

FY 2017 Executive Budget

Issue Papers



February 10, 2016

Fiscal Year 2017 Issue Papers
February 10, 2016

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Community Colleges FY 2017 Executive Budget Highlights

Overview: The governor proposes a fiscal year 2017 budget for community colleges of \$399 million, an increase of 2.9 percent in total funding over fiscal year 2016. Operations funding receives a 2.4 percent increase (\$7.5 million) to a total of \$319 million. Since fiscal year 2011, combined operations and retirement funding for community colleges has increased by \$98 million, an increase of 33 percent.

Operations: An inflationary increase of \$7.5 million for performance-based funding is distributed through a modification of the enacted fiscal year 2016 formula. In keeping with the governor's goal of increasing the number of Michigan citizens employed in the skilled trades, 20 percent of funding is distributed based on the weighted degree and certificate metric, which rewards colleges for skilled trades graduates. The metrics are as follows:

- Across-the-board distribution: 30 percent of the formula.
- The number of student contact hours, weighted for increased program costs in health and technology: 30 percent of the formula.
- The two-year average number of weighted associate degree and certificate completions. Degree and certificate completions continue to be weighted with an emphasis on natural sciences, engineering, technology, and health: 20 percent of the formula.
- The completion improvement rate, which rewards colleges for an increase in the percentage of students who completed a certificate, degree, or transfer within six years: 10 percent of the formula.
- The two-year average of the percentage of institutional expenditures spent on administration: 5 percent of the formula.
- Across-the-board distribution of presumed local strategic value funds, because all colleges had met best practices in the past: 5 percent of the formula.

As a prerequisite for new funding, community colleges will continue to be required to actively participate in the Michigan Transfer Network, similar to universities, which informs students how their credits will transfer in and out to other Michigan postsecondary education institutions.

Retirement Reform Payments: The governor's budget continues to cap the amount of unfunded accrued liability contributions paid by community colleges to the Michigan Public School Employees Retirement System, with the state making payments for amounts over the cap of 20.96%. The budget increases the state's payments for retirement liabilities by \$3.7 million, bringing the total state support for the community colleges' MPERS obligations to \$74.9 million in fiscal year 2017. The fiscal year 2018 budget assumes an additional increase of \$500,000 for a total of \$75.4 million.

Activities Classification Structure (ACS) Transfer: Responsibility for the maintenance and coordination of the state community college database (ACS) is transferred from the Workforce Development Agency (WDA) to the Center for Educational Performance and Information (CEPI).

State Building Authority Rent: Included in the bill is a schedule of estimated payments the state makes to support debt service for recently constructed community college building projects. This \$30.9 million in general fund, although appropriated in the DTMB budget, represents additional state support for community colleges.



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Department of Corrections Highlights

Background

The fiscal year 2017 Executive Recommendation invests in new programming and technology infrastructure while also realizing savings from operational efficiencies. The governor's budget enhances physical, mental, and behavioral health treatment capacities and the overall safety for all who serve and are served within the Department of Corrections environment. The Executive Budget recommends total funding of \$1.97 billion general fund for fiscal year 2017. The following are highlights from the Executive Budget Recommendation.

Population Trends and Operating Efficiencies Savings: \$10 million

Over the past decade, the prison population has decreased by 17% from a high of 51,500 inmates in early 2007 to 42,600 inmates in 2015. Decreased intake, increased parole, and decreased parole revocations for small violations have contributed to the declining population trend. As population declines, operational efficiencies are gained to realize savings department wide. Recommended savings for fiscal year 2017 are realized via the elimination of leased beds, efficient utilization of existing prison capacities, and the relocation of the Kinross Correctional Facility for a total savings of \$10 million general fund.

Health care savings: \$3.8 million

A new contract for consolidated health care and pharmaceutical services will result in \$3.8 million general fund savings for fiscal year 2017.

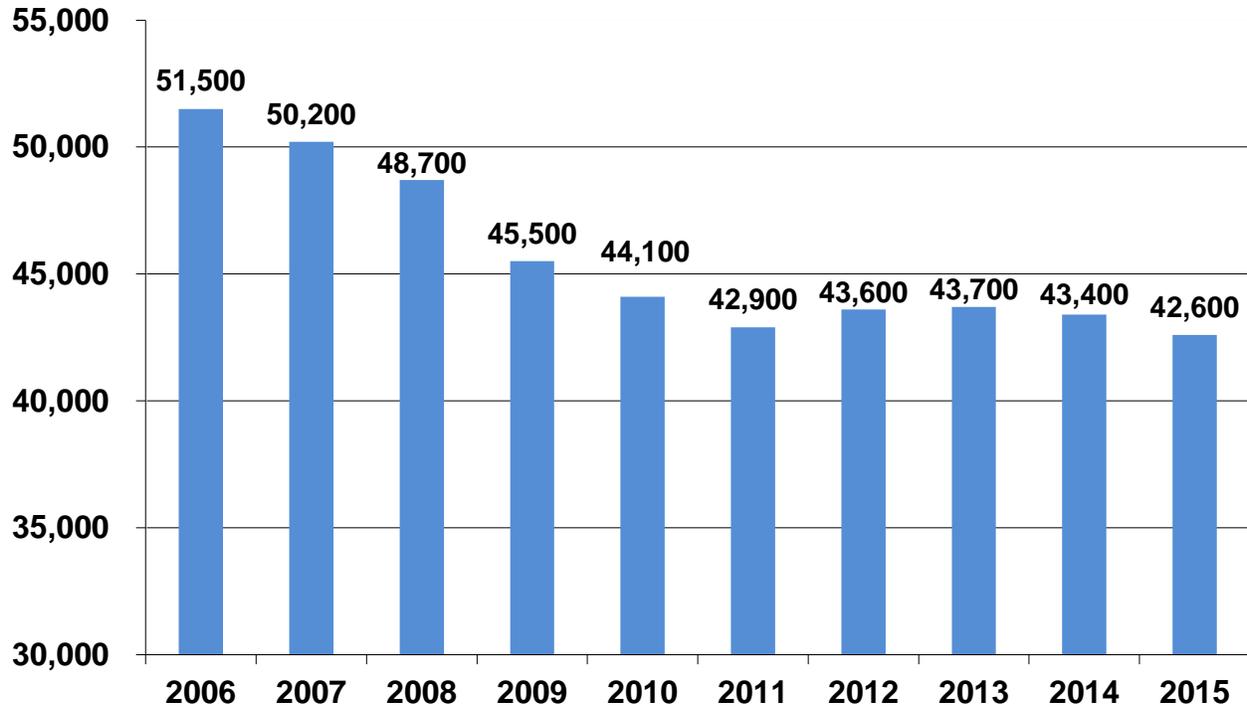
Specialty Pharmaceuticals: \$17.3 million

The Pharmacy and Therapeutics Committee, an advisory body that makes recommendations as Medicaid-eligible pharmacy treatments become available, recently recommended expanded treatment options for Hepatitis C for Medicaid recipients. The 2017 Executive Recommendation includes \$17.3 million general fund to enable the department to expand Hepatitis C treatment protocols to align with the expanded community standard of care. As more specialty pharmaceuticals become available in the future, the department may have a need for continued investment to ensure the community standard of health care is sustained.

Food service vendor: \$1.5 million

The department continues to realize \$10 million general fund in ongoing savings from privatized food service, as well as operational stability resulting from consistent and reliable food service provision. An increase of \$1.5 million general fund will help ensure the continuity of a secure and stable prison environment.

Prison Population Continues to Decline





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EDUCATION OMNIBUS BUDGET EXECUTIVE BUDGET FISCAL YEARS 2017 AND 2018

Presented February 10, 2016

The Executive Budget for fiscal year 2017 contains one budget bill for all government agencies and one for education. The education omnibus budget bill supports the state's education system at all levels from preschool to higher education. The Executive Budget for education totals \$16.2 billion - \$14.2 billion for public schools, \$399 million for community colleges and nearly \$1.6 billion for higher education.

Highlights of the Education Omnibus Budget Bill

- Despite the challenging state revenue situation, the education omnibus bill is still increased by a total of \$357.6 million, or 2.3%, from fiscal year 2016 enacted levels.

FY 2017 Education Omnibus Budget Summary of Appropriations (in millions)

Revenue Sources	School Aid	Community Colleges	Higher Education	Total
School Aid Fund Revenues	\$12,062.5	\$260.4	\$237.1	\$12,560.0
General Fund	\$230.0	\$138.6	\$1,262.4	\$1,631.0
Other State Restricted	\$72.0	\$0.0	\$0.1	\$72.1
Federal Funds	\$1,818.6	\$0.0	\$99.0	\$1,917.7
Total Appropriations	\$14,183.1	\$399.0	\$1,598.7	\$16,180.8

- Over \$1 billion of the education budget supports MPSERS unfunded accrued liability (UAL) costs. As part of recent MPSERS reforms, a cap of 20.96% of salary and wages was placed on the share of retirement UAL costs that school districts, community colleges and libraries are obligated to pay, with the state paying the amount over the cap.

The budget also includes a similar payment for universities over a payroll cap of 25.73% to the seven participating universities, at an estimated cost of \$5.9 million in fiscal year 2017. Legislation effectuating the cap continues to be pending.

In addition, the budget provides for \$101.7 million to offset normal retirement costs, bringing total MPSERS spending to \$1.16 billion.

**FY 2017 Education Omnibus Budget
 MPSERS Appropriations
 (in millions)**

	State share over UAL cap	Other costs	Total
Community Colleges	\$73.2	\$1.7	\$74.9
Higher Education	\$5.9	\$0.0	\$5.9
School Aid	\$982.2	\$100.0	\$1,082.2
District Libraries	<u>\$0.6</u>	<u>\$0.0</u>	<u>\$0.6</u>
Total Appropriations	\$1,061.9	\$101.7	\$1,163.6



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Higher Education FY 2017 Executive Budget Highlights

Overview: The governor proposes investing an additional \$61.2 million, or 4.3 percent, in state university operations. This increase brings total operating funds for universities to over \$1.48 billion and restores aggregate university funding to fiscal year 2011 levels. Total funding for higher education is nearly \$1.6 billion.

Operations: A total of \$59.8 million for performance-based funding is proposed, furthering the governor's efforts to have 60 percent of citizens hold a high-quality degree or other credential by 2025.

All of last year's performance-based metrics are continued in this Executive Budget, providing stability to universities, and allowing for long-range institutional planning. The metrics are as follows:

- The two-year average number of undergraduate degree and certificate completions in critical skills areas. Critical skills areas are science, technology, engineering, mathematics, and health.
- Research and development expenditures for only those universities that are ranked as research universities under Carnegie Classifications, as classified prior to February 1, 2016.
- Several metrics that are scored by comparison with national Carnegie Classification peers, and then weighted by undergraduate FYES. Scoring is done using the enacted fiscal year 2016 values (3 points for Top 20 percentile performance, and 2 points for performance above the national median or improved performance).
 - Six-year graduation rate.
 - Total degree completions.
 - Institutional support costs as a percentage of total core expenditures.
 - The percentage of students receiving a Pell Grant.

Michigan State University AgBioResearch and Extension also receive a combined 2.3 percent increase, or \$1.4 million. This brings total funding for these programs to \$61.9 million.

The prerequisites for funding are those enacted in fiscal year 2016 and include the following requirements:

- Universities must limit tuition and fee increases to 4.8 percent or less in order to receive new performance funding provided in this recommendation. This cap represents double the level of expected inflation.

- Universities must actively participate in the MACRAO Michigan Transfer Network and provide timely updates to the network, which informs students how their credits will transfer in and out to other Michigan postsecondary education institutions.
- Universities must participate in reverse transfer agreements with at least 3 community colleges.
- Universities do not and will not consider whether dual enrollment credits were utilized for high school graduation when deciding to award university credit for those classes.

MPSERS Reform: The governor's budget continues to recommend state funding for the amount of unfunded accrued liability contributions paid by the seven member universities of the Michigan Public School Employees Retirement System over a cap of 25.73% of payroll. This payment totals \$5.9 million, an increase of \$730,000 over the fiscal year 2016 level. The legislation effectuating the cap is still pending.

Student Financial Aid: A total of \$107.5 million is recommended for student financial aid. An additional \$2 million funds increased reimbursement costs for the Tuition Incentive Program (TIP), supporting Michigan's low-income postsecondary students. Beginning in fiscal year 2018, the governor recommends capping TIP reimbursements to any university or college at \$8.5 million per year.

State Building Authority Rent: Included in the bill is a schedule of estimated payments the state makes to support debt service for recently constructed university building projects. This \$145 million in general fund, although appropriated in the DTMB budget, represents additional state support for higher education.

**FY 2017 University Performance Funding
4.3% Increase From FY 2016 in Operations Funding**

Funding per unit: % of formula:	Funding Proportional to FY11		Funding Proportional to Share of Total				Scored vs. National Carnegie Peers								FY2017 Executive Recommendation				
	\$0.0210 per dollar		\$409.71 per completion		\$0.0026 per dollar		\$13.25 per weighted point								Total Performance Funding	FY17 & FY18 Executive Rec.	% Change from FY16	% of Total Perf. Funding	
	50.0%		11.1%		5.6%		33.3%												
FY16 Current Law	FY11 Operations	Performance Funding	Critical Skills Undergrad Awards	Performanc e Funding	Research & Development Expenditures	Performance Funding	6-year Grad Rate	Total Degrees	Institut. Support as % of Expend.	% Students Receiving a Pell Grant	Total Points	Total FY15 Undergrad FYES	FYES- Weighted Score	Performance Funding					
Michigan State	\$268,770,700	\$283,685,200	\$5,970,663	2,767	\$1,135,139	\$311,961,002	\$822,172	2	3	0	0	5	36,653	183,265	\$2,427,490	\$10,355,500	\$279,126,200	3.9%	17.3%
UM-Ann Arbor	\$299,975,000	\$316,254,500	\$6,656,142	2,971	\$1,218,828	\$704,342,000	\$1,856,291	3	3	2	0	8	28,192	225,533	\$2,987,258	\$12,718,500	\$312,693,500	4.2%	21.3%
Wayne State	\$191,451,300	\$214,171,400	\$4,507,620	885	\$363,064	\$150,737,120	\$397,267	2	2	0	3	7	14,706	102,943	\$1,363,567	\$6,631,500	\$198,082,800	3.5%	11.1%
Michigan Tech	\$46,754,700	\$47,924,200	\$1,008,651	902	\$370,038	\$51,389,065	\$135,436	3	2	2	0	7	5,432	38,023	\$503,648	\$2,017,800	\$48,772,500	4.3%	3.4%
Western	\$104,334,100	\$109,615,100	\$2,307,046	1,089	\$446,753	\$18,997,041	\$50,067	2	2	0	3	7	16,870	118,087	\$1,564,149	\$4,368,000	\$108,702,100	4.2%	7.3%
Central	\$81,127,100	\$80,132,000	\$1,686,521	861	\$353,218	\$13,794,808	\$36,356	3	3	3	0	9	17,859	160,731	\$2,129,009	\$4,205,100	\$85,332,200	5.2%	7.0%
Oakland	\$48,371,900	\$50,761,300	\$1,068,362	1,119	\$459,061	\$9,080,916	\$23,933	2	3	2	0	7	14,851	103,957	\$1,376,993	\$2,928,300	\$51,300,200	6.1%	4.9%
Eastern	\$71,782,500	\$76,026,200	\$1,600,107	817	\$335,167			0	3	2	2	7	14,966	104,759	\$1,387,614	\$3,322,900	\$75,105,400	4.6%	5.6%
Ferris	\$50,369,800	\$48,619,200	\$1,023,278	1,305	\$535,365			2	3	2	2	9	10,750	96,750	\$1,281,530	\$2,840,200	\$53,210,000	5.6%	4.8%
Grand Valley	\$65,275,700	\$61,976,400	\$1,304,404	1,281	\$525,520			3	3	2	2	10	19,677	196,767	\$2,606,335	\$4,436,300	\$69,712,000	6.8%	7.4%
Saginaw Valley	\$28,181,200	\$27,720,700	\$583,432	463	\$189,942			0	2	2	2	6	7,906	47,434	\$628,304	\$1,401,700	\$29,582,900	5.0%	2.3%
UM-Dearborn	\$24,033,100	\$24,726,200	\$520,407	435	\$178,455			2	2	0	2	6	5,770	34,620	\$458,569	\$1,157,400	\$25,190,500	4.8%	1.9%
UM-Flint	\$21,815,400	\$20,898,000	\$439,836	558	\$228,915			0	2	2	2	6	5,462	32,775	\$434,126	\$1,102,900	\$22,918,300	5.1%	1.8%
Northern	\$45,107,700	\$45,140,300	\$950,058	550	\$225,633			2	2	2	0	6	7,356	44,136	\$584,616	\$1,760,300	\$46,868,000	3.9%	2.9%
Lake Superior	\$13,207,400	\$12,694,200	\$267,172	190	\$77,946			2	3	0	2	7	2,112	14,784	\$195,826	\$541,000	\$13,748,400	4.1%	0.9%
SUBTOTAL:	\$1,360,557,600	\$1,420,344,900	\$29,893,700	16,193	\$6,643,044	\$1,260,301,952	\$3,321,522	28	38	21	20	107	208,561	1,504,563	\$19,929,033	\$59,787,400	\$1,420,345,000	4.4%	100.0%
University Operations	\$1,360,557,600	\$1,420,344,900														\$59,787,400	\$1,420,345,000	4.4%	97.7%
MSU AgBioresearch	\$32,508,300	\$33,243,100														\$734,800	\$33,243,100	2.3%	1.2%
MSU Extension	\$27,994,800	\$28,672,600														\$677,800	\$28,672,600	2.4%	1.1%
GRAND TOTAL:	\$1,421,060,700	\$1,482,260,600														\$61,200,000	\$1,482,260,700	4.3%	100.0%

Scoring
3 = Top 20% nationally
2 = Above the national median
2 = Improving over 3 years

Notes:

1. The Business Leaders for Michigan & Anderson Economic Group is the source of all Carnegie-scored metric data. Methodology also provided by BLM/AEG. All data are from FY13, with growth compared to FY10, except Pell Grants, which compares FY13 to FY11.
2. Data for critical skills awards are from HEIDI. Average of FY14 and FY15 reported data. Methodology from FY16 enacted formula.
3. Data for research & development expenditures are from IPEDS from FY14. Methodology provided by BLM/AEG.
4. Institutional support as a percentage of core expenditures measures administrative spending. A lower percentage yields a better score.
5. The Pell Grants metric now measures the percentage of students receiving a Pell Grant at each campus instead of the absolute number.

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February 10, 2016
State Budget Office

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Summary of Statewide Information Technology Investments

The Fiscal Year 2017 Executive Budget Recommendation includes a total of \$132.8 million (\$32.5 million general fund) for fourteen information technology projects in seven agencies.

Projects funded in specific agency budgets include the following:

Agency	Project Name	GF/GP	Gross
DHHS	MISACWIS Phase II Upgrades	\$7,746,900	\$22,309,000
DHHS	Technology Supporting Integrated Service Delivery (ISD)	\$1,230,800	\$49,230,000
LARA	Liquor Control Commission Legacy Upgrades	\$0	\$1,560,000
LARA	Michigan Automated Prescription System (MAPS) Upgrades	\$4,490,000	\$4,490,000
DNR	Commercial Fishing and Wholesale Reporting	\$300,000	\$600,000
DNR	Forest Information Technology System - Timber Sales	\$0	\$2,100,000
DNR	Public Land Ownership Tracking System	\$0	\$4,000,000
State	IT Legacy Modernization	\$0	\$14,100,000
TED	Data System Integration for Talent and Pipeline Development	\$0	\$8,778,500
DTMB	Cyber Security Improvements (Enterprise)	\$5,000,000	\$5,000,000
DTMB	Enterprise Identity Management	\$6,700,000	\$6,700,000
DTMB	ORS Modernization & Technology Upgrades	\$0	\$6,481,100
Treasury	Gaming - IT Operations Upgrades	\$0	\$500,000
	Total	\$25,467,700	\$125,848,600

In addition, the Fiscal Year 2017 Executive Budget Recommendation increases funding in the Department of Technology, Management and Budget for the Information Technology Investment Fund (ITIF) by \$7 million, from \$65 million to \$72 million, in order to support the following projects:

Agency	Project Name	GF/GP	Gross
DTMB	Enterprise Identity Management	\$2,000,000	\$2,000,000
Treasury	Legacy Systems Replacement*	\$5,000,000	\$5,000,000
	Total	\$7,000,000	\$7,000,000

* Includes an additional \$5M from existing base ITIF funding for a total of \$10M.

Note: Several of the projects include both ongoing and one-time components. The agency budgets reflect the one-time components in specific one-time appropriation units.



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FISCAL YEAR 2017 EXECUTIVE RECOMMENDATION
Medicaid Funding for Specialty Pharmacy

Proposal

The Fiscal Year (FY) 2017 Executive Recommendation includes three adjustments to account for the cost of specialty pharmacy products in Michigan's Medicaid, Children's Special Healthcare Services (CSHCS) and Healthy Michigan Plan (HMP) programs. The three adjustments are as follows:

- **Hepatitis C Treatment:** The Executive Recommendation provides \$327.8 million gross (\$91.5 million general fund) to fund the cost of hepatitis C specialty pharmacy treatment.
- **Cystic Fibrosis Treatment:** The Executive Recommendation provides \$66.3 million gross (\$43.7 million general fund) to fund the cost of specialty pharmacy treatment for persons with cystic fibrosis.
- **Pharmacy Reserve Fund:** The Executive Recommendation provides \$86.1 million gross (\$30.0 million general fund) in one-time funding as a reserve for the costs associated with new specialty pharmacy products reaching the market which may arise throughout the year.

Background

The State of Michigan makes use of its Pharmacy and Therapeutics (P&T) Committee, an advisory committee comprised of physicians and pharmacists, to make non-binding clinical recommendations to the DHHS related to coverage for new pharmacy products. In December of 2015, Michigan's P&T committee made two recommendations related to the coverage of specialty pharmacy products that will be implemented in FY 2016.

Hepatitis C Coverage

The P&T Committee recommended that Michigan expand Medicaid coverage to include new hepatitis C specialty pharmacy products. Unlike other treatments previously available to patients, use of these new specialty pharmacy products cures a user of hepatitis C about 90% of the time. The cost of this treatment is significant; budgeted in FY 2017 at an average cost of \$46,600 per patient. To conserve state resources and ensure treatment compliance:

- Coverage is prioritized to persons most severely affected by hepatitis C (those with a metavir score of F3 and F4).
- Enrollees must complete a prior authorization process with a specialist prior to accessing this medication. Through this process they must attest that they are not engaging in high risk behaviors that may lead to a recurrence of hepatitis C and that they are committed to adherence to the treatment protocol.

Michigan's Medicaid program is the last in the United States to provide broad-based access to these drugs to its enrollees. The FY 2017 Executive Recommendation assumes that 7,000 Medicaid and HMP enrollees will access this drug in FY 2017.

Cystic Fibrosis Coverage

The P&T Committee also recommended that Michigan provide access to a new pharmacy product (Orkambi) to eligible enrollees with cystic fibrosis. Orkambi is a drug demonstrated as effective for individuals with a common form of cystic fibrosis who are age 12 or older. While this product does not cure a person of cystic fibrosis, it has been demonstrated to greatly aid in the management of this disease and improve the quality of life. This product is also quite expensive; the FY 2017 appropriation assumes the full year cost of providing Orkambi to an enrollee is \$207,500. To ensure appropriate use of this drug DHHS will implement the following:

- Coverage is limited to persons who will benefit from the treatment- those with the proper form of cystic fibrosis over the age of 12.
- Persons can only access Orkambi after completing a prior authorization process, and obtaining a recommendation from a specialist.

It is assumed that 320 Medicaid, HMP and CSHCS enrollees will access this drug in FY 2017.

Pharmacy Reserve Fund

Throughout the FY 2017 budget development process the DHHS will continue to monitor new pharmacy products that come to market and any price changes associated with existing specialty products covered through Michigan's Medicaid program. An expectation that Michigan Medicaid may need to expand coverage to additional high cost pharmacy products in FY 2017 has driven the creation of a one-time pharmacy reserve fund. If appropriated, these funds are intended to be accessed if especially high-cost pharmaceuticals are released and are deemed medically necessary for inclusion on the Medicaid drug formulary or are required to be covered under state or federal statute.



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FISCAL YEAR 2017 EXECUTIVE RECOMMENDATION
Prescription Drug and Opioid Abuse Task Force

Overview

The Prescription Drug and Opioid Abuse Task Force (Task Force), established in June of 2015, was asked to provide policy recommendations to address the growth in abuse of opioid and prescription drugs in Michigan. The Task Force was chaired by Lieutenant Governor Brian Calley and included state lawmakers and representatives from state agencies, the courts, law enforcement and the medical community. In October of 2015, the Task Force released 25 recommendations that largely focused on the following:

- Establishing new requirements for greater use of the Michigan Automated Prescription System (MAPS), the state's prescription drug monitoring system.
- Increasing resources for drug treatment courts and support for the use of Medication Assisted Treatment.
- Enhancing existing law enforcement efforts related to opioids and prescription drug abuse.

The FY 2017 Executive Recommendation provides \$7.9 million in general fund to implement new investments related to these Task Force recommendations.

Background Information

The table below details proposed FY 2017 initiatives related to Task Force recommendations in the Executive Recommendation.

INITIATIVE	DEPT	DESCRIPTION	ONGOING GF	ONE-TIME GF
Michigan Automated Prescription System Upgrades	LARA	Recommends \$2.5 million in one-time funding for system upgrades, server and application supports for MAPS to accommodate additional system usage requirements. Also includes \$2.0 million in ongoing funding for analytical support, investigative staff, and enhanced technology for increased enforcement.	\$2,020.0	\$2,470.0
Drug Enforcement Strategy	MSP	Proposes \$1.3 million as ongoing funding for drug diversion teams to implement a drug enforcement strategy. The diversion teams will respond to requests for investigations by police agencies and independently detect, investigate, and arrest drug trafficking violators.	\$1,256.3	\$0.0
Expand Problem Solving Courts	Judiciary	Recommends \$1.0 million in one-time funding to expand drug and veteran drug treatment court programs by \$500,000 each in order to serve additional participants.	\$0.0	\$1,000.0
Prescription Drug Abuse Unit	AG	Includes \$700,000 in one-time funding to establish a statewide attorney general drug unit to provide investigatory and prosecution assistance to supplement the efforts of local authorities in prosecuting drug cases.	\$0.0	\$700.0
Medication Assisted Treatment Pilot	Judiciary	Provides \$500,000 in one-time funding to support Medication Assisted Treatment for drug court program participants.	\$0.0	\$500.0
Subtotal			\$3,276.3	\$4,670.0
Ongoing and One-Time Total:			\$7,946.3	



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Public Safety Initiatives Fiscal Year 2017 Executive Budget

February 10, 2016

Building on the priorities outlined in the governor's 2015 Special Message on Criminal Justice, the Executive Budget for fiscal year 2017 continues a commitment to public safety and criminal justice. The budget includes \$31.2 million in general fund investments across the State Police, Department of Corrections, and Judiciary budgets (including \$17.3 million one-time general fund) to support an extensive array of public safety initiatives focusing on specialized law enforcement services, drug enforcement, school and campus safety, disaster preparedness, problem-solving courts, indigent defense, and expanded mental health and behavioral health programming for Michigan's offender population.

Law Enforcement

Protecting the public is a fundamental role of government. The Executive Recommendation emphasizes this role by investing in several law enforcement initiatives within the budget for State Police including Secure Cities Partnerships. Secure Cities Partnerships have reduced violent crime in Detroit by 8.1 percent, Flint by 37.3 percent, Pontiac by 10.1 percent, and Saginaw by 29.5 percent from 2012 through 2014. Building on this success, the budget includes funding to expand Secure Cities Partnerships into Benton Harbor, Hamtramck, Harper Woods, Highland Park, Inkster, and Muskegon Heights.

With technology rapidly expanding into more and more aspects of daily life, law enforcement must keep pace. To increase the capacity of the Michigan State Police to prevent, detect, and investigate cybercrimes, the governor's budget invests in the resources necessary to provide statewide investigatory and digital forensics support in the realm of cyber security, computer crimes, and digital evidence.

To continue the governor's focus on improving public safety and address emerging crime trends and public safety needs, the budget recommends a trooper recruit school anticipated to graduate 85 troopers reflective of the communities they will serve.

Statewide Drug Enforcement Strategy

Opioid abuse has increased dramatically in Michigan. In response to this emerging crisis, the governor's budget for State Police includes the deployment of a statewide drug enforcement strategy in support of the recommendations made by the Michigan Prescription Drug and Opioid Abuse Task Force. This strategy will focus on enhancing capacity to combat the illegal diversion and trafficking of prescription drugs, and

enhancing training programs for state and local law enforcement personnel actively engaged in drug interdiction efforts.

School and Campus Safety

Ensuring safe learning environments for students is a paramount responsibility at both the state and local levels of government. To help fulfill this responsibility, the Executive Budget for State Police recommends a grant program focused on K-12 school safety. This initiative will provide competitive grants to schools and county sheriff departments to support the purchase of equipment, technologies, and training to provide safe and secure learning environments for students.

Additionally, the State Police budget includes grant funding to help prevent sexual assaults on higher education campuses. The sexual assault prevention and education grants will support new and innovative education, awareness, prevention, reporting, and bystander intervention programs to combat sexual assault in campus environments.

Disaster Preparedness

To best ensure Michigan's disaster readiness, the governor's budget includes a deposit into the Disaster and Emergency Contingency Fund. The Disaster and Emergency Contingency Fund supports immediate response and recovery activities in the event of a disaster or emergency.

The budget also supports the development of a statewide strategy and implementation plan for energy assurance. The strategy will identify the necessary actions to effectively respond to potential widespread, long-duration power outages and ensure the state has the capabilities to deal with infrastructure and population impacts resulting from a catastrophic power outage.

Problem Solving Courts and Right to Counsel

Providing fair representation and appropriate legal process is a pillar of the criminal justice system. Supporting the recommendation of the Michigan Prescription Drug and Opioid Abuse Task Force, the Judiciary budget continues to invest in specialized drug treatment and veterans' courts. These problem-solving courts focus on diverting non-violent offenders with underlying medical and social problems into an individualized treatment plan as an alternative to incarceration.

Ensuring the constitutional right to counsel for low-income individuals facing criminal charges is adequately provided, the governor includes funding to support the development of minimum standards for representation, rules, and procedures to guarantee the right of indigent defendants.

Prisoner Reentry and Diversion Programs

Recognizing that most offenders will be released from the custody of the Michigan Department of Corrections and reenter their communities, the governor's budget includes funding to support expanded prisoner reentry and diversion programs to help offenders succeed upon their release.

To support these efforts, the Executive Budget for the Department of Corrections supports the implementation of the *Living in Recovery Program* that combines mental/physical health and substance abuse treatment techniques to provide specialized support for offenders with a history of recidivism. The program focuses on identifying and understanding behavioral triggers that may result in offender relapse and working through them to better prevent future drug and behavioral relapses.

The governor also proposes expansion of mental and behavioral health treatment capacity within the Department of Corrections to better equip prisoners with the necessary skills to successfully transition back into their communities and function independently long-term without reoffending.

The following table highlights the investments in public safety included in the Executive Recommendation for fiscal year 2017:

Public Safety Investments Included in the Fiscal Year 2017 Executive Budget			
(\$ in Thousands)			
Investments	Ongoing General Fund	One-Time General Fund	Executive Budget
Secure Cities Expansion (Michigan State Police) <i>Increases funding to expand Secure Cities Partnerships into Muskegon Heights, Inkster, Hamtramck, Harper Woods, Highland Park, and Benton Harbor.</i>	\$1,463.5	\$0.0	\$1,463.5
Expanding Efforts to Combat Cyber-Crimes (Michigan State Police) <i>Increases funding to expand the state's capacity to prevent, detect, and investigate cyber-crimes</i>	\$2,203.2	\$0.0	\$2,203.2
Trooper School (Michigan State Police) <i>Provides funding to support a Michigan State Police Trooper Academy anticipated to graduate 85 troopers</i>	\$5,000.0	\$4,500.0	\$9,500.0
Statewide Drug Enforcement Strategy (Michigan State Police) <i>Provides funding to deploy a statewide drug enforcement strategy focusing on prescription drug and opioid abuse.</i>	\$1,256.3	\$0.0	\$1,256.3
School Safety Initiative (Michigan State Police) <i>Provides one-time funding to support competitive local safety grants to K-12 schools and county sheriff departments.</i>	\$0.0	\$4,000.0	\$4,000.0
Sexual Assault Prevention and Education Initiative (Michigan State Police) <i>Provides one-time funding to support sexual assault prevention and education initiatives on higher education campuses.</i>	\$0.0	\$500.0	\$500.0
Replenish Disaster and Emergency Contingency Fund (Michigan State Police) <i>Provides one-time deposit into the Disaster and Emergency Contingency fund to supports immediate response and recovery activities in the event of a disaster or emergency.</i>	\$0.0	\$6,000.0	\$6,000.0
Homeland Security - Energy Disaster (Michigan State Police) <i>Provides one-time funding to support energy disaster planning and preparedness efforts.</i>	\$0.0	\$750.0	\$750.0
Speciality Courts (Judiciary) <i>Provides one-time funding to maintain specialized veterans' and drug treatment courts.</i>	\$0.0	\$1,500.0	\$1,500.0
Michigan Indigent Defense Commission (Judiciary) <i>Provides funding to support the development of minimum standards, rules, and procedures to guarantee the right of indigent defendants.</i>	\$1,300.0	\$0.0	\$1,300.0
Living in Recovery Treatment Program (Department of Corrections) <i>Provides support for new programming targeting probation violators with a history of relapse to help prevent recidivism.</i>	\$750.0	\$0.0	\$750.0
Mental Health Programming (Department of Corrections) <i>Supports expanded mental and behavioral health programming to offenders.</i>	\$1,954.5	\$0.0	\$1,954.5
	\$13,927.5	\$17,250.0	\$31,177.5



STATE BUDGET OFFICE

SCHOOL AID HIGHLIGHTS
EXECUTIVE BUDGET
FISCAL YEARS 2017 AND 2018

FEBRUARY 10, 2016

FY2017 K-12 School Aid Executive Budget

K-12 Funding (in millions)	<u>FY2017</u>	<u>FY2018 Est.</u>
School Aid Fund Revenue	\$ 12,062.5	\$ 12,146.7
General Fund	\$ 230.0	\$ 57.4
Federal Funds	\$ 1,818.6	\$ 1,818.6
DPS Trust Fund	\$ 72.0	\$ 72.0
Total Appropriations	\$ 14,183.1	\$ 14,094.7
Local Revenue	\$ 3,508.0	\$ 3,576.0
Total State/Local/Federal	\$ 17,691.1	\$ 17,670.7

Consensus Pupils:

FY2016 – 1,495,800

FY2017 – 1,486,000, a decrease of 9,800 pupils from FY2016

FY2018 – 1,476,000, a decrease of 10,000 from FY2017

School Operations Funding

- The FY2017 budget provides for a **\$60 to \$120 per pupil foundation allowance increase distributed through the 2x formula**, at a cost of \$150 million. Total foundation allowance funding exceeds \$9.1 billion. The minimum foundation allowance will increase to \$7,511 per pupil; the basic foundation allowance will increase to \$8,229 per pupil. To help declining enrollment, the budget recommends revising the membership blend calculation to place greater weight on prior year counts. Also included is a provision that allows hold harmless districts to receive the full foundation allowance increase above the statutory CPI cap of 0.1%.

Per-Pupil Foundation Allowances		
	Minimum	Basic/Maximum
FY2016	\$7,391	\$8,169
Increase	\$ 120	\$ 60
FY2017 Foundation	\$7,511	\$8,229

- State funding for **MPERS retirement contributions totals** over \$1 billion, with \$982.8 million in payments for the amount above the statutory cap of 20.96% (PA 300 of 2012) for districts, ISDs and district libraries, an increase of \$89.3 million over the FY2016 level. This equates to an average of \$660 per pupil, with a range of between \$5 and \$3,100.
- As part of an overall turnaround plan for **Detroit Public Schools**, the governor recommends \$72 million per year from Michigan’s tobacco settlement proceeds be placed in a Detroit Public Schools Trust Fund for ten years. These separate funds will be used to offset the loss of local

tax revenue needed to retire the existing district's debt, protecting all other districts from reduced financial resources.

- **Intermediate School District (ISD) Operations** funding is increased by 1.6% to a total of nearly \$68.2 million.
- **Competitive consolidation grants** of \$5 million are continued to help offset transition costs associated with dissolutions, consolidations, or annexations of districts.

Improving Early Learning and Literacy

- The budget includes \$257.3 million for the **Great Start Readiness Program**. Of that amount, \$243.9 million will provide over 63,000 half-day preschool opportunities to 4-year-olds across the state.
- The governor's budget continues recent reforms to improve Michigan's ranking in national comparisons of 4th-grade reading proficiency levels. The budget includes \$23.9 million for efforts to increase reading proficiency by the end of a child's third grade year. The programs include the use of **multi-tiered systems of supports** at the district level, regular diagnostic screenings of students, and targeted interventions for students identified as falling behind. The investment also includes funding for professional development, literacy coaches, and additional instruction time.

Investing in College and Career Readiness Programs

- The budget recommends an increase of \$15 million (total of \$25 million) **to update equipment** for career and technical education early/middle college programs (\$10 million) and **to increase funding for programs** that are aligned with the ten prosperity regions (\$5 million), providing students with the opportunity to earn an associate's degree, technical certification, transferable college credit, or participation in a registered apprenticeship while taking high school courses. Funding for other **vocational education** programs remains at \$45.8 million.
- The budget continues to recommend \$3.05 million to increase **awareness of available college and career choices** and to increase the number of **college advisors** in schools. The budget also maintains \$1.75 million for incentives to districts that support **dual enrollment**.
- The FY2017 budget recommends a total of \$2.5 million for **First Robotics** programs, as well as \$250,000 to pay for testing costs associated with **Advanced Placement and International Baccalaureate tests** for low-income pupils.
- A total of \$10.5 million (\$5.3 million state funds and \$5.2 million federal) supports the state's **science, technology, engineering and mathematics (STEM) initiatives**, nearly \$8 million for the existing math and science centers, and an additional \$2.5 million for program recommendations from the STEM Advisory Council.

Assessments and Accountability

- The FY2017 budget provides \$40.1 million (\$33.9 million in state and \$6.2 million in federal) for costs associated with **student assessments** required under state and federal law. This is a reduction of \$10.1 million for one-time costs of converting tests to online which are completed and to make use of the kindergarten summative assessment in place of the kindergarten entry assessment.

- With the assistance of appointed Chief Executive Officers, the School Reform Office will intervene in eligible chronically low-performing schools. \$5 million in funds are proposed to provide these schools with **additional resources needed to improve student achievement** for 3 years.
- A total of \$10 million is included in the FY2017 budget for costs associated with the **educator evaluations system**. Funds are recommended to be used for professional development and training activities required by law.
- The FY2017 budget maintains funding to districts at the FY2016 level of \$38 million for **state data collection and reporting costs**. **Center for Educational Performance and Information (CEPI)** funding totals \$12.2 million general fund.

Student Support Services

- The FY2017 budget provides over \$1.4 billion for **special education services**: \$973 million in state funds and \$441 million in federal funds.
- Based upon the recent recommendations of the Special Education Reform Task Force, the budget includes \$1.4 million for a **grant to the Michigan Integrated Behavioral and Learning Support Initiative (MiBLSi)** to assist ISDs with implementing a nationally-recognized evidence-based and data-driven academic and behavioral intervention model.
- Funding for **academically at-risk children** continues at nearly \$390 million. Within that amount, funding for **adolescent teen health centers** is continued at 5.6 million and **hearing and vision screenings** is maintained at \$5.2 million. In addition, the budget includes \$852.7 million federal funds to support at-risk students.
- Funding for **school lunch and breakfast programs** is \$538.2 million: \$25 million in state funds and \$513.2 million in federal funds.
- Funding is maintained for **adult education programs**, administered by the Talent Investment Agency (TIA) at \$25 million. Many programmatic changes are included that more closely align state funding with federal adult education program requirements.
- The budget maintains \$7.4 million for the **Michigan Virtual University** to provide best practices in virtual coursework.
- **School transportation safety programs** are funded at \$3.3 million: \$1.7 million for school bus inspections provided by Michigan State Police and \$1.6 million for school bus driver safety training. Funding to support **transportation costs in small, isolated districts** is maintained at \$5 million.
- Education programs in **juvenile justice facilities** are included at \$1.3 million. Educational programs that serve **wards of the court** are supported with \$8 million. Funding for the **Youth ChalleNGe Program** is maintained at \$1.5 million.

Health and Safety Supports

- To help address the critical needs in Flint, a total of \$10.1 million general fund is recommended to provide partial year funding to **expand early education programs in Flint** and to **provide Genesee ISD with staffing resources** for early identification and intervention services to children impacted by elevated levels of lead. Recommendations include \$6.4 million to offer Early On services, \$1.3 million for additional school nurses, \$1.5 million to expand GSRP services, and \$950,000 to support Genesee ISD. The budget includes a placeholder for funding from the **Flint Emergency Reserve Fund** to increase support as needs are identified throughout FY 2017.
- The budget includes \$9 million for reimbursements to districts for costs associated with **voluntary testing of water** for lead in schools pursuant to a statewide strategic plan developed by the department, in coordination with DEQ and LARA.

Debt Service and Other Required Payments

- **School Bond Loan Fund Debt Service** is funded at \$126.5 million.
- **Renaissance Zone** reimbursements are recommended at \$20 million.
- **School Aid Fund Borrowing Costs** are increased by \$1 million to a total of \$3 million.
- **PILT Payments** are increased by \$128,000 to a total of \$4.4 million.
- Funding for **Promise Zones** is increased to \$1 million

MPERS Contribution Rates

The FY2017 MPERS retirement contribution rates for districts are slightly less than the FY2016 rates, with a reduction of 0.84% in the pension and health normal cost. Rates are detailed below:

MPERS Retirement Rates for FY2017							
	Basic MIP w/Prem Subsidy	Pension Plus w/Prem Subsidy	Pension Plus PHF	Pension Plus to DC w/PHF	Basic/MIP To DC w/ Prem Subsidy	Basic/MIP To DC w/PHF	Basic/ MIP w/PHF
Total Rate	36.64%	36.01%	35.79%	32.66%	32.88%	32.66%	36.42%
Employer Rate:							
<i>Pension Normal Cost</i>	3.76%	3.13%	3.13%	0.00%	0.00%	0.00%	3.76%
<i>Pension UAL</i>	13.91%	13.91%	13.91%	13.91%	13.91%	13.91%	13.91%
<i>Retirement Incentive (10-yr. payback)</i>	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%
Pension Total Rate	19.03%	18.40%	18.40%	15.27%	15.27%	15.27%	19.03%
<i>Health Normal Cost</i>	0.22%	0.22%	0.00%	0.00%	0.22%	0.00%	0.00%
<i>Health UAL</i>	5.69%	5.69%	5.69%	5.69%	5.69%	5.69%	5.69%
Retiree Health Total Rate	5.91%	5.91%	5.69%	5.69%	5.91%	5.69%	5.69%
Employer Capped Rate	24.94%	24.31%	24.09%	20.96%	21.18%	20.96%	24.72%
Stabilization Rate	11.70%	11.70%	11.70%	11.70%	11.70%	11.70%	11.70%
FY16 Employer Capped Rate	25.78%	24.56%	24.13%	20.96%	21.39%	20.96%	25.35%



FY2016, FY2017 and FY2018 STATE SCHOOL AID APPROPRIATIONS
Executive Budget Recommendation - February 10, 2016

Sec.	APPROPRIATIONS (In thousands):	FY 2016			FY 2017		FY 2018	
		PA 139 of '15 Current Law As of 2/10/16	Revised Rec	Difference	Executive Budget	Difference From FY16 Current Law	Executive Budget	Diff From FY17 Exec Rec
11j	School Bond Loan Redemption Fund	126,500.0	99,500.0	(27,000.0)	126,500.0	0.0	126,500.0	0.0
11m	School Aid Fund Borrowing Costs	2,000.0	2,000.0	0.0	3,000.0	1,000.0	4,000.0	1,000.0
11s	Flint Declaration of Emergency	0.0	9,200.0	9,200.0	10,142.6	10,142.6	0.0	(10,142.6)
20f	Categorical Offset Payments	18,000.0	18,000.0	0.0	18,000.0	0.0	18,000.0	0.0
20g	District Dissolution Transition Costs	2,200.0	2,200.0	0.0	2,200.0	0.0	0.0	(2,200.0)
21	State School Reform/Redesign	0.0	1,000.0	1,000.0	5,000.0	5,000.0	10,200.0	5,200.0
22a	Proposal A Obligation Payment	5,281,700.0	5,255,000.0	(26,700.0)	5,206,000.0	(75,700.0)	5,124,000.0	(82,000.0)
22b	Discretionary Payment	3,728,000.0	3,690,000.0	(38,000.0)	3,900,000.0	172,000.0	3,888,000.0	(12,000.0)
22d	Isolated District Funding	5,000.0	5,000.0	0.0	5,000.0	0.0	5,000.0	0.0
22g	Consolidation Innovation Grants	5,000.0	5,000.0	0.0	5,000.0	0.0	0.0	(5,000.0)
22i	Technology Infrastructure Improvement Grants	23,500.0	23,500.0	0.0	0.0	(23,500.0)	0.0	0.0
24	Court-Placed Children	8,000.0	8,000.0	0.0	8,000.0	0.0	8,000.0	0.0
24a	Juvenile Detention Facility Programs	2,189.8	1,301.0	(888.8)	1,328.1	(861.7)	1,328.1	0.0
24c	ChalleNGe Program	1,497.4	1,497.4	0.0	1,522.4	25.0	1,522.4	0.0
25f	Strict Discipline Academies Pupil Transfers	2,000.0	2,000.0	0.0	500.0	(1,500.0)	0.0	(500.0)
26a	Renaissance Zone Reimbursement	26,300.0	20,000.0	(6,300.0)	20,000.0	(6,300.0)	20,000.0	0.0
26b	PILT Reimbursement	4,276.8	4,276.8	0.0	4,405.1	128.3	4,405.1	0.0
26c	Promise Zone Payments	610.0	278.0	(332.0)	1,000.0	390.0	1,000.0	0.0
31a	At-Risk Programs	378,988.2	378,988.2	0.0	378,988.2	0.0	378,988.2	0.0
31a	Adolescent Teen Health Centers	5,557.3	5,557.3	0.0	5,557.3	0.0	5,557.3	0.0
31a	Vision/Hearing Screening	5,150.0	5,150.0	0.0	5,150.0	0.0	5,150.0	0.0
31c	Gang Prevention and Intervention Programs	1,000.0	1,000.0	0.0	0.0	(1,000.0)	0.0	0.0
31d	School Lunch - State	22,495.1	22,495.1	0.0	22,495.1	0.0	22,495.1	0.0
31d	School Lunch - Federal	513,200.0	513,200.0	0.0	513,200.0	0.0	513,200.0	0.0
31f	School Breakfast	5,625.0	2,500.0	(3,125.0)	2,500.0	(3,125.0)	2,500.0	0.0
31h	Cooperative Education Grant	300.0	300.0	0.0	0.0	(300.0)	0.0	0.0
32d	Great Start Readiness	243,900.0	243,900.0	0.0	243,900.0	0.0	243,900.0	0.0
32p	Great Start Early Childhood Block Grants	13,400.0	13,400.0	0.0	13,400.0	0.0	13,400.0	0.0
35	Early Literacy Implementation	1,000.0	1,000.0	0.0	1,000.0	0.0	1,000.0	0.0
35a(2)	Early Literacy Parents University Pilot	1,000.0	1,000.0	0.0	0.0	(1,000.0)	0.0	0.0
35a(3)	Early Literacy Professional Development	950.0	950.0	0.0	950.0	0.0	950.0	0.0
35c	Early Literacy Teacher Certification Test	500.0	500.0	0.0	0.0	(500.0)	0.0	0.0
35a(4)	Early Literacy Diagnostic Tools	1,450.0	1,450.0	0.0	1,450.0	0.0	1,450.0	0.0
35a(5)	Early Literacy Teacher Coaches	3,000.0	3,000.0	0.0	3,000.0	0.0	3,000.0	0.0
35a(6)	Early Literacy Targeted Instruction	17,500.0	17,500.0	0.0	17,500.0	0.0	17,500.0	0.0
35a(7)	Michigan Reading Corp	1,000.0	1,000.0	0.0	0.0	(1,000.0)	0.0	0.0
39a1	Federal NCLB/ESSA Grant Funds	779,076.4	779,076.4	0.0	821,939.9	42,863.5	821,939.9	0.0
39a2	Other Federal Funding	30,800.0	30,800.0	0.0	30,800.0	0.0	30,800.0	0.0
41	Bilingual Education	1,200.0	1,200.0	0.0	1,200.0	0.0	1,200.0	0.0
43	Update Teacher Certification Tests	1,800.0	1,800.0	0.0	0.0	(1,800.0)	0.0	0.0
51c	Special Education Headlee	610,000.0	626,000.0	16,000.0	644,500.0	34,500.0	665,400.0	20,900.0
51a2	Special Education Foundations & Sped	251,800.0	264,100.0	12,300.0	271,600.0	19,800.0	279,300.0	7,700.0
51a3	Special Ed Hold Harmless Pmt. To ISD's	1,300.0	1,000.0	(300.0)	1,100.0	(200.0)	500.0	(600.0)
51a11	Special Ed Non Sec 52 to ISD's	3,300.0	4,000.0	700.0	3,700.0	400.0	3,700.0	0.0
51a6	Special Ed Rule Change	2,200.0	2,200.0	0.0	2,200.0	0.0	2,200.0	0.0
53a	Court Placed Special Ed FTE	10,500.0	10,500.0	0.0	10,500.0	0.0	10,500.0	0.0

Sec.	APPROPRIATIONS (In thousands):	PA 139 of '15 Current Law As of 2/10/16	Revised Rec	Difference	Executive Budget	Difference From FY16 Current Law	Executive Budget	Diff From FY17 Exec Rec
54	MI School for Deaf and Blind	1,688.0	1,688.0	0.0	1,688.0	0.0	1,688.0	0.0
54b	Integrated Behavior and Learning Support (MiBLSI)	0.0	0.0	0.0	1,370.0	1,370.0	1,500.0	130.0
55	Conductive Learning Center Study	150.0	150.0	0.0	150.0	0.0	0.0	(150.0)
56	Special Ed Millage Equalization	37,758.1	37,758.1	0.0	37,758.1	0.0	37,758.1	0.0
51a	Special Education - Federal IDEA	370,000.0	370,000.0	0.0	370,000.0	0.0	370,000.0	0.0
51d	Special Education - Other Federal	71,000.0	71,000.0	0.0	71,000.0	0.0	71,000.0	0.0
61a	Vocational Education	36,611.3	36,611.3	0.0	36,611.3	0.0	36,611.3	0.0
61b	CTE Middle College Program	10,000.0	10,000.0	0.0	15,000.0	5,000.0	15,000.0	0.0
61c	CTE Equipment Upgrades	0.0	0.0	0.0	10,000.0	10,000.0	0.0	(10,000.0)
62	ISD Vocational Ed Millage Reimbursement	9,190.0	9,190.0	0.0	9,190.0	0.0	9,190.0	0.0
64b	Dual Enrollment Incentive Payments	1,750.0	1,750.0	0.0	1,750.0	0.0	0.0	(1,750.0)
65	Detroit Pre-College K-12 Engineering Program	340.0	340.0	0.0	340.0	0.0	0.0	(340.0)
67	Michigan College Access Network (MCAN)	3,000.0	3,000.0	0.0	3,000.0	0.0	3,000.0	0.0
67	College and Career Readiness Tools	600.0	600.0	0.0	50.0	(550.0)	0.0	(50.0)
74	Bus Driver Safety	1,625.0	1,625.0	0.0	1,625.0	0.0	1,625.0	0.0
74	School Bus Inspection Program	1,690.7	1,690.7	0.0	1,695.6	4.9	1,695.6	0.0
78	Statewide School Water Testing Program	0.0	9,000.0	9,000.0	9,000.0	9,000.0	9,000.0	0.0
81	ISD General Operations	67,108.0	67,108.0	0.0	68,182.0	1,074.0	68,182.0	0.0
94	Advanced Placement (AP) Incentive Program	250.0	250.0	0.0	250.0	0.0	250.0	0.0
94a	CEPI - State	11,967.0	11,967.0	0.0	12,173.2	206.2	12,173.2	0.0
94a	CEPI - Federal	193.5	193.5	0.0	193.5	0.0	193.5	0.0
95a	Educator Evaluations	0.0	0.0	0.0	10,000.0	10,000.0	10,000.0	0.0
98	Michigan Virtual University	7,387.5	7,387.5	0.0	7,387.5	0.0	7,387.5	0.0
99c	Civics Education	60.0	60.0	0.0	0.0	(60.0)	0.0	0.0
99h	First Robotics	2,000.0	2,000.0	0.0	2,500.0	500.0	2,000.0	(500.0)
99s(2)	MiSTEM Council	50.0	50.0	0.0	2,525.0	2,475.0	475.0	(2,050.0)
99s(3)	Math/Science Centers - State	3,225.0	3,225.0	0.0	2,750.0	(475.0)	2,750.0	0.0
99s(3)	Math/Science Centers - Federal	5,249.3	5,249.3	0.0	5,249.3	0.0	5,249.3	0.0
99s(5)	STEM Professional Development	250.0	250.0	0.0	0.0	(250.0)	0.0	0.0
99s(6)	Science Olympiad	250.0	250.0	0.0	0.0	(250.0)	0.0	0.0
99s(7)	Van Andel Education Institute	250.0	250.0	0.0	0.0	(250.0)	0.0	0.0
102d	Reimbursement of Financial Analytical Tools	1,500.0	1,500.0	0.0	1,500.0	0.0	0.0	(1,500.0)
104	Student Assessments - State	43,994.4	43,994.4	0.0	33,894.4	(10,100.0)	33,894.4	0.0
104	Student Assessments - Federal	6,250.0	6,250.0	0.0	6,250.0	0.0	6,250.0	0.0
104d	Computer Adaptive Tests	4,000.0	4,000.0	0.0	0.0	(4,000.0)	0.0	0.0
107	Adult Education	25,000.0	25,000.0	0.0	25,000.0	0.0	25,000.0	0.0
147a	MPSERS Cost Offset	100,000.0	100,000.0	0.0	100,000.0	0.0	100,000.0	0.0
147c	MPSERS UAAL Rate Stabilization Payment	893,500.0	893,500.0	0.0	982,800.0	89,300.0	988,300.0	5,500.0
152a	Data Collection and Reporting Costs	38,000.5	38,000.5	0.0	38,000.5	0.0	38,000.5	0.0
	TOTAL SCHOOL AID APPROPRIATIONS	\$13,900,654.3	\$13,846,208.5	(\$54,445.8)	\$14,183,112.1	\$282,457.8	\$14,094,759.5	(\$88,352.6)
	REVENUES:							
	School Aid Fund	12,078,985.1	12,015,339.3	(63,645.8)	12,062,479.3	(16,505.8)	12,146,726.8	84,247.5
	General Fund	45,900.0	55,100.0	9,200.0	230,000.0	184,100.0	57,400.0	(172,600.0)
	DPS Trust Fund/Other State Restricted Funds	0.0	0.0	0.0	72,000.1	72,000.1	72,000.0	(0.1)
	Federal Funds	1,775,769.2	1,775,769.2	0.0	1,818,632.7	42,863.5	1,818,632.7	0.0
	TOTAL APPROPRIATED REVENUES	\$13,900,654.3	\$13,846,208.5	(\$54,445.8)	14,183,112.1	\$282,457.8	\$14,094,759.5	(\$88,352.6)



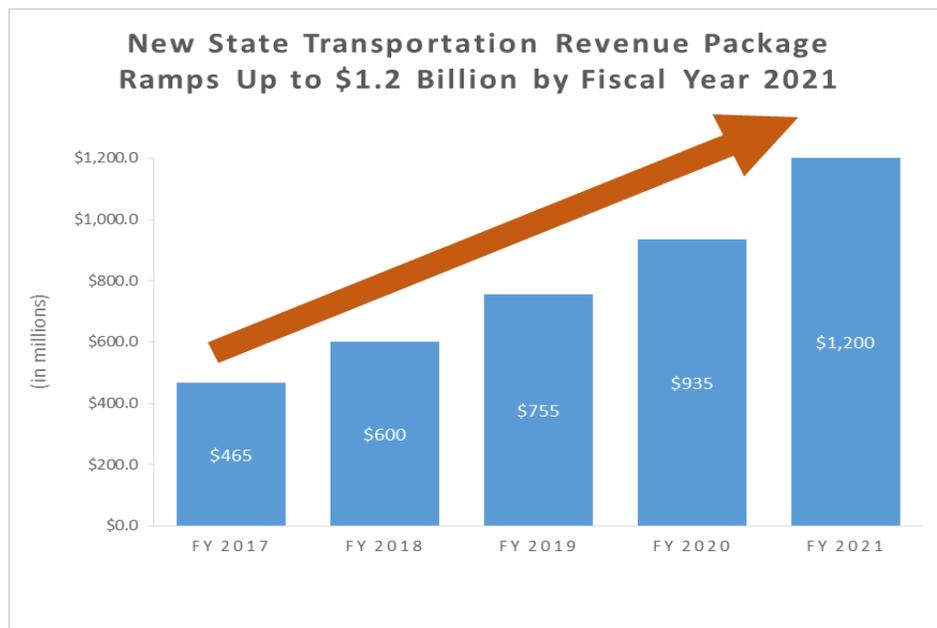
STATE BUDGET OFFICE

February 10, 2016

Issue Briefing: State and Local Transportation Revenues

The fiscal year 2017 executive recommendation includes \$590.8 million in new revenue for state and local transportation programs – bringing a new level of support and stability for infrastructure funding for the first time in many years. Along with baseline revenue increases, this additional funding is derived from the state transportation revenue package and reauthorization of the federal Fixing America’s Surface Transportation (FAST) Act – both enacted in December 2015.

State Transportation Revenue Package



The principal source of revenues for the 2015 state transportation package comes from three major areas:

Motor Fuel Tax

- Gasoline tax increased 7.3 cents per gallon on January 1, 2017.
- Diesel tax increased 11.3 cents on January 1, 2017 (parity with gasoline).
- Gasoline and diesel tax rates indexed to inflation, beginning on January 1, 2022.

Vehicle Registration

- Increased registration taxes for passenger vehicles, light trucks and large commercial trucks by 20 percent, beginning on January 1, 2017. Truck weight fees are also increased 20 percent.

Income Tax Revenues

- Beginning in fiscal year 2019, the transportation package statutorily dedicates \$150 million of individual income tax revenue (that would otherwise be deposited to the general fund) exclusively to roads. This dedication is increased to \$325 million in fiscal year 2020, and \$600 million in fiscal year 2021 and each year thereafter.

A key provision of the revenue package diverts an initial \$100 million of increased motor fuel tax revenue to a new Roads Innovation Fund beginning in fiscal year 2017. These funds may only be released for distribution to local road agencies and the Department of Transportation after a 1-time concurrent resolution is approved by the legislature. The Executive Recommendation assumes the Roads Innovation Funds will be released prior to fiscal year 2017.

FAST Act Reauthorization

The FAST Act represents the first long-term federal transportation re-authorization bill in over a decade, providing \$57.5 million in new support for Michigan highway and transit programs in fiscal year 2017. This is in addition to the over \$1 billion that the state receives in federal transportation funding annually. The FAST Act also includes 2% increases in highway funding for each of the following four years.

Fiscal Year 2017 Net Revenue Distributions

Fiscal Year 2017 Executive Recommendation – Distribution of Transportation Revenue Growth (In millions - assumes distribution of \$100M Roads Innovation Fund per PA 175 of 2015)					
		Transportation Package Revenue	FAST Act Federal Increases	Other Adjustments	TOTAL
State Road and Bridge	State Trunkline Road and Bridge	\$158.3	\$15.4	\$23.9	
	State Trunkline Debt Service	\$7.0	-	-	
TOTAL STATE		\$165.3	\$15.4	\$23.9	\$204.6
Local Road and Bridge	County Road Commissions	\$158.2	-	\$23.5	
	Cities and Villages	\$88.2	-	\$13.1	
	TOTAL LOCAL	\$246.4	\$32.1	\$36.6	\$315.1
Transit and Rail	Transit Capital	\$17.0	\$10.0	\$2.0	
	Rail Operations & Infrastructure	\$13.8	-	\$2.0	
	Local Bus Operating	\$12.6	-	-	
	Other	\$1.6	-	\$2.4	
	TOTAL TRANSIT AND RAIL	\$45.0	\$10.0	\$6.4	\$61.4
Recreation Improvement Fund		\$4.8	-	\$0.3	\$5.1
Railroad Crossing Surface Account and Other Formula Distributions		\$3.0	-	\$1.6	\$4.6
TOTAL		\$464.5	\$57.5	\$68.8	\$590.8