656,100	3.4
Treasury (Debt Service)	0	0	0	0.0
Treasury (Operations)	154,744,100	190,464,800	35,720,700	23.1
Treasury (Revenue Sharing)	1,142,143,500	1,252,667,600	110,524,100	9.7
Treasury (Strategic Fund)	15,224,800	15,224,800	0	0.0
TOTAL APPROPRIATIONS	\$15,916,730,200	\$16,532,010,400	\$615,280,200	3.9%

Table 8

FEBRUARY 2014 GOVERNOR'S RECOMMENDATION GENERAL FUND/GENERAL PURPOSE 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
<u>Ongoing Revenue:</u>			
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
<u>Non-ongoing Revenue:</u>			
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:			
<u>Ongoing Appropriations:</u>			
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
<u>One-Time Appropriations:</u>			
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 9

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	<u>\$13,660.5</u>	<u>\$13,928.0</u>	<u>\$14,305.5</u>
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	<u>\$14,059.1</u>	<u>\$14,279.6</u>	<u>\$14,339.9</u>
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	<u>\$13,457.6</u>	<u>\$13,926.8</u>	<u>\$14,188.8</u>
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	<u>\$249.9</u>	<u>\$318.4</u>	<u>\$0.0</u>
Total Estimated School Aid Fund Expenditures	<u>\$13,707.5</u>	<u>\$14,245.2</u>	<u>\$14,188.8</u>
PROJECTED YEAR-END SCHOOL AID FUND BALANCE	<u>\$351.6</u>	<u>\$34.4</u>	<u>\$151.1</u>

SUMMARY OF MAJOR FY 2014-15 GF/GP APPROPRIATION CHANGES

The Governor's FY 2014-15 budget includes \$10.0 billion in ongoing revenue as estimated at the January 10, 2014, Consensus Revenue Estimating Conference and \$4.0 million from the ongoing shift of short-term borrowing costs to the School Aid Fund. The Governor's FY 2014-15 recommendation of \$459.2 million of ongoing funding for revenue sharing for cities, villages, townships, and counties, and \$102.7 million for tax relief, reduces the ongoing GF/GP revenue to \$9.5 billion. When the ongoing GF/GP revenue is combined with a beginning balance of \$667.0 million in funds carried forward from FY 2013-14 and a \$28.8 million one-time appropriation for revenue sharing, total estimated FY 2014-15 GF/GP revenue is \$10.1 billion.

The FY 2014-15 ongoing GF/GP appropriations recommended by the Governor total \$9.5 billion and one-time GF/GP appropriations recommended by the Governor total \$636.5 million (as listed in [Table 6](#)), resulting in total estimated GF/GP expenditures of \$10.1 billion and a projected year-end balance of \$41.3 million.

[Table 10](#) provides a comparison of the Governor's recommended FY 2014-15 GF/GP appropriations to the FY 2013-14 year-to-date levels. The Governor's FY 2014-15 GF/GP recommendation of \$9,843.4 million represents a \$457.0 million increase in GF/GP appropriations. This net change in GF/GP appropriations can be categorized as new GF/GP programs of \$94.9 million, GF/GP savings of

\$251.2 million from Medicaid expansion, GF/GP funding increases of \$795.9 million, GF/GP funding reductions of \$284.1 million, fund shifts resulting in a \$46.6 million increase in GF/GP appropriations, and GF/GP economic increases of \$54.9 million. The fund shifts are generally defined as changes in the fund sources for a program that do not affect the overall appropriation level of the program.

Table 10

FY 2014-15 BUDGET RECOMMENDATION MAJOR CHANGES FROM FY 2013-14 YEAR-TO-DATE 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	\$94.9
Total Net Savings Medicaid Expansion	(251.2)
Total Funding Increases.....	795.9
Total Funding Reductions	(284.1)
Total Funding Shifts	46.6
Total Unclassified Salaries Change.....	0.2
Total OPEB Funding Change	(12.9)
Total Non-OPEB Economic Adjustments	67.6
TOTAL GF/GP FUNDING CHANGE.....	\$457.0

Table 11 outlines the details of the \$94.9 million GF/GP for new programs. The largest amount of new program funding is \$15.6 million for implementation of the Mental Health Commission recommendations in the Department of Community Health. There are debt service appropriations of \$12.5 million for two new bonding proposals: \$100.0 million in bonding for the Engineering Talent Investment Program (for universities) and \$50.0 million in bonding for the Community College Skilled Trades Equipment Program.

Included at the bottom of Table 11 is a net GF/GP savings total of \$251.2 million from the expansion of Medicaid to cover all individuals up to 133% of the Federal poverty level. The increase will be 100% federally funded from FY 2013-14 through December 31, 2016. The initial assumption is that 321,000 people will be covered in FY 2013-14, with that number growing to over 400,000 by FY 2014-15 and up to 460,000 by FY 2017-18. The Medicaid expansion will increase Adjusted Gross appropriations by \$2.2 billion in FY 2014-15 but will allow GF/GP savings of \$232.1 million in the Department of Community Health and \$19.1 million in the Department of Corrections.

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

- 1) Department of Corrections: Adults are not eligible for Medicaid while in a secure facility, but when they receive services in facilities such as hospitals outside the secure facility, they are covered if otherwise eligible. The vast majority of prisoners will become Medicaid-eligible under the expansion, so there are assumed savings of \$19.1 million GF/GP in Corrections in FY 2014-15.
- 2) The Medicaid Adult Benefits Waiver (ABW): The ABW covers low-income people not presently Medicaid-eligible. This program will be terminated on April 1, 2014. The FY 2014-15 savings will be \$44.2 million GF/GP.
- 3) Community Mental Health (CMH) Non-Medicaid: CMH non-Medicaid funding covers services to low-income people who are not presently Medicaid-eligible. Under the Medicaid expansion, most of these individuals will become Medicaid-eligible, with the Federal government picking up 100% of the costs. The budget assumes \$187.9 million in full-year savings.

Table 11

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
State Police	
Local public safety initiative - grants to support school safety (one-time).....	5.0
Technology, Management, and Budget	
Office of Urban Initiatives (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.....	\$94.9
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)

The Governor proposes to use approximately half of the Medicaid expansion GF/GP savings (\$122.0 million) to create the Michigan Health Savings Sub-Fund, which would accumulate savings in the early years of the Medicaid expansion to offset Medicaid cost increases in future years.

The details of the \$795.9 million of funding increases recommended by the Governor are listed in Table 12. A significant amount, \$99.6 million, of the recommended increases can be attributed to caseload and cost adjustments in the Department of Community Health. The Governor recommends a 3.0% increase for public community college operations (\$5.9 million) and a 6.1% increase for public university operations (\$76.9 million) with funds continuing to be distributed pursuant to performance formulas. The Governor also continues to reward those public colleges and universities that limit resident undergraduate tuition increases to less than 3.2%. The other major FY 2014-15 GF/GP increases include \$53.3 million for statewide technology investments by the Department of Technology, Management, and Budget, an additional \$132.7 million in GF/GP funding for the Department of Transportation, and \$18.3 million to fund three State employee training schools: \$3.5 million for conservation officers, \$3.2 million for motor carrier officers, and \$11.6 million for police troopers.

Table 12
FY 2014-15 GOVERNOR'S APPROPRIATION RECOMMENDATION
GF/GP FUNDING INCREASES
(Millions of Dollars)

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 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

**FY 2014-15 GOVERNOR'S APPROPRIATION RECOMMENDATION
GF/GP FUNDING INCREASES
(Millions of Dollars)**

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
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

FY 2014-15 GOVERNOR'S APPROPRIATION RECOMMENDATION
GF/GP FUNDING INCREASES
(Millions of Dollars)

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
Military and 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
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

FY 2014-15 GOVERNOR'S APPROPRIATION RECOMMENDATION GF/GP FUNDING INCREASES (Millions of Dollars)	
Transportation	
Funding for trunkline and road/bridge projects (one-time)	242.0
Funding for rail infrastructure projects (one-time)	10.0
Funding for aeronautics projects (one-time).....	2.0
Treasury (Debt Service)	
New debt service for Environmental Quality bonds	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
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	\$795.9

Table 13 provides the details of the \$284.1 million of GF/GP funding reductions in the Governor's FY 2014-15 budget. Of the \$284.1 million of GF/GP reductions, \$168.7 million or 59.4% consists of appropriations that were designated as one-time for FY 2013-14. The largest of the other reductions reflect caseload adjustments in the Department of Human Services (\$34.7 million) and a \$25.0 million reduction in the film incentive program that is funded at a \$50.0 million level in FY 2013-14.

Table 13

FY 2014-15 GOVERNOR'S APPROPRIATION RECOMMENDATION GF/GP FUNDING ELIMINATIONS/REDUCTIONS (Millions of Dollars)	
Agriculture and Rural Development	
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 payroll costs due to privatization.....	(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)

FY 2014-15 GOVERNOR'S APPROPRIATION RECOMMENDATION GF/GP FUNDING ELIMINATIONS/REDUCTIONS (Millions of Dollars)	
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)
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 sales tax 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)

The details of the \$46.6 million in fund shifts that increase and decrease GF/GP appropriations are listed in [Table 14](#). The largest fund shift is a \$79.7 million GF/GP increase in the Department of Community Health due to the decrease in the base Medicaid match rate from 66.32% to 65.54%. The next-largest fund shift is \$59.1 million from GF/GP revenue to School Aid Fund revenue in the K-12 budget. In FY 2013-14, there is a \$234.9 million GF/GP grant to the School Aid Fund that consists of \$180.0 million of ongoing revenue and \$54.9 million of one-time revenue; the K-12 budget recommended by the Governor for FY 2014-15 includes an ongoing GF/GP grant to the School Aid Fund of \$180.0 million with no additional one-time GF/GP grant funding.

Table 14

FY 2014-15 GOVERNOR'S APPROPRIATION RECOMMENDATION FUND SHIFTS TO INCREASE/(REDUCE) GF/GP (Millions of Dollars)	
Budget Area/Program	
Agriculture and Rural Development	
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 Michigan Transportation Fund revenue	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

Table 15 outlines the Governor's FY 2014-15 GF/GP changes for unclassified salaries, other post employment benefits (OPEB), and other economic adjustments.

Table 15

FY 2014-15 GOVERNOR'S APPROPRIATION RECOMMENDATION GF/GP UNCLASSIFIED SALARIES, OPEB, AND OTHER ECONOMIC ADJUSTMENTS			
Budget Area	Unclassified Salaries Increase	OPEB Change	Other Economic Adjustments
Agriculture and Rural Development.....	\$17,700	(\$155,900)	\$354,700
Attorney General.....	17,700	(119,400)	687,500
Civil Rights.....	17,700	(14,300)	257,300
Community Health.....	17,700	(991,200)	4,217,700
Corrections.....	42,000	(8,013,800)	29,184,000
Education.....	14,900	(35,500)	295,000
Environmental Quality.....	5,100	(112,600)	(5,400)
Human Services.....	10,600	(2,196,900)	10,274,700
Judiciary.....	0	(226,500)	1,631,800
Legislative Auditor General.....	0	(20,200)	369,700
Licensing and Regulatory Affairs.....	0	(118,000)	137,200
Military and Veterans Affairs.....	33,400	(132,100)	476,100
Natural Resources.....	0	(80,900)	335,800
School Aid.....	0	(69,700)	157,400
State.....	17,700	(32,100)	68,500
State Police.....	17,700	(47,200)	13,820,300
Technology, Management, and Budget.....	9,100	(370,500)	4,101,500
Treasury (Operations).....	15,500	(109,800)	873,300
Treasury (Strategic Fund).....	0	(77,100)	380,700
TOTAL CHANGES.....	\$236,800	(\$12,923,700)	\$67,617,800

SUMMARY OF MAJOR SCHOOL AID FUND APPROPRIATION CHANGES

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 of \$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. Table 16 summarizes the Governor's FY 2014-15 K-12 School Aid appropriation changes.

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 16

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:	
MPERS Rate Cap Costs	\$270.1
Foundation Allowance Increase (\$83 - \$111 per pupil).....	150.0
Great Start Readiness Program	65.0
MPERS 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

SUMMARY OF OTHER MAJOR FY 2014-15 APPROPRIATION ISSUES

Fee and Revenue Proposals

Fees

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 17 summarizes the fee adjustments.

Table 17

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.

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.

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 estimated 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 ESTIMATED ECONOMIC INCREASES.....	\$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 (MPERS). Public Act 300 of 2012 implemented a cap on the rate local employers in MPERS will pay toward the unfunded accrued liabilities in the system, with any required payments above that cap to be made by an appropriation.

Table 20 provides a three-year summary of the contribution rates for defined benefit (DB) and defined contribution (DC) retirement for SERS. 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
State Employees' Retirement System¹⁾				
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.

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 MPSERS 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 MPSERS payroll, or about \$847.3 million.

Table 22 outlines the FY 2014-15 estimated contributions to SERS and MPSERS 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.

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 identifies the estimated legacy costs for pension and for retiree health care, and the total of the two, for each department.

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>	33.44%	32.36%	31.85%	28.62%	29.13%	28.62%	32.93%
State Subsidy	8.86%	8.86%	8.86%	8.86%	8.86%	8.86%	8.86%
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

Table 22

FY 2014-15 ESTIMATED CONTRIBUTIONS TO TWO LARGEST RETIREMENT SYSTEMS	
	Millions of Dollars
<u>State Employees' Retirement System (SERS)¹⁾</u>	
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)³⁾</u>	
Local Share	
Defined Benefit Pension.....	\$2,145.5
Health Care	<u>144.4</u>
Subtotal Public School Employees' Retirement System (Local).....	\$2,289.9
State Share	
Unfunded Accrued Liabilities (Pension and Health)	\$847.3
Subtotal Michigan Public School Employees' Retirement System	<u>\$3,137.2</u>
TOTAL ESTIMATED RETIREMENT CONTRIBUTIONS.....	\$4,796.2
FY 2014-15 Estimated Subsidy Per Pupil on Average	\$475.0
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.	

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				
<i>Durant</i> 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	(24,103,500)	(23,827,700)	275,800
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	<u>\$171,566,900</u>	<u>\$128,731,600</u>	<u>(\$42,835,300)</u>
Appropriations			
Attorney General			
Operations	\$487,300	\$487,300	\$0
Community Health			
Medicaid Base	81,766,000	64,266,000	(17,500,000)
Aging: Respite Care	4,068,700	4,068,700	0
Human Services			
Family Independence Program	30,100,000	30,100,000	0
State Police			
Tobacco Tax Enforcement	750,000	793,900	43,900
Department of Treasury			
Student Financial Services Administration	1,123,700	1,143,200	19,500
Total Merit Award Trust Fund Appropriations	<u>\$118,295,700</u>	<u>\$100,859,100</u>	<u>(\$17,436,600)</u>
EST. MERIT AWARD TRUST FUND YEAR-END BALANCE	<u>\$53,271,200</u>	<u>\$27,872,500</u>	<u>(\$25,398,700)</u>

ECONOMIC AND REVENUE FORECAST

The Governor's proposed budget for FY 2014-15 is based on the consensus economic forecast adopted at the January 10, 2014, Consensus Revenue Estimating Conference. This economic forecast is summarized in Table 26.

U.S. Economy

Since the 2008-2009 recession, generally regarded as the most severe economic contraction in more than 70 years, the economy has grown slowly. Many fundamental elements of the economy remain well below their prerecession peaks, and even factors that have recovered have done so more slowly than during almost any other post-World War II recovery. As of the third quarter of 2013, the economy had been in recovery for 17 quarters after the recession trough in the second quarter of 2009. Five recoveries since World War II have lasted 17 quarters or more, and at this point the current recovery is approximately half as strong as the average of those recoveries.

Inflation-adjusted Gross Domestic Product (GDP) in the third quarter of 2013 was only 5.5% above the level during the fourth quarter of 2007, when the recession began, and only 10.2% above the level in the second quarter of 2009, when the economy finished contracting. As a result, the economy has averaged only 2.3% annual growth since the end of the recession, compared with an average of 4.4% annual growth over the other five recoveries. Consumption expenditures, which on average account for two-thirds of economic activity, have exhibited even weaker growth relative to historical standards, with the current recovery averaging 2.1% annual growth, compared with a historical average of 4.2% growth. Furthermore, consumption growth has been offset by the contracting government sector, which has declined at an average annual rate of 1.5% compared with the historical average of 2.5% growth. Over this recovery, much of the growth in the economy has reflected increases in inventories: goods produced but not sold. For example, during the first three quarters of 2013, increases in inventories accounted for 41.9% of the increase in inflation-adjusted GDP. While inventory accumulation is generally regarded as good if it is intended, inventory increases do not represent a sustainable way to expand the economy without increased consumption to support the additional production.

Consumption growth has remained weak for a variety of reasons, and many of the increases have reflected increased purchases of motor vehicles. Consumers have remained risk-averse about spending, especially for big-ticket items and nonessential purchases, as employment growth has remained weak and wage increases have been negligible. Replacement consumption, where consumers replace durable goods that have simply grown so old that they are no longer considered viable, has accounted for a significant portion of the growth in consumption spending, particularly for motor vehicles.

Despite these shifts in the composition of consumer spending, spending is still rising at a faster rate than wage and salary income. Since the recession trough, inflation-adjusted consumption spending has risen by an average of 2.1% per year, while inflation-adjusted wage and salary income has risen by an average of 1.4% per year. Over the first three quarters of 2013, both growth rates slowed and the gap between them grew. Consumption growth also appears to be driven by increased borrowing, with outstanding consumer debt rising 6.3% since the third quarter of 2012.

The housing market improved substantially in 2013, the fourth consecutive year of improvement, although it remains weak by almost any historical measure. Housing starts in 2013 represent the fifth-weakest year of housing starts (based on data available back to 1959) and are 10.1% below the lowest year before the 2008-2009 recession.

Despite the improvements in the economy, the labor market remains relatively weak. While employment increased during 2013, employment in November 2013 was still 1.3 million jobs (0.9%) below the

January 2008 peak, and employment has averaged only 1.5% annual growth since the February 2010 trough. Similarly, manufacturing employment increased 4.1% between February 2010 and March 2012, but has remained flat since February 2013 and is still down approximately 1.7 million jobs (12.6%) from the beginning of the recession in December 2007. The unemployment rate fell from a peak of 10.0% in October 2009, to 7.3% in October 2013. Over that period, however, population growth averaged 0.7% per year while the labor force grew an average 0.2% per year. While increased employment has helped reduce the unemployment rate, declines in the labor force also have reduced the pool of individuals who are seeking work. The number of people in the labor force fell in 21 of the last 48 months, and declined by 130,000 individuals or more in four of the months between February and November 2013. The November 2013 labor force was virtually unchanged from one year ago.

Inflation-adjusted GDP is expected to increase at a rate of 2.4% in 2014, up from a 1.8% increase in 2013, before increasing at a 2.9% rate in 2015. The unemployment rate is estimated to decline from 7.4% in 2013 to 6.8% in 2014 and 6.4% in 2015. Housing starts are expected to exhibit strong growth in 2014 and 2015, rising from 915,000 starts in 2013 to 1.1 million in 2014 and 1.3 million in 2015, while light vehicle sales are expected to increase from 15.5 million units in 2013 to 16.0 million units in 2014 and 16.3 million units in 2015. However, even with such increases, light vehicle sales in 2015 will be about 1.2% below the 2006 level.

Michigan Economy

Like the national economy, Michigan's economic activity also was very weak in 2009 and 2010. Wage and salary employment declined 7.0% from the 2008 level in 2009, marking nine consecutive years that wage and salary employment declined from the previous year's level, and the loss of 289,900 jobs in 2009 represented the largest one-year loss of payroll jobs since the Great Depression. Between the June 2000 peak and the September 2009 trough, Michigan lost 860,100 jobs, a decline of 18.3%.

Since 2010, however, the Michigan economy has grown, but at a slowing rate. Payroll employment increased for a third consecutive year in 2013, rising 1.4%, after growing 1.7% in 2012. Personal income increased 5.5% during 2011, 3.5% in 2012, and an estimated 2.9% in 2013.

In 2014 and 2015, Michigan's economy is expected to continue expanding, although at the same or even a slightly faster pace than in 2013. Wage and salary employment will rise 1.5% in 2014 and 1.4% in 2015. The unemployment rate is expected to decline from 8.7% in 2013 to 8.3% in 2014 and 7.5% in 2015. Personal income, adjusted for inflation, will grow an estimated 3.1% in 2014 and an additional 3.0% in 2015. Inflation, as measured by the Detroit Consumer Price Index, will be 1.3% in 2014 and 1.6% in 2015.

Revenue Estimates

Based on the economic forecast summarized above, it is estimated that revenue totaling \$52.3 billion will be available in FY 2014-15 to support Governor Snyder's proposed budget. This represents a 0.5% increase from the revised estimate of the total revenue that the Governor expects will be available for FY 2013-14. Estimates of the total revenue on which the Governor's proposed budget is based are summarized in [Table 27](#).

The Governor did not recommend any tax policy changes for FY 2013-14 or FY 2014-15 other than changes in the way Homestead Property Tax Credits are calculated. The changes, which would affect both fiscal years, would reduce General Fund/General Purpose revenue by approximately \$102.7 million in each year. Following are summaries of the revenue estimates on which the Governor's proposed General Fund/General Purpose and School Aid Fund budgets are based.

Table 26

**CONSENSUS ECONOMIC FORECAST
JANUARY 10, 2014**

	Calendar 2013 Forecast	Calendar 2014 Forecast	% Change From Prior Year	Calendar 2015 Forecast	% Change From Prior Year	Calendar 2016 Forecast	% Change From Prior Year
United States:							
Real Gross Domestic Product (billions of chained 2009 dollars)	15,749	16,127	2.4%	16,595	2.9%	17,109	3.1%
Consumer Price Index (1982-84=100)	233.038	236.533	1.5%	240.791	1.8%	245.607	2.0%
3-Month Treasury Bills (Interest Rate, %).....	0.1%	0.1%		0.3%		1.0%	
Unemployment Rate (%).....	7.4%	6.8%		6.4%		5.9%	
Light Vehicle Sales (millions of units)	15.5	16.0	3.2%	16.3	1.9%	16.6	1.8%
Michigan:							
Wage and Salary Employment (thousands)	4,082.0	4,145.0	1.5%	4,203.0	1.4%	4,257.0	1.3%
Unemployment Rate (%).....	8.7%	8.3%		7.5%		6.7%	
Personal Income (billions of dollars).....	\$389,418.0	\$406,552.0	4.4%	\$425,254.0	4.6%	\$444,815.0	4.6%
Real Personal Income (billions of 1982-84 dollars)	\$177,209.0	\$182,632.0	3.1%	\$188,025.0	3.0%	\$193,007.0	2.6%
Detroit Consumer Price Index (1982-84=100).....	219.750	222.607	1.3%	226.168	1.6%	230.466	1.9%

Source: Consensus Revenue Agreement, Executive Summary, January 10, 2014

Table 27

**GOVERNOR'S PROJECTED TOTAL STATE REVENUE:
FY 2012-13 THROUGH FY 2014-15
(Millions of Dollars)**

Fund	FY 2012-13 Final	FY 2013-14 Estimate	% Change FY 2013-14/ FY 2012-13	FY 2014-15 Estimate	% Change FY 2014-15/ FY 2013-14
General Fund/General Purpose:					
Beginning Balance.....	\$979.2	\$1,186.5	---	\$667.0	---
Revenue From Ongoing Sources ¹⁾	9,562.8	9,572.5	0.1%	10,046.5	5.0%
Proposed Tax/Fee Changes	0.0	(102.7)	---	(102.7)	---
One-Time Revenue Adjustments & Other.....	(364.0)	(394.1)	8.3	(484.0)	22.8
Total GF/GP Revenue.....	\$10,178.0	\$10,262.2	0.8%	\$10,126.8	(1.3%)
School Aid Fund:					
Beginning Balance.....	\$254.1	\$292.0	---	\$351.6	---
Ongoing Earmarked Tax & Lottery Revenue ¹⁾	11,269.5	11,560.0	2.6%	11,931.8	3.2%
Proposed Tax/Revenue Changes	0.0	0.0	---	0.0	---
Federal Aid	1,660.4	1,816.2	9.4	1,808.2	(0.4)
Other Revenue (General Fund grant, etc.).....	282.8	390.9	38.2	188.0	(51.9)
Total SAF Revenue.....	\$13,466.8	\$14,059.1	4.4%	\$14,279.6	1.6%
Other Funds:					
Gen'l Fund/Special Purpose & Special Revenue Funds ...	\$6,629.5	\$5,249.3	(20.8%)	\$5,342.1	1.8%
Federal Aid (not included elsewhere).....	14,991.8	18,072.8	20.6	17,992.0	(0.4)
Transportation Funds	4,204.1	4,221.0	0.4	4,251.0	0.7
Fund Balances:					
Restricted Gen'l Fund Subfunds Unreserved Balances	530.5	474.1	(10.6)	474.0	(0.0)
Special Revenue Fund Balances	927.8	1,067.9	15.1	1,005.6	(5.8)
Total Fund Balances.....	1,458.3	1,542.0	5.7	1,479.6	(4.0)
Total Other Funds with Beginning Balance	27,283.7	29,085.1	6.6	29,064.6	(0.1)
Gross Revenue	\$50,928.5	\$53,406.4	4.9%	\$53,471.0	0.1%
Less Interfund Transfers.....	(1,465.5)	(1,336.5)	(8.8)	(1,132.5)	(15.3)
Net Total Revenue	\$49,463.0	\$52,069.9	5.3%	\$52,338.5	0.5%

¹⁾ Estimates adopted at the January 10, 2014, Consensus Revenue Estimating Conference.

Source: Governor's Executive Budget for FY 2014-15, Appendix C, State Budget Office Balance Sheets, and Senate Fiscal Agency

General Fund/General Purpose and School Aid Fund

The General Purpose portion of the General Fund (GF/GP) and the School Aid Fund (SAF) portions of the overall State budget account for \$24.4 billion, or 46.6%, of the total State government revenue estimated for FY 2014-15. Detailed estimates of GF/GP and SAF revenue for FY 2013-14 and FY 2014-15 are presented in Table 28 and Table 29, respectively. The estimates for GF/GP and SAF revenue derived from ongoing revenue sources and enacted tax policy changes are the consensus estimates adopted by the Administration, Senate Fiscal Agency, and House Fiscal Agency at the January 10, 2014, Consensus Revenue Estimating Conference. In addition to the consensus estimates, the total GF/GP and SAF revenue estimates include the Administration's initial estimates of one-time revenue adjustments, grants and transfers, Federal aid, beginning carry-over balances, and the impact of the potential personal property tax reform.

General Fund/General Purpose Revenue

As shown in Table 28, GF/GP revenue is expected to total \$10.1 billion in FY 2014-15, which represents a 1.3% decrease from the revised FY 2013-14 estimates. This decline in total GF/GP revenue is attributable to a \$519.5 million reduction in the projected carry-over balance from the prior fiscal year and increases in revenue sharing payments that more than offset growth in revenue from ongoing sources. Revenue from ongoing sources is forecast to increase 5.0% in FY 2014-15, to \$10.0 billion.

School Aid Fund

School Aid Fund revenue available for spending in FY 2014-15 will total an estimated \$14.3 billion, representing a 1.6% increase from the revised estimate for FY 2013-14. This projected increase in SAF revenue reflects growth in revenue from ongoing sources combining with a \$59.6 million increase in the balance carried forward from the prior fiscal year to more than offset a \$54.9 million decline in the grant from the General Fund. The estimate of SAF revenue in FY 2014-15 is summarized in Table 29. The SAF revenue estimate for FY 2014-15 includes ongoing earmarked tax and lottery revenue totaling an estimated \$11.9 billion, which is 3.2% above the revised estimate for FY 2013-14. In addition, the SAF revenue estimate for FY 2014-15 includes Federal aid totaling \$1.8 billion, as well as proposals to use \$18.0 million in revenue from the MPSERS Retirement Obligation Reform Reserve Fund.

Table 28

GENERAL FUND/GENERAL PURPOSE REVENUE ESTIMATES: FY 2013-14 AND FY 2014-15
(Millions of Dollars)

	FY 2013-14	FY 2014-15	Percent Change
Beginning Balance	\$1,186.5	\$667.0	(43.8%)
Consensus Estimates for Ongoing Revenue Sources¹⁾			
<u>Taxes:</u>			
Net Income Tax.....	\$6,027.1	\$6,273.7	4.1%
Michigan Business Tax.....	(490.0)	(440.0)	(10.2)
Corporate Income Tax.....	850.0	890.0	4.7
Sales.....	1,146.1	1,197.8	4.5
Use.....	919.7	956.7	4.0
Cigarette.....	188.1	184.8	(1.8)
Beer and Wine/Liquor.....	96.0	98.0	2.1
Insurance Company Premiums.....	358.0	407.0	13.7
Oil/Gas Severance.....	62.0	65.0	4.8
Telephone & Telegraph.....	45.0	45.0	0.0
All Other Taxes.....	8.0	9.0	12.5
Subtotal Taxes.....	9,210.0	9,687.0	5.2
Nontax Revenue.....	362.5	359.5	(0.8)
Total GF/GP Consensus Revenue Estimates	\$9,572.5	\$10,046.5	5.0%
Revenue Sharing Payments (Ongoing Plus One-Time).....	(\$396.6)	(\$488.0)	23.0%
Other Revenue Adjustments ²⁾	2.5	4.0	60.0
Proposed Tax Policy/Enforcement Changes.....	(102.7)	(102.7)	0.0
Total GF/GP Revenue (Current Fiscal Year)	\$9,075.7	\$9,459.9	4.2%
TOTAL GF/GP REVENUE WITH BEGINNING BALANCE	\$10,262.2	\$10,126.8	(1.3%)
¹⁾ Estimates adopted at the January 10, 2014, Consensus Revenue Estimating Conference.			
²⁾ Includes the following: \$2.5 million in borrowing costs that are shifted to the School Aid Fund in FY 2013-14 and \$4.0 million in FY 2014-15.			

Table 29

SCHOOL AID FUND REVENUE ESTIMATES: FY 2013-14 AND FY 2014-15
(Millions of Dollars)

	FY 2013-14	FY 2014-15	Percent Change
Beginning Balance	\$292.0	\$351.6	20.4%
Consensus Estimates for Earmarked Tax & Lottery Revenue¹⁾			
<u>Taxes:</u>			
Sales Tax & Use Tax	\$5,807.6	\$6,019.6	3.7%
Income Tax.....	2,413.3	2,505.9	3.8
State Education Property Tax	1,798.0	1,849.3	2.9
Real Estate Transfer Tax	217.4	229.1	5.4
Michigan Business Tax	0.0	0.0	---
Tobacco Taxes.....	361.1	353.2	(2.2)
Casino Gaming Tax	114.0	118.0	3.5
Other Tax Revenue.....	103.6	105.7	2.0
Subtotal Taxes	10,815.0	11,180.8	3.4
Lottery	745.0	751.0	0.8
Subtotal Earmarked Tax & Lottery Consensus Estimate	\$11,560.0	\$11,931.8	3.2%
GF/GP Grant	\$234.9	\$180.0	(23.4%)
Federal Aid	1,816.2	1,808.2	(0.4)
Proposed Tax Policy/Enforcement Changes.....	0.0	(10.0)	---
Other Revenue Adjustments.....	156.0	18.0	(88.5)
Total SAF Revenue (Current Fiscal Year)	\$13,767.1	\$13,928.0	1.2%
TOTAL SAF REVENUE WITH BEGINNING BALANCE	\$14,059.1	\$14,279.6	1.6%

¹⁾ Estimates adopted at the January 10, 2014, Consensus Revenue Estimating Conference.

DETAILS FOR DEPARTMENTS AND BUDGET AREAS

This section of the report presents a table that summarizes the Governor's FY 2014-15 Gross and GF/GP appropriation changes to FY 2013-14 for each department and budget area. Following Table 30 are highlight sheets for individual departments and budget areas that summarize the Gross appropriation and boilerplate language changes from FY 2013-14 to the Governor's recommendation for FY 2014-15.

Table 30

GOVERNOR'S FY 2014-15 GROSS AND GF/GP CHANGES FROM FY 2013-14		
Budget Area/Line Items	Gov's Changes to FY 2013-14	
	Gross	GF/GP
Agriculture and Rural Development		
Qualified forest program.....	\$2,335,000	\$2,500,000
Food and agriculture industry growth initiative (one-time).....	2,000,000	2,000,000
Food safety inspection program.....	1,160,000	1,160,000
Pesticide and plant pest management.....	800,000	800,000
Dairy inspection program	600,000	600,000
Building occupancy funding	0	419,400
Adjustment for revenue received	(1,531,900)	0
Remove one-time funding for qualified forest/pesticide/Ottawa County...	(3,400,000)	(3,400,000)
Unclassified salaries increase.....	17,700	17,700
Economic adjustments.....	330,200	198,800
Total Agriculture and Rural Development.....	\$2,311,000	\$4,295,900
Attorney General		
Human trafficking initiative (new).....	\$400,000	\$400,000
Gaming Control Board investigator.....	113,600	0
Savings from privatization of assigned claims assessment.....	(158,600)	0
Unclassified salaries increase.....	17,700	17,700
Economic adjustments.....	1,509,700	568,100
Total Attorney General	\$1,882,400	\$985,800
Civil Rights		
Americans with disabilities program transfer from DTMB.....	\$583,500	\$300,000
Advocates and leaders for police and community trust	250,000	250,000
Intake unit expansion	175,000	175,000
Michigan alliance against hate crimes	125,000	125,000
Anti-bullying initiative.....	125,000	125,000
Unclassified salaries increase.....	17,700	17,700
Economic adjustments.....	294,700	243,000
Total Civil Rights.....	\$1,570,900	\$1,235,700
Community Colleges		
Operations performance funding (3.0% increase).....	\$8,947,300	\$8,947,300
MPERS reform-rate cap for unfunded liabilities	29,433,600	27,700,000
MPERS retiree health care	(1,733,600)	0
Remove one-time funding for virtual learning collaborative.....	(1,100,000)	(1,100,000)
Total Community Colleges.....	\$35,547,300	\$35,547,300
Community Health		
Medicaid expansion funding/savings	\$2,174,463,800	(\$248,147,000)
Adjust community mental health non-Medicaid funding	0	16,036,000
HMO actuarially sound rates: 2.5% increase.....	89,438,300	30,820,400
Medicaid base and caseload adjustments	80,895,900	31,504,100
Children's special health care services (CSHCS) caseload	40,386,100	5,099,500
Prepaid inpatient health plans actuarially sound rates: 1.5% increase ...	32,462,900	11,186,700

GOVERNOR'S FY 2014-15 GROSS AND GF/GP CHANGES FROM FY 2013-14

Budget Area/Line Items	Gov's Changes to FY 2013-14	
	Gross	GF/GP
Community Health - continued		
Home/community-based waiver program	26,177,900	9,020,900
Medicaid mental health/substance abuse caseload	19,425,400	6,694,000
Expand healthy kids dental to Kalamazoo, Macomb	15,670,300	5,400,000
Mental Health and Wellness Commission (new; \$5 million one-time).....	15,620,000	15,620,000
Technical adjustment to dual-eligible-waiver savings estimate	5,286,800	1,821,800
Expand funding for jail/prison diversion initiative	3,350,000	3,350,000
Additional funding for senior in-home services	3,200,000	3,200,000
Increase funding for rural prenatal health visitations: 2.0 FTE	2,500,000	2,500,000
First/third party liability adjustment.....	2,011,300	0
Child and adolescent health services pilot program (one-time).....	2,000,000	2,000,000
Additional funding for senior nutrition services	1,800,000	1,800,000
Adjustments to university autism centers funding.....	1,000,000	1,000,000
Additional funding for elder abuse prevention	1,000,000	1,000,000
Increase in crime victims' rights grants to prosecutors	1,000,000	0
Additional funding for Michigan essential health provider program	600,000	0
Newborn screening fee increases.....	504,000	0
IDG from DEQ adjustment in lab services	481,800	0
Additional data analytics staff for behavioral health.....	425,000	425,000
Newborn screening fee inflationary adjustment.....	399,200	0
Medicaid match adjustment for State facilities.....	249,500	0
Increase for program for alternative care for elderly - 1.0 FTE.....	125,000	62,500
New pregnancy risk assessment monitoring system grant.....	100,000	0
University of Washington primary care grant.....	10,000	0
Technical adjustment to IDG from DHS.....	3,000	(9,900)
Change in Medicaid match rate: 66.32% to 65.54%.....	0	79,257,600
Replace unavailable Merit Award Trust Fund revenue with GF	0	17,500,000
Replace unrealized EMS fees with GF	0	1,006,100
Change in MI-Child match rate: 76.42% to 75.88%.....	0	404,800
Offset for one-time Senior Respite Fund revenue	0	400,000
Replace lower Medicaid Benefits Trust Fund revenue with GF.....	0	400,000
Increase in available match for home/community-based waivers	0	(7,645,800)
Annualization of primary care rate increase.....	(270,466,900)	26,000,000
Remove indigent care agreements.....	(95,738,900)	0
Technical adjustment to specialty network access fee funding	(49,400,000)	0
Remove the rural and sole community hospital pool	(35,629,500)	(12,000,000)
Decline in school-based services reimbursements.....	(19,400,000)	12,933,300
Technical adjustment to hospital Mich. access to care payments.....	(13,739,700)	0
Remove tobacco/airport parking tax revenue from ABW.....	(11,553,800)	0
Changes in Federal authorization	(7,346,600)	0
Remove funding for Mental Health Innovations Fund.....	(5,000,000)	(5,000,000)
Adjust Wayne State psychiatric disproportionate share payments.....	(2,846,900)	5,605,900
Adjust U-D Mercy dental clinic disproportionate share payments	(2,763,900)	4,092,300
IDG from LARA adjustment	(1,296,500)	0
State facility earned days adjustment	(1,233,900)	0
Decrease to family support subsidy	(1,215,000)	0
Remove one-time funding for diagnostic coding project.....	(18,300,000)	(2,300,000)
Remove one-time funding for graduate medical education	(4,314,200)	(1,450,000)
Unclassified salaries increase.....	17,700	17,700
Economic adjustments	8,771,800	3,226,500
Total Community Health.....	\$1,989,129,900	\$22,832,400

GOVERNOR'S FY 2014-15 GROSS AND GF/GP CHANGES FROM FY 2013-14

Budget Area/Line Items	Gov's Changes to FY 2013-14	
	Gross	GF/GP
Corrections		
Medicaid expansion savings	(\$19,080,800)	(\$19,080,800)
Final <i>Neal et al.</i> settlement payment (one-time)	5,000,000	5,000,000
New CDC hepatitis C treatment protocol	4,900,000	4,900,000
Increased deployment of local leased bed space	4,000,000	4,000,000
Prisoner education	3,250,000	3,250,000
Medicaid expansion administrative costs	1,079,700	830,900
Prison vocational services startup costs (one-time)	1,045,300	1,045,300
Mobilization of parole/probation staff (\$0.4 million one-time)	1,023,000	1,023,000
Mental Health Diversion Council local jail pilot project (new)	1,000,000	1,000,000
Central records maintenance	600,000	600,000
Facility maintenance	500,000	500,000
Local prosecutorial and detaining expenses	449,000	449,000
Health care services training and professional development	402,600	402,600
Recognition of uncollected restricted funds	(15,541,300)	0
Reduction due to privatization of food services	(8,167,100)	(8,167,100)
Remove one-time funding for new custody training staff	(9,032,500)	(9,032,500)
Unclassified salaries increase	42,000	42,000
Economic adjustments	21,805,000	21,170,200
Total Corrections	(\$6,725,100)	\$7,932,600
Department of Education		
Federal fund increase for child development and care	\$10,572,000	\$0
Educator evaluation/student assessment (new; \$900,000 one-time)	5,914,000	5,914,000
Transfer of Renaissance zone reimbursements from School Aid	3,200,000	3,200,000
Transfer of accountability services from School Aid	2,000,000	0
Transfer of FY 2013-14 MPSERS rate cap costs from School Aid	1,300,000	1,300,000
School reform office - 6.0 FTEs	918,600	918,600
MPSERS rate cap cost increase	900,000	900,000
Financial independence team - 4.0 FTEs (new)	778,100	778,100
Office of Great Start - 3.0 FTEs	404,000	404,000
Reduction of MPSERS rate cap to 19.76% for libraries	356,000	356,000
Unclassified salaries increase	19,400	14,900
Economic adjustments	1,848,000	259,500
Total Department of Education	\$28,210,100	\$14,045,100
Environmental Quality		
Water quality and use initiative (new)	\$3,977,200	\$3,977,200
Refined petroleum product cleanup program increase	3,014,500	0
Drinking water revolving fund additional state match	2,500,000	2,500,000
Electronic document management project (one-time)	2,500,000	2,500,000
Hazardous waste mgt. program - GF/GP instead of fee increase	1,900,000	1,900,000
Recycling initiative (new)	1,000,000	1,000,000
Compliance assistance increase	1,000,000	1,000,000
Fund shift in office of environmental assistance	0	236,300
Environmental cleanup/redevelopment - reduce excess authority	(15,000,000)	0
Strategic water quality initiatives loans - eliminate duplicate line	(9,600,000)	0
Reduce overstated restricted authorization	(3,638,100)	0
Technical adjustments	(150,500)	(229,200)
Remove one-time funding for wetlands/hazardous waste	(1,000,000)	(1,000,000)
Unclassified salaries increase	17,700	5,100
Economic adjustments	402,200	(118,000)
Total Environmental Quality	(\$13,077,000)	\$11,771,400

GOVERNOR'S FY 2014-15 GROSS AND GF/GP CHANGES FROM FY 2013-14

Budget Area/Line Items	Gov's Changes to FY 2013-14	
	Gross	GF/GP
Executive		
Office for New Americans (new)	\$385,000	\$385,000
Increase for operations	161,100	161,100
Total Executive	\$546,100	\$546,100
Higher Education		
University operations performance funding (6.1% increase)	\$76,892,000	\$76,892,000
MSU AgBioResearch (6.1% increase).....	1,844,900	1,844,900
MSU Extension (6.1% increase).....	1,588,700	1,588,700
Tuition incentive program.....	1,500,000	1,500,000
Higher education institutional data inventory (HEIDI) database	95,000	95,000
Total Higher Education	\$81,920,600	\$81,920,600
Human Services		
Increase disability determination operations - 80.0 FTEs.....	20,639,700	0
New Healthy Michigan call center.....	20,250,000	6,361,200
Increase donated funds positions - 150.0 FTEs	19,290,000	0
Caseload adjustment Child Care Fund	6,956,100	3,584,600
Payment of county share child placing agency admin. costs (new)	5,000,000	5,000,000
Asset test automation for public assistance (new).....	5,000,000	2,750,000
Increase Michigan rehabilitative services (\$2.4 million one-time).....	4,400,000	4,400,000
Increase adoption support services for adoption finalizations	3,185,800	2,086,700
Child support technology initiatives (one-time)	3,000,000	1,000,000
Increase office of inspector general field agents	2,438,000	1,462,800
Increase medical/psychiatric evaluations.....	2,128,000	2,128,000
IRS offset for child support line items (\$1.0 million one-time).....	2,000,000	2,000,000
Caseload adjustment for supplemental security income	1,602,200	1,602,200
Performance-based contracting model (new).....	1,372,100	1,000,000
Increase for single audit costs	1,200,000	600,000
Caseload adjustment for guardianship assistance	1,160,800	278,500
Increase for travel funding	993,600	333,400
Increase for juvenile justice re-entry	800,000	200,000
Increase income verification contract for public assistance.....	574,600	230,500
Pilot iPad program for child welfare workers (new)	568,700	465,900
Increase for domestic violence prevention and intervention.....	514,200	514,200
Catholic Charities Center for Hope project (new; one-time).....	500,000	500,000
Increase for attorney general contract	330,000	140,600
Increase for Michigan Community Service Commission	254,100	254,100
Increase for Children's Trust Fund administration	213,500	213,500
Increase for cost allocation plan	200,000	200,000
Change in Medicaid match rate: 66.32% to 65.54%.....	143,700	2,431,200
Increase for retirement disability IDG from DTMB	76,600	0
Fund shift from GF to restricted rev. for child support incentives	0	(738,200)
Fund shift: \$0.6 million in TANF for foster care scholarships	0	0
Caseload adjustment for food assistance	(445,452,200)	0
Caseload adjustment for Family Independence Program.....	(62,753,400)	(34,673,400)
Annualize budgetary savings of \$3.5 million GF/GP in FY 2013-14.....	(4,218,500)	
Caseload adjustment adoption subsidy	(2,948,300)	2,977,300
Caseload adjustment state disability assistance	(2,937,400)	(2,937,400)
Caseload adjustment foster care	(2,374,600)	(995,300)
Reduce excess Federal authorization for psychotropic oversight	(500,000)	0
Remove one-time funding for IT, fraud prevention, boilerplate	(4,557,300)	(2,822,400)
Unclassified salaries increase.....	17,600	10,600
Economic adjustments.....	23,862,700	8,077,800
Total Human Services	(\$397,069,700)	\$8,636,400

GOVERNOR'S FY 2014-15 GROSS AND GF/GP CHANGES FROM FY 2013-14

Budget Area/Line Items	Gov's Changes to FY 2013-14	
	Gross	GF/GP
Insurance and Financial Services		
Increase for Medicaid administration	\$150,000	\$150,000
Elimination of autism coverage fund line item	(\$11,000,000)	(\$11,000,000)
Unclassified salaries increase.....	17,500	
Economic adjustments	781,700	0
Total Insurance and Financial Services.....	(\$10,050,800)	(\$10,850,000)
Judiciary		
Mental health court diversion program.....	\$1,730,000	\$1,730,000
Federal drug court program	1,375,000	0
Trial court performance innovation fund (one-time).....	1,000,000	1,000,000
Indigent Defense Commission	1,000,000	1,000,000
Judgeship attrition reduction	(563,000)	(563,000)
Court operations reduction.....	(120,700)	229,300
Economic adjustments	1,647,700	1,405,300
Total Judiciary.....	\$6,069,000	\$4,801,600
Legislative Auditor General		
Increase for operations (2.0%).....	\$276,500	\$276,500
Economic adjustments	527,900	349,500
Total Legislative Auditor General.....	\$804,400	\$626,000
Legislature		
Increase for operations (4.5%).....	\$7,751,200	\$4,751,200
Total Legislature	\$7,751,200	\$4,751,200
Licensing and Regulatory Affairs		
Unemploy. Insur. Agency (UIA) fund shift to restricted (one-time)	\$18,000,000	\$0
UIA mobile claim app development (one-time).....	2,400,000	0
Move UIA employees into Grand Rapids One Division building.....	1,275,000	0
Bureau of construction codes - database dev/demolition permits	1,066,300	0
Self-insurers MBT tax credit replacement.....	1,000,000	1,000,000
Additional administrative hearings for Healthy Michigan Plan	900,000	450,000
Department-wide process improvement program.....	700,000	700,000
Health systems survey and certification - add'l Federal revenue	700,000	0
Increase for elevator inspections	700,000	0
Special project advances - training of long-term care providers.....	300,000	0
Technical revenue adjustments	(86,300)	0
Remove one-time funding for nursing home survey IT system	(2,140,300)	(2,140,300)
Unclassified salaries increase.....	116,300	0
Economic adjustments	4,011,100	19,200
Total Licensing and Regulatory Affairs	\$28,942,100	\$28,900
Military and Veterans Affairs		
National guard tuition assistance program (new)	\$5,000,000	\$5,000,000
Headquarters and armories special maintenance (one-time).....	4,000,000	4,000,000
Veterans' homes special maintenance (one-time).....	3,000,000	3,000,000
Michigan veterans affairs agency (MVAA).....	1,200,000	1,200,000
MVAA regional coordinators	750,000	750,000
County veterans' offices incentive program	250,000	250,000
Grand Rapids veterans' home	0	225,000
Adjustment for revenue received	(3,125,000)	0
Remove one-time funding for veterans service delivery initiative.....	(4,000,000)	(4,000,000)

GOVERNOR'S FY 2014-15 GROSS AND GF/GP CHANGES FROM FY 2013-14		
Budget Area/Line Items	Gov's Changes to FY 2013-14	
	Gross	GF/GP
Military and Veterans Affairs - continued		
Remove one-time funding for computer upgrade	(1,500,000)	(1,500,000)
Unclassified salaries increase.....	33,400	33,400
Economic adjustments.....	1,256,500	344,000
Total Military and Veterans Affairs	\$6,864,900	\$9,302,400
Natural Resources		
Annualize hunting and fishing license revenue.....	\$8,057,500	\$0
Increase for State park repair and maintenance.....	6,500,000	4,000,000
Invasive species initiative (new; \$2.0 million one-time)	6,000,000	6,000,000
Increase for forest management and timber market initiatives	4,000,000	0
Additional conservation officers	3,500,000	3,500,000
Non-motorized trail initiative (new).....	2,500,000	2,500,000
Great Lakes research vessel (new; one-time).....	2,000,000	1,000,000
Increase for Michigan conservation corps/summer youth initiative	1,000,000	1,000,000
Increase for State park operations.....	2,000,000	0
Purchase of additional forest fire equipment.....	350,000	0
Fund shift Forest Dev. Fund to GF in wildfire protection line.....	0	4,000,000
Technical revenue adjustments	(439,300)	0
Capital outlay adjustments.....	(415,600)	0
Remove one-time funding for conservation officer training	(600,000)	(600,000)
Unclassified salaries increase.....	17,700	0
Economic adjustments.....	5,576,200	254,900
Total Natural Resources.....	\$40,046,500	\$21,654,900
School Aid		
MPERS rate cap cost increases.....	\$271,400,000	\$0
Foundation allowance increase (\$83 - \$111 per pupil).....	150,000,000	
MPERS rate cap reduction from 20.96% to 19.76% of payroll	109,244,000	
Great start readiness program expansion.....	65,000,000	
Federal grants	43,741,400	
Educator evaluations (new)	27,800,000	5,730,000
School bond loan fund payments.....	10,940,000	
District fiscal emergency contingency fund (new).....	10,000,000	
Assessment testing.....	7,200,000	
Center for educational performance and information (CEPI).....	2,400,000	2,400,000
Year-round schools pilot program (new).....	2,000,000	
Dual enrollment incentive payments (new).....	1,750,000	
Career readiness study (new).....	250,000	250,000
Advanced placement incentive program (new).....	250,000	250,000
Payments in lieu of taxes (PILT) adjustment	200,500	
Promise zone adjustment.....	26,900	
Technical foundation allowance cost savings(pupils/taxable values).....	(115,400,000)	
Eliminate MPERS cost offset grants (use for UAL reduction)	(100,000,000)	
Technical special education cost savings.....	(41,500,000)	
Eliminate student-centric grants.....	(8,000,000)	
Library renaissance zone reimbursement transfer to MDE	(3,200,000)	(3,200,000)
Library MPERS cost transfer to MDE.....	(1,300,000)	(1,300,000)
Elimination of district and postsecondary articulation/transfer.....	(1,000,000)	
Reduction in FIRST robotics	(1,000,000)	
Elimination of principal educator evaluation training.....	(500,000)	
Fund shift - GF to SAF	0	(59,117,700)
Economic adjustments.....	133,200	87,700
Total School Aid.....	\$430,436,000	(\$54,900,000)

GOVERNOR'S FY 2014-15 GROSS AND GF/GP CHANGES FROM FY 2013-14

Budget Area/Line Items	Gov's Changes to FY 2013-14	
	Gross	GF/GP
State		
Fraud prevention - insurance verification system	\$1,203,400	\$1,203,400
Fraud prevention - departmentwide fraud deterrence	627,400	627,400
Campaign finance/lobby registration systems vendor payments.....	500,000	500,000
Michigan Transportation Fund adjustment.....	0	300,700
End of Federal Help America Vote Act funding cycle	(350,000)	0
Unclassified salaries increase.....	17,700	17,700
Economic adjustments	2,564,900	36,400
Total State	\$4,563,400	\$2,685,600
State Police		
New trooper school (\$5.7 million one-time)	\$13,500,000	\$12,600,000
New motor carrier officer school (\$2,022,300 one-time).....	5,232,300	5,232,300
Second year costs for prior year trooper school	2,694,400	2,694,400
New Bell 407 helicopter (\$246,000 one-time).....	5,178,000	5,178,000
Local public safety initiative grants (one-time).....	5,000,000	5,000,000
Automated fingerprint identification system maintenance upgrades	2,187,200	0
Saginaw county records system takeover by MSP.....	1,528,000	1,528,000
New electronic warrant system (\$750,000 one-time)	800,000	800,000
LEIN program upgrade to XML (one-time).....	350,000	0
LEIN disaster recovery system	312,800	0
Emergency support team vehicle replacement (one-time)	225,000	225,000
Laboratory operations - replace restricted revenue with GF.....	0	4,000,000
Laboratory operations - replace Federal revenue with GF	0	118,000
Transfer of public communication system funding to DTMB	(16,340,900)	(14,157,900)
Adjustments to reflect revenue received.....	(369,700)	0
Remove one-time funding for at-post trooper school.....	(3,661,900)	(3,661,900)
Remove one-time funding for disaster contingency fund.....	(2,000,000)	(2,000,000)
Remove one-time funding for Grand Rapids forensic lab.....	(400,000)	(400,000)
Remove one-time funding for emergency response team vehicle	(350,000)	(350,000)
Remove one-time funding for secondary road patrol program	(150,000)	(150,000)
Unclassified salaries increase.....	17,700	17,700
Economic adjustments	18,751,100	13,773,100
Total State Police	\$32,504,000	\$30,446,700
Technology, Management, and Budget		
Increase for Information Technology Investment Fund	\$28,000,000	\$28,000,000
State Police lifecycle and radio replacement programs.....	25,300,000	25,300,000
Transfer of public safety communications system from State Police	16,340,900	14,157,900
Enterprisewide special maintenance (\$10.0 million one-time).....	15,000,000	15,000,000
Motor vehicle fleet-increased fuel, maintenance, leasing costs.....	8,300,000	0
Technical adjustment to align IT funds with agency requests	6,900,000	0
Increase for cyber security services.....	6,785,000	6,785,000
Alignment of IT IDGs with enacted IT appropriations	5,551,000	0
Office of urban initiatives (new; one-time).....	5,500,000	5,500,000
Increase for legal services/litigation (one-time)	5,000,000	5,000,000
Regional prosperity grants (\$2.5 million one-time)	5,000,000	5,000,000
Professional development.....	720,000	0
Office of children's ombudsman additional staff	510,200	510,200
Prefunding of pension costs for Dept. of Military and Vets Affairs.....	437,000	437,000
Annualization of FY 2013-14 cyber security services costs.....	240,000	240,000
College/university capital outlay authorizations (one-time).....	300	300
Statewide cost allocation plan adjustment.....	0	(34,300)
State Building Authority rent adjustment.....	(4,000,000)	(4,000,000)
Elimination of funding for IT Innovation Fund	(2,500,000)	(2,500,000)

GOVERNOR'S FY 2014-15 GROSS AND GF/GP CHANGES FROM FY 2013-14

Budget Area/Line Items	Gov's Changes to FY 2013-14	
	Gross	GF/GP
Technology, Management, and Budget - continued		
Transfer State Building Authority to Treasury	(699,100)	0
Miscellaneous technical adjustments.....	(475,200)	225,000
Transfer Americans with disabilities program to Civil Rights	(300,000)	(300,000)
Remove one-time funding for technology services IDG	(21,300,000)	0
Remove one-time funding for special maintenance.....	(10,000,000)	(10,000,000)
Remove one-time funding for regional prosperity grants.....	(2,500,000)	(2,500,000)
Remove one-time funding for legal services.....	(2,000,000)	(2,000,000)
Remove one-time funding for Delta County bridge removal.....	(1,500,000)	(1,500,000)
Remove one-time funding for MSU State Police headquarters bldg.	(430,500)	(430,500)
Unclassified salaries increase.....	20,100	9,100
Economic adjustments.....	7,498,900	3,731,000
Total Technology, Management, and Budget	\$91,398,600	\$86,630,700
Transportation		
Increase for State trunkline projects to match Federal aid (one-time).....	\$127,000,000	\$127,000,000
Increase for State trunkline road and bridge projects (one-time)	115,000,000	115,000,000
Revenue adjustments for road/bridges, intercity rail, public trans.	28,260,500	0
Increase for rail/aeronautics to match Federal aid (one-time)	12,047,900	12,047,900
Adjustment for intercity passenger/rail for CTF increases	10,439,000	0
Adjustment to redirect TEDF through statutory distribution formula.....	9,457,600	0
Design and engineering services staff adjustments	3,469,000	0
Interdepartment grant increases	227,700	0
Collection, enforcement, agency support IT system.....	200,000	0
Increase for road/bridges due to Fed debt service reduction	185,800	0
Finance, contracts, and support services adjustment	84,500	0
Adjustment for bus transit projected expenses	(4,624,000)	0
Technical adjustments for aeronautics/airport improvement	(1,161,000)	0
Adjustments for van pooling and service initiatives	(284,800)	0
Elimination of residual MTF caused by position transfers	(38,900)	0
Technical adjustments-collection, enforcement, agency support	(20,600)	0
Debt service adjustment.....	(2,800)	0
Remove one-time funding for State trunkline Federal match	(121,300,000)	(121,300,000)
Remove one-time funding for priority roads investment program.....	(115,000,000)	0
Unclassified salaries increase.....	17,700	0
Economics increase	5,924,300	0
Total Transportation	\$69,881,900	\$132,747,900
Treasury (Debt Service)		
Quality of life bond	\$1,394,200	\$1,394,200
Clean Michigan initiative	36,600	36,600
Replace Refined Petroleum Fund revenue with GF	0	3,014,500
Great Lakes water quality bond	(2,105,600)	(2,105,600)
Water pollution control bond	(1,132,700)	(1,132,700)
Total Treasury (Debt Service)	(\$1,807,500)	\$1,207,000
Treasury (Operations)		
Personal property tax reform-grants to locals (one-time)	\$19,300,000	\$19,300,000
Convention facility tax-distribution based on actual collections	16,100,000	0
Financial independence team for schools (new)	6,500,000	6,500,000
Credit card payments for individual income taxes (one-time).....	2,000,000	2,000,000
Creation of office for testing new tax systems (new)	1,550,000	1,550,000
Personal property tax reform implementation	1,500,000	1,500,000
Increase for payments in lieu of taxes (PILT)	867,400	668,200
Transfer of State Building Authority from DTMB.....	699,100	0

GOVERNOR'S FY 2014-15 GROSS AND GF/GP CHANGES FROM FY 2013-14

Budget Area/Line Items	Gov's Changes to FY 2013-14	
	Gross	GF/GP
Treasury (Operations) - continued		
Technical adjustments (fuel tax center/gaming/P-20 software)	623,000	400,000
Expansion of technical issues resolution unit	600,000	600,000
Creation of secure and accurate data storage system	401,000	401,000
Gaming-filling of two secretarial positions.....	153,200	0
Gaming-one FTE to support new replacement systems.....	129,500	0
Gaming-review of illegal gaming activity by Attorney Gen's office	113,600	0
Replace Michigan Transportation Fund revenue with GF	0	41,900
Remove one-time funding for distressed communities	(5,000,000)	(5,000,000)
Remove one-time funding for casino gaming board system.....	(3,000,000)	0
Remove one-time funding for sales/use/withholding system.....	(1,763,300)	(1,763,300)
Unclassified salaries increase.....	26,800	15,500
Economic adjustments	4,942,200	763,500
Total Treasury (Operations).....	\$45,742,500	\$26,976,800
Treasury (Revenue Sharing)		
County revenue sharing	\$52,352,000	\$0
Econ. vitality incentive (EVIP) supplemental payment (one-time)	28,500,000	0
Constitutional revenue sharing	19,384,100	0
County incentive program	13,088,000	0
Increase for EVIP (3.1%)	7,200,000	0
EVIP administrative costs (one-time).....	300,000	0
Competitive grant assistance program	(10,000,000)	0
Total Treasury (Revenue Sharing)	\$110,824,100	\$0
Treasury (Strategic Fund)		
Ongoing business attraction @ \$18.5M > FY14 (\$10M one-time)	\$43,300,000	\$39,800,000
Ongoing film incentive program @ half of FY14 total	25,000,000	25,000,000
Ongoing skilled trades training program @ FY14 total	10,000,000	10,000,000
Engineering talent investment program debt service (new).....	7,900,000	7,900,000
Auto, engineering, manufacturing tech debt service (new; one-time)	5,000,000	5,000,000
Community colleges skilled trades equipment debt service (new)	4,600,000	4,600,000
Land bank	3,950,000	3,950,000
Arts and cultural grants	2,000,000	2,000,000
Pure Michigan	2,000,000	2,000,000
Job creation services - remove special projects	(4,625,000)	(4,625,000)
Entrepreneurial eco-systems - reduce from \$28.5M to \$25M.....	(3,500,000)	0
Federal and private fund source adjustments.....	(1,291,900)	0
Remove one-time funding for film incentive program	(50,000,000)	(50,000,000)
Remove one-time funding for business attraction/revitalization	(24,800,000)	(24,800,000)
Remove one-time funding for skilled trades training program	(10,000,000)	(10,000,000)
Economic adjustments	1,622,900	303,600
Total Treasury (Strategic Fund).....	\$11,156,000	\$11,128,600
TOTAL CHANGES	\$2,599,372,800	\$456,987,600

HIGHLIGHT SHEETS

Senate Bill 760 (as introduced)
 Committee: Appropriations

FY 2013-14 Year-to-Date Gross Appropriation	\$80,183,300
Changes from FY 2013-14 Year-to-Date:	
1. Dairy Inspection Program. The Governor recommended \$600,000 and 4.0 FTEs to bolster the dairy inspection program to inspect dairy producers and processors.	600,000
2. Food and Agriculture Industry Growth Initiative. The Governor recommended \$2.0 million in one-time additional GF/GP funding for the competitive grant program to research and find solutions to barriers to growth by processors, agri-business and agriculture production, for a total FY 2014-15 budget recommendation of \$3.0 million GF/GP.	2,000,000
3. Food Safety Program. The Governor recommended an additional \$1,760,000 GF/GP and 8.0 FTEs to enhance the efforts of the food inspection program.	1,160,000
4. Qualified Forest Program. The Governor's budget included an additional \$2,335,000 Gross, which includes \$2.5 million GF/GP (\$200,000 of which is to supplant lost IDG funds) and \$35,000 Restricted, to continue grants to conservation districts which provide landowners with advice on management of forestlands. This represents the shift of the program from FY 2013-14 status as a one-time appropriation to that of on-going status.	2,335,000
5. Pesticide and Plant Pest Management. The Governor recommended adding \$800,000 GF/GP to continue a FY 2014 enhancement of Pesticide and Plant Pest Management program activities. This represents the shift of the program from FY 2013-14 status as a one-time appropriation to that of on-going status.	800,000
6. Building Occupancy Fund Shift. The Governor recommended a fund shift for building occupancy charges of \$419,400 from Federal to GF/GP to reflect available revenue.	0
7. One-Time Appropriations for FY 2013-14. The Governor removed one-time FY 2013-14 appropriations, including \$300,000 GF/GP for a Ottawa County Water Resource Study, \$2,300,000 GF/GP for the Qualified Forest Program and \$800,000 GF/GP for Pesticide and Plant Pest Management.	(3,400,000)
8. Reductions to Reflect Actual Revenues Received. The Governor recommended reductions across several budget lines to reflect actual anticipated non-GF/GP revenue.	(1,531,900)
9. Economic Adjustments. Includes a negative \$278,200 Gross and a negative \$155,900 GF/GP for OPEB and \$625,100 Gross and \$372,400 GF/GP for other economic adjustments.	347,900
Total Changes	\$2,311,000
FY 2014-15 Governor's Recommendation	\$82,494,300

Changes from FY 2013-14 Year-to-Date:

1. **Retain Reports.** The Governor eliminated a requirement that all reports be kept and retained by MDARD. (Sec. 212)
2. **Disciplinary Action.** The Governor eliminated language prohibiting action against employee for communicating with legislative staff. (Sec. 215)
3. **Legacy Costs.** The Governor added NEW language which reports appropriations in part 1 for pension and health care legacy costs. (Sec. 232)
4. **Non Line-Item Grants.** The Governor removed a prohibition that all non line-item grants to non-profits, governments, or schools not be granted without prior notice to Legislature. (Sec. 302)
5. **Outbreak Report.** The Governor eliminated a requirement for a report on food-borne outbreaks. (Sec. 402)
6. **Animal Indemnification.** The Governor removed a requirement providing for animal indemnification for certain instances of death by wild animals. (Sec. 453)
7. **TB-Free Status.** The Governor removed requirement to work with Federal government to become TB-free. (Sec. 454)
8. **Animal ID.** The Governor removed prohibition of using electronic tags on anything other than cattle. (Sec. 456)
9. **TB Progress Report.** The Governor eliminated requirement for quarterly progress report on TB monitoring. (Sec. 457)
10. **Aquaculture.** The Governor eliminated requirement for inspections of aquaculture operations. (Sec. 458)
11. **Intercounty Drains.** The Governor eliminated legislative intent that intercounty drain support be provided by MDARD and the requirement that the Department work with districts to find needed funding for administrative costs. (Sec. 607)
12. **Value-Added Grant Program.** The Governor eliminated section (5) designating program as a work project and section (6) requiring a report to the Legislature. (Sec. 701)
13. **Development and Export Report.** The Governor eliminated a requirement for an annual report on MDARD development and export activities. (Sec. 706)
14. **Grape and Wine Report.** The Governor eliminated requirement for annual report on Grape and Wine Industry Council activities. (Sec. 709)
15. **Food and Agriculture Industry Growth Initiative.** The Governor changed funding reference from "Strategic Fund" to "outside sources". (Sec. 711)
16. **Equine Funds.** The Governor removed requirement that equine funds only be spent for equine purposes. (Sec. 801)
17. **Thoroughbred Purse Disbursement.** The Governor eliminated language providing for disbursement of thoroughbred purse funds in the event no races are held. (Sec. 803)
18. **Equine Regulatory Costs.** The Governor eliminated language which provided criteria for establishing equine regulatory costs. (Sec. 804)
19. **Lump-Sum Expenditures.** The Governor eliminated a provision for lump-sum capital outlay payments. (Sec. 1002)
20. **Ottawa County Water Resources Study.** The Governor eliminated program guideline language for the FY 2013-14 one-time basis only appropriation. (Sec. 1104)

Date Completed: 2-11-14

Fiscal Analyst: Bruce Baker

Senate Bill 767 (as introduced)
 Committee: Appropriations

FY 2013-14 Year-to-Date Gross Appropriation	\$89,139,900
Changes from FY 2013-14 Year-to-Date:	
1. Unclassified Salary Increase. The Governor recommended an increase to the Unclassified Salary line item. The line increased from \$707,000 to \$724,700.	17,700
2. Human Trafficking Initiative. The Governor recommended an increase in funding for the Department to hire 2.5 additional FTEs to combat human trafficking.	400,000
3. Michigan Gaming Control Board. The Governor recommended an increase in funding for the Department to hire an investigator to monitor illegal gaming activity across the State.	113,600
4. Assigned Claims Assessments. The Governor eliminated funding for this line item since those services have been privatized and are no longer supported with State funds.	(158,600)
5. Economic Adjustments. Includes (\$308,100) Gross and (\$119,400) GF/GP for OPEB and \$1,817,800 Gross and \$687,500 GF/GP for other economic adjustments.	1,509,700
Total Changes	<u>\$1,882,400</u>
FY 2014-15 Governor's Recommendation	\$91,022,300

Changes from FY 2013-14 Year-to-Date:

1. **Line Item Structure.** The Governor separated the General Government departments into separate articles within his proposed budget. The budget for the Attorney General is in Article 2.
2. **Boilerplate Structure.** The Governor moved boilerplate from the FY 2013-14 general sections that applied to all General Government budgets to the Article for the Department of Attorney General. These sections include:
 - Report on total State spending for the Department. (Sec. 2-201)
 - Appropriations are subject to Management and Budget Act, 1984 PA 431. (Sec. 2-202)
 - Definitions. (Sec. 2-203)
 - Requirement for Departments to maintain searchable websites. **Governor deleted the requirement for quarterly updates.** (Sec. 2-206)
 - Report on out-of-state travel. (Sec. 2-216)
 - GF/GP Lapse Report. (Sec. 2-217)
 - Restricted Revenue Report. (Sec. 2-218)
 - Department Scorecards. (Sec. 2-219)
 - Prohibition on outside legal services. (Sec. 2-226)
 - Use of Internet to fulfill reporting requirements. (Sec. 2-227)
 - Buy American with a Michigan preference. (Sec. 2-228)
3. **Legacy Costs.** Governor added new language listing the authorized amount of the appropriations in Part 1 that may be used for legacy costs as well as an estimate of the amount of pension-related legacy costs. (Sec. 2-229)

Date Completed: 2-19-14

Fiscal Analyst: Joe Carrasco, Jr.

Senate Bill 767 (as introduced)
 Committee: Appropriations

FY 2013-14 Year-to-Date Gross Appropriation	\$15,198,300
Changes from FY 2013-14 Year-to-Date:	
1. Unclassified Salary Increase. The Governor recommended an increase to the Unclassified Salary line item. The line increased from \$707,000 to \$724,700.	17,700
2. Expansion of Targeted Initiatives. The Governor recommended funding for three new initiatives to combat civil rights violations against Michigan citizens. Funding and the addition of 4.0 FTEs is recommended for the following: \$250,000 for Advocates and Leaders for Police and Community Trust; \$125,000 for the Michigan Alliance Against Hate Crimes; and \$125,000 for Anti-Bullying initiatives.	500,000
3. Expansion of Intake Unit. The Governor recommended an increase in funding and the addition of 2.0 FTEs for the Department to hire additional staff to process initial customer contact information.	175,000
4. Americans with Disabilities Act (ADA). The Governor transferred from DTMB the funding and 4.0 FTEs for the program that monitors and insures the State's compliance with the ADA.	583,500
5. Economic Adjustments. Includes (\$16,600) Gross and (\$14,300) GF/GP for OPEB and \$311,300 Gross and \$257,300GF/GP for other economic adjustments.	294,700
Total Changes	<u>\$1,570,900</u>
FY 2014-15 Governor's Recommendation	\$16,769,200

Changes from FY 2013-14 Year-to-Date:

1. **Line Item Structure.** The Governor separated the General Government departments into separate articles within his proposed budget. The Civil Rights budget is in Article 3.
2. **Boilerplate Structure.** The Governor moved boilerplate from the FY 2013-14 general sections that applied to all General Government budgets to the Article for the Department of Civil Rights. These sections include:
 - Report on total State spending for the Department. (Sec. 3-201)
 - Appropriations are subject to Management and Budget Act, 1984 PA 431. (Sec. 3-202)
 - Definitions. (Sec. 3-203)
 - Report on out-of-state travel. (Sec. 3-216)
 - Prohibition on outside legal services. (Sec. 3-226)
 - Restricted Revenue Report. (Sec. 3-227)
 - GF/GP Lapse Report. (Sec. 3-228)
 - Department Scorecards. (Sec. 3-233)
 - Requirement for Departments to maintain searchable websites. **Governor deleted the requirement for quarterly updates.** (Sec. 3-235)
 - Use of Internet to fulfill reporting requirements. (Sec. 3-236)
 - Buy American with a Michigan preference. (Sec. 3-237)
3. **Legacy Costs.** Governor added new language listing the authorized amount of the appropriations in Part 1 that may be used for legacy costs as well as an estimate of the amount of pension-related legacy costs. (Sec. 3-238)
4. **Department Report.** Governor deleted the requirement for a detailed report submitted by November 30 that covers the following items for the most recent fiscal year: Detailed description of departmental operations; detailed description of all subunits in the department (responsibilities, positions, revenue, and spending for each subunit); number of complaints by type; average cost per complaint investigation and average investigative time spent per complaint; percent of complaints that are meritorious and worthy of investigation or settlement and the percentage of complaints that have no merit; list of amounts awarded to claimants; expenditures associated with complaint investigation and enforcement; and complaint investigations closed per FTE for the past 5 years. (Sec. 404)
5. **Notifications Required Re Federal Reports or Complaints.** Governor deleted the requirement for the department to notify the Office of State Budget, Senate and House appropriations committees, and the Senate and House fiscal agencies prior to submitting a report or complaint to the United State Commission on Civil Rights or other Federal departments. (Sec. 405)

Date Completed: 2-19-14

Fiscal Analyst: Joe Carrasco, Jr.

Senate Bill 762 (as introduced)
 Committee: Appropriations

FY 2013-14 Year-to-Date Gross Appropriation	\$335,977,600
Changes from FY 2013-14 Year-to-Date:	
1. Performance Funding. The Governor included an \$8.9 million GF/GP (3.0%) increase for community college operations distributed through the same Performance Indicators Task Force Formula that has been used in recent budgets. The Governor included a new tuition and fee restraint prerequisite (3.2%) in order to qualify for any funding increase. <u>Table 1</u> provides details by college on the Governor's proposed allocations.	8,947,300
2. Michigan Public School Employees Retirement System (MPSERS) Rate Cap. The Governor included an increase to fund the difference between the employer's capped contribution rate for unfunded accrued liabilities (20.96%) and the actual unfunded actuarial accrued liability contributions rate. MPSERS reform legislation requires the State to pay the difference between these amounts. In addition to that, the Governor is recommending reducing the capped rate that community colleges pay for MPSERS unfunded accrued liabilities by 1.2%, from 20.96% to 19.76%. Lowering the capped rate accounts for \$8.5 million of the increase. The total FY 2014-15 State contribution for community college MPSERS obligations will be \$60.8 million. The appropriation in FY 2013-14 was \$31.4 million. The FY 2014-15 increase is partially offset by eliminating the separate line item of \$1,733,600 (SAF) that was appropriated to offset retiree health care costs (Item #3).	29,433,600
3. MPSERS Retiree Health Care. Beginning in FY 2012-13 the budget included a \$1,733,600 appropriation from the School Aid Fund for the purpose of offsetting the increase in MPSERS retirement contributions attributable to the 0.25% increase in retiree health care costs. Distributions were based on the community college MPSERS payroll. The Governor transferred this funding to the appropriation for MPSERS reform costs (Item #2).	(1,733,600)
4. Virtual Learning Collaborative. The Virtual Learning Collaborative (VLC) provides access to courses offered by all Michigan public community colleges. The FY 2013-14 budget included \$1.1 million GF/GP in one-time funding for the development of course aggregator software, development of a "pathway to credential" tool to help students identify courses toward a career path, develop analytics software that informs colleges of course demand for decision making of future offerings, and development of a repository of online courses and resources for use by faculty at member institutions.	(1,100,000)
Total Changes	\$35,547,300
FY 2014-15 Governor's Recommendation	\$371,524,900

Changes from FY 2013-14 Year-to-Date:

1. **MPERS Reform Costs.** The Governor included language reducing the maximum employer rate for the unfunded accrued liability by 1.2%, from 20.96% to 19.76%. Amendments to the Public School Employees Retirement Act will be needed to implement this change. (Sec. 207A)
2. **Transparency.** Requires each community college to make certain information available on its website. The Governor modified this section by eliminating estimated costs incurred due to Affordable Health Care Act, posting a copy of Board resolution on compliance with best practices, and eliminating the authorization for the State Budget Director to determine compliance and withhold State aid payments for noncompliance. (Sec. 209)
3. **Performance Indicators Task Force.** Provides that it is the intent of the Legislature that performance measures be reviewed and more fully implemented for distribution of State funding in future. Delineates formula components. The Governor removed legislative intent statement regarding formula being more fully implemented in future years, removed requirement for board of trustees' resolution regarding meeting requirements for local strategic value, and included date revisions. (Sec. 230)
4. **Tuition Restraint.** Conditions receipt of performance funding and local strategic value appropriations on limiting FY 2014-15 tuition and fee increases for resident students to 3.2% (applies to "in district" and "out-of-district" resident students). Provides for criteria and conditions. State Budget Director has the sole authority to determine if a community college has met the requirements of tuition restraint. Provides for reporting to subcommittees and fiscal agencies. Redistributes forfeited funds to complying community colleges in proportion to performance funding allocations. Requires report on any redistribution of funds. (Sec. 230A)
5. **Deleted Provisions.** The Governor deleted: MPERS reimbursement (Sec. 201 (4)); one-time language for the Virtual Learning Collaborative (Sec. 201 (7)); prohibits use of appropriations for construction or maintenance of self-liquidating projects and requires compliance with Section 238 if the Management and Budget Act and JCOS use and finance requirements-includes penalty for noncompliance (Sec. 208); encourages community colleges to achieve efficiencies through collaborations (Sec. 212); requires that all data items used to determine State aid comply with the Manual for Uniform Financial Reporting and the ACS (Sec. 217); prohibition on use of appropriations for purchase or lease of foreign automobiles (Sec. 227); prohibition on disciplinary action against an employee for communicating with a member of the Legislature or legislative staff (Sec. 228); and reporting student educational outcomes in the employment market (Sec. 229b).

Date Completed: 2-12-14

Fiscal Analyst: Bill Bowerman

Table 1

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%

65

Senate Bill 763 (as introduced)
 Committee: Appropriations

FY 2013-14 Year-to-Date Gross Appropriation	\$15,385,437,900
Changes from FY 2013-14 Year-to-Date:	
1. Medicaid Match Rate Change. The Medicaid match rate will decrease from 66.14% to 65.54%, leading to a cost increase of \$79.3 million GF/GP.	0
2. Medicaid Primary Care Services Rate Increase. The Medicaid primary care rate increase, which increased payment rates to Medicare levels, was funded with 100% Federal funds in calendar years 2013 and 2014. The Governor removed the Federal funding but retained half of the increase effective January 1, 2015, at a cost of \$26.0 million GF/GP.	(270,466,900)
3. Medicaid Managed Care Actuarial Soundness. The Governor provided a 2.5% increase for Medicaid physical health and a 1.5% increase for Medicaid mental health to meet Federal guidelines that capitation rates be actuarially sound, costing \$42.0 million GF/GP.	121,901,200
4. Medicaid Base and Caseload Adjustments. The budget reflected cost increases across all Medicaid programs, with a cost of \$43.3 million GF/GP.	140,707,400
5. Program Increases and New Programs. The Governor proposed a number of new programs and program expansions, including \$15.6 million in funding to implement the recommendations of the Mental Health and Wellness Commission, increases in rural prenatal care services, funding for child and adolescent health, elimination of waiting lists for senior meals, in-home services, and the Home- and Community-Based Waiver, and expansion of the Healthy Kids Dental program to Kalamazoo and Macomb Counties. Total cost of \$40.5 million GF/GP.	67,968,200
6. Program Reductions. The Governor included several program reductions, including phasing out the one-time Mental Health Innovations Fund, removing one-time Graduate Medical Education funding, and eliminating the Rural and Sole Community Hospital funding pool. Total savings from these reductions would be \$18.5 million GF/GP.	(44,943,700)
7. Technical Adjustments. The Governor's budget included a number of technical adjustments, including the phasing out of county indigent care agreements due to Medicaid expansion, adjustments to the Specialty Network Access Fee program, adjustments to special financing to reflect available funds, termination of a one-time Medicaid computer coding project, and changes to available Federal grants.	(190,185,500)
8. Medicaid Expansion. The Governor's budget reflects full-year Gross costs and GF/GP savings from implementation of the Healthy Michigan Program, commonly referred to as Medicaid expansion. The increased services, estimated to cover 320,000 people in FY 2014-15, would be 100% federally funded for the first three years. The State has a number of programs serving this population using GF/GP dollars, especially Community Mental Health (CMH) non-Medicaid services, so the Governor's budget projects GF/GP savings on these programs of \$232.1 million.	2,158,427,800
9. Economic Adjustments. Includes a negative \$2,427,900 Gross and a negative \$991,200 GF/GP for OPEB and \$11,217,400 Gross and \$4,235,400 GF/GP for other economic adjustments.	8,789,500
10. Other Changes. Other changes resulted in a small decrease in funding.	(3,068,100)
Total Changes	\$1,989,129,900
FY 2014-15 Governor's Recommendation	\$17,374,567,800

Changes from FY 2013-14 Year-to-Date:

1. **Communication with Department Staff.** Governor removed language prohibiting punishment of any employee for communicating with a legislator or legislative staffer. (Sec. 267)
2. **Legacy Costs.** Governor included new language specifying the legacy costs at \$49,676,000 for pension-related costs and \$39,448,600 for retiree health care costs for the year. (Sec. 297)
3. **CMH Contractual Requirements.** Governor altered language on CMH contracts, removing references to a specific array of services that CMHs were required to offer and instead stated that services be provided in accordance with State and Federal laws. (Sec. 401)
4. **Authorization of Funding to CMHSPs.** Governor altered language to remove references to CMHSPs or PIHPs and instead included references to non-Medicaid Mental Health Services. (Sec. 402)
5. **Contracts for Mental Health Services for Special Populations.** Governor modified language on multicultural service providers to require the competitive bidding out of grants. Also includes language specifying the metrics used to evaluate eligibility of contractors. (Sec. 403)
6. **Data Reporting by CMHs.** Governor deleted language requiring CMHs to report data to the Department and the Legislature on their expenditures and services. (Sec. 404)
7. **Mental Health Diversion Council Recommendations.** Governor included new language appropriating \$3,350,000 from the Behavioral Health Administration line to address recommendations by the Council. (Sec. 495)
8. **Privatization of State Facility Food and Custodial Services.** Governor deleted language permitting the Department to bid out food and custodial services at State hospitals if certain conditions were met. (Sec. 608)
9. **Rural Emergency Medical Services Personnel.** Governor removed language requiring contracting with grantees of funds to ensure sufficient EMS services in rural areas. (Sec. 704)
10. **Incentives for Medical Students.** Governor removed language evaluating ways to incentivize medical students to serve their primary care residency in this State as well as exploring a loan repayment program to direct primary care students to underserved populations in rural areas. (Secs. 715 and 716)
11. **Health Innovation Grants.** Governor deleted language directing \$250,000 in funding to provide for a chronic fatigue syndrome study. (Sec. 717)
12. **Report on Planned Allocations for Maternal and Child Programs.** Governor deleted language requiring a report on expenditures for local maternal and child health services, prenatal care outreach, pregnancy prevention, and family planning. (Sec. 1104)
13. **MIChild Program.** Governor altered language to extend the MIChild program to children who reside in families with income at or below 212% of the FPL. Also changed the income requirement for the State-based private health care program to 160-212% of the FPL. (Sec. 1670)

Date Completed: 2-14-14

Fiscal Analyst: Ellyn Ackerman and Steve Angelotti

Senate Bill 764 (as introduced)
 Committee: Appropriations

FY 2013-14 Year-to-Date Gross Appropriation	\$2,056,646,800
Changes from FY 2013-14 Year-to-Date:	
1. Medicaid Expansion Savings. Expanded eligibility would result in an estimated 80% of inmates and parolees attaining Medicaid eligibility for covered services outside of secure facilities. This would generate savings (all GF/GP) for off-site services such as inpatient hospitalization of inmates and some mental health treatment for parolees.	(19,080,800)
2. Removal of Food Service Legacy Costs. As the funding for food service has been moved to an outside vendor, \$8.2 million GF/GP has been removed to reflect the change in the way the legacy costs are accounted for.	(8,167,100)
3. Healthcare Related Items. The Governor's budget proposal includes a new treatment protocol for Hepatitis C treatment \$4,900,000 GP/GP which includes using different types of medication for treatment. There is also a suggested \$1,079,700 Gross, \$830,900 GF/GP amount to provide staff overseeing expanded Medicaid and to provide continuing education for MDOC healthcare staff \$402,600 GF/GP.	6,382,300
4. Facilities Base Adjustment. The administration has offered up a proposal for increased funding for two base adjustments for ongoing activities. One request is for IT upgrades for sentence time calculation enhancements, \$600,000 GF/GP and the other request is for central facility maintenance funding enhancements for preventative maintenance projects, \$500,000 GF/GP.	1,100,000
5. Deployment of Regionalization Strategies. Expansion of leasing bed space from local county sheriff departments \$4,000,000 GF/GP and increased funding for \$449,000 the utilization of local resources for the prosecution of crimes committed on the grounds of MDOC.	4,449,000
6. Mental Health Diversion. Funds would allow MDOC to implement a Post-Release Transition pilot-project for those individuals with severe mental illness, \$1,000,000 GF/GP.	1,000,000
7. Expansion of Technology in Prisoner Vocational Training and Parole/Probation Staff. Governor has proposed use of ongoing as well as an initial one-time funding request to allow for technology upgrades for parole/parole agents to spend more of their time in the field, \$1,023,000 GF/GP. Funds for the deployment of technology in prisoner education will be used to help reduce the backlog in vocational education programming, \$4,295,300 GF/GP.	5,318,300
8. Final Neal et al. Settlement Payment. This is the final year of the <i>Neal et al.</i> lawsuit settlement payment which is \$25,000,000 for the final period instead of the \$20,000,000 in prior years. The payment has been moved to one-time from on-going in order to recognize the conclusion of the settlement funding.	5,000,000
9. Remove One-Time Funding and Uncollected Restricted Funds. Removal of one-time appropriation for custody staff training \$9.0 million GF/GP and Healthy Michigan savings of \$24.2 million GF/GP. Adjustments and elimination of uncollected Restricted funds were removed, \$15,541,300 Gross, \$0 GF/GP.	(361,600)
10. Economic Adjustments. Includes a negative \$8,198,800 Gross and a negative \$8,013,800 GF/GP for OPEB and \$30,045,800 Gross and \$29,226,000 GF/GP for other economic adjustments.	21,847,000
Total Changes	\$17,487,100
FY 2014-15 Governor's Recommendation	\$2,074,133,900

Changes from FY 2013-14 Year-to-Date:

1. **Definitions.** Twenty definitions were eliminated from the bill, ranging from simple acronyms such as GED means "general educational development certificate", to broader definitions for concepts such as recidivism or cost per prisoner. Fifteen definitions would remain in the bill with such terms as: administrative segregation, residential substance abuse treatment, and Medicaid benefit. One definition added was for MDHS meaning the Michigan Department of Human Services. (Sec. 5-203)
2. **Deletions.** The Governor proposed the elimination of the majority of the current-year boilerplate; the approximately 53 sections or subsections proposed for elimination include: 206, 207, 212, 214, 219, 238, 239, 245, 304, 305, 402, 405, 407, 410(1 & 2), 411, 412, 413, 417, 418, 419, 420, 431, 434, 506, 601, 608, 611, 612, 615, 802, 806, 807, 809, 814, 816, 904, 907, 910, 911, 912, 913, 916, 925, 937, 939, 940, 942, 947, 1009, 1011, 1201, and 1202. The deletions include a variety of reporting requirements, statements of legislative intent, and guidance on certain programs.
3. **Modifications.** The Governor revised section 216 regarding out-of-state travel reporting; the language changes are mainly technical, but would no longer require that the total transportation and related costs be reported. Instead the language would state that the report includes transportation and related costs of each travel occurrence. Governor also revised section 229 with technical change by updating the dates for the fiscal year.
4. **Legacy Costs.** Governor added a new section which section states the total legacy costs as well as the separately stated legacy pension and retiree health care costs. (Sec. 5-246)
5. **Mental Health Diversion Council.** Governor added a new section which directs \$1,000,000 of amount appropriated for the mental health pilot programs to be used in accordance with the directions of the Mental Health Diversion Council. (Sec. 5-421)

Date Completed: 2-18-14

Fiscal Analyst: John Maxwell

Senate Bill 765 (as introduced)
 Committee: Appropriations

FY 2013-14 Year-to-Date Gross Appropriation	\$298,366,000
Changes from FY 2013-14 Year-to-Date:	
1. Educator Evaluation and Student Assessment Phase-In. Governor created this program in order to implement educator evaluations for teachers and administrators. This appropriation designated 21.0 new FTEs and \$5.0 million for Gross and GF/GP in ongoing costs and \$900,000 for Gross and GF/GP in one-time costs.	\$5,914,000
2. Financial Independence Team. The Department will work in tandem with the Department of Treasury to implement an early warning system to identify districts that need financial attention and provide resources and expertise. The Governor proposed 4.0 new FTEs and \$778,100 in Gross and GF/GP to start the portion of this program at the Department of Education.	\$778,100
3. Office of Great Start. Governor proposed 3.0 additional FTEs and \$404,000 in Gross and GF/GP to provide greater analysis, oversight, and assistance regarding investments in early childhood.	\$404,000
4. School Reform Effort. Governor proposed 6.0 additional FTEs and \$918,600 in Gross and GF/GP School Reform Efforts. These increases reflect the need to monitor 218 lower performing districts, which is an increase from 100 previously.	\$918,600
5. Child Development and Care Program. Governor proposed increasing allowable bi-weekly hours from 80 to 90 for an additional \$6.9 million in Gross and to have a Tiered Reimbursement system for child care providers for an additional \$3.7 million in Gross. This is due to increased Federal revenue and would amount to no additional GF/GP funding.	\$10,572,000
6. MPSERS Rate Reduction for Public Libraries. Governor proposed a reduction in the contribution rate from 20.96% to 19.76% which would be \$356,000 in additional Gross and GF/GP.	\$356,000
7. MPSERS Reform. Governor increased the State share to libraries.	\$900,000
8. Transfer to Libraries. Governor transferred MPSERS Reform (\$1.3 million GF/GP) and Renaissance Zone Reimbursement payments to Libraries (\$3.2 million GF/GP) from School Aid.	\$4,500,000
9. Accountability Services. Governor transferred Federal funding for accountability services from School Aid, which includes no additional GF/GP dollars.	\$2,000,000
10. Economic Adjustments. Included \$1,867,400 Gross and \$274,400 GF/GP.	1,867,400
Total Changes	<u>\$28,210,100</u>
FY 2014-15 Governor's Recommendation	\$326,576,100

Changes from FY 2013-14 Year-to-Date:

1. **Payment to Local Units.** Total spending to local units of government in FY 2014-2015 is \$16,132,000 Gross and GF/GP. This includes \$8,876,000 in State aid to libraries, \$4,700,000 in renaissance zone reimbursement, and \$2,556,000 to MPSERS payment to libraries. (Sec. 201)
2. **Definitions.** Governor deleted the definition for "HHS", added definitions for "Participating entity", "Retirement board", and "retirement system". (Sec. 203)
3. **Records of Sexual Misconduct.** Governor deleted section that required all districts to maintain school personnel records where personnel have been disciplined for sexual misconduct. (Sec. 208)
4. **Publishing Adequate Yearly Progress List.** Governor removed the requirement that the Department wait until all appeals have been decided before publishing the list determining the schools that failed to make adequate yearly progress. (Sec. 211)
5. **Protecting Employee Testimonies.** The Governor removed prohibitions on the Department from taking disciplinary action on employees who communicate truthfully and factually to the Legislature. (Sec. 216)
6. **Reporting to the Legislature.** The Governor removed the requirement that the Department retain copies of all reports funded from Part 1 (Sec. 218), provide data requested by the Legislature within 30 days (Sec. 219), legislative notification when the Department receives grants (Sec. 901), reports on the number of childcare providers receiving childcare service funds (Sec. 1001), and annual reports on Early Childhood Investment Corporation activities. (Sec. 1003)
7. **Common Core.** In response to HCR 11 being approved, which allowed funds to be used to implement common core, the Governor removed language that restricted funds from being used to implement the common core. (Sec. 231)
8. **Estimated Legacy Costs.** The Governor estimated total legacy costs at \$15.6 million in Gross and GF/GP, \$8.7 million will go towards pension-related legacy costs and \$6.9 million will go towards retiree health care costs. (Sec. 231)
9. **Monitoring Services.** The Governor deleted a section earmarking \$180,000 in sub-recipient fees for monitoring services provided to other departments (Sec. 232) which will be made up by \$180,000 in Federal funds.
10. **RFI Requirements.** The Governor removed the requirement that the Department issue a request for information (RFI) prior to issuing a request for proposal (RFP) for contracts above \$5.0 million. (Sec. 233)
11. **State Board Travel.** The Governor removed a section that stated \$35,000 that may be appropriated for State Board travel expenses. (Sec. 302)
12. **Employees for Deaf and Blind Schools.** The Governor proposed allowing employees that work on a school year basis be considered as annual employees for purposes of service credits, retirement, and insurance. (Sec. 401)
13. **Library Unit.** Governor removed language that kept the library unit together except genealogical collections. (Sec. 803)
14. **MPSERS for Libraries.** Governor proposed language specifying that MPSERS payments be solely used for district libraries that are participating entities. (Sec. 805)
15. **Head Start Center-Based Program.** The Governor removed the section that required that these centers' requirements, policies, or regulations be at least as rigorous as Federal standards. (Sec. 1004)
16. **Early Childhood Comprehensive Systems.** The Governor added language that requires expiring contracts for early childhood comprehensive systems planning be bid out through a statewide RFP process. (Sec. 1003)

Date Completed: 03-10-14

Fiscal Analyst: Cory Savino

Senate Bill 766 (as introduced)
 Committee: Appropriations

FY 2013-14 Year-to-Date Gross Appropriation	\$517,168,800
Changes from FY 2013-14 Year-to-Date:	
1. Recycling Initiative. The Governor included GF/GP funding and 3.0 FTEs for a new program that would be focused on increasing the availability of residential recycling. The program would focus on marketing, outreach, and the development of markets for recycled goods.	1,000,000
2. Water Quality and Use Initiative. The Governor included GF/GP funding for this new program. The Initiative would provide support for the Wetlands program, beach monitoring, water use conflict resolution, statewide strategy development and permitting.	3,977,200
3. Hazardous Waste Management Program. The Governor included GF/GP funding to replace one-time funding and a fee increase proposal from last year that was not successful. While this would increase program appropriations, it would not be a program increase.	1,900,000
4. Compliance Assistance. The Governor included GF/GP funding to increase compliance assistance activities including the retired engineers technical assistance program.	1,000,000
5. Drinking Water Revolving Fund Match. The Governor included additional GF/GP funds to use as Federal match, which would allow the Department to access \$12.5 million in additional Federal funds.	2,500,000
6. Refined Petroleum Product Cleanup and Administration. The Governor removed the remaining Refined Petroleum Fund revenue that has been supporting debt service in Treasury and moved it to DEQ to support RPF cleanups and related Department staff.	3,014,500
7. Strategic Water Quality Initiatives Loans. The Governor removed this line item. \$97.0 million for SWQIF grants and loans authorization was retained.	(9,600,000)
8. Environmental Cleanup and Redevelopment Program. The Governor reduced this program from \$30.0 million to \$15.0 million, consistent with the needs of the program.	(15,000,000)
9. Electronic Document Management One-Time Funding. The Governor included one-time funding for an initiative to convert the large numbers of paper files maintained by the Department into an electronic format and to make commonly requested files available online.	2,500,000
10. Hazardous Waste Fee Sunset. The Governor's FY 2014-15 recommendation for the DEQ budget is predicated on the delay of fee sunsets in the Hazardous Waste Management Program. These fees generate approximately \$1.1 million annually.	0
11. Economic Adjustments. Includes a negative \$824,400 Gross and a negative \$112,600 GF/GP for OPEB and \$1,244,300 Gross and a negative \$300 GF/GP for other economic adjustments.	419,900
12. Other Changes. Other changes include technical restricted fund revenue adjustments, the reduction of overstated restricted fund authorization, a \$236,300 EPPF to GF/GP fund shift in the Office of Environmental Assistance, and the removal of FY 2013-14 one-time appropriations.	(4,788,600)
Total Changes	(\$13,077,000)
FY 2014-15 Governor's Recommendation	\$504,091,800

Changes from FY 2013-14 Year-to-Date:

1. **Report Retention.** The Governor removed a section requiring the Department to abide by State and Federal guidelines for record retention. (Sec. 207)
2. **Disciplinary Action.** The Governor removed a section prohibiting disciplinary action from being taken against employees who communicate with the Legislature. (Sec. 212)
3. **Small Business Rules.** The Governor removed a section prohibiting rules that have a disproportionate impact on small businesses. (Sec. 213)
4. **FTE Reports.** The Governor removed reports on the number of funded FTEs in the Department. (Secs. 223 & 224)
5. **Customer Satisfaction Report.** The Governor removed a report on the customer satisfaction program. (Sec. 228)
6. **Expedited Permit Program Report.** The Governor removed a report on this program. (Sec. 229)
7. **Restricted Fund Transfer.** The Governor removed a section transferring \$72,600 from the Publication Revenue Fund to the Oil and Gas Regulatory Fund. (Sec. 232)
8. **No RFPs Before RFIs.** The Governor removed a section requiring a request for information or request for qualification before issuing a request for proposals on projects exceeding \$5.0 million. (Sec. 233)
9. **Legacy Costs in Budget.** The Governor included a new section detailing legacy costs that are included as part of the FY 2014-15 DEQ budget. (Sec. 13-234)
10. **RPF Repayment.** The Governor removed a section establishing intent that \$70.0M borrowed from the Refined Petroleum Fund in FY 2006-07 be repaid. (Sec. 305)
11. **RPF Site List.** The Governor removed a list of sites to be funded with Refined Petroleum Fund revenue in part 1. (Sec. 306)
12. **Aquatic Nuisance Control (ANC) Program.** The Governor removed a section requiring \$700,000 and 5.0 FTEs to be allocated to this program. (Sec. 401)
13. **Sodium in Groundwater Discharge.** The Governor removed a prohibition on the establishment or enforcement of limits on the amount of sodium in groundwater discharge. (Sec. 407)
14. **Lake St. Clair Metropark Beach Monitoring.** The Governor removed a \$100,000 earmark for water quality monitoring at this beach. (Sec. 408)
15. **Drug and Chemical Disposal.** The Governor removed a section encouraging the Department to work with other agencies to maintain and expand programs for the safe disposal of drugs and chemicals. (Sec. 602)
16. **EPPF Usage.** The Governor removed a section allowing other fund appropriations to be spent as though they were made from the Environmental Pollution Prevention Fund. (Sec. 603)
17. **EPPF Revenue Shortfall.** The Governor removed a section requiring EPPF appropriations to be used for the Hazardous Waste Management Program as a priority if EPPF revenues are not sufficient to cover all appropriations of the fund. (Sec. 604)
18. **FY 2015-16 Appropriation Intent.** The Governor removed two sections stating legislative intent for appropriations in FY 2015-16. (Secs. 1201 & 1202)

Date Completed: 2-14-14

Fiscal Analyst: Josh Sefton

Senate Bill 767 (as introduced)
 Committee: Appropriations

FY 2013-14 Year-to-Date Gross Appropriation	\$5,370,000
Changes from FY 2013-14 Year-to-Date:	
1. Executive Office. Governor included a 3% increase to reflect actual costs of operation.	161,100
2. Office for New Americans. Governor created a new office within the Executive Office called the Office for New Americans to attract talented immigrants to Michigan.	385,000
Total Changes	\$546,100
FY 2014-15 Governor's Recommendation	\$5,916,100

Changes from FY 2013-14 Year-to-Date:

1. There previously were no boilerplate sections for the Executive Office. The Governor added one general section listing the total State spending from State resources and the payments to local units of government. (Sec. 8-201)

Date Completed: 2-18-14

Fiscal Analyst: Joe Carrasco, Jr.

Senate Bill 768 (as introduced)
 Committee: Appropriations

FY 2013-14 Year-to-Date Gross Appropriation	\$1,430,573,500
Changes from FY 2013-14 Year-to-Date:	
1. University Operations Increase. 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. See <u>Table 1</u> for distributions by university.	76,892,000
2. MSU AgBioResearch. AgBioResearch performs agricultural research to promote efficient production, marketing, distribution, and use of farm products. AgBioResearch receives funds from the Federal government, as well as State appropriations and local and private revenue. The Governor increased funding by 6.1%, from \$30,243,900 to \$32,088,800.	1,844,900
3. MSU Extension. The MSU Extension Services identifies and solves farm, home, and community problems through the practical application of Federal and State research findings. MSU Extension Services receives funds from the Federal government, as well as State appropriations and local and private revenue. MSU Extension Services operates Michigan's Expanded Food and Nutrition Education Program (EFNEP), serves as a resource for youth 4-H programs, and provides information on family financial planning. The Governor increased funding by 6.1%, from \$26,044,800 to \$27,633,500.	1,588,700
4. Tuition Incentive Program (TIP). The Governor increased this program by \$1.5 million GF/GP (3.2%), from \$47.0 million to \$48.5 million. The program provides an incentive to students to complete high school and go on to college by pledging to pay tuition and fees for associate degree or certificate programs, as well as up to a maximum amount of \$2,000 for junior and senior years combined at a four-year institution. Students in grades 6 through 12 who are Medicaid-eligible for 24 months within a 36-consecutive month period can qualify for TIP.	1,500,000
5. Higher Education Database Modernization and Conversion. This funding provides support for the maintenance of the Higher Education Institutional Data Inventory (HEIDI). HEIDI is the State's database for enrollment, expenditure, and degree information for Michigan's 15 public universities. The recommended additional funding is necessary to cover current information technology support staff needs.	95,000
Total Changes	\$81,920,600
FY 2014-15 Governor's Recommendation	\$1,512,494,100

Changes from FY 2013-14 Year-to-Date:

1. **Posting of Expenditures.** Posting of financial and other information on university websites. The Governor eliminated the provision stating that the State Budget Director shall determine whether a university has complied with this section and also eliminated the Budget Director's authority to withhold a public university's monthly installments for noncompliance. (Sec. 245)
2. **State Tuition Grant Program.** Public Act 313 of 1966 established the Tuition Grant Program for undergraduate and graduate students at Michigan two-year and four-year private institutions. Students are eligible based on financial need. The annual grant maximum stated in the boilerplate is \$1,512. The Governor changes the application deadline from July 1 to March 1, eliminates carry-forward authorization for unexpended funds, and requires independent colleges and universities to submit annual P-20 longitudinal data system sets and annual reports on the number of tuition grant students that successfully complete a program or graduate, the number of tuition grant students taking remedial classes, and Pell grant students that successfully complete a program or graduate. (Sec. 252)
3. **Tuition Incentive Program.** Sets criteria and financial thresholds for the Tuition Incentive Program (TIP). The Governor specifies application for certification must be before August 31, and requires compliance with satisfactory academic progress policy. (Sec. 256)
4. **Tuition Restraint.** Governor sets maximum tuition and fee increase for FY 2014-15 at 3.2% and eliminates cost of mandated health insurance from calculation. (Sec. 265)
5. **Performance Funding Criteria.** Governor revises formula by distributing 50% of the funding increase proportional to each university's share of State funding in FY 2010-11, adds the number of students receiving Pell grants to Carnegie classification metrics, and eliminates intent language that would change the score for improving universities from 2 to 1. (Sec. 265a)
6. **Transfer Credits.** Requires universities to report on the number of transfer credits, with grade of C or better, rejected for incoming students. Governor limits report to credits earned by resident students at postsecondary institutions in Michigan. (Sec. 272a).
7. **King-Chavez-Parks-Hood Unexpended Grant Funds.** The Governor modified this section to provide that funds remaining after reallocation of unexpended funds up to \$100,000 may be used by the Workforce Development Agency for administration of the programs. (Sec. 282)
8. **Deleted Provisions.** The Governor removed the following sections: Purchase of foreign automobiles prohibition (Sec. 239a); provision stating the acceptance and use of Federal or private funds does not place an obligation upon the Legislature to continue the purposes for which the funds are made available (portion of Sec. 242); intent regarding protection/preservation of U of M Douglas Lake Biological Station (Sec. 261); language stating intent that universities develop policies to minimize the cost of textbooks and course materials (Sec 262a); legislative intent that funds be allocated from the General Fund for unfunded North American Indian tuition waiver costs incurred by public universities (Sec. 268 (1)); counseling degree programs/student's religious beliefs (Sec. 273); human embryonic stem cell research report (Sec. 274); legislative intent regarding adult co-resident health benefits (Sec. 274a); Yellow Ribbon GI Education Enhancement Program notice/reporting requirements (portion of Sec. 275); prohibits use of funds for the construction or maintenance of a self-liquidating project, requires compliance with Section 238 of 1984 PA 431 and JCOS use and finance requirements, and includes penalty provisions (Sec. 275a); and Federal Educational Rights & Privacy Act compliance (Sec. 293).

Date Completed: 2-11-14

Fiscal Analyst: Bill Bowerman

Table 1

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		Other Changes	FY 2014-15 Gov's Rec.	\$ Change from FY 2013-14	% Change from FY 2013-14
					Carnegie Peers	Total Formula Distribution				
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%
MPERSERS 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%

Senate Bill 769 (as introduced)
 Committee: Appropriations

FY 2013-14 Year-to-Date Gross Appropriation	\$6,018,383,400
Changes from FY 2013-14 Year-to-Date:	
1. Food Assistance Program. Governor recognized a decreased caseload estimate and the elimination of ARRA funding.	(445,452,200)
2. Other Public Assistance Caseload Adjustments. Governor recognized declining caseloads and costs per case in Family Independence Program and State Disability Assistance, as well as increases and adjustments in State Supplementation caseload.	(64,088,600)
3. Child Welfare Caseload Adjustments. Governor recognized decreased caseload costs for Foster Care and Adoption Subsidy, and increases for Child Care Fund and Guardianship Assistance Program.	2,794,000
4. Healthy Michigan Plan. Governor included funding for a call center as part of the Medicaid reform implementation plan.	20,250,000
5. Performance Based Contracting Model. Governor included funding for the initial implementation costs of the performance based contracting model, as recommended by the task force that was established in the FY 2013-14 DHS budget in boilerplate Sec. 503.	1,372,100
6. Asset Test Automation. Governor included funding to automate asset testing for public assistance applications.	5,000,000
7. iPad Program for Child Welfare Workers. Recommendation included funding for a pilot program in three counties for iPad use for mobile child welfare workers.	568,700
8. Child Placing Agency Administrative Costs. Governor funded the county share of child placing agency administrative costs to comply with requirements in boilerplate Sec. 589.	5,000,000
9. Child Welfare Services. Provided increases for domestic violence prevention, Children's Trust Fund, medical/psych evaluations, adoption finalizations, and juvenile justice re-entry.	6,841,500
10. Adult and Family Services. Included increases for MRS, MCSC, Disability Determination, Retirement Disability, and Donated Funds Positions. Funding is primarily Federal.	42,260,400
11. Fraud Prevention, Legal Support, and Child Support. Provided increases for the Attorney General and Office of Inspector General, and offset for child support lines.	3,768,000
12. Administration. Included increases for single audit, cost allocation plan, travel, and income verification contract.	2,968,200
13. Federal Funding Reduction. Reduced excess Federal authorization in psychotropic medication contracts.	(500,000)
14. One-Time Appropriations. Removed FY 2013-14 one-time funding. Provides funding for MRS, Child Support IT portal, Center for Hope, and an offset for child support lines.	2,342,700
15. Budgetary Savings. Annualized savings of \$3.5 million GF/GP provided in FY 2013-14 and finds further reductions in Federal funding.	(4,218,500)
16. Economic Adjustments. Included a negative \$6.1 million Gross and negative \$2.2 million GF/GP for OPEB and \$23.9 million Gross and \$8.1 million GF/GP for other economic adjustments.	23,880,300
17. Other Changes. FMAP shift, transfers, fund shifts, and roll up TANF fund sourcing.	143,700
Total Changes	(\$397,069,700)
FY 2014-15 Governor's Recommendation	\$5,621,313,700

Changes from FY 2013-14 Year-to-Date:

1. **Report on Legacy Costs.** Governor itemized pension and healthcare legacy costs in the agency. (Sec. 297)
2. **Special Populations.** Governor placed reporting and performance standards on recipients of multicultural services funding. Replaced language on Jewish Federation and Chaldean Community Foundation. (Sec. 695)
3. **Revisions.** Technical revisions and other changes. (Secs. 201, 203, 208, 217, 221, 265, 284, 296, 299, 402, 420, 508, 522, 574 and 687)
4. **Private Child Placing Agencies.** Removed language that provides \$3 per diem increase for private agencies, county share of administrative costs, and trainings for private agencies. (Secs. 546, 585 and 589)
5. **Michigan Rehabilitative Services and Centers for Independent Living.** Governor removed boilerplate language on MRS audit, CIL pilot program, and Order of Selection of Services. (Secs. 403, 404 and 405)
6. **Children's Services Funding and Contracts.** Removed language on child welfare services performance-based funding model, foster family group homes, and private case management. (Secs. 503, 510, 520, 533 and 589)
7. **Medicaid and Psychotropic Medication.** Removed language on Medicaid coverage for foster children, guidelines for psychotropic medication, work group on Medicaid claims, and Medicaid eligibility. (Secs. 506, 540, 603 and 620)
8. **Per Diem Foster Care Rates.** Governor removed language that established the daily administrative rate at \$37.00 per day, the independent living foster care services at \$28.00 per day, and language that reinstated the specialized independent living services rate to FY 2010-11 levels. (Sec. 546)
9. **Child Welfare Reporting.** Removed CPS statistical report, and language on assessments, out-of-state placements, and foster parents who drop out of program. (Secs. 511, 513, 514 and 583)
10. **Adoption and Guardianship.** Governor removed language requiring minimum payment for guardianship assistance and allowing Department to pay nonrecurring adoption expenses. (Secs. 547 and 557)
11. **Psychotropic Medication.** Governor removed language on standard of promptness for approving changes to psychotropic medication for children under State supervision. (Sec. 540)
12. **Juvenile Justice.** Governor removed language regarding residential facility placements. (Secs. 719 and 721)
13. **Kent County Privatization.** Removed language on privatization of Kent County child welfare services. (Sec. 515)
14. **SSI and Disability.** Removed language on SSI and disability redetermination process. (Secs. 609, 610, 611 and 622)
15. **Other Public Assistance.** Removed language on Indigent Burial and asset limit of \$250,000 for eligibility for public assistance. (Secs. 613 and 686)
16. **Job Readiness and Employment Program Goals.** Governor removed language on employment goals for public assistance recipients and work group on performance-based job readiness program. (Sec. 677)
17. **Fraud Prevention.** The Governor removed language requiring a report on the number of cases removed from assistance due to the LEIN interface, a report on EBT fraud, and language requiring the Department to inform the public of the welfare fraud hotline in any public advertisement for State assistance. (Secs. 290, 617 and 672)
18. **E-Verify System.** The Governor removed language requiring the Department to use the E-Verify system when hiring new employees and new employees of contractors and sub-contractors. (Sec. 291)
19. **Vehicle Purchase and Repair.** The Governor removed language that allowed the Department to contract with a nonprofit entity for vehicle repairs and capped repairs at \$500 with exceptions up to \$900. (Secs. 424 and 425)
20. **One-Time Appropriations.** The Governor removed language regarding one-time appropriations in FY 2013-14. (Sec. 1201)

Date Completed: 2-11-14

Fiscal Analyst: Frances Carley

Senate Bill 770 (as introduced)
 Committee: Appropriations

FY 2013-14 Year-to-Date Gross Appropriation	\$75,335,500
Changes from FY 2013-14 Year-to-Date:	
1. Healthy Michigan Plan Administration. The Governor included \$150,000 GF/GP for the executive director program to administer Medicaid expansion.	150,000
2. Removal of Autism Coverage Fund. The Governor did not include funding for this item for FY 2014-15. The fund was appropriated \$15.0 million in FY 2012-13, and an additional \$11.0 million in FY 2013-14. To date, approximately \$500,000 of the fund has been spent, and approximately \$25.5 million remains in the fund.	(11,000,000)
3. Economic Adjustments. Includes a negative \$32,500 Gross and \$0 GF/GP for OPEB and \$831,700 Gross and \$0 GF/GP for other economic adjustments.	799,200
Total Changes	(10,050,800)
FY 2014-15 Governor's Recommendation	65,284,700

Changes from FY 2013-14 Year-to-Date:

1. **Record Retention.** The Governor deleted a requirement regarding retaining copies of reports in compliance with Federal and State guidelines for short-term and long-term record retention. (Sec. 212)
2. **Disciplinary Action.** The Governor deleted a prohibition against the department taking disciplinary action against an employee for communicating with a member of the Legislature or legislative staff. (Sec. 215)
3. **Office Space Reporting.** The Governor deleted a requirement that the Department submit a report regarding the amount of office space square footage paid for and actually used by the Department. (Sec. 219)
4. **Television and Radio Productions.** The Governor deleted a prohibition against the Department developing or producing any television or radio productions. (Sec. 232)
5. **Request for Proposal Requirements.** The Governor deleted a requirement prohibiting any State Department or agency from issuing a request for proposal for a contract in excess of \$5.0 million without first considering an evaluation process to learn more about the specific market of the future proposal. (Sec. 238)
6. **Full-Time Equated Positions: Spending and Reporting.** The Governor deleted a section which stated that it is the Legislature's intent that: 1) appropriations are properly accounted for, and 2) that full-time equated positions are not to be used as placeholders for spending in other parts of budgets. The section also required an annual report to the Legislature that details full-time equated position data. (Sec. 240)
7. **Insurance and Financial Economic Development.** The Governor deleted requirement for the Department to submit a report to the Legislature indicating funds spent and full-time positions used, and a plan for ongoing and future efforts, regarding support of economic development of the insurance or financial industries. (Sec. 310)
8. **Federal Standards.** The Governor deleted a prohibition against the Department adopting or promulgating a rule more stringent than the applicable Federal standard unless specifically authorized by statute. (Sec. 341)
9. **Autism Coverage Fund.** The Governor deleted requirements regarding the FY 2013-14 appropriation of \$11.0 million for the autism coverage fund regarding spending and department reports on diagnosis and treatment. An appropriation to the fund was not included in the Governor's recommendation for FY 2014-15. (Secs. 801 and 802)
10. **Adjustments from FY 2013-14.** The Governor deleted a section that anticipated FY 2014-15 appropriations for the Department budget would be the same as for FY 2013-14, except for adjustments due to changes in caseload and related costs, Federal fund match rates, economic factors, and available revenue. (Sec. 1201)
11. **Identify Legacy Costs.** The Governor deleted a section that stated it was the intent of the Legislature that the Department identify the amounts for normal retirement costs and legacy retirement costs for FY 2014-15. (Sec. 1202)
12. **FY 2014-15 Legacy Costs Identified.** The Governor included a new section that indicates total appropriations for legacy costs are \$10,148,200. Pension-related legacy costs are estimated at \$5,627,200, and retiree health care legacy costs are estimated at \$4,521,000. (Sec. 10-235)

Date Completed: 2-14-14

Fiscal Analyst: Glenn Steffens

Senate Bill 771 (as introduced)
 Committee: Appropriations

FY 2013-14 Year-to-Date Gross Appropriation	\$283,414,100
Changes from FY 2013-14 Year-to-Date:	
1. Regionalization and Expansion of Drug and DWI Courts. Governor recognized the ability to access funding for grants to increase the number of drug courts and DWI/sobriety courts with \$0 GF/GP. Funding would also be used to encourage the regionalization of DWI/sobriety courts.	1,375,000
2. Expand Mental Health Diversion Program. The funding, \$1.7 million GF/GP, would provide for a mental health program which would use a multi-agency approach to improve outcomes for persons with serious mental illness. The added resources would seek to prevent repeated hospitalizations or incarceration of these individuals.	1,730,000
3. Trial Court Performance Innovations Fund. The fund, \$1.0 million GF/GP, provides incentives to courts to become early adopters of best practices such as performance indicators and provide seed money for projects that improve court efficiency. The amount is unchanged from FY 2013-14, but is moved to an individual one-time line item.	0
4. Implementation of Case Management System. The SCAO is leading the implementation of a new unified case management information system called Michigan Court System (MiCS). \$3.5 million was moved out of one-time with a corresponding \$4.1 million amount moved to an ongoing line item.	634,300
5. SADO Staff Preservation. State Appellate Defender Office (SADO) has Federal grant funding 3.0 FTEs. The Governor proposed using \$350,000 GF/GP funds to enable the office to continue these positions.	0
6. Judgeship Attrition Savings. In accordance with the 2011 Judicial Resource Recommendation, the Legislature passed a package of bills reducing approximately 40 judgeships by attrition; associated with these reductions the Governor reflected GF/GP savings that will be achieved by the attrition of 5.0 judgeships.	(563,000)
7. Align State with Federal Court Interpretation Rules. In order to ensure continuation of certain Federal funding the Governor proposes investment to make certain the State complies with court interpretation for those with limited English ability, \$245,000 GF/GP.	245,000
8. Indigent Defense Commission. Provides administrative staffing for the commission, \$1,000,000 GF/GP.	1,000,000
9. Economic Adjustments. Includes \$278,900 reduction in Gross and \$226,500 reduction in GF/GP for OPEB and \$1,926,600 increase in Gross and \$1,631,800 increase in GF/GP for other economic adjustments.	1,647,700
Total Changes	\$6,069,000
FY 2014-15 Governor's Recommendation	\$289,483,100

Changes from FY 2013-14 Year-to-Date:

1. **Payments to Locals.** The Trial Court Innovations Fund, one-time funding associated with incentivizing best practices, are both considered payments to locals. (Sec. 11-201)
2. **Deletions.** In keeping with the condensed structure of the Governor's budget, the following current-year language sections were not included: 204, 212, 306, 309, 310, 312, 321, 323, 1201 and 1202. Most were proposed to be deleted in last year's Governor's Recommendation but were subsequently added back by the Legislature. The subjects of these sections included not taking disciplinary action against an employee for communicating with the Legislature; records retention process; assistance to local trial courts in improving judgment collection; reporting requirements for mental health courts, drug courts, the Parental Rights Restoration Act, and out-of-state placements of juveniles; the creation of a legal self-help website; and two sections dealing with legislative intent concerning appropriations process and disclosure of legacy costs.
3. **Definitions.** The Governor eliminated a number of definitions for Federal agencies as well as some terms specific to appropriations. (Sec. 11-203)
4. **Out-of-State Travel.** The Governor revised the section regarding out-of-state travel reporting; the language changes are mainly technical, but would no longer require that the total transportation and related costs be reported. Instead, the language would state that the report includes transportation and related costs of each travel occurrence. (Sec. 11-215)
5. **Legacy Costs Reporting.** Governor proposed a new section stating the total legacy costs as well as the separately stated legacy pension and retiree health care costs. (Sec. 11-224)
6. **Court of Claims Funding Identification.** The Governor revised the section detailing the amount the Judiciary has identified for the reimbursement to the Court of Claims. (Sec. 11-303)
7. **Mental Health Diversion Council.** Governor proposed a new section stating the amounts appropriated for mental health courts and diversion services is intended to be used upon the recommendations from the Mental Health Diversion Council. (Sec. 11-307)
8. **Swift-and-Sure Sanctions - Revise.** The Governor's proposed revision would no longer have the court which receives funding provide the report on the Swift-and-Sure Sanction program. Instead, the Governor proposes that the State Court Administrative Office provide the report. (Sec. 11-320(2))

Date Completed: 2-18-14

Fiscal Analyst: John Maxwell

Senate Bill 767 (as introduced)
 Committee: Appropriations

FY 2013-14 Year-to-Date Gross Appropriation	\$144,773,700
Changes from FY 2013-14 Year-to-Date:	
1. Auditor General Adjustment. Governor recommended a 2% overall increase for Auditor General operations.	276,500
2. Legislative Adjustment. The Governor increased overall funding for the Legislature by a total of 4.5%. The Senate will receive an increase of \$1.2 million overall while the House will receive an overall increase of \$1.6 million. The House and Senate Fiscal Agencies will receive an increase of \$154,000 each. The Legislative Council will receive an increase of \$578,500 while the Retirement System will receive an increase of \$155,300. The Farnum Building and the Cora Anderson House building would receive increases totaling \$574,000. Finally, the Governor included new funding of \$3.0 million for the newly created State Capitol Historic Site line item and increased the Capitol's funding by \$138,600.	7,751,200
3. Economic Adjustments. Includes (\$29,900) Gross and (\$20,200) GF/GP for OPEB and \$557,800 Gross and \$369,700 GF/GP for other economic adjustments.	527,900
Total Changes	<u>\$8,555,600</u>
FY 2014-15 Governor's Recommendation	\$153,329,300

Changes from FY 2013-14 Year-to-Date:

1. **Line Item Structure.** The Governor separated the General Government departments into separate articles within his proposed budget. The budget for the Legislature and the Legislative Auditor General is in Article 12.
2. **Boilerplate Structure.** The Governor moved boilerplate from the FY 2013-14 general sections that applied to all General Government budgets to the Article for the Legislature and the Legislative Auditor General. These sections include:
 - Report on total State spending for the Department. (Sec. 12-201)
 - Definitions. (Sec. 12-203)
3. **Legacy Costs.** Governor added a general section listing the authorized amount of the appropriations in Part 1 that may be used for legacy costs as well as an estimate of the amount of pension-related legacy costs. (Sec. 12-202)
4. **Date Changes.** The Governor extended the work project dates to September 30, 2019, for Property Management and Legislative Automated Processing. (Secs. 12-606 and 12-607)
5. **Capitol Historic Site Fund.** Governor added new language stating that the appropriation from the Capitol Historic Site Fund do not take effect unless Enrolled Senate Bill 678 of the 97th Legislature is enacted into law.

Date Completed: 2-19-14

Fiscal Analyst: Joe Carrasco, Jr.

Senate Bill 772 (as introduced)
 Committee: Appropriations

FY 2013-14 Year-to-Date Gross Appropriation	\$502,918,700
Changes from FY 2013-14 Year-to-Date:	
1. Self-Insurers Tax Credit Replacement. The Governor included GF/GP to replace a former tax credit for workers compensation self-insurers under the MBT.	1,000,000
2. Healthy Michigan Plan Administrative Hearings. The Governor included 6.0 FTEs, Federal, and GF/GP funding for an anticipated increase in administrative hearings under the Healthy Michigan Plan.	900,000
3. Department-Wide Process Improvements. The Governor included GF/GP funding for an initiative to improve customer service and administrative efficiencies.	700,000
4. Health Systems Survey and Certification. The Governor included additional Federal funds to reflect expected Federal reimbursements for this program in FY 2014-15.	700,000
5. Bureau of Construction Codes. The Governor included additional restricted funding to pay for online database development and permitting of demolitions in Detroit.	1,066,300
6. Property Management. The Governor included restored Federal funds to reflect UIA maintaining offices in the One Division building in Grand Rapids. This authority had been removed in the FY 2013-14 budget in anticipation of moving out of this building; however, that move will not happen for at least another year.	1,275,000
7. Increase Elevator Inspections. The Governor included restricted funding and 2.0 FTEs for an anticipated increase in elevator inspections. This increase would also fund improvements to the permitting and inspection IT system.	700,000
8. Special Project Advances. The Governor included additional private appropriation authority for training seminars held for long-term care providers and surveyors. Admission fees for these seminars support this line.	300,000
9. One-Time Unemployment Insurance Agency Operations. The Governor included additional restricted funds for UIA operations for FY 2014-15. This change is requested due to a significant reduction in the UIA's Federal administration block grant. The UIA is implementing process improvement efforts to allow it to operate within the level of that block grant by the end of FY 2014-15.	18,000,000
10. One-Time Unemployment Insurance (UI) Agency Mobile Claim Filing Application. The Governor included restricted funds for the development of a mobile application for UI claim filing. The application would allow residents to file UI claims remotely.	2,400,000
11. Economic Adjustments. Includes a negative \$1,921,100 Gross and a negative \$118,000 GF/GP for OPEB and \$6,048,500 Gross and \$137,200 GF/GP for other economic adjustments.	4,127,400
12. Other Changes. Other changes include technical revenue adjustments in a number of line items. These changes primarily reflect changes in restricted and Federal fund authorizations to reflect expected levels of revenue, and the removal of an FY 2013-14 one-time appropriation.	(2,226,600)
Total Changes	\$28,942,100
FY 2014-15 Governor's Recommendation	\$531,860,800

Changes from FY 2013-14 Year-to-Date:

1. **Report Retention.** The Governor removed language requiring that report retention guidelines be followed. (Sec. 212)
2. **Communication with the Legislature.** The Governor removed a prohibition on taking disciplinary action against employees who communicate with the Legislature. (Sec. 215)
3. **Office Space Report.** The Governor removed a report on the utilization of office space. (Sec. 219)
4. **Legal Services.** The Governor removed a prohibition on hiring legal services that are the responsibility of the Attorney General. (Sec. 221)
5. **Private Grant Notification.** The Governor removed a section requiring notification of the Legislature upon receipt of a private grant. (Sec. 225)
6. **Radio and Television Productions.** The Governor removed a section prohibiting the Department from producing any TV or radio productions. (Sec. 232)
7. **No RFPs Before RFIs.** The Governor removed a section requiring a request for information or request for qualification before issuing request for proposals on projects exceeding \$5.0 million. (Sec. 238)
8. **Legacy Costs in Budget.** The Governor included a new section detailing legacy costs that are included as part of the FY 2014-15 LARA budget. (Sec. 13-235)
9. **FTEs as Spending Placeholders.** The Governor removed a section prohibiting the use of FTEs as spending placeholders. The section also required a report on the number of FTEs in the Department. (Sec. 240)
10. **Prefund OPEB.** The Governor removed a statement of intent that OPEB costs continue to be prefunded. (Sec. 250)
11. **Fireworks Safety Grants.** The Governor removed guidelines for fireworks safety grants. (Sec. 305)
12. **UIA Integrated System Project Report.** The Governor removed a section requiring quarterly status reports on this IT project. (Sec. 332)
13. **MARVIN Usage.** The Governor removed a section requiring a report on usage of the UIA's MARVIN system and establishing a goal of 80% usage of the Internet MARVIN system. (Sec. 333)
14. **Rule Stringency.** The Governor removed a section prohibiting the promulgation of rules more stringent than Federal standards. (Sec. 341)
15. **Licensing and Regulatory Program Report.** The Governor removed a section requiring a detailed activity report on most of the Department's programs. (Sec. 368)
16. **Securities Fees Carryforward.** The Governor removed a section allowing the Department to carry-forward unexpended securities fees. (Sec. 375)
17. **Homeowner Construction Lien Fund Appropriation.** The Governor removed a section appropriating the remaining balance in this fund. (Sec. 380)
18. **Tax Tribunal Report.** The Governor removed a report on the activities of the Tax Tribunal. (Sec. 390)
19. **BSBP Matching Funds.** The Governor removed a requirement that the Bureau of Services for Blind Persons work collaboratively to maximize available Federal matching dollars. (Sec. 611)
20. **Nursing Facility Complaint Report.** The Governor removed a report on the number of complaints, investigations, and frequently-cited deficiencies at nursing facilities. (Sec. 714)
21. **Medical Marijuana Program Report.** The Governor removed a report containing various metrics related to the Medical Marijuana Program. (Sec. 726[1])
22. **Bureau of Health Care Services.** The Governor removed a report on facilities regulated by the Bureau. (Sec. 731)
23. **Freestanding Surgical Outpatient Facilities.** The Governor removed the earmark of \$530,000 for the inspection and licensing of these facilities. (Sec. 732)

Senate Bill 773 (as introduced)
 Committee: Appropriations

FY 2013-14 Year-to-Date Gross Appropriation	\$166,730,000
Changes from FY 2013-14 Year-to-Date:	
1. National Guard Tuition Assistance Program. Governor recommended \$5.0 million GF/GP to implement a tuition assistance program for members of Michigan Air and Army National Guard to increase readiness, recruitment and retention, covering 100% of tuition, up to \$4,500 per year.	5,000,000
2. Michigan Veterans Affairs Agency (MVAA). Governor recommended additional funding of \$1.2 million GF/GP to support full staffing and CSS&M costs for FY 2014-15.	1,200,000
3. MVAA Regional Coordinators. Governor recommended funding of \$750,000 GF/GP for additional 10 contracted employees from the Veterans Service Coalition to manage and monitor regional workloads of veterans' services and to provide for funding for performance incentives for service officers.	750,000
4. County Veterans Service Offices Incentives. Governor included \$250,000 GF/GP to support claims processing technology for county offices, adding new county veterans service officers and for the creation of new offices.	250,000
5. Veterans' Homes Special Maintenance. Governor added \$3.0 million GF/GP one-time appropriation for special maintenance at the State veterans' homes.	3,000,000
6. Armory Special Maintenance. Governor added \$4.0 million GF/GP one-time appropriation for special maintenance at State armories.	4,000,000
7. One-Time Appropriations for FY 2014. The Governor removed one-time FY 2013-14 appropriations of \$5,500,000 GF/GP for Veterans Service Delivery Initiative (\$3,965,000), MVAA Computer Upgrade (\$1,500,000) and County Counselor Training conference (\$45,000).	(5,500,000)
8. Grand Rapids Home Funding Adjustment. Governor shifted \$225,000 in Restricted funding to GF/GP to reflect lower collection and maintain service levels.	0
9. Reductions to Reflect Actual Restricted Revenues Received. The Governor recommended reductions across several budget lines to reflect actual anticipated Restricted/Federal revenue.	(3,125,000)
10. Economic Adjustments. Includes a negative \$463,500 Gross and a negative \$132,100 GF/GP for OPEB and \$1,753,300 Gross and \$509,500 GF/GP for other economic adjustments.	1,289,900
Total Changes	\$6,864,900
FY 2014-15 Governor's Recommendation	\$173,594,900

Changes from FY 2013-14 Year-to-Date:

1. **Incoming IDGs.** Governor struck language listing all incoming IDGs to the DMVA budget. (Sec. 204)
2. **Buy American.** Governor struck language requiring giving preference to small businesses and removed definitions for "small business" and "veterans." (Sec. 209)
3. **Retain Reports.** Governor eliminated requirement for all reports be kept and retained by DMVA. (Sec. 212)
4. **Disciplinary Action.** Governor eliminated language prohibiting action against employee who communicates with Legislature. (Sec. 215)
5. **Schedule of Programs.** Governor struck subsection (2) stating that revenue resources in part 1 may or may not be received from the funding entities listed. (Sec. 216)
6. **Efficiencies.** Governor removed language outlining priorities for finding DMVA budgetary efficiencies. (Sec. 217)
7. **Quarterly Reports.** Governor removed reporting properties sold from DMVA quarterly report requirements. (Sec. 219)
8. **Sale of Property.** Governor struck requirement to give 60-day notice prior to announcement to sell property. (Sec. 223)
9. **Contractual Services Guidelines.** Governor struck language requiring bids for contractual services not exclude public employee unions from bid process. (Sec. 227)
10. **Legacy Costs.** Governor added NEW language which states the legacy costs for pensions and health care within the appropriations in part 1. (Sec. 231)
11. **Unclassified Positions.** Governor struck language listing unclassified employee positions and requiring the DMVA to give 30-day notice prior to requesting a new position from the Civil Service Commission. (Sec. 300)
12. **Administrative Support.** Governor struck language requiring effective and efficient executive direction and administrative support for DMVA operations. (Sec. 301)
13. **Armory Maintenance.** Governor added NEW language qualifying that armories be maintained in accordance with army regulations but only "within the constraints of the funding provided within." (Sec. 302)
14. **Youth Challenge Program.** Governor added NEW language sections, including subsection (4) which requires steps to be taken to recruit candidates from the economically disadvantaged and subsection (5) which requires a partnership with the DHS to identify eligible youth from DHS programs and to give priority to these youth for enrollment in the program. (Sec. 307)
15. **Michigan Veterans Affairs Agency.** Governor removed a numerical metric from within subsection (4) which requires staffing and resources to approve "5,295" requests for military discharge certificates (DD-214) for the fiscal year. (Sec. 401)
16. **Veterans' Homes.** Governor removed subsection (25), which required a detailed report to subcommittees documenting the complaint management process utilized by the Grand Rapids Veterans' Home by November 30, 2013. (Sec. 501)
17. **County Counselor Training.** Governor removed language identifying the purpose of one-time funds allocated for the purpose of assisting county counselors to attend the 2014 meeting of the National Association of County Veterans Service Officers held in Michigan. (Sec. 701)
18. **Veterans Service Delivery Initiative.** Governor removed language requiring one-time appropriations be used to assist the MVAA to establish infrastructure to achieve its goals and performance objectives and outcomes developed by the agency in its strategic plan and to allow expenditure for a college outreach program. (Sec. 702)
19. **MVAA Computer Upgrades.** Governor removed language providing for a one-time appropriation to be used for computer upgrades, including an upgrade that would integrate the Hero 2 Hire platform with the Pure Michigan Talent Connect job site. (Sec. 703)
20. **FY 2014-15 Appropriations.** Governor removed a provision for FY 2014-15 appropriations which would require a quarterly reporting by the MVAA on the percentage of Michigan veterans contacted with a goal of reaching 100%. (Sec. 1203)

Date Completed: 2-18-14

Fiscal Analyst: Bruce Baker

Senate Bill 774 (as introduced)
 Committee: Appropriations

FY 2013-14 Year-to-Date Gross Appropriation	\$343,138,900
Changes from FY 2013-14 Year-to-Date:	
1. Invasive Species Initiative. The Governor included \$4.0 million in ongoing and \$2.0 million in one-time GF/GP funding for a new initiative intended to combat invasive species. 16.0 FTEs were also included for this program.	6,000,000
2. Non-Motorized Trail Initiative. The Governor included GF/GP funding intended to increase non-motorized trail development throughout the State. The Initiative would be focused, but not limited to development of a trail connecting Belle Isle through the U.P. to the Wisconsin border.	2,500,000
3. Additional Conservation Officers. The Governor included GF/GP funding and 25.0 FTEs for the hiring of additional conservation officers.	3,500,000
4. Annualization of Hunting and Fishing License Fee Increase. The Governor included additional Game and Fish dollars to reflect the license fee increases implemented last year. FY 2014-15 will be the first full fiscal year where the increased fees will be in effect.	8,057,500
5. State Park Operations. The Governor included additional Park Improvement Fund revenue for State park operations.	2,000,000
6. State Park Repair and Maintenance. The Governor removed \$3.5 million in unavailable restricted funds and included \$2.5 million in private funds and \$4.0 million GF/GP to replace.	3,000,000
7. Michigan Conservation Corps/Summer Youth Initiative. The Governor included additional GF/GP revenue and changed the name of Summer Youth Initiative to Michigan Conservation Corps. The program also would be expanded statewide and include residents up to age 27.	1,000,000
8. Forest Management/Wildfire Protection Funding Changes. The Governor transferred \$4.0 million in Forest Development Fund from Wildfire Protection to Forest Management and Timber Market Development. The funding gap in Wildfire Protection was backfilled with GF/GP revenue.	4,000,000
9. Great Lakes Research Vessel One-Time. The Governor included \$1.0 million in GF/GP revenue, \$500,000 Game and Fish, and \$500,000 in expected private funds for the replacement of the <i>Chinook</i> , the DNR's fish research vessel on Lake Huron.	2,000,000
10. Capital Outlay Adjustments. The Governor removed past-year projects, and included new projects including \$3.0 million for wetland restoration and acquisition, \$3.1 million for a waterways project in Tawas, and \$1.5 million for a breakwater in Naubinway.	3,084,400
11. Economic Adjustments. Includes a negative \$1,073,900 Gross and a negative \$80,900 GF/GP for OPEB and \$6,667,800 Gross and \$335,800 GF/GP for other economic adjustments.	5,593,900
12. Other Changes. Other changes include technical revenue adjustments, an increase of \$350,000 in restricted funds for the purchase of wildfire equipment and removal of FY 2013-14 one-time expenditures.	(689,300)
Total Changes	\$40,046,500
FY 2014-15 Governor's Recommendation	\$383,185,400

Changes from FY 2013-14 Year-to-Date:

1. **Communication with the Legislature.** The Governor removed a prohibition on taking disciplinary action against employees who communicate with the Legislature. (Sec. 212)
2. **Report Retention.** The Governor removed language requiring that report retention guidelines be followed. (Sec. 217)
3. **Waterways Report.** The Governor removed a report on projects completed during the fiscal year. (Sec. 223)
4. **FTE Report.** The Governor removed a quarterly report on the number of funded FTEs in the Department. (Sec. 233)
5. **No RFPs Before RFIs.** The Governor removed a section requiring a request for information or request for qualification before issuing request for proposals on projects exceeding \$5.0 million. (Sec. 236)
6. **Legacy Costs in Budget.** The Governor included a new section detailing legacy costs that are included as part of the FY 2014-15 DNR budget. (Sec. 13-237)
7. **Land Transaction Report.** The Governor removed a report on land transactions from the previous year. (Sec. 408)
8. **Oil and Gas Lease Report.** The Governor removed a report on certain types of gas leases where acreage held in a producing unit is less than one-fourth of the lease acreage. (Sec. 409)
9. **Invasive Species Order Report.** The Governor removed a report on invasive species order actions taken against swine raised under the husbandry of Michigan residents. (Sec. 503)
10. **Cervid Fee Report.** The Governor removed a report on the use of Cervid registration/inspection fees. (Sec. 504)
11. **Water Control Structure Certification.** The Governor removed a prohibition on impeding the certification of water control structures. (Sec. 602)
12. **Cormorant Report.** The Governor removed a quarterly report on Cormorant control efforts. (Sec. 603)
13. **Recreation Opportunities.** The Governor removed a requirement that the Legislature be notified of any intent to reduce recreation opportunities. (Sec. 702)
14. **Soo-Raco Trail Traffic.** The Governor removed a requirement that the Department work to investigate options for traffic routing and flow on this trail. (Sec. 703)
15. **Timber Marking.** The Governor removed two sections that prescribed minimum amounts of timber to be prepared and marked for harvest, and that a sufficient number of foresters be hired to do so. (Secs. 802 and 805)
16. **Horseback Interests.** The Governor removed a requirement that the DNR work with horseback interests. (Sec. 804)
17. **Snowmobile Law Enforcement.** The Governor removed criteria for how these grants are distributed. (Sec. 901)
18. **Marine Safety Grant Report.** The Governor removed a report on these grants and funds used for them. (Sec. 902)
19. **ORV Trail Improvement Grants.** The Governor removed a requirement that at least \$980,000 of these grants be used for new trails. (Sec. 1002)
20. **Capital Outlay Appropriations.** The Governor removed a section providing guidance as to how lump-sum capital outlay and harbors and docks appropriations be spent. (Secs. 1101 & 1102)
21. **Dredging Reimbursement.** The Governor removed a section requiring the Department to seek Federal reimbursement for dredging projects which are under the jurisdiction of the Army Corps of Engineers.
22. **FY 2015-16 Appropriation Intent.** The Governor removed two sections stating legislative intent for appropriations in FY 2015-16. (Secs. 1201 and 1202)

Date Completed: 2-14-14

Fiscal Analyst: Josh Sefton

Senate Bill 775 (as introduced)
 Committee: Appropriations

FY 2013-14 Year-to-Date Gross Appropriation	\$13,366,703,600
Changes from FY 2013-14 Year-to-Date:	
1. MPERS Rate Cap. Governor increased required funding for the Michigan Public School Employees' Retirement System (MPERS) rate cap, where school employers pay no more than 20.96% of payroll toward unfunded accrued liabilities (UAL).	271,400,000
2. MPERS Rate Cap Lowering. Governor proposed to repurpose an existing \$100.0 million in MPERS grants to districts to instead lower the rate cap on UAL from 20.96% of payroll to 19.76% of payroll. In so doing, another \$9.2 million is required for the intermediate school district (ISD) portion of the guarantee.	9,244,000
3. Foundation Allowance Increase. Governor proposed a modified "2x" formula, whereby all districts would receive a \$55 increase, plus something between \$28 and \$56 per pupil.	150,000,000
4. Great Start Readiness Program. Governor proposed another \$65.0 million increase in GSRP funding to provide preschool to at-risk four-year-olds.	65,000,000
5. Educator Evaluations. Governor proposed a new \$27.8 million appropriation to fund teacher and administrator evaluations.	27,800,000
6. Fiscal Emergency Fund. Governor proposed a new \$10.0 million District Fiscal Emergency Contingency Fund to ensure dissolving districts are able to provide educational services to their students until the end of the year.	10,000,000
7. Student Assessments. Governor proposed to increase funding supporting student assessments by \$7.2 million.	7,200,000
8. Other New Programs. Governor proposed \$2.0 million for a year-round school pilot program; \$1.8 million for dual enrollment incentive payments; \$0.3 million for Advanced Placement (AP) scholarships; and \$0.3 million for a career readiness study.	4,250,000
9. Federal Grants. Governor increased Federal funds in the budget by \$43.7 million.	45,741,400
10. Center for Educational Performance and Information (CEPI). Governor increased CEPI funding by \$2.4 million.	2,400,000
11. Technical Cost Adjustments. Governor included technical cost adjustments for the foundation allowance (-\$115.4 million), special education (-\$41.5 million), debt service (\$10.9 million), and PILT and Promise Zone payments (\$227,400).	(145,732,600)
12. Program Eliminations. Governor eliminated funding for student-centric grants (\$8.0 million); dual enrollment credit transfer program (\$1.0 million); and principal educator evaluation training (\$0.5 million). In addition, FIRST Robotics was reduced \$1.0 million.	(10,500,000)
13. Program Transfers. Governor proposed transferring out MPERS rate cap costs and Renaissance Zone reimbursement for libraries to the MDE budget, along with a portion of the Federal funds supporting assessments.	(6,500,000)
14. Economic Adjustments. Includes a negative \$85,400 Gross and a negative \$69,700 GF/GP for OPEB and \$218,600 Gross and \$157,400 GF/GP for other economic adjustments.	133,200
Total Changes	\$430,436,000
FY 2014-15 Governor's Recommendation	\$13,797,139,600

Changes from FY 2013-14 Year-to-Date:

1. **Audits.** Gov. proposed numerous changes allowing for audits for programs in the preceding three fiscal years, adding the Emergency Municipal Loan Act and the Local Financial Stability and Choice Act to the list of statutes under which the Department may withhold funds, and requiring districts to post deficit elimination plans on web sites. In addition, a technical clarification was added that prohibits districts from depositing not more than 20% of foundation allowance funding to a capital projects fund, rather than 20% of total State aid. Also, districts would be required to submit comprehensive financial data and audits a month earlier (October 15). (Secs. 15, 17a and 18)
2. **Online Learning.** Gov. proposed numerous language changes to the section allowing for enrollment in online courses statewide, including changing the age eligibility from grades 5 to 12 to grades 7 to 12, allowing more than two courses per term if pupil has demonstrated previous success, allowing the district to deny enrollment if the cost of the online course exceeds 6.25% of the minimum foundation allowance, allowing intermediate districts (ISDs) to offer online courses, and requiring districts and ISDs to report on online enrollments and completion rates. (Sec. 21f)
3. **Earmark for Online Test Conversion.** Gov. proposed earmarking \$8.5 million out of the \$50.0 million for technology grants to convert existing student assessments to online assessments, for providing paper and pencil test versions to districts not prepared for online assessments, and expanding writing assessments. (Sec. 22i)
4. **At-Risk Allowable Uses.** Gov. proposed significant changes to the allowable uses of At-Risk funds by eliminating all existing language and replacing it with the allowable uses of ensuring that third graders are proficient in reading by the end of third grade and that high school graduates are career- and college-ready. (Sec. 31a)
5. **Great Start Readiness Program.** Gov. proposed allowing ISDs to provide slots to children in families with income levels at or below 300% of the Federal poverty level (FPL) if all children in the ISD in families with income levels at or below 250% of the FPL are being served. The per-pupil grant increased from \$3,625 to \$3,725. (Secs. 32d and 39)
6. **Teacher and Administrator Evaluations.** Gov. required the DTMB and MDE to request proposals from vendors for educator and administrator observation tools, as specified in the Revised School Code (RSC). Funding would be distributed on a per-pupil basis to implement one of the four teacher observation tools and one of the two administrator observation tools specified in the RSC. Of the \$27.8 million cost, \$2.7 million is for educator-student rosters necessary for calculations of student growth data and \$3.0 million for value-added modeling components, an electronic reporting system, and piloting alternative evaluations for districts with special populations. (Sec. 95a)
7. **Deficit Districts.** Gov. proposed significant changes to the Deficit District section including immediate notification of a deficit; a 30-day shot-clock for submission of a preplan financial report after notification; allowing the Department to withhold funds to incentivize submission of an acceptable plan; and adding a new category of reporting for districts with rapidly deteriorating financial conditions or persistently declining enrollment. (Sec. 102)
8. **Period Financial Status Reports.** Gov. proposed a new section whereby the State Treasurer or Superintendent may require a district or ISD to submit periodic financial status reports if a determination of potential financial distress is made or a deficit is believed to be imminent. The determination can be made after a review of any one of a number of different qualifiers including financial data submitted, failure to timely transmit tax payments, MPSERS payments, or contracted vendor payments, or after a request made by the school. (NEW Sec. 102a)
9. **Assessment Funding.** Gov. proposed earmarking \$4.0 million out of the increased funding request for assessments to be used for the multi-year development or selection of interim assessments to support local implementation of the educator and administrator evaluation systems. Gov. proposed earmarking \$3.2 million for the development or selection of an online reporting tool to provide student-level assessment data in a secure environment immediately after assessments are scored. Also, Gov. proposes to eliminate the requirement that the Michigan Merit Examination include an extended writing sample. (Secs. 104 and 104b)
10. **Adult Education.** Gov. proposed to eliminate the existing payment structure for adult education providers (grants to districts) and replace it with one that provides funding to ISDs based on 10 prosperity regions and the numbers of persons not high school graduates or those lacking basic English proficiency in the regions. The change in funding would be phased-in, with 67% of the funding in FY 2014-15 based on the previous formula, but summed to the prosperity regions on an ISD basis, and 33% of the funding based on the new measurement. (Sec. 107)
11. **MPSERS Cost Offset/Rate Cap.** Gov. proposed to "repurpose" the existing \$100.0 million in MPSERS cost offset grants to districts and instead use that money to lower the amount that districts pay toward the unfunded accrued liability from 20.96% of payroll to 19.76% of payroll. Gov. also proposes a \$50.0 million transfer from the School Aid Fund to the MPSERS Reserve Fund. (Secs. 147, 147a, 147b and 147c)

Date Completed: 2-11-14

Fiscal Analyst: Kathryn Summers

**REVISED ESTIMATES FOR FY 2013-14 AND
GOVERNOR'S RECOMMENDATIONS FOR FY 2014-15 AND FY 2015-16
(Dollars in Thousands)**

Line Item Description	FY 2013-14 Appropriations Y-T-D	Revised FY 2013-14 Gov's Rec/ CREC	Difference from FY 2013-14 Y-T-D	Gov's Rec FY 2014-15 \$83-\$111 Per Pupil	Changes from Revised FY 2013-14	FY 2015-16 Gov's Rec
Sec. 11g <i>Durant</i> Non-Plaintiff Debt Service	\$39,500.0	\$39,500.0	\$0.0	\$39,500.0	\$0.0	\$0.0
Sec. 11j School Bond Loan Fund Payments - Debt Service	\$131,660.0	\$131,660.0	\$0.0	\$142,600.0	\$10,940.0	\$160,500.0
Sec. 11m Cash Flow Borrowing Costs	\$4,000.0	\$2,500.0	(\$1,500.0)	\$4,000.0	\$1,500.0	\$5,000.0
Sec. 11r District Fiscal Emergency Contingency Fund - NEW	\$0.0	\$0.0	\$0.0	\$10,000.0	\$10,000.0	\$0.0
Sec. 20F Hold Harmless in Per-Pupil Funding - NEW	\$6,000.0	\$6,000.0	\$0.0	\$6,000.0	\$0.0	\$6,000.0
Sec. 20G Student Transition Grants in Dissolved Districts	\$2,200.0	\$2,200.0	\$0.0	\$2,200.0	\$0.0	\$0.0
Sec. 22a Proposal A Obligation Payment	\$5,536,700.0	\$5,526,000.0	(\$10,700.0)	\$5,403,000.0	(\$123,000.0)	\$5,277,000.0
Sec. 22b Discretionary Payment - State	\$3,373,700.0	\$3,335,000.0	(\$38,700.0)	\$3,578,000.0	\$243,000.0	\$3,655,000.0
Sec. 22c Equity Payment	\$36,000.0	\$36,000.0	\$0.0	\$0.0	(\$36,000.0)	\$0.0
Sec. 22d Isolated Districts Funding	\$2,584.6	\$2,584.6	\$0.0	\$2,584.6	\$0.0	\$2,584.6
Sec. 22f Best Practices	\$80,000.0	\$80,000.0	\$0.0	\$80,000.0	\$0.0	\$0.0
Sec. 22g Consolidation Innovation Grants	\$5,000.0	\$5,000.0	\$0.0	\$5,000.0	\$0.0	\$0.0
Sec. 22i Technology Infrastructure and iSchool	\$50,000.0	\$50,000.0	\$0.0	\$50,000.0	\$0.0	\$0.0
Sec. 22j Pupil Performance	\$46,400.0	\$46,400.0	\$0.0	\$46,400.0	\$0.0	\$0.0
Sec. 22k Competitive Student-Centric Grants - NEW	\$8,000.0	\$8,000.0	\$0.0	\$0.0	(\$8,000.0)	\$0.0
Sec. 24 Court-Placed Pupils	\$8,000.0	\$8,000.0	\$0.0	\$8,000.0	\$0.0	\$8,000.0
Sec. 24a Juvenile Detention Facilities	\$2,167.5	\$2,167.5	\$0.0	\$2,195.5	\$28.0	\$2,195.5
Sec. 24c Challenge Program	\$1,500.0	\$1,500.0	\$0.0	\$1,500.0	\$0.0	\$1,500.0
Sec. 26a Renaissance Zone Costs	\$29,500.0	\$29,500.0	\$0.0	\$26,300.0	(\$3,200.0)	\$26,300.0
Sec. 26b PILT Reimbursement	\$4,009.5	\$4,009.5	\$0.0	\$4,210.0	\$200.5	\$4,210.0
Sec. 26c Promise Zone	\$266.2	\$266.2	\$0.0	\$293.1	\$26.9	\$456.8
Sec. 31a "At Risk" Pupil Support	\$308,988.2	\$308,988.2	\$0.0	\$308,988.2	\$0.0	\$308,988.2
Sec. 31a Vision/Hearing Screening	\$5,150.0	\$5,150.0	\$0.0	\$5,150.0	\$0.0	\$5,150.0
Sec. 31a Child and Adolescent Health Centers	\$3,557.3	\$3,557.3	\$0.0	\$3,557.3	\$0.0	\$3,557.3
Sec. 31b Year-Round Schools Pilot Program - NEW	\$0.0	\$0.0	\$0.0	\$2,000.0	\$2,000.0	\$0.0
Sec. 31d School Lunch Programs - State Share	\$22,495.1	\$22,495.1	\$0.0	\$22,495.1	\$0.0	\$22,495.1
Sec. 31d School Lunch Programs - Federal Share	\$463,200.0	\$463,200.0	\$0.0	\$513,200.0	\$50,000.0	\$513,200.0
Sec. 31f School Breakfast	\$5,625.0	\$5,625.0	\$0.0	\$5,625.0	\$0.0	\$5,625.0
Sec. 32d Great Start - School Readiness	\$174,575.0	\$174,575.0	\$0.0	\$239,575.0	\$65,000.0	\$239,575.0
Sec. 32p Great Start Early Childhood Block Grants	\$10,900.0	\$10,900.0	\$0.0	\$10,900.0	\$0.0	\$10,900.0
Sec. 32r Race to the Top - Early Learning Challenge - Federal	\$0.0	\$51,737.5	\$51,737.5	\$0.0	(\$51,737.5)	\$0.0
Sec. 39a(1) NCLB Federal DOE Grants	\$811,828.5	\$811,828.5	\$0.0	\$807,969.9	(\$3,858.6)	\$807,969.9
Sec. 39a(2) Other Non-NCLB Federal DOE Grants	\$31,700.0	\$31,700.0	\$0.0	\$31,300.0	(\$400.0)	\$31,300.0
Sec. 41 Bilingual Education	\$1,200.0	\$1,200.0	\$0.0	\$1,200.0	\$0.0	\$1,200.0
Sec. 51c Special Education Headlee - State Share	\$662,200.0	\$613,200.0	(\$49,000.0)	\$630,500.0	\$17,300.0	\$648,600.0
Sec. 51a(2) Spec. Ed. Foundations - State Share	\$257,800.0	\$247,000.0	(\$10,800.0)	\$252,000.0	\$5,000.0	\$256,000.0
Sec. 51a(3) Spec. Ed. Hold Harmless to ISDs - State Share	\$1,000.0	\$1,000.0	\$0.0	\$1,000.0	\$0.0	\$1,000.0
Sec. 51a(11) Spec. Ed. Non Sec. 52 to ISDs - State Share	\$4,300.0	\$3,500.0	(\$800.0)	\$3,300.0	(\$200.0)	\$3,900.0
Sec. 51a(6) Spec. Ed. Rules Change - State Share	\$2,200.0	\$2,200.0	\$0.0	\$2,200.0	\$0.0	\$2,200.0

**REVISED ESTIMATES FOR FY 2013-14 AND
GOVERNOR'S RECOMMENDATIONS FOR FY 2014-15 AND FY 2015-16
(Dollars in Thousands)**

Line Item Description	FY 2013-14 Appropriations Y-T-D	Revised FY 2013-14 Gov's Rec/ CREC	Difference from FY 2013-14 Y-T-D	Gov's Rec FY 2014-15 \$83-\$111 Per Pupil	Changes from Revised FY 2013-14	FY 2015-16 Gov's Rec
Sec. 53a Court-Placed Spec. Ed. FTEs - State Share	\$13,500.0	\$13,500.0	\$0.0	\$10,500.0	(\$3,000.0)	\$10,500.0
Sec. 54 MI School for Deaf and Blind - State Share	\$1,688.0	\$1,688.0	\$0.0	\$1,688.0	\$0.0	\$1,688.0
Sec. 56 Spec. Ed. Millage Equalization - State Share	\$37,758.1	\$37,758.1	\$0.0	\$37,758.1	\$0.0	\$37,758.1
Sec. 51a Special Education - Federal IDEA	\$370,000.0	\$370,000.0	\$0.0	\$370,000.0	\$0.0	\$370,000.0
Sec. 51d Special Education - Other Federal	\$74,000.0	\$74,000.0	\$0.0	\$74,000.0	\$0.0	\$74,000.0
Sec. 61a Vocational Education	\$27,611.3	\$27,611.3	\$0.0	\$27,611.3	\$0.0	\$26,611.3
Sec. 62 ISD Vocational Ed Millage Equalization	\$9,190.0	\$9,190.0	\$0.0	\$9,190.0	\$0.0	\$9,190.0
Sec. 64a District and Postsecondary Articulation/Transfer	\$1,000.0	\$1,000.0	\$0.0	\$0.0	(\$1,000.0)	\$0.0
Sec. 64b Dual Enrollment Incentive Payments - NEW	\$0.0	\$0.0	\$0.0	\$1,750.0	\$1,750.0	\$0.0
Sec. 64c Career Readiness Study - NEW	\$0.0	\$0.0	\$0.0	\$250.0	\$250.0	\$0.0
Sec. 74 Bus Driver Safety Instruction	\$1,625.0	\$1,625.0	\$0.0	\$1,625.0	\$0.0	\$1,625.0
Sec. 74 School Bus Inspections	\$1,674.0	\$1,674.0	\$0.0	\$1,691.5	\$17.5	\$1,691.5
Sec. 81 ISD General Operations Support	\$62,115.0	\$62,115.0	\$0.0	\$62,115.0	\$0.0	\$62,108.0
Sec. 81(7) ISD Best Practices	\$2,000.0	\$2,000.0	\$0.0	\$2,000.0	\$0.0	\$2,000.0
Sec. 94 Advanced Placement (AP) Incentive Program - NEW	\$0.0	\$250.0	\$250.0	\$250.0	\$0.0	\$0.0
Sec. 94a Center for Educ. Perf. and Information - State Share	\$9,535.1	\$9,535.1	\$0.0	\$12,022.8	\$2,487.7	\$14,522.8
Sec. 94a Center for Educ. Perf. and Information - Federal	\$193.5	\$193.5	\$0.0	\$193.5	\$0.0	\$193.5
Sec. 95 Principal Educator Evaluation Training	\$500.0	\$500.0	\$0.0	\$0.0	(\$500.0)	\$0.0
Sec. 95a Educator Evaluations - NEW	\$0.0	\$0.0	\$0.0	\$27,800.0	\$27,800.0	\$21,845.1
Sec. 98 Michigan Virtual High School - State	\$9,387.5	\$9,387.5	\$0.0	\$9,387.5	\$0.0	\$9,387.5
Sec. 99 Math/Science Centers - State	\$3,225.0	\$3,225.0	\$0.0	\$3,225.0	\$0.0	\$3,225.0
Sec. 99 Math/Science Centers - Federal	\$5,249.3	\$5,249.3	\$0.0	\$5,249.3	\$0.0	\$5,249.3
Sec. 99h FIRST Robotics	\$3,000.0	\$3,000.0	\$0.0	\$2,000.0	(\$1,000.0)	\$0.0
Sec. 104 MEAP Testing - State Share	\$26,694.4	\$26,694.4	\$0.0	\$33,894.4	\$7,200.0	\$45,026.5
Sec. 104 MEAP Testing - Federal Share	\$8,250.0	\$8,250.0	\$0.0	\$6,250.0	(\$2,000.0)	\$6,250.0
Sec. 107 Adult Education - State	\$22,000.0	\$22,000.0	\$0.0	\$22,000.0	\$0.0	\$22,000.0
Sec. 147a MPSERS District Reimbursement	\$100,000.0	\$100,000.0	\$0.0	\$0.0	(\$100,000.0)	\$0.0
Sec. 147b MPSERS Reserve for Retirement Obligation Reform	\$0.0	\$0.0	\$0.0	\$0*	\$0.0	\$0.0
Sec. 147c MPSERS Rate Cap (Section 41 of MPSERS Act)	\$404,600.0	\$406,800.0	\$2,200.0	\$783,944.0	\$377,144.0	\$1,017,444.0
Sec. 152. <i>Adair v State of Michigan</i>	\$38,000.5	\$38,000.5	\$0.0	\$38,000.5	\$0.0	\$38,000.5
TOTAL SCHOOL AID APPROPRIATIONS	\$13,366,703.6	\$13,309,391.1	(\$57,312.5)	\$13,797,139.6	\$487,748.5	\$13,790,723.5
TOTAL REVENUE						
Federal Aid	\$1,764,421.3	\$1,816,158.8	\$51,737.5	\$1,808,162.7	(\$7,996.1)	\$1,808,162.7
School Aid Fund (SAF)	\$11,211,382.3	\$11,102,332.3	(\$109,050.0)	\$11,790,976.9	\$688,644.6	\$11,802,560.8
General Fund/General Purpose	\$234,900.0	\$234,900.0	\$0.0	\$180,000.0	(\$54,900.0)	\$180,000.0
MPSERS Reforms Fund	\$156,000.0	\$156,000.0	\$0.0	\$18,000.0	(\$138,000.0)	\$0.0
TOTAL REVENUE	\$13,366,703.6	\$13,309,391.1	(\$57,312.5)	\$13,797,139.6	\$487,748.5	\$13,790,723.5

86

*Governor is recommending a \$50 million transfer of SAF into the MPSERS reserve fund, which would require an appropriation later to spend the funds.

Senate Bill 767 (as introduced)
 Committee: Appropriations

FY 2013-14 Year-to-Date Gross Appropriation	\$219,548,900
Changes from FY 2013-14 Year-to-Date:	
1. Unclassified Salary Increase. Governor included salary and wage increases for the unclassified salary line item. The GF/GP funded line item increased from \$707,000 to \$724,700.	17,700
2. Vendor Increase for Elections Compliance. The Governor included GF/GP funding of \$500,000 to increase payments to vendors who maintain campaign finance systems and lobbyist registration systems.	500,000
3. Fraud Prevention - Data Analytics and Prosecution. The Governor included GF/GP funding of \$627,400 to allow the Department to develop a system of tools for departmentwide fraud deterrence.	627,400
4. Fraud Prevention - Insurance Verification and Paper Certificates. The Governor included GF/GP funding of \$1.2 million to allow the Department to develop a process to verify paper certificates for auto insurance before renewal of vehicle registration to detect and combat fraud.	1,203,400
5. Fund Shift. The Governor replaced Michigan Transportation Fund (MTF) funding with GF/GP due to the capped amount of MTF funds that can be transferred to the Department. The shift increases GF/GP expenditures by \$300,700 while having a zero effect on the gross appropriation.	0
6. Help America Vote Act. The Governor eliminated Federal funding for this program due to the end of the Federal funding cycle.	(350,000)
7. Economic Adjustments. Includes (\$700,700) Gross and (\$32,100) GF/GP for OPEB and \$ 3,265,600 Gross and \$68,500 GF/GP for other economic adjustments.	2,564,900
Total Changes	\$4,563,400
FY 2014-15 Governor's Recommendation	\$224,112,300

Changes from FY 2013-14 Year-to-Date:

1. **Re-numbering of Sections.** Sections of boilerplate that have been retained in the Governor's budget are re-numbered accordingly for Article 16.
2. **Boilerplate Structure.** The Governor moved boilerplate from the FY 2013-14 general sections that applied to all General Government budgets to the Article for the Department of State. These sections include:
 - Report on total State spending for the Department. (Sec. 16-201)
 - Appropriations are subject to Management and Budget Act, 1984 PA 431. (Sec. 16-202)
 - Definitions. (Sec. 16-203)
 - Report on out-of-state travel. (Sec. 16-216)
 - Requirement for Departments to maintain searchable websites. **Governor deleted the requirement for quarterly updates.** (Sec. 16-227)
 - GF/GP Lapse Report. (Sec. 16-228)
 - Department Scorecards. (Sec. 16-233)
 - Prohibition on outside legal services. (Sec. 16-234)
 - Use of Internet to fulfill reporting requirements. (Sec. 16-235)
 - Buy American with a Michigan preference. (Sec. 16-236)
 - Restricted Revenue Report. (Sec. 16-237)
3. **Legacy Costs.** Governor added new language listing the authorized amount of the appropriations in Part 1 that may be used for legacy costs as well as an estimate of the amount of pension-related legacy costs. (Sec. 2-238)
4. **Total State Spending.** Governor provided a new section stating the amount of total State spending from State resources and the amount of payments to local units of government. (Sec. 15-201)
5. **Branch Office Closings or Relocations.** Governor deleted the requirement that at least 180 days prior to the announcement of Secretary of State branch office closings or consolidations, or at least 60 days prior to relocations, that the Department of State inform members of the senate and house of representatives standing committees on appropriations and legislators who represent affected areas regarding the details of the proposal. Branch offices that consolidate or relocate within the same local unit of government are exempt from this notification procedure. (Current Law Sec. 714)
6. **Business Application Modernization (BAM) Project.** The Governor removed language requiring the Department to report the total amount of funds spent on the BAM project from its inception. (Current Law Sec. 716b)
7. **Buena Vista Branch Office.** Requires the Department to maintain a full service branch office in Buena Vista Township. The Governor removed this section. (Current Law Sec. 718)

Date Completed: 2-19-14

Fiscal Analyst: Joe Carrasco, Jr.

Senate Bill 776 (as introduced)
 Committee: Appropriations

FY 2013-14 Year-to-Date Gross Appropriation	\$606,819,000
Changes from FY 2013-14 Year-to-Date:	
1. New Trooper School. Governor recommended \$13.5 million gross, \$12.6 million GF/GP for costs of a new trooper school to graduate 100 new troopers in 2015. Funding includes \$5.7 million in one-time costs and \$7.8 million in ongoing costs. Target is to increase At-Post Trooper strength from a projected October 1, 2014, of 1,084 to 1,184 on October 1, 2014.	13,500,000
2. FY 2013-14 Trooper School - Second Year Costs. Governor recommended \$2.7 million GF/GP to pay for ongoing salary and other costs associated with the full year fiscal impact of 107 graduates from a trooper school to graduate in May 2014.	2,694,400
3. New Motor Carrier Officer School. Governor's budget included \$5.2 million GF/GP to fund a motor carrier officer school expected to graduate 31 officers. Funding includes \$2.0 million in one-time costs and \$3.2 million in ongoing costs.	5,232,300
4. New Helicopter Purchase. Governor recommended adding \$5.2 million GF/GP for the purchase of a new Bell 407 helicopter, the purpose of which is to allow MSP to double its patrol efforts in distressed cities and allow greater coverage of outstate Michigan with the other two helicopters in its fleet. Funding includes \$246,000 in ongoing costs and \$4.9 million in one-time costs.	5,178,000
5. Emergency Support Team Vehicle Replacement. Governor included \$225,000 GF/GP for a one-time expenditure to replace a 1981 Dodge Peacemaker with a new armored Lenco Bearcat.	225,000
6. LEIN Initiatives. Governor recommended Restricted fund support for disaster recovery costs (\$312,800) and a programming language upgrade to XML (\$350,000 one-time).	662,800
7. Local Public Safety Initiative. Governor recommended adding \$5.0 million GF/GP for a one-time grant program to locals which are to have a focus in school safety.	5,000,000
8. Automated Fingerprint Identification System Maintenance/Upgrade. Restricted funds.	2,187,200
9. New Electric Warrant System. Governor added \$800,000 GF/GP for a new electronic warrant system. Funding includes \$750,000 in one-time costs and \$50,000 in ongoing costs.	800,000
10. Saginaw Area Records Management System. Governor added \$1,528,000 GF/GP and 8.0 FTEs for an MSP takeover of Saginaw area records management system.	1,528,000
11. Laboratory Operations Fund Shift. Governor recommended shifting \$118,000 in expired Federal funding and \$4.0 million in State Services Fee Fund revenue to GF/GP in order to continue full support of lab operations.	0
12. Removal of One-Time GF/GP Appropriations for FY 2013-14.	(6,561,900)
13. Technical Shift of Public Safety Communications System Funding to DTMB Budget.	(16,340,900)
14. Reductions to Reflect Actual Revenues Received.	(369,700)
15. Economic Adjustments. Includes a negative \$295,000 Gross and a negative \$47,100 GF/GP for OPEB and \$19,063,800 Gross and \$13,873,900 GF/GP for other economic adjustments.	18,768,800
Total Changes	\$32,504,000
FY 2014-15 Governor's Recommendation	\$639,323,000

Changes from FY 2013-14 Year-to-Date:

1. **Incoming IDGs.** Gov. struck language listing all incoming IDGs to the MSP budget. (Sec. 204)
2. **Outgoing IDGs.** Gov. struck language listing all outgoing IDGs from the MSP budget. (Sec. 205)
3. **Buy American.** Gov. struck language requiring giving preference to small businesses and removed definitions for "small business" and "veterans." (Sec. 209)
4. **Retain Reports.** Gov. eliminated requirement for all reports to be kept and retained by MSP. (Sec. 212)
5. **Disciplinary Action.** Gov. eliminated language prohibiting action against employee who communicates with Legislature. (Sec. 215)
6. **Schedule of Programs.** Gov. struck subsection (2) stating that revenue resources in part 1 may or may not be received from the funding entities listed and subsection (3) provides that Secondary Road Patrol Grants are ruled by existing statute.
7. **Efficiencies.** Gov. removed language outlining priorities for finding MSP budgetary efficiencies. (Sec. 217)
8. **Quarterly Reports.** Gov. removed requirement for detailed MSP quarterly reports. (Sec. 219)
9. **Post Closure/Consolidation.** Gov. struck requirement for MSP to give a 90-day notice prior to recommending a post closure or consolidation. (Sec. 222)
10. **Privatization.** Gov. struck requirement for MSP to give 60-day notice prior to effort to privatize, with an evaluation report. (Sec. 223)
11. **Unclassified Positions Listing.** Gov. removed language listing unclassified positions and requiring notice when a new position is created. (Sec. 250)
12. **Executive Direction.** Gov. struck section requiring effective and efficient administrative leadership be provided. (Sec. 251)
13. **Special Operations and Events.** Gov. removed section requiring effective protection for Gov. and visiting dignitaries. (Sec. 252)
14. **Legacy Costs.** Gov. added NEW language which states the legacy costs for pensions and health care within the appropriations in part 1. (Sec. 254)
15. **Training.** Gov. removed a subsection (5) which required that MSP place an emphasis on recruiting MCOLES certified officers as candidates for trooper schools. (Sec. 302)
16. **Criminal History Systems.** Gov. removed subsection (12) which required a report defining a list of options to reduce the LEIN budget by 5% without adversely affecting services to customers and subsection (15) which required the sex offender registry unit to follow up on tips assigned to law enforcement within 10 working days. (Sec. 304)
17. **Traffic Safety and Enforcement.** Gov. added language to subsection (3) to require 4,000 patrol hours be committed to Belle Isle Park and removed subsection (6) (c) which required a statistical report on the number of law enforcement officers employed by the cities in distress and the number of prosecutions from those locations and removed subsection (8) which required the use of funds for security at events to support for show-of-force, enforcement, or traffic safety efforts during major public events. (Sec. 501)
18. **Criminal Investigations.** Gov. changed within subsection (2) the reference standard metric for hours of crime investigation from that of FY 2010-11 to FY 2012-13 and changed to date due for a required report in subsection (6) from October 1 to December 1. (Sec. 602)
19. **Support Services.** Gov. removed a subsection required that administrative support be provided for Department operations and that guidelines for accounting and fiscal controls be followed. (Sec. 701)
20. **State Emergency Operations Center and Preparedness.** Gov. removed subsection (9) which specified that \$500,000 from part 1 shall be spent to support the Urban Search and Rescue Taskforce. (Sec. 703)
21. **Highway Safety Planning and Awareness.** Gov. removed a requirement that the Department shall provide highway safety information and awareness to the public and other interested parties. (Sec. 705)
22. **Secondary Road Patrol Program.** Gov. removed language providing guidelines for GF/GP one-time grant and provision for a review of the program. (Sec. 801)
23. **Trooper Recruits.** Gov. removed requirement to have staff and resources to train at least 107 trooper recruits. (Sec. 802)
24. **Grand Rapids Crime Lab.** Gov. removed language specifying that one-time appropriation be used for special maintenance at the lab. (Sec. 803)
25. **Emergency Response Team.** Gov. removed language specifying that one-time appropriation be used to purchase two specialized vehicles for the emergency response team. (Sec. 804)

Senate Bill 767 (as introduced)
 Committee: Appropriations

FY 2013-14 Year-to-Date Gross Appropriation	\$1,190,805,600
Changes from FY 2013-14 Year-to-Date:	
1. Removal of One-Time Funding. Governor excluded FY 2013-14 one-time funding of \$37.7 million: \$1.5 million for Delta County bridge removal; \$2.5 million for Regional Prosperity Grants; \$2.0 million for Legal Services; \$10.0 million for special maintenance; \$21.3 million for Technology Services; and \$430,500 for MSU's combined sewer overflow project.	(37,730,500)
2. Unclassified Salary Increase. Governor included salary and wage increases for the unclassified salary line item increasing from \$804,500 to \$824,600.	20,100
3. Cyber Security. Governor included funding to enhance Michigan's cyber security posture.	6,785,000
4. Regional Prosperity Grants. The Governor converted this FY 2013-14 one-time funding item to an ongoing funding item for FY 2014-15.	2,500,000
5. Michigan Public Safety Communications System Lifecycle and Radio Replacement. Governor included funding to replace system equipment.	25,300,000
6. Information Technology (IT) - Alignment of IDG Funding. The IT portion of the budget aligned its IDG funding with enacted FY 2014 appropriations for all departments.	5,551,000
7. Motor Vehicle Fleet. Governor increased funding to account for higher fuel, maintenance, and vehicle leasing costs.	8,300,000
8. Professional Development Funds. Governor included funding to provide professional development and trainings for UAW-represented employees per contract requirements.	720,000
9. Enterprisewide Special Maintenance. Governor increased funding for the ongoing appropriations for this item to provide maintenance services to State-owned buildings across the State.	5,000,000
10. IT Investment Fund. Governor increased funding for this IT program to further provide maintenance and replacement of legacy IT systems across State departments and agencies. Funding for this item will total \$75.0 million in FY 2014-15.	28,000,000
11. Michigan Public Safety Communication System. Governor transferred in the funding and FTEs from the Michigan State Police the Michigan Public Safety Communication System.	16,340,900
12. Programs Transferred Out from DTMB. Governor transferred out the staff and funding for two items: Administrative staff for the SBA rent program (\$699,100) are transferred to the Department of Treasury and the staff for the Americans with Disabilities Act (\$300,000) are transferred to the Department of Civil Rights.	(999,100)
13. IT Innovation Fund. Governor eliminated all funding for this program.	(2,500,000)
14. One-Time Appropriations. Governor included the following one-time funding: \$10.0 million for special maintenance for State-owned facilities; \$5.5 million for the new Office of Urban Initiative; \$2.5 million for the Regional Prosperity Grant program; \$5.0 million for litigation costs; \$6.9 million for alignment of IT funding with agency requests; and \$300 for planning authorizations for SBA-authorized community college and university construction projects.	29,900,300
15. Military Retirement Program. Governor increased funding for the Military Retirement Program to cover unfunded costs associated with prefunding of pensions.	437,000
16. State Building Authority (SBA) Rent Adjustments. Governor decreased funding for SBA line item for State Agencies to reflect decreased debt service costs.	(4,000,000)
17. Economic Adjustments. Includes (\$1,689,500) Gross and (\$370,500) GF/GP for OPEB and \$9,188,400 Gross and \$4,101,500 GF/GP for other economic adjustments.	7,498,900
18. Other Changes. Miscellaneous adjustments were made to various line items, including: a net zero Gross change for SWCAP, however change results in a negative adjustment to GF/GP funding of (\$34,300); \$240,000 to annualize cyber security costs; \$510,200 for the Office of Children's Ombudsman; and a negative (\$475,200) various miscellaneous technical adjustments for MiResults performance metrics, BOC charges, and the Civil Service Commission.	
Total Changes.....	\$91,398,600
FY 2014-15 Governor's Recommendation.....	\$1,282,204,200

Changes from FY 2013-14 Year-to-Date:

1. **Boilerplate Structure.** The Governor moved boilerplate from the FY 2013-14 general sections that applied to all General Government budgets to the Article for the Department of Technology, Management, and Budget. These sections include:
 - Report on total State spending for the Department. (Sec. 18-201)
 - Appropriations are subject to Management and Budget Act, 1984 PA 431. (Sec. 18-202)
 - Definitions. (Sec. 18-203)
 - Requirement for Departments to maintain searchable websites. (Sec. 18-206)
 - Report on out-of-state travel. (Sec. 18-216)
 - Prohibition on outside legal services. (Sec. 18-226)
 - Restricted Revenue Report. (Sec. 18-227)
 - GF/GP Lapse Report. (Sec. 18-228)
 - Department Scorecards. (Sec. 18-232)
 - Related Federal and restricted funds for special maintenance. (Sec. 18-233; Current Law Sec. 822a)
 - Related Federal and restricted funds for enterprise-wide IT investments. (Sec. 18-234; Current Law Sec. 822b)
 - Use of Internet to fulfill reporting requirements. (Sec. 18-235)
 - Buy American with a Michigan preference. (Sec. 18-237)
2. **Legacy Costs.** Governor added new language listing the authorized amount of the appropriations in Part 1 that may be used for legacy costs as well as an estimate of the amount of pension-related legacy costs. (Sec. 18-236)
3. **Computer Contract Adjustments.** Within 14 days of the Department finalizing the revisions, the Department must notify the House and Senate Appropriation Committee Chairs and General Government Subcommittee Committee Chairs on computer contract revisions that increase or decrease current contracts by more than \$500,000. The Governor removed the 14-day requirement and instead requires a report quarterly. (Current Law Sec. 809)
4. **Requests for Proposals - Website.** Requires the Department of Management and Budget to maintain an Internet website that contains notice of all invitations to bid and requests for proposals over \$50,000. Prohibits the Department from accepting a bid or proposal less than 14 days after the request was made available on the website. The Governor removed the 14-day provision. (Current Law Sec. 810)
5. **Motor Vehicle Fleet.** The Governor removed the requirement for the Department to use remanufactured parts, whenever economically feasible, when repairing fleet vehicles. (Current Law Sec. 813(5))
6. **Equalization of Expenditures.** The Governor replaced Subsection 5 with new language stating that once notification is made to the House and Senate standing committees on appropriations, spending authorization and the IDG from the Motor Transport Fund in DTMB may be adjusted to ensure that the appropriations for the motor vehicle fleet equals the expenditures for motor vehicle fleet in the budgets for all executive departments and agencies. (Sec. 18-813 (5))
7. **Vendor Call or Contact Centers.** The Governor removed current-year language requiring disclosure of location of call/contact centers. (Current Law Sec. 817)
8. **Deletions.** In keeping with the condensed structure of the Governor's budget, the following current-year language sections and/or subsections were not included: 816, 817, 821, 822, 822(c), 822(e), 824 (required report only), 827(4), 828, 829, 830, 831, 832, 843 and 862. The majority of these sections required the Department to provide either reports or notifications to the Legislature.
9. **State Building Authority Authorizations.** The Governor added new language requiring the Legislature to determine that funding provided in Part 1 is for the leasing of facilities to be used for a public purpose. (Sec. 18-866)
10. **One-Time Appropriations.** The Governor provided boilerplate language describing the qualification process for the new proposed Regional Prosperity Grant Program. (Sec. 17-901) ***Governor made this an ongoing program and moved the boilerplate language to the main boilerplate section of the bill as a new section. The Governor also revised and updated the language, updated dates in subsection (9), and added new subparts within the new section. (Sec. 18-822f)***

Senate Bill 777 (as introduced)
 Committee: Appropriations

FY 2013-14 Year-to-Date Gross Appropriation	\$3,826,145,600
Changes from FY 2013-14 Year-to-Date:	
1. Accounting Service Center Adjustment. An adjustment regarding MDOT's accounting service center's allocation plan with MDARD, DNR, and DEQ.	84,500
2. Intercity Passenger and Freight. Net of adjustments due to 1) a lower number of vehicles eligible for replacement; 2) increased estimates in Federal rail and rail freight fund revenues; and 3) a decrease in terminal development.	10,439,000
3. Transportation Economic Development Fund. Governor redirects the entirety of the TEDF (less debt service and operational support) through the TEDF statutory distribution formula. This adjustment aligns appropriations to the required amounts.	9,457,600
4. Oversight of Local Agency Federal Aid Program. Increase in appropriations to design and engineering services. MDOT has reallocated staff or used consultant services to conform to Federal and state requirements regarding local agency Federal aid.	3,469,000
5. Bus Transit Division. Adjustments to CTF funding to align appropriations with projected expenses of transit agencies, and eliminate discretionary State operating assistance.	(4,624,000)
6. Public Transportation Development. Adjustments to reflect current service baseline costs. This is the net result of a decrease of \$89,900 in specialized services, a decrease of \$612,000 in van pooling, and an increase of \$417,100 for service initiatives.	(284,800)
7. One-Time Appropriation for State Trunkline and Bridge Construction. \$127.0 million in GF/GP was appropriated to match Federal highway aid, and an additional \$115.0 million GF/GP was appropriated for road and bridge projects.	242,000,000
8. One-Time Appropriations for Rail Infrastructure and Airport Safety. \$10.0 million in GF/GP was appropriated to transit capital and rail infrastructure to match Federal transit and rail aid, and \$2,047,900 in GF/GP was appropriated to match Federal aeronautics aid.	12,047,900
9. Elimination of FY 2013-14 One-Time Appropriations. In FY 2013-14, \$115.0 million was appropriated for the priority roads investment program and \$121.3 million in GF/GP was appropriated for additional State trunkline and bridge construction.	(236,300,000)
10. Interdepartmental Grants. Increase in IDG under collection, enforcement, and other agency support services, based on other agency program decisions.	227,700
11. Supplemental PA 34 (SB 608). \$300,000 in GF/GP was appropriated for the Beaver Island transportation authority, \$100 million in GF/GP was appropriated for special winter road maintenance, \$115 million in GF/GP was appropriated for the priority roads investment program, and \$11,728,900 was appropriated for rail operations. The supplemental was effective on March 18, 2014.	(227,028,900)
12. Economic Adjustments. Includes a negative \$1,688,300 Gross and \$0 GF/GP for OPEB and \$7,630,300 Gross and \$0 GF/GP for other economic adjustments.	5,942,000
13. Other Changes. A new IT system, changes in debt service, technical adjustments to agency services, adjustments to balance revenue estimates for road and bridge programs, intercity passenger and rail, and public transportation development, shifting Federal funds from debt service to road and bridge programs, and adjustments that resulted from position transfers.	27,423,000
Total Changes	(157,147,000)
FY 2014-15 Governor's Recommendation	\$3,668,998,600

Changes from FY 2013-14 Year-to-Date:

1. **Disciplinary Action.** Gov. deleted a prohibition against MDOT from taking disciplinary action against an employee for communicating with the Legislature. (Sec. 215)
2. **Remanufactured Parts and Alternative Road Materials.** Gov. deleted a requirement for MDOT to prioritize the use of remanufactured parts as the primary means of vehicle maintenance (Sec. 270), and a requirement that MDOT evaluate the use of materials which incorporate crumb rubber from scrap tires. (Sec. 660)
3. **Effects of Policy Changes; Small Businesses.** Gov. deleted a requirement for MDOT to report on policy changes made to implement public acts, and a prohibition against funds being used in a way that would have a disproportionate economic impact on small businesses. (Sec. 263)
4. **Public Property Lease Restrictions.** Gov. included a requirement that MDOT consider a party's permitted use of public transportation property to be consistent with the public transportation, and deleted a requirement that MDOT must charge equal leasing rates to public transit agencies and intercity bus carriers. (Sec. 305)
5. **Father Marquette National Memorial/Mackinac Straits Area Museum.** Gov. deleted a requirement for MDOT to work with the MEDC to update a study of these proposed projects. (Sec. 311)
6. **Contractor-Related Requirements.** Gov. deleted the following requirements and prohibitions: 1) MDOT must post signs regarding the contractor responsible for rest area maintenance (Sec. 319); 2) MDOT must review its contractor payment process and ensure prompt payment and prime contractor compliance (Sec. 353); 3) MDOT must complete any required inspections for local Federal aid projects within 120 days of submission (Sec. 357); 4) MDOT may not reimburse contractors for certain costs (e.g., groundbreaking ceremonies) from appropriated funds (Sec. 375); 5) as a condition of each contract for construction, maintenance, or engineering services, MDOT must require the contractor to use the E-Verify system (Sec. 381); 6) in administering a local government contract, within two years of final payment to a contractor, MDOT must submit the final cost-sharing bill to the local government (Sec. 382).
7. **Department-Owned Aircraft Restrictions.** Gov. deleted a requirement that MDOT may transport legislators or legislative staff only when the aircraft is scheduled for use on related official State business. (Sec. 383)
8. **Detroit River International Crossing.** Gov. deleted a prohibition against MDOT spending State revenue or entering into any new contract relating to the DRIC until the Legislature enacts enabling legislation (Sec. 384), and a requirement that MDOT must report on planning activities related to the DRIC. (Sec. 385)
9. **Dead Animal Removal.** Gov. deleted a provision that MDOT must consider the removal of large animal remains from highway shoulders a priority. (Sec. 610)
10. **High-Speed Rail Pilot Project.** Gov. deleted a requirement for \$1.5 million to be allocated for a pilot project to test devices at crossings that are designated as a high-speed rail corridor, and that any bidding must be done under a competitive bidding process. (This appropriation was vetoed in FY 2013-14.) (Sec. 736)
11. **Deleted Report Requirements.** Gov. deleted a requirement that MDOT must retain all reports in compliance with Federal and State guidelines (Sec. 212). Governor also deleted requirements that MDOT must provide a report or information regarding the following: expenditures for administration and planning associated with local governments (Sec. 233); money to be received by each local government within a legislator's district (Sec. 303); a rolling five-year plan of all construction projects (Sec. 307), and associated criteria for the plan (Sec. 603); MDOT's activities related to the prequalification of construction contractors (Sec. 308); the status of the State infrastructure bank (Sec. 313 (3)); the amount of Federal aid for allocations to certain State and local programs (Sec. 401); contract incentives for State trunkline projects (Sec. 612); a railroad company's abandonment of a railroad line (Sec. 703); the encumbered and unencumbered balances of the CTF (Sec. 740); the status of airport improvement projects (Sec. 902); and timely production of copies of agendas and approved minutes for monthly commission meetings (Sec. 310). The Governor deleted requirements to provide the State Budget Office with: GF/GP appropriation lapses by program area (Sec. 228); and estimates regarding State fund balances, revenues, and expenditures (Sec. 229).
12. **Warranty Development.** Gov. deleted a requirement for MDOT to work with the road construction industry and engineering consulting community to develop performance and road construction warranties. (Sec. 601)
13. **Elimination of One-Time Appropriations.** Gov. deleted provisions regarding the one-time FY 2013-14 appropriation of \$121,300,000 in GF/GP to match Federal highway funds. (Sec. 1001)
14. **Legacy Costs.** Total legacy costs are \$75,324,500; pension-related costs are estimated at \$42,130,400; and retiree health care legacy costs are estimated at \$33,194,100. (Sec. 19-271).

Date Completed: 3-17-14

Fiscal Analyst: Glenn Steffens

Senate Bill 767 (as introduced)
 Committee: Appropriations

FY 2013-14 Year-to-Date Gross Appropriation	\$154,202,500
Changes from FY 2013-14 Year-to-Date:	
1. Great Lakes Water Quality Bond. The Governor included a negative adjustment of \$7.3 million in debt service payments for the Great Lakes Water Quality Bond. In addition, the Governor also included new debt service payments totaling \$6.5 million GF/GP bringing the total debt service payment for this bond to \$13,811,000 (all GF/GP) in FY 2014-15. The overall change in payments for this bond decreases by \$2.1 Million from FY 2013-14. The proposed debt service payments for this bond would cover debt service on existing bonds and the additional costs of a proposed \$97.0 million bond issue. There is \$97.0 million in spending authority in the FY 2014-15 DEQ Executive Recommendation for these bonds under the Strategic Water Quality Initiative Fund (SWQIF) within DEQ. The bonds are issued under Proposal 2 of 2002 and can be spent on grants and loans to municipalities for groundwater and storm water management. The increases are due to changes in the statute that establishes the SWQIF that makes the grants and loans more attractive to municipalities.	(2,105,600)
2. Clean Michigan Initiative. The Governor recommended an increase in debt service of \$36,600 to \$57,224,000 GF/GP in FY 2014-15 to cover the cost of scheduled payments.	36,600
3. Quality of Life Bond. The Governor recommended increasing the debt service line for this program to \$81,360,000 in FY 2014-15. This consists of an increase in scheduled payments of \$1.1 million GF/GP and an addition of \$3.0 million GF/GP in a fund shift that replaces \$3.0 million from the Refined Petroleum Fund.	1,394,200
4. Water Pollution Control Bond and Interest Redemption. The Governor eliminated all funding for this debt service in FY 2014-15 as all the obligations have been met.	(1,132,700)
Total Changes	(\$1,807,500)
FY 2014-15 Governor's Recommendation	\$152,395,000

Changes from FY 2013-14 Year-to-Date:

1. **Boilerplate Changes.** There are no boilerplate changes related to Treasury - Debt Service.

Date Completed: 2-21-14

Fiscal Analyst: Joe Carrasco, Jr.

Senate Bill 767 (as introduced)
 Committee: Appropriations

FY 2013-14 Year-to-Date Gross Appropriation	\$498,233,500
Changes from FY 2013-14 Year-to-Date:	
1. Unclassified Salary Increase. Governor included salary and wage increases for the unclassified salary line item totaling \$26,800. This represents the increase for salary and wages only. The remainder of the increase for this line item of \$47,500 is included in the Economic section below.	26,800
2. Eliminate One-Time Funding. Governor removed one-time funding totaling \$9.8 million: \$1.8 million for replacement of Sales and Withholding tax system; \$3.0 million for Casino Gaming Board system replacement; and \$5.0 million for Distressed Communities.	(9,763,300)
3. Financial Independence Team. Governor recommended \$6.5 million and 9.0 FTEs to create a financial independence team to provide support to financially troubled school districts.	6,500,000
4. Data Governance Program. Governor recommended new funding for the creation of a secure and accurate data storage system to improve data quality and availability primarily at the State's data storage warehouse.	401,000
5. Gaming. Governor increased funding for three items: \$113,600 to hire an investigator to review illegal gaming activity; \$153,200 to fill two secretarial positions; and \$129,500 to hire a programmer to support new replacement systems.	396,300
6. Convention Facility Tax Distribution. Governor recommended an increase in funding based on actual collections so additional funds may be distributed according to statute requirements.	16,100,000
7. Payments in Lieu of Taxes (PILT). Governor increased PILT funding by 5.0% to provide full funding for PILT in compliance with 2012 PA 603 and 2012 PA 604.	867,400
8. Office of Tax Plan Implementation. Governor recommended an increase of \$1.6 million and 9.0 FTEs for testing new tax systems.	1,550,000
9. Program Transfers. Governor transferred \$699,100 and 4.0 FTEs from DTMB for SBA Rent administrative staff.	699,100
10. Technical Issues Resolution Unit Expansion. Governor provided increased funding to hire additional staff to address changes in tax statutes that impact compliance reviews.	600,000
11. One-Time Appropriations. Governor included the following one-time funding: \$19.3 million for distribution of Metropolitan Areas Component Tax revenue; \$1.5 million for Personal Property Tax Reform implementation; and \$2.0 million for implementation costs associated with the Department accepting credit card payments for individual income taxes owed.	22,800,000
12. Economic Adjustments. Includes (\$595,800) Gross and (\$109,800) GF/GP for OPEB and \$5,538,000 Gross and \$873,300 GF/GP for other economic adjustments.	4,942,200
13. Other Changes. Miscellaneous adjustments were made to various line items, including: a net zero Gross change to replace funding from the Michigan Transportation Fund, however change results in a positive adjustment to GF/GP funding of \$41,900 and \$623,000 in various miscellaneous technical adjustments for a New Fuel Tax processing center, Indian Gaming, and P-20 software purchase.	623,000
Total Changes.....	\$45,742,500
FY 2014-15 Governor's Recommendation.....	\$543,976,000

Changes from FY 2013-14 Year-to-Date:

1. **Line Item Structure.** The Governor separated the General Governments departments into separate articles within his proposed budget. The budget for the Department of Treasury is in Article 20.
2. **Boilerplate Structure.** The Governor moved boilerplate from the FY 2012-13 general sections that applied to all General Government budgets to the Article for the Department of Treasury. These sections include:
 - Report on total State spending for the Department. (Sec. 20-201)
 - Compliance with the Management and Budget Act. (Sec. 20-202)
 - Definitions. (Sec. 20-203)
 - Use of the Internet for reporting requirements. (Sec. 20-208)
 - Buy American with a Michigan preference. (Sec. 20-209)
 - Report on out-of-state travel. (Sec. 20-216)
 - Prohibition on outside legal services. (Sec. 20-226)
 - Restricted Revenue Report. (Sec. 20-227)
 - GF/GP Lapse Report. (Sec. 20-228)
 - Requirement for Departments to maintain searchable websites. **Governor deleted the requirement for quarterly updates.** (Sec. 20-229)
 - Department Scorecards. (Sec. 20-230)
3. **Legacy Costs.** Governor added new language listing the authorized amount of the appropriations in Part 1 that may be used for legacy costs as well as an estimate of the amount of pension-related legacy costs. (Sec. 20-231)
4. **Deleted Reports.** The Governor recommended deleting the following sections reports: bond restructuring (Sec. 902a), Municipal Finance Authority unappropriated revenue and spending (Sec. 934(2)), and pension consultant report (Sec. 944).
5. **Convention Facility Development Fund.** Governor added new language requiring collections into the fund to be distributed according to Secs. 8 and 9 of the State Convention Facility Development Act, 1985 PA 106. (Sec. 20-946)
6. **Lottery Information for Retailers.** The Governor deleted a requirement for the Bureau of the State Lottery to inform retailers that cash on a Bridge Card cannot be used to purchase lottery tickets. (Current Law Sec. 963)
7. **Prohibition Against Ownership Interest in a Casino Enterprise.** The Governor added new language prohibiting the Department, an agency, or an authority from using funds in Part 1 to purchase an ownership interest in a casino enterprise or a gambling operation. (Sec. 20-970)
8. **Local Revenue Sharing Boards.** Requires Treasury to report to the House and Senate Appropriations committees by September 30 on the receipts and distributions by local revenue sharing boards. Governor changed reporting from the Department of Treasury to the Michigan Gaming Control Board. (Current Law Sec. 973(6))
9. **State Building Authority.** Governor moved SBA boilerplate language from DTMB to Treasury in accordance with E.O. 2013-8 which transferred the SBA in its entirety to the Department of Treasury. (Secs. 20-1100, 1102 and 1103)

Date Completed: 2-21-14

Fiscal Analyst: Joe Carrasco, Jr.

Senate Bill 767 (as introduced)
 Committee: Appropriations

FY 2013-14 Year-to-Date Gross Appropriation	\$1,142,143,500
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Changes from FY 2013-14 Year-to-Date:

1. **Constitutional Revenue Sharing.** The Governor recommended an increase of 2.6% to \$764,927,600 consistent with the growth in sales tax revenue forecast by the January 2014 Consensus Revenue Estimating Conference. Constitutional revenue sharing pays 15.0% of revenue from the sales tax at a 4.0% rate to cities, villages, and townships (CVTs) on a per capita basis. 19,384,100
2. **County Revenue Sharing and County Incentive Program.** The Governor recommended full funding for 74 eligible counties under the statutory county revenue sharing distribution formula. This would increase funding by 44.9% or \$65,440,000 to \$211,200,000. This amount would be distributed to counties that have completed withdrawals from their revenue sharing reserve funds and returned to State-paid revenue sharing. Each eligible county would receive 80% of its full funding amount through the county revenue sharing line item and up to 20% by meeting the requirements of the County Incentive Program. The proposed appropriations would provide a 25.1% increase to counties and \$28.2 million for 11 counties projected to return to State-paid revenue sharing in FY 2014-15. 65,440,000

	FY 2013-14 Year-to-Date	FY 2014-15 Gov's Rec	Dollar Change
County Revenue Sharing	\$116,608,000	\$168,960,000	\$52,352,000
County Incentive Program	29,152,000	42,240,000	13,088,000
Total	\$145,760,000	\$211,200,000	\$65,440,000

3. **Economic Vitality Incentive Program (EVIP).** The Governor recommended an increase of 3.1% in EVIP for eligible cities, villages, and townships that satisfy incentive requirements. This would increase payments from \$235,840,000 in FY 2013-14 to \$243,040,000 in FY 2014-15. 7,200,000
4. **Supplemental EVIP Distribution.** The Governor recommended \$28.5 million for an additional payment to most EVIP-eligible cities, villages, and townships. The payment would be distributed using a formula based on population weighted by several factors: financial soundness criteria; presence of a deficit elimination plan; high crime rate (available only to CVTs with population of at least 5,000); or high unemployment rate (available only to CVTs with population of at least 20,000). No payment of less than \$5,000 would be made; thus, some EVIP-eligible CVTs would not receive a supplemental EVIP distribution. 28,500,000
5. **EVIP Administration.** The Governor recommended \$300,000 in one-time funding for Department of Treasury administration of the proposed supplemental EVIP distribution. 300,000
6. **Competitive Grant Assistance Program (CGAP).** The Governor reduced CGAP from \$15.0 million in FY 2013-14 to \$5.0 million in FY 2014-15. The pace of grant awards has been slower than anticipated. A balance from FY 2013-14 is expected to carry forward for distribution in FY 2014-15. (10,000,000)

Total Changes	\$110,824,100
FY 2014-15 Governor's Recommendation	\$1,252,967,600

Changes from FY 2013-14 Year-to-Date:

1. **Competitive Grant Assistance Program.** The Governor specified that the Department of Treasury may consider projects that result in more efficient government services through increased cooperation and/or collaboration. (Sec. 20-951)
2. **Incentive Program Requirements.** The Governor changed the EVIP and county incentive program requirements to require that the performance dashboard include a cost per resident of unfunded accrued liabilities and limit the consolidation plan update requirement to the plans in the most recent report. (Sec. 20-952)
3. **Incentive Program Optional Financial Standards.** The Governor proposed that as an alternative to meeting standards for accountability and transparency, consolidation of services, and unfunded accrued liabilities, cities, villages, townships, and counties could qualify for EVIP or the county incentive program by certifying compliance with all of the following financial standards by October 1:
 - a. Standard 1, Budget Reserve: Unreserved fund balance of at least 6 percent of general fund budget, as of most recent audited financial statements.
 - b. Standard 2, Pension Plans: Demonstrate that contributions to defined benefit pension plans are at least equal to the actuarially required annual contribution, or that the local unit does not have a defined benefit pension plan.
 - c. Standard 3, Other Post-Employment Benefits (OPEB): Demonstrate that contributions for OPEB are at least equal to the required annual contribution, or that the local unit does not have a defined benefit pension plan.
 - d. Standard 4, Bond or Credit Rating: Demonstrate that the bond or credit rating is at least equivalent to AA- from Standard and Poors or similar nationally recognized rating organization or that the local unit has no general obligation debt. (Sec. 20-952)
4. **EVIP Supplemental Payment Eligibility.** The Governor recommended \$28.5 million for a new distribution and \$300,000 for Treasury administrative costs. The new distribution would be made to EVIP-eligible CVTs on a per capita basis with population figures adjusted up 10.0% for each of the following criteria met by the local unit:
 - a. Financial Stability: Certify by October 1 that the local unit meets all of the proposed optional financial standards.
 - b. High Unemployment: Population of 5,000 or more and a violent crime rate among the worst 25.0% of Michigan communities using data reported to the Michigan State Police.
 - c. High Unemployment: Population of 20,000 or more and an unemployment rate among the worst 25.0% of Michigan communities using jobless rates published by the U.S. Census Bureau.
 - d. Deficit Elimination Plan: CVT with a Treasury-approved deficit elimination plan.

No payment of less than \$5,000 would be made. Some EVIP-eligible CVTs would not receive a supplemental payment. The Department of Treasury would determine the data sources and payment method. Unspent funds would be established as a work project. (Sec. 20-953)

Date Completed: 2-13-14

Fiscal Analyst: Elizabeth Pratt

Senate Bill 767 (as introduced)
 Committee: Appropriations

FY 2013-14 Year-to-Date Gross Appropriation	\$1,008,273,900
Changes from FY 2013-14 Year-to-Date:	
1. Film Incentives. The Governor reduced funding for Film Incentives from \$50.0 million in FY 2013-14 to \$25.0 million in FY 2014-15. The fund source would change from one-time GF/GP in FY 2013-14 to ongoing GF/GP in FY 2014-15.	(25,000,000)
2. Business Attraction and Community Revitalization. The Governor increased total funding for the program from \$120.0 million in FY 2013-14 to \$138.5 million in FY 2014-15. The increase consisted of \$10.0 million in new one-time GF/GP, \$5.0 million in additional ongoing GF/GP, and \$3.5 million from the 21 st Century Jobs Trust Fund. The Governor also replaced \$24.8 million in one-time GF/GP in FY 2013-14 with \$24.8 million in ongoing GF/GP in FY 2014-15.	18,500,000
3. Engineering Talent Investment Program Debt Service. The Governor recommended \$7.9 million GF/GP for the first year of debt service on a proposed \$100.0 million Michigan Strategic Fund (MSF) bond issue to fund improved facilities and laboratories for university engineering departments that partner with private companies to increase and retain engineering graduates. The MSF board would select the recipients through a request for proposal (RFP) process.	7,900,000
4. Community College Skilled Trades Equipment Program Debt Service. The Governor recommended \$4.6 million GF/GP for the first year of debt service on a proposed \$50.0 million MSF bond issue to update technology at community colleges for training for high-demand occupations. The MSF board would award the funds through an RFP-process.	4,600,000
5. Automotive, Engineering, and Manufacturing Technology Fund. The Governor added \$5.0 million in one-time GF/GP to increase global markets for the Michigan auto sector and encourage public-private partnerships and collaborations with the auto industry.	5,000,000
6. Job Creation Services. The Governor removed \$4,625,000 to remove several special projects included in the FY 2013-14 budget.	(4,625,000)
7. Land Bank Fast Track Authority. The Governor recommended \$3,950,000 GF/GP for the Land Bank. Half would be used for Land Bank operations and half for a Good Neighbor Program to maintain properties owned by the Land Bank.	3,950,000
8. Pure Michigan. The Governor increased spending for tourism promotion from \$29.0 million in FY 2013-14 to \$31.0 million in FY 2014-15 to expand international marketing.	2,000,000
9. Arts and Cultural Grants. The Governor increased funding by \$2.0 million GF/GP to \$10,150,000.	2,000,000
10. Entrepreneurial Eco-System. The Governor renamed the Innovation and Entrepreneurship line item to Entrepreneurial Eco-System and reduced funding from \$28.5 million to \$25.0 million.	(3,500,000)
11. Economic Adjustments. Includes a negative \$387,200 Gross and a negative \$77,100 GF/GP for OPEB and \$2,010,100 Gross and \$380,700 GF/GP for other economic adjustments.	1,622,900
12. Other Changes. The Governor adjusted Federal and private fund sources.	(1,291,900)
Total Changes	\$11,156,000
FY 2014-15 Governor's Recommendation	\$1,019,429,900

Changes from FY 2013-14 Year-to-Date:

1. **Legacy Costs.** The Governor reported estimated appropriations of \$10,508,300 for pension-related legacy costs and \$8,293,000 for retiree health care legacy costs. (Sec. 20-1002)
2. **Business Incubators.** The Governor removed performance dashboard and report requirements for State-funded business incubators and intent language on using the performance data for future appropriations. (Sec. 1034)
3. **Van Andel Institute.** The Governor deleted a \$500,000 earmark for the Van Andel Institute from the Innovation and Entrepreneurship line item. The funds were for matching Federal grants. (Sec. 1034b)
4. **Michigan State Housing Development Authority Reports (MSHDA).** The Governor deleted MSDHA reporting on housing production goals and results and on the status of obligations related to the Broadband Development Authority. (Secs. 980 and 981)
5. **Use of State Accounting System.** The Governor deleted a requirement that the MSF use the Michigan Administrative Information Network (MAIN) or a successor accounting system used across State government that tracks all financial transactions and recipients of business incentives and other economic assistance. (Sec. 1040)
6. **Limit on Business Attraction and Community Revitalization.** The Governor deleted a requirement on the \$120.0 million appropriation in FY 2013-14 for business attraction and community revitalization, that the MSF cannot request the availability of more than 60.0% of those funds from the State Treasurer prior to April 1, 2014. (Sec. 1041)
7. **Engineering Talent Investment Program.** The Governor added language for this proposed program to require: MSF board approval of RFPs and program guidelines, the MSF board to award up to \$100.0 million of bond proceeds for capital improvements at public institutions of higher education with accredited engineering programs to increase engineering talent, a 25.0% university match, business partnerships, reports, and State Budget Director oversight. (Sec. 20-1051)
8. **Community Colleges Skilled Trades Equipment Program.** The Governor added requirements for this proposed program: MSF board approval of RFPs and program guidelines; the MSF board to award of up to \$50.0 million of bond proceeds for equipment and related investments at community colleges for training students in skilled, high-wage, in demand occupations; coordination with business and regional talent needs; at least 25.0% community college match in excess of donated equipment; business partnerships; reports; and State Budget Director oversight. (Sec. 20-1052)
9. **Precollege Engineering - Remove Vetoed Section.** The Governor deleted a vetoed section from the FY 2013-14 budget, which would have distributed \$640,000 for precollege engineering programs in Detroit and Grand Rapids. The appropriation also was vetoed. (Sec. 1053)
10. **Report on Re-Appropriation of Federal Funds.** The Governor deleted a report on the amount of Federal Workforce Investment Act funding re-appropriated for a subsequent fiscal year under boilerplate authority. (Sec. 1063(2))

Date Completed: 2-21-14

Fiscal Analyst: Elizabeth Pratt



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