



FY 2016-17

APPROPRIATIONS REPORT
Part I - Governor's Recommendations

March 2016

Senate Fiscal Agency



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THE SENATE FISCAL AGENCY

The Senate Fiscal Agency is governed by a board of five members, including the majority and minority leaders of the Senate, the Chairperson of the Appropriations Committee of the Senate, and two other members of the Appropriations Committee of the Senate appointed by the Chairperson of the Appropriations Committee with the concurrence of the Majority Leader of the Senate, one from the minority party.

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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.



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Governor's Recommendation Highlight Sheets

OVERVIEW

On February 10, 2016, Governor Rick Snyder presented his fiscal year (FY) 2016-17 State Budget Message and his budget projections for FY 2017-18. Pursuant to an Attorney General's letter opinion issued on February 9, 2011, the Governor is allowed to propose a two-year budget and the Legislature can enact a two-year budget but the second year would be only an expression of an "intent to appropriate", not binding or legally enforceable. This overview will focus on Governor Snyder's FY 2016-17 appropriation recommendation.

The FY 2016-17 budget recommendation from the Governor is based on the consensus revenue estimates agreed to on January 14, 2016. The FY 2016-17 General Fund/General Purpose (GF/GP) consensus revenue estimate is \$10.2 billion. This represents a 3.8% increase from the FY 2015-16 GF/GP consensus revenue estimate. The FY 2016-17 School Aid Fund (SAF) consensus revenue estimate is \$12.5 billion, a 2.9% increase from the FY 2015-16 consensus revenue estimate. The Governor's FY 2016-17 recommendation assumes a December 31, 2016, expiration of the Medicaid managed care use tax; tied to that expiration is reversion of the Health Insurance Claims Assessment (HICA) rate from 0.75% to 1.0%. The Governor's budget assumes passage of legislation to delay the HICA sunset, and Enrolled House Bill 5105 delays the HICA sunset from December 31, 2017, to July 1, 2020. The Governor's FY 2016-17 recommendation also includes \$16.5 million in fee adjustments, clarifying amendments to the insurance tax credit that would increase GF/GP revenue by an estimated \$60.0 million in FY 2015-16 and \$80.0 million in FY 2016-17, and \$40.0 million for Michigan Venture Fund tax vouchers that are likely to be claimed in FY 2016-17.

The Governor recommends FY 2016-17 Adjusted Gross appropriations of \$54.0 billion. Included in this appropriation total are \$22.5 billion of Federal funds, \$395.3 million of local and private funds, \$21.1 billion of State Restricted revenue, and \$10.0 billion of GF/GP revenue. Table 1 outlines the sources of funding for each department and budget area included in the Governor's recommendation; Figures A and B provide illustrations of the total funding by source and major spending category. Compared with FY 2015-16 year-to-date appropriations, the Governor's FY 2016-17 budget includes an Adjusted Gross appropriation increase of \$421.3 million or 0.8%, an increase in State Spending from State Resources appropriations of \$992.3 million or 3.3%, and an increase in GF/GP appropriations of \$122.7 million or 1.2%.

The principal reasons for the increase in State Spending from State Resources appropriations are costs associated with Medicaid match and specialty pharmaceutical drugs in the Department of Health and Human Services, and funding increases in the School Aid budget for the foundation allowance and the Michigan Public School Employees Retirement System's rate cap. Tables 2-4 compare the Governor's FY 2016-17 recommendation for Adjusted Gross, State Spending from State Resources, and GF/GP appropriations with the FY 2015-16 year-to-date appropriations, as of February 10, 2016. Table 5 compares the FY 2016-17 recommended number of 52,920.2 full-time equated (FTE) positions to the FY 2015-16 level of 52,692.9 FTEs, an increase of 227.3 positions or 0.4%.

The FY 2016-17 recommendation includes appropriations that the Governor has designated as either "ongoing" or "one-time". Table 6 outlines the proposed FY 2016-17 one-time Adjusted Gross and GF/GP appropriations of \$512.5 million and \$334.0 million, respectively. Although the Governor's FY 2016-17 budget does not include an appropriation to the Budget Stabilization Fund, it does include an \$86.1 million (\$30.0 million GF/GP) appropriation to a pharmacy reserve in the Department of Health and Human Services for costs associated with new specialty pharmacy products that may reach the market during the year.

The Governor's recommendation includes \$17.2 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 more than \$2.0 billion. Below is a summary of the estimate and [Table 7](#) lists the estimated State payments to local units of government for FY 2015-16 and FY 2016-17, of \$16.8 billion and \$17.2 billion, respectively.

STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT ARTICLE IX, SECTION 30 REQUIREMENT (Millions of Dollars)	
	FY 2016-17 Est.
State Spending from State Resources	\$31,087.8 ^{a)}
Required Payments to Local Units of Government (48.97%)	\$15,223.7
Estimated Payments to Local Units of Government.....	\$17,235.2
Estimated Payments as a Percentage of Total State Spending	55.44%
Surplus of Section 30 Payments	\$2,011.5
a) Does not include \$38.453 million of Federal aid counted as GF/GP revenue.	

[Tables 8](#) and [9](#) present the GF/GP and SAF balance sheets for FY 2015-16, FY 2016-17, and FY 2017-18, which reflect positive ending balances for all three fiscal years.

In addition to recommendations for FY 2016-17, the Governor's budget proposal includes \$330.1 million Gross (\$381.7 million GF/GP) of supplemental requests for FY 2015-16. As outlined in [Table 10](#), \$156.7 million Gross (\$131.0 million GF/GP) of the total supplemental requests is related to the Flint water emergency, including a \$50.0 million Flint Emergency Reserve Fund. The Governor also recommends \$38.7 million Gross (\$24.6 million GF/GP) for the Flint water emergency in his FY 2016-17 budget. If all of the Governor's requests are approved and are combined with appropriations already enacted, there will be an estimated cumulative State appropriation of \$232.8 million Gross (\$185.4 million GF/GP) for the Flint water emergency. The \$381.7 million of FY 2015-16 GF/GP supplemental requests also includes \$165.0 million for a new Infrastructure Fund that is not specifically related to Flint, and \$50.0 million for Detroit Public Schools transition funding.

The total GF/GP dollar change from FY 2015-16 to FY 2016-17 is an increase of \$122.7 million. [Table 11](#) shows that the \$122.7 million increase consists of \$28.4 million of GF/GP funding for new programs, \$754.6 million of GF/GP funding increases, \$466.0 million of GF/GP funding reductions, a \$263.3 million GF/GP decrease due to fund shifts, \$0.3 million for an unclassified salaries increase and an increase of \$68.8 million in GF/GP economic adjustments. [Tables 12-16](#) provide the details of these GF/GP changes.

The FY 2016-17 School Aid Fund budget changes proposed by the Governor are outlined in [Table 17](#). As the table indicates, the net change in SAF Gross appropriations is an increase of \$282.4 million. This \$282.4 million change consists of \$45.5 million for new programs, \$419.3 million of funding increases for existing programs, and \$182.4 million of funding reductions.

[Table 18](#) lists the Governor's proposed fee adjustments for FY 2016-17. Following the fee table, there is a summary of the insurance tax credit proposal, and the HICA and Medicaid managed care use tax issue. [Tables 19-29](#) outline background information regarding major budget areas and other general appropriation issues, and [Tables 30-39](#) provide recent State appropriation history.

On an overall basis, the Governor's FY 2016-17 budget proposal increases Adjusted Gross appropriations by 0.8%, State Spending from State Resources appropriations by 3.3%, and GF/GP appropriations by 1.2%. Part of the reason for the lower increase in GF/GP appropriations is the shift of nearly \$400.0 million of FY 2015-16 GF/GP appropriations from the Department of Transportation to other areas of the budget in FY 2016-17. As in his previous five budgets, the Governor's sixth budget message includes performance measures for State programs.

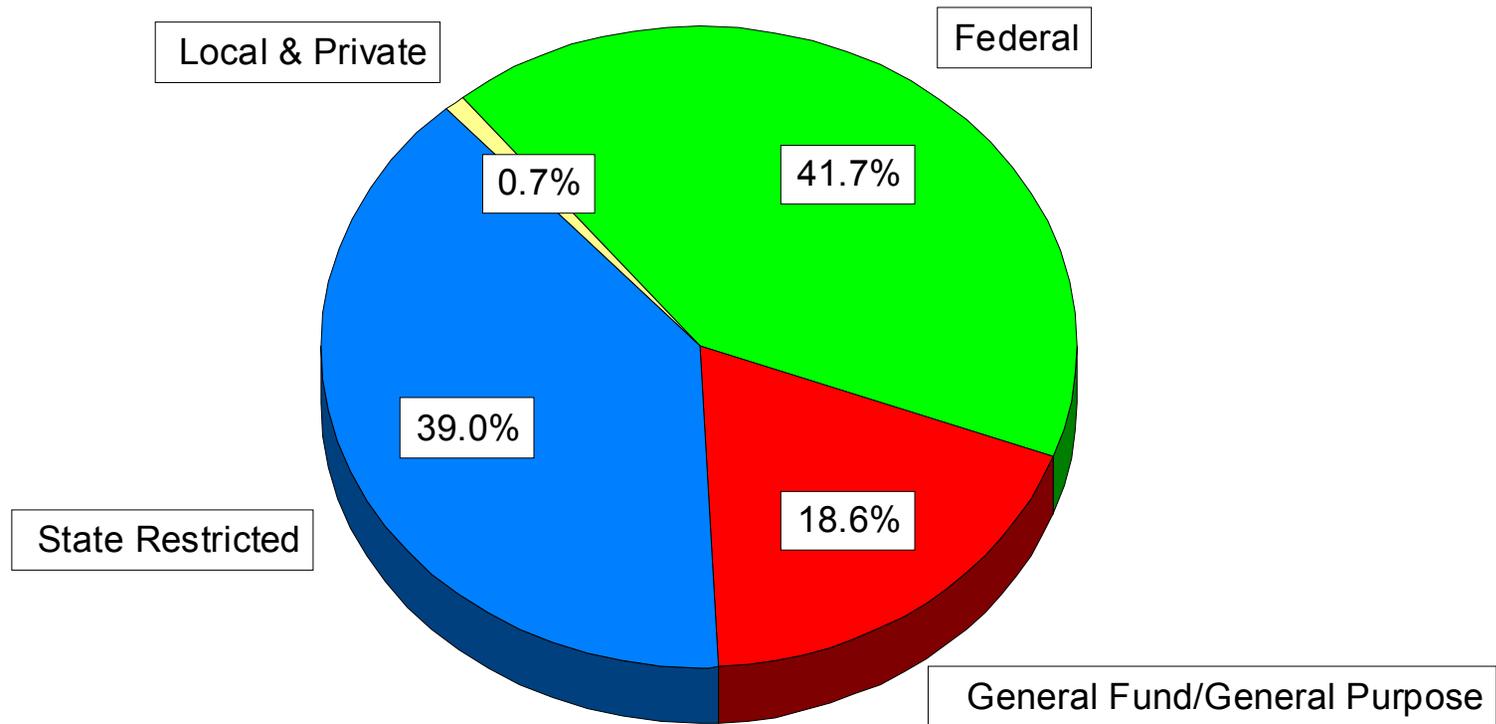
Table 1

FY 2016-17 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	\$91,591,300	\$323,200	\$91,268,100	\$10,471,200	\$130,700	\$32,629,300	\$48,036,900
Attorney General	95,185,800	28,989,700	66,196,100	9,476,700	0	17,578,900	39,140,500
Capital Outlay	0	0	0	0	0	0	0
Civil Rights	16,721,900	293,600	16,428,300	2,763,000	18,700	151,900	13,494,700
Community Colleges	399,025,600	0	399,025,600	0	0	260,414,800	138,610,800
Corrections	2,029,386,100	0	2,029,386,100	5,523,700	8,692,800	35,711,700	1,979,457,900
Education	316,917,400	0	316,917,400	225,164,100	7,591,400	7,780,700	76,381,200
Environmental Quality	513,499,400	9,225,700	504,273,700	138,687,200	555,300	317,344,800	47,686,400
Executive	5,636,300	0	5,636,300	0	0	0	5,636,300
Health & Human Services	24,707,967,700	13,513,700	24,694,454,000	17,734,683,600	280,171,600	2,328,831,500	4,350,767,300
Higher Education	1,598,654,400	0	1,598,654,400	99,026,400	0	237,209,500	1,262,418,500
Insurance & Financial Services	66,307,200	707,600	65,599,600	2,000,000	0	63,449,600	150,000
Judiciary	298,261,400	1,550,000	296,711,400	6,433,500	8,307,100	92,786,000	189,184,800
Legislative Auditor General	23,451,900	5,558,600	17,893,300	0	0	1,969,400	15,923,900
Legislature	141,253,600	0	141,253,600	0	400,000	4,275,800	136,577,800
Licensing & Regulatory Affairs	416,567,500	46,923,800	369,643,700	63,818,100	565,700	262,446,700	42,813,200
Military & Veterans Affairs	176,000,200	101,800	175,898,400	91,793,600	2,265,200	24,696,000	57,143,600
Natural Resources	397,904,100	1,375,900	396,528,200	72,365,400	7,446,400	277,156,400	39,560,000
Natural Resources (Trust Fund)	0	0	0	0	0	0	0
School Aid	14,183,112,100	0	14,183,112,100	1,818,632,700	0	12,134,479,400	230,000,000
State	258,015,600	20,000,000	238,015,600	1,460,000	5,000,100	204,445,900	27,109,600
State Police	658,726,100	26,580,400	632,145,700	87,967,800	5,906,600	126,358,500	411,912,800
Talent & Econ. Development	1,142,494,300	0	1,142,494,300	773,944,800	6,119,000	192,341,600	170,088,900
Technology, Mgt., & Budget	1,320,096,200	696,904,100	623,192,100	4,958,200	2,320,000	111,490,800	504,423,100
Transportation	4,125,203,600	4,013,400	4,121,190,200	1,314,744,000	50,518,500	2,745,527,700	10,400,000
Treasury (Debt Service)	137,037,000	0	137,037,000	0	0	0	137,037,000
Treasury (Operations)	518,001,500	11,250,600	506,750,900	39,954,200	9,292,400	359,595,500	97,908,800
Treasury (Revenue Sharing)	1,255,708,900	0	1,255,708,900	0	0	1,255,708,900	0
TOTAL APPROPRIATIONS	\$54,892,727,100	\$867,312,100	\$54,025,415,000	\$22,503,868,200	\$395,301,500	\$21,094,381,300	\$10,031,864,000

Figure A

Appropriations by Source of Funds

FY 2016-17 Governor's Recommendation Adjusted Gross



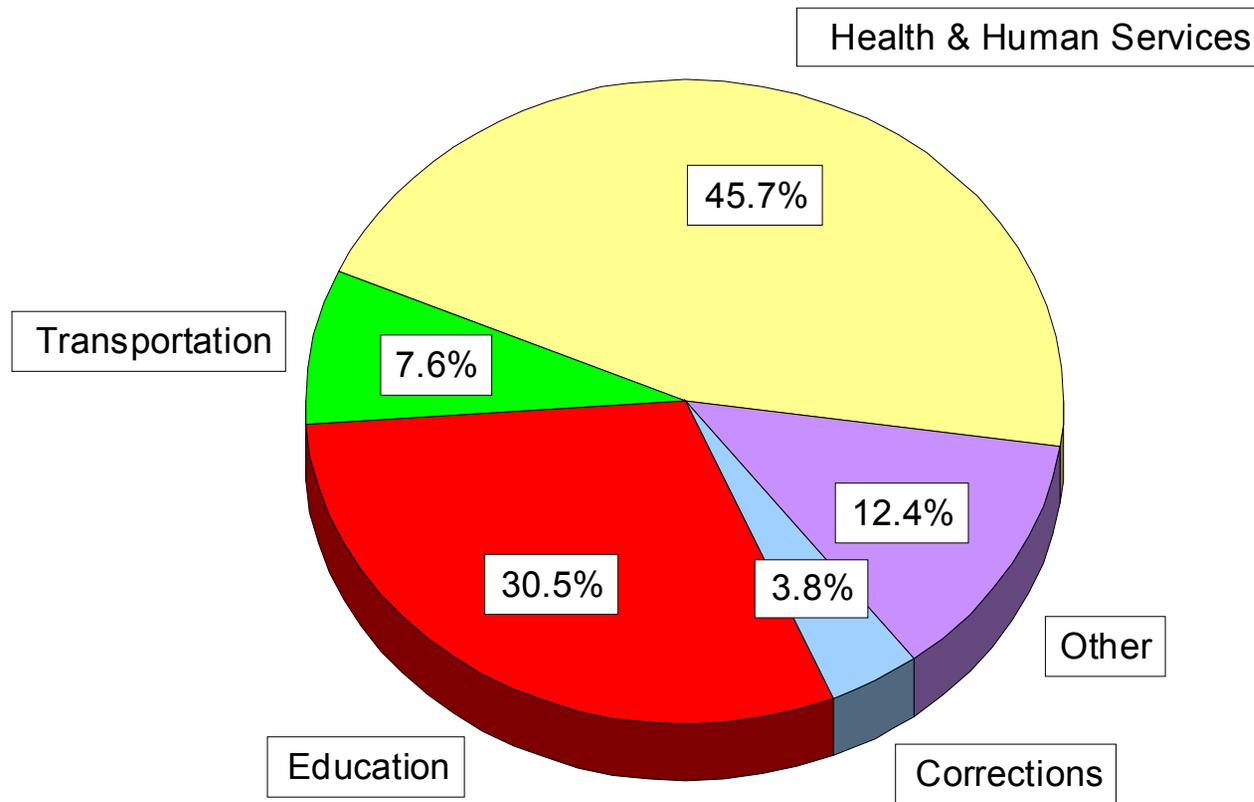
Total = \$ 54,025,415,000

Table 2
ADJUSTED GROSS APPROPRIATIONS
FY 2015-16 YEAR-TO-DATE VERSUS FY 2016-17 GOVERNOR'S RECOMMENDATION

Department/Budget Area	FY 2015-16 Year-to-Date Appropriations	FY 2016-17 Governor's Recommendation	Dollar Difference	Percent Change
Agriculture & Rural Development	\$86,276,700	\$91,268,100	\$4,991,400	5.8%
Attorney General.....	63,573,700	66,196,100	2,622,400	4.1
Capital Outlay	400	0	(400)	(100.0)
Civil Rights	15,842,000	16,428,300	586,300	3.7
Community Colleges.....	387,825,600	399,025,600	11,200,000	2.9
Corrections.....	1,962,001,000	2,029,386,100	67,385,100	3.4
Education	308,561,200	316,917,400	8,356,200	2.7
Environmental Quality.....	490,880,500	504,273,700	13,393,200	2.7
Executive.....	5,531,100	5,636,300	105,200	1.9
Health & Human Services.....	25,073,392,600	24,694,454,000	(378,938,600)	(1.5)
Higher Education	1,534,724,400	1,598,654,400	63,930,000	4.2
Insurance & Financial Services	64,350,100	65,599,600	1,249,500	1.9
Judiciary.....	282,488,500	296,711,400	14,222,900	5.0
Legislative Auditor General.....	17,447,700	17,893,300	445,600	2.6
Legislature	136,464,300	141,253,600	4,789,300	3.5
Licensing & Regulatory Affairs.....	363,780,300	369,643,700	5,863,400	1.6
Military & Veterans Affairs.....	168,854,400	175,898,400	7,044,000	4.2
Natural Resources	402,648,500	396,528,200	(6,120,300)	(1.5)
Natural Resources (Trust Fund)	0	0	0	0.0
School Aid.....	13,900,654,300	14,183,112,100	282,457,800	2.0
State.....	210,256,700	238,015,600	27,758,900	13.2
State Police.....	594,713,100	632,145,700	37,432,600	6.3
Talent & Economic Development	1,153,023,500	1,142,494,300	(10,529,200)	(0.9)
Technology, Management, & Budget	584,745,200	623,192,100	38,446,900	6.6
Transportation.....	3,892,272,900	4,121,190,200	228,917,300	5.9
Treasury (Debt Service).....	156,449,000	137,037,000	(19,412,000)	(12.4)
Treasury (Operations).....	526,696,400	506,750,900	(19,945,500)	(3.8)
Treasury (Revenue Sharing).....	1,220,654,700	1,255,708,900	35,054,200	2.9
TOTAL APPROPRIATIONS.....	\$53,604,108,800	\$54,025,415,000	\$421,306,200	0.8%

Figure B

Adjusted Gross Appropriations by Major Category FY 2016-17 Governor's Recommendation



Total = \$ 54,025,415,000

Table 3

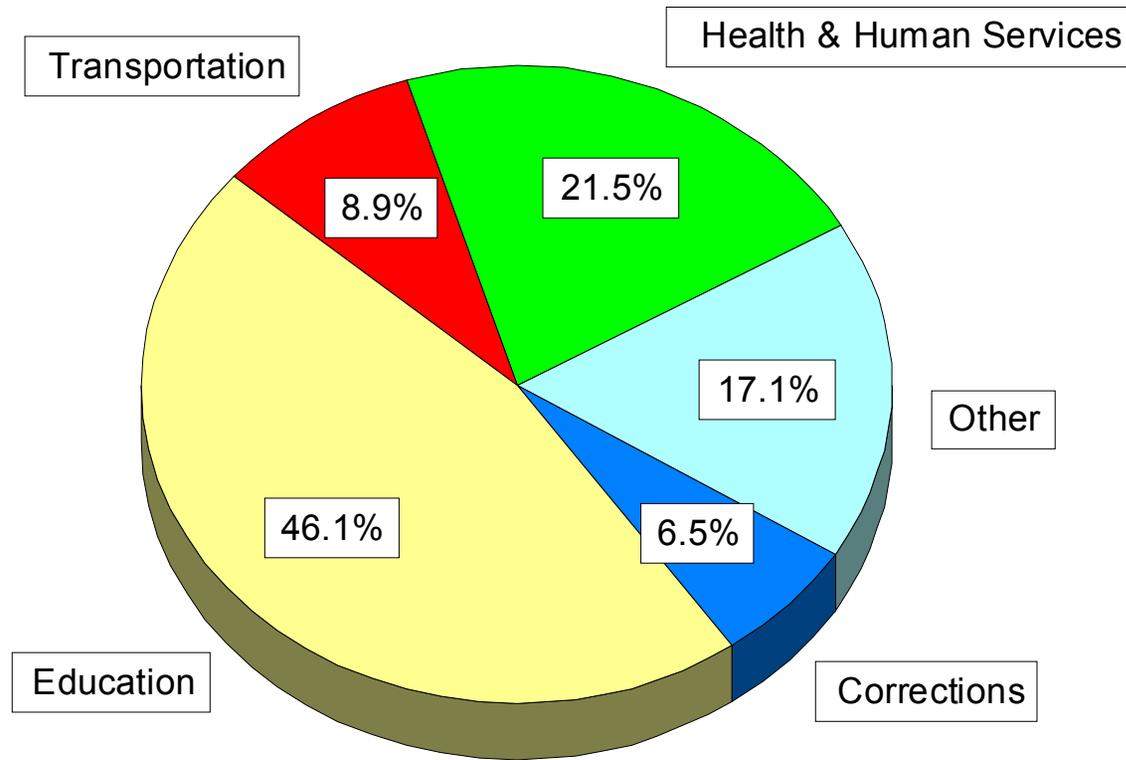
**STATE SPENDING FROM STATE RESOURCES APPROPRIATIONS
FY 2015-16 YEAR-TO-DATE VERSUS FY 2016-17 GOVERNOR'S RECOMMENDATION**

Department/Budget Area	FY 2015-16 Year-to-Date Appropriations	FY 2016-17 Governor's Recommendation	Dollar Difference	Percent Change
Agriculture & Rural Development.....	\$75,720,700	\$80,666,200	\$4,945,500	6.5%
Attorney General	54,295,100	56,719,400	2,424,300	4.5
Capital Outlay.....	400	0	(400)	(100.0)
Civil Rights	13,101,600	13,646,600	545,000	4.2
Community Colleges	387,825,600	399,025,600	11,200,000	2.9
Corrections	1,947,899,100	2,015,169,600	67,270,500	3.5
Education	85,253,300	84,161,900	(1,091,400)	(1.3)
Environmental Quality	352,255,400	365,031,200	12,775,800	3.6
Executive.....	5,531,100	5,636,300	105,200	1.9
Health & Human Services	6,371,529,800	6,679,598,800	308,069,000	4.8
Higher Education.....	1,437,698,000	1,499,628,000	61,930,000	4.3
Insurance & Financial Services.....	62,350,100	63,599,600	1,249,500	2.0
Judiciary	267,888,000	281,970,800	14,082,800	5.3
Legislative Auditor General.....	17,447,700	17,893,300	445,600	2.6
Legislature.....	136,064,300	140,853,600	4,789,300	3.5
Licensing & Regulatory Affairs.....	299,085,100	305,259,900	6,174,800	2.1
Military & Veterans Affairs.....	76,408,800	81,839,600	5,430,800	7.1
Natural Resources	317,362,800	316,716,400	(646,400)	(0.2)
Natural Resources (Trust Fund)	0	0	0	0.0
School Aid	12,124,885,100	12,364,479,400	239,594,300	2.0
State	208,796,600	231,555,500	22,758,900	10.9
State Police	501,233,800	538,271,300	37,037,500	7.4
Talent & Economic Development.....	378,868,200	362,430,500	(16,437,700)	(4.3)
Technology, Management, & Budget.....	572,970,100	615,913,900	42,943,800	7.5
Transportation	2,584,391,400	2,755,927,700	171,536,300	6.6
Treasury (Debt Service).....	156,449,000	137,037,000	(19,412,000)	(12.4)
Treasury (Operations).....	477,979,800	457,504,300	(20,475,500)	(4.3)
Treasury (Revenue Sharing).....	1,220,654,700	1,255,708,900	35,054,200	2.9
TOTAL APPROPRIATIONS.....	\$30,133,945,600	\$31,126,245,300	\$992,299,700	3.3%

Figure C

State Spending From State Resources

FY 2016-17 Governor's Recommendation



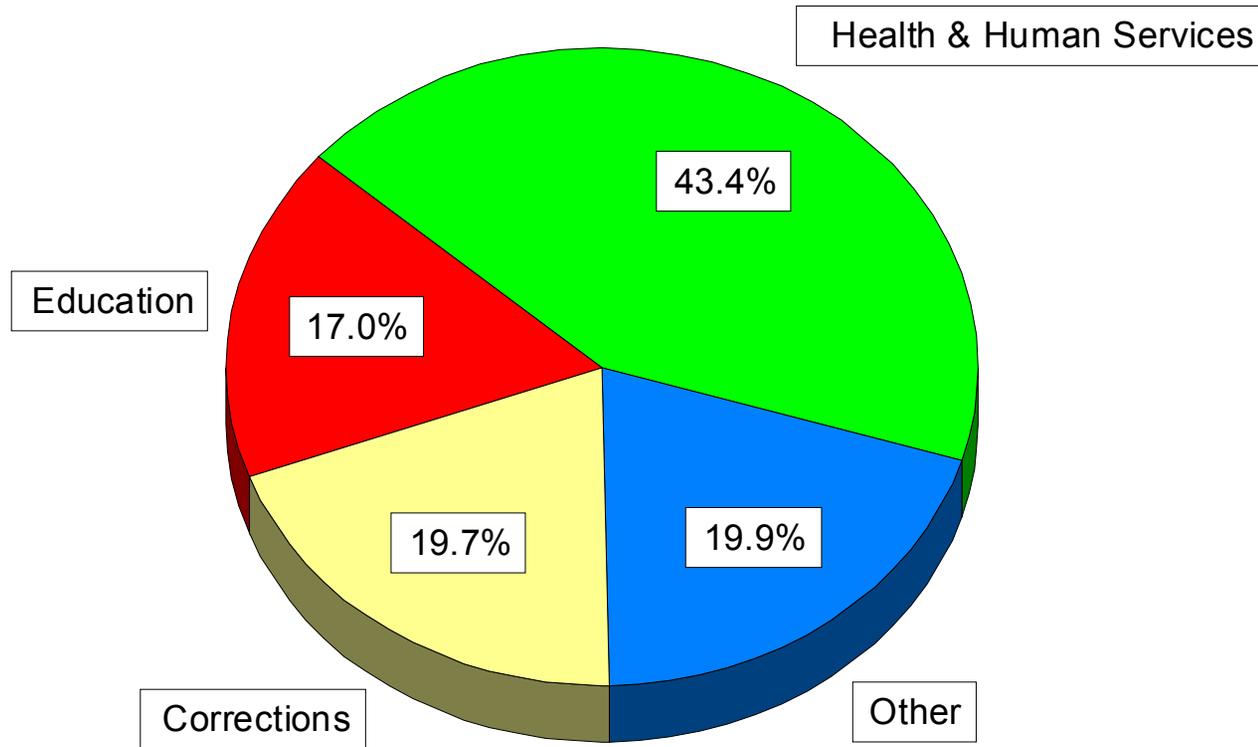
Total = \$ 31,126,245,300

Table 4

GENERAL FUND/GENERAL PURPOSE APPROPRIATIONS				
FY 2015-16 YEAR-TO-DATE VERSUS FY 2016-17 GOVERNOR'S RECOMMENDATION				
Department/Budget Area	FY 2015-16 Year-to-Date Appropriations	FY 2016-17 Governor's Recommendation	Dollar Difference	Percent Change
Agriculture & Rural Development.....	\$43,073,600	\$48,036,900	\$4,963,300	11.5%
Attorney General	37,013,400	39,140,500	2,127,100	5.7
Capital Outlay.....	400	0	(400)	(100.0)
Civil Rights	12,949,700	13,494,700	545,000	4.2
Community Colleges	131,110,800	138,610,800	7,500,000	5.7
Corrections	1,903,948,400	1,979,457,900	75,509,500	4.0
Education	77,583,700	76,381,200	(1,202,500)	(1.5)
Environmental Quality	46,914,200	47,686,400	772,200	1.6
Executive.....	5,531,100	5,636,300	105,200	1.9
Health & Human Services	4,153,708,200	4,350,767,300	197,059,100	4.7
Higher Education.....	1,232,418,500	1,262,418,500	30,000,000	2.4
Insurance & Financial Services.....	150,000	150,000	0	0.0
Judiciary	183,642,200	189,184,800	5,542,600	3.0
Legislative Auditor General.....	15,460,100	15,923,900	463,800	3.0
Legislature.....	131,872,300	136,577,800	4,705,500	3.6
Licensing & Regulatory Affairs.....	40,481,500	42,813,200	2,331,700	5.8
Military & Veterans Affairs.....	53,187,300	57,143,600	3,956,300	7.4
Natural Resources	39,597,800	39,560,000	(37,800)	(0.1)
Natural Resources (Trust Fund)	0	0	0	0.0
School Aid	45,900,000	230,000,000	184,100,000	401.1
State	22,161,500	27,109,600	4,948,100	22.3
State Police	376,405,600	411,912,800	35,507,200	9.4
Talent & Economic Development.....	198,457,000	170,088,900	(28,368,100)	(14.3)
Technology, Management, & Budget.....	477,198,200	504,423,100	27,224,900	5.7
Transportation	400,000,000	10,400,000	(389,600,000)	(97.4)
Treasury (Debt Service).....	156,449,000	137,037,000	(19,412,000)	(12.4)
Treasury (Operations).....	123,930,300	97,908,800	(26,021,500)	(21.0)
Treasury (Revenue Sharing).....	0	0	0	0.0
TOTAL APPROPRIATIONS.....	\$9,909,144,800	\$10,031,864,000	\$122,719,200	1.2%

Figure D

General Fund/General Purpose FY 2016-17 Governor's Recommendation



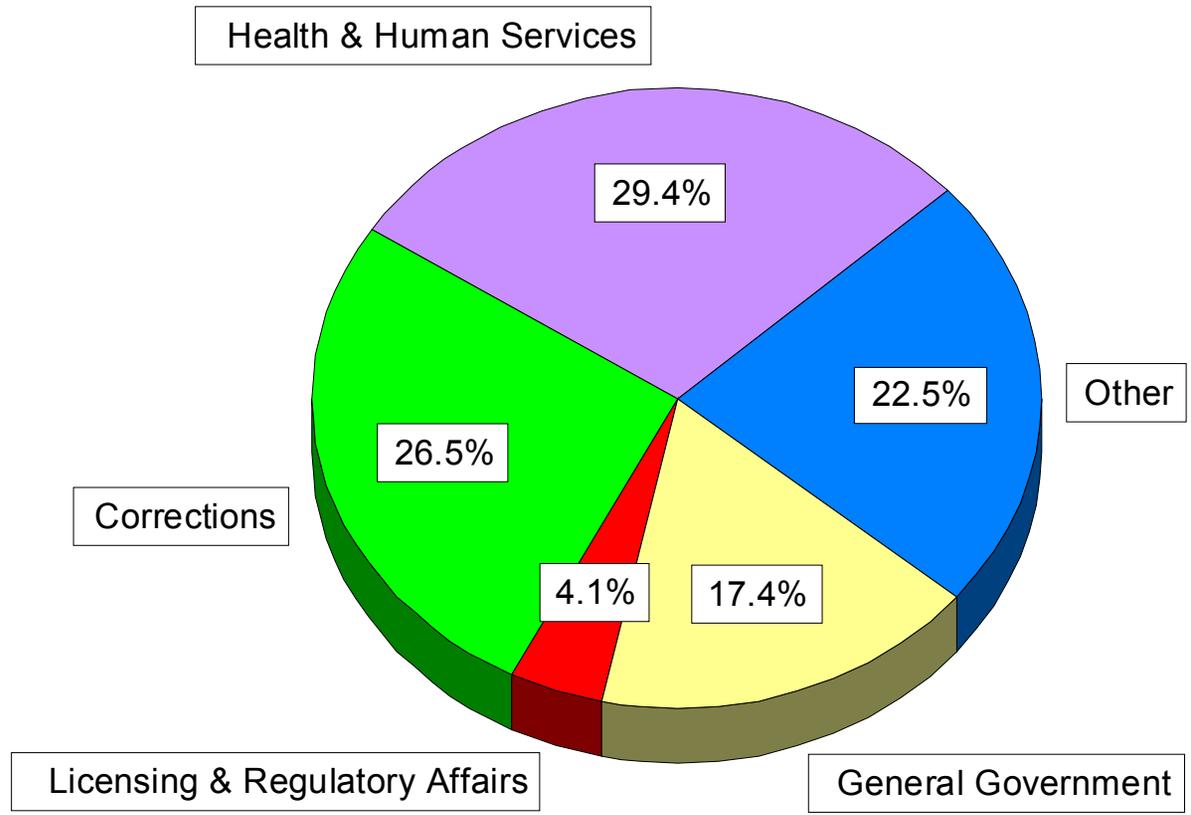
Total = \$ 10,031,864,000

Table 5

FULL-TIME EQUATED CLASSIFIED POSITIONS				
FY 2015-16 YEAR-TO-DATE VERSUS FY 2016-17 GOVERNOR'S RECOMMENDATION				
Department/Budget Area	FY 2015-16 Year-to-Date Appropriations	FY 2016-17 Governor's Recommendation	Position Change	Percent Change
Agriculture & Rural Development	454.0	473.0	19.0	4.2%
Attorney General	518.5	527.0	8.5	1.6
Civil Rights	129.0	132.0	3.0	2.3
Corrections	14,174.3	14,049.6	(124.7)	(0.9)
Education	588.5	596.5	8.0	1.4
Environmental Quality	1,220.0	1,232.0	12.0	1.0
Executive	74.2	74.2	0.0	0.0
Health & Human Services	15,437.0	15,554.5	117.5	0.8
Higher Education	0.0	0.0	0.0	0.0
Insurance & Financial Services	337.0	337.0	0.0	0.0
Judiciary	489.0	510.0	21.0	4.3
Licensing & Regulatory Affairs	2,164.3	2,177.3	13.0	0.6
Military & Veterans Affairs	888.5	888.5	0.0	0.0
Natural Resources	2,229.8	2,236.8	7.0	0.3
State	1,587.0	1,587.0	0.0	0.0
State Police	3,131.0	3,250.0	119.0	3.8
Talent & Economic Development	1,613.0	1,609.0	(4.0)	(0.2)
Technology, Management, & Budget	2,844.0	2,867.0	23.0	0.8
Transportation	2,912.3	2,912.3	0.0	0.0
Treasury (Operations)	1,901.5	1,906.5	5.0	0.3
TOTAL POSITIONS	52,692.9	52,920.2	227.3	0.4%
Note: Full-Time Equated classified positions include exempt positions in Judiciary.				

Figure E

Full-Time Equated Classified Positions FY 2016-17 Governor's Recommendation



Total = 52,920.2

Table 6

FY 2016-17 GOVERNOR'S RECOMMENDATION ONE-TIME APPROPRIATIONS		
Budget Area/Program	Adjusted Gross Appropriation	GF/GP Appropriation
Attorney General		
Prescription drug abuse enforcement	\$700,000	\$700,000
Attorney General Total	\$700,000	\$700,000
Civil Rights		
Operations (2.0 FTEs).....	\$250,000	\$250,000
Middle Eastern American Affairs Commission (1.0 FTE).....	100,000	100,000
Civil Rights Total	\$350,000	\$350,000
Corrections		
New custody training staff	\$8,506,100	\$8,506,100
Ballistic vests	981,300	981,300
Corrections Total	\$9,487,400	\$9,487,400
Education		
Flint declaration of emergency (Federal/Flint Reserve Fund \$100).....	\$8,050,100	\$0
Certification fees subsidy.....	500,000	500,000
Education Total	\$8,550,100	\$500,000
Environmental Quality		
Flint declaration of emergency (Flint Reserve Fund \$100; 10.0 FTEs)	\$5,400,100	\$5,400,000
Oil, gas, and mineral services	4,000,000	4,000,000
Water pollution control and drinking water revolving fund.....	2,950,000	2,950,000
Contaminated lake and river sediment cleanup (Clean Michigan revenue)...	700,000	0
Environmental Quality Total	\$13,050,100	\$12,350,000
Health and Human Services		
Pharmacy reserve	\$86,083,200	\$30,000,000
Integrated service delivery.....	36,922,500	0
Flint declaration of emergency (Flint Reserve Fund \$100)	15,138,100	9,094,200
MiSACWIS implementation	11,538,600	0
Family preservation programs (1.0 FTE).....	10,000,000	0
Autism navigator.....	1,125,000	1,125,000
Health and Human Services Total	\$160,807,400	\$40,219,200
Judiciary		
Compliance with <i>USSC Montgomery v. Louisiana</i> (11.0 FTEs).....	\$1,100,000	\$1,100,000
Expansion of problem solving courts.....	1,000,000	1,000,000
Medication assisted treatment pilot program.....	500,000	500,000
Judiciary Total	\$2,600,000	\$2,600,000
Licensing and Regulatory Affairs		
Michigan automated prescription system upgrades	\$2,470,000	\$2,470,000
Liquor control commission information technology upgrades (LPRF)	1,560,000	0
Licensing and Regulatory Affairs Total	\$4,030,000	\$2,470,000
Military and Veterans Affairs		
Grand Rapids veterans home Medicaid certification pilot.....	\$5,000,000	\$5,000,000
Armory infrastructure upgrades.....	2,500,000	2,500,000
Military and Veterans Affairs Total	\$7,500,000	\$7,500,000

FY 2016-17 GOVERNOR'S RECOMMENDATION ONE-TIME APPROPRIATIONS		
Budget Area/Program	Adjusted Gross Appropriation	GF/GP Appropriation
Natural Resources		
Land ownership tracking system (\$100,000 Federal/\$3.9 million restricted) ..	\$4,000,000	\$0
Forestry investment (forest development fund).....	2,100,000	0
Forest fire equipment (forest development fund)	1,000,000	0
Invasive species	1,000,000	1,000,000
Fisheries resource management (\$300,000 game and fish fund)	600,000	300,000
Natural Resources Total	\$8,700,000	\$1,300,000
School Aid		
Foundation allowance increase	\$150,000,000	\$150,000,000
Assistance to Flint children and families (Flint Reserve Fund \$100)	10,142,600	10,142,500
Career and technical education equipment.....	10,000,000	10,000,000
Consolidation grants	5,000,000	2,857,500
Continue various FY 2015-16 one-time initiatives.....	2,490,000	0
Dissolution grants	2,200,000	0
STEM advisory council.....	2,050,000	0
Dual enrollment incentive payments	1,750,000	0
Special education task force.....	1,370,000	0
First robotics	500,000	0
Career and technical education awareness campaign	50,000	0
School Aid Total	\$185,552,600	\$173,000,000
State		
Election administration and services (\$5.0 million local).....	\$15,000,000	\$10,000,000
State Total	\$15,000,000	\$10,000,000
State Police		
Disaster and emergency contingency fund	\$6,000,000	\$6,000,000
Trooper school.....	4,500,000	4,500,000
School safety initiative	4,000,000	4,000,000
Homeland security energy disaster	750,000	750,000
Sexual assault prevention and education initiative	500,000	500,000
State Police Total	\$15,750,000	\$15,750,000
Talent and Economic Development		
Business attraction and community revitalization.....	\$13,000,000	\$13,000,000
Statewide data system integration (\$4.8 million Fed./\$4.0 million restricted).....	8,778,500	0
Financial literacy pilot (TANF)	5,800,000	0
Community ventures challenge match	2,000,000	2,000,000
Talent and Economic Development Total	\$29,578,500	\$15,000,000
Technology, Management, and Budget		
Enterprisewide special maintenance for State facilities	\$10,000,000	\$10,000,000
Capitol area reconfiguration project	7,500,000	7,500,000
IT investment fund augmentation (Treasury/SIGMA).....	7,000,000	7,000,000
Legal services.....	5,000,000	5,000,000
ORS IT modernization and enterprise mandates (pension trust funds).....	2,850,000	0
Capital outlay planning authorizations.....	900	900
Technology, Management, and Budget Total	\$32,350,900	\$29,500,900

FY 2016-17 GOVERNOR'S RECOMMENDATION ONE-TIME APPROPRIATIONS		
Budget Area/Program	Adjusted Gross Appropriation	GF/GP Appropriation
Transportation		
State trunkline road and bridge construction.....	\$10,400,000	\$10,400,000
Transportation Total.....	\$10,400,000	\$10,400,000
Treasury (Operations)		
Free individual tax E-file	\$2,842,500	\$2,842,500
Treasury (Operations) Total	\$2,842,500	\$2,842,500
Treasury (Revenue Sharing)		
Competitive grant assistance program (sales tax revenue)	\$5,200,000	\$0
Treasury (Revenue Sharing) Total	\$5,200,000	\$0
TOTAL ONE-TIME APPROPRIATIONS	\$512,449,500	\$333,970,000

Table 7

STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT				
FY 2015-16 YEAR-TO-DATE VERSUS FY 2016-17 GOVERNOR'S RECOMMENDATION				
Department/Budget Area	FY 2015-16 Year-to-Date Appropriations	FY 2016-17 Governor's Recommendation	Dollar Difference	Percent Change
Agriculture & Rural Development	\$4,750,000	\$4,750,000	\$0	0.0%
Attorney General.....	0	0	0	0.0
Capital Outlay	200	0	(200)	(100.0)
Civil Rights	0	0	0	0.0
Community Colleges.....	387,825,600	399,025,600	11,200,000	2.9
Corrections.....	114,323,600	110,420,700	(3,902,900)	(3.4)
Education	17,861,000	15,176,000	(2,685,000)	(15.0)
Environmental Quality.....	14,685,000	3,750,000	(10,935,000)	(74.5)
Executive	0	0	0	0.0
Health & Human Services.....	1,224,137,400	1,259,438,500	35,301,100	2.9
Higher Education	0	0	0	0.0
Insurance & Financial Services	0	0	0	0.0
Judiciary.....	137,073,400	138,718,300	1,644,900	1.2
Legislative Auditor General.....	0	0	0	0.0
Legislature	0	0	0	0.0
Licensing & Regulatory Affairs.....	28,225,700	28,225,700	0	0.0
Military & Veterans Affairs	102,400	102,400	0	0.0
Natural Resources	5,548,300	6,100,000	551,700	9.9
Natural Resources (Trust Fund)	0	0	0	0.0
School Aid.....	11,967,255,600	12,212,368,600	245,113,000	2.0
State.....	1,272,100	1,211,300	(60,800)	(4.8)
State Police.....	15,464,100	19,198,900	3,734,800	24.2
Talent & Economic Development	11,224,800	11,224,800	0	0.0
Technology, Management, & Budget	0	0	0	0.0
Transportation.....	1,438,206,000	1,583,461,200	145,255,200	10.1
Treasury (Debt Service).....	0	0	0	0.0
Treasury (Operations).....	209,657,300	186,270,700	(23,386,600)	(11.2)
Treasury (Revenue Sharing)	1,220,654,700	1,255,708,900	35,054,200	2.9
TOTAL APPROPRIATIONS	\$16,798,267,200	\$17,235,151,600	\$436,884,400	2.6%

Table 8

**FEBRUARY 2016 GOVERNOR'S RECOMMENDATION GENERAL FUND/GENERAL PURPOSE
REVENUE, EXPENDITURES, AND YEAR-END BALANCE
(Millions of Dollars)**

	FY 2015-16	FY 2016-17	FY 2017-18
Revenue:			
Beginning Balance	\$694.7	\$152.9	\$14.9
Ongoing Revenue:			
Consensus Revenue Estimate (January 2016)	\$9,843.8	\$10,213.9	\$10,599.3
Revenue Sharing Payments	(462.7)	(469.0)	(469.0)
Shift of Borrowing Costs to School Aid Fund	2.0	3.0	4.0
Medicaid Managed Care Use Tax	406.7	101.7	0.0
Insurance Tax Credit Amendments	60.0	80.0	80.0
Subtotal Ongoing Revenue	\$9,849.8	\$9,929.6	\$10,214.3
Non-ongoing Revenue:			
One-Time Appropriation for Revenue Sharing	(5.8)	(5.2)	0.0
Venture Michigan Fund Tax Vouchers	0.0	(30.5)	0.0
Total Estimated GF/GP Revenue	\$10,538.7	\$10,046.8	\$10,229.2
Expenditures:			
Ongoing Appropriations:			
Initial Ongoing Appropriations	\$9,375.8	\$9,697.9	\$9,689.9
Initial Ongoing Appropriation for Transportation	142.0	0.0	0.0
Subtotal Ongoing Appropriations	\$9,517.8	\$9,697.9	\$9,689.9
One-Time and Other Appropriations:			
Initial One-Time Appropriations	\$98.3	\$323.6	\$0.0
Initial One-Time Appropriation for Transportation	258.0	10.4	0.0
Appropriation to Budget Stabilization Fund	95.0	0.0	0.0
Enacted Supplementals	35.0	0.0	0.0
Supplemental Request 2016-4 (Michigan Infrastructure Fund)	165.0	0.0	0.0
Supplemental Request 2016-4 (Detroit Public Schools Financial Assistance)	50.0	0.0	0.0
Supplemental Request 2016-4 (multiple departments)	35.7	0.0	0.0
Supplemental Request 2016-6 (Flint Emergency-multiple departments)	71.8	0.0	0.0
Supplemental Request 2016-6 (Flint Emergency Reserve Fund)	50.0	0.0	0.0
Supplemental Request 2016-7 (Flint Emergency-Early On Services)	9.2	0.0	0.0
Estimated Average Baseline Adjustments	0.0	0.0	215.0
Estimated Lapses	0.0	0.0	0.0
Subtotal One-Time and Other Appropriations	\$868.0	\$334.0	\$215.0
Total Estimated GF/GP Expenditures	\$10,385.8	\$10,031.9	\$9,904.9
PROJECTED YEAR-END GF/GP BALANCE	\$152.9	\$14.9	\$324.3

Table 9

**FEBRUARY 2016 GOVERNOR'S RECOMMENDATION SCHOOL AID FUND
REVENUE, EXPENDITURES, AND YEAR-END BALANCE
(Millions of Dollars)**

	FY 2015-16	FY 2016-17	FY 2017-18
Revenue:			
Beginning Balance.....	\$190.2	\$47.9	\$15.4
Ongoing Revenue:			
Consensus Revenue Estimate (January 2016)	\$12,131.6	\$12,486.2	\$12,831.1
General Fund/General Purpose Grant.....	45.9	230.0	57.4
General Fund Supplemental Request 2016-7 (Flint Early On).....	9.2	0.0	0.0
Detroit Public Schools Trust Fund.....	0.0	72.0	72.0
Medicaid Managed Care Use Tax.....	203.3	50.9	0.0
Federal Ongoing Aid.....	<u>1,775.8</u>	<u>1,818.6</u>	<u>1,818.6</u>
Subtotal Ongoing Revenue	\$14,165.8	\$14,657.7	\$14,779.1
Non-ongoing Revenue:			
Venture Michigan Fund Tax Vouchers.....	0.0	(9.5)	0.0
Total Estimated School Aid Fund Revenue.....	\$14,356.0	\$14,696.1	\$14,794.5
Expenditures:			
Ongoing Appropriations:			
Initial Ongoing K-12 Appropriations	\$13,846.5	\$14,147.6	\$14,093.3
Supplemental Request 2016-5 (Cost Adjustments).....	(73.6)	0.0	0.0
Enacted Supplementals.....	4.3	0.0	0.0
Partially Fund Community Colleges with School Aid Fund.....	256.7	260.4	260.9
Partially Fund Higher Education with School Aid Fund	<u>205.2</u>	<u>237.1</u>	<u>237.3</u>
Subtotal Ongoing Appropriations	\$14,239.1	\$14,645.1	\$14,591.5
One-Time and Other Appropriations:			
Initial One-Time K-12 Appropriations	\$49.8	\$35.6	\$1.5
Supplemental Request 2016-5 (Water Testing/Reform Office)	10.0	0.0	0.0
Supplemental Request 2016-7 (Flint Early On Services)	<u>9.2</u>	<u>0.0</u>	<u>0.0</u>
Subtotal One-Time and Other Appropriations.....	\$69.0	\$35.6	\$1.5
Total Estimated School Aid Fund Expenditures.....	\$14,308.1	\$14,680.7	\$14,593.0
PROJECTED YEAR-END SCHOOL AID FUND BALANCE.....	\$47.9	\$15.4	\$201.5

Table 10

FY 2015-16 GOVERNOR'S SUPPLEMENTAL RECOMMENDATIONS		
REQ. #2016-4: NON-FLINT AGENCY REQUESTS		
Department/Budget Area	Gross Appropriations	GF/GP Appropriations
Agriculture-Intercounty drain topographical data	\$1,925,000	\$0
Capital Outlay-DNR Milliken State Park	800,000	0
Capital Outlay-DNR East Tawas harbor	100,000	0
Corrections-Unrealized health contract savings	13,400,000	13,400,000
DHHS-Medicare Part B rate increase	36,232,200	12,463,900
DHHS-Medicare Part D clawback.....	18,354,200	18,354,200
DHHS-Autism caseload	13,759,100	4,733,100
DHHS-Child Care Fund adjustment.....	6,294,200	6,294,200
DHHS-Federal justice assistance grant.....	5,000,000	0
DHHS-Federal behavioral health grant.....	980,000	0
DHHS-Sexual assault commission	25,000	25,000
DHHS-Human services caseload	(92,759,300)	(7,728,400)
DHHS-SCHIP fund shift.....	0	(14,329,100)
DIFS-Autism Coverage Fund.....	2,225,000	2,225,000
Judiciary-E-file fee revenue	5,000,000	0
Judiciary-Montgomery v. Louisiana	300,000	300,000
Judiciary-replace MCOLES funding.....	0	167,000
LARA-Distance education learning	300,000	0
Legislature-IT and Capitol maintenance	5,000,000	5,000,000
Legislature-Criminal justice commission.....	500,000	500,000
Legislature-Redistricting data program.....	450,000	450,000
DMVA-Tuition assistance program	3,741,600	0
DMVA-Seed tuition assistance fund	2,000,000	2,000,000
DMVA-Medicaid consultant contract.....	1,200,000	1,200,000
DMVA-Jacobetti veterans home	200,000	200,000
DMVA-Grand Rapids veterans home	0	2,300,000
DNR-Dam funding.....	3,000,000	3,000,000
DNR-Off-road vehicle trail projects	4,000,000	0
State-Implement transportation laws	3,800,000	3,800,000
State Police-Trooper school, 12 recruits.....	428,800	428,800
DTMB-Enterprise legal services	5,000,000	5,000,000
DTMB-ORS SIGMA implementation.....	2,800,000	0
DTMB-Good government training academy	325,000	325,000
DTMB-Low-income trooper pensions	145,000	145,000
DTMB-State Building Authority rent lapse	(26,500,000)	(26,500,000)
Treasury-Infrastructure Fund	165,000,000	165,000,000
Treasury-Detroit Public Schools transition funding.....	50,000,000	50,000,000
Treasury-Assistance to local governments.....	2,000,000	2,000,000
TOTAL APPROPRIATIONS.....	\$235,025,800	\$250,753,700

REQ. #2016-5: HIGHER EDUCATION AND SCHOOL AID COST ADJUSTMENTS		
Department/Budget Area	Gross Appropriations	GF/GP Appropriations
Higher Education-TIP costs.....	\$2,000,000	\$0
School Aid-School water testing.....	9,000,000	0
School Aid-School reform/redesign.....	1,000,000	0
School Aid-Technical cost adjustments	(73,645,800)	0
TOTAL APPROPRIATIONS	(\$61,645,800)	\$0

REQ. #2016-6: FLINT WATER EMERGENCY		
Department/Budget Area	Gross Appropriations	GF/GP Appropriations
Education-Nutrition programs	\$9,500,000	\$6,000,000
Education-Child care services	8,000,000	0
Education-Federal child care reserve	8,000,000	0
Education-Lead communications to child care providers	100,000	0
DEQ-Water bill payments	30,000,000	30,000,000
DEQ-Utility infrastructure	25,000,000	25,000,000
DEQ-Retain Detroit water connection.....	3,900,000	3,900,000
DEQ-Water response team.....	2,250,000	2,250,000
DEQ-Water system needs	2,200,000	2,200,000
DHHS-TANF reserve for Flint	6,100,000	0
DHHS-Intensive behavioral therapy	1,500,000	1,500,000
DHHS-Food bank resources.....	430,000	430,000
DHHS-Home visits	260,000	260,000
DNR-Summer youth program	250,000	250,000
DTMB-Flint emergency reserve fund	50,000,000	50,000,000
TOTAL APPROPRIATIONS.....	\$147,490,000	\$121,790,000

REQ. #2016-7: SCHOOL AID - FLINT EARLY ON SERVICES		
Department/Budget Area	Gross Appropriations	GF/GP Appropriations
School Aid-Early On services	\$9,200,000	\$9,200,000
TOTAL APPROPRIATIONS.....	\$9,200,000	\$9,200,000

	Gross Appropriations	GF/GP Appropriations
Total Flint Water Emergency Requests	\$156,690,000	\$130,990,000
Total Other Requests	173,380,000	250,753,700
TOTAL FY 2015-16 SUPPLEMENTAL REQUESTS	\$330,070,000	\$381,743,700

SUMMARY OF MAJOR FY 2016-17 GF/GP APPROPRIATION CHANGES

The Governor's FY 2016-17 budget includes \$10.2 billion in ongoing GF/GP revenue as estimated at the January 14, 2016, Consensus Revenue Estimating Conference, \$3.0 million from the ongoing shift of short-term borrowing costs to the School Aid Fund, \$101.7 million of soon-to-expire revenue from the Medicaid managed care use tax, and \$80.0 million of ongoing revenue from the Governor's proposal to modify insurance company tax credits. The Governor's FY 2016-17 recommendation of \$469.0 million of ongoing funding for revenue sharing for cities, villages, townships, and counties reduces total ongoing GF/GP revenue to \$9.9 billion. When the ongoing GF/GP revenue is combined with a beginning balance of \$152.9 million carried forward from FY 2015-16, \$5.2 million of one-time appropriations for State Revenue Sharing's Competitive Grant Assistance Program, and a \$30.5 million non-ongoing appropriation for Venture Michigan Fund tax vouchers, total estimated FY 2016-17 GF/GP revenue is \$10.0 billion.

The FY 2016-17 ongoing GF/GP appropriations recommended by the Governor total \$9.7 billion and one-time GF/GP appropriations recommended by the Governor total \$334.0 million (as listed in [Table 6](#)), resulting in total estimated GF/GP expenditures of \$10.0 billion and a projected year-end balance of \$14.9 million. Column 2 of [Table 8](#) outlines the Governor's FY 2016-17 GF/GP revenue and expenditure assumptions.

[Table 11](#) provides a comparison of the Governor's recommended FY 2016-17 GF/GP appropriations to the FY 2015-16 year-to-date levels as of February 10, 2016. The Governor's FY 2016-17 GF/GP recommendation of \$10,031.9 million represents a \$122.7 million increase in GF/GP appropriations. This net change in GF/GP appropriations can be categorized as new GF/GP programs of \$28.4 million, GF/GP funding increases of \$754.6 million, GF/GP funding reductions of \$466.0 million, and fund shifts that result in a \$263.3 million decrease in GF/GP appropriations. Fund shifts are generally defined as changes in the funding sources for a program that do not affect the overall appropriation level of the program. The Governor also includes a GF/GP unclassified salaries increase of \$0.3 million, as well as net economic adjustments of \$68.8 million.

Table 11

FY 2016-17 GOVERNOR'S APPROPRIATION RECOMMENDATION MAJOR CHANGES FROM FY 2015-16 YEAR-TO-DATE GENERAL FUND/GENERAL PURPOSE APPROPRIATIONS (Millions of Dollars)	
<u>Budget Area/Program</u>	
FY 2015-16 Year-to-Date Appropriations	\$9,909,144,800
FY 2016-17 Governor's Recommendation	<u>10,031,864,000</u>
Net Change in GF/GP Appropriations	\$122,719,200
Total New Programs	\$28,362,500
Total Funding Increases	754,600,700
Total Funding Reductions	(465,980,000)
Total Funding Shifts	(263,300,400)
Unclassified Salaries Increase	257,700
Total OPEB Funding Change	14,073,300
Total Non-OPEB Economic Adjustments	<u>54,705,400</u>
TOTAL GF/GP FUNDING CHANGE	\$122,719,200

[Table 12](#) outlines the details of the \$28.4 million GF/GP for new programs. The largest amount of new program funding is in the School Aid budget: \$10.1 million for the Flint declaration of emergency and \$10.0 million for career and technical education equipment upgrades. The Governor also recommends \$4.0 million GF/GP in the Department of State Police for a school safety initiative that

would provide competitive grants to schools and county sheriff departments for the purchase of equipment, technology, and training to support safe learning environments for students.

Table 12

FY 2016-17 GOVERNOR'S APPROPRIATION RECOMMENDATION NEW GF/GP PROGRAMS	
<u>Budget Area/Program</u>	
Attorney General	
Prescription drug abuse unit (one-time)	\$700,000
Civil Rights	
Commission on Middle Eastern Americans (one-time)	100,000
Corrections	
Living in recovery treatment program	750,000
Education	
Multi-tiered systems of supports implementation	500,000
Special education task force	300,000
Judiciary	
Medication assisted treatment pilot (drug courts)	500,000
School Aid	
Flint declaration of emergency (one-time)	10,142,500
Career and technical education equipment upgrades (one-time)	10,000,000
Integrated behavior and learning support (one-time)	1,370,000
State Police	
School safety initiative (one-time)	4,000,000
TOTAL NEW GF/GP PROGRAMS	\$28,362,500

The details of the \$754.6 million of funding increases recommended by the Governor are listed in [Table 13](#). A significant amount, \$152.5 million, of the recommended increases can be attributed to costs for new pharmaceutical treatments in the Department of Corrections (\$17.3 million for Hepatitis C) and the Department of Health and Human Services (\$135.2 million for Hepatitis C and cystic fibrosis); the Governor also recommends creation of a \$30.0 million pharmacy reserve fund for Medicaid costs for other new drugs. The Governor's School Aid budget includes \$150.0 million GF/GP for an increase in the K-12 foundation allowance, \$7.5 million GF/GP for a Community College operations increase of 2.4%, and \$28.6 million GF/GP (\$31.2 million SAF) for a University operations increase of 4.4%, with funds continuing to be distributed pursuant to performance formulas. The Governor also continues to reward those public universities that limit resident undergraduate tuition increases, but the maximum amount a university may increase tuition and fees without a penalty is raised from 3.2% to 4.8%. Other major FY 2016-17 GF/GP increases include \$16.8 million for business attraction and community revitalization, \$10.0 million for voting machine replacement, \$9.5 million for a new 85-candidate State Police trooper school, and \$6.5 million in the Department of Technology, Management, and Budget to expand enterprisewide special maintenance services for State buildings to a total of \$36.0 million in FY 2016-17.

Table 13

FY 2016-17 GOVERNOR'S APPROPRIATION RECOMMENDATION GF/GP FUNDING INCREASES	
<u>Budget Area/Program</u>	
Agriculture and Rural Development	
Laboratory upgrades	\$2,510,000
Food safety Federal requirements	1,169,000
Farmland preservation program	500,000
IT maintenance and technical adjustments	257,000

**FY 2015-16 GOVERNOR'S APPROPRIATION RECOMMENDATION
GF/GP FUNDING INCREASES**

Attorney General	
Home protection unit.....	600,000
DTMB fees for mailing, warehousing, and vehicle services	82,100
Civil Rights	
Police and community trust (one-time)	250,000
DTMB fees for mailing, warehousing, and vehicle services	20,100
Community Colleges	
College operations	7,500,000
Corrections	
Hepatitis C pharmaceuticals	17,335,000
Clinical and mental health services and support	11,200,000
Corrections officer academy (one-time).....	8,506,100
Reentry service contracts rebids.....	6,790,000
Mental health programming	1,954,500
DTMB information technology (IT) agency services	1,612,800
Trinity food service contract.....	1,535,000
IT bandwidth increase	1,021,800
Ballistic vests (one-time).....	981,300
IT device access fees	408,000
Utility fees.....	287,800
Education	
Certification fees support (one-time).....	500,000
Early/middle college support.....	395,000
School safety consultant	180,000
Home visit program management and coordinator.....	175,000
E-Rate technical assistance for districts	162,500
Education commission of the states membership dues	90,800
Environmental Quality	
Flint declaration of emergency (one-time)	5,400,000
Partial funding restoration for office of oil, gas, and minerals (one-time)	4,000,000
Drinking water revolving loan fund state match (one-time)	2,950,000
Executive Office	
Funding increase	105,200
Health and Human Services	
Hepatitis C and cystic fibrosis medication coverage	135,178,800
Medicaid base and caseload adjustments.....	86,929,900
Actuarial soundness adjustment for Medicaid managed care	32,127,000
Pharmacy reserve fund for Medicaid costs of new drugs (one-time)	30,000,000
Flint lead abatement, investigation, case management (one-time).....	9,094,200
Expand Healthy Kids Dental to all Medicaid children	8,921,900
SACWIS implementation	7,746,900
Add 30 new beds to center for forensic psychiatry.....	7,607,000
Child care fund caseload	6,294,200
Guardianship assistance caseload	3,508,000
Information technology maintenance.....	2,542,300
Delay in implementation of Ambulance QAAP	1,515,000
Multicultural funding increase	1,445,500
Integrated service delivery.....	1,230,800
Autism navigator services (one-time)	1,125,000
Child support enforcement operations.....	410,400
Supplemental Security Income caseload.....	163,300
Disability determination services medical costs.....	138,800
Sexual assault evidence kit tracking act implementation	25,000

**FY 2015-16 GOVERNOR'S APPROPRIATION RECOMMENDATION
GF/GP FUNDING INCREASES**

Higher Education	
University operations	28,587,400
MSU AgBioResearch and Extension	1,412,600
Judiciary	
Michigan indigent defense commission	1,300,000
State appellate defender office (one-time).....	1,100,000
Veterans' courts (one-time).....	500,000
Drug treatment courts (one-time).....	500,000
Michigan legal self-help website	300,000
Court of claims	200,000
Legislative Auditor General	
Funding increase	463,800
Legislature	
Funding increase	4,705,500
Licensing and Regulatory Affairs	
Michigan automated prescription system upgrade (\$2,470,000 one-time)	4,490,000
Correct bureau of adult and child licensing GF authorization.....	8,400
Military and Veterans Affairs	
Renovate 4th floor of Grand Rapids home to Medicaid standards (one-time)	5,000,000
Upgrade network/infrastructure for armories (one-time).....	2,500,000
Renovate D. J. Jacobetti home to Medicaid standards	1,120,000
Natural Resources	
Asian carp barrier development (one-time)	1,000,000
Commercial and tribal fisher reporting (one-time)	300,000
Capital outlay - recreational lands and infrastructure	250,000
School Aid	
Foundation allowance increase	150,000,000
STEM-related activities	1,750,000
State	
Voting machine replacement (one-time).....	10,000,000
DTMB fees for mailing, warehousing, and vehicle services	13,400
State Police	
New trooper school (\$4.5 million one-time)	9,500,000
Second year costs of FY 2015-16 trooper school.....	8,750,300
Disaster and emergency contingency fund.....	6,000,000
Cyber crimes enforcement.....	2,203,200
Expand secure cities program	1,463,500
Statewide drug enforcement strategy	1,256,300
Homeland security energy disaster preparedness (one-time).....	750,000
Talent and Economic Development	
Business attraction and community revitalization	16,800,000
Community ventures challenge match (one-time)	2,000,000
Technology, Management, and Budget	
Enterprisewide special maintenance for state facilities (one-time).....	10,000,000
Relocation for state employees in Lansing (one-time)	7,500,000
Legacy system replacement and SIGMA MILogin funding (one-time)	7,000,000
Enterprise identity management - single sign-on.....	6,700,000
Cyber security improvements	5,000,000
Legal services (one-time).....	5,000,000
Office of good government.....	1,500,000
State Police retirement payment adjustment.....	132,000
Capital outlay planning authorizations (one-time).....	900

FY 2016-17 GOVERNOR'S APPROPRIATION RECOMMENDATION GF/GP FUNDING INCREASES	
Treasury - Debt Service	
Clean Michigan Initiative debt service increase	25,516,000
Great lakes water quality bonds debt service increase	2,344,000
Treasury - Operations	
Free individual e-file (one-time)	2,842,500
Payment in lieu of taxes increase	1,056,800
Testing and analytics unit	750,000
DTMB standard rate plan billing.....	551,100
TOTAL GF/GP FUNDING INCREASES	\$754,600,700

Table 14 provides the details of the \$466.0 million of GF/GP funding reductions in the Governor's FY 2016-17 budget. Of the \$466.0 million of GF/GP reductions, \$154.1 million, or about one-third, consists of appropriations that were designated as one-time for FY 2015-16. The largest of the other reductions are in the Department of Health and Human Services to reflect actuarial soundness adjustments: a decrease of \$140.4 million GF/GP due to the expiration of the Medicaid managed care use tax on December 31, 2016, and a \$36.7 million GF/GP reduction in Medicaid HMO funding related to the suspension of the Federal health insurer fee. There is also a \$25.0 million GF/GP reduction in the Department of Talent and Economic Development to reflect elimination of film incentives funding.

Table 14

FY 2016-17 GOVERNOR'S APPROPRIATION RECOMMENDATION GF/GP FUNDING ELIMINATIONS/REDUCTIONS	
<u>Budget Area/Program</u>	
Agriculture and Rural Development	
Eliminate rural development value-added grants (one-time)	(\$550,000)
Eliminate tree fruit research grants (one-time).....	(500,000)
Eliminate commercial forestry audit program.....	(300,000)
Eliminate grant program for county fairs	(300,000)
Eliminate Geagley lab enhancement grants (one-time).....	(150,000)
Reduce ongoing rural development value-added grants	(150,000)
Administrative reduction	(99,100)
Eliminate grant program for agriculture shows	(20,000)
Capital Outlay	
Remove funding for FY 2015-16 projects	(400)
Corrections	
Align prison population funding with capacity	(6,600,000)
Savings from Kinross reductions	(3,400,000)
Eliminate Goodwill flip the script funding	(2,000,000)
Eliminate parole sanction certainty pilot.....	(500,000)
Education	
Remove FY 2015-16 Flint supplemental funding (one-time)	(2,685,000)
Reduce educator evaluations.....	(1,000,000)
Reduce financial independence team funding	(250,000)
Environmental Quality	
Remove FY 2015-16 Flint supplemental funding (one-time)	(12,086,500)
Health and Human Services	
Actuarial soundness adjustments (managed care use tax expires 12/31/16) ...	(140,444,800)
Suspension of Federal health insurer fee, impact on Medicaid HMO funding...	(36,710,400)
Healthy Michigan Plan caseload	(14,475,100)
Remove FY 2015-16 Flint supplemental funding (one-time)	(10,910,100)
Medicaid special financing adjustments.....	(10,182,700)

**FY 2016-17 GOVERNOR'S APPROPRIATION RECOMMENDATION
GF/GP FUNDING ELIMINATIONS/REDUCTIONS**

Health and Human Services (continued)	
Foster care and adoption subsidies base/caseload.....	(7,977,400)
Change county hold harmless funding to 50/50 State/county	(5,200,000)
Eliminate hospice funding (one-time).....	(2,500,000)
State disability assistance caseload	(1,664,400)
Eliminate drug policy initiatives (one-time).....	(1,500,000)
Eliminate one-time mental health commission funding.....	(1,500,000)
Eliminate pay for success funding (one-time).....	(1,500,000)
Reduce dual eligibility staff.....	(1,269,800)
Family independence program caseload	(1,112,800)
Eliminate in-home community care grants.....	(400,000)
Eliminate employment and training support services funding (one-time).....	(400,000)
Eliminate adoption family support network funding	(350,000)
Minor technical adjustments.....	(206,900)
Departmental administration reduction	(100,000)
Judiciary	
Judgeship savings by attrition.....	(259,700)
Eliminate court of claims funding (one-time).....	(200,000)
Licensing and Regulatory Affairs	
Remove FY 2015-16 Flint supplemental funding (one-time).....	(2,000,000)
Military and Veterans Affairs	
Eliminate armory special maintenance (one-time).....	(3,000,000)
Adjust National Guard tuition program to expected level.....	(2,641,600)
Remove FY 2015-16 Flint supplemental funding (one-time).....	(2,000,000)
Natural Resources	
Eliminate special grant programs (one-time).....	(825,000)
Eliminate shooting range enhancement projects (one-time)	(250,000)
School Aid	
Eliminate teacher certification test updates funding (one-time).....	(1,800,000)
Eliminate Michigan reading corps funding	(1,000,000)
Reduce college and career readiness outreach (one-time).....	(550,000)
Eliminate early literacy teacher test (one-time).....	(500,000)
Eliminate civics education funding	(60,000)
State	
Remove FY 2015-16 voter machine funding	(5,000,000)
State Police	
Remove FY 2015-16 trooper school funding (one-time).....	(3,200,000)
Eliminate Michigan international speedway traffic control funding	(831,900)
Reduce forensic science funding	(530,400)
Remove FY 2015-16 Flint supplemental funding (one-time).....	(100,000)
Remove funding for one vacant capitol security position.....	(89,300)
Talent and Economic Development	
Eliminate film incentives funding (one-time)	(25,000,000)
Eliminate business attraction funding (one-time).....	(17,300,000)
Eliminate special grants (one-time).....	(5,150,000)
Technology, Management, and Budget	
Savings from refinancing/cancellation of State Building Authority rent	(8,000,000)
Reduce enterprisewide special maintenance ongoing funding.....	(3,500,000)
Eliminate treasury technology services funding (one-time).....	(3,000,000)
Reduce legal services funding (one-time).....	(1,000,000)
Reduce office of urban initiatives	(1,000,000)
Eliminate funding for cost study of 2014 PA 555 (one-time).....	(500,000)
Eliminate special projects funding (one-time).....	(105,000)

FY 2016-17 GOVERNOR'S APPROPRIATION RECOMMENDATION GF/GP FUNDING ELIMINATIONS/REDUCTIONS	
Transportation	
Eliminate one-time GF transit capital and rail infrastructure funding	(25,000,000)
Treasury - Debt Service	
Quality of life bonds debt service decrease	(47,272,000)
Treasury - Operations	
Eliminate personal property tax reform funding (one-time).....	(19,300,000)
Eliminate presidential primary funding (one-time).....	(10,000,000)
Eliminate online business portal funding (one-time).....	(600,000)
Eliminate search and rescue task force	(300,000)
Eliminate Chaldean community foundation grant	(250,000)
Statewide	
Savings from elimination of five-year sick leave payout	(4,869,700)
TOTAL GF/GP FUNDING ELIMINATIONS/REDUCTIONS	(465,980,000)

The details of the net negative \$263.3 million in fund shifts that increase and decrease GF/GP appropriations are listed in [Table 15](#). The largest fund shift, \$364.6 million from GF/GP to Federal and State restricted revenue, is in the Department of Transportation to reflect replacement revenue for roads from Federal revenue and the recently enacted State transportation funding package. The next-largest fund shifts are in the Department of Health and Human Services: a \$177.0 million shift from Federal funds to GF/GP due to Medicaid match requirements, and \$117.8 million of offsetting shifts from GF/GP to Federal and State restricted revenue, including \$58.2 million of HICA revenue related to the expiration of the Medicaid managed care use tax.

Table 15

FY 2016-17 GOVERNOR'S APPROPRIATION RECOMMENDATION FUND SHIFTS TO INCREASE/(REDUCE) GF/GP	
Budget Area/Program	
Agriculture and Rural Development	
Replace refined petroleum fund revenue with GF	\$1,500,000
Replace equine industry development fund revenue with GF	600,000
Replace qualified forest program GF with restricted.....	(130,000)
Corrections	
Shift of GF to replace reduced prison phone revenue	1,874,000
Health and Human Services	
State match for Healthy Michigan Plan (starting 1/1/17)	127,824,900
Medicaid match rate change from 65.60% to 65.15%	49,212,000
Merit Award Trust Fund reduction (increases GF costs)	23,661,900
School-based services revenue	1,443,700
Inspector general Medicaid administrative match.....	600,000
Increase in HICA revenue from 1/1/17 rate reversion (offsets GF)	(58,187,300)
Enhanced match for federal Title XXI (MICHild).....	(30,000,000)
Medicaid benefits trust fund revenue	(17,500,000)
Increase in hospital QAAP retainer (offsets GF).....	(12,143,900)
Judiciary	
Replace State Police IDG with GF	167,000
Licensing and Regulatory Affairs	
Replace administrative hearing GF with corporation fees	(370,000)
Replace bureau of community & health services GF with health systems fees ...	(347,400)
Military and Veterans Affairs	
Replace declining restricted revenue from veterans' homes with GF.....	2,300,000
Natural Resources	
Replace GF for wildfire protection with forest development fund revenue	(1,200,000)

FY 2016-17 GOVERNOR'S APPROPRIATION RECOMMENDATION FUND SHIFTS TO INCREASE/(REDUCE) GF/GP	
School Aid	
Foundation allowance SAF shift to GF	11,683,800
Consolidation incentives SAF shift to GF	2,857,500
State	
Replace GF with transportation administration collection fund revenue.....	(500,000)
Technology, Management, and Budget	
Recognize additional restricted revenue via statewide cost allocation	(296,600)
Transportation	
Replace State trunkline ongoing/one-time GF with restricted revenue	(204,447,250)
Replace local road/bridge ongoing/one-time GF with restricted revenue.....	(158,631,650)
Replace airport safety and improvement GF with restricted revenue.....	(1,521,100)
Treasury - Operations	
Replace office of collections GF with collections and warrant fees	(1,124,000)
Replace office of financial services GF with state agency collections fees.....	(520,400)
Replace office of accounting services GF with garnishment fees	(105,600)
TOTAL FUND SHIFTS TO INCREASE/(REDUCE) GF/GP	(\$263,300,400)

Table 16 outlines the Governor's FY 2016-17 GF/GP changes by budget area for unclassified salaries, other post-employment benefits (OPEB), and other economic adjustments. The Governor recommends an increase of \$257,700 for unclassified salaries, an increase of \$14.1 million for OPEB costs, and an increase of \$54.7 million for other economic factors.

Table 16

FY 2016-17 GOVERNOR'S APPROPRIATION RECOMMENDATION GF/GP UNCLASSIFIED SALARIES, OPEB, AND OTHER ECONOMIC ADJUSTMENTS			
Department/Budget Area	Unclassified Salaries Increase	OPEB Changes	Other Economics Changes
Agriculture and Rural Development	\$13,300	\$151,300	\$562,900
Attorney General	18,400	155,200	576,400
Civil Rights	16,100	61,900	167,700
Corrections	43,800	7,639,000	27,415,900
Education	15,600	90,400	345,100
Environmental Quality	5,400	122,800	424,300
Health and Human Services	27,300	3,322,400	13,738,900
Insurance and Financial Services	0	0	0
Judiciary	0	272,100	1,214,700
Licensing and Regulatory Affairs	6,000	108,900	453,300
Military and Veterans Affairs	34,800	9,300	679,400
Natural Resources	0	114,800	595,300
School Aid	0	46,500	159,700
State	15,300	136,800	313,300
State Police	14,700	1,125,400	5,370,100
Talent and Economic Development.....	18,200	77,700	245,200
Technology, Management, and Budget.....	12,700	448,400	1,597,800
Transportation	0	0	0
Treasury (Operations).....	16,100	190,400	845,400
TOTAL CHANGES	\$257,700	\$14,073,300	\$54,705,400

SUMMARY OF MAJOR SCHOOL AID FUND APPROPRIATION CHANGES

Overall, the Governor is recommending a Gross appropriation increase of \$282.4 million compared with current law, or a \$336.9 million increase compared with projected revised FY 2015-16 spending. The recommendation would increase GF/GP support of the budget from \$45.9 million in current law to \$230.0 million for FY 2016-17.

Proposed Supplementals

Supplemental Request 2016-5 would decrease appropriations by \$63.6 million (\$0 GF/GP), consisting of three parts. First, the supplemental would implement \$73.6 million in estimated cost savings from consensus estimates for the number of pupils, taxable values, special education costs, and other technical cost adjustments. Second, the supplemental would add \$9.0 million for reimbursements to assist school districts that voluntarily test for lead in school facilities' water. Third, the supplemental would appropriate \$1.0 million for the appointment of four chief executive officers (CEOs) by the School Reform Office (SRO) to assist schools in the lowest 5% of academic achievement that have been placed under the oversight of the SRO.

Supplemental Request 2016-7 would increase appropriations by \$9.2 million (all GF/GP) for the Flint water emergency. This supplemental would provide funding to Genesee ISD for the assessment of children and for providing Early On services to children in Flint's boundaries who are not already being served by Great Start Readiness Programs.

Foundation Allowance

The Governor is recommending an increase ranging from \$60 per pupil for districts with foundation allowances at or above the basic foundation allowance (which is \$8,169 for FY 2015-16), up to \$120 per pupil for districts at the minimum foundation allowance (which is \$7,391 for FY 2015-16). The proposal uses the "2x" formula, which provides double the dollar increase to districts at the minimum compared with the dollar increase for districts at or above the basic, with districts between the minimum and the basic getting something between "1x" and "2x". Under the proposal, the basic would increase to \$8,229 and the minimum to \$7,511, and the total cost of the proposal is \$150.0 million.

Because of a cap in the Revised School Code, the *statutory* foundation allowance of a district above the basic could not increase the full \$60; instead, statutorily it would increase by the rate of inflation applied to the district's own foundation allowance. However, a separate categorical calculation would be made (under Section 20j) to provide the difference between \$60 and the amount resulting from the inflationary cap, such that these districts would receive the full \$60 increase, even though only a small portion would be statutorily built into the base.

Detroit Public Schools

The Governor is recommending an appropriation from a proposed Detroit Public Schools (DPS) Trust Fund in an amount equal to \$72.0 million. This is the dollar amount estimated as the increased State expenditure to support the Governor's proposed plan to split DPS into two districts: one ("OldCo") to retain the debt and divert property tax revenue that currently helps support the cost of the foundation allowance to instead pay down debt, and two ("NewCo") to operate and educate students, with the new district's foundation allowance costs entirely paid for by the State (similar to how a charter school is funded, since the charter school does not have any property tax revenue to help support the cost of the foundation allowance). Under the Governor's plan, \$72.0 million in tobacco settlement revenue per year would be transferred for 10 years into a newly created DPS Trust Fund, and these funds would be used to support NewCo's foundation allowance costs in the School Aid budget.

Flint Declaration of Emergency

In addition to the supplemental noted above, the Governor is proposing \$10.1 million to continue Early On and to provide funds for the Great Start Readiness Program, school nurses, school social workers, and other staff and materials for Flint Schools and Genesee ISD in response to the Flint declaration of emergency. The \$10.1 million would be funded from GF/GP revenue and is the amount estimated for one-half of the year, with the remaining year's cost placed in reserve under the Department of Technology, Management, and Budget's supplemental appropriations bill.

The Governor's budget also would continue funding for voluntary school water testing, recommended at \$9.0 million for FY 2016-17. This is estimated to cover testing at one-third of the schools around the State, with another one-third covered by the FY 2015-16 supplemental noted above and the final one-third intended to be covered in FY 2017-18.

Other New Programs

The Governor's budget includes \$10.0 million for equipment upgrades in career and technical education programs, \$10.0 million for educator evaluations, \$5.0 million to provide additional monetary resources to districts with academically underperforming schools under the oversight of the SRO and to continue funding for CEOs of those schools, and \$1.4 million to support Michigan's Integrated Behavior and Learning Support Initiative (MiBLSi), which is an integrated model of behavior and reading support, and was a recommendation from the Special Education Task Force.

Increases in Existing Programs

The largest increase in an existing program (\$89.3 million) is to fund the statutory rate cap in the Michigan Public School Employees' Retirement System (MPERS). The State subsidy under this rate cap is now estimated at 11.7% of MPERS payroll. In addition, State special education funding would be increased \$54.5 million above year-to-date figures, and Federal grants would be increased by \$42.9 million. The career and technical education middle college program, new for FY 2015-16, would be increased from \$10.0 million to \$15.0 million. The pupil membership blend is recommended to place a higher weighting on the previous year, going from the current 90/10 blend (where 90% weighting is placed on the current school year's September count and 10% is placed on the prior school year's February count) to a 50/50 blend, which is estimated to cost \$1.0 million. Intermediate school district operations are recommended to receive a 1.6% increase, commensurate with the foundation allowance increase, which would cost \$1.1 million.

Decreases or Eliminations of Existing Programs

The largest program recommended for elimination is the Technology Readiness Infrastructure Grants (TRIG), which is funded at \$23.5 million in FY 2015-16, and is scheduled for elimination in FY 2016-17. Other recommended eliminations include \$4.0 million for computer adaptive testing and \$1.0 million for Michigan Education Corps, and removal of one-time programs including \$1.0 million for a pilot Parents University, updates of teacher tests, and gang prevention and intervention funding.

The single largest program reduction is simply a matter of technical foundation allowance cost adjustments due to updated estimates of pupils and taxable values, totaling savings of \$126.7 million. Other reductions include \$10.1 million for State assessments (removing funding necessary during the transition to online testing and eliminating a kindergarten entry assessment), \$6.3 million for lower Renaissance Zone cost estimates, \$3.1 million for reduced school breakfast costs, and \$1.5 million for strict discipline academies and dropout recovery.

Table 17

FY 2016-17 GOVERNOR'S GROSS APPROPRIATION RECOMMENDATION K-12 SCHOOL AID APPROPRIATION CHANGES (Millions of Dollars)	
FY 2015-16 Year-to-Date Gross Appropriations	\$13,900.7
FY 2016-17 Governor's Recommended Gross Appropriations.....	14,183.1
Net Change in School Aid Appropriations.....	\$282.4
Recommended Appropriations for New Programs:	
Flint declaration of emergency.....	\$10.1
Career and technical education equipment upgrades	10.0
Educator evaluations.....	10.0
Statewide school water testing program	9.0
State school reform/redesign	5.0
Integrated behavior and learning support (MiBLSi)	1.4
Subtotal Appropriations for New Programs.....	\$45.5
Recommended Appropriation Increases in Existing Programs:	
Foundation allowance: \$60 to \$120 per-pupil increase	\$150.0
MPSERS rate cap	89.3
Detroit public schools' foundation allowance support ("NewCo" plan)	72.0
State special education funding	54.5
Federal grants	42.9
Career and technical education middle college program.....	5.0
STEM-related activities	1.2
ISD operations	1.1
Pupil membership blend change (to 50/50)	1.0
School Aid Fund borrowing costs	1.0
FIRST robotics	0.5
Promise zone payments.....	0.4
Economics.....	0.3
PILT reimbursement.....	0.1
Subtotal Appropriation Increases in Existing Programs.....	\$419.3
Recommended Appropriation Eliminations or Reductions:	
Technical foundation allowance cost adjustments (pupils, taxable values).....	(\$126.7)
Elimination of technology readiness infrastructure grants (TRIG)	(23.5)
Reduction in State assessments (conversion to online completed)	(10.1)
Reduction in estimated renaissance zone reimbursement costs	(6.3)
Elimination of computer adaptive test funding	(4.0)
Reduction in costs for reimbursing school breakfasts	(3.1)
Elimination of one-time teacher certification test updates funding	(1.8)
Reduction for strict discipline academies and dropout recovery.....	(1.5)
Elimination of gang prevention and intervention funding	(1.0)
Elimination of Michigan education corps funding.....	(1.0)
Elimination of one-time parents university pilot	(1.0)
Adjustment for closure of Maxey.....	(0.9)
Reduction in college and career readiness outreach.....	(0.6)
Elimination of one-time early literacy teacher test	(0.5)
Elimination of cooperative education grant.....	(0.3)
Elimination of civics education	(0.1)
Subtotal Appropriation Decreases or Eliminations.....	(\$182.4)
TOTAL RECOMMENDED APPROPRIATION CHANGES	\$282.4

FEE AND REVENUE PROPOSALS

Proposed Fee Adjustments

The FY 2016-17 budget proposes \$16.5 million in total fee adjustments. Of the total fee changes proposed, \$14.1 million comes from a fee increase of \$8 to \$11 for driver record lookup fees in the Department of State, and \$2.4 million comes from elimination of the sunset on the use of the Refined Petroleum Fund for the Weights and Measures and Motor Fuel Quality programs in the Department of Agriculture and Rural Development (MDARD). It is important to note that the sunset for use of the Refined Petroleum Fund is not a sunset on collection of the fee, but a sunset on the use of the Fund in MDARD programs. In addition to these two fee adjustments, the Governor proposes increases totaling about \$1.9 million to teacher certification fees in the Department of Education, but those increases are reflected in the proposal for the FY 2017-18 budget, and hence are not included in Table 18, which provides an overview of the fee adjustments included in the proposal for the FY 2016-17 budget.

Table 18
FY 2016-17 GOVERNOR'S RECOMMENDATION
PROPOSED FEE ADJUSTMENTS INCLUDED IN BUDGET
(Actual Dollars)

Department	Fee Type	Estimated Revenue
Fee Increases		
State	Increase Record Lookup Fee	\$14,100,000
Subtotal Increased Fees		\$14,100,000
Fee Sunsets		
Agriculture & Rural Development	Refined Petroleum Fund - Remove sunset for use in weights and measures and fuel programs	\$2,373,200
Subtotal Fee Sunsets		\$2,373,200
TOTAL ALL FEE ADJUSTMENTS.....		\$16,473,200

Insurance Tax Credit Amendments

In 2012, Public Act 204 moved the administration of the assigned claims facility from the Secretary of State to the Michigan Automobile Insurance Placement Facility (MAIPF). The move made mandatory contributions to the assigned claims facility eligible for tax credits. The Governor's recommendation would keep administration of the assigned claims facility with the MAIPF but assigned claims contributions would no longer be eligible for tax credits -- returning the tax status of the contributions to their level prior to Public Act 204 of 2012. The proposed change is estimated to generate \$60.0 million in FY 2015-16 and \$80.0 million in FY 2016-17 and later years.

HICA and Use Tax Summary

The Governor's FY 2016-17 Department of Health and Human Services (DHHS) budget assumes that the Medicaid managed care use tax will no longer be collected effective at the end of calendar year 2016. This is based on Federal guidance to states with such taxes indicating that those states will not be permitted to collect such taxes after the end of their current legislative session.

If the Medicaid managed care use tax is no longer collected after December 31, 2016, there will be three separate significant impacts on both the DHHS budget and the overall State budget.

First, there will be a reduction in use tax revenue of over \$450.0 million that will affect the State's General Fund and School Aid Fund. The Medicaid managed care use tax brings in over \$600.0 million per year, with two-thirds going to the General Fund and one-third going to the School Aid Fund. Termination of the collection of the tax effective December 31, 2016, will reduce FY 2016-17 GF/GP revenue by at least \$300.0 million and School Aid Fund revenue by at least \$150.0 million below FY 2015-16 levels.

Second, if the tax is terminated, there will be a reduced GF/GP need in the DHHS budget. The State is required to reimburse Medicaid managed care providers at actuarially sound rates. The Medicaid managed care use tax imposes a significant cost on those managed care entities, so the State has to reimburse them for the cost of the tax with a mix of GF/GP and Federal Medicaid match dollars. The Governor's budget assumes FY 2016-17 savings of \$140.4 million GF/GP due to no longer having to reimburse Medicaid managed care organizations for the cost of the tax in calendar year 2017. This \$140.4 million savings is still far less than the State's overall revenue loss of over \$450.0 million.

Finally, the expiration of the Medicaid managed care use tax will have an impact on the Health Insurance Claims Assessment (HICA) rate. The HICA is a tax on paid health claims, set at a rate of 1.0% upon its enactment in 2011. Tie-barred to the reinstatement of the Medicaid managed care use tax was legislation reducing the HICA rate to 0.75% as long as the Federal government permits the Medicaid managed care use tax. Upon revocation of Federal permission, the HICA rate will revert to 1.0%. The Governor's budget, tied in with its assumption that the Medicaid managed care use tax will no longer be collected after December 31, 2016, assumes, according to statute, that the HICA rate will revert to 1.0% effective January 1, 2017. That increase will increase HICA revenue by \$58.2 million, offsetting an equal amount of GF/GP funding.

It also should be noted that the HICA statute, as amended in 2013, stated that the HICA will expire on December 31, 2017, one quarter into FY 2017-18. The Governor's proposed budget covers both FY 2016-17 and FY 2017-18 and it assumes that the HICA sunset will be delayed past FY 2017-18. House Bill 5105, enrolled on February 24, 2016, delays the HICA sunset until July 1, 2020. If the HICA had not been extended, the Governor's FY 2017-18 budget, all other things held constant, would have been out of balance by approximately \$260.0 million.

SUMMARY OF OTHER MAJOR FY 2016-17 APPROPRIATION ISSUES

Revenue Sharing Payments

The Governor recommends revenue sharing payments of approximately \$1.3 billion in FY 2016-17, an increase of 2.9% or \$35.1 million over FY 2015-16 year-to-date appropriations. This increase consists of a \$29.4 million increase in constitutional revenue sharing for cities, villages, and townships (CVTs), an increase in revenue sharing payments to counties of \$467,500 or 0.2% to cover the cost of counties returning for the first full or part-year of State-paid revenue sharing in FY 2016-17, a reduction in nonconstitutional city, village, and township revenue sharing of \$5.8 million or 2.3%, and the addition of \$11.0 million for the Competitive Grant Assistance Program, which was last funded in FY 2013-14. The Governor's recommended appropriations for revenue sharing for FY 2016-17 are shown in Table 19.

Based on the January 2016 consensus revenue estimates, constitutional revenue sharing is estimated at \$781,501,400 in FY 2016-17. This would provide CVTs with a 3.9% increase in payments over the revised FY 2015-16 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. Each CVT is projected to receive approximately \$79.32 per capita in FY 2016-17.

Table 19

REVENUE SHARING APPROPRIATION SUMMARY				
Ongoing & One-Time Appropriations	FY 2015-16	FY 2016-17	Dollar	Percent
	Year-to-Date	Gov's Rec.	Change	Change
Constitutional Revenue Sharing ¹⁾	\$752,114,700	\$781,501,400	\$29,386,700	3.9%
CVT Revenue Sharing	248,840,000	243,040,000	(5,800,000)	(2.3)
County Incentive Program	42,940,000	43,033,500	93,500	0.2
County Revenue Sharing	171,760,000	172,134,000	374,000	0.2
Financially Distressed CVTs	5,000,000	5,000,000	0	0.0
Competitive Grant Assistance Program	0	11,000,000	11,000,000	--
TOTAL	\$1,220,654,700	\$1,255,708,900	\$35,054,200	2.9%

¹⁾ Reflects the January 2016 consensus revenue estimate for sales tax revenue.

For city, village, and township nonconstitutional revenue sharing payments, the Governor recommends \$243,040,000 in FY 2016-17, a decrease of \$5.8 million or 2.3%. The Governor proposes to limit eligibility to CVTs that received at least \$4,500 in statutory revenue sharing payments in FY 2009-10. This would eliminate payments of approximately \$2.65 per capita to CVTs with a population over 7,500 that are not otherwise eligible for statutory revenue sharing. This would reduce the number of eligible CVTs from 587 to 486, removing 101 local units (100 townships and one city) from nonconstitutional revenue sharing. Another 15 local units would have reduced payments because they would no longer be able to receive the higher of the per capita payment or the payment based on FY 2009-10 payments. Payments in FY 2016-17 would be made at about 78.5% of the statutory revenue sharing payments made in FY 2009-10. The proposal would require CVTs to comply with accountability and transparency requirements in order to receive full funding.

The Governor recommends that revenue sharing payments to counties increase by 0.2% to \$215.2 million. As in the current year, this funding would be distributed through two line items. The County Revenue Sharing line would increase by \$374,000 to \$172,134,000 and the County Incentive Program would increase by \$93,500 to \$43,033,500. These increases would cover the cost of two counties (Alcona and Charlevoix) that will return to State-paid revenue sharing in FY 2016-17 and increased costs associated with the two counties that returned to State-paid revenue sharing for a partial year in FY 2015-16 and will receive full-year funding in FY 2016-17. Payments to other counties would not change. Only five counties (Antrim, Emmet, Keweenaw, Leelanau, and Mackinac) would continue to make authorized withdrawals from their revenue sharing reserve funds (created by the one-time acceleration of county property tax collections in 2005) in lieu of State-paid revenue sharing. These last five counties are projected to return to State-paid revenue sharing from FY 2018-19 to FY 2022-23 when withdrawals from their revenue sharing reserve funds are completed. As in prior years, compliance with accountability and transparency criteria would be required for eligible counties to receive full payments under the County Incentive Program in FY 2016-17.

The Governor recommends funding for two revenue sharing grant programs in FY 2016-17. The Competitive Grant Assistance Program would be funded at \$11.0 million, which consists of \$5.8 million in ongoing appropriations and \$5.2 million in one-time funding. This would be the first time this program has been funded since FY 2013-14. Appropriations of \$15.0 million annually were made for the program from FY 2011-12 to FY 2013-14. The Competitive Grant Assistance Program provides grants to local governments for costs associated with mergers, interlocal agreements, and cooperative efforts. The grant program for Financially Distressed Cities, Villages, or Townships would be maintained at \$5.0 million in FY 2016-17, the same level of funding as in FY 2015-16.

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 Civil Service Commission on December 16, 2015, approved a one-year agreement for wages and benefits for employees who are exclusively represented by employee unions (AFSCME, MCO, MSEA, SEIU, and UAW) for fiscal year (FY) 2016-17. The Commission approved a 1.0% general wage increase and a 1.5% lump-sum payment effective October 1, 2016, for represented employees. Additionally, the one-year contract will require represented employees to continue to pay 20% of their health care premiums. The wage and benefit portions of the contract will be negotiated for future fiscal years at a later date.

Noneconomic issues such as designating classification groups and job category definitions and codes were approved for three fiscal years (FY 2016-17, FY 2017-18, and FY 2018-19).

The Civil Service Commission also adopted a Coordinated Compensation Plan for non-exclusively represented (NERE) State classified employees for FY 2016-17. Beginning on October 1, 2016, NEREs will receive a 1.0% general wage increase and a 1.5% lump-sum payment. They also will continue to pay 20% of their health insurance premium in FY 2016-17. Coordinated Compensation Plans for NEREs are approved by the Civil Service Commission on an annual basis; thus, a compensation plan for FY 2017-18 will not be approved until December 2016.

Total Gross employee wages and salaries in the FY 2016-17 Governor's budget are an estimated \$3.3 billion, while other total Gross employee benefit costs are an estimated \$2.9 billion.

Table 20 provides a summary of the incremental State employee cost changes for FY 2016-17 recommended in the Governor's budget, including employee salary increases of \$75.1 million. The State's portion of the cost of employee health insurance is estimated to increase by \$18.9 million for FY 2016-17. The amount that needs to be contributed to the State employee retirement systems in FY 2016-17 results in an increase in costs. Retirement contributions will increase \$9.7 million Gross and \$4.9 million GF/GP. Other Post Employment Benefits (OPEB) costs for FY 2016-17 will be more than the costs in FY 2015-16. Gross changes for OPEB will total \$30.6 million or \$14.0 million GF/GP. The total GF/GP impact of economic adjustments for FY 2016-17 is an increase of \$68.8 million.

Table 20

FY 2016-17 STATE BUDGET RECOMMENDATION ECONOMIC INCREASES INCLUDED IN BUDGET (Millions of Dollars)		
	Gross	GF/GP
Wages and Salaries	\$75.1	\$37.8
Employee Insurance Costs	18.9	9.3
Retirement Contributions.....	9.7	4.9
OPEB.....	30.6	14.0
Workers' Compensation	0.4	0.5
All Other Economics	3.0	2.3
TOTAL ECONOMICS	\$137.7	\$68.8

Employer Retirement Contribution Rates

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

Table 21 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 the case 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 21

STATE RETIREMENT CONTRIBUTION RATES AS A PERCENTAGE OF PAYROLL				
	FY 2014-15	FY 2015-16	FY 2016-17	2016-17 Change
<u>State Employees' Retirement System</u> ¹⁾				
Defined Benefit Pension	27.46%	26.05%	25.50%	(0.55%)
Defined Benefit Health Care	22.76	20.63	21.05	0.42
Total Defined Benefit Costs	50.22%	46.68%	46.55%	(0.13%)
Defined Contribution Retirement	31.09%	29.74%	28.94%	(0.80%)
Defined Contribution Health Care	23.21	21.16	21.70	0.54
Total Defined Contribution Costs	54.30%	50.90%	50.64%	(0.26%)
¹⁾ Public Act 264 of 2011 required the unfunded accrued liability to be spread across both DB and DC payroll. Also, FY 2016-17 will be the sixth year of prefunding retiree health.				

Table 22 provides a look at the FY 2016-17 contribution rates for the seven different retirement plan combinations in MPSERS. Before the enactment of significant MPSERS reforms in 2010 and 2012, there were two principal types of retirement plans available to school employees, based on hire date: the basic system and the Member Investment Plan (MIP) system. Since the passage of the reforms that began in 2010, there are now seven combinations of retirement and retiree health care plans in MPSERS, including the earlier basic and MIP plans (no longer available to new employees), the Pension Plus hybrid plan (available since July 2010), and a straight defined contribution plan (available since September 2012). Retiree health care for school employees first hired since September 4, 2012, is now strictly a personal health fund (401k or similar savings account) and does not contain any health care premium subsidy. All employees hired before September 4, 2012, also were given an opportunity to "cash out" the value of their health care premium subsidy and convert to a personal health fund. Similar to one of the SERS reforms, prefunding of retiree health care is now a component of MPSERS.

Table 22

FY 2016-17 MPSERS EMPLOYER CONTRIBUTION RATES							
	Basic/MIP with Premium Subsidy	Pension Plus with Premium Subsidy	Pension Plus PHF	Pension Plus to DC with PHF	Basic/MIP to DC with Premium Subsidy	Basic/MIP to DC with PHF	Basic/MIP with PHF
<u>Pension Contributions</u>							
Pension Normal Cost	3.76%	3.13%	3.13%	0.00%	0.00%	0.00%	3.76%
Pension UAL	13.91	13.91	13.91	13.91	13.91	13.91	13.91
Pension Early Retirement Incentive	1.36	1.36	1.36	1.36	1.36	1.36	1.36
Pension Total Rate	19.03%	18.40%	18.40%	15.27%	15.27%	15.27%	19.03%
<u>Health Contributions</u>							
Health Normal Cost	0.22%	0.22%	0.00%	0.00%	0.22%	0.00%	0.00%
Health UAL	5.69	5.69	5.69	5.69	5.69	5.69	5.69
Health Total Rate	5.91%	5.91%	5.69%	5.69%	5.91%	5.69%	5.69%
DB CONTRIBUTION TOTAL	24.94%	24.31%	24.09%	20.96%	21.18%	20.96%	24.72%
<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>	36.64%	36.01%	35.79%	32.66%	32.88%	32.66%	36.42%
State Subsidy	11.70	11.70	11.70	11.70	11.70	11.70	11.70
DC = Defined Contribution; MIP = Member Investment Plan; PHF = Personal Health Fund							
Note: The Governor's budget includes \$982.8 million in the K-12 budget, \$73.2 million in the Community Colleges budget, and \$5.9 million in the Higher Education budget to pay the State subsidy for the UAL rate cap. For Higher Education, separate implementing legislation to enact the UAL rate cap is pending.							

Source: State Budget Office

Public Act 300 of 2012 capped the local employer contribution rate for unfunded liabilities at roughly 21% of payroll (the FY 2011-12 amount), and the State is required to make an appropriation for any liabilities above that amount. The "normal" cost for pension and retiree health care can fluctuate slightly from year to year. The maximum total employer (school) cost for FY 2016-17 under any of the seven plans is between roughly 25% and 27% of payroll, depending on the plan and employee DC contributions, slightly lower than for FY 2015-16. The State subsidy is roughly 11.7% of MPSERS payroll for schools, community colleges, and participating libraries, or about \$1,056.0 million, up from 10.5% in FY 2015-16. For the second year, the Governor is proposing to implement a rate cap for the seven universities that remain part of MPSERS for employees hired before 1996, at a cost of \$5.9 million.

Table 23 outlines the FY 2016-17 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 \$5.0 billion.

Table 23

FY 2016-17 ESTIMATED CONTRIBUTIONS TO TWO LARGEST RETIREMENT SYSTEMS	
	Millions of Dollars
<u>State Employees' Retirement System (SERS)</u> ¹⁾	
Defined Benefit Pension	\$286.0
Defined Contribution	653.0
Retiree Health Care	726.0
Subtotal State Employees' Retirement System ²⁾	<u>\$1,665.0</u>
<u>Michigan Public School Employees' Retirement System (MPSERS)</u> ³⁾	
Local Share	
Defined Benefit Pension	\$1,688.0
Defined Benefit Health Care	525.0
"401k" for Health Care	25.0
Subtotal Public School Employees' Retirement System (Local)	<u>\$2,248.0</u>
State Share	
Unfunded Accrued Liabilities (Pension and Health) ⁴⁾	<u>\$1,056.0</u>
Subtotal Michigan Public School Employees' Retirement System	<u>\$3,304.0</u>
TOTAL ESTIMATED RETIREMENT CONTRIBUTIONS	<u>\$4,969.0</u>
FY 2016-17 Estimated Subsidy Per K-12 Pupil on Average	\$600
1) Public Act 264 of 2011 required the unfunded accrued liability to be spread across both DB and DC payroll. Also, FY 2016-17 will be the sixth year of prefunding retiree health. 2) Excludes FICA, which totals approximately \$260.0 million. 3) Excludes DC contributions for pension; includes DC contributions for health. 4) Excludes State payment of \$5.9 million proposed for participating universities.	

For the second year, the Governor's proposed budget includes a boilerplate section for each department identifying how much of the appropriation 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 23, the total contributions in the State Employees' Retirement System are estimated by the Senate Fiscal Agency at \$1.67 billion, and of that total, \$1.35 billion is estimated by the State Budget Office for legacy costs (both pension and health), with the remaining \$316.0 million for normal costs including State DC contributions for SERS. Table 24 identifies the estimated legacy costs for pension and for retiree health care, and the total of the two, for each department.

Table 24
FY 2016-17
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	\$6,604,500	\$5,306,800	\$11,911,300
Attorney General	10,096,700	8,264,300	18,361,000
Civil Rights	1,697,800	1,364,200	3,062,000
Corrections	187,327,100	150,531,100	337,858,200
Education	9,410,700	7,560,800	16,971,500
Environmental Quality	18,429,800	14,808,400	33,238,200
Health & Human Services	202,368,400	162,604,400	364,972,800
Insurance & Financial Services	5,663,800	4,550,900	10,214,700
Judiciary	7,820,600	6,284,000	14,104,600
Legislature and Auditor General	11,998,700	9,280,900	21,279,600
Licensing & Regulatory Affairs	29,735,200	23,892,700	53,627,900
Military & Veterans Affairs	10,314,600	8,287,900	18,602,500
Natural Resources	26,375,000	21,192,500	47,567,500
State	17,673,400	14,200,700	31,874,100
State Police	71,007,700	62,299,400	133,307,100
Talent & Economic Development	19,452,700	15,630,400	35,083,100
Technology, Management & Budget	43,795,600	35,166,400	78,962,000
Transportation	39,063,000	31,387,500	70,450,500
Treasury	27,530,500	22,121,300	49,651,800
TOTAL	\$746,365,800	\$604,734,600	\$1,351,100,400

Source: State Budget Office

Debt Service Adjustments

Table 25 provides a summary of recommended debt service appropriations for FY 2016-17. These include 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 Community College Skilled Trades Equipment Program. Gross appropriations for debt service on these bonds total \$759.9 million for FY 2016-17. This represents a \$28.4 million (3.6%) decrease from the \$788.3 million debt service appropriations in FY 2015-16.

Table 25
DEBT SERVICE APPROPRIATIONS
FY 2016-17 COMPARED WITH FY 2015-16

Department/Program	FY 2015-16 Gross Appropriation	FY 2016-17 Est. Gross Appropriation	Dollar Change	Percent Change
School Aid				
School Bond Loan Fund.....	\$126,500,000	\$126,500,000	\$0	0.0%
Subtotal School Aid	\$126,500,000	\$126,500,000	\$0	0.0%
Talent & Economic Development				
Facility For Rare Isotope Beams (MSF).....	\$7,300,000	\$7,300,000	\$0	0.0%
Community College Skilled Trades Equipment Program (MSF)	4,600,000	4,600,000	0	0.0
Subtotal Talent & Economic Development...	\$11,900,000	\$11,900,000	\$0	0.0%
DTMB State Building Authority Rent				
State Agencies	\$52,265,800	\$49,665,800	(\$2,600,000)	(5.0%)
Department of Corrections	36,829,900	21,029,900	(15,800,000)	(42.9)
Universities	135,995,300	144,995,300	9,000,000	6.6
Community Colleges	29,479,600	30,879,600	1,400,000	4.7
Subtotal Technology, Mgt., & Budget	\$254,570,600	\$246,570,600	(\$8,000,000)	(3.1%)
Transportation				
State Trunkline	\$194,617,900	\$194,076,400	(\$541,500)	(0.3%)
Economic Development	11,672,600	11,612,200	(60,400)	(0.5)
Local Bridge Fund	2,406,800	2,406,800	0	0.0
Blue Water Bridge Fund	6,963,600	6,963,600	0	0.0
Aeronautics.....	4,997,700	4,616,400	(381,300)	(7.6)
Comprehensive Transportation	18,202,200	18,249,900	47,700	0.3
Subtotal Transportation.....	\$238,860,800	\$237,925,300	(\$935,500)	(0.4%)
Treasury				
Quality of Life Bond	\$75,959,000	\$28,687,000	(\$47,272,000)	(62.2%)
Clean Michigan Initiative	63,961,000	89,477,000	25,516,000	39.9
Great Lakes Water Initiative	16,529,000	18,873,000	2,344,000	14.2
Subtotal Treasury	\$156,449,000	\$137,037,000	(\$19,412,000)	(12.4%)
TOTAL.....	\$788,280,400	\$759,932,900	(\$28,347,500)	(3.6%)
Note: Does not include Michigan Strategic Fund (MSF) bonding for the Cadillac Place, House Office Building, or Senate Office Building.				

Tobacco Settlement Revenue and Appropriations

In 1998, a Master Settlement Agreement was reached between 46 states, including Michigan, and certain U.S. tobacco manufacturers, to provide annual payments to states. The payments began in 2000 and will continue in perpetuity. As [Table 26](#) illustrates, there are several transfers out of the tobacco settlement revenue before it is deposited into the Merit Award Trust Fund, where it is available for appropriation by the Legislature. Pursuant to law, \$75.0 million of the tobacco settlement revenue is earmarked each fiscal year, from FY 2007-08 through FY 2018-19, for the 21st Century Jobs Trust Fund. Also pursuant to law, \$17.5 million of the tobacco settlement revenue is deposited each fiscal year, from FY 2014-15 through FY 2034-35, into the Budget Stabilization Fund as repayment for an FY 2013-14 State appropriation of \$194.8 million to the Settlement Administration Fund to help mitigate the impact of the City of Detroit bankruptcy on its pensioners. For FY 2016-17, the Governor

is proposing a new statutory earmark of \$72.0 million annually for 10 years, for payments to implement a new system for schools in Detroit.

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 2016-17 is estimated to be \$61.3 million. Under the Governor's proposal, there would be an estimated FY 2016-17 year-end balance of zero in the Merit Award Trust Fund.

Table 26

TOBACCO SETTLEMENT REVENUE AND APPROPRIATIONS FY 2015-16 COMPARED TO FY 2016-17 GOVERNOR'S RECOMMENDATION (Actual Dollars)			
	FY 2015-16 Year-To-Date	FY 2016-17 Gov's Rec.	Gov's Rec. Change From FY 2015-16
Revenue			
Unreserved Balance From Prior Fiscal Year.....	\$61,187,000	\$48,663,400	(\$12,523,600)
Total Annual Payments.....	285,158,000	283,931,800	(1,226,200)
Assumed Withheld Payments.....	(8,500,000)	(8,500,000)	0
Settlement Credit to Manufacturers/Adjustments.....	(22,778,500)	(21,097,400)	1,681,100
Interest Earnings.....	60,000	60,000	0
Total Tobacco Settlement Revenue.....	\$315,126,500	\$303,057,800	(\$12,068,700)
Less Transfers Out For:			
21st Century Jobs Trust Fund.....	(\$75,000,000)	(\$75,000,000)	\$0
Payment to Budget Stabilization Fund (Detroit).....	(17,500,000)	(17,500,000)	0
Payments for Detroit Public Schools.....	0	(72,000,000)	(72,000,000)
Payment on 2006 Bond Securitization.....	(33,867,500)	(33,928,200)	(60,700)
Payment on 2007 Bond Securitization.....	(27,342,800)	(27,391,800)	(49,000)
Total Transfers Out.....	(\$153,710,300)	(\$225,820,000)	(\$72,109,700)
Net Revenue To Merit Award Trust Fund.....	\$161,416,200	\$77,237,800	(\$84,178,400)
Appropriations			
<u>Attorney General</u>			
Operations.....	\$485,200	\$495,700	\$10,500
<u>Health and Human Services</u>			
Medicaid Base.....	64,266,000	40,604,100	(23,661,900)
Aging: Respite Care.....	4,068,700	4,068,700	0
Family Independence Program.....	30,100,000	30,100,000	0
<u>State Police</u>			
Tobacco Tax Enforcement.....	793,100	805,500	12,400
<u>Technology, Management, and Budget</u>			
Venture Michigan Tax Voucher Purchase.....	11,900,000	0	(11,900,000)
<u>Department of Treasury</u>			
Student Financial Services Administration.....	1,139,800	1,163,800	24,000
Total Merit Award Trust Fund Appropriations.....	\$112,752,800	\$77,237,800	(\$35,515,000)
MERIT AWARD TRUST FUND YEAR-END BALANCE....	\$48,663,400	\$0	(\$48,663,400)

Data Source: State Budget Office

Table 27

STATE SPENDING FROM STATE RESOURCES APPROPRIATIONS TOTAL COMPARED IN SELECTED BUDGET AREAS (Millions of Dollars)				
Budget Area	FY 2006-07	FY 2016-17	Dollar Difference	Percent Change
	Year-to-Date Appropriations	Gov's Rec. Appropriations		
Health and Human Services	\$6,253.3	\$6,679.6	\$426.3	6.8%
Corrections	1,939.7	2,015.2	75.5	3.9
K-12 School Aid	11,597.0	12,364.5	767.5	6.6
Community Colleges	247.8	399.0	151.2	61.0
Higher Education	1,607.8	1,499.6	(108.1)	(6.7)
Revenue Sharing-Constitutional	666.0	781.5	115.5	17.3
Revenue Sharing-Nonconstitutional	405.1	474.2	69.1	17.1
All Other Programs	5,212.0	6,912.6	1,700.7	32.6
Total State Spending	\$27,928.6	\$31,126.2	\$3,197.7	11.4%
Addendum:				
Medicaid Caseload	1,540,400	2,370,000	829,600	53.9%
Prison Population	51,490	44,493	(6,997)	(13.6)
K-12 Pupil Count	1,681,062	1,486,000	(195,062)	(11.6)
University Students	253,576	261,989	8,413	3.3
Community College Students	139,219	136,124	(3,095)	(2.2)
Michigan Personal Income (millions)	\$346,539.1	\$452,592.8	\$106,053.7	30.6%
Detroit Consumer Price Index	199.0	226.4	27.4	13.7%
NOTES: Medicaid Caseload: Number for FY 2016-17 includes the estimated 596,000 individuals who are eligible under the expansion of Medicaid. Prison Population: These are "average population" numbers and do not represent the exact count on any particular date, but demonstrate how many beds are associated with the appropriation; the numbers are taken from the annual appropriation bills. K-12 Pupils: FY 2016-17 pupil count is from the January 2016 Consensus Revenue Estimating Conference (CREC). Community College and University Students: Numbers in FY 2016-17 column reflect the most recent data available, which are FY 2014-15 fiscal-year-equated-students as reported in the Activities Classification Structure (ACS) and the Higher Education Institutional Data Inventory (HEIDI). Michigan Personal Income and Detroit CPI: Numbers are fiscal year averages; FY 2016-17 numbers are January 2016 CREC estimates.				

ECONOMIC AND REVENUE FORECAST

The Governor's proposed budget for FY 2016-17 is based on the consensus economic forecast adopted at the January 14, 2016, Consensus Revenue Estimating Conference. This economic forecast is summarized in [Table 28](#).

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. Some fundamental elements of the economy remain well below their prerecession peaks, and many 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 2015, the economy had been in recovery for 25 quarters after the recession trough in the second quarter of 2009. Four recoveries since World War II lasted 20 quarters or more, although only three recoveries lasted 25 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 2015 was only 9.5% above the level during the fourth quarter of 2007, when the recession began, and only 14.4% above the level in the second quarter of 2009, when the economy finished contracting. As a result, the economy has averaged only 2.2% annual growth since the end of the recession, compared with an average of 4.6% annual growth over the other three recoveries. Consumption expenditures, which on average account for two-thirds of economic activity, also have exhibited weak growth relative to historical standards, with the current recovery averaging 2.2% annual growth, compared with a historical average of 4.3% growth. Furthermore, consumption growth has been offset by the contracting government sector, which has declined at an average annual rate of 1.2% compared with the historical average of 3.3% 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 2015, inflation-adjusted personal consumption expenditures increased by \$229.5 billion while inflation-adjusted inventories increased \$316.5 billion. Although the rate of inventory growth slowed substantially in the third quarter of 2015, the dollar value of the increase was still nearly double the average increase over the 2011-2014 period. While inventory accumulation is generally regarded as good, at least if it is intended, without increased consumption to support the additional production, inventory increases do not represent a sustainable way to expand the economy.

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. Although motor vehicle sales reached an all-time high in 2015, with light vehicle sales totaling 17.4 million units, 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.

Over much of the current recovery, spending has generally risen more rapidly than wage and salary income, despite the weak growth in consumer spending compared with historical standards. However, over the last two years that trend has reversed. During the first three quarters of 2015, inflation-adjusted consumption spending per person rose at an annual rate of 2.4%, compared with a 4.0% rate of increase in inflation-adjusted wage and salary income per person. Personal saving as a percentage of disposable personal income increased in 2015 to the highest levels since 2012, although the saving has not translated into a reduction in consumer debt levels. Over the first three

quarters of 2015, outstanding consumer debt per person increased at an annual rate of 6.2%, growing at a faster rate than either income or spending. Nonrevolving debt, which includes student loans and motor vehicle loans, increased at a 7.1% rate during the first three quarters of 2015. Similarly, revolving credit (mainly credit card debt) increased at a 3.9% annual rate over the first three quarters of 2015, a rate more than 1.6 times the growth rate in personal consumption spending.

The housing market improved substantially in 2015, the sixth consecutive year of improvement, although it remains weak by almost any historical measure. Based on data available back to 1959, 2015 represented the 11th-weakest year of housing starts (with the weaker years being the seven years from 2008 to 2014, plus the recession years of 1981, 1982, and 1991), and starts were 46.3% below the prerecession peak experienced in 2005.

Despite the improvements in the economy, the labor market remains relatively weak. Payroll employment increased during 2015, and actually surpassed the prerecession peak in May 2014. As of November 2015, payroll employment had averaged only 1.7% annual growth since the February 2010 trough and was up only 1.9% from the November 2014 level, after showing as much as a 2.3% year-over-year increase as recently as March 2015. Payroll employment growth remained relatively stable during 2015, with November's 211,000 employment increase virtually identical to the average monthly gain of 210,000 jobs. However, the 210,000 average monthly increase in payroll employment during the first 11 months of 2015 was down 19.2% from the 260,000 job average monthly increase in 2014. The unemployment rate fell from a peak of 10.0% in October 2009, to 5.0% in November 2015. However, through 2013, the labor force grew much more slowly than the working age population and declines in the unemployment rate often reflected a stagnant or declining labor force as much as increased employment. Between 2007 and 2013, the labor force averaged 0.2% per year annual growth, while in November 2014, the labor force was 0.7% larger than in November 2013. As of September 2014, total employment had surpassed the prerecession peak of November 2007 and the November 2015 level of total employment set an all-time record. However, labor force participation has continued to decline, with the September and October 2015 rates of 62.4% the lowest since October 1977.

Inflation-adjusted GDP is expected to increase at a rate of 2.5% in both 2016 and 2017, the same rate as in 2015, before growth slows slightly to 2.4% rate in 2018. The unemployment rate is estimated to decline from 5.3% in 2015 to 4.9% in 2016 and 4.7% in 2017. Housing starts are expected to exhibit strong growth in 2016 and 2017, rising from 1.1 million starts in 2015 to 1.3 million in 2016 and 1.4 million in 2017, while light vehicle sales are expected to increase from 17.4 million units in 2015 to 18.0 million units in both 2016 and 2017.

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 291,600 jobs in 2009 represented the largest one-year loss of payroll jobs since the Great Depression. Between the April 2000 peak and Michigan's March 2010 employment trough, Michigan lost 862,900 jobs, a decline of 18.4%.

Since 2010, however, the Michigan economy has grown. Payroll employment increased for a fifth consecutive year in 2015, rising 2.2%, after growing 1.7% in 2014. Personal income grew approximately 4.1% during 2015, the same rate as in 2014 and up from 1.5% in 2013.

In 2016 and 2017, Michigan's economy is expected to continue expanding, although at a slightly slower pace than in 2015. Wage and salary employment is projected to rise 1.2% in 2016 and 1.3% in 2017. The unemployment rate is expected to decline from 5.4% in 2015 to 5.1% in 2016 and 4.9% in 2017. Personal income, adjusted for inflation, will grow an estimated 2.8% in 2016 and an additional 1.8% in 2017. Inflation, as measured by the Detroit Consumer Price Index, will be 1.6% in 2016 and 2.4% in 2017.

Revenue Estimates

Based on the economic forecast summarized above, it is estimated that revenue totaling \$55.5 billion will be available in FY 2016-17 to support Governor Snyder's proposed budget. This represents a 0.2% increase from the revised estimate of the total revenue that the Governor expects will be available for FY 2015-16. Estimates of the total revenue on which the Governor's proposed budget is based are summarized in Table 29.

The Governor's only recommended tax policy change, to the tax on insurance companies, would affect revenue in both FY 2015-16 and FY 2016-17 (and later years). In 2012, Public Act 204 moved the administration of the assigned claims facility from the Secretary of State to the Michigan Automobile Insurance Placement Facility (MAIPF). The move made mandatory contributions to the assigned claims facility eligible for tax credits. The Governor's recommendation would keep administration of the assigned claims facility with the MAIPF but assigned claims contributions would no longer be eligible for tax credits -- returning the tax status of the contributions to their level prior to Public Act 204 of 2012. The proposed change is estimated to generate \$60.0 million in FY 2015-16 and \$80.0 million in FY 2016-17 and later years.

In FY 2014-15, the Governor recommended legislation to address tax credit liabilities associated with the Venture Michigan Fund (VMF). The VMF liability, reflecting the redemption of tax vouchers issued in earlier fiscal years, was expected to reduce General Fund/General Purpose revenue by \$38.1 million and School Aid Fund revenue by \$11.9 million in both FY 2014-15 and FY 2015-16. The legislation was enacted and used General Fund revenue to purchase the credits that were expected to be redeemed, eliminating the impact on School Aid Fund revenue and reducing the net cost of the credits over time. Although the Governor did not recommend similar legislation for FY 2016-17, the Governor did indicate that additional VMF credits are expected to be redeemed in FY 2016-17, lowering General Fund revenue by approximately \$30.5 million and School Aid Fund revenue by \$9.5 million.

Following are summaries of the revenue estimates on which the Governor's proposed General Fund/General Purpose and School Aid Fund budgets are based.

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 accounts for \$24.4 billion, or 45.1%, of the total State government revenue estimated for FY 2016-17. Detailed estimates of GF/GP and SAF revenue for FY 2015-16 and FY 2016-17 are presented in Table 30 and Table 31, 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 14, 2016, 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, and beginning carry-over balances.

General Fund/General Purpose Revenue

As shown in Table 30, GF/GP revenue is expected to total \$10.0 billion in FY 2016-17, which represents a decrease of 4.7% from the revised FY 2015-16 estimates. This decline in total GF/GP revenue is attributable to growth in revenue from ongoing sources being more than offset by: 1) a \$541.8 million reduction in the projected carry-over balance from the prior fiscal year, 2) an increase, from \$96.4 million in FY 2015-16 to \$380.9 million in FY 2016-17, in the amount of use tax diverted to local units as a result of personal property tax reform, and 3) the loss of \$305.0 million attributable to ending the Medicaid managed care use tax pursuant to Federal requirements. Revenue from ongoing sources is forecast to increase 3.8% in FY 2016-17, to \$10.2 billion.

School Aid Fund

School Aid Fund revenue available for spending in FY 2016-17 will total an estimated \$14.7 billion, representing a 2.4% increase from the revised estimate for FY 2015-16. This projected increase in SAF revenue reflects growth in revenue from both Federal aid and ongoing sources combining with a \$184.1 million increase in the grant from the General Fund to more than offset a \$142.3 million decrease in the balance carried forward from the prior fiscal year and a \$152.4 million decline in the revenue from the Medicaid managed care use tax. The estimate of SAF revenue in FY 2016-17 summarized in Table 31 includes ongoing earmarked tax and lottery revenue totaling an estimated \$12.5 billion, a 2.9% increase from the revised estimate for FY 2015-16. In addition, the SAF revenue estimate for FY 2016-17 includes Federal aid totaling \$1.8 billion and a \$230.0 million grant from the General Fund.

Table 28

**CONSENSUS ECONOMIC FORECAST
JANUARY 14, 2016**

	Calendar 2015 Forecast	Calendar 2016 Forecast	% Change From Prior Year	Calendar 2017 Forecast	% Change From Prior Year	Calendar 2018 Forecast	% Change From Prior Year
United States:							
Real Gross Domestic Product (billions of chained 2009 dollars)	16,361	16,770	2.5%	17,189	2.5%	17,602	2.4%
Consumer Price Index (1982-84=100)	236.742	239.530	1.2%	244.872	2.2%	250.845	2.4%
3-Month Treasury Bills (Interest Rate, %).....	0.40%	0.90%	---	1.80%	---	2.80%	---
Unemployment Rate (%).....	5.3%	4.9%	---	4.7%	---	4.6%	---
Light Vehicle Sales (millions of units)	17.4	18.0	3.4%	18.0	0.0%	17.9	-0.6%
Michigan:							
Wage and Salary Employment (thousands)	4,270	4,322	1.2%	4,378	1.3%	4,422	1.0%
Unemployment Rate (%).....	5.4%	5.1%	---	4.9%	---	4.8%	---
Personal Income (billions of dollars).....	\$420,279	\$438,771	4.4%	\$457,200	4.2%	\$476,859	4.3%
Real Personal Income (billions of 1982-84 dollars) ..	\$191,978	\$197,291	2.8%	\$200,778	1.8%	\$204,402	1.8%
Detroit Consumer Price Index (1982-84=100).....	218.920	222.398	1.6%	227.714	2.4%	233.295	2.5%

Source: Estimates adopted at the January 14, 2016 Consensus Revenue Estimating Conference.

Table 29

**GOVERNOR'S PROJECTED TOTAL STATE REVENUE:
FY 2014-15 THROUGH FY 2016-17
(Millions of Dollars)**

Fund	FY 2014-15 Final	FY 2015-16 Estimate	% Change FY 2015-16/ FY 2014-15	FY 2016-17 Estimate	% Change FY 2016-17/ FY 2015-16
General Fund/General Purpose:					
Beginning Balance.....	\$306.4	\$694.7	---	\$152.9	---
Revenue From Ongoing Sources ¹⁾	10,034.4	9,843.8	(1.9%)	10,213.9	3.8%
Proposed Tax/Fee Changes	0.0	60.0	---	49.5	---
One-Time Revenue Adjustments & Other.....	(64.6)	(59.8)	(7.5)	(369.5)	517.9
Total GF/GP Revenue.....	\$10,276.2	\$10,538.7	2.6%	\$10,046.8	(4.7%)
School Aid Fund:					
Beginning Balance.....	\$455.1	\$190.2	---	\$47.9	---
Ongoing Earmarked Tax & Lottery Revenue ¹⁾	11,747.1	12,131.6	3.3%	12,486.2	2.9%
Proposed Tax/Revenue Changes	0.0	203.3	---	41.4	---
Federal Aid	1,606.5	1,775.8	10.5	1,818.6	2.4
Other Revenue (General Fund grant, etc.).....	276.1	55.1	(80.0)	302.0	448.1
Total SAF Revenue.....	\$14,084.7	\$14,356.0	1.9%	\$14,696.1	2.4%
Other Funds:					
Gen'l Fund/Special Purpose & Special Revenue Funds ...	\$6,741.0	\$5,648.8	(16.2%)	\$5,981.1	5.9%
Federal Aid (not included elsewhere).....	18,257.2	20,041.5	9.8	19,370.5	(3.3)
Transportation Funds	4,313.2	4,444.7	3.0	5,225.0	17.6
Fund Balances:					
Restricted Gen'l Fund Subfunds Unreserved Balances	557.8	513.0	(8.0)	514.0	0.2
Special Revenue Fund Balances	<u>1,057.3</u>	<u>937.7</u>	<u>(11.3)</u>	<u>1,216.0</u>	<u>29.7</u>
Total Fund Balances.....	1,615.2	1,450.7	(10.2)	1,730.0	19.3
Total Other Funds with Beginning Balance.....	30,926.6	31,585.6	2.1	32,306.6	2.3
Gross Revenue	\$55,287.5	\$56,480.4	2.2%	\$57,049.5	1.0%
Less Interfund Transfers.....	(\$1,251.1)	(\$1,075.6)	(14.0%)	(\$1,544.7)	43.6%
Net Total Revenue	\$54,036.4	\$55,404.8	2.5%	\$55,504.8	0.2%

¹⁾ Estimates adopted at the January 14, 2016, Consensus Revenue Estimating Conference.

Source: Governor's Executive Budget for FY 2016-17, Appendix C, State Budget Office Balance Sheets, and Senate Fiscal Agency

Table 30

GENERAL FUND/GENERAL PURPOSE REVENUE ESTIMATES: FY 2015-16 AND FY 2016-17			
(Millions of Dollars)			
	FY 2015-16	FY 2016-17	Percent Change
Beginning Balance	\$694.7	\$152.9	(78.0%)
Consensus Estimates for Ongoing Revenue Sources¹⁾			
<u>Taxes:</u>			
Net Income Tax.....	6,595.9	6,821.5	3.4
Michigan Business Tax.....	(1,031.0)	(743.9)	(27.8)
Corporate Income Tax.....	1,116.0	1,147.3	2.8
Sales.....	1,200.1	1,220.4	1.7
Use.....	866.9	650.2	(25.0)
Cigarette.....	185.7	183.3	(1.3)
Beer and Wine/Liquor.....	103.5	105.9	2.3
Insurance Company Premiums.....	310.0	317.0	2.3
Oil/Gas Severance.....	30.4	33.5	10.2
Telephone & Telegraph.....	42.0	42.0	0.0
All Other Taxes.....	34.5	59.6	72.8
Subtotal Taxes.....	9,454.0	9,836.8	4.0
Nontax Revenue.....	389.8	377.1	(3.3)
Total GF/GP Consensus Revenue Estimates	\$9,843.8	\$10,213.9	3.8%
Revenue Sharing Payments (Ongoing Plus One-Time).....	(468.5)	(474.2)	1.2
Other Revenue Adjustments ²⁾	408.7	74.2	(81.9)
Proposed Tax Policy/Enforcement Changes.....	60.0	80.0	33.3
Total GF/GP Revenue (Current Fiscal Year)	\$9,844.0	\$9,893.9	0.5%
TOTAL GF/GP REVENUE WITH BEGINNING BALANCE	\$10,538.7	\$10,046.8	(4.7%)
¹⁾ Estimates adopted at the January 14, 2016, Consensus Revenue Estimating Conference. ²⁾ Includes the following: \$2.0 million in borrowing costs that are shifted to the School Aid Fund in FY 2015-16 and \$3.0 million in FY 2016-17, managed care use tax revenue of \$406.7 million in FY 2015-16 and \$101.7 million in FY 2016-17, and a \$30.5 million reduction for Venture Michigan Fund Tax Vouchers redeemed in FY 2016-17.			

Table 31

SCHOOL AID FUND REVENUE ESTIMATES: FY 2015-16 AND FY 2016-17
(Millions of Dollars)

	FY 2015-16	FY 2016-17	Percent Change
Beginning Balance	\$190.2	\$47.9	(74.8%)
Consensus Estimates for Earmarked Tax & Lottery Revenue¹⁾			
Taxes:			
Sales Tax & Use Tax	5,958.3	6,168.2	3.5
Income Tax.....	2,606.5	2,693.9	3.4
State Education Property Tax	1,890.1	1,935.8	2.4
Real Estate Transfer Tax	273.0	284.7	4.3
Tobacco Taxes.....	355.3	348.7	(1.9)
Casino Gaming Tax	112.0	113.0	0.9
Other Tax Revenue.....	116.4	118.8	2.1
Subtotal Taxes	11,311.6	11,663.1	3.1
Lottery	820.0	823.1	0.4
Subtotal Earmarked Tax & Lottery Consensus Estimate	\$12,131.6	\$12,486.2	2.9%
GF/GP Grant	45.9	230.0	401.1
Federal Aid	1,775.8	1,818.6	2.4
Proposed Tax Policy/Enforcement Changes	0.0	0.0	---
Other Revenue Adjustments ²⁾	212.5	113.4	(46.6)
Total SAF Revenue (Current Fiscal Year)	\$14,165.8	\$14,648.2	3.4%
TOTAL SAF REVENUE WITH BEGINNING BALANCE	\$14,356.0	\$14,696.1	2.4%

¹⁾ Estimates adopted at the January 14, 2016, Consensus Revenue Estimating Conference.

²⁾ Includes the following: \$9.2 million from General Fund supplemental request 2016-7 (Flint) in FY 2015-16, \$72.0 million in FY 2016-17 from the Detroit Public Schools Trust Fund, managed care use tax revenue of \$50.0 million in FY 2016-17, and a \$9.5 million reduction for Venture Michigan Fund Tax Vouchers redeemed in FY 2016-17.

Budget and Economic Stabilization Fund

Table 32 provides a history of the balance of the Countercyclical Budget and Economic Stabilization Fund (BSF) from FY 1998-99 to estimated FY 2017-18. The table shows enacted deposits and withdrawals and estimated interest earnings. The closing balance in the BSF is estimated at \$612.1 million in FY 2015-16 and \$633.3 million in FY 2016-17. Two appropriations have been made to the BSF for FY 2015-16: the deposit of \$95.0 million pursuant to Public Act (PA) 84 of 2015 and the deposit of \$17.5 million of tobacco settlement revenue pursuant to the Trust Fund Act as part of the repayment of the BSF withdrawal in FY 2013-14 related to the Detroit bankruptcy. The Trust Fund Act deposit to the BSF of \$17.5 million annually will continue through FY 2034-35.

Table 32

BUDGET AND ECONOMIC STABILIZATION FUND TRANSFERS, EARNINGS, AND FUND BALANCE FY 1998-99 TO FY 2017-18 ESTIMATE (Millions of Dollars)				
Fiscal Year^{a)}	Pay-In	Interest Earned	Pay-Out	Fund Balance
1998-99	\$244.4	\$51.2	\$73.7	\$1,222.5
1999-00	100.0	73.9	132.0	1,264.4
2000-01	0.0	66.7	337.0	994.2
2001-02	0.0	20.8	869.8	145.2
2002-03	0.0	1.8	147.0	0.0
2003-04	81.3	0.0	0.0	81.3
2004-05	0.0	2.0	81.3	2.0
2005-06	0.0	0.0	0.0	2.0
2006-07	0.0	0.1	0.0	2.1
2007-08	0.0	0.1	0.0	2.2
2008-09	0.0	0.0	0.0	2.2
2009-10	0.0	0.0	0.0	2.2
2010-11	0.0	0.0	0.0	2.2
2011-12	362.7	0.2	0.0	365.1
2012-13	140.0	0.5	0.0	505.6
2013-14 ^{b)}	75.0	0.4	194.8	386.2
2014-15 ^{c)}	111.5	0.4	0.0	498.1
Enacted Deposits and Estimated Interest Earnings:				
2015-16 ^{d)}	112.5	1.5	0.0	612.1
2016-17 ^{e)}	17.5	3.7	0.0	633.3
2017-18 ^{f)}	17.5	3.8	0.0	654.6
<p>a) For FY 1998-99 to FY 2014-15 the table shows the actual appropriated pay-in and pay-out to the BSF and the interest earned as reported in the State of Michigan Comprehensive Annual Financial Report. FY 2015-16 to FY 2017-18 include enacted legislation and estimated interest earnings.</p> <p>b) Pay-in was appropriated in PA 59 of 2013. Pay-out is the transfer of \$194.8 million in FY 2013-14 per PA 188 of 2014 from the BSF to the Settlement Administration Fund related to the Detroit bankruptcy.</p> <p>c) Pay-ins that totaled \$111.5 million were appropriated in FY 2014-15. Public Act 252 of 2014 appropriated \$94.0 million to the BSF and PA 186 of 2014, which amended the Trust Fund Act, authorizes the deposit of \$17.5 million of tobacco settlement revenue to the BSF as the first repayment of the withdrawal related to the Detroit bankruptcy.</p> <p>d) There is a difference of \$138.4 million between the enacted deposit of \$112.5 million in FY 2015-16 (\$17.5 million deposit authorized by the Trust Fund Act plus the \$95.0 million deposit appropriated in PA 84 of 2015) and the estimated formula pay-in of \$250.9 million calculated by the January 2016 Consensus Revenue Estimating Conference.</p> <p>e) There is a difference of \$179.4 million between the \$17.5 million already authorized by the Trust Fund Act and the estimated \$196.9 million formula deposit calculated in January 2016.</p> <p>f) A deposit of \$17.5 million is authorized by the Trust Fund Act. The estimated formula pay-in is \$10.2 million.</p>				

DETAILS FOR DEPARTMENTS AND BUDGET AREAS

This section of the report presents tables that summarize the Governor's FY 2016-17 Gross and GF/GP appropriation changes to FY 2015-16 (as of February 10, 2016) for each department and budget area. Tables 33 and 34 summarize the Gross and GF/GP changes, respectively. Table 35 provides detail by budget area for the Gross and GF/GP changes. Following Table 35 are highlight sheets for individual departments and budget areas that summarize the Gross appropriation and boilerplate language changes from FY 2015-16 to the Governor's recommendation for FY 2016-17.

Table 33

GROSS APPROPRIATIONS			
FY 2016-17 GOVERNOR'S RECOMMENDATION VERSUS FY 2015-16 YEAR-TO-DATE			
(INCLUDES BOTH ONGOING AND ONE-TIME APPROPRIATIONS)			
Department/Budget Area	FY 2015-16 Year-To-Date Feb. 10, 2016	FY 2016-17 Gov's Rec.	Gross Dollar Difference
Agriculture and Rural Development	\$86,594,000	\$91,591,300	\$4,997,300
Attorney General	92,107,600	95,185,800	3,078,200
Capital Outlay	400	0	(400)
Civil Rights	16,128,700	16,721,900	593,200
Community Colleges	387,825,600	399,025,600	11,200,000
Corrections	1,962,226,000	2,029,386,100	67,160,100
Education	308,561,200	316,917,400	8,356,200
Environmental Quality	499,995,800	513,499,400	13,503,600
Executive	5,531,100	5,636,300	105,200
Health and Human Services	25,086,944,200	24,707,967,700	(378,976,500)
Higher Education	1,534,724,400	1,598,654,400	63,930,000
Insurance and Financial Services	65,057,700	66,307,200	1,249,500
Judiciary	284,851,400	298,261,400	13,410,000
Legislative Auditor General	22,840,500	23,451,900	611,400
Legislature	136,464,300	141,253,600	4,789,300
Licensing and Regulatory Affairs	409,849,000	416,567,500	6,718,500
Military and Veterans Affairs	168,953,700	176,000,200	7,046,500
Natural Resources	404,001,200	397,904,100	(6,097,100)
School Aid	13,900,654,300	14,183,112,100	282,457,800
State	230,256,700	258,015,600	27,758,900
State Police	620,937,400	658,726,100	37,788,700
Talent and Economic Development	1,153,023,500	1,142,494,300	(10,529,200)
Technology, Management, and Budget	1,263,223,700	1,320,096,200	56,872,500
Transportation	3,896,201,400	4,125,203,600	229,002,200
Treasury (Debt Service)	156,449,000	137,037,000	(19,412,000)
Treasury (Operations)	536,197,100	518,001,500	(18,195,600)
Treasury (Revenue Sharing)	1,220,654,700	1,255,708,900	35,054,200
Total Budget Area Appropriations	\$54,450,254,600	\$54,892,727,100	\$442,472,500
Budget Stabilization Fund	\$95,000,000	\$0	(\$95,000,000)
Total Appropriations	\$54,545,254,600	\$54,892,727,100	\$347,472,500

Table 34

GENERAL FUND/GENERAL PURPOSE APPROPRIATIONS FY 2016-17 GOVERNOR'S RECOMMENDATION VERSUS FY 2015-16 YEAR-TO-DATE (INCLUDES BOTH ONGOING AND ONE-TIME APPROPRIATIONS)			
Department/Budget Area	FY 2015-16 Year-To-Date Feb. 10, 2016	FY 2016-17 Gov's Rec.	GF/GP Dollar Difference
Agriculture and Rural Development	\$43,073,600	\$48,036,900	\$4,963,300
Attorney General	37,013,400	39,140,500	2,127,100
Capital Outlay	400	0	(400)
Civil Rights	12,949,700	13,494,700	545,000
Community Colleges	131,110,800	138,610,800	7,500,000
Corrections	1,903,948,400	1,979,457,900	75,509,500
Education	77,583,700	76,381,200	(1,202,500)
Environmental Quality	46,914,200	47,686,400	772,200
Executive	5,531,100	5,636,300	105,200
Health and Human Services	4,153,708,200	4,350,767,300	197,059,100
Higher Education	1,232,418,500	1,262,418,500	30,000,000
Insurance and Financial Services	150,000	150,000	0
Judiciary	183,642,200	189,184,800	5,542,600
Legislative Auditor General	15,460,100	15,923,900	463,800
Legislature	131,872,300	136,577,800	4,705,500
Licensing and Regulatory Affairs	40,481,500	42,813,200	2,331,700
Military and Veterans Affairs	53,187,300	57,143,600	3,956,300
Natural Resources	39,597,800	39,560,000	(37,800)
School Aid	45,900,000	230,000,000	184,100,000
State	22,161,500	27,109,600	4,948,100
State Police	376,405,600	411,912,800	35,507,200
Talent and Economic Development	198,457,000	170,088,900	(28,368,100)
Technology, Management, and Budget	477,198,200	504,423,100	27,224,900
Transportation	400,000,000	10,400,000	(389,600,000)
Treasury (Debt Service)	156,449,000	137,037,000	(19,412,000)
Treasury (Operations)	123,930,300	97,908,800	(26,021,500)
Treasury (Revenue Sharing)	0	0	0
Total Budget Area Appropriations	\$9,909,144,800	\$10,031,864,000	\$122,719,200
Budget Stabilization Fund	\$95,000,000	\$0	(\$95,000,000)
Total Appropriations	\$10,004,144,800	\$10,031,864,000	\$27,719,200

Table 35

GOVERNOR'S FY 2016-17 GROSS AND GF/GP CHANGES TO FY 2015-16		
Budget Area/Line Items	Gov's Changes to FY 2015-16	
	Gross	GF/GP
Agriculture and Rural Development		
Rural development fund grant program	\$2,000,000	\$0
Geagley laboratory upgrades.....	1,320,000	1,320,000
On-farm food safety	1,169,000	1,169,000
Heffron laboratory fund shift and upgrades	1,040,000	1,040,000
Replace equine industry development revenue for labs with GF	600,000	600,000
Farmland preservation	500,000	500,000
IT maintenance	378,000	257,000
Replace refined petroleum fund revenue with GF	0	1,500,000
Transfer equine lab testing to gaming commission	(600,200)	0
Remove one-time funding for value-added grants.....	(550,000)	(550,000)
Remove one-time funding for tree fruit research grants	(500,000)	(500,000)
Align Federal and restricted revenue with actual revenue received	(435,900)	0
Eliminate county fair grants.....	(300,000)	(300,000)
Eliminate commercial forestry audit program	(300,000)	(300,000)
Reduce value-added grants.....	(150,000)	(150,000)
Replace GF for qualified forest program with private revenue	(130,000)	(130,000)
Administrative reductions.....	(99,100)	(99,100)
Eliminate shows and exposition grants.....	(20,000)	(20,000)
Remove five-year early-out deferred sick leave payments.....	(237,600)	(101,100)
Unclassified salaries increase.....	13,300	13,300
Economic adjustments.....	1,299,800	714,200
Total Agriculture and Rural Development.....	\$4,997,300	\$4,963,300
Attorney General		
Prescription drug abuse unit (new; one-time).....	\$700,000	\$700,000
Home protection unit mortgage fraud investigations	600,000	600,000
Human trafficking commission	390,000	0
Transition to DTMB rated service model for mailing, vehicles, etc.....	82,100	82,100
Reduce justice training fund rev. for prosecuting atty. coord. Council...	(162,400)	0
Remove five-year early-out deferred sick leave payments.....	(472,200)	(5,000)
Unclassified salaries increase.....	18,400	18,400
Economic adjustments.....	1,922,300	731,600
Total Attorney General	\$3,078,200	\$2,127,100
Capital Outlay		
Remove FY 2015-16 planning authorizations.....	(\$400)	(\$400)
Total Capital Outlay	(\$400)	(\$400)
Civil Rights		
Advocates and leaders for police and community trust (one-time).....	\$250,000	\$250,000
Middle-Eastern American Affairs Commission (new; one-time)	100,000	100,000
Transition to DTMB rated service model for mailing, vehicles, etc.....	20,100	20,100
Remove five-year early-out deferred sick leave payments.....	(70,800)	(70,800)
Unclassified salaries increase.....	16,100	16,100
Economic adjustments.....	277,800	229,600
Total Civil Rights.....	\$593,200	\$545,000
Community Colleges		
College operations increase (2.4%).....	\$7,500,000	\$7,500,000
MPERS unfunded accrued liability (UAL) cap costs (SAF)	3,700,000	0
Total Community Colleges.....	\$11,200,000	\$7,500,000

GOVERNOR'S FY 2016-17 GROSS AND GF/GP CHANGES TO FY 2015-16

Budget Area/Line Items	Gov's Changes to FY 2015-16	
	Gross	GF/GP
Corrections		
Hepatitis C pharmaceuticals	\$17,335,000	\$17,335,000
Clinical and mental health services and support	11,200,000	11,200,000
Corrections officer academy (one-time).....	8,506,100	8,506,100
Reentry service contracts rebids.....	6,790,000	6,790,000
Information technology services	3,042,600	3,042,600
Mental health programming	1,954,500	1,954,500
Trinity food service contract	1,535,000	1,535,000
Ballistic vests (one-time).....	981,300	981,300
Living in recovery treatment program (new)	750,000	750,000
Facility costs.....	287,800	287,800
Managing prison populations	(4,991,000)	(4,991,000)
Special equipment fund	(4,800,000)	1,874,000
Prison relocation: Kinross to Hiawatha	(3,400,000)	(3,400,000)
Goodwill flip-the-script and parole sanction certainty	(2,500,000)	(2,500,000)
Prison store operations	(2,400,000)	0
Leased beds and alternatives to leased beds	(1,609,000)	(1,609,000)
Restricted revenue reductions	(101,100)	0
Remove five-year early-out deferred sick leave payments.....	(1,346,800)	(1,345,500)
Unclassified salaries increase.....	43,800	43,800
Economic adjustments	35,881,900	35,054,900
Total Corrections	\$67,160,100	\$75,509,500
Department of Education		
Flint declaration of emergency.....	\$8,050,100	\$0
Multi-tiered systems of supports for at-risk students (new)	500,000	500,000
Teacher certification fee support.....	500,000	500,000
Early/middle college support.....	395,000	395,000
Implement special education task force recommendations (new).....	300,000	300,000
School safety consultant.....	180,000	180,000
Home visit program management	175,000	175,000
E-rate technical assistance	162,500	162,500
Education commission of the states membership dues.....	90,800	90,800
Remove FY 2015-16 supplemental appropriations	(2,685,000)	(2,685,000)
Educator evaluations.....	(1,000,000)	(1,000,000)
Financial independence team.....	(250,000)	(250,000)
Remove five-year early-out deferred sick leave payments.....	(201,400)	(21,900)
Unclassified salaries increase.....	20,200	15,600
Economic adjustments	2,119,000	435,500
Total Department of Education.....	\$8,356,200	(\$1,202,500)
Environmental Quality		
Increase CMI funds for high-priority cleanups	\$14,900,000	\$0
Flint declaration of emergency (one-time/\$100 reserve placeholder) ...	5,400,100	5,400,000
Replace oil and gas regulatory fund revenue with GF (one-time)	4,000,000	4,000,000
Drinking water revolving loan fund State match (one-time).....	2,950,000	2,950,000
Increase for storage tank cleanups (refined petroleum fund)	1,500,000	0
Increase water withdrawal assessment program.....	800,000	0
Increase contaminated sediment cleanup (one-time; CMI)	700,000	0
Remove FY 2015-16 supplemental appropriations	(13,086,500)	(12,086,500)
Reduce restricted fund support for office of oil, gas, and minerals.....	(5,385,600)	0
Eliminate brownfield grant program (CMI)	(1,500,000)	0
Eliminate environmental bond site reclamation program (CMI).....	(126,800)	0
Remove five-year early-out deferred sick leave payments.....	(243,300)	(43,800)

GOVERNOR'S FY 2016-17 GROSS AND GF/GP CHANGES TO FY 2015-16

Budget Area/Line Items	Gov's Changes to FY 2015-16	
	Gross	GF/GP
Environmental Quality (continued)		
Unclassified salaries	18,400	5,400
Economic adjustments	3,577,300	547,100
Total Environmental Quality	\$13,503,600	\$772,200
Executive		
Operations increase	\$105,200	\$105,200
Total Executive	\$105,200	\$105,200
Health and Human Services		
Costs of Hepatitis C drug Sovaldi	\$327,805,200	\$91,482,200
Pharmacy reserve fund for Medicaid costs of new drugs	86,083,200	30,000,000
Healthy Mich. Plan (HMP) recipients formerly Medicaid eligible	66,946,400	(1,308,300)
Costs of cystic fibrosis drug Orkambi	66,276,100	43,696,600
Medicare Part D (pharmaceutical) cost increase	58,363,800	58,363,800
Traditional Medicaid actuarial soundness (1.5%)	54,812,800	19,102,300
Integrated service delivery (\$36.9M one-time)	49,230,000	1,230,800
Medicare premium payments cost increase	48,685,700	16,910,900
Implementation of ambulance QAAP	48,115,500	1,515,000
Regular Medicaid base, caseload, utilization, inflation	46,515,300	16,210,600
Increase in Federal victims of crime grant	44,279,300	0
Actuarial soundness for Medicaid behavioral health (1.5%)	34,229,200	11,928,900
Michigan access to care (MACI) increase for hospitals	28,300,000	(4,552,600)
Autism services base/caseload	26,303,400	9,166,700
Complete expansion of healthy kids dental	25,601,000	8,921,900
HMP actuarial soundness (2.0%)	24,567,900	921,300
Mi SACWIS implementation (\$11,538,600 one-time, all Federal)	22,309,000	7,746,900
Flint declaration of emergency (one-time)	15,138,100	9,094,200
Expand family preservation funding (one-time)	10,000,000	0
New patient unit at center for forensic psychiatry	7,607,000	7,607,000
Transition to DTMB rated service model for mailing, vehicles, etc.	6,343,000	2,220,100
Child care fund caseload and fund source	6,294,200	6,295,300
Increase family independence program clothing allowance	6,120,000	0
HMP behavioral health actuarial soundness	4,653,900	174,500
Changes in Federal grants	2,950,600	0
Guardianship caseload and fund source	2,743,100	3,508,000
Increase in multicultural funding	1,445,500	1,445,500
Autism alliance navigator	1,125,000	1,125,000
Foster care caseload and fund source	1,005,900	(8,700,700)
Medicaid fraud detection software maintenance and support	433,300	216,700
Encryption software maintenance and support	422,000	105,500
Caseload increase for child support collections	410,400	410,400
Medicaid substance abuse base/caseload	325,300	113,300
Supplemental security income caseload	163,300	163,300
Increase in disability determination medical costs	138,800	138,800
Carryforward of extra EMS restricted revenue	103,700	0
Sexual assault kit legislation costs	25,000	25,000
Replace GF with Medicaid Benefits Trust Fund revenue	0	(17,500,000)
Medicaid match rate change from 65.60% to 65.15%	0	48,510,700
Reduced school-based services savings	0	1,443,700
SCHIP match rate change from 98.92% to 98.61%	0	187,100
Replace one-time hospital QAAP retainer with HMP retainer	0	(12,143,900)
HMP match rate change from 0% to 95% on 1/1/17	0	127,824,900
HICA rate increase from 0.75% to 1.0% on 1/1/17	0	(58,187,300)

GOVERNOR'S FY 2016-17 GROSS AND GF/GP CHANGES TO FY 2015-16

Budget Area/Line Items	Gov's Changes to FY 2015-16	
	Gross	GF/GP
Health and Human Services (continued)		
MiChild: Recoup match for children formerly on Medicaid	0	(30,000,000)
Decreased match for dual eligible staff.....	0	144,200
Replace Merit Award Trust Fund revenue with GF.....	0	23,661,900
Correction of medical services administration fund sourcing	0	1,405,000
Actuarial soundness adjustment (use tax expires 12-31-16).....	(612,903,600)	(140,444,800)
HMP base, caseload, utilization, inflation	(390,513,700)	(14,644,300)
Moratorium on ACA health insurer fee 1/1/17-reduces HMO pmts.	(137,175,400)	(36,710,400)
HMP behavioral health base/caseload	(122,736,500)	(4,602,600)
Remove one-time HMP hospital rate adjustor (HRA) payment	(92,856,100)	0
Food assistance program caseload	(70,908,500)	0
Medicaid mental health base/caseload.....	(38,320,900)	(13,354,700)
Physician adjustor change to actual available revenue	(20,000,000)	0
Remove one-time FY 2015-16 Flint supplementals.....	(\$17,307,100)	(\$10,910,100)
Remove one-time FY 2015-16 appropriations	(7,800,000)	(7,400,000)
Change county hold harmless funding to 50/50, State/county	(6,100,000)	(5,200,000)
Adoption subsidy caseload and fund source	(5,971,800)	723,300
End of integrated care for duals second-year grant.....	(5,656,000)	(1,414,000)
Family independence program (FIP) caseload.....	(3,888,100)	(953,600)
Children's special health care services (CSHCS) caseload	(2,649,500)	(480,700)
State disability assistance caseload	(1,664,400)	(1,664,400)
Expiration of juvenile accountability block grants	(1,281,300)	(66,800)
Align Michigan rehabilitation services restricted revenue with actual ...	(1,168,600)	0
Family support subsidy caseload.....	(682,200)	0
Adjust CSHCS parent participation revenue to actual.....	(479,100)	0
Eliminate home rural county community care grants.....	(400,000)	(400,000)
Eliminate adoption family support parent-to-parent program	(350,000)	(350,000)
Eliminate one-time LARA IDG for nursing transitions.....	(268,700)	0
End of State Police facility inspection contract	(132,800)	(132,800)
Reduction in departmentwide administration and management.....	(100,000)	(100,000)
LARA building occupancy adjustments.....	(8,400)	(8,400)
SCHIP match rate impact on poison control.....	(4,100)	0
Remove five-year early-out deferred sick leave payments.....	(6,363,600)	(2,540,400)
Unclassified salaries	27,300	18,400
Economic adjustments	42,814,700	17,070,200
Total Health and Human Services	(\$378,976,500)	\$197,059,100
Higher Education		
University operations increase (4.4%)	\$59,787,400	\$28,587,400
Tuition incentive program (TANF).....	2,000,000	0
MSU ag bio research	734,800	734,800
MSU extension.....	677,800	677,800
MPERS unfunded accrued liability (UAL) cap costs (SAF).....	730,000	0
Total Higher Education.....	\$63,930,000	\$30,000,000
Insurance and Financial Services		
Remove five-year early-out deferred sick leave payments.....	(\$138,500)	\$0
Unclassified salaries increase.....	18,200	0
Economic adjustments	1,369,800	0
Total Insurance and Financial Services	\$1,249,500	\$0
Judiciary		
Statewide e-file system	\$8,499,900	\$0
Michigan indigent defense commission	1,300,000	1,300,000

GOVERNOR'S FY 2016-17 GROSS AND GF/GP CHANGES TO FY 2015-16

Budget Area/Line Items	Gov's Changes to FY 2015-16	
	Gross	GF/GP
Judiciary (continued)		
State appellate defender office	1,100,000	1,100,000
Medication assisted treatment pilot (new).....	500,000	500,000
Drug treatment court expansion.....	500,000	500,000
Veterans treatment court expansion	500,000	500,000
Michigan legal self-help website and centers	300,000	300,000
Michigan judicial institute	(395,700)	0
Replace MCOLES revenue with GF	(306,700)	167,000
Judgeship net savings by attrition.....	(259,700)	(259,700)
Remove five-year early-out deferred sick leave payments.....	(58,800)	(51,500)
Economic adjustments.....	1,731,000	1,486,800
Total Judiciary.....	\$13,410,000	\$5,542,600
Legislative Auditor General		
Operations increase (2.7%)	\$611,400	\$463,800
Total Legislative Auditor General.....	\$611,400	\$463,800
Legislature		
Operations increase (3.5%)	\$4,789,300	\$4,705,500
Total Legislature	\$4,789,300	\$4,705,500
Licensing and Regulatory Affairs		
MI automated prescription system upgrades (one-time)	\$2,470,000	\$2,470,000
MI automated prescription system upgrades (ongoing).....	2,020,000	2,020,000
Liquor control commission IT upgrades (one-time)	1,560,000	0
Increase public utility assessments for energy agency.....	984,300	0
Transfer deputy director positions to classified from unclassified	302,000	0
Higher education reciprocal exchange program implementation	300,000	0
Increased rent costs for agency for energy	39,000	0
Technical adjustment for bureau of children and adult licensing.....	8,400	8,400
MI admin. hearing system-replace GF with corporations fees	0	(370,000)
Bureau community/health svcs.-replace GF with health sys. Fees	0	(347,400)
Remove FY 2015-16 supplemental appropriations	(2,200,000)	(2,000,000)
Technical revenue adjustment for MI admin. hearing system	(1,651,500)	0
Remove appropriation for Detroit demolition permit assistance	(800,000)	0
Technical revenue adjustment corps/securities licensing bureau	(617,500)	0
Technical revenue adjustment bureau services for blind persons.....	(591,000)	0
Technical revenue adjustment bureau of fire services	(455,300)	0
Technical revenue adjustment for radiation safety section.....	(264,900)	0
Remove five-year early-out deferred sick leave payments.....	(934,700)	(17,500)
Unclassified salaries	118,600	6,000
Economic adjustments.....	6,431,100	562,200
Total Licensing and Regulatory Affairs.....	\$6,718,500	\$2,331,700
Military and Veterans Affairs		
Grand Rapids home for veterans renovations	\$5,000,000	\$5,000,000
Armory infrastructure upgrades	2,500,000	2,500,000
D.J. Jacobetti home for veterans Medicaid certification	1,120,000	1,120,000
Veterans homes restricted revenue shortfall and shift to GF	0	2,300,000
National Guard tuition assistance funding adjustment.....	858,400	(2,641,600)
Align Federal revenue with actual revenue received	518,900	0
Remove one-time funding for special maintenance.....	(3,000,000)	(3,000,000)
Remove FY 2015-16 supplemental appropriations	(2,000,000)	(2,000,000)
Remove five-year early-out deferred sick leave payments.....	(125,800)	(45,600)

GOVERNOR'S FY 2016-17 GROSS AND GF/GP CHANGES TO FY 2015-16

Budget Area/Line Items	Gov's Changes to FY 2015-16	
	Gross	GF/GP
Military and Veterans Affairs (continued)		
Unclassified salaries	34,800	34,800
Economic adjustments	2,140,200	688,700
Total Military and Veterans Affairs	\$7,046,500	\$3,956,300
Natural Resources		
Replace land ownership tracking system (one-time)	\$4,000,000	\$0
Increase capital outlay for recreational lands and infrastructure	3,300,000	250,000
Capital outlay: new waterways projects	3,258,500	0
Increase forest development fund (FDF) for forest management	2,125,000	0
Vegetative management system replacement (one-time)	2,100,000	0
State parks cost increases: utilities, reservations, minimum wage	1,510,000	0
Asian carp barrier development (one-time)	1,000,000	1,000,000
Increase FDF for wildfire equipment purchase (one-time)	1,000,000	0
Replace tribal/commercial fisher reporting system (one-time)	600,000	300,000
Increase recreation passport local grants (one-time)	500,000	0
Increase Federal funds for wildlife management	424,000	0
Increase marine safety fund grants from increased revenue	200,000	0
Increase Federal funds for shooting ranges	181,000	0
Increase FDF for wildfire equipment purchase (ongoing)	150,000	0
Increase forest recreation fund revenue for trails/campgrounds	150,000	0
Replace GF for wildfire protection fund with FDF	0	(1,200,000)
Remove one-time FY 2015-16 appropriations	(20,537,000)	(1,075,000)
Reduce various restricted funds to reflect estimated revenue	(6,481,600)	0
Remove FY 2015-16 capital outlay waterways projects	(3,903,900)	0
Reduce Federal funds to reflect estimated revenue	(224,200)	0
Remove five-year early-out deferred sick leave payments	(816,800)	(22,900)
Unclassified salaries	18,400	0
Economic adjustments	5,349,500	710,100
Total Natural Resources	(\$6,097,100)	(\$37,800)
School Aid		
Foundation allowance increase	\$150,000,000	\$150,000,000
MPERS rate cap cost increase	89,300,000	0
Detroit Public Schools' foundation allowance support ("NewCo")	72,000,000	0
State special education funding	54,500,000	0
Federal grants	42,863,500	0
Flint declaration of emergency (new, one-time)	10,142,600	10,142,500
Career/technical ed (CTE) equipment upgrades (new, one-time)	10,000,000	10,000,000
Educator evaluations	10,000,000	0
Statewide school water testing program	9,000,000	0
State school reform/redesign	5,000,000	0
CTE early/middle college program increase	5,000,000	0
Integrated behavior/learning support (MiBLSi) (new, one-time)	1,370,000	1,370,000
Comprehensive STEM initiative	2,475,000	2,475,000
Intermediate school district operations	1,074,000	0
Pupil membership blend change (from 90/10 to 50/50)	1,000,000	0
School aid fund borrowing costs	1,000,000	0
FIRST robotics	500,000	0
Promise zone payments	390,000	0
PILT reimbursement	128,300	0
Replace SAF with GF for foundation allowance	0	11,683,800
Replace SAF with GF for consolidation incentive grants	0	2,857,500
Technical foundation allowance cost adjustments	(126,700,000)	0

GOVERNOR'S FY 2016-17 GROSS AND GF/GP CHANGES TO FY 2015-16

Budget Area/Line Items	Gov's Changes to FY 2015-16	
	Gross	GF/GP
School Aid (continued)		
Eliminate final year of technology readiness grants	(23,500,000)	0
Reduction in State assessments.....	(10,100,000)	0
Reduction in renaissance zone costs	(6,300,000)	0
Eliminate one-time funding for computer adaptive testing.....	(4,000,000)	0
Reduction of costs for school breakfasts	(3,125,000)	0
Eliminate one-time funding for teacher certification tests	(1,800,000)	(1,800,000)
Eliminate one-time gang prevention funding	(1,000,000)	0
Eliminate one-time Michigan education corps funding	(1,000,000)	(1,000,000)
Eliminate one-time parents university pilot	(1,000,000)	0
Adjust juvenile detention facilities education costs (Maxey).....	(888,800)	0
Remove one-time funding for strict discipline academies.....	(750,000)	0
Remove one-time funding for dropout recovery programs	(750,000)	0
Remove one-time college and career readiness (online tool)	(550,000)	(550,000)
Eliminate one-time early literacy teacher test	(500,000)	(500,000)
Remove one-time Michigan STEM partnership grants	(475,000)	(475,000)
Eliminate one-time cooperative education grant.....	(300,000)	0
Eliminate one-time funding for STEM professional development.....	(250,000)	0
Eliminate one-time funding for Science Olympiad and STEM	(250,000)	0
Eliminate one-time Van Andel Education Institute grant.....	(250,000)	(250,000)
Eliminate one-time civics education grant	(60,000)	(60,000)
Economic adjustments	263,200	206,200
Total School Aid	\$282,457,800	\$184,100,000
State		
Voting machine replacements.....	\$15,000,000	\$10,000,000
Increase look-up fee from \$8 to \$11	14,100,000	0
Mi-timeline maintenance (service of self-serve kiosks)	470,000	0
Transition to DTMB rated service model for mailing, vehicles, etc.	188,300	13,400
Remove one-time FY 2015-16 appropriations	(5,000,000)	(5,000,000)
Replace GF with transportation administration collection fund.....	0	(500,000)
Remove five-year early-out deferred sick leave payments.....	(598,800)	(30,700)
Unclassified salaries	15,300	15,300
Economic adjustments	3,584,100	450,100
Total State	\$27,758,900	\$4,948,100
State Police		
New trooper school	\$9,500,000	\$9,500,000
Second-year costs for FY 2015-16 trooper school	8,750,300	8,750,300
Disaster and emergency contingency fund deposit.....	6,000,000	6,000,000
School safety initiative (new, one-time)	4,000,000	4,000,000
Cyber crimes enforcement.....	2,203,200	2,203,200
Secure cities program expansion.....	1,463,500	1,463,500
Drug enforcement initiative	1,256,300	1,256,300
Homeland security energy disaster strategy.....	750,000	750,000
Sexual assault prevention and education initiative	500,000	500,000
Remove FY 2015-16 one-time funding for trooper school.....	(3,200,000)	(3,200,000)
Eliminate Michigan international speedway traffic control funds	(831,900)	(831,900)
Remove funding for vacant forensic science positions.....	(530,400)	(530,400)
Remove one-time funding for sexual assault initiative.....	(500,000)	(500,000)
Align Federal and local revenue with actual revenue received	(185,600)	0
Remove FY 2015-16 supplemental appropriations	(100,000)	(100,000)
Remove vacant Capitol security position	(89,300)	(89,300)
Remove five-year early-out deferred sick leave payments.....	(347,000)	(174,700)

GOVERNOR'S FY 2016-17 GROSS AND GF/GP CHANGES TO FY 2015-16		
Budget Area/Line Items	Gov's Changes to FY 2015-16	
	Gross	GF/GP
State Police (continued)		
Unclassified salaries	14,700	14,700
Economic adjustments	9,134,900	6,495,500
Total State Police	\$37,788,700	\$35,507,200
Talent and Economic Development		
Business attraction and community revitalization	\$18,800,000	\$16,800,000
Skilled trades training program	10,000,000	0
Statewide data system integration	8,778,500	0
Financial literacy pilot.....	5,800,000	0
Community venture challenge match.....	2,000,000	2,000,000
Remove FY 2015-16 one-time appropriations	(47,450,000)	(47,450,000)
Adjust Federal/restricted revenue for workforce development	(8,587,700)	0
Entrepreneurship eco-system	(2,000,000)	0
Human resource transfer	(710,000)	0
Remove five-year early-out deferred sick leave payments.....	(577,700)	(59,200)
Unclassified salaries	21,900	18,200
Economic adjustments	3,395,800	322,900
Total Talent and Economic Development	(\$10,529,200)	(\$28,368,100)
Technology, Management, and Budget		
DTMB transition to rated service model for mailing, vehicles, etc.	\$10,632,400	\$0
Enterprisewide special maintenance for State facilities (one-time)	10,000,000	10,000,000
MiLogin enterprise identity management.....	6,700,000	6,700,000
Relocation of State employees in Lansing office space (one-time).....	7,500,000	7,500,000
IT investment fund: \$5 million Treasury/\$2 million SIGMA (one-time) ..	7,000,000	7,000,000
Align IT funds with FY 2014-15 appropriations.....	5,551,500	0
Cyber security	5,000,000	5,000,000
Legal services (one-time).....	5,000,000	5,000,000
Implement office of retirement services (ORS) statutory changes	3,631,100	0
ORS IT modernization (one-time).....	2,850,000	0
Office of good government.....	2,678,700	1,500,000
Civil Service Commission: TED human resources costs.....	710,000	0
State police payment for low-income retirees (PA 168 of 2015)	132,000	132,000
Bureau of labor market information and strategic initiatives	35,000	0
Capital outlay planning authorizations (one-time).....	900	900
Statewide cost allocation plan adjustment.....	0	(296,600)
State building authority rent adjustment	(8,000,000)	(8,000,000)
Remove FY 2015-16 one-time appropriations	(5,205,000)	(4,605,000)
Reduce enterprisewide spec. maint. for State facilities (ongoing).....	(3,500,000)	(3,500,000)
Reduce office of urban initiatives	(1,000,000)	(1,000,000)
Adjust professional development funds due to Civil Service contracts	(152,600)	0
Remove five-year early-out deferred sick leave payments.....	(1,595,500)	(265,300)
Unclassified salaries	24,400	12,700
Economic adjustments	8,879,600	2,046,200
Total Technology, Management, and Budget	\$56,872,500	\$27,224,900
Transportation		
Local road agency funding increases	\$157,139,150	\$0
Public transit increases	58,650,100	0
State trunkline funding increases.....	13,666,250	0
Detroit metropolitan airport capital and debt repayment.....	8,775,000	0
Economic development increases	4,877,000	0
State aeronautics fund increases.....	1,774,300	0

GOVERNOR'S FY 2016-17 GROSS AND GF/GP CHANGES TO FY 2015-16

Budget Area/Line Items	Gov's Changes to FY 2015-16	
	Gross	GF/GP
Transportation (continued)		
Establish rail grade crossing subsidy	3,000,000	0
IDG increases	831,100	0
Information technology increases	660,300	0
Reinstate air service program	250,000	0
Debt service payment increases	48,000	0
Replace GF for State trunkline with Mich. transportation fund (MTF) ...	0	(204,447,250)
Replace GF for local road agencies with MTF	0	(158,631,650)
Eliminate one-time Federal TIGER grant match	(25,000,000)	(25,000,000)
Replace GF for airport safety with State aeronautics fund	0	(1,521,100)
Debt service payment decreases	(983,500)	0
Public transit decreases	(204,700)	0
IDG decreases	(17,300)	0
Blue water bridge revenue adjustments	(1,400)	
Remove five-year early-out deferred sick leave payments	(1,441,100)	0
Unclassified salaries	18,400	0
Economic adjustments	6,960,600	0
Total Transportation	\$229,002,200	(\$389,600,000)
Treasury - Debt Service		
Clean Michigan initiative	\$25,516,000	\$25,516,000
Great lakes water quality bond	2,344,000	2,344,000
Quality of life bond	(47,272,000)	(47,272,000)
Total Treasury - Debt Service	(\$19,412,000)	(\$19,412,000)
Treasury - Operations		
Free individual e-file	\$2,842,500	\$2,842,500
Transition to DTMB rated service model for mailing, vehicles, etc.	1,563,000	551,100
Payment in lieu of taxes	1,304,700	1,056,800
Testing and analytics unit	750,000	750,000
Casino gaming information technology	500,000	0
Horse sample testing transfer from agriculture	250,000	0
Indian casino gaming auditor	118,300	0
Remove FY 2015-16 one-time appropriations	(29,900,000)	(29,900,000)
Eliminate urban search and rescue taskforce grant	(300,000)	(300,000)
Eliminate Chaldean community foundation grant	(250,000)	(250,000)
Replace GF for office of collections with restricted revenue	0	(1,124,000)
Replace GF for office of financial services with restricted revenue	0	(520,400)
Replace GF for office of accounting services with restricted revenue ...	0	(105,600)
Remove five-year early-out deferred sick leave payments	(701,300)	(73,800)
Unclassified salaries	24,300	16,100
Economic adjustments	5,602,900	1,035,800
Total Treasury - Operations	(\$18,195,600)	(\$26,021,500)
Treasury - Revenue Sharing		
Constitutional revenue sharing	\$29,386,700	\$0
Competitive grant assistance program	11,000,000	0
County revenue sharing and county incentive program	467,500	0
City, village, and township revenue sharing	(5,800,000)	0
Total Treasury - Revenue Sharing	\$35,054,200	\$0
TOTAL BUDGET AREA CHANGES	\$442,472,500	\$122,719,200

APPENDIX

Governor's Recommendation
Highlight Sheets



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BILL ANALYSIS



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Senate Bill 782 (as introduced)
 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2015-16 YEAR-TO-DATE	FY 2016-17 GOV.'S REC.	CHANGES FROM FY 2015-16 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	454.0	473.0	19.0	4.2
GROSS	86,594,000	91,591,300	4,997,300	5.8
Less:				
Interdepartmental Grants Received	317,300	323,200	5,900	1.9
ADJUSTED GROSS	86,276,700	91,268,100	4,991,400	5.8
Less:				
Federal Funds	10,427,900	10,471,200	43,300	0.4
Local and Private	128,100	130,700	2,600	2.0
TOTAL STATE SPENDING	75,720,700	80,666,200	4,945,500	6.5
Less:				
Other State Restricted Funds	32,647,100	32,629,300	(17,800)	(0.1)
GENERAL FUND/GENERAL PURPOSE	43,073,600	48,036,900	4,963,300	11.5
PAYMENTS TO LOCALS	4,750,000	4,750,000	0	0.0

FY 2015-16 Year-to-Date Gross Appropriation \$86,594,000

Changes from FY 2015-16 Year-to-Date:

- Laboratory Upgrades.** Governor recommended GF/GP funded upgrades to departmental lab services, including the Geagley Lab \$350,000 and 2.5 FTE for food and feed section, \$70,000 and 0.5 FTE for pesticide, \$280,000 and 2.0 FTE for dairy, and \$770,000 for lab equipment, with \$140,000 and 1.0 FTE for the Heffron Lab. 1,610,000
- Lab Service Funding Adjustments.** Governor recommended the shift of the responsibility of providing lab services for equine racing to contracted services under the Department of Treasury's Gaming Commission and supplanted \$600,200 in lost restricted revenue from this service with \$600,000 GF/GP. The Governor also added \$900,000 GF/GP for the Heffron Lab to counter declining restricted revenue. 899,800
- Rural Development Fund Grant Program.** Governor recommended the establishment of a new grant program per PA 411 of 2012, funded by severance tax revenue from mining (\$2.0 million restricted) which would be used for a grant and/or loan program governed by an appointed board which would establish criteria for grants and/or loans to meet goal of addressing energy, transportation, communications, water and wastewater infrastructure issues in rural communities. 2,000,000
- On-Farm Safety Requirements.** Governor recommended \$1,169,000 GF/GP and 2.0 FTEs to provide informational assistance to farmers to support the implementation of the on-farm requirements under the new Federal Food Safety Modernization Act, providing MDARD itself with \$339,000 and \$440,000 being provided to Michigan State University Extension and \$390,000 to State Conservation Districts for this objective. 1,169,000

5. Farmland Preservation Program. Governor recommended adding \$500,000 GF/GP to support program due to declining restricted revenue support.	500,000
6. Refined Petroleum Fund (RPF). Governor recommended the replacement of \$1.5 million in RPF revenue support with GF/GP, leaving \$2,373,200 in RPF support for FY 2016-17.	0
7. Commercial Forestry Audit Program. Governor recommended the elimination of funding of \$300,000 GF/GP due to the completion of the audit project.	(300,000)
8. Grant Eliminations. Governor recommended the elimination of two competitive economic development GF/GP grant programs, including County Fairs Capital Improvement Grants (\$300,000) and grants for Shows and Expositions (\$20,000).	(320,000)
9. Value-Added Grants. Governor recommended the reduction of the on-going grant program by \$150,000 GF/GP, leaving an appropriation of \$500,000 GF/GP for FY 2016-17.	(150,000)
10. Administrative Reductions. Governor recommended a savings of \$99,100 GF/GP though unfilled vacant positions.	(99,100)
11. Qualified Forest Fund. Governor recommended a reduction in GF/GP support for program.	(130,000)
12. Five-Year Early Out Payouts. Governor recommended an elimination of payments, as department obligations would be satisfied, as of FY 2015-16, for employees who opted into the 2010 early retirement program, which deferred sick leave payments over five years for a savings of (\$237,600) gross, (\$101,100) GF/GP.	(237,600)
13. Removal of One-Time Funding. Governor recommended the elimination of FY 2015-16 one-time GF/GP funding for Value-Added Grants (\$550,000), Fruit Tree Research Grants (\$500,000), and the Geagley Lab (\$150,000).	(1,200,000)
14. Technical Revenue Adjustments. Governor recommended adjustments to reflect anticipated revenues, expenditure levels and GF/GP increases needed for IT maintenance and support charges for mobile worker system, (\$57,900) Gross, \$257,000 GF/GP.	(57,900)
15. Economic Adjustments. Includes \$277,900 Gross and \$151,300 GF/GP for OPEB and \$1,035,200 Gross and \$576,200 GF/GP for other economic adjustments.	1,313,100
Total Changes.....	\$4,997,300
FY 2016-17 Governor's Recommendation.....	\$91,591,300

Boilerplate Changes from FY 2015-16 Year-to-Date:

1. **Benchmarks.** Governor eliminated requirement that benchmarks be established to measure performance of new programs or program increases in excess of \$500,000. (Sec. 205)
2. **Retain Reports.** Governor eliminated a requirement that all reports be kept and retained by MDARD. (Sec. 212)
3. **Disciplinary Action.** Governor eliminated language-prohibiting action against an employee for communicating with legislative staff. (Sec. 215)
4. **Receipt and Expenditure of Fees.** Governor eliminated a report requirement to the Legislature and instead required an Internet posting of related activities. (Sec. 301)
5. **Non Line-Item Grants.** 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)
6. **On-Farm Food Safety Program.** Governor added a new boilerplate section outlining goals and procedures for a new program to assist farmers to comply with the new Federal Food Safety Modernization Act requirements. (Sec. 403)
7. **TB Testing Costs.** Governor eliminated requirement that MDARD pay for all whole herd and individual TB testing in modified accredited zones. (Sec. 451)

8. **Animal Indemnification.** Governor removed language that was duplicative with statutory requirements, substituted that language with statutory references to The Animal Industry Act and the Wildlife Depredations Indemnification Act, and removed a department requirement to produce a report for the Legislature. (Sec. 453)
9. **MDARD, USDA TB Monitoring.** Governor removed section requiring cooperation to monitor TB by referencing a May, 2014 memorandum of understanding between MDARD and the USDA and combined it into a new section, Sec. 457. (Sec. 454)
10. **Animal ID.** Governor removed a prohibition of using electronic tags on anything other than cattle. (Sec. 456)
11. **MDARD TB Collaboration with USDA.** Governor amended current language which required cooperation to monitor TB by referencing a May, 2014 memorandum of understanding between the two (current year Sec. 454) by adding a requirement for an annual progress report (rather than a quarterly report as required in current year Sec. 457), and removing subject areas listed in current year Sec. 457 required in that report. The new language requires that report to be posted online. (Sec. 457)
12. **Aquaculture Inspection and Testing.** Governor removed intent language that stated that the Department is required to work with the industry to identify, contain, and eradicate viral hemorrhagic septicemia in the State. (Sec. 458)
13. **Whole Herd TB Testing.** Governor eliminated language prohibiting whole herds from being tested more often than every four years or not re-tested until all other county herds have been tested, except under certain circumstances. (Sec. 459)
14. **Commercial Forestry Audit Program.** Governor eliminated section providing guidelines and procedures for the audit due to the completion of the program. (Sec. 609)
15. **Freshwater Protection Fund.** Governor eliminated language requiring the Department not to use more than \$500,000 for replacement of the data system for the Michigan Agriculture Environmental Assurance Program. (Sec. 610)
16. **Laboratory Program.** Governor added a new boilerplate section requiring the turn-around times at Geagley Lab to increase from 30-50% to 75-80% and the implementation of a risk-based inspection program on devices and package content in the consumer protection program in FY 2016-17, and to track program outcomes. (Sec. 701)
17. **Development and Export Report.** Governor eliminated a section requiring an annual report on department development and export activities. (Sec. 706)
18. **Grape and Wine Report.** Governor eliminated a section requiring an annual report on Grape and Wine Industry Council activities. (Sec. 709)
19. **Equine Funds.** Governor removed a section requiring that equine funds only be spent for equine purposes. (Sec. 801)
20. **Value-Added Grant Program.** Governor amended language by removing a section that allows for receipt and expenditure of funds from outside sources for the program and supplants a section requiring March and September reports with a requirement to post online program data, including information on grants and program outcomes. (Sec. 801)
21. **Rural Development Fund Board.** Governor added a new boilerplate section requiring the Department to work with the board to establish processes and criteria for funding projects under a new Rural Development Grant Program and to establish metrics and outcomes for the program. (Sec. 802)
22. **Equine Regulatory Costs.** Governor eliminated a section which provided criteria for establishing equine regulatory costs. (Sec. 804)
23. **County Fairs Capital Improvement Grant Program.** Governor removed a section that provided guidelines and procedures for a grant program he recommended for elimination for FY 2016-17. (Sec. 805)
24. **Shows and Exhibition Grants.** Governor eliminated section providing guidelines for a grant program he recommends not be funded for FY 2016-17. (Sec. 806)

Date Completed: 2-17-16

Fiscal Analyst: Bruce Baker

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberation.



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Senate Bill 788 (as introduced)
 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2015-16 YEAR-TO-DATE	FY 2016-17 GOV.'S REC.	CHANGES FROM FY 2015-16 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	518.5	527.0	8.5	1.6
GROSS	92,107,600	95,185,800	3,078,200	3.3
Less:				
Interdepartmental Grants Received	28,533,900	28,989,700	455,800	1.6
ADJUSTED GROSS	63,573,700	66,196,100	2,622,400	4.1
Less:				
Federal Funds	9,278,600	9,476,700	198,100	2.1
Local and Private	0	0	0	0.0
TOTAL STATE SPENDING	54,295,100	56,719,400	2,424,300	4.5
Less:				
Other State Restricted Funds	17,281,700	17,578,900	297,200	1.7
GENERAL FUND/GENERAL PURPOSE	37,013,400	39,140,500	2,127,100	5.7
PAYMENTS TO LOCALS	0	0	0	0.0

FY 2015-16 Year-to-Date Gross Appropriation **\$92,107,600**

Changes from FY 2015-16 Year-to-Date:

1. **DTMB Rate Proposal. Governor:** Added new funding to allow the Department to collect fees from other State departments and agencies for services provided such as mailings, warehousing, and vehicle services. 82,100
2. **Home Protection Unit. Governor:** Provided new GF/GP funding of \$600,000 and added 4.0 FTE positions for continuing litigation costs related to the mortgage crisis settlement in 2012. 600,000
3. **Human Trafficking Commission. Governor:** Provided new Restricted funding of \$390,000 for costs related to prosecutions and public awareness efforts to combat human trafficking in Michigan. 390,000
4. **Removal of Five-Year Early-Out Deferred Sick Leave Payments. Governor:** Removed funding for early-out sick leave payments as Department obligations will be satisfied as of the end of FY 2015-16 for employees who opted into the 2010 Early Retirement Program, which deferred sick leave payments over five years. (472,200)
5. **Prosecuting Attorneys Coordinating Council. Governor:** Replaced Michigan Justice Training Funds (MJTF) with GF/GP in the FY 2015-16 enacted budget due to lower than anticipated revenue collections in the MJTF. Due to the loss of the MJTF, restricted revenue funds were reduced by \$162,400 for FY 2016-17 to reflect the loss of MJTF funds. (162,400)

6. FY 2016-17 One-Time Appropriations. Governor included one-time funding of \$700,000 and 4.5 FTE positions to develop a statewide drug enforcement strategy to battle prescription drug abuse in Michigan.	700,000
7. Unclassified Salaries. Governor: Increased funding by \$18,400 for total funding of \$754,000 for FY 2016-17.	18,400
8. Economic Adjustments. Includes \$421,800 Gross and \$155,200 GF/GP for OPEB and \$1,500,500 Gross and \$576,400 GF/GP for other economic adjustments.	1,922,300
<hr/>	
Total Changes.....	\$3,078,200
<hr/>	
FY 2016-17 Governor's Recommendation.....	\$95,185,800
<hr/>	

Boilerplate Changes from FY 2015-16 Year-to-Date:

1. **Boilerplate Structure. Governor:** Moved boilerplate from the FY 2015-16 general sections that applied to all General Government budgets to the Article for the Department of Technology, Management, and Budget. Changes to those items can be found in the highlight sheet for the **General Sections**.
2. **Litigation Expense Reimbursement.** Appropriates up to \$500,000 from litigation expense reimbursements awarded to the State. Provides that funds may be used to pay litigation settlements or attorney fees assessed against the Office of the Governor, the Department of Attorney General or the Governor or Attorney General when they are acting in an official capacity as the named party in litigation against the State. **Governor:** Increased funding amount to \$1,500,000. (Sec. 308)
3. **Prisoner Reimbursement Funds.** Provides that the Department may spend up to \$611,900 of prisoner reimbursement funds on activities related to the State Correctional Facilities Reimbursement Act. **Governor:** Increased funding amount to \$625,200 due to economic increases. (Sec. 309)
4. **Mortgage Fraud Investigations. Governor:** Added new language stating that from the funds appropriated in Part 1 for Attorney General Operations, the Department must allocate \$600,000 for the investigation and prosecution of mortgage fraud. (**NEW** Sec. 313)
5. **Legacy Cost Estimates.** Total legacy costs are estimated at \$17,778,100. Of the total, Pension-related legacy costs are estimated at \$10,007,000 and retiree health care legacy costs are estimated at \$7,771,100 for fiscal year ending September 30, 2016. **Governor:** Provided the following Legacy Costs estimates for FY 2017: Total legacy costs estimated at \$18,361,000. Of that total, \$10,096,700 are for pension-related legacy costs and \$8,264,300 are for retiree health care legacy costs for the fiscal year ending September 30, 2017. (Sec. 315)
6. **Sexual Assault Law Enforcement Efforts.** Language requires the Department to use the funds for testing of backlogged sexual assault kits across the State outside of Wayne County. The language also requires the Department to submit a spending plan to the Legislature prior to release of the funds. The order of priority for expenditure of the funds is: 1) to eliminate all county sexual assault kit backlogs by the end of the fiscal year, 2) to assist local prosecutors with investigations and prosecutions of viable cases, and 3) to provide victim services. It also requires a spending plan submitted to the Legislature prior to release of the funds. **Governor:** Eliminated section. (Current Law Sec. 316)

Date Completed: 2-17-16

Fiscal Analyst: Joe Carrasco, Jr.

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberation.



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Senate Bill 783 (as introduced)
 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2015-16 YEAR-TO-DATE	FY 2016-17 GOV.'S REC. ¹⁾	CHANGES FROM FY 2015-16 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	N/A	N/A	0.0	0.0
GROSS	400	900	500	125.0
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS	400	900	500	125.0
Less:				
Federal Funds	0	0	0	0.0
Local and Private	0	0	0	0.0
TOTAL STATE SPENDING	400	0	(400)	(100.0)
Less:				
Other State Restricted Funds	0	0	0	0.0
GENERAL FUND/GENERAL PURPOSE	400	400	0	0.0
PAYMENTS TO LOCALS	200	300	100	50.0

FY 2015-16 Year-to-Date Gross Appropriation **\$400**

Changes from FY 2015-16 Year-to-Date:

Background. Capital Outlay appropriations for State departments have been included in annual departmental appropriation bills since FY 2008-09. Since that time, the remaining appropriations for the Capital Outlay budget have mainly consisted of projects financed by the State Building Authority (SBA) for State agencies, universities, and community colleges. An FY 2015-16 supplemental appropriation bill that included planning authorizations for four SBA-financed projects was enacted in December 2015. The appropriations for planning authorizations consist of nominal \$100 appropriation line items. The actual State cost of SBA-financed projects is appropriated in Department of Technology, Management, and Budget (DTMB) appropriations for SBA rent (debt service).

Since FY 2014-15, the Governor has included recommendations for new SBA-financed projects as one-time appropriations in the Department of Technology, Management, and Budget (DTMB) section of the General Government budget, in lieu of recognizing a separate capital outlay budget. The Legislature has historically enacted appropriations for SBA-financed projects through a capital outlay budget, and not as part of the DTMB budget.

¹⁾ Governor included as one-time appropriations in the DTMB budget recommendation, instead of a separate capital outlay budget.

1. **Planning Authorizations.** The Governor's FY 2016-17 budget recommendation includes new planning authorizations for four universities, three community colleges, and two State agency projects. While planning authorizations are not a commitment on the part of the State to fund a project, if the projects eventually receive construction authorizations, the total cost to the State would be \$123.5 million. The State's share of project costs would be funded through the State Building Authority (SBA). Annual rental payments to the SBA would range from \$8.6 million to \$11.1 million until the bonds were retired (approximately 17 years). The Governor's FY 2016-17 budget also included a letter stating continued support for projects recommended by the Governor in FY 2015-16 that have not been acted upon by the Legislature. They included three university projects and two community college projects, with a total State cost of \$77.2 million. Annual rental payments to the SBA, if the projects eventually receive construction authorization, would range from \$5.4 million to \$6.9 million until the bonds were retired. Table 1 provides a summary of FY 2015-16 and FY 2016-17 recommendations by the Governor.

900

2. **FY 2015-16 One-time Planning Authorizations.** FY 2015-16 one-time planning authorizations are eliminated.

(400)

Total Changes..... \$ 500

FY 2016-17 Governor's Recommendation..... \$ 900

CAPITAL OUTLAY - FY 2015-16 AND FY 2016-17 GOVERNOR'S RECOMMENDATION FOR UNIVERSITIES AND COMMUNITY COLLEGES			
Project	Total Cost	State Share	Institution Share
<u>FY 2015-16 Recommendation</u>			
Universities			
Lake Superior State University - Center for Freshwater Research & Education	\$11,800,000	\$8,850,000	\$2,950,000
U of M-Ann Arbor - School of Dentistry Renovation & Addition	122,000,000	30,000,000	92,000,000
U of M-Dearborn - Engineering Laboratory Building Replacement	90,000,000	30,000,000	60,000,000
Community Colleges			
Delta College - Saginaw Center	\$12,739,000	\$6,369,500	\$6,369,500
Mott - Southern Lakes Branch Center Rehabilitation/Renovation	4,045,600	2,022,800	2,022,800
FY 2015-16 Recommendation Subtotal.....	\$240,584,600	\$77,242,300	\$163,342,300
<u>FY 2016-17 Recommendation</u>			
Universities			
U of M-Flint - Murchie Science Building Addition.....	39,000,000	29,250,000	9,750,000
Saginaw Valley - College of Business & Management Expansion	17,500,000	9,800,000	7,700,000
Wayne State - STEM Innovation Learning Center....	29,500,000	14,750,000	14,750,000
Eastern - Strong Hall Renovation	39,536,000	29,652,000	9,884,000
Community Colleges			
Kellogg - Regional Manufacturing Technology Center Renovation & Addition.....	4,300,000	2,150,000	2,150,000
Wayne County - Eastern Campus Repurposing & Upgrading	18,000,000	9,000,000	9,000,000
Northwestern - West Hall Innovation Center Renovation & Expansion.....	14,499,400	7,249,700	7,249,700
State Agencies			
DNR - Coolwater Rearing Hatchery Improvements	12,242,500	12,242,500	N/A
DTMB - Jackson State Office Building Renovation	9,450,000	9,450,000	N/A
FY 2016-17 Subtotal	\$184,027,900	\$123,544,200	\$60,483,700
TOTAL FY 2015-16 & FY 2016-17 REC.	\$424,612,500	\$200,786,500	\$223,826,000
Notes: Projects and costs are based on institution submissions to the Department of Technology, Management, and Budget (DTMB) pursuant to requirements of Section 242 of the Management and Budget Act. State share assumes \$30.0 million maximum consistent with Capital Outlay appropriations since 2010. The DTMB is continuing to support projects recommended in the FY 2015-16 budget, as stated in the letter included with the FY 2016-17 budget recommendation on February 10, 2016.			

Date Completed: 3-2-16

Fiscal Analyst: Bill Bowerman

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberation.



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Senate Bill 788 (as introduced)
 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2015-16 YEAR-TO-DATE	FY 2016-17 GOV.'S REC.	CHANGES FROM FY 2015-16 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	129.0	132.0	3.0	2.3
GROSS	16,128,700	16,721,900	593,200	3.7
Less:				
Interdepartmental Grants Received	286,700	293,600	6,900	2.4
ADJUSTED GROSS	15,842,000	16,428,300	586,300	3.7
Less:				
Federal Funds	2,721,700	2,763,000	41,300	1.5
Local and Private	18,700	18,700	0	0.0
TOTAL STATE SPENDING	13,101,600	13,646,600	545,000	4.2
Less:				
Other State Restricted Funds	151,900	151,900	0	0.0
GENERAL FUND/GENERAL PURPOSE	12,949,700	13,494,700	545,000	4.2
PAYMENTS TO LOCALS	0	0	0	0.0

FY 2015-16 Year-to-Date Gross Appropriation **\$16,128,700**

Changes from FY 2015-16 Year-to-Date:

1. **DTMB Rate Proposal. Governor:** Added new funding to allow the Department to collect fees from other State departments and agencies for services provided such as mailings, warehousing, and vehicle services. 20,100
2. **Removal of Five-Year Early-Out Deferred Sick Leave Payments. Governor:** Removed funding for early-out sick leave payments as Department obligations will be satisfied as of the end of FY 2015-16 for employees who opted into the 2010 Early Retirement Program, which deferred sick leave payments over five years. (70,800)
3. **FY 2016-17 One-Time Appropriations.** Governor included the following one-time funding: \$100,000 and 1.0 FTE position for funding to support the operations of the Commission on Middle Eastern Americans Affairs; and \$250,000 and 2.0 FTE positions for the Advocates and Leaders for Police and Community Trust (ALPACT) to strengthen outreach and education efforts in the cities of Battle Creek, Muskegon Heights, and Traverse City. 350,000
4. **Unclassified Salaries. Governor:** Increased funding by \$16,100 for total funding of \$660,300 for FY 2016-17. 16,100
5. **Economic Adjustments.** Includes \$73,400 Gross and \$61,900 GF/GP for OPEB and \$204,400 Gross and \$167,700 GF/GP for other economic adjustments. 277,800

Total Changes..... **\$593,200**

FY 2016-17 Governor's Recommendation..... **\$16,721,900**

Boilerplate Changes from FY 2015-16 Year-to-Date:

1. **Boilerplate Structure. Governor:** Moved boilerplate from the FY 2015-16 general sections that applied to all General Government budgets to the Article for the Department of Technology, Management, and Budget. Changes to those items can be found in the highlight sheet for the **General Sections**.
2. **Department Report.** Requires a detailed report submitted by November 30 that covers the Department's activities and operations. **Governor:** Eliminated section. (Current Law Sec. 404)
3. **Notifications Required Regarding Federal Reports or Complaints.** Requires 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. **Governor:** Eliminated section. (Current Law Sec. 405)
4. **Legacy Cost Estimates.** Total legacy costs are estimated at \$2,997,500. Of the total, pension-related legacy costs are estimated at \$1,701,400 and retiree health care legacy costs are estimated at \$1,296,100 for fiscal year ending September 30, 2016. **Governor:** Provided the following Legacy Costs estimates for FY 2017: Total legacy costs estimated at \$3,062,000. Of that total, \$1,697,800 are for pension-related legacy costs and \$1,364,200 are for retiree health care legacy costs for the fiscal year ending September 30, 2017. (Sec. 410)

Date Completed: 2-17-16

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Senate Bill 784 (as introduced)
 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2015-16 YEAR-TO-DATE	FY 2016-17 GOV.'S REC.	CHANGES FROM FY 2015-16 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	N/A	N/A	0.0	0.0
GROSS	387,825,600	399,025,600	11,200,000	2.9
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS	387,825,600	399,025,600	11,200,000	2.9
Less:				
Federal Funds	0	0	0	0.0
Local and Private	0	0	0	0.0
TOTAL STATE SPENDING	387,825,600	399,025,600	11,200,000	2.9
Less:				
Other State Restricted Funds	256,714,800	260,414,800	3,700,000	1.4
GENERAL FUND/GENERAL PURPOSE	131,110,800	138,610,800	7,500,000	5.7
PAYMENTS TO LOCALS	387,825,600	399,025,600	11,200,000	2.9

FY 2015-16 Year-to-Date Gross Appropriation \$387,825,600

Changes from FY 2015-16 Year-to-Date:

- 1. Performance Funding.** Governor included a \$7.5 million GF/GP (2.4%) increase for community college operations distributed through a modified version of the Performance Indicators Task Force Formula. Section 230a of Public Act 85 of 2015 created Task Force to review, evaluate, discuss, and make recommendations regarding performance indicators established under the authority of Section 242 of Public Act 154 of 2005. The Task Force report was completed on January 15, 2016. Governor used the Task Force recommendations, but modified the performance metrics as shown in [Table 1](#). 7,500,000
[Table 2](#) includes details of Governor's recommendation by college.
- 2. Michigan Public School Employees Retirement System (MPERS) Rate Cap.** Governor included \$3.7 million School Aid Fund (SAF) to continue funding the difference between the employer's capped contribution rate for unfunded accrued liabilities (20.96%) and the actual unfunded actuarial accrued liability contributions rate. MPERS reform legislation requires the State to pay the difference between these amounts. The FY 2016-17 MPERS appropriation totals \$73.2 million. 3,700,000
- 3. Other Changes.** Governor shifted \$52.3 million SAF from college operations (\$50.7 million) and renaissance zone reimbursements (\$1.6 million) to the MPERS appropriation to effectively fund the entire MPERS appropriation from the SAF. Governor's FY 2016-17 recommendation for the community college budget includes \$138.6 million State General Fund and \$260.4 SAF. 0

Total Changes..... \$11,200,000

FY 2016-17 Governor's Recommendation..... \$399,025,600

Boilerplate Changes from FY 2015-16 Year-to-Date:

1. **Transparency.** Requires each community college to make available through links on its website homepage its annual operating budget, links to the most recent activities classification structure report, current collective bargaining agreements, health care plans, audits and financial reports, projected general fund revenue and expenditures and debt service obligations, estimated costs incurred due to Affordable Health Care Act (ACA), opportunities for earning college credit through dual enrollment and compliance with best practices. Includes certain format requirements consistent with K-12 reporting. Provides that the State Budget Director determines compliance and allows for withholding of State aid payments for noncompliance. Governor eliminated estimated costs of ACA, and the State Budget Director's authority to determine compliance and withhold funds for failure to comply with transparency site requirements. (Sec. 209)
2. **Block Transfers.** States legislative intent that the Michigan Association of Collegiate Registrars and Admission Officers implement any agreement or agreements among the community colleges and universities concerning the transferability of college courses resulting from the recommendations of the committee created under former section 210a. Requires implementation report. Governor replaced this section with language that the Michigan Community College Association and the Michigan Association of State Universities submit an implementation report by March 1, 2017 that specifically includes a summary of implementation issues faced by the institutions and strategies being considered to remedy those issues, as well as an update on progress made on outstanding issues identified in the March 1, 2016 report. (Sec. 210b)
3. **Performance Indicators Task Force.** Delineates formula originally based on 2006 recommendations of the Performance Indicators Task Force. Lists metrics and sets criteria for Local Strategic Value component of the formula and requires certification of compliance by each college through a board of trustees' resolution. Governor updated this language based on the recommendations contained in the January 15, 2016 report of the Performance Indicators Review Task Force, with certain modifications. Governor's distribution is as follows:
 - a. 30.0% Proportionate to Base
 - b. 30.0% Weighted Contact Hours
 - c. Weighted Degrees 20.0%
 - d. Completion Improvement 10.0%
 - e. Administrative Costs 5.0%
 - f. Local Strategic Value 5.0%.
4. **Deleted Provisions.** Governor deleted: Anticipated appropriations for subsequent fiscal year (Sec. 201a); prohibits use of appropriations for construction or maintenance of self-liquidating projects and requires compliance with Section 238 of the Management and Budget Act and Joint Capital Outlay Subcommittee use and finance requirements -- includes penalty for noncompliance (Sec. 208); creates Block Transfer Study Committee (Sec. 210c); encourages community colleges to achieve efficiencies through collaborations (Sec. 212); 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 creates Performance Indicators Review Task Force (Sec. 230a).
5. **Other Changes.** Several sections were modified based on the Center for Educational Performance and Information (CEPI) assuming responsibility for the community college Activities Classification Structure (Secs. 203, 206, 217, 222, and 226).

Date Completed: 2-16-16

Fiscal Analyst: Bill Bowerman

Table 1

Performance Indicators Comparison			
Current Formula, Task Force Recommendation, and Governor's FY 2016-17 Recommendation			
Metric	Current Formula	Task Force Recommendation¹⁾	Governor's Recommendation
System Sustainability/ Increase proportionate to base (across-the-board adjustment)	50.0%	30.0%	30.0%
Contact Hours	10.0% Contact hours not weighted.	30.0%. Weighted (contact hours in health and technology 2x).	30.0%. Weighted (contact hours in health and technology 2x).
Performance	17.5% Weighted Degree/Certification Completion.	30.0% as follows: <ul style="list-style-type: none"> • 10.0% Completion Improvement; • 10.0% Number of Completions; • 10.0% Completion Rate. 	30.0% as follows: <ul style="list-style-type: none"> • 20.0% Weighted Degree/Certification; • 10.0% Modified Completion Improvement.
Administrative Costs	7.5%	5.0%	5.0%
Local Strategic Value	15.0%	5.0%	5.0%
Total	100.0%	100.0%	100.0%
Formula Methodology²⁾			
Proportionate to Base	65.0%	51.0%	35.0%
Metrics	35.0%	49.0%	65.0%
<p>¹⁾ Performance Indicators Review Task Force Findings and Recommendations, January 15, 2016, pursuant to Section 230a of Public Act 85 of 2015.</p> <p>²⁾ Across-the-board (proportionate to base) distributions for the current formula include: 50.0% System Sustainability and 15.0% Local Strategic Value. Across-the-board distributions for the MCCA proposal include 30.0% System Sustainability, 16.0% Hold Harmless (portion of performance funding), and 5.0% Local Strategic Value. Across-the-board distributions for Governor's recommendation include 30.0% System Sustainability and 5.0% Local Strategic Value.</p>			

Table 2

FY 2016-17 COMMUNITY COLLEGE APPROPRIATIONS: GOVERNOR'S RECOMMENDATION										
College	FY 2015-16 Year-to Date Appropriation	30% Proportionate to Base	30% Weighted Student Contact Hrs.	20% Weighted Degrees/Cert.	10% Completion Improvement	5% Administrative Costs	5% Local Strategic Value	Total Adjustments	FY 2016-17 Appropriation	Percent Change
Alpena	\$5,464,400	\$39,471	\$19,457	\$21,853	\$63,741	\$11,626	\$6,578	\$162,700	\$5,627,100	3.0%
Bay de Noc	5,490,200	39,657	23,709	22,187	0	8,784	6,610	100,900	5,591,100	1.8
Delta	14,704,000	106,211	99,123	76,506	32,334	16,516	17,702	348,400	15,052,400	2.4
Glen Oaks	2,551,100	18,427	12,685	10,927	0	345	3,071	45,500	2,596,600	1.8
Gogebic	4,509,900	32,576	14,816	13,383	41,337	9,470	5,429	117,000	4,626,900	2.6
Grand Rapids	18,187,300	131,372	161,752	73,912	38,484	17,026	21,895	444,400	18,631,700	2.4
Henry Ford	21,893,300	158,142	147,213	70,788	34,054	17,644	26,357	454,200	22,347,500	2.1
Jackson	12,245,300	88,451	59,392	49,209	33,182	14,137	14,742	259,100	12,504,400	2.1
Kalamazoo Valley	12,689,400	91,659	99,327	69,215	32,254	18,557	15,277	326,300	13,015,700	2.6
Kellogg	9,950,100	71,873	62,467	45,613	0	17,724	11,979	209,700	10,159,800	2.1
Kirtland	3,221,500	23,270	21,545	19,829	0	13,319	3,878	81,800	3,303,300	2.5
Lake Michigan	5,417,700	39,134	41,425	18,336	32,458	10,022	6,522	147,900	5,565,600	2.7
Lansing	31,288,200	226,004	180,928	164,431	0	18,089	37,667	627,100	31,915,300	2.0
Macomb	33,239,500	240,099	243,723	118,484	0	18,418	40,016	660,700	33,900,200	2.0
Mid Michigan	4,757,700	34,366	42,315	32,741	33,820	10,603	5,728	159,600	4,917,300	3.4
Monroe	4,565,600	32,979	36,946	21,362	0	16,682	5,496	113,500	4,679,100	2.5
Montcalm	3,280,600	23,697	18,424	20,655	43,751	12,974	3,949	123,500	3,404,100	3.8
Mott	15,901,700	114,863	110,404	80,142	36,314	15,867	19,144	376,700	16,278,400	2.4
Muskegon	9,020,700	65,159	49,691	26,196	77,734	18,374	10,860	248,000	9,268,700	2.7
North Central	3,224,800	23,294	23,319	12,735	41,606	15,461	3,882	120,300	3,345,100	3.7
Northwestern	9,200,500	66,458	50,510	31,070	35,686	14,666	11,076	209,500	9,410,000	2.3
Oakland	21,429,400	154,791	247,181	108,992	0	12,009	25,798	548,800	21,978,200	2.6
Schoolcraft	12,706,400	91,782	120,678	74,423	33,120	16,137	15,297	351,400	13,057,800	2.8
Southwestern	6,657,600	48,090	30,616	22,934	0	6,330	8,015	116,000	6,773,600	1.7
St. Clair	7,158,000	51,704	46,658	27,710	32,616	11,838	8,617	179,100	7,337,100	2.5
Washtenaw	13,301,100	96,078	131,049	127,288	36,967	16,211	16,013	423,600	13,724,700	3.2
Wayne County	16,989,800	122,722	140,652	129,764	36,274	13,091	20,454	463,000	17,452,800	2.7
West Shore	2,446,200	17,670	13,996	9,315	34,271	3,083	2,945	81,300	2,527,500	3.3
Subtotal Operations:	\$311,492,000	\$2,249,999	\$2,250,001	\$1,500,000	\$750,003	\$375,003	\$374,997	\$7,500,000	\$318,992,000	2.4%
MPSERS Retiree Hlth Care	\$1,733,600							\$0	\$1,733,600	0.0%
MPSERS Reform Costs	69,500,000							3,700,000	73,200,000	5.3%
Renaissance Zone Reimbursements	5,100,000							0	5,100,000	0.0%
Total Appropriations:	\$387,825,600	\$2,249,999	\$2,250,001	\$1,500,000	\$750,003	\$375,003	\$374,997	\$11,200,000	\$399,025,600	2.9%
State School Aid Fund	256,714,800						0	3,700,000	\$260,414,800	1.4%
GF/GP	\$131,110,800	\$2,249,999	\$2,250,001	\$1,500,000	\$750,003	\$375,003	\$374,997	\$7,500,000	\$138,610,800	5.7%

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations.



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Senate Bill 785 (as introduced)
 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2015-16 YEAR-TO-DATE	FY 2016-17 GOV.'S REC.	CHANGES FROM FY 2015-16 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	14,174.3	14,049.6	(124.7)	(0.9)
GROSS	1,962,226,000	2,029,386,100	67,160,100	3.4
Less:				
Interdepartmental Grants Received	225,000	0	(225,000)	(100.0)
ADJUSTED GROSS	1,962,001,000	2,029,386,100	67,385,100	3.4
Less:				
Federal Funds	5,568,700	5,523,700	(45,000)	(0.8)
Local and Private	8,533,200	8,692,800	159,600	1.9
TOTAL STATE SPENDING	1,947,899,100	2,015,169,600	67,270,500	3.5
Less:				
Other State Restricted Funds	43,950,700	35,711,700	(8,239,000)	(18.7)
GENERAL FUND/GENERAL PURPOSE	1,903,948,400	1,979,457,900	75,509,500	4.0
PAYMENTS TO LOCALS	114,323,600	110,420,700	(3,902,900)	(3.4)

FY 2015-16 Year-to-Date Gross Appropriation \$1,962,226,000

Changes from FY 2015-16 Year-to-Date:

1. **Hepatitis C Pharmaceuticals.** Governor provided increased funding for Hepatitis C medication that the State is starting to cover in FY 2015-16. 17,335,000
2. **Clinical and Mental Health Services and Support.** Governor restored funding to account for unrealized savings from the new consolidated health care services contract. 11,200,000
3. **Corrections Officer Academy.** Governor proposed one-time funding for an officer academy with expected graduating class of 350. 8,506,100
4. **Reentry Service Contracts Rebids.** Governor provided funding for new reentry services, substance abuse, and sex offender contracts that will be rebid in FY 2016-17. 6,790,000
5. **Information Technology Services.** Governor provided funding to support the transition to a new billing model for DTMB's provision of services, expand broadband capabilities across 34 correctional facilities and 113 field offices, and recognized increased DTMB charges for mobile device access. 3,042,600
6. **Mental Health Programming.** Governor provided funding for 17.0 additional FTEs along with operating costs increase to address increased caseload and waiting list, as well as transition to a new sex offender treatment program. 1,954,500
7. **Trinity Food Service Contract.** Governor recognized increased costs due to higher per meal rates, menu changes, and a contractual annual Consumer Price Index adjustment. 1,535,000
8. **Ballistic Vests.** Governor proposed one-time funding for life cycle replacement of 1,570 vests for probation and parole agents. 981,300

9. Living In Recovery Treatment Program. Governor recommended a new program targeting probation violators with a history of relapse to help prevent recidivism.	750,000
10. Facility Costs. Governor recognized increased water and sewage rates in Muskegon, St. Louis, and Kinross Charter Township.	287,800
11. Managing Prison Populations. Governor recommended defunding currently offline housing units that are not planned to be used in FY 2016-17.	(4,991,000)
12. Special Equipment Fund. Governor reduced funding for prisoner reentry MDOC programs and equipment and special maintenance because of reduced funding as a result of FCC mandated prison rate caps. Increased GF/GP funding to hold education programs harmless.	(4,800,000)
13. Prison Relocation Savings. Governor recognized additional savings from the relocation of the Kinross facility.	(3,400,000)
14. Goodwill Flip-the-Script and Parole Sanction Certainty Pilot. Governor eliminated funding for programs.	(2,500,000)
15. Prison Store Operations. Governor recognized a reduced need for storekeeper positions.	(2,400,000)
16. Leased Beds and Alternatives to Leased Beds. Governor recommended moving prisoners into MDOC facilities from beds currently leased from counties.	(1,609,000)
17. Removal of Five-Year Early-Out Deferred Sick Leave Payments. Department obligations will be satisfied as of FY 2015-16 for employees who opted into the 2010 early retirement program, which deferred sick leave payments over five years.	(1,346,800)
18. Federal Education Revenue. Governor recommended rolling up five Federal deductions that support the Education Program (DED, vocational education equipment; DED-OESE, title I; DED-OVAE, adult education; DED-OSERS; and DED, youthful offender/Specter grant) into a single line item called Federal Education Funding, which would have total funding of \$1,722,100.	0
19. Economic Adjustments. Governor included \$7,819,200 Gross and \$7,639,000 GF/GP for OPEB and \$28,106,500 Gross and \$27,459,700 GF/GP for other economic adjustments.	35,925,700
20. Other Changes. Governor reflected net reduction in restricted revenue amounts.	(101,100)
Total Changes.....	\$67,160,100
FY 2016-17 Governor's Recommendation.....	\$2,029,386,100

Boilerplate Changes from FY 2015-16 Year-to-Date:

1. **Deletions.** Governor proposed to eliminate the following sections from current-year boilerplate: 206, 212, 214, 239, 247, 402, 403, 409, 412, 413, 417, 421, 434, 437, 505, 508, 509, 511, 601, 611, 612, 802, 803, 805, 812, 814, 816, 904, 911, 912, 937, 940, 942, 945, 1009, 1011, 1012, and 1201. These deletions include a variety of reporting requirements, statements of legislative intent, and language pertaining to health services, Goodwill Flip-the-Script, the Parole Sanction Certainty pilot, and faith-based initiatives.
2. **Definitions.** Sixteen definitions were eliminated from the bill, ranging from simple acronyms such as IDG means "interdepartmental grant", to broader definitions for concepts such as recidivism and cost per prisoner. Eighteen definitions will remain in the bill with such terms as full-time equated, offender target populations, and serious mental illness.
3. **Section Numbering.** Governor renumbered several sections to maintain consistency across all budget areas.
4. **Reporting Frequency.** Governor reduced the frequency of reporting for prisoner populations (Sec. 4-419) and core programming (Sec. 4-913).

5. **Program Additions.** Governor added sections to implement the Living in Recovery program (Sec. 4-805), IT bandwidth increases (Sec. 4-1000), expanded mental health and sex offender treatment (Sec. 4-806), and new custody staff training (Sec. 4-1100).
6. **Section Names.** Governor removed "Miscellaneous" section and added "Information Technology" and "One-Time Appropriations". (Secs. 4-109 and 4-110)
7. **Updated Amounts for Total Legacy Costs.** Governor updated total legacy costs section. The pension-related costs are \$187,327,100 and the retiree health care costs are \$150,531,100. (Sec. 4-214)

Date Completed: 3-17-16

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Senate Bill 786 (as introduced)
 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2015-16 YEAR-TO-DATE	FY 2016-17 GOV.'S REC.	CHANGES FROM FY 2015-16 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	588.5	596.5	8.0	1.4
GROSS	308,561,200	316,917,400	8,356,200	2.7
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS	308,561,200	316,917,400	8,356,200	2.7
Less:				
Federal Funds	215,640,900	225,164,100	9,523,200	4.4
Local and Private	7,667,000	7,591,400	(75,600)	(1.0)
TOTAL STATE SPENDING	85,253,300	84,161,900	(1,091,400)	(1.3)
Less:				
Other State Restricted Funds	7,669,600	7,780,700	111,100	1.4
GENERAL FUND/GENERAL PURPOSE	77,583,700	76,381,200	(1,202,500)	(1.5)
PAYMENTS TO LOCALS	17,861,000	15,176,000	(2,685,000)	(15.0)

FY 2015-16 Year-to-Date Gross Appropriation \$308,561,200

Changes from FY 2015-16 Year-to-Date:

- 1. **Flint Declaration of Emergency.** The Governor included one-time appropriations for Flint. This funding would extend the pilot expansion of the Child Development and Care Program for children age birth to three that is first being recommended in the FY 2015-16 supplemental to full-year funding. This also includes a \$100 place holder in order to allow Flint to receive additional appropriations in the event they are needed. The expansion of the Child Development and Care Program is fully supported by Federal funds, while the \$100 place holder is State Restricted. 8,050,100
- 2. **Multi-Tiered Systems of Support Implementation (MTSS).** The Governor included this new program, which establishes a team of 3.0 FTEs to provide on-site monitoring and support of intermediate school districts (ISDs), districts, and school buildings that implement multi-tiered systems of support. Districts receiving at-risk funding are required to implement MTSS. This program is funded by GF/GP. 500,000
- 3. **Certification Fees Support.** The Governor included one-time appropriations to offset deficiencies due to declining certification fee revenue. This increase is supported by GF/GP. 500,000
- 4. **Early/Middle College Support.** The Governor included this new program, which will hire 2.0 FTEs to provide technical support and assistances specifically towards Early/Middle Colleges, which are expected to increase to number 119 by 2017. This program is funded by GF/GP. 395,000

5. Special Education Taskforce. The Governor included funding for a new Special Education Taskforce. This taskforce will provide resources to the Office of Special Education to design and distribute "parent-friendly" information and train mediators on State and Federal mandates. This taskforce is supported by GF/GP.	300,000
6. School Safety Consultant. The Governor included funding to support a new FTE position who will coordinate with the Attorney General and State Police to provide statewide support and guidance on school safety issues. This position is funded by GF/GP.	180,000
7. Home Visit Program. The Governor included funding to support a new FTE position to provide coordination and management of the home visit program described in Section 32p of the State School Aid Act. This FTE position is funded by GF/GP.	175,000
8. E-Rate Technical Assistance. The Governor included funding to support a new FTE position to coordinate and provide guidance to ISDs, districts, and schools to align projects with ongoing work on the State Education Network. This FTE position is funded by GF/GP.	162,500
9. Education Commission of the State Membership Dues. The Governor included an increase that would allow the Department to fully pay for the Education Commission of the States Membership. This increase is support by GF/GP.	90,800
10. Removal of FY 2015-16 Supplemental. The Governor removed Public Act 3 of 2016 supplemental funding, which provided funding to the City of Flint and Genesee ISD to address the declaration of emergency.	(2,685,000)
11. Educator Evaluations. The Governor reduced funding for Educator Evaluations and rolled the funding into Educational Improvement and Innovation Operations. The reduction is GF/GP and would leave Educator Evaluations with \$1.5 million for FY 2016-17.	(1,000,000)
12. Financial Independence Team. The Governor included a 50% reduction to this unit, leaving \$249,500 Gross and GF/GP remaining for FY 2016-17.	(250,000)
13. Early Out Five-Year Payouts. Department obligations will be satisfied as of FY 2015-16 for employees who opted into the 2010 early retirement program, which deferred sick leave payments over five years. Of the Gross reduction, \$164,100 is Federal funds, \$15,400 is State Restricted funds, and \$21,900 is GF/GP.	(201,400)
14. Removal of Local Cost Sharing. The Governor removed local cost sharing revenue to Information Technology due to unrealized revenue from this source.	(76,500)
15. Creation of the Office of Talent and Policy Coordination. The Governor used existing FTEs and funding within the Department to create the Office of Talent and Policy Coordination. The Office will have 17.0 FTEs and \$2,574,200 Gross and \$1,707,200 GF/GP.	0
16. Economic Adjustments. Includes \$1,429,100 Gross and \$332,400 for standard economic adjustments, \$388,600 Gross and \$90,400 GF/GP for OPEB and \$398,000 Gross and \$28,300 GF/GP for other economic adjustments.	2,215,700
Total Changes	\$8,356,200
FY 2016-17 Governor's Recommendation	\$316,917,400

Boilerplate Changes from FY 2015-16 Year-to-Date:

1. **Deleted Sections.** The Governor deleted a number of sections, which include: 208 (sexual misconduct file retention requirement), 216 (protection for employees who testify), 218 (retention of all reports), 220 (30-day requirement on request and reports), 233 (RFI consideration), 234 (benchmark report), 236 (nonpublic schools mandate report), 237 (school fund raiser nutrition requirement), 502 (use of substitute time for teaching time requirement), 507 (teacher certification requirements), 601 (Financial Independence Team requirements), 803 (maintain Library unit intent), 806 (State aid to libraries increase intent), 901 (notification of grant requirement), 1001 (child care provider report), 1003 (ECIC report), 1004 (Child Development and Care increase intent), 1201 (legislative intent for 2nd year spending).
2. **Report Requirement on MTSS.** The Governor included a new section, which requires a report on the implementation of MTSS. (Sec. 701)

3. **Special Education Taskforce.** The Governor included a new section, which places requirements on the implementation of the Special Education Taskforce. (Sec. 901)
4. **Flint Declaration of Emergency Funds.** The Governor included a new section, which places requirements on the one-time appropriations for the Flint declaration of emergency funds. (Sec. 1101)
5. **Requirements for Reporting Contracts.** The Governor removed the notification requirements for contracts over \$1.0 million. (Sec. 235)
6. **Technical Modifications and Movement.** The Governor made a number of technical modifications that include date changes, definition changes, spending changes to reflect part 1 adjustments, and standardized general section language, and renumbered sections to standardize boilerplate across departments, which includes sections: 201, 202, 203, 204 (now 206), 205 (now 215), 207 (now 211), 211 (now 216), 212 (now 205), 214 (now 207), 219 (now 210), 221 (now 208), 222 (now 213), 226 (now 209), 227 (now 212), 230 (now 217), 231 (now 214), 1005 (now 219), 1006 (now 220), and 1007.

Date Completed: 3-19-16

Fiscal Analyst: Cory Savino



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Senate Bill 787 (as introduced)
Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2015-16 YEAR-TO-DATE	FY 2016-17 GOV.'S REC.	CHANGES FROM FY 2015-16 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	1,220.0	1,232.0	12.0	1.0
GROSS	499,995,800	513,499,400	13,503,600	2.7
Less:				
Interdepartmental Grants Received	9,115,300	9,225,700	110,400	1.2
ADJUSTED GROSS	490,880,500	504,273,700	13,393,200	2.7
Less:				
Federal Funds	138,079,100	138,687,200	608,100	0.4
Local and Private	546,000	555,300	9,300	1.7
TOTAL STATE SPENDING	352,255,400	365,031,200	12,775,800	3.6
Less:				
Other State Restricted Funds	305,341,200	317,344,800	12,003,600	3.9
GENERAL FUND/GENERAL PURPOSE	46,914,200	47,686,400	772,200	1.6
PAYMENTS TO LOCALS	14,685,000	3,750,000	(10,935,000)	(74.5)

FY 2015-16 Year-to-Date Gross Appropriation \$499,995,800

Changes from FY 2015-16 Year-to-Date:

- 1. Leaking Underground Storage Tank Cleanups.** The Governor included additional Refined Petroleum Fund revenue in the DEQ budget to address leaking underground storage tanks. This item also appears in the budget for the Department of Agriculture and Rural Development (DARD), where the money is currently used to support the Weights and Measures program. GF/GP would be used in DARD to replace this revenue. 1,500,000
- 2. Clean Michigan Initiative (CMI) - High-Priority Cleanups.** The Governor included additional CMI bond proceeds which would use most of the remaining statutory allocation for response activities at sites deemed a high priority by the Department. 14,900,000
- 3. Water Withdrawal Assessment Program.** The Governor included \$800,000 in Clean Michigan Initiative - Clean Water Fund appropriations to increase the scope of this program. The program models the effects on large-scale water withdrawals on local water tables and water availability for residential wells. The Governor's total for FY 2016-17 for this program, including this increase, is about \$2.2 million. 800,000
- 4. Drinking Water Revolving Loan Fund - State Match.** The Governor included additional one-time GF/GP appropriations to draw down all available Federal funds for the Drinking Water Revolving Fund program. The program provides low-interest loans to municipalities for improvements to drinking water infrastructure. The exact amount of funds available for this program is contingent on the Federal budget for FY 2016-17, but the average for this program is about \$30.0 million to \$35.0 million. 2,950,000

<p>5. Flint Declaration of Emergency. The Governor included a one-time appropriation including 10.0 FTEs for efforts related to Flint water issues. The proposal is comprised of three parts: \$1.5 million and 10.0 FTEs for corrosion control specialists, sampling staff, lab staff, and service line verification staff; \$3.9 million for three months of water payments to the Great Lakes Water Authority for Flint's water; and a \$100 placeholder for the Flint Emergency Reserve Fund. That fund was proposed as part of Supplemental Request 2016-6, which would appropriate \$50.0 million from the State General Fund to a new Flint Emergency Reserve Fund in the Department of Technology, Management and Budget. Part or all of that funding could then be authorized for expenditure in the DEQ budget through a contingency fund transfer by the Legislature.</p>	<p>5,400,100</p>
<p>6. Oil and Gas Regulatory Fund Replacement. The Governor included additional one-time GF/GP appropriations to replace appropriations from this fund for the Office of Oil, Gas, and Minerals. The Fund normally provides much of the revenue necessary to operate the Office, which oversees regulation of mineral extraction in the State. However, low oil prices have reduced Fund revenue, which is based directly on the market value of extracted minerals.</p>	<p>4,000,000</p>
<p>7. Contaminated Lake and River Sediment Cleanup. The Governor included additional one-time CMI-Contaminated Sediments appropriations to fund cleanups of toxic sediment from rivers, lakes, and streams. Typically about \$1.5 million is appropriated each year for these purposes. This increase would increase that by about half for FY 2016-17.</p>	<p>700,000</p>
<p>8. Environmental Bond Site Reclamation Program. The Governor removed appropriations for this program, as the underlying fund source, part of the 1998 Clean Michigan Initiative bond program, has been depleted.</p>	<p>(126,800)</p>
<p>9. Brownfield Grants. The Governor removed appropriations for this program. Funding currently comes from the CMI allocation for response activities; the Governor proposed repurposing the remainder of these funds toward high-priority cleanups.</p>	<p>(1,500,000)</p>
<p>10. Removal of Five-Year Early-Out Deferred Sick Leave Payments. Department obligations will be satisfied as of FY 2015-16 for employees who opted into the 2010 early retirement program, which deferred sick leave payments over five years.</p>	<p>(243,300)</p>
<p>11. Office of Oil, Gas, and Minerals. \$5.4 million in Oil and Gas Regulatory Fund appropriation authority was removed from the Office of Oil, Gas, and Minerals as low oil prices have reduced revenue to this fund. The Governor included a total of \$10.8 million for this program.</p>	<p>(5,385,600)</p>
<p>12. Remove FY 2015-16 Supplemental Appropriation. The Governor removed \$13.1 million in FY 2015-16 appropriations for Flint water issues. These appropriations were related to one-time expenditures for the following: Reconnection of Flint's water to the Detroit Water and Sewerage Department (\$6.3 million); increased water testing of homes in Flint (\$1.0 million); aid to the City of Flint for unpaid water bills (\$3.0 million); Flint water system needs (\$2.0 million); Flint water infrastructure study (\$500,000); DEQ lab testing costs (\$250,000); and Flint water corrosion control (\$36,500).</p>	<p>(13,086,500)</p>
<p>13. Economic Adjustments. Includes \$788,800 Gross and \$122,800 GF/GP for OPEB and \$2,806,900 Gross and \$429,700 GF/GP for other economic adjustments.</p>	<p>3,595,700</p>
<p>Total Changes.....</p>	<p>\$13,503,600</p>
<p>FY 2016-17 Governor's Recommendation.....</p>	<p>\$513,499,400</p>

Boilerplate Changes from FY 2015-16 Year-to-Date:

1. **Metrics for New/Increased Programs.** The Governor removed a requirement that proposals for new programs or increases over \$500,000 be accompanied by proposed metrics. (Sec. 204)
2. **Communication with the Legislature.** The Governor removed a prohibition against taking disciplinary action against Department employees who communicate with the Legislature. (Sec. 212)
3. **Report Retention.** The Governor removed a requirement that reports be retained according to State and Federal laws. (Sec. 207)

4. **Rule Promulgation - Small Business Impact.** The Governor removed a prohibition against the promulgation of rules that would have a disproportionate impact on small businesses. (Sec. 213)
5. **FTE Report.** The Governor removed an annual report on the number of funded full-time equated (FTE) positions in the Department. (Sec. 223)
6. **Refined Petroleum Fund Repayment.** The Governor removed a statement of legislative intent that the \$70.0 million transferred to the Environmental Protection Fund from the Refined Petroleum Fund in FY 2006-07 be repaid. (Sec. 305)
7. **Refined Petroleum Fund Site List.** The Governor removed a section detailing the RPF sites that would be funded in the budget. (Sec. 306)
8. **Brownfield Grant Work Project.** The Governor removed a section allowing for Brownfield grant appropriations to be carried forward as a work project. (Sec. 309)
9. **Kalamazoo River Oil Spill Settlement Funds.** The Governor removed a report on the use of settlement funds from the 2010 oil spill on the Kalamazoo River. (Sec. 311)
10. **Water Quality and Use Initiative - Spending Plan.** The Governor removed a requirement that a spending plan be established for this program. (Sec. 402)
11. **Groundwater Discharge Permit Fee Structure.** The Governor removed a requirement that the Department work with stakeholders to revise the fee structure for this program. (Sec. 406)
12. **CMI - Contaminated Sediment Cleanup Work Project.** The Governor included a new section containing work project carryforward language for this appropriation. (Sec. 6-407 of Gov's Rec)
13. **Air Quality Fee Increase - Hire Program Supervisor for Upper Peninsula.** The Governor removed a requirement that part of the air quality fee increase revenue be used to hire a program supervisor for the Upper Peninsula. (Sec. 501)
14. **Air Permits - Penalties for Previous Owners.** The Governor removed a prohibition against assessing additional penalties for air permit violations that occurred under a previous owner. (Sec. 502)
15. **Stormwater Asset Management Plan Report.** The Governor removed a requirement that completed grants have a summary of their asset management plans posted on the Department website, and that municipalities receiving grants agree to make the plan available to the Department as well as the public. (Sec. 603)
16. **Flint Declaration of Emergency.** The Governor included a new section requiring that funds appropriated for this purpose be used to keep Flint on the Detroit water system and for staffing, lab, testing, and contract costs. (Sec. 6-801 of Gov's Rec)
17. **FY 2016-17 Anticipated Appropriations.** The Governor removed this section. (Sec. 2001)

Date Completed: 2-18-16

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Senate Bill 788 (as introduced)
 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2015-16 YEAR-TO-DATE	FY 2016-17 GOV.'S REC.	CHANGES FROM FY 2015-16 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	74.2	74.2	0.0	0.0
GROSS	5,531,100	5,636,300	105,200	1.9
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS	5,531,100	5,636,300	105,200	1.9
Less:				
Federal Funds	0	0	0	0.0
Local and Private	0	0	0	0.0
TOTAL STATE SPENDING	5,531,100	5,636,300	105,200	1.9
Less:				
Other State Restricted Funds	0	0	0	0.0
GENERAL FUND/GENERAL PURPOSE	5,531,100	5,636,300	105,200	1.9
PAYMENTS TO LOCALS	0	0	0	0.0

FY 2015-16 Year-to-Date Gross Appropriation	\$5,531,100
Changes from FY 2015-16 Year-to-Date:	
1. Executive Office Operations. Governor recommended a 1.9% overall increase for Executive Office operations.	105,200
Total Changes	\$105,200
FY 2016-17 Governor's Recommendation	\$5,636,300

Boilerplate Changes from FY 2015-16 Year-to-Date:

1. There is no boilerplate for the Executive Office.

Date Completed: 2-17-16

Fiscal Analyst: Joe Carrasco, Jr.

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberation.



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Senate Bill 789 (as introduced)
 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2015-16 YEAR-TO-DATE	FY 2016-17 GOV.'S REC.	CHANGES FROM FY 2015-16 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	15,437.0	15,554.5	117.5	0.8
GROSS	25,086,944,200	24,707,967,700	(378,976,500)	(1.5)
Less:				
Interdepartmental Grants Received	13,551,600	13,513,700	(37,900)	(0.3)
ADJUSTED GROSS	25,073,392,600	24,694,454,000	(378,938,600)	(1.5)
Less:				
Federal Funds	18,422,113,900	17,734,683,600	(687,430,300)	(3.7)
Local and Private	279,748,900	280,171,600	422,700	0.2
TOTAL STATE SPENDING	6,371,529,800	6,679,598,800	308,069,000	4.8
Less:				
Other State Restricted Funds	2,217,821,600	2,328,831,500	111,009,900	5.0
GENERAL FUND/GENERAL PURPOSE	4,153,708,200	4,350,767,300	197,059,100	4.7
PAYMENTS TO LOCALS	1,224,137,400	1,259,438,500	35,301,100	2.9

FY 2015-16 Year-to-Date Gross Appropriation \$25,086,944,200

Changes from FY 2015-16 Year-to-Date:

1. **Medicaid and State Children's Health Insurance Program (SCHIP) Match Rates.** The traditional Medicaid match rate declines from 65.60% to 65.15%, increasing costs by \$48.5 million GF/GP. The SCHIP match rate will drop slightly, increasing costs by \$0.2 million GF/GP. On January 1, 2017, the match rate for the Medicaid expansion, the Healthy Michigan Plan, will drop from 100% to 95%, increasing costs by \$127.8 million GF/GP. 0
2. **Other Fund Source Adjustments.** Due to Federal statements that the managed care Use Tax must expire at the end of 2016, Governor reflected a statutory reversion of the Health Insurance Claims Assessment (HICA) rate from 0.75% to 1.0%, resulting in \$58.2 million more revenue and an identical GF/GP savings. The hospital provider tax retainer would be changed, resulting in a \$12.1 million GF/GP savings. Additional Medicaid Benefits Trust Fund revenue would result in a \$17.5 million GF/GP savings. Diversion of tobacco settlement dollars would increase costs by \$23.7 million GF/GP. Recoupment of SCHIP dollars for children on Medicaid would save \$30.0 million GF/GP. 0
3. **Changes in Federal Grants.** Governor assumed a \$44.3 million increase in the Federal Victims of Crime Act grant and minor adjustments in other Federal grants. 47,229,900
4. **Medicaid Actuarial Soundness Adjustments.** Governor included 1.5% increase for regular Medicaid behavioral health and physical health and a 2.0% increase for the Healthy Michigan Plan, at a total cost of \$32.1 million GF/GP. 118,263,800

- 5. **Reversal of FY 2015-16 Supplementals.** Governor removed funding associated with the two FY 2015-16 supplementals related to Flint, a reduction of \$11.9 million GF/GP. There is new funding for water crisis-related services in Flint in the FY 2016-17 budget. (17,307,100)
- 6. **Healthy Michigan Plan Base and Caseload Adjustments.** Due to lower expenditure projections tied to flattening caseloads and provider tax adjustments, total HMP authorization is reduced in the Governor's recommendation, savings of \$19.2 million GF/GP. (513,250,200)
- 7. **Medicaid and Related Program Base Adjustments.** Governor included adjustments to reflect projected Medicaid base and caseload costs, for an increase of \$85.6 million GF/GP. 206,169,500
- 8. **Children's Services Base, Caseload, and Fund Source Adjustments.** Governor included caseload increases for Foster Care (\$1.0 million Gross, savings of \$8.7 million GF/GP), Child Care Fund (\$6.3 million Gross and GF/GP), and Guardianship Assistance (\$2.7 million Gross, \$3.5 million GF/GP). Governor reflected caseload decreases for Adoption Subsidies (\$6.0 million Gross, \$0.7 million GF/GP) and Family Support subsidy (\$0.7 million Gross). 3,389,200
- 9. **Public Assistance Base and Caseload Adjustments.** Governor recognized caseload declines in Family Independence Program (FIP) (\$3.9 million Gross and \$1.0 million GF/GP), State Disability Assistance (SDA) (\$1.7 million Gross and GF/GP), and Food Assistance Program (FAP) (\$71.0 million Gross and \$0 GF/GP). Governor recognized caseload growth in State Supplementation Income (SSI) (\$0.2 million Gross and GF/GP). (76,297,700)
- 10. **Information Technology Enhancements.** Governor incorporated several IT investments which includes an encryption improvement and Medicaid fraud detection software (\$0.9 million Gross and \$0.3 million GF/GP). Also, DTMB service transition (\$6.3 million Gross and \$2.2 million GF/GP). Governor requested \$10.8 million Gross, \$7.7 million GF/GP for MiSACWIS integration and \$12.3 million Gross, \$1.2 million GF/GP for Integrated Service Delivery (ISD). Both MiSACWIS and ISD also have one-time funding requested. 30,276,200
- 11. **Program Enhancements.** Governor included a \$1.4 million Gross and GF/GP increase for multicultural services, \$6.1 million (no GF/GP) to increase the FIP clothing allowance, a new 30-patient unit at the Center for Forensic Psychiatry (\$7.6 million Gross and GF/GP), and adjustments tied to the implementation of an ambulance provider assessment (\$48.1 million Gross, \$1.5 million GF/GP). Finally, Governor proposed expanding Healthy Kids Dental to all Medicaid-eligible children in the State (\$25.6 million Gross, \$8.9 million GF/GP). 88,914,000
- 12. **Program Reductions.** Governor reduced administration and management expenditures by \$100,000 Gross and GF/GP. Governor eliminated the Adoption Family Support Parent-to-Parent program for a savings of \$350,000 Gross and GF/GP, also eliminated the In-Home Rural Community Care grants for a savings of \$400,000 Gross and GF/GP. Lastly, Governor removed the county hold harmless provision for the Child Care Fund, Private Residential rate, and Private Administrative rate for a savings of \$6.1 million Gross and \$5.2 million GF/GP. (6,950,000)
- 13. **Technical Adjustments Tied to Federal and State Policy Changes.** Due to the projected expiration of the Medicaid managed care Use Tax, the State would no longer have to make payments to reimburse providers for the tax, resulting in an assumed savings of \$612.9 million Gross, \$140.4 million GF/GP. Governor removed a one-time hospital payment (\$92.9 million Gross, \$0 GF/GP). Governor reflected suspension of the Federal health insurer fee, reducing reimbursements to HMOs by \$137.2 million Gross, \$36.7 million GF/GP. (842,935,100)
- 14. **Costs of New Pharmaceuticals.** Governor included funding for two specialty pharmaceuticals: Solvaldi (Hepatitis C curative treatment) at cost of \$327.8 million Gross and \$91.5 million GF/GP and Orkambi (Cystic Fibrosis treatment) at a cost of \$66.3 million Gross and \$44.7 million GF/GP. 394,081,300
- 15. **One-Time Programs.** Governor included Flint emergency declaration funds \$15.1 million Gross, \$9.1 million GF/GP, expansion of the Family Preservation program \$10.0 million Gross, a specialty pharmaceutical reserve fund (\$86.1 million Gross, \$30.0 million GF/GP), an autism navigator program (\$1.1 million Gross and GF/GP), and one-time funding of the MiSACWIS/ISD IT enhancements (\$48.5 million Gross and \$0 GF/GP). Governor removed FY 2015-16 one-time funding for a savings of \$7.8 million Gross and 7.4 million GF/GP. 153,007,400

16. Expiration of Sick Leave Payouts. Governor recognized that the obligations associated with employees who opted into the 2010 early retirement program with deferred sick leave payments over five years have been satisfied for a savings of \$2.5 million GF/GP.	(6,363,600)
17. Economic Adjustments. Includes \$8,747,200 Gross and \$3,460,600 GF/GP for OPEB and \$34,094,800 Gross and \$13,628,000 GF/GP for other economic adjustments.	42,842,000
18. Other Changes. Other changes result in a slight decrease in funding.	(46,100)
Total Changes.....	(\$378,976,500)
FY 2016-17 Governor's Recommendation.....	\$24,707,967,700

Boilerplate Changes from FY 2015-16 Year-to-Date:

1. **Performance Metrics.** Governor removed language requiring a report of benchmarks to measure performance for all new programs and program expansions with appropriations greater than \$1.0 million. (Sec. 204)
2. **Personnel Reporting.** Governor removed language requiring monthly FTE count, payroll taxes/fringe benefits, and supervisor-to-staff ratios. (Secs. 214, 280, and 298)
3. **Notifications.** Governor removed language requiring notification of contract and policy changes, e-verify, and RFI and RFP processes. (Secs. 222, 240, 291, and 299)
4. **Limit on Administrative Components of New Contracts.** Governor deleted language requiring a minimum of 90% of contracts financed through GF/GP or State Restricted funds must be spent on direct services. The language allows exceptions to be made if it can be demonstrated that they are necessary. (Sec. 288)
5. **Workgroups.** Governor removed workgroups for TANF utilization in Michigan Works!/Michigan Strategic Fund, assisted living services, Medicaid community-based claims, MiBRIDGES Fraud Prevention. (Secs. 229, 315, 603, and 673)
6. **Multicultural Contracts.** Governor modified and moved language requiring the Department to competitively award grants to agencies providing services to multicultural populations consistent with a series of requirements included in the language. (Sec. 295)
7. **Behavioral Health Integration to Managed Care.** Governor included new language requiring the Department to transfer responsibility for Medicaid Behavioral Health Services from PIHPs to Medicaid HMOs by the end of the fiscal year. Includes steps the Department must take to implement the change, a requirement that the HMOs contract with existing CMHSPS for specialty services, as well as a reporting requirement. (Sec. 298)
8. **Foster Care.** Governor removed language requiring a report on timely health exams for foster children, certain restrictions on out-of-state placements, Child Protective Services annual report, treatment foster care, placements, parent visitations travel reimbursements, and a medical passport. (Secs. 511, 513, 514, 519, 537, 540, 562, 564, and 567)
9. **Private Child Welfare Agencies.** Governor removed language on facility and license reviews, payment standards, and training. (Secs. 525, 532, 533, and 585)
10. **Programming Elimination.** Governor deleted language associated with the Adoptive Family Support Network appropriation for parent-to-parent mentoring and the rural In-Home Community Care grant appropriation. (Secs. 559 and 587)
11. **Child Welfare Rates.** Governor removed 100% State share of the administrative rate and residential services rate and that Guardianship Assistance rates are not less than youth placed in family foster care. (Secs. 546, 547, and 589)
12. **Contracting Language.** Governor removed requirement that of all new contracts signed, 90% goes toward providing services and partial removal of the intended performance-based system for child welfare services. (Secs. 288 and 503)
13. **Kent County.** Governor removed set-aside start-up cost appropriation of \$500,000 and current privatization of foster care language. (Secs. 504 and 515)
14. **MiSACWIS Modification.** Governor revised language to reflect the updated progress of the IT system project. (Sec. 534)

Boilerplate Changes from FY 2015-16 Year-to-Date:

15. **Public Assistance.** Governor removed language on Federal disability eligibility, LEIN report, disability legal services, and Bridge card fraud. (Secs. 614, 617, 625, and 672)
16. **Juvenile Justice.** Governor deleted language on residential contract terms, behavioral study, notification of closure, and occupancy. (Secs. 701, 711, 719, and 721)
17. **Service Contracts.** Governor removed prohibition on order of selection for vocational and rehabilitation services and that community-based rehabilitation organizations are accredited. (Secs. 805 and 806)
18. **Reporting on Data by CMHSPs.** Governor combined reporting requirements on substance use disorder, prevention, education and treatment programs with other reporting requirements by CMHSPs. Deleted previous year section pertaining to substance use disorder programs. (Secs. 904 and 908)
19. **Autism Projects Funding.** Governor altered language relating to the awarding of autism grants to align the goals with a more person-centered focus, and to include required program outcomes and performance metrics. (Sec. 960)
20. **Kyle's Law Funding.** Governor altered language to appropriate \$2.0 million to address the implementation of court-ordered Assisted Outpatient Treatment as allowed by PA 497 or 2004. (Sec. 1010)
21. **Center for Forensic Psychiatry Expansion.** Governor included new language directing the Department to open an eighth wing at the Center in order to alleviate time spent on wait lists. The language includes required program outcomes and performance metrics. (Sec. 1059)
22. **Federal State Innovation Model Grant Funding.** Governor removed language stating five standards that must be followed should SIM funding be used to create a data aggregator. (Sec. 1144)
23. **I/T/U Facility Supplemental Payments.** Governor deleted language that requires the Department to work to ensure that I/T/U facilities receive the maximum amount allowable for Medicaid services. (Sec. 1145)
24. **Pregnancy and Parenting Pilot Program.** Governor removed language allocating \$50,000 for a real alternatives pregnancy and parenting support program. Language also includes outcome goals for the program. (Sec. 1307)
25. **WIC Cost Reduction.** Governor removed language requiring WIC to encourage participants to choose the lowest priced product available, as long as it satisfies the nutritional requirements of the program. (Sec. 1340)
26. **Integrated Services Delivery Call Center.** Governor included new language directing the Department to establish new IT tools and enhance existing systems to improve the eligibility and enrollment process. Language also includes outcomes and performance metrics. (Sec. 1506)
27. **Pharmacy and Medicaid Services Copayments.** Governor modified language that increases copayments for Medicaid recipients enrolled in the Healthy Michigan Plan with an income of at least 100% of the Federal Poverty Level to clarify that the administration of the copayment must be consistent with the terms and conditions linked to the waiver authorizing the Healthy Michigan Plan. (Secs. 1620 and 1631)
28. **GME Quality Data Reporting.** Governor deleted language requiring hospitals that receive Graduate Medical education payments to submit data to a national nonprofit organization. Requires the Department to hold a hospital's fourth quarter GME payments until the submission of data. (Sec. 1805)
29. **Healthy Kids Dental.** Governor altered language directing the expansion of Healthy Kids Dental to all kids in Kent, Oakland, and Wayne counties. Outlines performance measures for the program. (Sec. 1894)
30. **Parent Partner and Family Reunification Programs.** Governor included new language directing the Department to expand the Parent Partner Program and Family Reunification Program. Outlines performance measures for the program and states that unexpended funds be designated as a work project. (Sec. 1909)
31. **Flint Declaration of Emergency.** Governor included new language requiring the Department to allocate funds to address needs related to the Flint water crisis. Language includes examples of activities for which the funds may be used. (Sec. 1910)

Date Completed: 3-17-16

Fiscal Analyst: Eilyn Ackerman, Steve Angelotti, and John Maxwell

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberation.



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Senate Bill 790 (as introduced)
 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2015-16 YEAR-TO-DATE	FY 2016-17 GOV.'S REC.	CHANGES FROM FY 2015-16 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	N/A	N/A	0.0	0
GROSS	1,534,724,400	1,598,654,400	63,930,000	4.2
Less:				
Interdepartmental Grants Received	0	0	0	0
ADJUSTED GROSS	1,534,724,400	1,598,654,400	63,930,000	4.2
Less:				
Federal Funds	97,026,400	99,026,400	2,000,000	2.1
Local and Private	0	0	0	0
TOTAL STATE SPENDING	1,437,698,000	1,499,628,000	61,930,000	4.3
Less:				
Other State Restricted Funds	205,279,500	237,209,500	31,930,000	15.6
GENERAL FUND/GENERAL PURPOSE	1,232,418,500	1,262,418,500	30,000,000	2.4
PAYMENTS TO LOCALS	0	0	0	0

FY 2015-16 Year-to-Date Gross Appropriation **\$1,534,724,400**

Changes from FY 2015-16 Year-to-Date:

- 1. University Operations Increase.** The Governor included an overall \$59.8 million (4.4%) increase for university operations funded from the School Aid Fund (SAF) \$31.2 million, and the State General Fund \$28.6 million. The formula continues performance metrics used in FY 2015-16, but distributes half of the funding increase proportional to FY 2010-11 (across-the-board). Prerequisites for receiving performance funding are continued. Tuition restraint is set at 4.8% (FY 2015-16 tuition restraint was 3.2%). The increase brings overall funding for university operations back to its FY 2010-11 level (prior to the FY 2011-12 15.0% reduction). Details of allocations by university are included in [Table 1](#).

59,787,400
- 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 under the Hatch Act, as well as State appropriations and local and private revenue. Examples of research conducted include quality and yield-related properties of dry beans, production of leaner, low-fat meat products, and plant biotechnology. AgBioResearch and MSU Extension Services are partners with MSU in both Project GREEN (Generating Research and Extension to meet Economic and Environmental Needs) and the animal health diagnostic laboratory. The Governor included a 2.3% GF/GP increase for MSU AgBioResearch, increasing funding from \$32,508,300 to \$33,243,100. This brings MSU AgBioResearch back to its funding level in FY 2010-11.

734,800

<p>3. MSU Extension. 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 under the Smith-Lever Act and the Food and Agriculture Act, 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 included a 2.4% GF/GP increase for MSU Extension, increasing funding from \$27,994,800 to \$28,672,600. This brings MSU Extension back to its funding level in FY 2010-11.</p>	<p>677,800</p>
<p>4. Michigan Public School Employees Retirement System (MPSERS) Rate Cap. The Governor increases appropriations from \$5,160,000 to \$5,890,000 based on implementing an employer's cap on contributions for MPSERS unfunded accrued liability (UAL) payments (25.73% of payroll). The affected universities include Central, Eastern, Ferris, Lake Superior, Michigan Tech, Northern, and Western. Payments by the State for the cap will increase from \$5.2 million in FY 2015-16 to \$10.3 million in FY 2035-36. Over that time period, the cost to the State is estimated at \$156.1 million.</p>	<p>730,000</p>
<p>5. Tuition Incentive Program (TIP). The Tuition Incentive Program (TIP) is a financial aid program targeted toward low-income middle school and high school students. It was established in FY 1986-87 through language in the Department of Social Services appropriation bill and was eventually transferred to the Higher Education budget in FY 1992-93. The TIP provides an incentive to students to complete high school and go on to college by pledging to pay their tuition and fees for associate degree or certificate programs (Phase I), as well as up to \$2,000 at a four-year institution (Phase II). Students in grades 6 through 12 who are Medicaid-eligible for 24 months in a 36-consecutive-month period can qualify for TIP. The Governor recommended increasing the TIP appropriation from \$48.5 million to \$50.5 million based on program costs, funded by Federal Temporary Assistance for Needy Families (TANF) funds.</p>	<p>2,000,000</p>
<p>Total Changes.....</p>	<p>\$63,930,000</p>
<p>FY 2016-17 Governor's Recommendation.....</p>	<p>\$1,598,654,400</p>

Boilerplate Changes from FY 2015-16 Year-to-Date:

1. **Budget Transparency.** Posting of financial and other information on university websites. The Governor eliminated the State Budget Director's authority to determine compliance and withhold funding for noncompliance. (Sec. 245)
2. **State Tuition Grant Program.** The Governor changed the application deadline from July 1 to March 1; eliminated the carryforward of unexpended grants; reduced the limit on how much can be awarded to students at a single institution from \$3.2 million to \$3.0 million; and updated date references. (Sec. 252)
3. **Tuition Restraint.** The Governor increased the tuition restraint cap from 3.2% to 4.8%; clarified tuition and fee definition with cross-references to the Higher Education Institutional Data Inventory (HEIDI) definition; eliminated university-mandated health insurance from the definition of fees; and updated date references. (Sec. 265)
4. **Financial Aid.** The Governor changed the payment schedule for the Tuition Incentive Program from 50% paid at the beginning of the State's first fiscal quarter, 30% during the State's second fiscal quarter, 10% during the State's third fiscal quarter, and 10% during the State's fourth fiscal quarter to 55% in the 1st quarter, 40% in the 2nd quarter, and 5% in the 3rd quarter. (Sec. 254)
5. **Tuition Incentive Program.** The Governor added a new subsection stating that beginning in FY 2017-18, the Department of Treasury shall not award more than \$8.5 million annually to eligible students enrolled in the same college or university. The Governor also changed the reference from "general education development" to "high school equivalency" and clarified a requirement in (4)(C) as 24 months within 36 "consecutive" months regarding Medicaid eligibility requirement. (Sec. 256)
6. **Tuition Restraint.** The Governor increased the cap from 3.2% to 4.8%; clarified tuition and fee definition with cross-reference to the manual for the Michigan Higher Education Institutional Data Inventory (HEIDI); eliminated language that states "fee" includes the annual amount a student is charged for coverage by the university-affiliated group health insurance policy; and updated date references. (Sec. 265)

7. **Performance Funding.** The Governor removed "or has made a good-faith effort" exception regarding prerequisite that a university has entered into reverse transfer agreements; clarified that participation in the Michigan Transfer Network includes "active" participation and submission of "timely updates" to the Michigan Transfer Network; modified the formula to include half of the funding increase being allocated proportional to FY 2010-11 appropriation; specified that Carnegie classifications are those existing prior to February 1, 2016; eliminated legislative intent that, beginning in the 2016-17 State fiscal year, a university classified as improving is assigned a score of 1; and updated date references. (Sec. 265a)
8. **Indian Tuition Waiver.** The Governor removed a legislative intent statement that funds be allocated from the General Fund for unfunded North American Indian tuition waiver costs incurred by public universities. The Governor also replaced "postsecondary institution" with "public university" regarding the Department of Civil Rights reporting requirement for the Indian Tuition Waiver Program. (Sec. 268)
9. **Deleted Provisions.** The Governor removed the following sections: intent regarding appropriations for the next fiscal year (Sec. 236a); 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); discouraged instruction activity (Sec. 271a); human embryonic stem cell research report (Sec. 274); 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 Joint Capital Outlay Subcommittee use and finance requirements, and includes penalty provisions (Sec. 275a); and Federal Educational Rights & Privacy Act compliance (Sec. 293). The Governor also removed legislative intent references in sections 263a and 275.

Date Completed: 2-17-16

Fiscal Analyst: Bill Bowerman

Table 1

FY 2016-17 HIGHER EDUCATION APPROPRIATIONS: GOVERNOR'S RECOMMENDATION											
University	FY 2015-16 Year-To-Date Appropriation	Formula Adjustments					Total Formula Distribution	Other Changes ¹⁾	FY 2016-17 Gov's Rec.	Dollar Change from FY 2015-16	Percent Change
		Proportional to FY 2010-11	Critical Skills	Research & Development	Metrics Based on Carnegie Peers						
Central	\$81,127,100	\$1,686,521	\$353,218	\$36,356	\$2,129,009	\$4,205,100		\$85,332,200	\$4,205,100	5.2%	
Eastern	71,782,500	1,600,107	335,167	0	1,387,614	3,322,900		75,105,400	3,322,900	4.6	
Ferris	50,369,800	1,023,278	535,365	0	1,281,530	2,840,200		53,210,000	2,840,200	5.6	
Grand Valley	65,275,700	1,304,404	525,520	0	2,606,335	4,436,300		69,712,000	4,436,300	6.8	
Lake Superior	13,207,400	267,172	77,946	0	195,826	541,000		13,748,400	541,000	4.1	
Michigan State	268,770,700	5,970,663	1,135,139	822,172	2,427,490	10,355,500		279,126,200	10,355,500	3.9	
Michigan Tech	46,754,700	1,008,651	370,038	135,436	503,648	2,017,800		48,772,500	2,017,800	4.3	
Northern	45,107,700	950,058	225,633	0	584,616	1,760,300		46,868,000	1,760,300	3.9	
Oakland	48,371,900	1,068,362	459,061	23,933	1,376,993	2,928,300		51,300,200	2,928,300	6.1	
Saginaw Valley	28,181,200	583,432	189,942	0	628,304	1,401,700		29,582,900	1,401,700	5.0	
UM-Ann Arbor	299,975,000	6,656,142	1,218,828	1,856,291	2,987,258	12,718,500		312,693,500	12,718,500	4.2	
UM-Dearborn	24,033,100	520,407	178,455	0	458,569	1,157,400		25,190,500	1,157,400	4.8	
UM-Flint	21,815,400	439,836	228,915	0	434,126	1,102,900		22,918,300	1,102,900	5.1	
Wayne State	191,451,300	4,507,620	363,064	397,267	1,363,567	6,631,500		198,082,800	6,631,500	3.5	
Western	104,334,100	2,307,046	446,753	50,067	1,564,149	4,368,000		108,702,100	4,368,000	4.2	
Subtotal University Operations	\$1,360,557,600	\$29,893,699	\$6,643,044	\$3,321,522	\$19,929,034	\$59,787,400	\$0	\$1,420,345,000	\$59,787,400	4.4%	
MPSERS Reimbursement	5,160,000						730,000	5,890,000	730,000	14.1	
MSU AgBioResearch	32,508,300						734,800	33,243,100	734,800	2.3	
MSU Extension	27,994,800						677,800	28,672,600	677,800	2.4	
Higher Education Database	200,000							200,000	0	0.0	
Midwest Higher Ed Compact	115,000							115,000	0	0.0	
King-Chavez-Parks	2,691,500							2,691,500	0	0.0	
Total Universities	\$1,429,227,200	\$29,893,699	\$6,643,044	\$3,321,522	\$19,929,034	\$59,787,400	\$2,142,600	\$1,491,157,200	\$61,930,000	4.3%	
School Aid Fund	205,179,500	0	0	0	0	31,200,000	730,000	237,109,500	31,930,000	15.6	
State GF/GP	1,224,047,700	29,893,699	6,643,044	3,321,522	19,929,034	28,587,400	1,412,600	1,254,047,700	30,000,000	2.5	
Grants and Financial Aid											
State Competitive Scholarships	\$18,361,700						\$0	\$18,361,700	\$0	0.0%	
Tuition Grants	34,035,500						0	34,035,500	0	0.0	
Tuition Incentive Program (TIP)	48,500,000						2,000,000	50,500,000	2,000,000	4.1	
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	\$105,497,200						\$2,000,000	\$107,497,200	\$2,000,000	1.9%	
Federal Higher Ed Act	3,200,000						0	3,200,000	0	0.0	
Federal TANF	93,826,400						2,000,000	95,826,400	2,000,000	2.1	
Veterans Tax Check-off	100,000						0	100,000	0	0.0	
State GF/GP	8,370,800						0	8,370,800	0	0.0	
TOTAL HIGHER EDUCATION											
TOTAL ALL FUNDS	\$1,534,724,400	\$29,893,699	\$6,643,044	\$3,321,522	\$19,929,034	\$59,787,400	\$4,142,600	\$1,598,654,400	\$63,930,000	4.2%	
TOTAL FEDERAL	\$97,026,400	0	0	0	0	0	\$2,000,000	\$99,026,400	\$2,000,000	2.1%	
TOTAL STATE RESTRICTED	\$205,279,500	0	0	0	0	\$31,200,000	\$730,000	\$237,209,500	\$31,930,000	15.6%	
TOTAL STATE GF/GP	\$1,232,418,500	\$29,893,699	\$6,643,044	\$3,321,522	\$19,929,034	\$28,587,400	\$1,412,600	\$1,262,418,500	\$30,000,000	2.4%	

¹⁾ Other Changes column: MPSERS adjustments, increases for MSU AgBioResearch and MSU Extension, and the Tuition Incentive Program.

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberation.



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BILL ANALYSIS



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Senate Bill 791 (as introduced)
 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2015-16 YEAR-TO-DATE	FY 2016-17 GOV.'S REC.	CHANGES FROM FY 2015-16 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	337.0	337.0	0.0	0.0
GROSS	65,057,700	66,307,200	1,249,500	1.9
Less:				
Interdepartmental Grants Received	707,600	707,600	0	0.0
ADJUSTED GROSS	64,350,100	65,599,600	1,249,500	1.9
Less:				
Federal Funds	2,000,000	2,000,000	0	0.0
Local and Private	0	0	0	0.0
TOTAL STATE SPENDING	62,350,100	63,599,600	1,249,500	2.0
Less:				
Other State Restricted Funds	62,200,100	63,449,600	1,249,500	2.0
GENERAL FUND/GENERAL PURPOSE	150,000	150,000	0	0.0
PAYMENTS TO LOCALS	0	0	0	0.0

FY 2015-16 Year-to-Date Gross Appropriation	\$65,057,700
Changes from FY 2015-16 Year-to-Date:	
1. Removal of five-year early-out deferred sick leave payments. Departmental payment obligations will be satisfied as of FY 2015-16 for employees who opted into the 2010 early retirement program, which deferred sick leave payments over five years.	(138,500)
2. Economic Adjustments. Includes \$234,700 Gross and \$0 GF/GP for OPEB and \$1,153,300 Gross and \$0 GF/GP for other economic adjustments.	1,388,000
Total Changes	\$1,249,500
FY 2016-17 Governor's Recommendation	\$66,307,200

Boilerplate Changes from FY 2015-16 Year-to-Date:

- Modify Health Insurer Annual Rate Filing Report.** The Governor amended reporting requirements to include the number of applicable filings, the average number of days to process filings, an estimated percentage of residents without health coverage, the number of denied filings, and the percentage of rate filings processed for more than six months in a calendar year. The report previously required the number of filing approvals and denials, the percentage of rate filings processed, the average number of days to process filings, and an estimated percentage of residents without insurance for more than six months in a calendar year (FY 15-16: Sec. 229; FY 16-17: Sec. 213).
- Remove Reporting Requirements.** The Governor removed reporting requirements regarding the following: (1) Benchmark identification for program expansions or new programs over \$500,000 (Sec. 205); (2) Office space

ownership/lease/use data (Sec. 219); (3) Healthy Michigan Plan accounting structure (Sec. 245) and associated restrictions on General Fund use within the budget (Sec. 246); economic development planning and costs (Sec. 310); the Autism Reimbursement Coverage Fund (Sec. 802). The Governor also removed requirements for the Department to retain copies of reports under Federal and State guidelines (Sec. 212).

3. **Remove Disciplinary Restrictions for Legislative Communication.** The Governor removed a requirement that prohibited the Department from disciplining employees for communicating with legislators or legislative staff (Sec. 215).
4. **Department Charges for Non-Confidential Information Requests.** The Governor included language authorizing the Department to establish and collect fees for supplying information requests. Any fees not spent would lapse to the appropriate restricted fund (Sec. 392).

Date Completed: 2-17-16

Fiscal Analyst: Glenn Steffens



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Senate Bill 792 (as introduced)
 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2015-16 YEAR-TO-DATE	FY 2016-17 GOV.'S REC.	CHANGES FROM FY 2015-16 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	489.0	510.0	21.0	4.3
GROSS	284,851,400	298,261,400	13,410,000	4.7
Less:				
Interdepartmental Grants Received	2,362,900	1,550,000	(812,900)	(34.4)
ADJUSTED GROSS	282,488,500	296,711,400	14,222,900	5.0
Less:				
Federal Funds	6,428,600	6,433,500	4,900	0.1
Local and Private	8,171,900	8,307,100	135,200	1.7
TOTAL STATE SPENDING	267,888,000	281,970,800	14,082,800	5.3
Less:				
Other State Restricted Funds	84,245,800	92,786,000	8,540,200	10.1
GENERAL FUND/GENERAL PURPOSE	183,642,200	189,184,800	5,542,600	3.0
PAYMENTS TO LOCALS	137,073,400	138,718,300	1,644,900	1.2

FY 2015-16 Year-to-Date Gross Appropriation **\$284,851,400**

Changes from FY 2015-16 Year-to-Date:

- 1. **Statewide Electronic Filing System.** Governor increased spending authority from the electronic filing fund. 8,500,000
- 2. **Michigan Indigent Defense Commission.** Governor increased the total number of staff by 10.0 FTEs to implement minimum standards, rules, and procedures to guarantee the right of indigent defendants to the assistance of proficient counsel, collect data from indigent defense systems and attorneys, and monitor and audit county compliance plans. 1,300,000
- 3. **State Appellate Defender Office staff.** Governor added 11.0 FTEs to help ensure compliance with the U.S. Supreme Court ruling in *Montgomery v. Louisiana* regarding juvenile life sentences. 1,100,000
- 4. **Veteran's Courts.** Governor added one-time funding for more veteran's courts. 500,000
- 5. **Drug Treatment Courts.** Governor added one-time funding to increase the number of drug treatment court participants. 500,000
- 6. **Medication-Assisted Treatment Pilot.** Governor appropriated one-time funds for a medication-assisted treatment pilot program within existing drug treatment courts. 500,000
- 7. **Michigan Legal Self-Help Website and Centers.** Governor increased funding to the Michigan Legal Self-Help program. 300,000
- 8. **Court of Claims.** Governor recommended an ongoing appropriation to cover additional caseloads due to PA 79 of 2015. 200,000

9. Michigan Judicial Institute. Governor recognized the loss of a \$56,500 Federal Department of Justice, victim's assistance grant, and the loss of a \$339,200 interdepartmental grant from the Michigan State Police, Michigan Commission on Law Enforcement Standards.	(395,700)
10. Replace Michigan Commission on Law Enforcement Standards Revenue. Governor added \$167,000 General Fund to the State Appellate Indigent Defense Office to recognize discontinuance of interdepartmental grants in the same amount from the Michigan State Police and also removed excess spending authorization of \$306,700.	(306,700)
11. Judgeship Net Savings by Attrition. Governor recognized elimination of judgeships through attrition and retirements, and increases due to restoration and new elections.	(259,700)
12. Removal of One-Time Funding. Governor removed the one-time funding to the Court of Claims for PA 79 of 2015 and recommended it be replaced with an ongoing appropriation.	(200,000)
13. Removal of Five-Year Early-Out Deferred Sick Leave Payments. Department obligations will be satisfied as of FY 2015-16 for employees who opted into the 2010 early retirement program, which deferred sick leave payments over five years.	(58,800)
14. Economic Adjustments. Includes \$324,000 Gross and \$272,100 GF/GP for OPEB and \$1,407,000 Gross and \$1,214,700 GF/GP for other economic adjustments.	1,731,000
15. Other Changes. Governor removed the revenue placeholder for the e-file system.	(100)
Total Changes.....	\$13,410,000
FY 2016-17 Governor's Recommendation.....	\$298,261,400

Boilerplate Changes from FY 2015-16 Year-to-Date:

1. **Deletions.** Governor proposed to eliminate the following sections from current-year boilerplate: 204, 205, 207, 209, 211, 212, 225, 306, 312, 323, and 1201. These deletions include a variety of reporting requirements, statements of legislative intent, and language pertaining to foster care cases, the Juvenile Justice Vision 20/20 program, the Swift-and-Sure Sanctions program, and program-specific metrics.
2. **Definitions.** Two definitions were added to the bill: SADO means "State Appellate Defender Office" and USSC means "United States Supreme Court".
3. **New Sections.** Governor added new sections related to the Michigan Indigent Defense Commission (Sec. 10-324), problem-solving courts (Sec. 10-401), and the State Appellate Defender Office (Sec. 10-402).
4. **Court of Claims.** Governor increased the allocation from \$511,900 to \$711,900 for Circuit Court reimbursement under PA 16 of 1978, for costs associated with the Court of Claims. (Sec. 10-303)
5. **Section Numbering.** Governor renumbered several sections to maintain consistency across all budget areas.
6. **Section Names.** Governor added "One-Time Appropriations" section. (Sec. 10-110)
7. **Updated Amounts for Total Legacy Costs.** Governor updated total legacy costs section. The pension-related costs are \$7,820,600 and the retiree health care costs are \$6,284,000. (Sec. 10-224)

Date Completed: 2-22-16

Fiscal Analyst: Ryan M. Bergan

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberation.



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Senate Bill 788 (as introduced)
 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2015-16 YEAR-TO-DATE	FY 2016-17 GOV.'S REC.	CHANGES FROM FY 2015-16 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	0.0	0.0	0.0	0.0
GROSS	159,304,800	164,705,500	5,400,700	3.4
Less:				
Interdepartmental Grants Received	5,392,800	5,558,600	165,800	3.1
ADJUSTED GROSS	153,912,000	159,146,900	5,234,900	3.4
Less:				
Federal Funds	0	0	0	0.0
Local and Private	400,000	400,000	0	0.0
TOTAL STATE SPENDING	153,512,000	158,746,900	5,234,900	3.4
Less:				
Other State Restricted Funds	6,179,600	6,245,200	65,600	1.1
GENERAL FUND/GENERAL PURPOSE	147,332,400	152,501,700	5,169,300	3.5
PAYMENTS TO LOCALS	0	0	0	0.0

FY 2015-16 Year-to-Date Gross Appropriation	\$159,304,800
Changes from FY 2015-16 Year-to-Date:	
1. Auditor General Adjustment. Governor recommended a 2.7% overall increase for Auditor General operations.	611,400
2. Legislative Adjustment. The Governor increased overall funding for the Legislature by a total of 3.5%. The Senate received an increase of \$1.2 million overall while the House received an overall increase of \$2.1 million. The House and Senate Fiscal Agencies received an increase of \$74,100 each. The Legislative Council received an increase of \$639,100 while the Retirement System received an increase of \$97,300. The Farnum Building and the Cora Anderson House Building received increases totaling \$482,800. Finally, the Governor included additional funding of \$205,600 for the State Capitol Historic Site line item (\$144,400 for general operations and \$61,200 for restoration, renewal and maintenance).	4,789,300
Total Changes	\$5,400,700
FY 2016-17 Governor's Recommendation	\$164,705,500

Boilerplate Changes from FY 2015-16 Year-to-Date:

- Boilerplate Structure. Governor:** Moved boilerplate from the FY 2015-16 general sections that applied to all General Government budgets to the Article for the Department of Technology, Management, and Budget. Changes to those items can be found in the highlight sheet for the **General Sections**.

2. **Property Management.** Designates property management appropriation for the Legislature as work project. Specifies that the funds will be used to purchase equipment and services for building maintenance. Includes an estimated total cost of \$500,000 and completion date of September 30, 2020. **Governor:** Increased cost estimate to \$2.0 million. (Sec. 606)
3. **Legislative Automated Processing.** Designates appropriations in Part 1 for automated data processing as work project appropriations. Includes estimated costs of \$500,000 and tentative completion date of September 30, 2020. **Governor:** Increased cost estimate to \$2.0 million. (Sec. 607)
4. **Legacy Cost Estimates.** Total legacy costs are estimated at \$28,034,00. Of the total, pension-related legacy costs are estimated at \$15,465,300 and retiree health care legacy costs are estimated at \$12,568,700 for fiscal year ending September 30, 2016. **Governor:** Provided the following Legacy Costs estimates for FY 2017: Total legacy costs estimated at \$21,279,600. Of that total, \$11,998,700 are for pension-related legacy costs and \$9,280,900 are for retiree health care legacy costs for the fiscal year ending September 30, 2017. (Sec. 615)
5. **Legislative Retirement System.** Intent language states that all administrative functions and associated funding for the Michigan Legislative Retirement System shall be transferred to DTMB by the end of FY 2015-16. **Governor:** Eliminated section. (Current Law Sec. 618)

Date Completed: 2-17-16

Fiscal Analyst: Joe Carrasco, Jr.



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BILL ANALYSIS

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Senate Bill 793 (as introduced)
 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2015-16 YEAR-TO-DATE	FY 2016-17 GOV.'S REC.	CHANGES FROM FY 2015-16 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	2,164.3	2,177.3	13.0	0.6
GROSS	409,849,000	416,567,500	6,718,500	1.6
Less:				
Interdepartmental Grants Received	46,068,700	46,923,800	855,100	1.9
ADJUSTED GROSS	363,780,300	369,643,700	5,863,400	1.6
Less:				
Federal Funds	63,674,900	63,818,100	143,200	0.2
Local and Private	1,020,300	565,700	(454,600)	(44.6)
TOTAL STATE SPENDING	299,085,100	305,259,900	6,174,800	2.1
Less:				
Other State Restricted Funds	258,603,600	262,446,700	3,843,100	1.5
GENERAL FUND/GENERAL PURPOSE	40,481,500	42,813,200	2,331,700	5.8
PAYMENTS TO LOCALS	28,225,700	28,225,700	0	0.0

FY 2015-16 Year-to-Date Gross Appropriation \$409,849,000

Changes from FY 2015-16 Year-to-Date:

- Michigan Automated Prescription System (MAPS) Upgrades.** The Governor included additional GF/GP for upgrades to MAPS. Of the total, about \$2.0 million is ongoing spending for additional FTEs and vendor support costs, while \$2.5 million is one-time, and covers the IT upgrades themselves. 4,490,000
- Michigan Agency for Energy.** The Governor included additional Public Utility Assessment funds to support new staff to focus on the following areas: energy mandates, emergency coordination and electric resiliency, demand response and waste reduction, reliability expenditures, and interagency cooperation. 984,300
- Michigan Liquor Control Commission IT Upgrades.** The Governor included additional one-time Liquor Purchase Revolving Fund appropriations to complete the ongoing upgrades to the three main MLCC IT systems. These systems cover product price quotations, online liquor ordering, and electronic file transfers. 1,560,000
- Higher Education Reciprocal Exchange.** As part of Supplemental Request 2016-4, the Governor included Distance Education Fund revenue to support the Department's efforts related to the Higher Education Authorization and Distance Education Reciprocal Exchange Act (PA 45 of 2015). 300,000
- Detroit Demolition Permit Assistance.** The Governor removed appropriations for this program as the City of Detroit has resumed permitting responsibilities related to blight elimination. (800,000)

6. Remove FY 2015-16 Supplemental Appropriations. The Governor did not include funds appropriated in two FY 2015-16 supplementals, both of which were related to Flint water issues.	(2,200,000)
7. Removal of Five-Year Early-Out Deferred Sick Leave Payments. Department obligations will be satisfied as of FY 2015-16 for employees who opted into the 2010 early retirement program, which deferred sick leave payments over five years.	(934,700)
8. Transfer of Deputy Director Positions from Unclassified to Classified. The Governor included additional restricted funds to transfer deputy directors to classified positions rather than unclassified. A similar shift was made and reflected in the FY 2014-15 budget.	302,000
9. Cost Adjustments. The Governor included two cost adjustments; \$39,000 for rent charges for the Michigan Agency for Energy, and \$8,400 related to the transfer of the Bureau of Children and Adult Licensing to LARA from DHHS.	47,400
10. Reduce Overstated Federal and Restricted Fund Appropriations. The Governor reduced a number of line items to reflect revenues levels that are lower than appropriated. They include: \$455,300 from the Bureau of Fire Services; \$617,500 from the Corporations, Securities, and Commercial Licensing Bureau; \$591,000 from the Bureau of Services for Blind Persons; \$264,900 from the Radiation Safety Section; and \$1,651,500 from the Michigan Administrative Hearing System. It is expected that these appropriation reductions would not have an impact on the affected programs.	(3,580,200)
11. Michigan Administrative Hearing System - Fund Shift. The Governor included a fund shift that would reduce GF/GP to this program by \$370,000 and replace it with Corporation Fees.	0
12. Bureau of Community and Health Services - Fund Shift. The Governor included a fund shift that would reduce GF/GP to this program by \$347,400 and replace it with Health Systems Fees.	0
13. Economic Adjustments. Includes \$1,268,300 Gross and \$108,900 GF/GP for OPEB and \$5,281,400 Gross and \$459,300 GF/GP for other economic adjustments.	6,549,700
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Total Changes.....	\$6,718,500
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FY 2016-17 Governor's Recommendation.....	\$416,567,500
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Boilerplate Changes from FY 2015-16 Year-to-Date:

1. **Metrics for New/Increased Programs.** The Governor removed a requirement that proposals for new programs or increases over \$500,000 be accompanied by proposed metrics. (Sec. 205)
2. **Communication with the Legislature.** The Governor removed a prohibition against taking disciplinary action against Department employees who communicate with the Legislature. (Sec. 215)
3. **Report Retention.** The Governor removed a requirement that reports be retained according to State and Federal laws. (Sec. 212)
4. **Office Space Inventory.** The Governor removed a report on the amount of office space owned or leased by the Department. (Sec. 219)
5. **TV or Radio Productions.** The Governor removed a prohibition against the Department producing radio or TV productions. (Sec. 232)
6. **Training/Informational Event Fees.** The Governor removed a requirement that the Department produce a report on the revenue and expenditures related to providing training and informational events. (Sec. 241[5])
7. **Reinventing Performance in Michigan - Cost Recovery.** The Governor removed a section requiring the Department to work with other departments to recover costs for this program. (Sec. 243)

8. **Regulatory Activities Report.** The Governor removed a report providing details on licensing/regulatory activities undertaken by each agency or bureau in the Department. (Sec. 248)
9. **Employee Performance Monitoring.** The Governor removed a section stating the intent of the Legislature that the Department establish an employee performance monitoring process in addition to what is required by the Civil Service Commission. (Sec. 252)
10. **Health Professional Disciplinary Actions - Post on Web.** The Governor removed a section requiring the disciplinary actions taken against health professionals to be available through the Department's licensing verification website. (Sec. 512)
11. **Bureau of Children and Adult Licensing (BCAL) - Increase Staff and Report.** The Governor removed a requirement that additional funds for BCAL be used to hire staff, and that the Department report on improvements achieved using those funds. (Sec. 514)
12. **BCAL Fees.** The Governor included a new section requiring the Department to assess and collect fees for childcare and adult foster care organizations as defined by law. (Sec. 12-515 of Gov's Rec)
13. **Bureau of Services for Blind Persons (BSBP) - Identify Federal Match.** The Governor removed a requirement that BSBP work with service organizations to identify qualified Federal match dollars. (Sec. 705)
14. **Youth Low-Vision Program Report.** The Governor removed a report on this program. (Sec. 706)
15. **MLCC IT Upgrades.** The Governor included a new section identifying metrics for one-time funds for MLCC IT upgrades. (Sec. 12-905 of Gov's Rec)
16. **MAPS Upgrades.** The Governor included a new section identifying metrics for one-time funds included for an upgrade to the MAPS system. (Sec. 12-906 of Gov's Rec)
17. **Anticipated Appropriations for FY 2016-17.** The Governor removed this section. (Sec. 1201)
18. **Intent to Identify Legacy Costs for FY 2016-17.** The Governor removed this section. (Sec. 1202)

Date Completed: 2-18-16

Fiscal Analyst: Josh Sefton



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Senate Bill 794 (as introduced)
Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2015-16 YEAR-TO-DATE	FY 2016-17 GOV.'S REC.	CHANGES FROM FY 2015-16 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	888.5	888.5	0.0	0.0
GROSS	168,953,700	176,000,200	7,046,500	4.2
Less:				
Interdepartmental Grants Received	99,300	101,800	2,500	2.5
ADJUSTED GROSS	168,854,400	175,898,400	7,044,000	4.2
Less:				
Federal Funds	90,208,600	91,793,600	1,585,000	1.8
Local and Private	2,237,000	2,265,200	28,200	1.3
TOTAL STATE SPENDING	76,408,800	81,839,600	5,430,800	7.1
Less:				
Other State Restricted Funds	23,221,500	24,696,000	1,474,500	6.3
GENERAL FUND/GENERAL PURPOSE	53,187,300	57,143,600	3,956,300	7.4
PAYMENTS TO LOCALS	102,400	102,400	0	0.0

FY 2015-16 Year-to-Date Gross Appropriation **\$168,953,700**

Changes from FY 2015-16 Year-to-Date:

- Grand Rapids Veterans Home.** Governor recommended one-time capital outlay funds of \$5.0 million GF/GP to renovate fourth floor of home to Medicaid specifications. 5,000,000
- Amory Infrastructure Upgrades.** Governor recommended \$2.5 million in one-time GF/GP funding to support installation of upgraded Army National Guard network connections. 2,500,000
- D.J. Jacobetti Veterans Home.** Governor recommended \$1,120,000 GF/GP to adjust nurse staffing level and renovate home to Medicaid specifications. 1,120,000
- Adjustment of Federal Funds Based on Anticipated Revenue.** Governor recommended adjustments to reflect actual funds received, including increases of \$1.5 million for armory operations and \$214,000 for the D.J. Jacobetti Home, decreases of \$1.1 million in Medicare funds for the Grand Rapids Veterans Home, and \$100,000 for the D.J. Jacobetti Veterans Home. 518,900
- National Guard Tuition Assistance Funding Adjustment.** Governor recommended the adjustment of funding from a GF/GP appropriation of \$3,741,600 for FY 2015-16 to a restricted revenue amount of \$3.5 million -- which necessitates a GF/GP appropriation to the Fund for FY 2016-17, to align with expected expenditures. 858,400
- Veterans Homes' Restricted Fund Shortfall.** Governor recommended \$2.3 million GF/GP be used to supplant an equal amount of expected income and assessment restricted revenue shortfall due to a declining census at the homes. 0

7. Elimination of FY 2015-16 One-Time Funding. Governor recommended the elimination of one-time funding of \$3.0 million GF/GP for Special Maintenance -- National Guard.	(3,000,000)
8. Internal Funding Transfers. Governor recommended available Head Quarters and Armories funding to be shifted to Homeland Security (\$5,300 GF/GP) and to Michigan Emergency Volunteers (\$10,000 GF/GP) to align with expenditures.	0
9. Five-Year Early-Out Payouts. Governor recommended the elimination of payments, as department obligations will be satisfied as of FY 2015-16 for employees who opted into the 2010 early retirement program, which deferred sick leave payments over five years for a savings of (\$25,800) Gross, (\$5,600) GF/GP.	(125,800)
10. Adjustment for FY 2015-16 Supplemental. An adjustment to reflect FY 2015-16 supplemental (Public Act 3 of 2016) which provided \$2.0 million in GF/GP support for National Guard efforts related to the Flint emergency.	(2,000,000)
11. Economic Adjustments. Includes \$28,200 Gross and \$9,300 GF/GP for OPEB and \$2,146,800 Gross and \$714,200 GF/GP for other economic adjustments.	2,175,000
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Total Changes.....	\$7,046,500
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FY 2016-17 Governor's Recommendation.....	\$176,000,200
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Boilerplate Changes from FY 2015-16 Year-to-Date:

1. **Disciplinary Action.** Governor eliminated language prohibiting action against employee who communicates with Legislature. (Sec. 215)
2. **Core Services List.** Governor amended list of core services by combining the veterans homes' Board of Managers into a single core service. (Sec. 217)
3. **Sale of Property.** Governor struck requirement to give 60-day notice prior to announcement to sell property. (Sec. 233)
4. **Special Maintenance Carry Forward.** Governor struck a Section requiring appropriations for Special Maintenance be carried forward at the end of the fiscal year as it is redundant to language found in Sec. 601. (Sec. 234)
5. **Benchmark Language.** Governor removed Section requiring an evaluative report on new programs or enhancements totaling \$500,000 or more. (Sec. 240)
6. **Unclassified Positions.** Governor amended list of unclassified employees by removing "Director, Public Safety Group" and added the position of "Chief Executive Officer for Veteran Health System." (Sec. 300)
7. **Starbase Grant.** Governor amended language to designate the educational program to be targeted toward fifth graders as opposed to both fourth and fifth graders. (Sec. 309)
8. **National Guard Tuition Assistance Program.** Governor added a new subsection stating the intent that the program shall be funded with revenue from the Michigan National Guard Tuition Assistance Fund and that unexpended funds shall not lapse to the General Fund at the end of the fiscal year. (Sec. 310)
9. **Information Technology.** Governor removed boilerplate which provides for IDG-pass through billing for technology services supplied by DTMB. (Sec. 311)
10. **Veterans Service Organization Grants.** Governor amended language by removing a minimum number of service hours (116,500) which is required by Veterans Service Organization Grantees. (Sec. 406)
11. **Michigan Veterans Trust Fund Administration.** Governor removed a Section, which required that up to \$550,000 shall be spent on administration, up to \$400,000 on an Internet application site, and up to \$450,000 on a regional office model. (Sec. 407)

12. **Grand Rapids and D.J. Jacobetti Homes for Veterans.** Governor amended language by combining separate (but duplicate) boilerplate sections for each home into a single controlling section and amended the language as follows: adding language which states that results of the annual USVDA survey and certification as proof of compliance with Federal standards for the homes; removed information concerning the various nursing capacities of the homes; removed requirements of a contractor and the home on the training of competency evaluated nursing assistants (CENA); changed the reporting requirement of the homes compliance with boilerplate requirements including data reporting from quarterly to annually; and adds a new subsection requiring a quarterly report regarding the status of Medicaid certification efforts and progress. (Sec. 501)
13. **D.J. Jacobetti Home for Veterans Medicaid/Medicare Initiative.** Governor added a new Section concerning the Department using appropriations for the pursuit of Medicaid/Medicare certification standards for the D.J. Jacobetti Home for Veterans. Requiring the Department to identify outcomes and performance measures for the initiative, including the increase in quality care due to increased direct care staffing ratios, facility updates, implementation of evidence-based best practices, the receipt of available Federal Medicaid revenue, and the improved fiscal stability of the home due to increased collection of Federal revenues. (Sec. 501a)
14. **Capital Outlay -- Land and Acquisitions.** Governor amended language by removing a subsection, which requires the Department to provide a listing of property sales and acquisitions on a quarterly basis. (Sec. 604)
15. **FY 2015-16 One-Time Appropriations.** Governor struck Section, which provided guidelines for one-time appropriation for Special Maintenance -- National Guard. (Sec. 701)
16. **FY 2016-17 One-Time Appropriations.** Governor added a new Section, which provides guidelines for proposed one-time appropriation for armory upgrades for National Guard network connections. (Sec. 701)

Date Completed: 3-17-16

Fiscal Analyst: Bruce R. Baker



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Senate Bill 795 (as introduced)
 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2015-16 YEAR-TO-DATE	FY 2016-17 GOV.'S REC.	CHANGES FROM FY 2015-16 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	2,229.8	2,236.8	7.0	0.3
GROSS	404,001,200	397,904,100	(6,097,100)	(1.5)
Less:				
Interdepartmental Grants Received	1,352,700	1,375,900	23,200	1.7
ADJUSTED GROSS	402,648,500	396,528,200	(6,120,300)	(1.5)
Less:				
Federal Funds	77,128,000	72,365,400	(4,762,600)	(6.2)
Local and Private	8,157,700	7,446,400	(711,300)	(8.7)
TOTAL STATE SPENDING	317,362,800	316,716,400	(646,400)	(0.2)
Less:				
Other State Restricted Funds	277,765,000	277,156,400	(608,600)	(0.2)
GENERAL FUND/GENERAL PURPOSE	39,597,800	39,560,000	(37,800)	(0.1)
PAYMENTS TO LOCALS	5,548,300	6,100,000	551,700	9.9

FY 2015-16 Year-to-Date Gross Appropriation **\$404,001,200**

Changes from FY 2015-16 Year-to-Date:

1. **Forest Management Division.** The Governor included Forest Development Fund and 7.0 FTEs to support sustainable timber supply, study of spruce budworm, to help establish property corners in certain areas, and other efforts. 2,125,000
2. **Forest Fire Equipment.** The Governor included additional Forest Development Fund revenue for the purchase of new forest fire equipment to replace old equipment. \$150,000 would be ongoing, and \$1.0 million would be one-time. 1,150,000
3. **Asian Carp Barrier Development.** The Governor included one-time GF/GP appropriations to support research and development of a mobile barrier to keep Asian Carp out of the Great Lakes, should the threat arise. 1,000,000
4. **Land Ownership Tracking System Replacement.** The Governor included one-time Forest Development Fund appropriations for the replacement of the IT system that tracks the State's land holdings. The system is outdated and provides the base layer data for many geographically-oriented applications such as MiHunt and DNR's timber marking and sales platform. 4,000,000
5. **Commercial and Tribal Fisher Reporting.** The Governor included Game and Fish Protection Fund and GF/GP to develop a computer-based system for commercial and tribal fisher reporting. Currently these fishers use a paper system; a new system would allow for web-based reporting. 600,000

6. Vegetative Management System. The Governor included Forest Development Fund appropriations for further work on the switch in the Forest Management Division from its current timber tracking system to the new Vegetative Management System.	2,100,000
7. Recreation Passport Local Grants. The Governor included additional one-time appropriations for this program which provides grants to local units of government for recreation-related projects. These grants are funded from a statutory carve-out in Recreation Passport revenue.	500,000
8. Remove FY 2015-16 One-Time Appropriations.	(20,537,000)
9. FY 2016-17 Capital Outlay - Waterways Projects. The Governor included an additional \$3.3 million for projects at State and local harbors, docks, and boating access areas. These projects are funded from the Michigan State Waterways Fund.	3,258,500
10. FY 2016-17 Capital Outlay - Recreational Lands and Infrastructure. The Governor included an additional \$3.3 million from a number of restricted and Federal fund sources for capital outlay projects in State parks and other State recreational areas.	3,300,000
11. Additional Federal Funds. The Governor included additional Federal funds that will be received: \$181,000 for shooting ranges, and \$424,000 for wildlife management.	605,000
12. State Parks - Increased Costs. The Governor included additional Park Improvement Fund appropriations to cover increased costs in State parks as follows: \$210,000 for increased vendor cost for reservation system; \$420,000 to cover the cost of minimum wage increase from \$8.15 to \$8.90; \$870,000 for increased utility and garbage costs; and \$10,000 for State park revenue bond service.	1,510,000
13. Reflect Restricted Fund Revenue Increases. The Governor included additional restricted fund authorization to replace reductions made in previous years, as revenues have increased. \$200,000 in Marine Safety Fund revenue was included to support marine safety grants to county sheriffs, and \$150,000 in Forest Recreation Fund revenue was included to support State forest campgrounds and nonmotorized trails.	350,000
14. Removal of Five-Year Early-Out Deferred Sick Leave Payments. Department obligations will be satisfied as of FY 2015-16 for employees who opted into the 2010 early retirement program, which deferred sick leave payments over five years.	(816,800)
15. Remove FY 2015-16 Capital Outlay Waterways Projects. This is a technical item to reflect the removal of projects that were funded in FY 2015-16.	(3,903,900)
16. Reduce Restricted and Federal Fund Appropriations to Reflect Available Revenue. The Governor reduced appropriations from a number of funds and line items, including \$5.5 million from the Game and Fish Protection Fund, reflecting lower-than-anticipated hunting and fishing license sales.	(6,705,800)
17. Wildfire Protection. The Governor reduced GF/GP appropriations by \$1.2 million in this line item and replaced them with Forest Development Fund.	0
18. Economic Adjustments. Includes \$1,119,900 Gross and \$114,800 GF/GP for OPEB and \$4,248,000 Gross and \$595,300 GF/GP for other economic adjustments.	5,367,900
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Total Changes.....	(\$6,097,100)
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FY 2016-17 Governor's Recommendation.....	\$397,904,100
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Boilerplate Changes from FY 2015-16 Year-to-Date:

1. **Metrics for New/Increased Programs.** The Governor removed a requirement that proposals for new programs or increases over \$500,000 be accompanied by proposed metrics. (Sec. 204)
2. **Communication with the Legislature.** The Governor removed a prohibition against taking disciplinary action against Department employees who communicate with the Legislature. (Sec. 212)

3. **Report Retention.** The Governor removed a requirement that reports be retained according to State and Federal laws. (Sec. 217)
4. **Waterways Projects Report.** The Governor removed a report on Michigan State Waterways projects completed in the previous fiscal year. (Sec. 223)
5. **Invasive Species Grant Earmark.** The Governor removed a requirement that not less than \$3.6 million appropriated for invasive species prevention and control be allocated toward grants. (Sec. 251)
6. **Land Transaction Report.** The Governor removed a report detailing all land transactions in the previous fiscal year. (Sec. 408)
7. **Wildlife Management - Federal Funds.** The Governor removed a requirement that Federal funds from increased firearm and ammunition sales be used to support restoration, conservation, management, and enhancement of wildlife habitats. (Sec. 501)
8. **Invasive Species Order - Swine.** The Governor removed a report on efforts and expenditures related to the enforcement of the invasive species order against swine. (Sec. 503)
9. **Cervid Operation Licensing Fees.** The Governor removed a report on the use of cervidae licensing and inspection fees as well as a requirement that those fees be used only for regulation of private cervid operations. (Sec. 504)
10. **Water Control Structure Certification.** The Governor removed a requirement that the Department not impede the certification process for water control structures on Michigan waterways. (Sec. 602)
11. **State Parks Capital Outlay Needs.** The Governor removed a report detailing a plan to address capital outlay and maintenance needs in State parks. (Sec. 705)
12. **Forestry Funding Increase.** The Governor removed a requirement that the Department use increased funds for forest management and timber market development for investments in technology and equipment. (Sec. 801) The Governor replaced this section with a similar one pertaining to one-time appropriations for a similar purpose. (Sec. 14-1201 of Gov's Rec)
13. **Timber Quotas.** The Governor removed a section establishing quotas for timber treatment and marking. (Sec. 802)
14. **Contract Foresters.** The Governor removed a requirement that the Department employ a sufficient number of foresters to meet the quotas established in section 802. (Sec. 805)
15. **Forest Fire Equipment.** The Governor included a new section directing increased funds appropriated for forest fire equipment and forestry investment be used to replace aging forest fire equipment that is in disrepair, and that metrics be established for the appropriation. (Sec. 14-809 of Gov's Rec)
16. **Snowmobile Law Enforcement Grants.** The Governor removed a section directing the Department to provide snowmobile law enforcement grants to counties from appropriations for that purpose. (Sec. 901)
17. **Marine Safety Grant Report.** The Governor removed a report on marine safety grants to county law enforcement. (Sec. 902)
18. **Land Ownership Tracking System (LOTS) Replacement.** The Governor included a new section requiring the Department to establish metrics for the replacement of the LOTS system. (Sec. 14-1202 of Gov's Rec)
19. **Invasive Species Program - Increase Interdepartmental Funding.** The Governor included a new section directing the Department to increase programs funds available to other State departments. (Sec. 14-1203 of Gov's Rec)
20. **FY 2016-17 Anticipated Appropriations.** The Governor removed this section. (Sec. 2001)

Date Completed: 2-18-16

Fiscal Analyst: Josh Sefton

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberation.



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Senate Bill 796 (as introduced)
 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2015-16 YEAR-TO-DATE	FY 2016-17 GOV.'S REC.	CHANGES FROM FY 2015-16 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	N/A	N/A	0.0	0.0
GROSS	13,900,654,300	14,183,112,100	282,457,800	2.0
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS	13,900,654,300	14,183,112,100	282,457,800	2.0
Less:				
Federal Funds	1,775,769,200	1,818,632,700	42,863,500	2.4
Local and Private	0	0	0	0.0
TOTAL STATE SPENDING	12,124,885,100	12,364,479,400	239,594,300	2.0
Less:				
Other State Restricted Funds	12,078,985,100	12,134,479,400	55,494,300	0.5
GENERAL FUND/GENERAL PURPOSE	45,900,000	230,000,000	184,100,000	401.1
PAYMENTS TO LOCALS	11,967,255,600	12,212,368,600	245,113,000	2.0

FY 2015-16 Year-to-Date Gross Appropriation \$13,900,654,300

Changes from FY 2015-16 Year-to-Date:

1. **Foundation Allowance.** Governor recommended a \$150.0 million GF/GP increase in foundation allowance funding to provide per-pupil dollar increases ranging from \$60 to \$120. 150,000,000
2. **MPSERS Rate Cap.** Governor recommended an \$89.3 million increase in the statutory rate cap for the Michigan Public School Employees' Retirement System (MPSERS). 89,300,000
3. **Detroit Schools' Foundation Allowance.** Governor included \$72.0 million in additional spending to pay the additional foundation allowance costs that would arise if the existing 18-mill property tax levy (currently paying a portion of the district's foundation allowance) is diverted to pay off debt. Governor also proposed to earmark Tobacco Settlement dollars into a Detroit Public Schools (DPS) Trust Fund, which would be used to pay for this School Aid cost. 72,000,000
4. **State Special Education Funding.** Governor included an increase of \$54.5 million for estimated costs in special education. 54,500,000
5. **Federal Grants.** Governor included an increase of \$42.9 million in Federal grants. 42,863,500
6. **Flint Declaration of Emergency.** Governor included \$10.1 million GF/GP to provide Early On, Great Start Readiness Program, school nurses, school social workers, and other staff and materials for Flint Schools and Genesee Intermediate School District (ISD). This is an estimate for one-half of the year's costs, with the other one-half proposed to be set aside in FY 2015-16 for future use. 10,142,600
7. **Career and Technical Education (CTE) Equipment Upgrades.** Governor included \$10.0 million GF/GP in a new categorical to provide equipment upgrades at CTE centers. 10,000,000

8. Educator Evaluations. Governor included \$10.0 million in a new categorical to provide reimbursement to districts for costs associated with educator evaluations.	10,000,000
9. Water Testing in Schools. Governor included \$9.0 million in a new categorical to provide reimbursement to districts that voluntarily choose to test water for lead levels. Total estimated cost statewide is \$27.0 million, with \$9.0 million recommended in a supplemental for FY 2015-16, and \$9.0 million anticipated for FY 2017-18, if necessary.	9,000,000
10. State School Reform Office (SRO). Governor included \$5.0 million to provide additional financial resources to districts with schools placed under the oversight of the SRO due to chronically low-performing status, and to provide funding for chief executive officers who have been appointed to take control of one or more schools in the district.	5,000,000
11. CTE Early/Middle College. Governor increased funding to reimburse for costs associated with establishing or operating CTE early/middle colleges, from \$10 million to \$15 million.	5,000,000
12. Integrated Behavior and Learning Support (MiBLSi). Governor funded a new program designed to decrease disruptive classroom behaviors and increase reading skills.	1,370,000
13. ISD Operations. Governor increased ISD funding by 1.6% to match the proposed increase in the foundation allowance, costing \$1.1 million.	1,074,000
14. Pupil Membership Blend Change. Governor recommended placing a higher weight on the prior February and a lower weight on the current September count (from 90/10 to 50/50).	1,000,000
15. Other Increases. Governor recommended a \$1.0 million increase in cash flow borrowing costs, a \$1.25 million increase for science, technology, engineering, and math- (STEM) related activities, a \$500,000 increase for FIRST Robotics, \$390,000 for increased Promise Zone reimbursements, and \$128,300 for increased Payments in Lieu of Taxes (PILT) reimbursement.	3,268,300
16. Technical Foundation Allowance Cost Adjustments. Governor included savings from year-to-date spending of \$126.7 million related to adjustments in pupils and taxable values.	(126,700,000)
17. Technology Grants. Governor eliminated funding for technology grants since FY 2015-16 was the last scheduled year for these payments, designed to ensure districts were able to switch to online assessments.	(23,500,000)
18. Reductions in Other Programs' Costs. Governor reduced funding to align with projected costs in the following areas: Renaissance Zone reimbursements (\$6.3 million), school breakfasts (\$3.1 million), strict discipline and dropout recovery (\$1.5 million), and educational costs associated with the closure of Maxey (\$0.9 million).	(11,813,800)
19. State Assessments. Governor reduced funding for State assessments which was used to provide paper and pencil options while districts converted to online learning, and to eliminate funding for the kindergarten entry assessment.	(10,100,000)
20. Elimination of Programs. Governor eliminated funding for the following programs: updates of teacher certification tests (\$1.8 million GF/GP) because they have been completed; gang prevention and intervention funding (\$1.0 million); elimination of Michigan Education Corps funding (\$1.0 million); Parents University pilot project (\$1.0 million) because it was one-time; early literacy teacher test (\$500,000) because it was one-time; cooperative education grant (\$300,000); and Civics Education (\$60,000).	(5,660,000)
21. Computer Adaptive Test. Governor eliminated funding to reimburse districts for the purchase of computer adaptive tests.	(4,000,000)
22. College and Career Readiness Outreach. Governor reduced outreach funding for career and college readiness from \$600,000 to \$50,000.	(550,000)
23. Economic Adjustments. Includes \$58,680 Gross and \$46,500 GF/GP for OPEB and \$204,520 Gross and \$159,700 GF/GP for other economic adjustments.	263,200
Total Changes.....	\$282,457,800
FY 2016-17 Governor's Recommendation.....	\$14,183,112,100

Boilerplate Changes from FY 2015-16 Year-to-Date:

1. **Definitions - General Educational Development (GED).** Governor recommended replacing references to GED testing with GED, the test assessing secondary completion (TASC), the HISET test, or another comparable test, and also replaced GED certificate with high school equivalency certificate. (Sec. 4 and Sec. 6(4)(m))
2. **Pupil Membership Blend.** Governor recommended changing the pupil membership blend from 90% weight on the current-year September count plus 10% weight on the prior-year February count to 50/50. (Sec. 6(4))
3. **Shared Time/Nonpublic Pupils.** Governor proposed language such that a nonpublic part-time pupil enrolled in grades 1 to 12 be counted for not more than one-third of a full-time equated membership. (Sec. 6(4)(gg))
4. **Reporting of Financial Data.** Governor proposed language requiring that financial data submitted be consistent with audited statements, and if the data are not consistent with the audit, the Department may withhold State aid. (Sec. 18)
5. **Section 20j.** Governor proposed language that would allow for districts with foundation allowances at or above the basic foundation allowance to receive the full dollar increase in the basic, although the portion of the increase in excess of inflation would not be built into the district's base foundation allowance funding. (Sec. 20j)
6. **Enrollment in Virtual Courses.** Governor included numerous changes to the section prescribing policies and procedures for districts enrolling students in virtual courses, including allowing districts to deny enrollment in an online course if a pupil is in kindergarten through fifth grade. (Sec. 21f)
7. **Expansion of Consolidation Incentive Grants.** Governor included language allowing consolidation incentive grants (appropriated at \$5.0 million) also to be used for dissolutions that occur on or after June 1, 2016. (Sec. 22g)
8. **Great Start Readiness Program.** Governor included a change from "children" to "slots" to ensure that each ISD receives at least as many funded slots as in the prior year, unless fewer children are actually in need. (Sec. 32d)
9. **Removal of Penalty Intent Language in Special Education.** Governor removed legislative intent language that stated the intent to penalize districts, charters, or ISDs 10% of their State aid payment if they failed to comply with a requirement that the district/ISD of residence is responsible for special education services provided to the resident pupil who is enrolled in a charter school located in a different ISD. (Sec. 51a(15))
10. **Career and Technical Education.** Governor added language allowing for CTE early/middle college funding to also be provided to programs that receive funding under Section 61a for allowable costs not reimbursed under that section, which provides for "traditional" CTE funding to districts. (Sec. 61b)
11. **MiSTEM Programs.** Governor included language allocating funds for the purpose of funding Michigan science, technology, engineering, and math (MiSTEM) based on recommendations of the MiSTEM advisory council, and if the council is unable to make specific funding recommendations by March 1, 2016, the Department is directed to distribute the funds on a competitive grant basis. (Sec. 99s)
12. **Kindergarten Entry Assessment (KEA).** Governor removed language requiring field testing of the KEA, and replaced the entry assessment with assessments in the fall and spring for English language arts and math. (Sec. 104c)
13. **Adult Education.** Governor changed eligibility definitions in this section, such that the individual can be enrolled in an adult basic education program, an adult secondary education program, an adult English as a second language program, a high school equivalency test preparation program, or a high school completion program, and the individual must either be at least age 20 or be defined as an "out-of-school youth". The payment cap of \$2,850 per full-time equivalent participant also was removed, as was language allowing a participant to be enrolled in a job- or employment-related adult education program operated on a year-round basis. The Governor also proposed a change to the funding formula, striking the 80% enrollment/20% completion formula and replacing with a formula that uses statewide allocation criteria, three-year averaging of actual enrollments, census data, local needs, participant completion of adult basic education objectives, participant completion of core indicators, and allowable expenditures. (Sec. 107)
14. **MPERS.** Governor included updates to MPERS contribution rates and the continued reduction in the amortization period, falling from 23 years to 22 years. Average MPERS rate cap per pupil is \$660. (Secs. 147 and 147c)
15. **Nonpublic Pupils.** Governor added clarification that school aid can be provided only for courses that are offered *and being provided* to pupils in the district during regularly scheduled school hours. (Sec. 166)

Date Completed: 2-18-16

Fiscal Analyst: Kathryn Summers

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberation.

**FY 2015-16 Year-to-Date and Revised Governor's Recommendation and
Governor's Recommendation FY 2016-17 (Dollars in Thousands)**

<u>Line Item Description</u>	<u>Public Act 85 Initial Approps FY 2015-16</u>	<u>Revised Rec FY 2015-16 02/10/2016</u>	<u>Change from Enacted</u>	<u>Governor's Budget FY 2016-17</u>	<u>Difference from FY 2015-16 Enacted</u>	<u>Difference from FY 2015-16 Revised Rec</u>
Sec. 11j School Bond Loan Fund Payments - Debt Service	\$126,500.0	\$99,500.0	(\$27,000.0)	\$126,500.0	\$0.0	\$27,000.0
Sec. 11m Cash Flow Borrowing Costs	\$2,000.0	\$2,000.0	\$0.0	\$3,000.0	\$1,000.0	\$1,000.0
Sec. 11s Flint Declaration of Emergency - NEW	\$0.0	\$9,200.0	\$9,200.0	\$10,142.6	\$10,142.6	\$942.6
Sec. 20f Categorical Offset Payments	\$18,000.0	\$18,000.0	\$0.0	\$18,000.0	\$0.0	\$0.0
Sec. 20g Student Transition Grants in Dissolved Districts	\$2,200.0	\$2,200.0	\$0.0	\$2,200.0	\$0.0	\$0.0
Sec. 21 State School Reform/Redesign - NEW	\$0.0	\$1,000.0	\$1,000.0	\$5,000.0	\$5,000.0	\$4,000.0
Sec. 22a Proposal A Obligation Payment	\$5,281,700.0	\$5,255,000.0	(\$26,700.0)	\$5,206,000.0	(\$75,700.0)	(\$49,000.0)
Sec. 22b Discretionary Payment - State	\$3,728,000.0	\$3,690,000.0	(\$38,000.0)	\$3,900,000.0	\$172,000.0	\$210,000.0
Sec. 22d Isolated Districts Funding	\$5,000.0	\$5,000.0	\$0.0	\$5,000.0	\$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	\$23,500.0	\$23,500.0	\$0.0	\$0.0	(\$23,500.0)	(\$23,500.0)
Sec. 24 Court-Placed Pupils	\$8,000.0	\$8,000.0	\$0.0	\$8,000.0	\$0.0	\$0.0
Sec. 24a Juvenile Detention Facilities	\$2,189.8	\$1,301.0	(\$888.8)	\$1,328.1	(\$861.7)	\$27.1
Sec. 24c Challenge Program	\$1,497.4	\$1,497.4	\$0.0	\$1,522.4	\$25.0	\$25.0
Sec. 25f Strict Discipline Academies	\$1,000.0	\$1,000.0	\$0.0	\$250.0	(\$750.0)	(\$750.0)
Sec. 25g Dropout Recovery	\$1,000.0	\$1,000.0	\$0.0	\$250.0	(\$750.0)	(\$750.0)
Sec. 26a Renaissance Zone Costs	\$26,300.0	\$20,000.0	(\$6,300.0)	\$20,000.0	(\$6,300.0)	\$0.0
Sec. 26b PILT Reimbursement	\$4,276.8	\$4,276.8	\$0.0	\$4,405.1	\$128.3	\$128.3
Sec. 26c Promise Zone	\$610.0	\$278.0	(\$332.0)	\$1,000.0	\$390.0	\$722.0
Sec. 31a "At Risk" Pupil Support	\$378,988.2	\$378,988.2	\$0.0	\$378,988.2	\$0.0	\$0.0
Sec. 31a Vision/Hearing Screening	\$5,150.0	\$5,150.0	\$0.0	\$5,150.0	\$0.0	\$0.0
Sec. 31a Child and Adolescent Health Centers	\$5,557.3	\$5,557.3	\$0.0	\$5,557.3	\$0.0	\$0.0
Sec. 31c Gang Prevention and Intervention Programs	\$1,000.0	\$1,000.0	\$0.0	\$0.0	(\$1,000.0)	(\$1,000.0)
Sec. 31d School Lunch Programs - State Share	\$22,495.1	\$22,495.1	\$0.0	\$22,495.1	\$0.0	\$0.0
Sec. 31d School Lunch Programs - Federal Share	\$513,200.0	\$513,200.0	\$0.0	\$513,200.0	\$0.0	\$0.0
Sec. 31f School Breakfast	\$5,625.0	\$2,500.0	(\$3,125.0)	\$2,500.0	(\$3,125.0)	\$0.0
Sec. 31h Cooperative Education Grant	\$300.0	\$300.0	\$0.0	\$0.0	(\$300.0)	(\$300.0)
Sec. 32d Great Start - School Readiness	\$243,900.0	\$243,900.0	\$0.0	\$243,900.0	\$0.0	\$0.0
Sec. 32p Great Start Early Childhood Block Grants	\$13,400.0	\$13,400.0	\$0.0	\$13,400.0	\$0.0	\$0.0
Sec. 35 MDE Administration of Early Reading Initiatives	\$1,000.0	\$1,000.0	\$0.0	\$1,000.0	\$0.0	\$0.0
Sec. 35a Parents University Pilot	\$1,000.0	\$1,000.0	\$0.0	\$0.0	(\$1,000.0)	(\$1,000.0)
Sec. 35b Research-Based Professional Development on Early Literacy	\$950.0	\$950.0	\$0.0	\$950.0	\$0.0	\$0.0
Sec. 35c Elementary Teacher Assessment of Reading Instruction	\$500.0	\$500.0	\$0.0	\$0.0	(\$500.0)	(\$500.0)
Sec. 35d Evidence-Based Professional Development in Assessments	\$1,450.0	\$1,450.0	\$0.0	\$1,450.0	\$0.0	\$0.0
Sec. 35e Investment in Literacy Coaches for K-3 Teachers	\$3,000.0	\$3,000.0	\$0.0	\$3,000.0	\$0.0	\$0.0
Sec. 35f Additional Instructional Time	\$17,500.0	\$17,500.0	\$0.0	\$17,500.0	\$0.0	\$0.0

**FY 2015-16 Year-to-Date and Revised Governor's Recommendation and
Governor's Recommendation FY 2016-17 (Dollars in Thousands)**

<u>Line Item Description</u>	<u>Public Act 85 Initial Approps FY 2015-16</u>	<u>Revised Rec FY 2015-16 02/10/2016</u>	<u>Change from Enacted</u>	<u>Governor's Budget FY 2016-17</u>	<u>Difference from FY 2015-16 Enacted</u>	<u>Difference from FY 2015-16 Revised Rec</u>
Sec. 35h Michigan Education Corps	\$1,000.0	\$1,000.0	\$0.0	\$0.0	(\$1,000.0)	(\$1,000.0)
Sec. 39a(1) NCLB Federal DOE Grants	\$779,076.4	\$779,076.4	\$0.0	\$821,939.9	\$42,863.5	\$42,863.5
Sec. 39a(2) Other Non-NCLB Federal DOE Grants	\$30,800.0	\$30,800.0	\$0.0	\$30,800.0	\$0.0	\$0.0
Sec. 41 Bilingual Education	\$1,200.0	\$1,200.0	\$0.0	\$1,200.0	\$0.0	\$0.0
Sec. 43 Teacher Certification Test Review	\$1,800.0	\$1,800.0	\$0.0	\$0.0	(\$1,800.0)	(\$1,800.0)
Sec. 51c Special Education Headlee - State Share	\$610,000.0	\$626,000.0	\$16,000.0	\$644,500.0	\$34,500.0	\$18,500.0
Sec. 51a(2) Spec. Ed. Foundations - State Share	\$251,800.0	\$264,100.0	\$12,300.0	\$271,600.0	\$19,800.0	\$7,500.0
Sec. 51a(3) Spec. Ed. Hold Harmless to ISDs - State Share	\$1,300.0	\$1,000.0	(\$300.0)	\$1,100.0	(\$200.0)	\$100.0
Sec. 51a(11) Spec. Ed. Non Sec. 52 to ISDs - State Share	\$3,300.0	\$4,000.0	\$700.0	\$3,700.0	\$400.0	(\$300.0)
Sec. 51a(6) Spec. Ed. Rules Change - State Share	\$2,200.0	\$2,200.0	\$0.0	\$2,200.0	\$0.0	\$0.0
Sec. 53a Court-Placed Spec. Ed. FTEs - State Share	\$10,500.0	\$10,500.0	\$0.0	\$10,500.0	\$0.0	\$0.0
Sec. 54 MI School for Deaf and Blind - State Share	\$1,688.0	\$1,688.0	\$0.0	\$1,688.0	\$0.0	\$0.0
Sec. 54b Integrated Behavior and Learning Support (MiBLSi) - NEW	\$0.0	\$0.0	\$0.0	\$1,370.0	\$1,370.0	\$1,370.0
Sec. 56 Spec. Ed. Millage Equalization - State Share	\$37,758.1	\$37,758.1	\$0.0	\$37,758.1	\$0.0	\$0.0
Sec. 51a Special Education - Federal IDEA	\$370,000.0	\$370,000.0	\$0.0	\$370,000.0	\$0.0	\$0.0
Sec. 51d Special Education - Other Federal	\$71,000.0	\$71,000.0	\$0.0	\$71,000.0	\$0.0	\$0.0
Sec. 55 Conductive Learning Center Study	\$150.0	\$150.0	\$0.0	\$150.0	\$0.0	\$0.0
Sec. 61a Vocational Education	\$36,611.3	\$36,611.3	\$0.0	\$36,611.3	\$0.0	\$0.0
Sec. 61b Career and Technical Education/Dual Enrollment	\$10,000.0	\$10,000.0	\$0.0	\$15,000.0	\$5,000.0	\$5,000.0
Sec. 61c Career and Technical Education Equipment Upgrades - NEW	\$0.0	\$0.0	\$0.0	\$10,000.0	\$10,000.0	\$10,000.0
Sec. 62 ISD Vocational Ed. Millage Equalization	\$9,190.0	\$9,190.0	\$0.0	\$9,190.0	\$0.0	\$0.0
Sec. 64b Dual Enrollment Incentive Payments	\$1,750.0	\$1,750.0	\$0.0	\$1,750.0	\$0.0	\$0.0
Sec. 65 Detroit Precollege Engineering	\$340.0	\$340.0	\$0.0	\$340.0	\$0.0	\$0.0
Sec. 67 College and Career Readiness Tools	\$3,600.0	\$3,600.0	\$0.0	\$3,050.0	(\$550.0)	(\$550.0)
Sec. 74 Bus Driver Safety Instruction	\$1,625.0	\$1,625.0	\$0.0	\$1,625.0	\$0.0	\$0.0
Sec. 74 School Bus Inspections	\$1,690.7	\$1,690.7	\$0.0	\$1,695.6	\$4.9	\$4.9
Sec. 78 Statewide School Water Testing Program - NEW	\$0.0	\$9,000.0	\$9,000.0	\$9,000.0	\$9,000.0	\$0.0
Sec. 81 ISD General Operations Support	\$67,108.0	\$67,108.0	\$0.0	\$68,182.0	\$1,074.0	\$1,074.0
Sec. 94 Advanced Placement (AP) Incentive Program	\$250.0	\$250.0	\$0.0	\$250.0	\$0.0	\$0.0
Sec. 94a Center for Educ. Perf. and Information - State Share	\$11,967.0	\$11,967.0	\$0.0	\$12,173.2	\$206.2	\$206.2
Sec. 94a Center for Educ. Perf. and Information - Federal	\$193.5	\$193.5	\$0.0	\$193.5	\$0.0	\$0.0
Sec. 95a Educator Evaluations	\$0.0	\$0.0	\$0.0	\$10,000.0	\$10,000.0	\$10,000.0
Sec. 98 Michigan Virtual High School - State	\$7,387.5	\$7,387.5	\$0.0	\$7,387.5	\$0.0	\$0.0
Sec. 99s(3) Math/Science Centers - State	\$3,225.0	\$3,225.0	\$0.0	\$2,750.0	(\$475.0)	(\$475.0)
Sec. 99s(4) Math/Science Centers - Federal	\$5,249.3	\$5,249.3	\$0.0	\$5,249.3	\$0.0	\$0.0
Sec. 99s(5) STEM Professional Development	\$250.0	\$250.0	\$0.0	\$0.0	(\$250.0)	(\$250.0)

**FY 2015-16 Year-to-Date and Revised Governor's Recommendation and
Governor's Recommendation FY 2016-17 (Dollars in Thousands)**

<u>Line Item Description</u>	<u>Public Act 85 Initial Approps FY 2015-16</u>	<u>Revised Rec FY 2015-16 02/10/2016</u>	<u>Change from Enacted</u>	<u>Governor's Budget FY 2016-17</u>	<u>Difference from FY 2015-16 Enacted</u>	<u>Difference from FY 2015-16 Revised Rec</u>
Sec. 99c Civics Education	\$60.0	\$60.0	\$0.0	\$0.0	(\$60.0)	(\$60.0)
Sec. 99h FIRST Robotics	\$2,000.0	\$2,000.0	\$0.0	\$2,500.0	\$500.0	\$500.0
Sec. 99s(6) Science Olympiad and STEM	\$250.0	\$250.0	\$0.0	\$0.0	(\$250.0)	(\$250.0)
Sec. 99s(7) Van Andel Education Institute	\$250.0	\$250.0	\$0.0	\$0.0	(\$250.0)	(\$250.0)
Sec. 99s(1) Comprehensive STEM Initiative	\$50.0	\$50.0	\$0.0	\$2,525.0	\$2,475.0	\$2,475.0
Sec. 102d Reimbursement for Purchase - Financial Data Analysis Tool(s)	\$1,500.0	\$1,500.0	\$0.0	\$1,500.0	\$0.0	\$0.0
Sec. 104 MEAP Testing - State Share	\$43,994.4	\$43,994.4	\$0.0	\$33,894.4	(\$10,100.0)	(\$10,100.0)
Sec. 104 MEAP Testing - Federal Share	\$6,250.0	\$6,250.0	\$0.0	\$6,250.0	\$0.0	\$0.0
Sec. 104d Computer Adaptive Test	\$4,000.0	\$4,000.0	\$0.0	\$0.0	(\$4,000.0)	(\$4,000.0)
Sec. 107 Adult Education - State	\$25,000.0	\$25,000.0	\$0.0	\$25,000.0	\$0.0	\$0.0
Sec. 147a MPSERS District Reimbursement	\$100,000.0	\$100,000.0	\$0.0	\$100,000.0	\$0.0	\$0.0
Sec. 147c MPSERS Rate Cap (Section 41 of MPSERS Act)	\$893,500.0	\$893,500.0	\$0.0	\$982,800.0	\$89,300.0	\$89,300.0
Sec. 152 <i>Adair v State of Michigan</i>	\$38,000.5	\$38,000.5	\$0.0	\$38,000.5	\$0.0	\$0.0
TOTAL SCHOOL AID APPROPRIATIONS	\$13,900,654.3	\$13,846,208.5	(\$54,445.8)	\$14,183,112.1	\$282,457.8	\$336,903.6
TOTAL REVENUE						
Federal Aid	\$1,775,769.2	\$1,775,769.2	\$0.0	\$1,818,632.7	\$42,863.5	\$42,863.5
School Aid Fund (SAF)	\$12,078,985.1	\$12,015,339.3	(\$63,645.8)	\$12,062,479.3	(\$16,505.8)	\$47,140.0
General Fund/General Purpose	\$45,900.0	\$55,100.0	\$9,200.0	\$230,000.0	\$184,100.0	\$174,900.0
DPS Trust Fund/Other State Restricted Funds (\$100 Flint Reserve)	\$0.0	\$0.0	\$0.0	\$72,000.1	\$72,000.1	\$72,000.1
TOTAL REVENUE	\$13,900,654.3	\$13,846,208.5	(\$54,445.8)	\$14,183,112.1	\$282,457.8	\$336,903.6



Senate Fiscal Agency
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Senate Bill 788 (as introduced)
 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2015-16 YEAR-TO-DATE	FY 2016-17 GOV.'S REC.	CHANGES FROM FY 2015-16 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	1,587.0	1,587.0	0.0	0.0
GROSS	230,256,700	258,015,600	27,758,900	12.1
Less:				
Interdepartmental Grants Received	20,000,000	20,000,000	0	0.0
ADJUSTED GROSS	210,256,700	238,015,600	27,758,900	13.2
Less:				
Federal Funds	1,460,000	1,460,000	0	0.0
Local and Private	100	5,000,100	5,000,000	5,000,000.0
TOTAL STATE SPENDING	208,796,600	231,555,500	22,758,900	10.9
Less:				
Other State Restricted Funds	186,635,100	204,445,900	17,810,800	9.5
GENERAL FUND/GENERAL PURPOSE	22,161,500	27,109,600	4,948,100	22.3
PAYMENTS TO LOCALS	1,272,100	1,211,300	(60,800)	(4.8)

FY 2015-16 Year-to-Date Gross Appropriation **\$230,256,700**

Changes from FY 2015-16 Year-to-Date:

1. **Removal of FY 2015-16 Supplemental Funding for Voting Machines. Governor:** (5,000,000)
 Removed funding of \$5.0 million provided for voting machine replacements via PA 268 of 2015.
2. **DTMB Rate Proposal. Governor:** Added new funding to allow the Department to collect fees from other State departments and agencies for services provided such as mailings, warehousing, and vehicle services. 188,300
3. **MI-Time Line Maintenance. Governor:** Increased funding to allow the Department to service and maintain the 18 self-service kiosks located in certain branch offices that allow customers to sign in to get into the que for branch services. 470,000
4. **Removal of Five-Year Early-Out Deferred Sick Leave Payments. Governor:** Removed funding for early-out sick leave payments as Department obligations will be satisfied as of the end of FY 2015-16 for employees who opted into the 2010 Early Retirement Program, which deferred sick leave payments over five years. (598,800)
5. **Replacement of GF/GP with Transportation Administration Collection Fund (TACF) Revenue. Governor:** Replaced GF/GP funding with TACF revenue due to higher collections in revenue that are deposited into the TACF. The result is a net zero gross change but a decrease in GF/GP funding of \$500,000. 0
6. **Look-Up Fee Increase. Governor:** Increased the fee for copies of motor vehicle records from \$8 per record requested to \$11 per record. The additional revenue is added to the TACF. 14,100,000

7. FY 2016-17 One-Time Appropriations. Governor included one-time funding of \$15.0 million for voting equipment replacement across local jurisdictions. Funding is split between GF/GP and local funding...\$10.0 million GF/GP and \$5.0 million in local funding.	15,000,000
8. Unclassified Salaries. Governor: Increased funding by \$15,300 for total funding of \$628,800 for FY 2016-17.	15,300
9. Economic Adjustments. Includes \$752,000 Gross and \$136,800 GF/GP for OPEB and \$2,832,100 Gross and \$313,300 GF/GP for other economic adjustments.	3,584,100
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Total Changes.....	\$27,758,900
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FY 2016-17 Governor's Recommendation.....	\$258,015,600
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Boilerplate Changes from FY 2015-16 Year-to-Date:

1. **Boilerplate Structure. Governor:** Moved boilerplate from the FY 2015-16 general sections that applied to all General Government budgets to the Article for the Department of Technology, Management, and Budget. Changes to those items can be found in the highlight sheet for the **General Sections**.
2. **Look-Up Fees.** Provides for the Department to charge \$8.00 for each copy of a vehicle record that is requested. **Governor:** Increased fee to \$11 per record requested. Additional revenue of \$14.1 million is added in Part 1. (Sec. 703)
3. **Business Application Modernization Project Report.** Requires a report of the total funds expended for the business application modernization project, start dates, costs, and penalties paid to the state by the contract provider. **Governor:** Eliminated section. (Current Law Sec. 716b)
4. **Buena Vista Branch Office.** Requires the Department to maintain a full service branch office in Buena Vista Township. **Governor:** Eliminated section. (Current Law Sec. 718)
5. **Bridge Card Work Group.** Requires the Department to form a work group with the DHHS and the Michigan State Police to investigate methods to deter Bridge Card fraud. **Governor:** Eliminated section. (Current Law Sec. 722)
6. **Legacy System Replacements. Governor:** Added new language requiring the Department to modernize and expand the entire system and remove existing programs from the legacy mainframes. (**NEW** Sec. 722)
7. **Voting Machine Replacements. Governor:** Added new language directing the Department to use the additional funding added in Part 1 for replacement of voting equipment across local jurisdictions. (**NEW** Sec. 723)
8. **Legacy Cost Estimates.** Total legacy costs are estimated at \$31,253,000. Of the total, pension-related legacy costs are estimated at \$17,739,100 and retiree health care legacy costs are estimated at \$13,513,900 for fiscal year ending September 30, 2016. **Governor:** Provided the following Legacy Costs estimates for FY 2017: Total legacy costs estimated at \$31,874,100. Of that total, \$17,673,400 are for pension-related legacy costs and \$14,200,700 are for retiree health care legacy costs for the fiscal year ending September 30, 2017. (Sec. 725)

Date Completed: 2-17-16

Fiscal Analyst: Joe Carrasco, Jr.

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberation.



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Senate Bill 797 (as introduced)
 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2015-16 YEAR-TO-DATE	FY 2016-17 GOV.'S REC.	CHANGES FROM FY 2015-16 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	3,131.0	3,250.0	119.0	3.8
GROSS	620,937,400	658,726,100	37,788,700	6.1
Less:				
Interdepartmental Grants Received	26,224,300	26,580,400	356,100	1.4
ADJUSTED GROSS	594,713,100	632,145,700	37,432,600	6.3
Less:				
Federal Funds	87,945,900	87,967,800	21,900	0.0
Local and Private	5,533,400	5,906,600	373,200	6.7
TOTAL STATE SPENDING	501,233,800	538,271,300	37,037,500	7.4
Less:				
Other State Restricted Funds	124,828,200	126,358,500	1,530,300	1.2
GENERAL FUND/GENERAL PURPOSE	376,405,600	411,912,800	35,507,200	9.4
PAYMENTS TO LOCALS	15,464,100	19,198,900	3,734,800	24.2

FY 2015-16 Year-to-Date Gross Appropriation **\$620,937,400**

Changes from FY 2015-16 Year-to-Date:

1. **Trooper School.** Governor recommended funding of \$9.5 million GF/GP (\$4.5 million one-time) for a new trooper school to begin in April, 2017 to graduate 85 candidates. 9,500,000
2. **Recruit School Second-Year Costs.** Governor recommended \$8,750,300 GF/GP in additional funds to reflect FY 2016-17 full second-year costs in salary, benefits, CSS&M, and fleet costs for the FY 2015-16 trooper school projected to graduate 100. 8,750,300
3. **School Safety Initiative.** Governor recommended \$4.0 million GF/GP for the return of a FY 2014-15 (PA 252 of 2014) one-time competitive grant program to provide grants to local K-12 schools and sheriff's departments for projects to enhance school safety. 4,000,000
4. **Cyber Crimes Enforcement.** Governor recommended \$2,203,200 GF/GP and 9.0 FTEs to provide additional support to increase capacity to prevent, detect, and investigate cybercrimes. 2,203,200
5. **Secure Cities Expansion.** Governor recommended \$1,463,500 GF/GP and 9.0 FTEs for the expansion in coverage of the current program to include Muskegon Heights, Inkster, Hamtramck, Harper Woods, Highland Park, and Benton Harbor. 1,463,500
6. **Drug Enforcement Initiative.** Governor recommended \$1,256,300 GF/GP and 9.0 FTEs to deploy a statewide drug enforcement strategy focusing on prescription drug and opioid diversion and training of local police in its detection and enforcement. 1,256,300

7. Homeland Security/Energy Disaster. Governor recommended \$750,000 GF/GP in one-time funding to support the development of a statewide strategy and implementation plan for preparedness in the event of long-term power outages.	750,000
8. Disaster and Emergency Contingency Fund. Governor recommended the appropriation of \$6.0 million GF/GP to the State's Disaster and Emergency Contingency Fund for use in assisting State and local governments with State disaster-related costs.	6,000,000
9. Sexual Assault Prevention and Education Initiative. Governor recommended the continuation of \$500,000 in one-time GF/GP funding to support sexual assault prevention and education initiatives on higher education campuses.	0
10. Michigan International Speedway (MIS) Traffic Control. Governor recommended the elimination of GF/GP funding (\$831,900) dedicated to provide traffic control support for MIS.	(831,900)
11. Forensic Science Savings. Governor recommended the elimination of GF/GP funding (\$530,400) for four vacant forensic science positions.	(530,400)
12. State Capitol Complex Security. Governor recommended the elimination of GF/GP funding (\$89,300) for one vacant State property security officer position.	(89,300)
13. Five-Year Early Out Payouts. Governor recommended the elimination of payments, as department obligations will be satisfied as of FY 2015-16 for employees who opted into the 2010 early retirement program, which deferred sick leave payments over five years for a savings of (\$347,000) gross, (\$174,700) GF/GP.	(347,000)
14. FY 2015-16 One-Time Funding. Governor recommended the elimination of one-time funding for one-time costs of FY 2015-16 trooper school.	(3,200,000)
15. Technical Adjustments. Governor recommended technical adjustments which included aligning Federal (reducing by \$485,600) and local (increasing by \$300,000) authorization to reflect actual revenues.	(185,600)
16. Adjustment for FY 2015-16 Supplemental. An adjustment to reflect FY 2015-16 supplemental (PA 3 of 2016) which provided \$100,000 in GF/GP support for the operations of the Flint Water Interagency Coordinating Committee.	(100,000)
17. Economic Adjustments. Includes \$2,096,600 Gross and \$1,125,400 GF/GP for OPEB and \$7,053,000 Gross and \$5,384,800 GF/GP for other economic adjustments.	9,149,600
Total Changes.....	\$37,788,700
FY 2016-17 Governor's Recommendation.....	\$658,726,100

Boilerplate Changes from FY 2015-16 Year-to-Date:

1. **Incoming IDGs.** Governor struck language listing all incoming IDGs to the MSP budget. (Sec. 204)
2. **Outgoing IDGs.** Governor struck language listing all outgoing IDGs from the MSP budget with the exception of a Byrne Justice Assistance Grant to the Judiciary which was shifted to Sec. 215 for FY 2016-17. (Sec. 205)
3. **Disciplinary Action.** Governor eliminated language prohibiting action against employee who communicates with Legislature. (Sec. 215)
4. **Schedule of Programs/Fund Sources.** Governor eliminated section which lists schedule of programs and total amounts of funding from each specific fund source used in Part 1. (Sec. 216)
5. **List of Core Services.** Governor amended list of departmental core services by combining General Law Enforcement Services with Criminal Investigations and updated other titles. (Sec. 218)
6. **Post Closure/Consolidation.** Governor struck requirement for MSP to give a 90-day notice prior to recommending a post closure or consolidation. (Sec. 222)
7. **Privatization.** Governor struck language requiring MSP to give a 60-day notice prior to effort to privatize, along with an evaluative report. (Sec. 223)

8. **Wayland Post.** Governor eliminated requirement that MSP initiate discussion with city of Wayland regarding a shared facility. (Sec. 235)
9. **Benchmark Language.** Governor removed section requiring an evaluative report on new programs or enhancements totaling \$500,000 or more. (Sec. 240)
10. **MI Bridges Fraud Enforcement.** Governor removed section requiring participation in workgroup to investigate means of minimizing fraud in the MI Bridges benefit program. (Sec. 250)
11. **State Court Grant.** Governor added new section to state the continued intent to designate \$1.5 million in Federal Byrne Justice Assistance Grants to the Judiciary via IDG. For FY 2015-16, intent was located in Sec. 205. (Sec. 215)
12. **Schedule of Programs Guidelines.** Governor added new language (first found in FY 2014-15 appropriations) to clarify and interpret part 1 schedule of program titles. (Sec. 216)
13. **Capital Complex Security.** Governor amended language by removing requirement to pursue Federal funding and changes a metric from requiring a minimum of 27,000 patrol hours to a goal of annually conducting 35,000 property inspections of State owned and leased facilities. (Sec. 301)
14. **Law Enforcement and Public Safety.** Governor amended section by shortening language requiring the Department to produce support for law enforcement and the criminal justice community. (Sec. 401)
15. **Criminal Justice Information System.** Governor amended section by striking a requirement to provide a report on department CPL licensure revenue and expenditures. (Sec. 402)
16. **Forensic Testing Services.** Governor amended language by changing the goal of eliminating the backlog of firearms processing to a 30-day turnaround, changing the goal of decreasing toxicity case backlogs by 15% per year until backlog is eliminated to a 30-day turnaround, removed a section requiring the Department to explore an information technology interface between its Forensic Science Division and at least one judicial system, removed a section requiring the Department to provide for forensic testing and analysis/profiling of DNA evidence to aid criminal investigations by law enforcement agencies, changed language which required DNA analysis services to have a goal of decreasing backlogs by 15% until eliminated to a goal of maintaining a 30-day turnaround, removed a reference to a Sexual Assault Kit Initiative, and moved Sexual Assault Kit language to Sec. 405. (Sec. 404)
17. **Sexual Assault Kit Analysis.** Governor added a new section, placing sexual assault kit reporting requirements on sexual assault kit collection, analysis and backlog from current year Sec. 403(12). (Sec. 405)
18. **Commission on Law Enforcement Standards.** Governor amended section by changing the requirement that the commission must update law enforcement by 120 days, instead of the current 30 days, following the effective date of any new legislation affecting law enforcement. (Sec. 501)
19. **Field Services.** Governor amended metrics by changing the requirement that 315,000 hours be dedicated to statewide patrol and 30,000 be dedicated to patrol of stressed cities, to 396,700 hours and 40,000 hours respectively. Governor also added language requiring the Department to work to improve public safety within stressed cities by enhancing data analysis capabilities and identifying crime trends and areas with high occurrences of crime. (Sec. 601)
20. **Criminal Investigations.** Governor amended language to change metrics of achieving a case clearance rate from 60% to 62%, removed a section requiring the Department to provide four training opportunities to local law enforcement to increase their knowledge of gambling laws, trends and legal issues and added a new section requiring an increase in the number of opioid-related investigations by 25% above that conducted in FY 2014-15 by multi-jurisdictional task forces and hometown security teams and to work to enhance data analysis capabilities and the linkings of various investigative efforts. (Sec. 602)
21. **Specialized Services.** Governor amended language regarding the Cyber Section to add a metric, which would require the increase of cases completed by the Computer Crime Unit by 25% above the number completed in FY 2014-15, and to improve investigative assistance and evidentiary assistance statewide. (Sec. 701)
22. **Commercial Vehicle Law Enforcement.** Governor amended section by striking language requiring an annual inspection of at least 50,000 commercial vehicles, striking a requirement to produce a detailed annual report on school bus inspections and a section requiring to train at least 10 new Motor Carrier Officers. (Sec. 702)

23. **Emergency Management.** Governor amended language by removing a requirement for an annual report on use of Disaster and Emergency Contingency Fund during the prior fiscal year. (Sec. 703)
24. **Secondary Road Patrol Grant Program.** Governor amended section by changing a requirement that the number of FTE-equivalent County sheriff secondary road patrol deputies be reported annually, rather than on a quarterly or on a semiannual basis. Governor also removed a requirement that the Department request from each county receiving a grant, their total budget for all patrol functions, by fund source. (Sec. 801)
25. **FY 2015-16 One-Time Appropriations.** Governor struck section referring to one-time appropriation for FY 2015-16 trooper school and for a Sexual Assault Prevention and Education Program. (Sec. 901)
26. **FY 2016-17 One-Time Appropriations.** Governor added new section, which provides guidelines and procedures for a School Safety Initiative grant program, which closely mirror the guidelines for a similar program from FY 2014-15. (Sec. 901)

Date Completed: 3-17-16

Fiscal Analyst: Bruce R. Baker



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Senate Bill 798 (as introduced)
 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2015-16 YEAR-TO-DATE	FY 2016-17 GOV.'S REC.	CHANGES FROM FY 2015-16 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	1,613.0	1,609.0	(4.0)	(0.2)
GROSS	1,153,023,500	1,142,494,300	(10,529,200)	(0.9)
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS	1,153,023,500	1,142,494,300	(10,529,200)	(0.9)
Less:				
Federal Funds	764,102,800	773,944,800	9,842,000	1.3
Local and Private	10,052,500	6,119,000	(3,933,500)	(39.1)
TOTAL STATE SPENDING	378,868,200	362,430,500	(16,437,700)	(4.3)
Less:				
Other State Restricted Funds	180,411,200	192,341,600	11,930,400	6.6
GENERAL FUND/GENERAL PURPOSE	198,457,000	170,088,900	(28,368,100)	(14.3)
PAYMENTS TO LOCALS	11,224,800	11,224,800	0	0.0

FY 2015-16 Year-to-Date Gross Appropriation **\$1,153,023,500**

Changes from FY 2015-16 Year-to-Date:

- 1. Business Attraction and Community Revitalization.** The Governor increased appropriations to a total of \$115.5 million for FY 2016-17. Of the total increase, \$5.8 million is increased in ongoing and \$4.3 million is decreased in one-time appropriations. The increase in ongoing also includes \$2.0 million in 21st Century Jobs Trust Fund dollars, which was moved from Entrepreneurship Eco-System. 1,500,000
- 2. Skilled Trades Training Program.** The Governor increased this program using additional funds from the Contingent Fund, Penalty and Interest restricted fund. This increase brings total appropriations to \$35.6 million for FY 2016-17. 10,000,000
- 3. Statewide Data System Integration.** The Governor included one-time Federal and Restricted funds to create and support the Workforce Longitudinal Data Systems to meet new workforce data reporting requirements and establish an integrated service delivery plan. 8,778,500
- 4. Financial Literacy Pilot.** The Governor included one-time TANF funds for competitive grants to operate a financial literacy pilot program for FIP clients in up to three prosperity regions. 5,800,000
- 5. Community Ventures - Challenge Match.** The Governor included one-time GF/GP appropriations by using GF/GP to be used as a contingent only for matching private dollars as stated in Sec. 1069. 2,000,000
- 6. Removal of FY 2015-16 One-Time Appropriations.** The Governor eliminated FY 2015-16 one-time appropriations including \$25.0 million for Film Incentives and \$5.15 million for Special Grants. (30,150,000)

7. Workforce Development Technical Adjustments. The Governor reduced various Federal (\$1,881,400), Private (\$8,000), Local (\$3,933,500), and State Restricted (\$2,764,800) fund sources in the Talent Investment Agency to reflect declining revenue due to decreased caseloads.	(8,587,700)
8. Entrepreneurship Eco-System. The Governor moved \$2.0 million in 21st Century Jobs Trust Fund dollars to Business Attraction and Community Revitalization.	(2,000,000)
9. Human Resource Transfer. The Governor transferred the human resource functions and 4.0 FTEs from the Talent Investment Agency and Michigan State Housing Development Authority to the Civic Service Commission.	(710,000)
10. Early-Out 5-Year Payout. Department obligations will be satisfied as of FY 2015-16 for employees who opted into the 2010 early retirement program, which deferred sick leave payments over five years.	(577,700)
11. Michigan Film Office. The Governor moved the funding and 6.0 FTEs in the Michigan Film Office to the Job Creation line-item.	0
12. Economic Adjustments. Includes \$2,199,400 Gross and \$263,400 in standard economic adjustment, \$804,800 Gross and \$77,700 GF/GP for OPEB and \$413,500 Gross and \$0 GF/GP for other economic adjustments.	3,417,700
Total Changes.....	(\$10,529,200)
FY 2016-17 Governor's Recommendation.....	\$1,142,494,300

Boilerplate Changes from FY 2015-16 Year-to-Date:

1. **General Orders Sections.** The Governor included a number of standard boilerplate sections for the Department, which are included in the 200 sections. The numbering and language is changed to be consistent across departments.
2. **Deleted Sections.** The Governor removed a number of sections, which includes sections: 990 (MSHDA report), 991 (MSHDA broadband report), 1007 (MSF & MEDC activity report), 1010 (Jobs for Michigan report), 1014 (Core Community Fund), 1031 (spending plan report), 1033 (Film Incentive report), 1033b (Film Incentive intent language), 1034 (Business Incubator report), 1037 (Facility for Rare Isotope Beam Bond language), 1040 (State accounting system requirement), 1041 (appropriations transfer limit), 1053 (awards report), 1055 (Business Attraction and Community Revitalization benchmark requirement), 1056 (Film Incentive pension system payment), 1061 (Youth Entrepreneurship grant), 1069 (GED-to-school program), 1070 (Workforce Development Workshop), 1076 (UIA integration implementation report), 1077 (UIA quarterly report), and 1078 (UIA customer service standards).
3. **Modified Sections.** The Governor modified a number of sections, which includes sections: 1005 (Pure Michigan report), 1035 (Art & Culture grants restrictions), 1065 (Skilled Trades report date), 1066 (Skill Trades Federal matching restrictions), 1068 (Workforce Development report), and 1079 (Skilled trades metrics moved to 1065(h)).
4. **Business Attractions and Community Development Increase.** The Governor included benchmark requirements on the increases to Business Attraction and Community Development. (Sec. 1042a)
5. **Community Venture - Matching Funds.** The Governor included matching requirement language on the one-time Community Venture - Matching Funds appropriations. (Sec. 1069)
6. **Statewide System of Integration.** The Governor included program and reporting requirements on the implementation of the Statewide Systems of Integration. (Sec. 1081)
7. **Financial Literacy Pilot Program.** The Governor included program and reporting requirements on the one-time Financial Literacy Pilot Program. (Sec. 1082)
8. **Technical Changes.** The Governor made technical adjustments to section 981 (Legacy Costs adjustments and moved to Sec. 210), 1050 (moved to Sec. 1080), 1064 (moved to Sec. 1068(l)) and removing references to Film Incentives in sections 1032 (Film Office Report) and 1036 (appropriations transfer restriction).

Date Completed: 2-17-16

Fiscal Analyst: Cory Savino

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberation.



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Senate Bill 788 (as introduced)
 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2015-16 YEAR-TO-DATE	FY 2016-17 GOV.'S REC.	CHANGES FROM FY 2015-16 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	2,844.0	2,867.0	23.0	0.8
GROSS	1,263,223,700	1,320,096,200	56,872,500	4.5
Less:				
Interdepartmental Grants Received	678,478,500	696,904,100	18,425,600	2.7
ADJUSTED GROSS	584,745,200	623,192,100	38,446,900	6.6
Less:				
Federal Funds.....	7,997,300	4,958,200	(3,039,100)	(38.0)
Local and Private	3,777,800	2,320,000	(1,457,800)	(38.6)
TOTAL STATE SPENDING	572,970,100	615,913,900	42,943,800	7.5
Less:				
Other State Restricted Funds	95,771,900	111,490,800	15,718,900	16.4
GENERAL FUND/GENERAL PURPOSE	477,198,200	504,423,100	27,224,900	5.7
PAYMENTS TO LOCALS	0	0	0	0.0

FY 2015-16 Year-to-Date Gross Appropriation **\$1,263,223,700**

Changes from FY 2015-16 Year-to-Date:

- 1. Removal of FY 2015-16 One-Time Appropriations. Governor:** Removed a total of \$5.2 million of the following one-time funding provided in the FY 2015-16 budget: Legal Services (\$1.0 million); Technology Services Funding - Treasury (\$3.0 million); Technology Services Funding - DTMB (\$600,000); Cost Study of PA 555 of 2014 (\$500,000); and Special Projects (\$105,000). (5,205,000)
- 2. DTMB Rate Proposal. Governor:** Added new funding to allow the Department to collect fees from other State departments and agencies for services provided such as mailings, warehousing, and vehicle services. 10,632,400
- 3. Enterprise Identity Management (MiLogin). Governor:** Added new GF/GP funding and 6.0 FTE positions for the MiLogin program that will allow a single sign-on and identity management tool to enable the State to establish, manage, and authenticate user identities for State IT systems. 6,700,000
- 4. Office of Good Government. Governor:** Added new funding of \$2.7 million (\$1.5 million GF/GP) and 6.0 FTE positions for costs related to employee engagement and citizen surveys that support various transformational initiatives. 2,678,700
- 5. Bureau of Labor Market Information and Strategic Initiatives (LMISI). Governor:** Increased local revenue funding by \$35,000 for a total of \$5.4 million to increase the authorization for LMISI to begin collecting revenue from local customers for customized data requests. 35,000
- 6. Michigan State Police Retirement Payout Adjustment. Governor:** Increased GF/GP funding to meet the payment obligations required of PA 168 of 2015 which provided increased pension payment adjustments for certain retired MSP personnel. 132,000

7. Information Technology (IT) - Alignment of IDG Funding. Governor: Aligned its IDG funding with enacted FY 2015-16 appropriations for all departments.	5,551,500
8. Cyber Security. Governor: Increased funding and added 2.0 FTE positions for second year of a multi-year program to enhance cyber security protection across all State IT systems.	5,000,000
9. Office of Retirement Services. Governor: Increased restricted funding by \$3.6 million for total funding of \$30.8 million in FY 2016-17 and added 5.0 FTE positions to cover additional administrative costs to administer the various retirement system changes due to enacted legislation affecting both Defined Contribution and Deferred Compensation.	3,631,100
10. Enterprisewide Special Maintenance. Governor: Decreased GF/GP funding for the ongoing appropriations for this item by \$3.5 million to provide maintenance services to State-owned buildings across the State. Total ongoing funding in FY 2016-17 decreases from \$29.5 million to \$26.0 million. Additional funding of \$10.0 million provides a total of \$36.0 million in funding for this item in FY 2016-17.	(3,500,000)
11. Office of Urban Initiatives. Governor: Reduced funding for this line item by 40% for total funding of \$1.5 million for FY 2016-17.	(1,000,000)
12. Removal of Five-Year Early-Out Deferred Sick Leave Payments. Governor: Removed funding for early-out sick leave payments as Department obligations will be satisfied as of the end of FY 2015-16 for employees who opted into the 2010 Early Retirement Program, which deferred sick leave payments over five years.	(1,595,500)
13. SBA Rent Adjustments. Governor: Reduced funding by \$8.0 million for total funding of \$246.6 million for FY 2016-17 to realize lowered costs due to refinancing and the realization of cancellation of leases in July 2015 renegotiations.	(8,000,000)
14. Human Resources for TED. Governor: Shifted funding and 4.0 FTE positions from the Department of Talent and Economic Development (TED) to the Civil Service Commission (CSC) for costs related to human resources which will be provided by the CSC.	710,000
15. FY 2016-17 One-Time Appropriations. Governor included the following one-time funding: \$10.0 million for Enterprisewide Special Maintenance; \$5.0 million for legal services; \$7.5 million for finalizing relocation of State employees in Lansing office space; \$7.0 million for IT Investment Funds (ITIF) to provide \$5.0 million to Treasury for legacy system replacement and \$2.0 million for the SIGMA Project to leverage MiLogin capabilities; \$2.85 million for the Office of Retirement Systems for enterprise mandates and increased support costs; and \$900 for planning authorizations for SBA-authorized community college and university construction projects.	32,350,900
16. Unclassified Salaries. Governor: Increased funding by \$24,400 for total funding of just over \$1.0 million for FY 2016-17.	24,400
17. Economic Adjustments. Includes \$1,957,600 Gross and \$448,400 GF/GP for OPEB and \$6,922,000 Gross and \$1,597,800 GF/GP for other economic adjustments.	8,879,600
18. Other Changes. The Governor included two miscellaneous changes including: a net zero Gross change for SWCAP, however change results in a negative adjustment to GF/GP funding of (\$296,600); and a negative adjustment of \$152,600 for Professional Development to comply with contracts.	(152,600)
Total Changes.....	\$56,872,500
FY 2016-17 Governor's Recommendation.....	\$1,320,096,200

Boilerplate Changes from FY 2015-16 Year-to-Date:

1. **Boilerplate Structure.** The Governor moved boilerplate from the FY 2015-16 general sections that applied to all General Government budgets to the Article for the Department of Technology, Management, and Budget. Changes to those items can be found in the highlight sheet for the **General Sections**.
2. **Legacy Cost Estimates.** Total legacy costs are estimated at \$76,745,400. Of the total, pension-related legacy costs are estimated at \$43,527,000 and retiree health care legacy costs are estimated at \$33,218,400 for fiscal year ending September 30, 2016. **Governor:** Provided the following Legacy Costs estimates for FY 2017: Total legacy costs estimated at \$78,962,000. Of that total, \$43,795,600 are for pension-related legacy costs and \$35,166,400 are for retiree health care legacy costs for the fiscal year ending September 30, 2017. (Sec. 822e)
3. **Regional Prosperity Grants.** Provides boilerplate language describing the qualification process for the Regional Prosperity Grant Program. **Governor:** revised and updated the language, updated dates in subsection (9), and added new subparts within the section. (Sec. 822f)
4. **Legal Services Fund Report.** Requires a report by April 1 to the Legislature on the Legal Services Fund expenditures by case, purpose, and department involved. **Governor:** Moves section to one-time section of the bill but retains current section number. (Current Law Sec. 822g)
5. **Office of Good Government.** **Governor:** Added new language stating that the funds appropriated in Part 1 shall be used to expand the Office and to broaden the office's support of transformative good government initiatives. (**NEW** Sec. 822j)
6. **Michigan Public Safety Communications System.** Provides that money appropriated in Part 1 for the Michigan Public Safety Communications System (MPSCS) shall be expended upon approval of an expenditure plan by the State Budget Director. **Governor:** Added new language requiring all fees charged to be deposited into the Michigan Public Safety Communications Systems Fees Fund. Also added carry-forward language. (Sec. 827)
7. **Modernization of State IT Systems.** **Governor:** Added new language stating that the increased funding shall be used to modernize the State's IT systems and integrate State system interfaces to improve customer service. (**NEW** Sec. 836)
8. **Cyber Security System Improvements.** **Governor:** Added new language stating that the increased funding for cyber security shall be used to increase cyber security by developing a comprehensive security framework. (**NEW** Sec. 837)
9. **Enterprise Identity Management (MiLogin).** **Governor:** Added new language stating that the funds for the enterprise identity management program shall be used to expand the enterprise identity management program to provide an enterprisewide single sign-on and identity management tool. (**NEW** Sec. 838)
10. **Office of Retirement Services.** **Governor:** Added new language requiring the increased funding to be used for expanding the Office's IT capability so as to provide a 90% customer contact satisfaction level. (**NEW** Sec. 839)
11. **Other Deletions.** In keeping with the condensed structure of the Governor's budget, the following current-year language sections and/or subsections were not included: 810, 816, 819, 822, 822d, 822e, 827(4) (the current law report), 828, 829, 830, 831, 832, 860(e), (f), and (g) and 862. The majority of these sections required the Department to provide either reports or notifications to the Legislature.

Date Completed: 2-17-16

Fiscal Analyst: Joe Carrasco, Jr.

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberation.



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Senate Bill 799 (as introduced)
 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2015-16 YEAR-TO-DATE	FY 2016-17 GOV.'S REC.	CHANGES FROM FY 2015-16 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	2,912.3	2,912.3	0.0	0.0
GROSS	3,896,201,400	4,125,203,600	229,002,200	5.9
Less:				
Interdepartmental Grants Received	3,928,500	4,013,400	84,900	2.2
ADJUSTED GROSS	3,892,272,900	4,121,190,200	228,917,300	5.9
Less:				
Federal Funds	1,257,488,000	1,314,744,000	57,256,000	4.6
Local and Private	50,393,500	50,518,500	125,000	0.2
TOTAL STATE SPENDING	2,584,391,400	2,755,927,700	171,536,300	6.6
Less:				
Other State Restricted Funds	2,184,391,400	2,745,527,700	561,136,300	25.7
GENERAL FUND/GENERAL PURPOSE	400,000,000	10,400,000	(389,600,000)	(97.4)
PAYMENTS TO LOCALS	1,438,206,000	1,583,461,200	145,255,200	10.1

FY 2015-16 Year-to-Date Gross Appropriation **\$3,896,201,400**

Changes from FY 2015-16 Year-to-Date:

NOTE: The Governor's recommendation assumes that the Roads Innovation Fund, also known as the "Lockbox", will be opened via concurrent resolution. The Roads Innovation Fund was established under the road funding package enacted in 2015. Opening the Lockbox would result in \$100.0 million in funding to be divided among CTF (\$10.0 million), MDOT (\$35.2 million), and local road agencies (\$54.8 million) in FY 2016-17. As long as it is in operation, the Lockbox will receive the first \$100.0 million in fuel tax revenue collected each fiscal year.

1. **State Trunkline Road and Bridge Construction Increase.** The net increase for State trunkline construction from increased Federal revenue (FAST Act) (\$15.4 million Gross, \$0 GF/GP), MTF adjustments and new revenue under the road funding package (\$184.3 million Gross, \$0 GF/GP), revenue adjustments to the Blue Water Bridge Fund (\$18.4 million Gross, \$0 GF/GP), one-time GF/GP funding (\$10.4 million GF/GP), and shifting GF/GP one-time and ongoing funding to MTF (\$214.8 million GF/GP to State restricted). 13,666,250
2. **Local Road Agencies and Local Bridge Program Increases.** The net gain to appropriations for county road commissions, cities and villages, and the local bridge program resulting from MTF adjustments and revenue under the road funding package and shifting GF/GP one-time and ongoing funding to MTF (\$124.4 million), and increased Federal revenue (FAST Act) (\$32.1 million). 157,139,150

<p>3. Public Transit Funding Increases. New public transit funding under the road plan resulted in an increase for most programs, most notably local bus operating (\$12.6 million), rail operations and infrastructure (\$15.8 million Gross, \$0 GF/GP), and transit capital (\$19.0 million Gross, \$0 GF/GP). Federal revenue increases resulted in an increase to transit capital (\$10.0 million Gross, \$0 GF/GP).</p> <p>4. Aeronautics Program Increases. Additional revenue due to adjustments and recent changes to the aviation fuel sales tax, including a shift of GF/GP ongoing funding (\$1,521,100 GF/GP to SAF). The air service program was also reinstated at \$250,000 Gross, \$0 GF/GP (this program was deleted in FY 2015-16).</p> <p>5. Detroit Metropolitan Wayne County Airport Debt Repayment/Capital Improvements. Funds from the recently established Qualified Airport Fund, directed toward debt repayment and capital improvements at Detroit Metro.</p> <p>6. Transportation Economic Development Fund Increases. Restoration of TEDF revenue that was directed in FY 2015-16 to airport safety (\$2.0 million gross, \$0 GF/GP) and an increase in TEDF revenue estimates.</p> <p>7. Rail Grade Crossing Surface Improvements. The road funding package included allowance of appropriations up to \$3.0 million Gross, \$0 GF/GP to subsidize 60% of maintenance costs of selected privately owned rail grade crossings.</p> <p>8. Removal of One-Time Federal Match for TIGER Grant for M-1 Rail. The FY 2015-16 budget included \$25.0 million GF/GP for this program.</p> <p>9. Economic Adjustments. Includes \$1,615,900 Gross and \$0 GF/GP for OPEB and \$5,381,500 Gross and \$0 GF/GP for other economic adjustments.</p> <p>10. Other Changes. Information technology services and projects (\$660,000 Gross, \$0 GF/GP), removal of five-year early-out deferred sick leave payments (\$1,441,100 Gross, \$0 GF/GP), debt service payment reductions of (\$935,500 Gross, \$0 GF/GP); IDG adjustments (\$813,800 Gross, \$0 GF/GP) and Blue Water Bridge operations of (\$1,400 Gross, \$0 GF/GP).</p>	<p>58,445,400</p> <p>2,024,300</p> <p>8,775,000</p> <p>4,877,000</p> <p>3,000,000</p> <p>(25,000,000)</p> <p>6,979,000</p> <p>(903,900)</p> <hr/> <p>Total Changes.....</p> <hr/> <p>FY 2016-17 Governor's Recommendation.....</p> <hr/>
	<p>\$229,002,200</p> <p>\$4,125,203,600</p>

Boilerplate Changes from FY 2015-16 Year-to-Date:

1. **Deleted Report Requirements.** The Governor deleted reporting requirements regarding the following: Performance metrics for program increases or new programs over \$0.5 million (Sec. 204); Notice regarding Federal regulation changes that would require statutory amendment (Sec. 205); Local fund administration and distribution costs (Sec. 233); Biennial audit charge report (Sec. 306(3)); prequalification of contractors (Sec. 308); Status of the State Infrastructure Bank (Sec. 313(3)); Contract incentives (Sec. 612); Road surface materials including crumb rubber from scrap tires (Sec. 660); Notification of abandonment of private rail (Sec. 703); Amtrak rail passenger data and expenses (Sec. 711); Status of commuter rail demonstration projects including leased rail cars (Sec. 713); Status of new rail tunnel between Detroit and Windsor (Sec. 1006).
2. **Disciplinary Action.** The Governor deleted a prohibition against taking disciplinary action against an employee for communications with legislators or legislative staff. (Sec. 215)
3. **Remanufactured Parts Preference.** The Governor deleted a provision stating legislative intent to prioritize remanufactured parts for maintenance and repair of State vehicles (excludes State police). (Sec. 270)
4. **Rest Area Signs.** The Governor deleted a requirement for MDOT to post signs identifying the agency or contractor responsible for the rest area. (Sec. 319)
5. **Contractor Payment Process.** The Governor deleted a requirement for the department to review contractor payment processes. (Sec. 353)
6. **Inspection Deadline for Local Federal Aid Projects.** The Governor deleted a requirement for the department to complete all reviews and inspections of local Federal aid projects within 120 days of receipt. (Sec. 357)
7. **Ban on Contractor Reimbursements for Groundbreaking Ceremonies.** The Governor deleted a prohibition against reimbursing contractors or consultants for costs related to groundbreaking ceremonies. (Sec. 375)

8. **Ban on Outdoor Advertising Studies.** The Governor deleted a prohibition against MDOT spending funds on examining the potential association between outdoor advertising and motorist behavior. (Sec. 376)
9. **E-Verify Requirements for Contractors.** The Governor deleted requirements for the Department to require contractors to use the E-Verify system to ensure employees are legally present in the United States. (Sec. 381)
10. **Cost-Sharing Bills for Local Agencies.** The Governor deleted a requirement for MDOT to provide a cost-sharing bill to a local road agency within two years of the final contract payment to the contractor. (Sec. 382)
11. **Aircraft Agreement for MDOT and MSP (Legislative Intent).** The Governor deleted language stating that it is the intent of the Legislature for MDOT to establish an agreement with the State police on fitting certain aircraft with equipment for law enforcement operations. (Sec. 383(5))
12. **Best Practices Promotion and Reporting.** The Governor deleted a provision requiring MDOT to promote best practices for public transportation services and report on efforts. (Sec. 393)
13. **Priority for Preservation of Existing Roads.** The Governor deleted language stating that MDOT and local road agencies must make preservation of existing roads a priority. (Sec. 394)
14. **MDOT Trunkline: Option to Transfer Construction Funds to Maintenance.** The Governor added a provision that would allow MDOT to use up to \$10.0 million of trunkline construction funds for trunkline maintenance. (Sec. 395)
15. **Roads Innovation Fund Report.** The Governor included a requirement for MDOT to report on the fiscal impact to State trunkline and local road agency distributions if the Roads Innovation Fund, known as the "Lockbox", remains closed on October 1, 2016. The Fund can only be opened through concurrent resolution of the Legislature, and receives the first \$100.0 million in fuel tax revenues in each fiscal year until the concurrent resolution. (Sec. 505)
16. **Road Warranty Program Considerations and Report.** The Governor deleted provisions requiring MDOT to develop a warranty program and employ specific considerations, and to report on warranty programs and activities. (Sec. 601)
17. **Traffic Congestion as Criteria in 5-Year Plan.** The Governor deleted a provision requiring MDOT to use traffic congestion as one of the criteria in its 5-year plan. (Sec. 603)
18. **Dead Animal Removal as a Priority.** The Governor deleted a provision stating that MDOT must have as a priority the removal of dead deer and other large animals from the traveled portion of State highways. (Sec. 610)
19. **Preference for Private Airport Ownership.** The Governor deleted a provision encouraging MDOT to find private entities to own or lease public-owned airports. (Sec. 802)
20. **Elimination of One-Time and Ongoing General Fund/General Purpose Appropriations.** The Governor deleted provisions regarding one-time and ongoing GF/GP funding for State trunkline Federal match (Sec. 1001), distribution of additional road agency funding (Sec. 1002), and reports on use of one-time funds for public transit (Sec. 1003).

Date Completed: 2-17-16

Fiscal Analyst: Glenn Steffens



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Senate Bill 788 (as introduced)
 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2015-16 YEAR-TO-DATE	FY 2016-17 GOV.'S REC.	CHANGES FROM FY 2015-16 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	N/A	N/A	0.0	0.0
GROSS	156,449,000	137,037,000	(19,412,000)	(12.4)
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS	156,449,000	137,037,000	(19,412,000)	(12.4)
Less:				
Federal Funds	0	0	0	0.0
Local and Private	0	0	0	0.0
TOTAL STATE SPENDING	156,449,000	137,037,000	(19,412,000)	(12.4)
Less:				
Other State Restricted Funds	0	0	0	0.0
GENERAL FUND/GENERAL PURPOSE	156,449,000	137,037,000	(19,412,000)	(12.4)
PAYMENTS TO LOCALS	0	0	0	0.0

FY 2015-16 Year-to-Date Gross Appropriation	\$156,449,000
Changes from FY 2015-16 Year-to-Date:	
1. Clean Michigan Initiative. The Governor increased debt service payments for this bond due to scheduled increases in bond payments with no new projected bonds being issued for FY 2016-17. This increased total debt service payments to \$89,477,000.	25,516,000
2. Great Lakes Water Quality Bonds. The Governor increased debt service payments to this bond. Of the total, there was an \$8,005,000 reduction in scheduled payments and \$10,349,000 in projected new bond payments for \$200.0 million in new bond issuances for FY 2016-17. This increased total debt service payments to \$18,873,000.	2,344,000
3. Quality of Life Bonds. The Governor reduced debt service payments to this bond due to projected decreases in scheduled bond payments with no new projected bonds being issued for FY 2016-17. This reduced total debt service payments to \$28,687,000.	(47,272,000)
Total Changes	(\$19,412,000)
FY 2016-17 Governor's Recommendation	\$137,037,000

Boilerplate Changes from FY 2015-16 Year-to-Date:

1. No Change

Date Completed: 2-17-16

Fiscal Analyst: Cory Savino

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberation.



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Senate Bill 788 (as introduced)
 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2015-16 YEAR-TO-DATE	FY 2016-17 GOV.'S REC.	CHANGES FROM FY 2015-16 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	1,901.5	1,906.5	5.0	0.3
GROSS	536,197,100	518,001,500	(18,195,600)	(3.4)
Less:				
Interdepartmental Grants Received	9,500,700	11,250,600	1,749,900	18.4
ADJUSTED GROSS	526,696,400	506,750,900	(19,945,500)	(3.8)
Less:				
Federal Funds	39,661,500	39,954,200	292,700	0.7
Local and Private	9,055,100	9,292,400	237,300	2.6
TOTAL STATE SPENDING	477,979,800	457,504,300	(20,475,500)	(4.3)
Less:				
Other State Restricted Funds	354,049,500	359,595,500	5,546,000	1.6
GENERAL FUND/GENERAL PURPOSE	123,930,300	97,908,800	(26,021,500)	(21.0)
PAYMENTS TO LOCALS	209,657,300	186,270,700	(23,386,600)	(11.2)

FY 2015-16 Year-to-Date Gross Appropriation \$536,197,100

Changes from FY 2015-16 Year-to-Date:

- Free Individual e-File.** The Governor included one-time appropriations to allow development of free individual tax return e-file. This is supported by GF/GP. 2,842,500
- DTMB-Rated Service Model.** The Governor included a new program that would allow the Department of Technology, Management, and Budget to bill the Department of Treasury by a standard rate plan instead of hourly billing for services. Of the Gross increase, \$511,100 is GF/GP. 1,563,000
- Payments in Lieu of Taxes (PILT).** The Governor increased total PILT due to scheduled and statutory increases. Of the total, \$246,600 is State Restricted, \$1,300 is private funds, and \$1,056,800 is GF/GP. 1,304,700
- Testing and Analytics Unit.** The Governor increased the Executive Direction line item to establish an ongoing unit providing analytics and testing for new systems and operations. This increase in general funds and an additional 4.0 FTEs is combined with \$2.0 million in existing funds and 14.0 FTEs. 750,000
- Casino Gaming Information Technology (IT).** The Governor increased Casino Gaming IT to provide ongoing support and upgrades. This increase is supported by State Restricted revenue. 500,000
- Horse Sample Testing.** The Governor transferred a portion of Horse Sample Testing from the Department of Agriculture and Rural Development. The funds supporting this transfer are from the Equine Development Fund. 250,000

7. Indian Casino Auditor. The Governor increased Casino Gaming Operations to allow for the hire of one auditor for Indian Casinos to perform audits of local revenue sharing and financial files only. The increase is supported by State Restricted funds.	118,300
8. Removal of FY 2015-16 One-Time Appropriations. The Governor removed One-Time appropriations from FY 2015-16 including Personal Property Tax payments (\$19.3 million), On-line Business Portal (\$600,000), and the Presidential Primary reimbursement (\$10.0).	(29,900,000)
9. Early-Out 5-Year Payment. Department obligations will be satisfied as of FY 2015-16 for employees who opted into the 2010 early retirement program, which deferred sick leave payments over five years. Of the total reduction, \$58,900 is from Federal funds, \$568,600 is from State Restricted funds, and \$73,800 is from GF/GP.	(701,300)
10. Urban Search and Research Task Force. The Governor eliminated the line item that supported this program.	(300,000)
11. Chaldean Community Foundation. The Governor eliminated the line item that supported this program.	(250,000)
12. State Restricted Fund Shift. The Governor shifted increased or available restricted fund revenue from Garnishment fees (\$105,600), State Agency Collection fees (\$1,344,400), and Levy/Warrant Cost Assessment fees (300,000) to save a total of \$1.75 million general fund dollars.	0
13. Economic Adjustments. Includes \$4,083,400 Gross and 745,100 in standard economics, \$1,141,500 Gross and \$190,400 GF/GP for OPEB and \$402,300 Gross and \$116,400 GF/GP for other economic adjustments.	5,627,200
Total Changes.....	(\$18,195,600)
FY 2016-17 Governor's Recommendation.....	\$518,001,500

Boilerplate Changes from FY 2015-16 Year-to-Date:

1. **Deleted Sections.** The Governor deleted a number of sections, which includes sections: 902a (notification of bond refinancing), 918 (Tax Orientation Workshop), 927 (Personal Property Tax Audits), 944 (Pension Plan Consultant Report Retention), 949a (Personal Property Tax Payments), 949c (Online Business Portal), 949d (Financial Review Commission), 949g (Urban Search and Rescue Task Force), and 963 (Ban on bridge cards being used to buy lottery tickets).
2. **General Order Sections.** The Governor included a number of standard boilerplate sections for the Department, which are included in the 200 sections.
3. **Financial Services Modification.** The Governor included language allowing Financial Services to utilize miscellaneous revenue in the event that there is a shortfall in the Common Cash Earnings fund. (Sec. 904a)
4. **Write-Offs and Advances.** The Governor removed the reporting requirement for write-offs and advances. (Sec. 917)
5. **Unclaimed Property Audit Modification.** The Governor removed requirements that the Department recommend improvements to unclaimed property audits. (Sec. 919)
6. **Michigan Financial Authority Modification.** The Governor removed reporting requirements for the Michigan Financial Authority. (Sec. 934)
7. **Technical Adjustments.** The Governor made a number of technical adjustments, which includes date changes, office/division name changes, legacy cost adjustments, and removing references to new programs for programs entering the second year. This includes sections: 915, 926, 945, 947, 948 (now 214), 949b, and 949e.

Date Completed: 2-17-16

Fiscal Analyst: Cory Savino

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberation.



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Senate Bill 788 (as introduced)
 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2015-16 YEAR-TO-DATE	FY 2016-17 GOV.'S REC.	CHANGES FROM FY 2015-16 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	N/A	N/A	0.0	0.0
GROSS	1,220,654,700	1,255,708,900	35,054,200	2.9
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS	1,220,654,700	1,255,708,900	35,054,200	2.9
Less:				
Federal Funds	0	0	0	0.0
Local and Private	0	0	0	0.0
TOTAL STATE SPENDING	1,220,654,700	1,255,708,900	35,054,200	2.9
Less:				
Other State Restricted Funds	1,220,654,700	1,255,708,900	35,054,200	2.9
GENERAL FUND/GENERAL PURPOSE	0	0	0	0.0
PAYMENTS TO LOCALS	1,220,654,700	1,255,708,900	35,054,200	2.9

FY 2015-16 Year-to-Date Gross Appropriation \$1,220,654,700

Changes from FY 2015-16 Year-to-Date:

- 1. Constitutional Revenue Sharing.** The Governor recommended an increase in constitutional revenue sharing of 3.9% to \$781,501,400. This is consistent with the January 2016 consensus revenue estimates. Constitutional revenue sharing distributes 15% of the sales tax levied at a 4% rate to cities, villages, and townships (CVTs) on a per capita basis. 29,386,700
- 2. CVT Revenue Sharing.** The Governor reduced nonconstitutional (statutory) revenue sharing for CVTs by \$5.8 million to \$243,040,000, a 2.3% reduction. The proposal would eliminate 101 local units from eligibility for the per capita distribution of about \$2.65 which started in FY 2014-15. Another 15 local units that received a payment increase under the per capita distribution would have their payments reduced. All other CVTs would receive the same payment in FY 2016-17 as in FY 2015-16. (5,800,000)
- 3. County Revenue Sharing and County Incentive Program.** The Governor increased funding by \$467,500 to cover the cost of counties that return to State-paid revenue sharing in FY 2016-17, for either the first full or part-year. County Revenue Sharing would increase by \$374,000 to \$172,134,000. The County Incentive Program would increase by \$93,500 to \$43,033,500. 467,500
- 4. Competitive Grant Assistance Program (CGAP).** The Governor proposed \$11.0 million for this program to provide grants to local units for costs associated with mergers, interlocal agreements, and cooperative efforts. The funding would consist of \$5.8 million in ongoing appropriations and \$5.2 million in one-time funding. The CGAP received State appropriations of \$15.0 million in FY 2011-12, FY 2012-13, and FY 2013-14, but has not received funding since then. 11,000,000

5. **Financially Distressed Cities, Villages, or Townships.** The Governor maintained funding for this grant program at \$5.0 million in FY 2016-17, the same level as in FY 2015-16. The program provides grants of up to \$2.0 million for CVTs with signs of fiscal distress for projects that move the city, village, or township toward financial stability. 0

Total Changes.....	\$35,054,200
FY 2016-17 Governor's Recommendation.....	\$1,255,708,900

Boilerplate Changes from FY 2015-16 Year-to-Date:

1. **City, Village, and Township Revenue Sharing Payment Calculation.** The Governor limited eligibility to those local units that received more than \$4,500 in FY 2009-10 in statutory revenue sharing. This would reduce eligibility from 587 CVTs in FY 2015-16 to 486 CVTs in FY 2016-17. Current year language allows each eligible CVT to receive the same payment in FY 2015-16 as in FY 2014-15, assuming that all accountability and transparency requirements are met. In FY 2015-16, each local unit with a population of more than 7,500 is eligible to receive either 78.51044% of its FY 2009-10 payment or a payment of \$2.64659 per capita, whichever is greater. The elimination of the per capita payments would exclude 101 local units from eligibility for the program and reduce payments to another 15 local units that received an increase under the per capita payment. Payments to other CVTs would not change. (Sec. 20-952(1))
2. **Extended Due Dates for Accountability and Transparency Reports.** The Governor recommended an extension in the time for cities, villages, townships, and counties to submit certifications needed to qualify for the full amount of revenue sharing for which they are eligible. Currently all eligible local governments receive the October payment of 1/6th of the amount for which they are eligible. Receipt of the remaining five payments requires that a local government has completed required certifications by the first day of the payment month. For a local government that did not file certifications by the first day of the December or February payment months, the local government would be able to defer (instead of forfeit) those payments, provided that certifications were completed by April 1. Deferred payments would be paid on the last business day of August. (Sec. 20-952(4)(e))
3. **Competitive Grant Assistance Program (CGAP).** The Governor recommended re-establishing CGAP, a grant program that provides assistance for projects associated with mergers, interlocal agreements, and cooperative efforts. The Department of Treasury would award the grants. Cities, villages, townships, and counties would be eligible for grants. In addition, authorities, school districts, intermediate school districts, public community colleges, and public universities would be eligible for grant funding for a project to combine operations with a city, village, township, or county. A work project would be established for any funds remaining at year-end. (Sec. 20-951)
4. **Performance Metrics for CGAP.** The Governor required the Department of Treasury to identify outcomes and performance metrics for CGAP, including grants awarded and mergers, consolidation of operations, and cooperative efforts of two or more governmental units. (Sec. 20-957)
5. **Revenue Sharing Workgroup.** The Governor deleted legislative intent language regarding a legislative workgroup on city, village, and township nonconstitutional revenue sharing. (Sec. 957)

Date Completed: 2-17-16

Fiscal Analyst: Elizabeth Pratt

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