

**OVERVIEW OF
GOVERNOR SNYDER'S
FY 2015-16 BUDGET**



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Summary

Overview of Governor Snyder's FY 2015-16 Budget

On February 11, 2015, Governor Rick Snyder presented his fiscal year (FY) 2015-16 State Budget Message and his budget projections for FY 2016-17. 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 2015-16 appropriation recommendation.

The FY 2015-16 budget recommendation from the Governor is based on the consensus revenue estimates agreed to on January 16, 2015. The FY 2015-16 General Fund/General Purpose (GF/GP) consensus revenue estimate is \$9.7 billion. This represents a 2.2% increase from the FY 2014-15 GF/GP consensus revenue estimate. The FY 2015-16 School Aid Fund (SAF) consensus revenue estimate is \$12.3 billion, a 3.2% increase from the FY 2014-15 consensus revenue estimate. The Governor's FY 2015-16 recommendation includes \$457.1 million in fee adjustments, and assumes passage of legislation that would increase the Health Insurance Claims Assessment (HICA) rate from 0.75% to 1.3% which would result in estimated GF/GP savings of \$180.1 million.

The Governor recommends FY 2015-16 Adjusted Gross appropriations of \$53.0 billion. Included in this appropriation total are \$22.7 billion of Federal funds, \$401.2 million of local and private funds, \$20.5 billion of State Restricted revenue, and \$9.5 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 2014-15 year-to-date appropriations, the Governor's FY 2015-16 budget includes an Adjusted Gross appropriation increase of \$685.3 million or 1.3%, a decrease in State Spending from State Resources appropriations of \$119.6 million or 0.4%, and a decrease in GF/GP appropriations of \$636.4 million or 6.3%.

The primary reason for the increase in Adjusted Gross appropriations is the Governor's proposal for additional Federal spending of \$815.8 million related to the expansion of the Medicaid program to include approximately 580,000 individuals in the \$3.2 billion Healthy Michigan Plan. The \$636.4 million GF/GP appropriation decrease can be attributed primarily to GF/GP savings in the Department of Community Health related to replacing GF/GP revenue with State restricted HICA revenue of \$180.1 million and hospital Quality Assurance Assessment Program (QAAP) revenue of \$77.1 million. The Governor also carries forward many of the reductions proposed in all budget areas for FY 2014-15. Tables 2-4 compare the Governor's FY 2015-16 recommendation for Adjusted Gross, State Spending from State Resources, and GF/GP appropriations with the FY 2014-15 year-to-date appropriations. Table 5 compares the FY 2015-16 recommended number of 52,723.9 full-time equated (FTE) positions to the FY 2014-15 level of 52,866.5 FTEs, a decrease of 142.6 positions or 0.3%.

The FY 2015-16 recommendation includes appropriations that the Governor has designated as either "ongoing" or "one-time". Table 6 outlines the proposed FY 2015-16 one-time Adjusted Gross and GF/GP appropriations. In addition to the \$340.1 million of one-time Adjusted Gross appropriations (\$216.2 million GF/GP) for various budget areas, the Governor recommends a \$95.0 million one-time GF/GP appropriation to the Budget Stabilization Fund. The Governor also recommends boilerplate language in the General Government bill that would appropriate 25.0% of any FY 2015-16 GF/GP excess revenue forecast at the May 2016 Consensus Revenue Estimating Conference, and 25.0% of any net GF/GP lapse amount, to the Budget Stabilization Fund, as part of the FY 2015-16 book closing process.

Table 7 lists the estimated State payments to local units of government for FYs 2014-15 and 2015-16, of \$16.6 billion and \$16.7 billion, respectively. The estimate for FY 2015-16 would result in a surplus of these "Section 30" payments of more than \$2.0 billion.

Tables 8 and 9 present the GF/GP and SAF balance sheets for FY 2014-15, FY 2015-16, and FY 2016-17, which result in positive ending balances for all three fiscal years.

The total GF/GP dollar change from FY 2014-15 to FY 2015-16 is a \$636.4 million decrease. Table 10 shows that the \$636.4 million decrease consists of \$13.2 million of GF/GP funding for new programs, \$170.5 million of GF/GP funding increases, \$513.4 million of GF/GP funding reductions, a \$120.9 million GF/GP decrease due to fund shifts, a \$180.1 million GF/GP reduction related to the HICA revenue proposal, \$0.1 million for an unclassified salaries increase, and a net reduction of \$5.8 million in GF/GP economic adjustments. Tables 11-14 provide the details of these GF/GP changes.

The FY 2015-16 School Aid Fund budget changes proposed by the Governor are outlined in Table 15. As the table indicates, the net change in SAF appropriations is an increase of \$88.7 million. This \$88.7 million change consists of \$40.8 million for new programs, \$523.4 million of funding increases for existing programs, and \$475.5 million of funding reductions.

Table 16 lists the Governor's proposed fee adjustments for FY 2015-16. Following the fee table, there is a summary of the HICA and Use Tax issue. Tables 17-26 outline background information regarding major budget areas and other general appropriation issues, and Tables 27-36 provide recent State appropriation history.

On an overall basis, the Governor's FY 2015-16 budget proposal increases Adjusted Gross appropriations by \$685.3 million and reduces GF/GP appropriations by \$636.4 million. The Adjusted Gross appropriation increase is primarily due to the continued growth of the Healthy Michigan Plan, while the GF/GP decrease can be attributed mainly to the proposed replacement of GF/GP revenue with State restricted revenue and the continuation of FY 2014-15 proposed budget reductions and fund shifts. Similarly to the four budgets that Governor Snyder has presented previously, the Governor's fifth budget message includes performance measures for State programs.

Table 1

**FY 2015-16 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	\$84,144,000	\$317,300	\$83,826,700	\$10,427,900	\$128,100	\$30,897,100	\$42,373,600
Attorney General	91,941,600	28,533,900	63,407,700	9,278,600	0	17,281,700	36,847,400
Capital Outlay	0	0	0	0	0	0	0
Civil Rights	16,128,700	286,700	15,842,000	2,721,700	18,700	151,900	12,949,700
Community Colleges	393,825,600	0	393,825,600	0	0	256,714,800	137,110,800
Community Health	18,971,605,000	9,678,100	18,961,926,900	13,465,957,200	213,683,300	2,289,035,100	2,993,251,300
Corrections	1,976,226,000	225,000	1,976,001,000	5,568,700	8,533,200	42,950,700	1,918,948,400
Education	313,212,200	0	313,212,200	218,583,400	7,667,000	7,669,600	79,292,200
Environmental Quality	487,925,900	9,115,300	478,810,600	138,163,100	546,000	304,723,800	35,377,700
Executive	5,916,100	0	5,916,100	0	0	0	5,916,100
Higher Education	1,541,219,200	0	1,541,219,200	97,026,400	0	205,279,500	1,238,913,300
Human Services	5,734,326,500	24,260,300	5,710,066,200	4,542,043,600	71,798,200	117,333,400	978,891,000
Insurance and Financial Services	65,057,700	707,600	64,350,100	2,000,000	0	62,200,100	150,000
Judiciary	283,901,300	2,362,900	281,538,400	6,428,600	8,171,900	84,245,700	182,692,200
Legislative Auditor General	22,840,500	5,392,800	17,447,700	0	0	1,987,600	15,460,100
Legislature	136,464,300	0	136,464,300	0	400,000	4,192,000	131,872,300
Licensing & Regulatory Affairs	545,605,900	15,754,900	529,851,000	200,388,700	990,300	304,248,600	24,223,400
Military & Veterans Affairs	163,953,700	99,300	163,854,400	90,208,600	2,237,000	23,221,500	48,187,300
Natural Resources	389,494,200	1,352,700	388,141,500	76,028,000	8,157,700	264,183,000	39,772,800
School Aid	13,958,963,900	0	13,958,963,900	1,775,769,200	0	12,137,294,700	45,900,000
State	225,256,700	20,000,000	205,256,700	1,460,000	100	186,635,100	17,161,500
State Police	613,531,200	26,224,300	587,306,900	87,945,900	5,533,400	120,353,900	373,473,700
Technology, Management, & Budget	1,264,906,300	678,478,500	586,427,800	7,997,300	3,777,800	95,771,900	478,880,800
Transportation	3,635,722,500	3,928,500	3,631,794,000	1,257,488,000	50,393,500	2,184,391,400	139,521,100
Treasury (Debt Service)	156,449,000	0	156,449,000	0	0	0	156,449,000
Treasury (Operations)	533,426,200	9,500,700	523,925,500	39,661,500	9,055,100	354,978,600	120,230,300
Treasury (Revenue Sharing)	1,251,237,000	0	1,251,237,000	0	0	1,251,237,000	0
Treasury (Strategic Fund)	1,006,582,500	0	1,006,582,500	627,305,000	10,082,500	142,588,000	226,607,000
TOTAL APPROPRIATIONS	\$53,869,863,700	\$836,218,800	\$53,033,644,900	\$22,662,451,400	\$401,173,800	\$20,489,566,700	\$9,480,453,000

Figure A

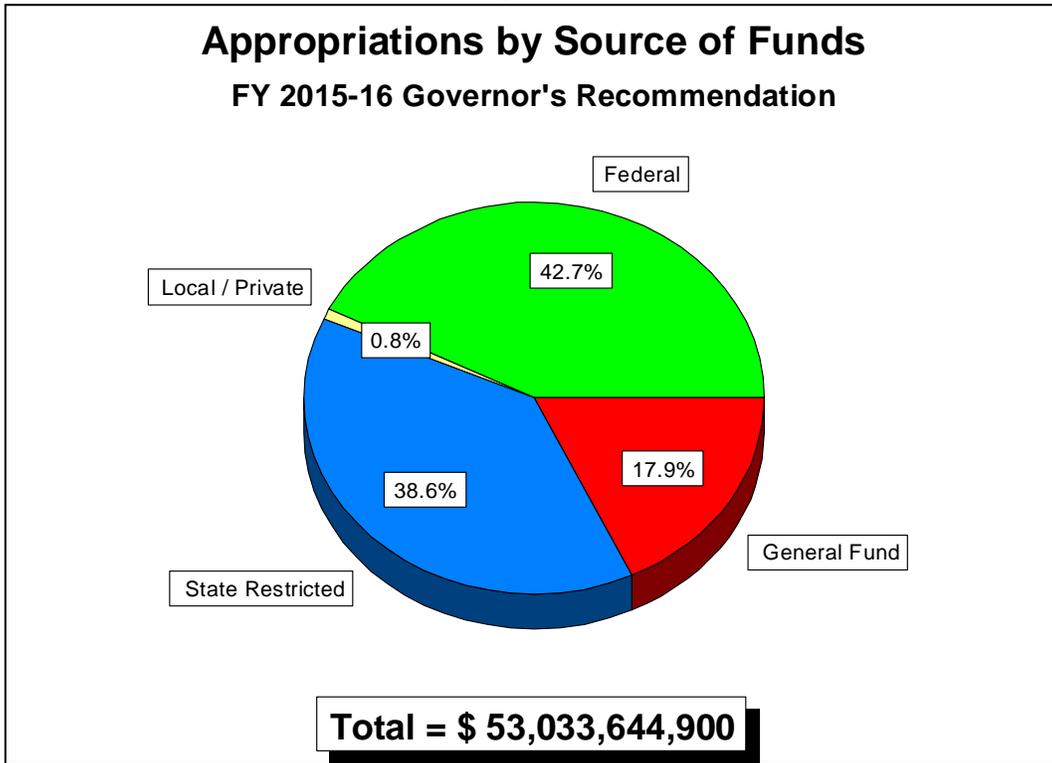


Figure B

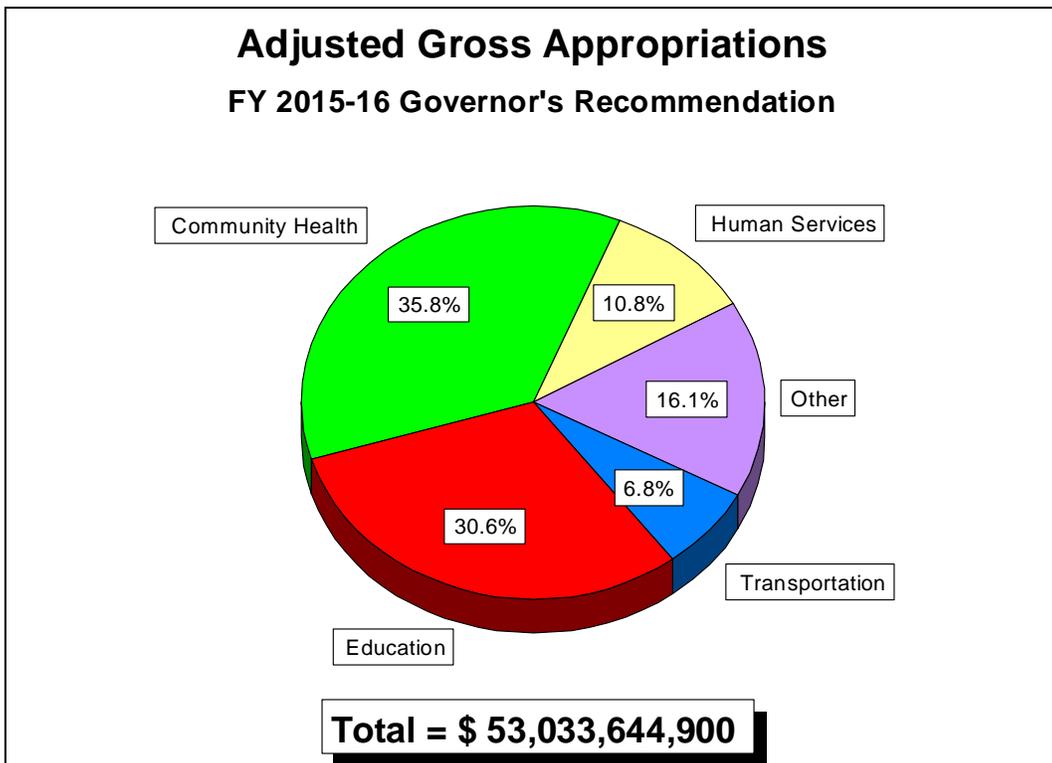


Table 2
ADJUSTED GROSS APPROPRIATIONS
FY 2014-15 VERSUS GOVERNOR'S RECOMMENDATION

Department/Budget Area	FY 2014-15 Year-to-Date Appropriations	FY 2015-16 Governor's Recommendation	Dollar Difference	Percent Change
Agriculture & Rural Development.....	\$84,144,100	\$83,826,700	(\$317,400)	(0.4%)
Attorney General	66,038,500	63,407,700	(2,630,800)	(4.0)
Capital Outlay.....	0	0	0	0.0
Civil Rights	16,355,300	15,842,000	(513,300)	(3.1)
Community Colleges	364,724,900	393,825,600	29,100,700	8.0
Community Health.....	18,216,419,000	18,961,926,900	745,507,900	4.1
Corrections	2,040,296,700	1,976,001,000	(64,295,700)	(3.2)
Education	287,096,100	313,212,200	26,116,100	9.1
Environmental Quality	493,061,300	478,810,600	(14,250,700)	(2.9)
Executive.....	5,916,100	5,916,100	0	0.0
Higher Education.....	1,516,496,300	1,541,219,200	24,722,900	1.6
Human Services.....	5,733,628,800	5,710,066,200	(23,562,600)	(0.4)
Insurance and Financial Services.....	64,482,100	64,350,100	(132,000)	(0.2)
Judiciary	285,403,200	281,538,400	(3,864,800)	(1.4)
Legislative Auditor General.....	16,938,100	17,447,700	509,600	3.0
Legislature.....	131,930,500	136,464,300	4,533,800	3.4
Licensing & Regulatory Affairs.....	528,078,400	529,851,000	1,772,600	0.3
Military & Veterans Affairs.....	166,843,700	163,854,400	(2,989,300)	(1.8)
Natural Resources	383,330,300	388,141,500	4,811,200	1.3
School Aid	13,870,325,600	13,958,963,900	88,638,300	0.6
State	203,984,900	205,256,700	1,271,800	0.6
State Police	645,839,800	587,306,900	(58,532,900)	(9.1)
Technology, Management, & Budget	585,138,700	586,427,800	1,289,100	0.2
Transportation	3,695,731,700	3,631,794,000	(63,937,700)	(1.7)
Treasury (Debt Service).....	152,395,000	156,449,000	4,054,000	2.7
Treasury (Operations).....	536,227,300	523,925,500	(12,301,800)	(2.3)
Treasury (Revenue Sharing).....	1,232,694,000	1,251,237,000	18,543,000	1.5
Treasury (Strategic Fund).....	1,024,779,900	1,006,582,500	(18,197,400)	(1.8)
TOTAL APPROPRIATIONS.....	\$52,348,300,300	\$53,033,644,900	\$685,344,600	1.3%

Table 3

**STATE SPENDING FROM STATE RESOURCES APPROPRIATIONS
FY 2014-15 VERSUS GOVERNOR'S RECOMMENDATION**

Department/Budget Area	FY 2014-15 Year-to-Date Appropriations	FY 2015-16 Governor's Recommendation	Dollar Difference	Percent Change
Agriculture & Rural Development.....	\$73,919,600	\$73,270,700	(\$648,900)	(0.9%)
Attorney General	56,181,300	54,129,100	(2,052,200)	(3.7)
Capital Outlay.....	0	0	0	0.0
Civil Rights	13,600,100	13,101,600	(498,500)	(3.7)
Community Colleges	364,724,900	393,825,600	29,100,700	8.0
Community Health.....	5,301,104,900	5,282,286,400	(18,818,500)	(0.4)
Corrections	2,026,668,000	1,961,899,100	(64,768,900)	(3.2)
Education	90,055,600	86,961,800	(3,093,800)	(3.4)
Environmental Quality	342,646,800	340,101,500	(2,545,300)	(0.7)
Executive.....	5,916,100	5,916,100	0	0.0
Higher Education.....	1,419,469,900	1,444,192,800	24,722,900	1.7
Human Services.....	1,121,690,000	1,096,224,400	(25,465,600)	(2.3)
Insurance and Financial Services.....	62,482,100	62,350,100	(132,000)	(0.2)
Judiciary	270,779,900	266,937,900	(3,842,000)	(1.4)
Legislative Auditor General.....	16,938,100	17,447,700	509,600	3.0
Legislature.....	131,530,500	136,064,300	4,533,800	3.4
Licensing & Regulatory Affairs.....	326,485,300	328,472,000	1,986,700	0.6
Military & Veterans Affairs.....	74,240,900	71,408,800	(2,832,100)	(3.8)
Natural Resources	305,089,500	303,955,800	(1,133,700)	(0.4)
School Aid	12,062,162,900	12,183,194,700	121,031,800	1.0
State	202,524,800	203,796,600	1,271,800	0.6
State Police	541,471,000	493,827,600	(47,643,400)	(8.8)
Technology, Management, & Budget	573,420,500	574,652,700	1,232,200	0.2
Transportation	2,439,633,100	2,323,912,500	(115,720,600)	(4.7)
Treasury (Debt Service).....	152,395,000	156,449,000	4,054,000	2.7
Treasury (Operations).....	494,516,300	475,208,900	(19,307,400)	(3.9)
Treasury (Revenue Sharing).....	1,232,694,000	1,251,237,000	18,543,000	1.5
Treasury (Strategic Fund).....	387,321,200	369,195,000	(18,126,200)	(4.7)
TOTAL APPROPRIATIONS.....	\$30,089,662,300	\$29,970,019,700	(\$119,642,600)	(0.4%)

Table 4

**GENERAL FUND/GENERAL PURPOSE APPROPRIATIONS
FY 2014-15 VERSUS GOVERNOR'S RECOMMENDATION**

Department/Budget Area	FY 2014-15 Year-to-Date Appropriations	FY 2015-16 Governor's Recommendation	Dollar Difference	Percent Change
Agriculture & Rural Development.....	\$45,916,200	\$42,373,600	(\$3,542,600)	(7.7%)
Attorney General	38,267,100	36,847,400	(1,419,700)	(3.7)
Capital Outlay.....	0	0	0	0.0
Civil Rights	13,448,200	12,949,700	(498,500)	(3.7)
Community Colleges	167,110,800	137,110,800	(30,000,000)	(18.0)
Community Health.....	3,239,701,400	2,993,251,300	(246,450,100)	(7.6)
Corrections	1,980,798,400	1,918,948,400	(61,850,000)	(3.1)
Education	82,083,000	79,292,200	(2,790,800)	(3.4)
Environmental Quality	40,875,900	35,377,700	(5,498,200)	(13.5)
Executive.....	5,916,100	5,916,100	0	0.0
Higher Education.....	1,214,902,000	1,238,913,300	24,011,300	2.0
Human Services.....	995,452,600	978,891,000	(16,561,600)	(1.7)
Insurance and Financial Services.....	55,000	150,000	95,000	172.7
Judiciary	186,527,400	182,692,200	(3,835,200)	(2.1)
Legislative Auditor General.....	14,937,300	15,460,100	522,800	3.5
Legislature.....	127,420,700	131,872,300	4,451,600	3.5
Licensing & Regulatory Affairs.....	40,133,800	24,223,400	(15,910,400)	(39.6)
Military & Veterans Affairs.....	49,154,500	48,187,300	(967,200)	(2.0)
Natural Resources	48,591,500	39,772,800	(8,818,700)	(18.1)
School Aid	114,900,000	45,900,000	(69,000,000)	(60.1)
State	17,539,000	17,161,500	(377,500)	(2.2)
State Police	414,171,000	373,473,700	(40,697,300)	(9.8)
Technology, Management, & Budget	479,098,500	478,880,800	(217,700)	(0.0)
Transportation	284,647,900	139,521,100	(145,126,800)	(51.0)
Treasury (Debt Service).....	152,395,000	156,449,000	4,054,000	2.7
Treasury (Operations).....	118,118,300	120,230,300	2,112,000	1.8
Treasury (Revenue Sharing).....	0	0	0	0.0
Treasury (Strategic Fund).....	244,642,500	226,607,000	(18,035,500)	(7.4)
TOTAL APPROPRIATIONS.....	\$10,116,804,100	\$9,480,453,000	(\$636,351,100)	(6.3%)

Table 5**FULL-TIME EQUATED CLASSIFIED POSITIONS
FY 2014-15 VERSUS GOVERNOR'S RECOMMENDATION**

Department/Budget Area	FY 2014-15 Year-to-Date Appropriations	FY 2015-16 Governor's Recommendation	Position Change	Percent Change
Agriculture and Rural Development	446.0	454.0	8.0	1.8%
Attorney General	513.5	518.5	5.0	1.0
Civil Rights	132.0	129.0	(3.0)	(2.3)
Community Health	3,648.1	3,677.1	29.0	0.8
Corrections	14,179.3	14,174.3	(5.0)	(0.0)
Education	600.5	600.5	0.0	0.0
Environmental Quality	1,284.5	1,221.0	(63.5)	(4.9)
Executive	78.2	78.2	0.0	0.0
Higher Education	0.0	0.0	0.0	0.0
Human Services	12,221.5	12,037.9	(183.6)	(1.5)
Insurance and Financial Services	337.0	337.0	0.0	0.0
Judiciary	488.0	487.0	(1.0)	(0.2)
Licensing and Regulatory Affairs	2,820.3	2,820.3	0.0	0.0
Military and Veterans Affairs	889.5	888.5	(1.0)	(0.1)
Natural Resources	2,222.3	2,219.8	(2.5)	(0.1)
State	1,587.0	1,587.0	0.0	0.0
State Police	3,070.0	3,091.0	21.0	0.7
Technology, Management, and Budget	2,817.0	2,833.0	16.0	0.6
Transportation	2,912.3	2,912.3	0.0	0.0
Treasury (Operations)	1,863.5	1,901.5	38.0	2.0
Treasury (Strategic Fund)	756.0	756.0	0.0	0.0
TOTAL POSITIONS	52,866.5	52,723.9	(142.6)	(0.3%)

Table 6

FY 2015-16 GOVERNOR'S RECOMMENDATION ONE-TIME APPROPRIATIONS		
Budget Area/Program	Adjusted Gross Appropriation	GF/GP Appropriation
Agriculture and Rural Development		
Geagely lab equipment	\$500,000	\$500,000
Agriculture and Rural Development Total	\$500,000	\$500,000
Community Health		
University autism programs.....	\$2,500,000	\$2,500,000
Pay for success contracts	1,500,000	1,500,000
Drug policy initiative	1,500,000	1,500,000
Mental health commission recommendations.....	1,500,000	1,500,000
Community Health Total.....	\$7,000,000	\$7,000,000
Human Services		
Specialized employment and training services pilot program.....	\$800,000	\$400,000
Human Services Total.....	\$800,000	\$400,000
Natural Resources		
Capital outlay: improvements to shooting ranges.....	\$4,000,000	\$250,000
Vegetative management system and forestry equipment.....	4,000,000	0
Recreation grants for local units of government	500,000	0
Natural Resources Total.....	\$8,500,000	\$250,000
School Aid		
Distressed districts contingency fund.....	\$75,000,000	\$0
Technology readiness	25,000,000	0
Dissolution grants.....	2,200,000	0
Consolidation grants	2,000,000	0
FIRST Robotics.....	2,000,000	0
Teacher certification test updates	1,800,000	0
Dual enrollment incentives	1,750,000	0
Strict discipline academies.....	1,000,000	0
Gang prevention and intervention	1,000,000	0
Early reading parent university pilot.....	1,000,000	0
Michigan virtual university online course catalog and mentoring.....	600,000	0
Career and technical education planning tools	500,000	0
Early reading teacher instruction assessment	500,000	0
Advanced placement testing incentives	250,000	0
Continuing technical education pilot public awareness campaign.....	100,000	0
School Aid Total.....	\$114,700,000	\$0

FY 2015-16 GOVERNOR'S RECOMMENDATION ONE-TIME APPROPRIATIONS		
Budget Area/Program	Adjusted Gross Appropriation	GF/GP Appropriation
State Police		
Trooper school (75 troopers).....	\$3,200,000	\$3,200,000
Sexual assault prevention and education initiative	500,000	500,000
State Police Total	\$3,700,000	\$3,700,000
Technology, Management, and Budget		
Litigation costs	\$2,000,000	\$2,000,000
Treasury online business portal IT interdepartmental grant	600,000	0
Capital outlay planning authorizations (Delta/Mott/LSSU/UM-AA/UM-D).....	500	500
Technology, Management, and Budget Total	\$2,600,500	\$2,000,500
Transportation		
Road and bridge construction Federal match	\$113,000,000	\$113,000,000
Transit and rail infrastructure Federal match	25,000,000	25,000,000
Aeronautics Federal match	1,521,100	1,521,100
Transportation Total	\$139,521,100	\$139,521,100
Treasury-Operations		
Personal property tax reform: grants to locals	19,300,000	19,300,000
Treasury online business portal IT	600,000	600,000
Treasury-Operations Total	\$19,900,000	\$19,900,000
Treasury-Strategic Fund		
Business attraction and community revitalization	\$17,900,000	\$17,900,000
Film incentive program	25,000,000	25,000,000
Treasury-Strategic Fund Total	\$42,900,000	\$42,900,000
Subtotal One-Time Appropriations		
	\$340,121,600	\$216,171,600
Appropriation to the Budget Stabilization Fund	95,000,000	95,000,000
TOTAL ONE-TIME APPROPRIATIONS	\$435,121,600	\$311,171,600

Table 7

STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT FY 2014-15 VERSUS GOVERNOR'S RECOMMENDATION				
Department/Budget Area	FY 2014-15 Year-to-Date Appropriations	FY 2015-16 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.....	0	0	0	0.0
Civil Rights	0	0	0	0.0
Community Colleges	364,724,900	393,825,600	29,100,700	8.0
Community Health.....	1,108,135,300	1,125,752,600	17,617,300	1.6
Corrections	115,714,000	114,323,600	(1,390,400)	(1.2)
Education	15,776,000	15,176,000	(600,000)	(3.8)
Environmental Quality.....	2,775,000	3,648,500	873,500	31.5
Executive.....	0	0	0	0.0
Higher Education.....	0	0	0	0.0
Human Services.....	97,343,300	97,088,300	(255,000)	(0.3)
Insurance and Financial Services.....	0	0	0	0.0
Judiciary	139,407,400	136,329,400	(3,078,000)	(2.2)
Legislative Auditor General.....	0	0	0	0.0
Legislature.....	0	0	0	0.0
Licensing & Regulatory Affairs.....	28,225,700	30,936,900	2,711,200	9.6
Military & Veterans Affairs.....	100,000	102,400	2,400	2.4
Natural Resources	5,123,500	5,548,400	424,900	8.3
School Aid	11,905,777,600	12,022,427,700	116,650,100	1.0
State	1,360,800	1,272,100	(88,700)	(6.5)
State Police	19,775,600	11,899,400	(7,876,200)	(39.8)
Technology, Management, & Budget	0	0	0	0.0
Transportation	1,316,686,400	1,252,574,400	(64,112,000)	(4.9)
Treasury (Debt Service).....	0	0	0	0.0
Treasury (Operations).....	197,086,000	199,157,300	2,071,300	1.1
Treasury (Revenue Sharing).....	1,232,694,000	1,251,237,000	18,543,000	1.5
Treasury (Strategic Fund).....	11,224,800	15,224,800	4,000,000	35.6
TOTAL APPROPRIATIONS.....	\$16,566,680,300	\$16,681,274,400	\$114,594,100	0.7%

Table 8

**FEBRUARY 2015 GOVERNOR'S RECOMMENDATION GENERAL FUND/GENERAL PURPOSE (GF/GP)
REVENUE, EXPENDITURES, AND YEAR-END BALANCE
(Millions of Dollars)**

	FY 2014-15	FY 2015-16	FY 2016-17
Revenue:			
Beginning Balance	\$306.4	\$0.3	\$28.9
<u>Ongoing Revenue:</u>			
Consensus Revenue Estimate (January 2015)	\$9,501.4	\$9,713.2	\$10,000.6
Revenue Sharing Payments	(459.2)	(462.7)	(462.7)
Shift Borrowing Costs to School Aid Fund	3.0	4.0	5.0
Managed Care Use Tax	373.7	377.7	97.7
Affiliate Nexus Sales/Use Tax.....	<u>0.0</u>	<u>10.0</u>	<u>10.0</u>
Subtotal Ongoing Revenue	\$9,418.9	\$9,642.2	\$9,650.6
<u>Non-ongoing Revenue:</u>			
One-Time Appropriation for Revenue Sharing.....	(8.8)	0.0	0.0
Venture Michigan Fund Tax Vouchers.....	<u>(38.1)</u>	<u>(38.1)</u>	<u>(30.5)</u>
Total Estimated GF/GP Revenue	\$9,678.4	\$9,604.4	\$9,649.0
Expenditures:			
<u>Ongoing Appropriations:</u>			
Initial Ongoing Appropriations	<u>\$9,594.0</u>	<u>\$9,264.3</u>	<u>\$9,331.1</u>
Subtotal Ongoing Appropriations	\$9,594.0	\$9,264.3	\$9,331.1
<u>One-Time Appropriations:</u>			
Initial One-Time Appropriations.....	\$207.0	\$76.7	\$0.0
Initial One-Time Appropriations for Transportation	284.6	139.5	0.0
Appropriation to Budget Stabilization Fund.....	94.0	95.0	0.0
Enacted Supplementals	31.2	0.0	0.0
Executive Order 2015-5	(106.4)	0.0	0.0
Supplemental Request 2015-3 (General Budget Areas)	(169.4)	0.0	0.0
Supplemental Request 2015-4 (Capital Outlay \$400)	0.0	0.0	0.0
Supplemental Request 2015-5 (Education Budget Areas)	(250.3)	0.0	0.0
Work Project Lapses (SBO Letter 2-11-15)	<u>(6.6)</u>	<u>0.0</u>	<u>0.0</u>
Subtotal One-Time Appropriations.....	\$84.1	\$311.2	\$0.0
Total Estimated GF/GP Expenditures	\$9,678.1	\$9,575.5	\$9,331.1
PROJECTED YEAR-END GF/GP BALANCE	\$0.3	\$28.9	\$317.9

Table 9

**FEBRUARY 2015 GOVERNOR'S RECOMMENDATION SCHOOL AID FUND
REVENUE, EXPENDITURES, AND YEAR-END BALANCE
(Millions of Dollars)**

	FY 2014-15	FY 2015-16	FY 2016-17
Revenue:			
Beginning Balance	\$455.1	\$119.9	\$5.4
<u>Ongoing Revenue:</u>			
Consensus Revenue Estimate (January 2015)	\$11,889.1	\$12,263.7	\$12,640.9
MPERS Reserve Fund	18.0	0.0	0.0
General Fund/General Purpose Grant.....	95.0	15.0	15.0
Reimbursement from GF for Personal Property Tax Reform	19.9	30.9	42.0
Supplemental Request 2015-5 (GF for MPERS/Nutrition Ed)	(81.2)	0.0	0.0
Managed Care Use Tax.....	186.8	188.9	48.8
Affiliate Nexus Sales/Use Tax.....	0.0	44.0	45.3
Federal Ongoing Aid	<u>1,808.2</u>	<u>1,775.8</u>	<u>1,775.8</u>
Subtotal Ongoing Revenue.....	\$13,935.8	\$14,318.3	\$14,567.8
<u>Non-ongoing Revenue:</u>			
Venture Michigan Fund Tax Vouchers	(11.9)	(11.9)	(9.5)
Total Estimated School Aid Fund Revenue.....	\$14,379.0	\$14,426.3	\$14,563.7
Expenditures:			
<u>Ongoing Appropriations:</u>			
Initial Ongoing K-12 Appropriations	\$13,494.1	\$13,844.3	\$13,839.3
Consensus Cost Adjustments (January 2015)	(96.0)	0.0	0.0
Fund Community Colleges with School Aid Fund.....	197.6	256.7	263.6
Partially Fund Higher Education with School Aid Fund	<u>200.5</u>	<u>205.2</u>	<u>205.4</u>
Subtotal Ongoing Appropriations	\$13,796.2	\$14,306.2	\$14,308.3
<u>One-Time Appropriations:</u>			
Initial One-Time K-12 Appropriations.....	\$376.2	\$114.7	\$0.0
University MPERS Funding	4.0	0.0	0.0
Supp. Request 2015-5 (All SAF for Community Colleges).....	167.1	0.0	0.0
Supp. Request 2015-5 (Libraries/Charters MPERS).....	2.2	0.0	0.0
Supp. Request 2015-5 (University MPERS Fund Shift).....	2.0	0.0	0.0
Supp. Request 2015-5 (Education Resource Study).....	1.0	0.0	0.0
Supp. Request 2015-5 (Reduce Extra MPERS Payment)	(88.4)	0.0	0.0
Supp. Request 2015-5 (Eliminate Online Nutrition/Health)	<u>(1.2)</u>	<u>0.0</u>	<u>0.0</u>
Subtotal One-Time Appropriations.....	\$462.9	\$114.7	\$0.0
Total Estimated School Aid Fund Expenditures.....	\$14,259.1	\$14,420.9	\$14,308.3
PROJECTED YEAR-END SCHOOL AID FUND BALANCE.....	\$119.9	\$5.4	\$255.4

FY 2015-16 GF/GP Budget Changes

Table 10

FY 2015-16 GOVERNOR'S APPROPRIATION RECOMMENDATION MAJOR CHANGES FROM FY 2014-15 YEAR-TO-DATE GENERAL FUND/GENERAL PURPOSE APPROPRIATIONS	
<u>Budget Area/Program</u>	
FY 2014-15 Year-to-Date Appropriations	\$10,116,804,100
FY 2015-16 Governor's Recommendation	9,480,453,000
Net Change in GF/GP Appropriations.....	(\$636,351,100)
Total New Programs	\$13,229,600
Total Funding Increases.....	170,526,700
Total Funding Reductions	(513,449,000)
Total Funding Shifts	(120,859,000)
Enactment of HICA Rate Increase and Removal of Revenue Cap.....	(180,103,000)
Unclassified Salaries Increase.....	105,400
Total OPEB Funding Change	(26,557,500)
Total Non-OPEB Economic Adjustments	20,755,700
Total GF/GP Funding Change.....	(\$636,351,100)

Table 11

FY 2015-16 GOVERNOR'S APPROPRIATION RECOMMENDATION NEW GF/GP PROGRAMS	
<u>Budget Area/Program</u>	
Attorney General	
Sexual assault law enforcement	\$1,700,000
Community Health	
Drug policy initiative (one-time).....	1,500,000
Natural Resources	
Shooting range enhancements (one-time).....	250,000
School Aid	
College and career readiness	1,600,000
Administration of early reading initiatives.....	1,000,000
Michigan virtual university online course catalog expansion (one-time)	600,000
Best practices clearinghouse for early reading.....	500,000
Early reading elementary teacher assessment (one-time)	500,000
State Police	
Campus sexual assault prevention (one-time).....	500,000
Technology, Management, and Budget	
Procurement improvement plan	479,100
Capital outlay planning authorizations (Delta/Mott/LSSU/UM-AA/UM-D; one-time)	500
Treasury-Operations	
Online business portal (\$600,000 one-time).....	2,600,000
Financial review commission.....	2,000,000
TOTAL NEW GF/GP PROGRAMS	\$13,229,600

Table 12

FY 2015-16 GOVERNOR'S APPROPRIATION RECOMMENDATION GF/GP FUNDING INCREASES	
Budget Area/Program	
Agriculture and Rural Development	
Geagely lab equipment (one-time)	\$500,000
Accounting service center	50,000
Community Health	
Actuarially sound rates for Medicaid HMOs/PIHPs	38,005,200
Community Mental Health (CMH) non-Medicaid funding	20,000,000
Annualization of 1/1/15 Medicaid primary care rate increase.....	8,318,800
Expand Medicaid adult dental reimbursement 7/1/16	7,925,000
Expand healthy kids dental to ages 0-8 in Kent/Oakland/Wayne	7,500,000
Medicaid use tax adjustments.....	2,785,700
Expand Medicaid autism services to age 21	2,528,400
Youth transition from psychiatric treatment to the community.....	1,876,000
Integrated delivery system for Medicare/Medicaid dual eligible.....	1,558,200
Michigan administrative hearing services technical adjustment.....	519,700
State mental health facility pharmaceutical inflation.....	449,100
Education	
Increase State aid to libraries	1,000,000
Renaissance zone reimbursement	600,000
Educator evaluations.....	200,000
Adjustments to interdepartmental grants	23,400
Higher Education	
2.0% increase for university operations.....	26,799,100
2.0% increase for MSU agriculture/bio research, extension	1,192,200
Midwest higher education compact dues.....	20,000
Human Services	
State disability assistance caseload and fund source adjustments	5,375,400
Ongoing Michigan rehabilitation services (MRS) funding.....	1,300,000
Supplemental security income (SSI) caseload	630,900
Guardianship caseload	577,700
Indirect costs for administrative hearings	516,900
Specialized employment and training (one-time)	400,000
Charges for vital statistics	150,000
Settlement monitor costs	98,800
Guardian contract cost increase	50,000
Minimum wage impact on MRS	8,100
Insurance and Financial Services	
Medicaid expansion administrative costs	95,000
Legislative Auditor General	
Funding increase	522,800
Legislature	
Funding increase	4,451,600
State Police	
New trooper school (\$3.2 million one-time)	7,700,000
Sexual assault kit submission	1,649,600
Motor carrier school	1,050,000
Second year cost for trooper school recruits	178,600
Emergency management planning and administration	152,000
Technology, Management, and Budget	
Information technology investment fund	7,000,000
Enterprisewide special maintenance	1,000,000

FY 2015-16 GOVERNOR'S APPROPRIATION RECOMMENDATION GF/GP FUNDING INCREASES	
Treasury-Debt Service	
Clean Michigan Initiative debt service	6,737,000
Great Lakes Water Quality Bond debt service	2,718,000
Treasury-Operations	
PILT increase to full funding	4,468,500
Personal property tax reform administration.....	1,845,000
TOTAL GF/GP FUNDING INCREASES	\$170,526,700

Table 13

FY 2015-16 GOVERNOR'S APPROPRIATION RECOMMENDATION GF/GP FUNDING ELIMINATIONS/REDUCTIONS	
Agriculture	
Eliminate food and agriculture industry growth initiative (one-time)	(\$2,000,000)
Eliminate rural development value-added grants	(950,000)
Eliminate Ottawa agriculture incubator	(500,000)
Eliminate Muskegon farmers' market funding.....	(200,000)
Reduce county fairs capital improvement grants.....	(150,000)
Eliminate forestry audit program	(150,000)
Eliminate funding for agriculture shows and exhibitions.....	(50,000)
Attorney General	
Eliminate Wayne County sexual assault prosecution funding (one-time).....	(3,000,000)
Civil Rights	
Remove unfilled public affairs position	(115,000)
Remove unfilled librarian position	(105,000)
Remove unused unclassified funding	(90,000)
Remove unfilled executive secretary position.....	(90,000)
Community Health	
Medicaid base and caseload decline	(57,510,900)
Carve out HMO pharmaceutical services to increase rebates	(16,777,500)
GF/GP savings from expansion of State psychiatric DSH.....	(15,785,100)
Reduce hospital capital cost reimbursement	(11,973,500)
Reduce HMO lab reimbursement from Medicare to Medicaid fee for service	(10,935,800)
Increased HMO care coordination savings.....	(5,289,000)
Eliminate funding for U-D dental clinic (one-time)	(4,092,300)
Eliminate OB/GYN hospital funding pool funding	(3,793,400)
Reduce mental health and wellness commission programs (one-time)	(3,500,000)
Eliminate funding for child/adolescent health (one-time).....	(2,000,000)
Eliminate traumatic brain injury pilot funding	(1,350,000)
Eliminate GF portion of funding for statewide trauma system (one-time).....	(1,300,000)
Eliminate real alternatives program funding	(800,000)
Eliminate MiDocs GME consortium funding	(500,000)
Eliminate EMU autism funding.....	(500,000)
Reduce autism support and university autism funding (one-time).....	(500,000)
Eliminate funding for Healthy Kids Dental computer project (one-time)	(300,000)
Eliminate funding for bone marrow registry (one-time).....	(250,000)
Eliminate Alzheimer's pilot funding	(150,000)
Eliminate funding for senior olympics (one-time).....	(100,000)
Eliminate gestational diabetes study funding.....	(35,000)

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

Corrections

Remove final funding for Neal settlement (one-time)	(25,000,000)
Facility savings through efficiencies.....	(7,350,000)
Savings on electronic monitoring devices.....	(4,000,000)
Eliminate goodwill Flip the Script program.....	(2,500,000)
Savings from move from Kinross to Hiawatha	(2,000,000)
Reduce county jail reimbursement.....	(1,250,000)
Eliminate education program enhancements (one-time).....	(1,045,300)
Eliminate IDG to DHS for swift/sure and MRS.....	(1,000,000)
Transportation savings.....	(1,000,000)
Eliminate Muskegon 70x7 pilot (one-time).....	(600,000)
Decrease to local re-entry services providers.....	(500,000)
Eliminate field operations mobilization (one-time)	(440,600)

Education

Reduction of GF in child development and care program	(2,400,000)
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Environmental Quality

Reduce drinking water revolving loan fund State match.....	(2,950,000)
Eliminate electronic document management funding (one-time)	(2,500,000)

Human Services

Reduce adoption redetermination assistance.....	(6,547,400)
Remove child placing agency \$3 increase	(3,784,500)
Family independence program caseload and fund source	(3,552,600)
Remove temporary per diem increase for residential care	(3,300,000)
Eliminate asset test automation contract	(2,750,000)
Eliminate one-time MRS funding (one-time).....	(2,600,000)
Closure of DHS offices.....	(2,185,000)
Reinstate 50-50 cost share for private agency administrative rate.....	(1,650,000)
Reductions in staffing.....	(1,556,500)
Eliminate centers for independent living pilot	(1,500,000)
Reduce costs through electronic notifications	(1,314,900)
Reduce juvenile justice funding	(1,000,000)
Eliminate juvenile justice 20/20 data system funding	(1,000,000)
Savings from requiring cooperation with child support prior to assistance.....	(889,200)
Eliminate short-term family support and expanded family independence	(842,600)
Eliminate parent to parent program (\$200,000 one-time).....	(700,000)
Remove fostering futures funding (one-time)	(500,000)
Remove IRS claims funding (one-time).....	(500,000)
Consolidate disability determination services	(453,200)
Adoption subsidy caseload	(370,700)
Remove IT for private agencies funding (one-time).....	(300,000)
Eliminate school success partnership.....	(300,000)
Remove center for hope funding (one-time).....	(250,000)
Remove juvenile justice in-home services funding (one-time)	(250,000)
Remove Michigan reading corp funding (one-time).....	(350,000)
Reduce travel reimbursements	(153,000)
Remove performance based funding (one-time)	(100,000)
Remove food bank funding (one-time)	(100,000)
Eliminate pilot to treat secondary trauma for workers.....	(100,000)
Remove funding for laptops for executives with tablets.....	(31,700)

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

Judiciary	
Decrease swift and sure funding.....	(2,500,000)
Reduce mental health courts and diversion funding.....	(500,000)
Remove trial courts innovations fund (one-time)	(375,000)
Reduce judgeships through attrition	(351,800)
Reduce court equity fund and other operational funds	(150,000)
Eliminate community court pilot	(20,000)
Licensing and Regulatory Affairs	
Eliminate Delphi worker's compensation fund (one-time).....	(15,000,000)
Reduce health systems regulation funding	(100,000)
Reduce health professions regulation funding.....	(100,000)
Eliminate right to work funding (one-time)	(100,000)
Military and Veterans Affairs	
Eliminate veterans home special maintenance fund (one-time).....	(3,000,000)
Reduce veterans service organization outreach.....	(429,000)
Eliminate National Guard tuition assistance reserve (one-time).....	(400,000)
Remove funding for vacant partnership development staff	(117,300)
Reduce firefighting support at military training sites	(100,000)
Reduce departmental CSS&M.....	(100,000)
Natural Resources	
Eliminate River Raisin battlefield park funding (one-time).....	(2,000,000)
Eliminate Hart-Montague trail funding (\$470,000 one-time).....	(1,000,000)
Eliminate funding for Great Lakes research vessel	(1,000,000)
Eliminate City of Alma public safety land funding (one-time)	(1,000,000)
Eliminate Flint River dike repair funding (one-time).....	(1,000,000)
Reduce nonmotorized trail development and maintenance	(900,000)
Eliminate Saginaw River feasibility study funding (one-time).....	(280,000)
Reduce funding for forest recreation and trails	(150,000)
Eliminate cormorant mitigation funding.....	(150,000)
Reduce funding for Mackinac Island state park operations.....	(50,000)
Reduce funding for Michigan historical center	(50,000)
School Aid	
Eliminate educator evaluations funding (one-time).....	(2,700,000)
Eliminate online health and nutrition funding (one-time)	(1,200,000)
Eliminate career readiness funding (one-time).....	(250,000)
State	
Reduce branch operations.....	(241,800)
Remove unused funds from unclassified line	(122,100)
Reduce department services operations	(83,800)
Reduce central operations	(26,900)
Reduce election administration and services	(25,000)
Reduce legal services operations	(400)
State Police	
Remove FY 2014-15 disaster relief funding from base	(30,000,000)
Eliminate helicopter funding (one-time)	(4,932,000)
Eliminate local public safety initiative (one-time)	(4,550,000)
Eliminate FY 2014-15 motor carrier school (\$1,181,900 one-time).....	(4,391,900)
Remove funding for FY 2014-15 trooper school (one-time)	(3,508,500)
Eliminate funding for Marshall post (one-time)	(2,000,000)
Eliminate Michigan international speedway traffic control funding (one-time).....	(831,900)
Eliminate electronic warrant system funding (one-time).....	(750,000)
Eliminate urban search and rescue grant	(500,000)

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

State Police (continued)	
Savings from rent efficiencies	(381,900)
Reduce Capitol security funding	(294,000)
Eliminate emergency support vehicle purchase funding (one-time).....	(225,000)
Reduce unclassified positions funding to reflect on-board staff	(150,000)
Technology, Management, and Budget	
Reduce office of urban initiatives	(2,500,000)
Reduce litigation fund (one-time)	(2,000,000)
Reduce public safety commission radio replacement.....	(2,000,000)
Eliminate special projects	(1,250,000)
Reduce civil service commission IT line	(1,085,800)
Eliminate regional prosperity grants (one-time)	(1,000,000)
Eliminate technical services funding	(300)
Transportation	
Reduce GF to \$139.5 million for State match requirement only (one-time)	(144,026,800)
Eliminate regional transportation authority startup funding (one-time)	(1,100,000)
Treasury-Debt Service	
Quality of life bond debt service.....	(5,401,000)
Treasury-Operations	
Reduce senior cooperative housing tax exemption funding	(2,000,000)
Reduce supervision of general property tax law funding	(2,000,000)
Eliminate Flint police and fire safety funding (one-time).....	(1,100,000)
Remove tax/economic policy administrative grant (2014 PA 282) (one-time).....	(1,000,000)
Reduce tax and economic policy funding	(650,000)
Reduce tax compliance program funding	(550,000)
Reduce financial independence team funding	(500,000)
Eliminate credit card payment funding (one-time)	(500,000)
Reduce tax processing program funding	(100,000)
Reduce office of collections program funding	(100,000)
Reduce tobacco tax enforcement funding	(100,000)
Remove financial review administrative grant (2014 PA 182; one-time).....	(100,000)
Treasury-Strategic Fund	
Eliminate special grants (one-time).....	(15,750,000)
Eliminate automotive engineering manufacturing fund (one-time)	(2,000,000)
Remove film office GF/GP	(237,100)
TOTAL GF/GP FUNDING ELIMINATIONS/REDUCTIONS.....	(\$513,449,000)

Table 14

FY 2015-16 GOVERNOR'S APPROPRIATION RECOMMENDATION FUND SHIFTS TO INCREASE/(REDUCE) GF/GP	
Budget Area/Program	
Community Colleges	
Shift from GF/GP to School Aid Fund.....	(\$30,000,000)
Community Health	
Replace roads and risks reserve fund dollars with GF/GP	60,900,000
Reduced Medicaid Benefits Trust Fund revenue	19,500,000
Reduced Healthy Michigan Fund revenue	1,737,300
Children's waiver fund source correction.....	1,400,000
Replace civil monetary penalty funding with GF/GP	357,500
Increase in hospital QAAP tax to supplant GF in GME	(63,505,200)
SCHIP/MiChild match rate increase.....	(17,095,100)
Increase in hospital QAAP tax to supplant GF in rural/sole hospital pool.....	(13,584,000)
Increase in HICA revenue.....	(6,495,600)
Medicaid match rate increase.....	(5,853,500)
Corrections	
Use special equipment fund revenue to supplant GF/GP	(9,000,000)
Education	
Shift libraries' MPERS from GF/GP to School Aid Fund.....	(2,200,000)
Higher Education	
Shift universities' MPERS from GF/GP to School Aid Fund	(2,000,000)
Human Services	
Adjustment for Federal and GF fund sourcing.....	8,740,400
Adjustment for foster care Title IV-E funding.....	5,428,300
Increase in base Medicaid match rate	(166,000)
Licensing and Regulatory Affairs	
Healthy Michigan Plan administrative shift (IDG from DCH).....	(450,000)
Workers compensation administration fund shift from GF/GP to restricted	(112,500)
Military and Veterans Affairs	
Grand Rapids veterans home fund source shift from restricted to GF/GP	3,300,000
Natural Resources	
Supplant GF/GP with State Parks Endowment Fund.....	(1,500,000)
School Aid	
Replace GF/GP with SAF (part of foundation allowance increase)	(70,994,200)
Technology, Management, and Budget	
Administrative services fund source shift from restricted to GF/GP.....	781,900
Office of state employer fund source shift from GF/GP to restricted	(45,000)
Statewide cost allocation plan (SWCAP) fund shift from GF/GP to restricted ...	(3,300)
TOTAL FUND SHIFTS TO INCREASE/(REDUCE) GF/GP	(\$120,859,000)

FY 2015-16
School Aid
Budget Changes

School Aid Recommendations

Overall, the Governor is recommending a Gross appropriation increase of \$88.7 million compared with current law, or a \$271.0 million increase compared with projected revised FY 2014-15 spending.

Foundation Allowance

The Governor is recommending a \$75 across-the-board increase in the per-pupil foundation grant. The cost of this proposal is \$108.0 million. The equity payment, which in the current year is a separate categorical, is rolled into base funding for FY 2015-16.

New Programs

New programs include \$25.0 million for early literacy initiatives, including grants for additional instructional time with kindergarteners, literacy coaches for K-3 teachers, expanding Intermediate School District (ISD) home visiting programs focusing on parenting skills and identification of children needing special services, assessments for kindergarten entry and Grades 1 and 2, and other items. Other new programs include \$20.0 million for career and technology education and skilled trades initiatives, including \$17.8 million for grants to prosperity regions to support the five most "in-demand" career clusters identified by the regions; \$0.6 million to add community college courses to the statewide online course catalog; and, a \$1.0 million increase to the Michigan College Access Network (which is transferred to the School Aid budget from the Higher Education budget), bringing total funding for MCAN to \$3.0 million.

Increases in Existing Programs

The Governor is recommending a \$100.0 million increase in At-Risk funding (to \$409.0 million), and a \$71.0 million increase in money set aside for the district fiscal emergency contingency fund. Also, in order to fund the rate cap in the Michigan Public School Employees' Retirement System, funding is increased \$216.6 million (plus \$2.2 million to pay for library MPSERS payments transferred in from MDE). School Bond Loan Fund debt service is increased \$17.0 million.

Decreases or Eliminations of Existing Programs

The Governor is recommending the elimination of the one-time payment toward MPSERS liabilities (\$108.0 million in current law; proposed to be reduced in the negative supplemental). Also, pupil performance grants (\$51.1 million) are eliminated, along with \$14.8 million for educator evaluations (funding from the current year would be carried over and spent in FY 2015-16), *Durant* debt service of \$39.5 million (since FY 2014-15 is the last payment), bus conversion grants (\$3.0 million), and online health and nutrition programming (\$1.2 million). Best Practices grants are reduced \$45.0 million, and Technology Readiness grants are reduced \$16.5 million.

Table 15

FY 2015-16 GOVERNOR'S APPROPRIATION RECOMMENDATION K-12 SCHOOL AID APPROPRIATION CHANGES (Millions of Dollars)	
FY 2014-15 Year-to-Date Appropriations	\$13,870.3
FY 2015-16 Governor's Recommended Appropriations	13,959.0
Net Change in School Aid Appropriations	\$88.7
Recommended Appropriations for New Programs:	
Career and technical education/dual enrollment	\$17.8
Additional instructional time	10.0
College and career readiness tools	3.6
Investment in literacy coaches for K-3 teachers	3.0
Evidence-based professional development in assessments	1.5
Gang prevention and intervention programs	1.0
Department of Education administration of early reading initiatives	1.0
Parents university pilot	1.0
Research-based professional development on early literacy	1.0
Elementary teacher assessment of reading instruction	0.5
Clearinghouse for best practices in early reading	0.5
Subtotal Appropriations for New Programs	\$40.8
Recommended Appropriation Increases in Existing Programs:	
MPSERS rate cap	\$218.8
Foundation allowance increase (\$75 across-the-board)	108.0
At-risk pupil support	100.0
District fiscal emergency contingency fund	71.0
School bond loan fund payments debt service	17.0
Great start early childhood block grants	5.0
MEAP testing - state share	2.6
Michigan Virtual University	0.6
Promise Zones reimbursement	0.3
PILT reimbursement	0.1
Subtotal Appropriation Increases in Existing Programs	\$523.4
Recommended Appropriation Eliminations or Reductions:	
MPSERS liability extra payment (eliminated)	(\$108.0)
Equity payment (eliminated/rolled into base)	(103.0)
Technical cost adjustments (foundations, special education)	(58.3)
Pupil performance (eliminated)	(51.1)
Best practices	(45.0)
Durant non-plaintiff debt service (eliminated; paid off)	(39.5)
Federal grants	(32.4)
Technology infrastructure grants	(16.5)
Educator evaluations (eliminated)	(14.8)
Bus conversion from diesel to natural gas (eliminated)	(3.0)
Nutrition program (eliminated)	(1.2)
Strict discipline academies	(1.0)
Vocational education	(1.0)
STEM professional development (eliminated)	(0.3)
Career readiness study (eliminated)	(0.3)
ISD general operations support	(0.0)
Economics	(0.1)
Subtotal Appropriation Decreases or Eliminations	(\$475.5)
TOTAL RECOMMENDED APPROPRIATION CHANGES	\$88.7

Fee and Revenue Proposals

Proposed Fee Adjustments

The FY 2015-16 budget proposes \$457.1 million in total fee adjustments. Of the total fee changes proposed, \$16.6 million would be from new fees or fee increases, \$17.6 million would come from the maintenance of current fee levels, and \$422.9 million would come from the delay of sunsets. Additionally, the reduction and elimination of three fees with annual revenue totaling \$16,628 was recommended. The bulk of the total comes from just two fee sunset delays: the Nursing Home Quality Assurance Assessment Program in the Department of Community Health, which generates about \$250.0 million annually, and the Transportation Administration Collection Fund, which generates about \$110.4 million annually. Table 16 provides a summary of the proposed fee changes.

Table 16

FY 2015-16 GOVERNOR'S RECOMMENDATION PROPOSED FEE ADJUSTMENTS INCLUDED IN BUDGET (Actual Dollars)		
Department	Fee Type	Estimated Revenue
Fee Increases and New Fees		
Agriculture & Rural Development	Pesticide Registrant Fee (Increase)	\$1,450,000
Agriculture & Rural Development	Fertilizer Tonnage Fee (Increase)	490,000
Agriculture & Rural Development	Feed License/Tonnage Fees (Increase)	916,700
Agriculture & Rural Development	Food Safety Fees - (Increase Five Fees)	3,824,800
Agriculture & Rural Development	Certificate of Free Sale (Increase)	150,000
Agriculture & Rural Development	License Late Fee (Increase)	112,500
Environmental Quality	Air Emissions - Per-Ton Fee (Increase)	2,250,000
Education	Teacher Testing Fee Cap (Remove Cap)	0
Licensing & Regulatory Affairs	Base Inspection Fee - Hospitals (New)	84,500
Licensing & Regulatory Affairs	Base Inspection Fee - Hospice Agencies (New)	63,000
Licensing & Regulatory Affairs	Base Inspection Fee - LTC/Nursing Homes (New)	224,500
Licensing & Regulatory Affairs	Base Inspection Fee - Substance Use Prog. (New)	637,500
Licensing & Regulatory Affairs	Base Inspection Fee - FSOFs (Increase)	34,322
Licensing & Regulatory Affairs	Base Inspection Fee - Hospice Res. (Increase)	5,100
Licensing & Regulatory Affairs	Base Inspection Fee - Inpatient Psych. (Increase)	11,800
Licensing & Regulatory Affairs	Inspection Fee Per Bed - Hospitals (Increase)	44,880
Licensing & Regulatory Affairs	Inspection Fee Per Bed - LTC/Nursing (Increase)	131,029
Licensing & Regulatory Affairs	Inspection Fee Per Bed - Inpat. Psych. (Increase)	14,444
Licensing & Regulatory Affairs	Health Care Facility Initial License App. Fee (New)	20,000
Licensing & Regulatory Affairs	Liquor Licenses - Licensee (Increase 16 Fees)	5,572,479
Licensing & Regulatory Affairs	Liquor License - 24-Hour Permits (Increase)	106,145
Licensing & Regulatory Affairs	Liquor License - Inspection Fee (Increase)	154,316
Licensing & Regulatory Affairs	Liquor License - Temporary Auth. Fee (Increase)	23,135
Licensing & Regulatory Affairs	Liquor License Transfer Fee	319,984
Subtotal New and Increased Fees		\$16,641,134
Fee Decreases and Eliminations		
Licensing & Regulatory Affairs	Inspection Fee Per Bed - Hospice Res. (Decrease)	(3,690)
Licensing & Regulatory Affairs	Base Inspec. Fee - Psych Partial Hosp. (Eliminate)	(9,000)
Licensing & Regulatory Affairs	Inspec. Per Bed - Psych Partial Hosp. (Eliminate)	(3,938)
Subtotal Fee Decreases and Eliminations		(\$16,628)

**FY 2015-16 GOVERNOR'S RECOMMENDATION
PROPOSED FEE ADJUSTMENTS INCLUDED IN BUDGET
(Actual Dollars)**

Department	Fee Type	Estimated Revenue
Maintenance of Current Fee Levels		
Agriculture & Rural Development	Pesticide Applicator (Two Fees)	100,000
Licensing & Regulatory Affairs	Corporation Fees (Three Fees)	7,216,200
Licensing & Regulatory Affairs	Occupational License Fees (41 Fees)	4,350,764
Licensing & Regulatory Affairs	Financial Professional License Fees (Five Fees)	5,916,780
Subtotal Fee Maintenance		\$17,583,744
Fee Sunsets		
Agriculture & Rural Development	Pesticide Groundwater Fees (Three Fees)	5,000,000
Agriculture & Rural Development	Livestock Dealer Fees	20,000
Community Health	Nursing Home Quality Assurance Assess. Program	250,000,000
Environmental Quality	Air Quality Fees	9,600,000
Environmental Quality	Solid Waste Surcharge	5,300,000
Environmental Quality	Electronic Device Manufacturer Reg. Fee	230,000
Environmental Quality	Electronic Device Recycler Reg. Fee	50,000
Environmental Quality	Groundwater Discharge Permit Fees	1,190,000
Environmental Quality	Surface Water Discharge Permit Fees	2,816,800
Environmental Quality	Stormwater Discharge Permit Fees	1,625,100
Environmental Quality	Land and Water Permit Fees (Six Fees)	2,100,000
Environmental Quality	Expedited Permit Review Fee	31,800
Environmental Quality	Tire Disposal Surcharge	4,200,000
State	Transportation Administration Collection Fund	110,358,900
State Police	Fingerprint Fee	6,400,000
State Police	ICHAT Fee	7,000,000
State Police	Traffic Law Enforcement and Safety Fund Fee	17,000,000
Subtotal Fee Sunsets		\$422,922,600
TOTAL ALL FEE ADJUSTMENTS		\$457,130,850

HICA and Use Tax Summary

Background

The Health Insurance Claims Assessment (HICA) rate was reduced from 1.0% to 0.75% on July 1, 2014. The HICA is applied to medical claims with certain exemptions (such as Federally run programs like Medicare and Veterans' Administration health services).

A 6.0% Medicaid managed care Use Tax was reinstated effective April 1, 2014. This tax applies to Medicaid managed care organizations that provide physical health and behavioral health services to the "regular" Medicaid population as well as the expansion Medicaid population. Two thirds of this Use Tax revenue goes to the General Fund and one-third to the School Aid Fund, so the reinstatement of this tax affects both the General Fund and the School Aid Fund.

Because the Federal government requires states to pay actuarially sound rates to Medicaid managed care organizations, the reinstatement of the Use Tax forced the State to increase payment rates to Medicaid managed care organizations to cover the cost of the Use Tax to those organizations. Due to Federal Medicaid match, the cost of making the managed care organizations whole is considerably less than the GF/GP revenue from the Use Tax. The net GF/GP benefit due to the Use Tax was budgeted at \$236.2 million GF/GP in FY 2014-15.

The revised HICA legislation includes a cap on revenue from the HICA and the net GF/GP revenue from the Use Tax. Any combined revenue above \$450.0 million must be refunded proportionally to HICA payers in the subsequent fiscal year. The FY 2014-15 budget assumed that total HICA and net GF/GP Use Tax revenue would be \$467.3 million in FY 2014-15, which would lead to a refund of \$17.3 million to HICA payers in FY 2015-16.

Governor Snyder's FY 2015-16 Budget and HICA

Governor Snyder's budget assumes passage of legislation that would remove the cap on combined HICA and net GF/GP Use Tax revenue and, more notably, increase the HICA rate from 0.75% to 1.30%. The removal of the cap would increase HICA revenue in FY 2015-16 by \$17.3 million as there would be no refunds. That \$17.3 million would offset an equal amount of GF/GP. The increase in the HICA rate would raise \$162.8 million and would offset an equal amount of GF/GP as well. Therefore the HICA legislation proposed by Governor Snyder would reduce GF/GP costs in the State's Medicaid program by \$180.1 million.

Previous changes to HICA, including the implementation of HICA, the extension of the sunset of HICA, and attempts to increase the HICA rate have faced opposition, so passage of the legislation is not guaranteed. If the proposed legislation is not enacted, there is the potential for a \$180.1 million GF/GP revenue shortfall.

Major Budget Areas Appropriation Summaries

Capital Outlay, Community Colleges, and Higher Education Recommendations

Capital Outlay

The Governor's FY 2015-16 budget recommendation includes new planning authorizations for three universities and two community colleges. 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 \$76.2 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 \$5.3 million to \$6.9 million until the bonds were retired (approximately 17 years). The Governor's recommended projects include:

Project	Total Cost	State Share	Institution Share
Lake Superior: Center for Freshwater Research & Education	\$10,500,000	\$7,875,000	\$2,625,000
University of Michigan-Ann Arbor: School of Dentistry Project	122,000,000	30,000,000	92,000,000
UM-Dearborn: Engineering Laboratory Bldg. Replacement ..	90,000,000	30,000,000	60,000,000
Delta College: Saginaw Center Project.....	12,614,000	6,307,000	6,307,000
Mott Community College: Southern Lakes Branch Center: Rehabilitation/Renovation.....	4,045,600	2,022,800	2,022,800
TOTAL	\$239,159,600	\$76,204,800	\$162,954,800

Community Colleges

The Governor's recommendation includes an increase of \$4,300,700 (1.4%) for college operations, funded from the School Aid Fund (SAF). Costs for the Michigan Public School Employees Retirement System (MPERS) increase by \$17.2 million (SAF) to continue the 20.96% unfunded accrued liability cap for community colleges, bringing the total cost to \$69.5 million in FY 2015-16. The Governor includes \$6.0 million to restore a modified version of the Part-Time Independent Student Grant Program. Renaissance Zone reimbursements increase by \$1.6 million (SAF), from \$3.5 million to \$5.1 million. Instead of the \$167.1 million funding shift from SAF to State General Fund that was proposed for FY 2014-15, the Governor shifts \$30.0 million from State GF/GP to the SAF, leaving \$137.1 million GF/GP in the Community Colleges budget. [Table 17](#) outlines the Community Colleges recommendation.

Higher Education

The Governor's budget recommendation for Higher Education includes a \$26.8 million (2.0%) GF/GP increase for university operations distributed based on the performance metrics used in the FY 2014-15 budget. The across-the-board distribution used for 50% of the increase in FY 2014-15 is eliminated. The only change to the performance metrics is basing the Pell Grant distribution on the percentage of students receiving a Pell Grant, instead of using the absolute number. Tuition restraint is continued, but the maximum amount a university may increase tuition and fees without a penalty, is lowered from 3.2% to 2.8%. Michigan State University AgBioResearch and Extension receive a 2.0% funding increase. The Governor is recommending capping the unfunded accrued liability payments for universities that are participating members of MPERS at 25.73% of payroll. The cost of the cap in the FY 2015-16 budget is \$5.2 million. State MPERS payments under this proposal would increase every year until reaching a final payment of \$10.3 million in FY 2035-36. The total cost over 20 years is estimated at \$156.1 million. In FY 2014-15, MPERS reimbursements totaled \$6.4 million, with \$4.0 million in one-time funding, and \$2.4 million in ongoing appropriations. [Table 18](#) outlines the Higher Education recommendation.

Table 17

FY 2015-16 COMMUNITY COLLEGE APPROPRIATIONS: GOVERNOR'S RECOMMENDATION

College	FY 2014-15 Enacted	Non-Formula Adjustments¹⁾	50% Proportionate to Base	32.5% Weighted Degree Formula	10.0% Student Contact Hours	7.5% Administrative Costs	Total Formula Distribution	Total Adjustments	Total Appropriation	Percent Change
Alpena	\$5,390,700		\$37,735	\$19,318	\$3,454	\$10,830	\$71,300	\$71,300	\$5,462,000	1.3%
Bay de Noc	5,419,500		37,937	20,474	4,477	5,865	68,800	68,800	5,488,300	1.3%
Delta	14,498,900		101,493	71,842	19,550	14,879	207,800	207,800	14,706,700	1.4%
Glen Oaks	2,516,100		17,613	16,355	2,404	917	37,300	37,300	2,553,400	1.5%
Gogebic	4,451,400		31,160	12,647	2,456	8,709	55,000	55,000	4,506,400	1.2%
Grand Rapids	17,947,500		125,633	58,467	30,047	14,905	229,100	229,100	18,176,600	1.3%
Henry Ford	21,623,800		151,367	62,611	28,941	10,023	252,900	252,900	21,876,700	1.2%
Jackson	12,087,300		84,612	48,962	10,885	10,763	155,200	155,200	12,242,500	1.3%
Kalamazoo Valley	12,503,100		87,522	68,888	19,277	16,131	191,800	191,800	12,694,900	1.5%
Kellogg	9,813,500		68,695	38,404	11,296	15,369	133,800	133,800	9,947,300	1.4%
Kirtland	3,167,700		22,174	20,354	3,442	10,591	56,600	56,600	3,224,300	1.8%
Lake Michigan	5,342,900		37,400	17,888	7,802	8,794	71,900	71,900	5,414,800	1.3%
Lansing	30,877,600		216,144	144,455	33,686	18,144	412,300	412,300	31,289,900	1.3%
Macomb	32,816,600		229,717	112,293	47,070	16,683	405,800	405,800	33,222,400	1.2%
Mid Michigan	4,682,000		32,774	29,516	7,758	9,420	79,500	79,500	4,761,500	1.7%
Monroe	4,492,900		31,450	19,164	6,832	14,709	72,200	72,200	4,565,100	1.6%
Montcalm	3,226,700		22,587	17,323	3,258	11,925	55,100	55,100	3,281,800	1.7%
Mott	15,686,100		109,803	69,719	20,632	14,696	214,800	214,800	15,900,900	1.4%
Muskegon	8,901,000		62,307	25,594	9,129	15,768	112,800	112,800	9,013,800	1.3%
North Central	3,172,400		22,207	11,140	4,429	13,138	50,900	50,900	3,223,300	1.6%
Northwestern	9,078,800		63,552	29,645	9,707	13,385	116,300	116,300	9,195,100	1.3%
Oakland	21,123,300		147,864	99,235	49,697	10,744	307,500	307,500	21,430,800	1.5%
St. Clair	7,061,600		49,431	24,815	8,154	10,630	93,000	93,000	7,154,600	1.3%
Schoolcraft	12,513,700		87,596	77,999	24,980	11,844	202,400	202,400	12,716,100	1.6%
Southwestern	6,576,400		46,035	19,832	5,506	5,210	76,600	76,600	6,653,000	1.2%
Washtenaw	13,077,300		91,542	122,114	24,612	14,435	252,700	252,700	13,330,000	1.9%
Wayne County	16,727,600		117,094	130,515	27,962	11,742	287,300	287,300	17,014,900	1.7%
West Shore	2,414,900		16,904	8,160	2,630	2,303	30,000	30,000	2,444,900	1.2%
Subtotal Operations	\$307,191,300	\$0	\$2,150,348	\$1,397,729	\$430,073	\$322,552	\$4,300,700	\$4,300,700	\$311,492,000	1.4%
Independent Pt-Time Student Grants	\$0	\$6,000,000						6,000,000	6,000,000	---
MPSERS Retiree Health Care	1,733,600	0						0	1,733,600	0.0%
MPSERS Reform Costs	52,300,000	17,200,000						17,200,000	69,500,000	32.9%
Ren. Zone Reimbursement	3,500,000	1,600,000						1,600,000	5,100,000	45.7%
Total Appropriations	\$364,724,900	\$24,800,000	\$2,150,348	\$1,397,729	\$430,073	\$322,552	\$4,300,700	\$29,100,700	\$393,825,600	8.0%
School Aid Fund	197,614,100	54,800,000	2,150,348	1,397,729	430,073	322,552	4,300,700	59,100,700	\$256,714,800	29.9%
GF/GP	\$167,110,800	(\$30,000,000)	\$0	\$0	\$0	\$0	\$0	(\$30,000,000)	\$137,110,800	(18.0%)

1) Non-Formula Adjustments include funding for Independent Part-Time Student Grants, cost increases for MPSERS Reform and Renaissance Zones; and a \$30.0 million funding shift from State General Fund to the School Aid Fund. The FY 2014-15 Enacted column does not reflect the pending FY 2014-15 supplemental that will shift \$167.1 million from GF/GP to the School Aid Fund, funding the entire FY 2014-15 Community College budget from the School Aid Fund.

Table 18

FY 2015-16 HIGHER EDUCATION APPROPRIATIONS: GOVERNOR'S RECOMMENDATION									
University	FY 2014-15 Enacted	Critical Skills	Research & Development	Metrics based on Carnegie Peers	Total Formula Distribution	Other Changes¹⁾	FY 2015-16 Gov's Rec.	\$ Change from FY 2014-15	Percent Change
Central	\$79,115,000	\$294,577	\$25,473	\$2,018,089	\$2,338,100	\$49,800	\$81,502,900	\$2,387,900	3.0%
Eastern	71,771,100	284,771	0	1,129,392	1,414,200	11,400	73,196,700	1,425,600	2.0%
Ferris	49,087,000	480,346	0	1,007,266	1,487,600	32,100	50,606,700	1,519,700	3.1%
Grand Valley	63,136,000	497,315	0	2,026,363	2,523,700	20,500	65,680,200	2,544,200	4.0%
Lake Superior	12,782,500	70,351	0	179,450	249,800	215,000	13,247,300	464,800	3.6%
Michigan State	264,429,100	1,044,335	738,626	3,369,621	5,152,600	8,800	269,590,500	5,161,400	2.0%
Michigan Tech	45,923,100	340,557	120,687	508,752	970,000	14,900	46,908,000	984,900	2.1%
Northern	44,277,200	199,998	0	716,125	916,100	61,100	45,254,400	977,200	2.2%
Oakland	48,364,100	418,792	23,133	1,207,172	1,649,100	7,800	50,021,000	1,656,900	3.4%
Saginaw Valley	27,610,200	164,209	0	334,618	498,800	11,400	28,120,400	510,200	1.8%
UM-Ann Arbor	295,174,100	1,119,470	1,676,268	2,900,654	5,696,400	4,400	300,874,900	5,700,800	1.9%
UM-Dearborn	23,689,300	155,364	0	239,349	394,700	11,700	24,095,700	406,400	1.7%
UM-Flint	21,337,700	194,206	0	347,855	542,100	21,900	21,901,700	564,000	2.6%
Wayne State	190,519,800	281,117	349,675	462,555	1,093,300	10,100	191,623,200	1,103,400	0.6%
Western	102,742,000	409,947	43,815	1,418,805	1,872,600	19,100	104,633,700	1,891,700	1.8%
Subtotal Univ. Operations	\$1,339,958,200	\$5,955,355	\$2,977,677	\$17,866,066	\$26,799,100	\$500,000	\$1,367,257,300	\$27,299,100	2.0%
MPERSERS Reimbursement	2,446,200				0	2,713,800	5,160,000	2,713,800	110.9%
MPERSERS Reimburs (FY15 one-time)	4,002,200					(4,002,200)	0	(4,002,200)	(100.0%)
MSU AgBioResearch	32,027,900					640,600	32,668,500	640,600	2.0%
MSU Extension	27,581,100					551,600	28,132,700	551,600	2.0%
Higher Education Database	200,000					0	200,000	0	0.0%
Midwest Higher Ed Compact	95,000					20,000	115,000	20,000	21.1%
King-Chavez-Parks	2,691,500					0	2,691,500	0	0.0%
College Access Program	2,000,000					(2,000,000)	0	(2,000,000)	(100.0%)
Total Universities	\$1,411,002,100	\$5,955,355	\$2,977,677	\$17,866,066	\$26,799,100	(\$1,576,200)	\$1,436,225,000	\$25,222,900	1.8%
School Aid Fund	204,467,900	0	0	0	0	\$711,600	205,179,500	\$711,600	0.3%
State GF/GP	1,206,534,200	\$5,955,355	\$2,977,677	\$17,866,066	\$26,799,100	(\$2,287,800)	\$1,231,045,500	\$24,511,300	2.0%
Grants and Financial Aid									
State Comp. Scholarships	18,361,700					\$0	\$18,361,700	\$0	0.0%
Tuition Grants	33,532,500					0	33,532,500	0	0.0%
Tuition Incentive Program (TIP)	48,500,000					0	48,500,000	0	0.0%
Children Vets & Officers Tuition	1,400,000					0	1,400,000	0	0.0%
Project Gear-Up	3,200,000					0	3,200,000	0	0.0%
No. Amer. Indian Tuition Waiver	500,000					(500,000)	0	(500,000)	(100.0%)
Total Grants/Financial Aid	105,494,200					(500,000)	\$104,994,200	\$0	0.0%
Federal Higher Ed Act	3,200,000					0	3,200,000	0	0.0%
Federal TANF	93,826,400					0	93,826,400	0	0.0%
Veterans Tax Check-off	100,000					0	100,000	0	0.0%
State GF/GP	4,500,000					(\$500,000)	\$7,867,800	(\$500,000)	(6.0%)
HIGHER EDUCATION SUMMARY									
TOTAL ALL FUNDS	\$1,516,496,300	\$5,955,355	\$2,977,677	\$17,866,066	\$26,799,100	(\$2,076,200)	\$1,541,219,200	\$25,222,900	1.7%
TOTAL FEDERAL	97,026,400	0	0	0	0	0	97,026,400	0	0.0%
TOTAL STATE RESTRICTED	204,567,900	0	0	0	0	711,600	205,279,500	711,600	0.3%
TOTAL STATE GF/GP	\$1,214,902,000	\$5,955,355	\$2,977,677	\$17,866,066	\$26,799,100	(\$2,787,800)	\$1,238,913,300	\$24,011,300	2.0%

¹⁾ Other Changes Column: MPERSERS adjustments and funding shift, roll Indian Tuition Waiver funding into University Operation appropriations, increase MSU AgBioResearch and MSU Extension, dues increase for Midwest Higher Education Compact, and transfer Michigan College Access Program to K-12 budget.

Department of Community Health Recommendations

The FY 2015-16 Department of Community Health (DCH) budget features an increase in Gross funding of \$745.8 million and a reduction in GF/GP funding of \$246.5 million. While the Gross and GF/GP changes go in opposite directions, the funding changes are the result of a handful of policies, both ongoing and new, that play heavily into the DCH budget.

The increase in Gross funding is almost entirely tied to the continued increase in the caseload for Medicaid expansion, also known as the Healthy Michigan Plan (HMP). At present the HMP caseload is 546,000 individuals, well over the 400,000+ expected for the current fiscal year. The Governor's FY 2015-16 budget includes an appropriation increase of \$815.8 million Gross and Federal to fund the greater caseload. As Medicaid expansion is funded at 100% Federal through the end of calendar year 2016, there is no GF/GP cost to this caseload increase. The \$815.8 million HMP caseload increase is the primary reason for the \$745.8 million increase in Gross funding in the FY 2015-16 DCH budget.

On the GF/GP side the situation is more complicated. It is important to note that the Governor's proposal to increase the Health Insurance Claims Assessment (HICA) rate from 0.75% to 1.3%, combined with a lifting of the HICA/Use Tax revenue cap, would both increase Restricted revenue and reduce GF/GP costs by \$180.1 million in FY 2015-16.

The Governor's proposal to end GF/GP support for graduate medical education (GME) and the rural and sole community hospital pool and to replace that State match funding with revenue from an increase in the hospital Quality Assurance Assessment Program (QAAP) tax would reduce GF/GP costs by \$77.1 million in FY 2015-16.

These two changes, combined, would lead to a \$257.2 million reduction in GF/GP expenditures in DCH, slightly in excess of the \$246.5 million reduction in GF/GP expenditures across the entire FY 2015-16 DCH budget.

While it is a bit of an oversimplification, the Gross appropriation increase in DCH is tied to growth in the Medicaid expansion caseload and the GF/GP appropriation reductions in DCH are tied to proposed increases in the HICA tax and the hospital provider tax.

Attempts to establish, increase, or extend HICA have been made over the past four years and have met with considerable opposition. The HICA is a tax on paid health claims, paid by health insurance companies, but the costs are passed along to purchasers of health insurance, in particular employers. The FY 2015-16 DCH budget is balanced on the assumption that the Legislature will pass an increase in HICA and remove the revenue cap. If changes to HICA are not enacted, then the FY 2015-16 DCH budget, barring other changes, would be out of balance by over \$180.0 million GF/GP.

The proposal to increase the hospital QAAP rate to fund specialized funding pools is also likely to be controversial. Most previous increases in the hospital QAAP rate were used to increase general Medicaid funding to hospitals and were supported by the vast majority of hospitals. The present proposal would supplant GF/GP with no Gross funding increase and would be used to fund pools where most of the benefit goes to a much smaller number of hospitals. If there are difficulties with the QAAP proposal, the DCH budget could be out of balance by up to \$77.0 million GF/GP.

The rest of the DCH budget features some new initiatives and some reductions. Of particular note is the \$7.5 million GF/GP proposal to expand the Healthy Kids Dental program to Medicaid eligible children up to age 8 in the three currently uncovered counties, Kent, Oakland, and Wayne. This would still leave Medicaid-eligible children age 9 and above in those three counties not covered. The Snyder Administration indicates that it hopes to expand coverage to some or all of those remaining children in the next year or two.

The budget also includes an initiative to increase payment rates for Medicaid adult dental services. There is no question that reimbursement for Medicaid adult dental has been low and that has led to most dentists not accepting Medicaid patients. An increase in reimbursement likely would improve access. This initiative would take effect in the final quarter of FY 2015-16 at a cost of \$7.9 million GF/GP; full-year costs in FY 2016-17 would be \$31.7 million GF/GP.

Among other initiatives are continued increases in funding for the recommendations of the Mental Health and Wellness Commission, expansion of Medicaid autism coverage up to age 21 (the current limit is age 6), and a drug policy initiative pilot. The budget would also reflect the proposed FY 2014-15 supplemental and include a \$20.0 million increase for Community Mental Health (CMH) non-Medicaid services.

The budget also includes significant reductions. Funding for autism centers and autism outreach services would be reduced from \$9.0 million to \$2.5 million, with grants of \$500,000 apiece being provided to five university autism centers. Funding for the U-D dental clinic, which has been in the budget for a number of years, would be eliminated. Funding for the Real Alternatives pregnancy program would be eliminated.

There are four notable reductions in Medicaid: The budget assumes savings of \$16.8 million GF/GP by carving out pharmaceutical services from the Medicaid HMOs. The budget assumes savings of \$10.9 million GF/GP from a reduction in managed care laboratory services reimbursement from Medicare rates to Medicaid fee for service rates (this reduction was also included in the Governor's FY 2014-15 Executive Order). The budget includes a revised method of reimbursing hospital capital costs, with a projected savings of \$12.0 million GF/GP. Finally, the budget removes a legislatively initiated rural obstetrics/gynecology hospital pool, with a reduction of \$3.8 million GF/GP. When the proposed GME and rural/sole community hospital changes are taken into account along with the other reductions, it is noted that the reductions are focused on hospital services to a greater degree than any other provider.

Overall the DCH budget includes a number of changes, with the most notable being the assumed passage of an increase in the HICA, an assumed increase in the hospital provider tax, expansion of Medicaid dental services, and reductions to Medicaid providers. Decisions on HICA and hospital QAAP adjustments, due to their impact on GF/GP expenditures, will be a major factor in the DCH budget process but also in the overall State budget discussion.

Revenue Sharing Payments

The Governor recommends revenue sharing payments of approximately \$1.25 billion in FY 2015-16, an increase of 1.5% or \$18.5 million over FY 2014-15 year-to-date appropriations. This increase consists of a \$23.8 million increase in constitutional revenue sharing for cities, villages, and townships (CVTs), an increase in revenue sharing payments to counties of \$3.5 million or 1.7% to cover the cost of counties returning for the first full or part-year of State-paid revenue sharing in FY 2015-16, a reduction in nonconstitutional city, village, and township revenue sharing of \$5.8 million or 2.3%, and a decrease of \$3.0 million or 37.5% in funding for grants to financially distressed cities, villages, or townships. The Governor's recommended appropriations for revenue sharing for FY 2015-16 are shown in Table 19.

Table 19

REVENUE SHARING APPROPRIATION SUMMARY				
Ongoing & One-Time Appropriations	FY 2014-15 Year-to-Date	FY 2015-16 Gov's Rec.	Dollar Change	Percent Change
Constitutional Revenue Sharing	\$764,654,000*	\$788,497,000	\$23,843,000	3.1%
CVT Revenue Sharing	248,840,000	243,040,000	(5,800,000)	(2.3)
County Incentive Program	42,240,000	42,940,000	700,000	1.7
County Revenue Sharing	168,960,000	171,760,000	2,800,000	1.7
Financially Distressed CVTs	8,000,000	5,000,000	(3,000,000)	(37.5)
TOTAL	\$1,232,694,000	\$1,251,237,000	\$18,543,000	1.5%
*Reflects the January 2015 consensus revenue estimate for sales tax revenue.				

Based on the January 2015 consensus revenue estimates, constitutional revenue sharing is estimated at \$788,497,000 in FY 2015-16. This would provide CVTs with a 3.1% increase in payments over the revised FY 2014-15 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.

For city, village, and township nonconstitutional revenue sharing payments, the Governor recommends \$243,040,000 in FY 2015-16, a decrease of \$5.8 million or 2.3%. The Governor limits eligibility to CVTs that receives at least \$4,500 in statutory revenue sharing payments in FY 2009-10. This would eliminate payment of \$2.64659 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 2015-16 would be made at 78.51044% of the statutory revenue sharing payments made in FY 2009-10. CVTs would be required to comply with accountability and transparency requirements in order to receive funding.

The Governor recommends that revenue sharing payments to counties increase by 1.7% to \$214.7 million. As in the current year, this funding would be distributed through two line items. The County Revenue Sharing line would increase by \$2.8 million to \$171,760,000 and the County Incentive Program would increase by \$700,000 to \$42,940,000. These increases cover the cost of two counties (Kankaskia and Mason) that return to State-paid revenue sharing in FY 2015-16 and increased costs associated with the 11 counties that returned to State-paid revenue sharing for a partial year in FY 2014-15 and now will receive full year funding. Payments to other counties would not change. Seven counties would continue to make authorized withdrawals from their revenue sharing reserve funds in lieu of State-paid revenue sharing. Compliance with accountability and transparency criteria would be required to receive payments under the County Incentive Program.

Summary of Other General Appropriation Issues

State Employee Compensation Changes

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

The FY 2015-16 recommendation includes the impasse panel recommendations adopted by the Civil Service Commission on January 15, 2014. The FY 2015-16 agreement for employees who are exclusively represented by employee unions (AFSCME, MCO, MSEA, SEIU, and UAW) includes a 2.0% base wage increase effective October 1, 2015. Contracts continue to require represented employees to pay 20.0% of their health care premiums.

The Civil Service Commission also adopted a Coordinated Compensation Plan for non-exclusively represented State classified employees (NEREs) for FY 2015-16. Beginning on October 1, 2015, NEREs also will receive a 2.0% general wage increase. They also will continue to be required to pay an employee share of health insurance premiums of 20.0%.

Table 20 provides a summary of the incremental State employee cost changes for FY 2015-16 recommended in the Governor's budget, including employee salary increases of \$46.2 million. The State's portion of the cost of employee health insurance is estimated to increase by \$20.1 million for FY 2015-16. The amount that needs to be contributed to the State employee retirement systems in FY 2015-16 results in a decrease in costs. Retirement contributions will decrease \$24.5 million Gross and \$10.1 million GF/GP. Other Post Employment Benefits (OPEB) costs for FY 2015-16 will be less than the costs in FY 2014-15. Gross changes will total a negative \$55.3 million and a negative \$22.3 million GF/GP. The contribution rates for both pension and OPEB are lower than estimated in the previous valuation. For pensions, the primary factor was improved investment performance, along with the five-year smoothing calculation that dropped off FY 2007-08. For OPEB, there was a moderation in per capita health care costs coupled with the impact of prefunding future liabilities. The total GF/GP impact of economic adjustments for FY 2015-16 is a decrease of \$5.8 million.

Table 20

FY 2015-16 STATE BUDGET RECOMMENDATION ECONOMIC INCREASES INCLUDED IN BUDGET (Millions of Dollars)		
	Gross	GF/GP
Wages and Salaries.....	\$46.2	\$18.0
Employee Insurance Costs	20.1	8.1
Retirement Contributions	(24.5)	(10.1)
OPEB.....	(55.3)	(22.3)
Workers' Compensation.....	(1.9)	(1.2)
All Other Economics.....	1.7	1.7
TOTAL ECONOMICS.....	(\$13.7)	(\$5.8)

Employer Retirement Contribution Rates

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

Table 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 in place previously. Also, beginning in FY 2011-12, the funding methodology for retiree health care was changed from a cash basis to a prefunding basis, requiring larger contributions up front in order to save money down the road. The State Employees' Retirement System pension component was closed to newly hired employees on March 31, 1997, and the retiree health care premium coverage component was closed to new employees on January 1, 2012.

Table 21

STATE RETIREMENT CONTRIBUTION RATES AS A PERCENTAGE OF PAYROLL				
	FY 2013-14	FY 2014-15	FY 2015-16	2015-16 Change
<u>State Employees' Retirement System¹⁾</u>				
Defined Benefit Pension	26.04%	27.46%	26.05%	(1.41)%
Defined Benefit Health Care	24.19%	22.76%	20.63%	(2.13)%
Total Defined Benefit Costs	50.23%	50.22%	46.68%	(3.54)%
Defined Contribution Retirement	29.78%	31.09%	29.74%	(1.35)%
Defined Contribution Health Care	24.19%	23.21%	21.16%	(2.05)%
Total Defined Contribution Costs	53.97%	54.30%	50.90%	(3.40)%
<small>¹⁾ Public Act 264 of 2011 required the unfunded accrued liability to be spread across both DB and DC payroll. Also, FY 2015-16 will be the fifth year of prefunding retiree health.</small>				

Table 22 provides a look at the FY 2015-16 contribution rates for the seven different retirement plan combinations in MPERS. Before the significant MPERS reforms enacted in 2010 and 2012, there were two principal types of retirement plans available to school employees, based on hire date: the basic system and the Member Investment Plan (MIP) system. Since the passage of the reforms that began in 2010, there are now seven combinations of retirement and retiree health care plans in MPERS, including the earlier basic and MIP plans (no longer available to new 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 MPERS.

Table 22

FY 2015-16 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	4.39%	3.17%	3.17%	0.00%	0.00%	0.00%	4.39%
Pension UAL	13.20	13.20	13.20	13.20	13.20	13.20	13.20
Pension Early Retirement Incentive	1.36	1.36	1.36	1.36	1.36	1.36	1.36
Pension Total Rate	18.95%	17.73%	17.73%	14.56%	14.56%	14.56%	18.95%
<u>Health Contributions</u>							
Health Normal Cost	0.43%	0.43%	0.00%	0.00%	0.43%	0.00%	0.00%
Health UAL	6.40%	6.40%	6.40%	6.40%	6.40%	6.40%	6.40%
Health Total Rate	6.83%	6.83%	6.40%	6.40%	6.83%	6.40%	6.40%
DB CONTRIBUTION TOTAL	25.78%	24.56%	24.13%	20.96%	21.39%	20.96%	25.35%
<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>	36.31%	35.09%	34.66%	31.49%	31.92%	31.49%	35.88%
State Subsidy	10.53%	10.53%	10.53%	10.53%	10.53%	10.53%	10.53%
DC = Defined Contribution; MIP = Member Investment Plan; PHF = Personal Health Fund							
Note: The Governor's budget includes \$893.5 million in the K-12 budget, \$69.5 million in the Community Colleges budget, and \$5.2 million in the Higher Education budget to pay the State subsidy for the UAL rate cap. For Higher Education, separate implementing legislation is necessary to enact the UAL rate cap.							

Source: State Budget Office

Public Act 300 of 2012 capped the local employer contribution rate for unfunded liabilities at roughly 21% of payroll (the FY 2011-12 amount), and the State is required to make an appropriation for any liabilities above that amount. The "normal" cost for pension and retiree health care can fluctuate slightly from year to year. The maximum total employer cost for FY 2015-16 under any of the seven plans is between roughly 24% and 26% of payroll, depending on the plan and employee DC contributions, virtually unchanged from FY 2014-15. The State subsidy is roughly 10.5% of MPERS payroll for schools, community colleges, and participating libraries, or about \$963.0 million, up from 9.4% in FY 2014-15. New for FY 2015-16, the Governor is proposing to implement a rate cap for the seven universities that remain part of MPERS for employees hired before 1996, at a cost of \$5.2 million.

Table 23 outlines the FY 2015-16 estimated contributions to SERS and MPERS by the State and local employers, as proposed in the Governor's budget. The total combined cost of the estimated employer (State and local) contributions is \$5.0 billion.

Table 23

FY 2015-16 ESTIMATED CONTRIBUTIONS TO TWO LARGEST RETIREMENT SYSTEMS	
	Millions of Dollars
<u>State Employees' Retirement System (SERS)¹⁾</u>	
Defined Benefit Pension	\$277.0
Defined Contribution.....	655.0
Retiree Health Care.....	<u>686.0</u>
Subtotal State Employees' Retirement System ²⁾	\$1,618.0
<u>Michigan Public School Employees' Retirement System (MPERS)³⁾</u>	
<u>Local Share</u>	
Defined Benefit Pension	\$1,628.0
Defined Benefit Health Care	613.0
'401k' for Health Care	<u>200.0</u>
Subtotal Public School Employees' Retirement System (Local)	\$2,441.0
<u>State Share</u>	
Unfunded Accrued Liabilities (Pension and Health) ⁴⁾	\$963.0
Subtotal Michigan Public School Employees' Retirement System	<u>\$3,404.0</u>
TOTAL ESTIMATED RETIREMENT CONTRIBUTIONS	<u>\$5,022.0</u>
FY 2015-16 Estimated Subsidy Per K-12 Pupil on Average	\$550
<p>1) Public Act 264 of 2011 required the unfunded accrued liability to be spread across both DB and DC payroll. Also, FY 2015-16 will be the fifth year of prefunding retiree health.</p> <p>2) Excludes FICA, which totals approximately \$250.0 million.</p> <p>3) Excludes DC contributions for pension; includes DC contributions for health.</p> <p>4) Excludes state payment of \$5.2 million proposed for participating universities.</p>	

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 \$1.62 billion, and of that total, \$1.32 billion is estimated by the State Budget Office for legacy costs (both pension and health), with the remaining \$294.0 million for normal costs. [Table 24](#) below identifies the estimated legacy costs for pension and for retiree health care, and the total of the two, for each department.

Table 24
FY 2015-16
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	\$7,237,700	\$5,513,800	\$12,751,500
Attorney General	10,007,000	7,771,100	17,778,100
Civil Rights	1,701,400	1,296,100	2,997,500
Community Health	49,623,700	37,801,400	87,425,100
Corrections	188,628,700	143,701,900	332,330,600
Education	9,042,900	6,889,100	15,932,000
Environmental Quality	18,399,000	14,016,600	32,415,600
Executive Office	0	0	0
Human Services	154,170,400	117,448,600	271,619,000
Insurance & Financial Services	5,675,400	4,323,500	9,998,900
Judiciary	7,772,600	5,950,700	13,723,300
Legislature & Auditor General	15,465,300	12,568,700	28,034,000
Licensing & Regulatory Affairs	39,137,600	29,815,400	68,953,000
Military & Veterans Affairs	11,276,300	8,590,600	19,866,900
Natural Resources	26,133,200	19,909,000	46,042,200
State	17,739,100	13,513,900	31,253,000
State Police	66,961,400	55,959,500	122,920,900
Technology, Management, & Budget	43,360,600	33,087,500	76,448,100
Transportation	39,092,200	29,781,200	68,873,400
Treasury	26,422,100	20,129,200	46,551,300
Michigan Strategic Fund	10,482,500	7,985,700	18,468,200
TOTAL	\$748,329,100	\$576,053,500	\$1,324,382,600

Source: State Budget Office

Debt Service Adjustments

Table 25 provides a summary of recommended debt service appropriations for FY 2015-16. 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 \$804.8 million for FY 2015-16. This represents a \$21.9 million (2.6%) decrease from the \$826.7 million debt service appropriations in FY 2014-15.

Table 25

DEBT SERVICE APPROPRIATIONS FY 2015-16 COMPARED WITH FY 2014-15				
Department/Program	FY 2014-15 Gross Appropriation	FY 2015-16 Est. Gross Appropriation	Dollar Change	Percent Change
School Aid				
Durant Bonds.....	\$39,500,000	\$0	(\$39,500,000)	(100.0%)
School Bond Loan	126,000,000	143,000,000	17,000,000	13.5
Subtotal Education	165,500,000	143,000,000	(22,500,000)	(13.6)
DTMB State Building Authority Rent*				
State Agencies.....	58,405,800	52,265,800	(6,140,000)	(10.5)
Department of Corrections.....	44,879,900	36,829,900	(8,050,000)	(17.9)
Universities	124,825,300	135,995,300	11,170,000	8.9
Community Colleges.....	26,459,600	29,479,600	3,020,000	11.4
Subtotal DTMB	254,570,600	254,570,600	0	0.0
Transportation				
State Trunkline.....	198,076,600	194,617,900	(3,458,700)	(1.7)
Economic Development.....	11,665,300	11,672,600	7,300	0.1
Local Bridge Fund.....	2,406,700	2,406,800	100	0.0
Blue Water Bridge Fund	6,962,000	6,963,600	1,600	0.0
Aeronautics	4,992,200	4,997,700	5,500	0.1
Comprehensive Transportation	18,215,500	18,202,200	(13,300)	(0.1)
Subtotal Transportation	242,318,300	238,860,800	(3,457,500)	(1.4)
Treasury				
Quality of Life Bond	81,360,000	75,959,000	(5,401,000)	(6.6)
Clean Michigan Initiative.....	57,224,000	63,961,000	6,737,000	11.8
Great Lakes Water Initiative	13,811,000	16,529,000	2,718,000	19.7
Facility For Rare Isotope Beams (MSF) ...	7,300,000	7,300,000	0	0.0
Community College Skilled Trades.....	4,600,000	4,600,000	0	0.0
Subtotal Treasury	164,295,000	168,349,000	4,054,000	2.5
TOTAL.....	\$826,683,900	\$804,780,400	(\$21,903,500)	(2.6%)

Tobacco Settlement Revenue and Appropriations

In 1998, there was a Master Settlement Agreement reached between 46 states and certain U.S. tobacco manufacturers, to provide annual payments to states. The payments began in 2000 and will continue in perpetuity. As Table 26 illustrates, there are several transfers out of the tobacco settlement revenue prior to its deposit into the Merit Award Trust Fund where it is available for appropriation by the Legislature. Pursuant to law, \$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.

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 2015-16 is estimated to be \$61.2 million. Under the Governor's proposal, there would be an estimated FY 2015-16 year-end balance in the Merit Award Trust Fund of \$75.0 million, which the Governor recommends be carried forward into FY 2016-17.

Table 26

TOBACCO SETTLEMENT REVENUE AND APPROPRIATIONS FY 2014-15 COMPARED TO FY 2015-16 GOVERNOR'S RECOMMENDATION (Actual Dollars)			
	FY 2014-15 Year-To-Date	FY 2015-16 Gov's Rec.	Gov's Rec. Chng. From FY 2014-15
Revenue			
Unreserved Balance From Prior Fiscal Year	\$74,635,400	\$75,665,800	\$1,030,400
Total Annual Payments	286,307,100	285,158,000	(1,149,100)
Assumed Withheld Payments	0	(8,500,000)	(8,500,000)
Settlement Credit to Manufacturers/Adjustments	(30,239,800)	(22,778,500)	7,461,300
Interest Earnings	60,000	60,000	0
Total Tobacco Settlement Revenue	<u>\$330,762,700</u>	<u>\$329,605,300</u>	<u>(\$1,157,400)</u>
Less Transfers Out For:			
21st Century Jobs Trust Fund	(\$75,000,000)	(\$75,000,000)	\$0
Reserve for Detroit Bankruptcy/Pensioners	(17,500,000)	(17,500,000)	0
Payment on 2006 Bond Securitization	(34,159,400)	(33,867,500)	291,900
Payment on 2007 Bond Securitization	(27,578,400)	(27,342,800)	235,600
Total Transfers Out	<u>(\$154,237,800)</u>	<u>(\$153,710,300)</u>	<u>\$527,500</u>
Net Revenue To Merit Award Trust Fund	<u>\$176,524,900</u>	<u>\$175,895,000</u>	<u>(\$629,900)</u>
Appropriations			
Attorney General			
Operations	\$487,300	\$485,200	(\$2,100)
Community Health			
Medicaid Base	64,266,000	64,266,000	0
Aging: Respite Care	4,068,700	4,068,700	0
Human Services			
Family Independence Program	30,100,000	30,100,000	0
State Police			
Tobacco Tax Enforcement	793,900	793,100	(800)
Department of Treasury			
Student Financial Services Administration	1,143,200	1,139,800	(3,400)
Total Merit Award Trust Fund Appropriations	<u>\$100,859,100</u>	<u>\$100,852,800</u>	<u>(\$6,300)</u>
MERIT AWARD TRUST FUND YEAR-END BALANCE	<u>\$75,665,800</u>	<u>\$75,042,200</u>	<u>(\$623,600)</u>

Recent State Appropriation History

Table 27

ADJUSTED GROSS APPROPRIATION HISTORY (Millions of Dollars)			
Fiscal Year	Appropriations	Dollar Change	Percent Change
1999-2000	\$35,417.7	\$2,257.4	6.8%
2000-01	36,953.3	1,535.6	4.3
2001-02	38,751.3	1,798.0	4.9
2002-03	39,553.1	801.8	2.1
2003-04	39,115.3	(437.8)	(1.1)
2004-05	39,908.5	793.2	2.0
2005-06	41,322.7	1,414.2	3.5
2006-07	41,851.8	529.1	1.3
2007-08	43,616.5	1,764.7	4.2
2008-09	47,941.9	4,325.4	9.9
2009-10	45,656.6	(2,285.3)	(4.8)
2010-11	48,089.6	2,433.0	5.3
2011-12	47,598.1	(491.6)	(1.0)
2012-13	47,758.6	160.6	0.3
2013-14	50,199.5	2,440.9	5.1
2014-15	52,348.3	2,148.8	4.3
2015-16 (Gov's Rec.)	53,033.6	685.3	1.3
Change FY 2005-06 to FY 2015-16		\$11,710.9	28.3%
Detroit CPI 10-Year Percent Change			15.7%
Note:	Does not include Budget Stabilization Fund appropriations of \$362.7 million, \$140.0 million, \$75.0 million, \$94.0 million, and \$95.0 million for FYs 2011-12, 2012-13, 2013-14, 2014-15, and 2015-16, respectively; includes \$147.1 million FY 2013-14 appropriation and \$60.9 million FY 2014-15 appropriation from the Roads and Risks Reserve Fund.		

Table 28

STATE SPENDING FROM STATE RESOURCES APPROPRIATION HISTORY (Millions of Dollars)			
Fiscal Year	Appropriations	Dollar Change	Percent Change
1999-2000	\$24,579.0	\$1,302.2	5.6%
2000-01	25,761.6	1,182.6	4.8
2001-02	26,086.8	325.2	1.3
2002-03	26,020.5	(66.3)	(0.3)
2003-04	25,802.5	(218.0)	(0.8)
2004-05	26,285.3	482.8	1.9
2005-06	27,704.0	1,418.7	5.4
2006-07	27,928.6	224.6	0.8
2007-08	28,441.3	512.7	1.8
2008-09	26,309.8	(2,131.5)	(7.5)
2009-10	25,239.0	(1,070.8)	(4.1)
2010-11	26,266.7	1,027.7	4.1
2011-12	27,346.9	1,080.3	4.1
2012-13	27,847.1	500.2	1.8
2013-14	29,164.7	1,317.6	4.7
2014-15	30,089.7	924.9	3.2
2015-16 (Gov's Rec.)	29,970.0	(119.6)	(0.4)
Change FY 2005-06 to FY 2015-16		2,266.0	8.2%
Detroit CPI 10-Year Percent Change			15.7%
Note:	Does not include Budget Stabilization Fund appropriations of \$362.7 million, \$140.0 million, \$75.0 million, \$94.0 million, and \$95.0 million for FYs 2011-12, 2012-13, 2013-14, 2014-15, and 2015-16, respectively; includes \$147.1 million FY 2013-14 appropriation and \$60.9 million FY 2014-15 appropriation from the Roads and Risks Reserve Fund.		

Table 29

GENERAL FUND/GENERAL PURPOSE APPROPRIATION HISTORY (millions of dollars)			
Fiscal Year	Appropriations	Dollar Change	Percent Change
1999-2000	\$9,607.7	\$192.7	2.0%
2000-01	9,744.4	136.7	1.4
2001-02	9,189.3	(555.1)	(5.7)
2002-03	8,830.9	(358.4)	(3.9)
2003-04	8,770.1	(60.8)	(0.7)
2004-05	8,702.8	(67.3)	(0.8)
2005-06	9,106.3	403.5	4.6
2006-07	9,118.7	12.4	0.1
2007-08	9,980.7	862.0	9.5
2008-09	8,568.6	(1,412.1)	(14.1)
2009-10	7,787.4	(781.2)	(9.1)
2010-11	8,424.6	637.2	8.2
2011-12	8,341.1	(83.6)	(1.0)
2012-13	9,024.2	683.2	8.2
2013-14	9,571.3	547.1	6.1
2014-15	10,116.8	545.5	5.7
2015-16 (Gov's Rec.)	9,480.5	(636.4)	(6.3)
Change FY 2005-06 to FY 2014-15		\$374.2	4.1%
Detroit CPI 10-Year Percent Change			15.7%
Note: Does not include Budget Stabilization Fund appropriations of \$362.7 million, \$140.0 million, \$75.0 million, \$94.0 million, and \$95.0 million, for FYs 2011-12, 2012-13, 2013-14, 2014-15, and 2015-16, respectively; does not include \$230.0 million FY 2013-14 appropriation for the Roads and Risks Reserve Fund.			

Table 30

SCHOOL AID APPROPRIATION HISTORY (Millions of Dollars)			
Fiscal Year	State-Funded Appropriations	Dollar Change	Percent Change
1999-2000	\$10,075.8	\$528.6	5.5%
2000-01	10,732.3	656.5	6.5
2001-02	11,220.6	488.3	4.5
2002-03	11,334.6	114.0	1.0
2003-04	11,059.3	(275.3)	(2.4)
2004-05	11,113.5	54.2	0.5
2005-06	11,308.1	194.6	1.8
2006-07	11,597.0	288.9	2.6
2007-08	11,421.8	(175.2)	(1.5)
2008-09	11,097.8	(324.0)	(2.8)
2009-10	10,675.1	(422.7)	(3.8)
2010-11	10,803.4	128.3	1.2
2011-12	11,088.9	285.5	2.6
2012-13	11,211.0	122.1	1.1
2013-14	11,506.1	295.1	2.6
2014-15	12,062.2	556.1	4.8
2015-16 (Gov's Rec.)	12,183.2	121.0	1.0
Change FY 2005-06 to FY 2015-16		\$875.1	7.7%
Detroit CPI 10-Year Percent Change			15.7%

Table 31

PUPIL MEMBERSHIP HISTORY FY 1994-95 to FY 2016-17				
Blend Calculation	Fiscal Year	Local Districts	Charter Schools	Total
50/50	1994-95	1,593,306	0	1,593,306
50/50	1995-96	1,610,130	4,790	1,614,920
50/50	1996-97	1,634,074	11,520	1,645,594
60/40	1997-98	1,651,011	19,202	1,670,213
60/40	1998-99	1,656,186	31,109	1,687,295
75/25	1999-2000	1,651,300	45,290	1,696,590
80/20	2000-01	1,649,085	55,072	1,704,157
80/20	2001-02	1,647,459	62,113	1,709,572
80/20	2002-03	1,647,531	67,336	1,714,867
80/20	2003-04	1,640,929	73,473	1,714,402
75/25	2004-05	1,626,289	81,491	1,707,780
75/25	2005-06	1,607,880	89,654	1,697,534
75/25	2006-07	1,584,435	96,627	1,681,062
75/25	2007-08	1,553,568	98,987	1,652,555
75/25	2008-09	1,517,714	102,030	1,619,744
75/25	2009-10	1,487,297	108,425	1,595,722
75/25	2010-11	1,457,160	112,276	1,569,436
90/10	2011-12	1,432,200	119,900	1,552,100
90/10	2012-13	1,405,599	130,390	1,535,989
90/10 CY	2013-14	1,374,800	147,828	1,522,628
90/10 CY	2014-15 Est.	1,356,700	151,300	1,508,000
90/10 CY	2015-16 Est.	1,336,000	159,000	1,495,000
90/10	2016-17 Est.	1,317,000	164,000	1,481,000

Table 32

STATE SPENDING PER PUPIL				
Fiscal Year	State-Funded		Pupils (Millions)	Appropriations Per Pupil
	Appropriations (Millions of Dollars)			
1999-2000	9,957.6		1.6966	5,869
2000-01	10,732.3		1.7042	6,297
2001-02	11,220.6		1.7096	6,563
2002-03	11,334.6		1.7149	6,609
2003-04	11,059.3		1.7144	6,450
2004-05	11,113.5		1.7078	6,507
2005-06	11,308.1		1.6975	6,661
2006-07	11,597.0		1.6811	6,898
2007-08	11,421.8		1.6526	6,911
2008-09	11,097.8		1.6197	6,851
2009-10	10,675.1		1.5957	6,690
2010-11	10,803.4		1.5694	6,884
2011-12	11,088.9		1.5521	7,144
2012-13	11,211.0		1.5360	7,299
2013-14	11,506.1		1.5226	7,557
2014-15	12,062.2		1.508	7,999
2015-16 (Gov's Rec.)	12,183.2		1.495	8,149

Table 33

K-12 SCHOOLS MINIMUM FOUNDATION ALLOWANCE			
Fiscal Year	Enacted Per Pupil	After Reductions	Percent Change
2000-01	\$6,000	\$6,000	N/A
2001-02	6,500	6,500	8.3%
2002-03	6,700	6,626	1.9
2003-04	6,700	6,626	0.0
2004-05	6,700	6,700	1.1
2005-06	6,875	6,875	2.6
2006-07	7,108	7,085	3.4
2007-08	7,204	7,204	1.4
2008-09	7,316	7,316	1.6
2009-10	7,316	7,151	(2.3)
2010-11	7,316	7,146	0.0
2011-12	6,846	6,846	(4.2)
2012-13	6,966	6,966	1.8
2013-14	7,076	7,076	1.6
2014-15 ^{a)}	7,251	7,251	2.5
2015-16 (Gov's Rec.)	7,326	7,326	1.0
10-Year Change	451	451	
10-Year % Change	6.6%	6.6%	
10-Year Detroit CPI % Change	15.7%	15.7%	

^{a)} Includes \$125 equity payment.

Table 34

APPROPRIATED FULL-TIME EQUATED CLASSIFIED POSITIONS (FTEs) IN MICHIGAN STATE BUDGET			
Fiscal Year	FTEs	Change	Percent Change
1999-2000	63,630.9	1,548.3	2.5%
2000-01	64,601.5	970.6	1.5
2001-02	64,190.1	(411.4)	(0.6)
2002-03	62,760.2	(1,429.9)	(2.2)
2003-04	57,817.1	(4,943.1)	(7.9)
2004-05	57,028.3	(788.8)	(1.4)
2005-06	56,436.4	(591.9)	(1.0)
2006-07	56,760.3	323.9	0.6
2007-08	57,041.7	281.4	0.5
2008-09	56,491.1	(550.6)	(1.0)
2009-10	55,597.2	(893.9)	(1.6)
2010-11	56,089.3	492.1	0.9
2011-12	54,795.5	(1,293.8)	(2.3)
2012-13	53,583.5	(1,212.0)	(2.2)
2013-14	52,797.5	(786.0)	(1.5)
2014-15	52,866.5	69.0	0.1
2015-16 (Gov's Rec.)	52,723.9	(142.6)	(0.3)
Change FY 2005-06 to FY 2015-16		(3,712.5)	(6.6%)
Detroit CPI 10-Year Percent Change			15.7%

Note: Includes exempt positions in Judiciary.

Table 35

FEDERAL FUNDS APPROPRIATED IN MICHIGAN BUDGET (Millions of Dollars)			
Fiscal Year	Federal Funds	Adjusted Gross Appropriations	Fed. as % of Total Adj. Gross
1999-2000	\$9,765.6	\$35,417.7	27.57%
2000-01	10,002.2	36,953.3	27.07
2001-02	11,242.9	38,751.3	29.01
2002-03	12,226.7	39,553.1	30.91
2003-04	12,361.6	39,115.3	31.60
2004-05	12,855.5	39,908.5	32.21
2005-06	13,179.9	41,322.7	31.89
2006-07	13,436.1	41,851.8	32.10
2007-08	14,669.5	43,616.5	33.63
2008-09	21,124.7	47,941.9	44.06
2009-10	19,940.9	45,656.6	43.68
2010-11	21,314.5	48,089.6	44.32
2011-12	19,730.5	47,598.1	41.45
2012-13	19,372.7	47,758.6	40.56
2013-14	20,500.2	50,199.5	40.84
2014-15	21,739.9	52,348.3	41.53
2015-16 (Gov's Rec.)	22,662.5	53,033.6	42.73
Change FY 2005-06 to FY 2015-16		71.9%	28.3%

Table 36

STATE SPENDING FROM STATE RESOURCES APPROPRIATIONS TOTAL COMPARED IN SELECTED BUDGET AREAS (Millions of Dollars)				
Department/Budget Area	FY 2005-06 Appropriations	FY 2015-16 Gov's Rec.	Dollar Change	Percent Change
Community Health	\$4,538.6	\$5,282.3	\$743.7	16.4%
Corrections	1,872.7	1,961.9	89.2	4.8%
Human Services	1,230.2	1,096.2	(134.0)	(10.9%)
K-12 School Aid	11,308.0	12,183.2	875.2	7.7%
Community Colleges	281.6	393.8	112.3	39.9%
Higher Education	1,730.9	1,444.2	(286.8)	(16.6%)
Revenue Sharing - Constitutional	680.1	788.5	108.4	15.9%
Revenue Sharing - Nonconstitutional	423.5	462.7	39.2	9.3%
All Other Programs	5,638.4	6,357.2	718.8	12.7%
Total State Spending	\$27,704.0	\$29,970.0	\$2,266.0	8.2%
Addendum:				
Medicaid Caseload	1,475,000	2,350,000	875,000	59.3%
Prison Population	50,949	44,997	(5,952)	(11.7%)
K-12 Pupil Count	1,697,534	1,495,000	(202,534)	(11.9%)
University Students	253,020	262,537	9,517	3.8%
Community College Students	133,359	143,829	10,470	7.9%
Michigan Personal Income (millions)	\$337,968.4	\$433,879.8	\$95,911.4	28.4%
Detroit Consumer Price Index	195.9	226.7	30.8	15.7%
Notes: Medicaid caseload: Number for FY 2015-16 includes the estimated 560,000 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 appropriation bills. K-12 Pupils: FY 2015-16 pupil count is from the January 2015 Consensus Revenue Estimating Conference. Community College and University Students: Numbers in FY 2015-16 column reflect the most recent data available, which are FY 2013-14 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 2015-16 numbers are January 2015 CREC estimates.				