

Fiscal Years 2014 and 2015 Issue Papers

February 7, 2013

ISSUE	PAGE
Community College – Budget Highlights	1
Disaster and Emergency Contingency Fund	5
Education Omnibus - Budget Highlights	6
Food and Agriculture Industry Growth Initiative	8
Hazardous Waste Fee Proposal	9
Healthy Kids Dental	12
Higher Education – Budget Highlights	13
Human Services - Child Welfare Improvements	17
Medicaid Expansion	19
Natural Resources - Fee Proposals	22
School Aid - Digital Learning Initiative	24
School Aid Highlights	26
Strategic Water Quality Initiatives Funding	31
Strengthening Michigan’s Mental Health Services	32
Transportation Investment Package – Moving Michigan Forward	34
Veterans Service Delivery Initiative	38



STATE BUDGET OFFICE
February 7, 2013

Community Colleges
FY 2014 Executive Budget Highlights

Overview: A 2 percent increase in state appropriations for community college operations is proposed, with funds allocated via a modification of the formula enacted in FY 2013 that emphasizes skilled trades. MPSERS costs above the rate cap are funded in the budget for the first time. Renaissance Zone tax reimbursements are moved back to the Community Colleges budget, and one time funding is included for new course sharing technology. New financial best practices are recommended.

Funding built into the operations line items in FY 2013 is continued as base operations funding in FY 2014. The Governor's planning budget for FY 2015 similarly builds in the FY 2014 performance funding.

Operations: A total of \$5.8 million in new general fund 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. This new funding is combined with \$1.3 million in existing funding and distributed through a modified version of the enacted FY 2013 formula. Retaining elements of the existing formula improves predictability in state appropriations to community colleges, and allows for better long-range institutional planning. The metrics are as follows:

- Across the board distribution. 50 percent of the formula.
- The two-year average number of weighted associate degree and certificate completions. Skilled trades are included among the health, engineering, and technology awards that are given the highest weighting. 17.5 percent of the formula.
- The two-year average number of contact hour equated students. 10 percent of the formula.
- The two-year average of the percentage of institutional expenditures spent on administration. 7.5 percent of the formula.
- New: the number of skilled trades program students placed in a relevant job or apprenticeship, with extra weighting for placing a student-veteran. 15 percent of the formula.
- Local strategic value best practices are now used as prerequisites to receive performance funding. The \$1.3 million earmarked for local strategic value in FY 2013 is redistributed through the formula for FY 2014.

Retirement Reform Payments: As part of reforms in the Michigan Public School Employees' Retirement System (MPERS) enacted in 2012, the employer's contribution rate for unfunded accrued liabilities was capped at the FY 2012 level. The state is required to pay the amount over the cap. The budget includes \$12.5 million in a proposed FY 2013 supplemental and \$31.4 million for FY 2014, all

general fund, for payments to community colleges for the portion of the retirement liabilities that exceeds the capped amount. This payment is in addition to funding of \$1.7 million added last year for MPSERS retiree health care payments.

Renaissance Zones: These reimbursements for lost local property taxes were restored in FY 2013, but placed in the Treasury budget. These payments are transferred back to the Community Colleges budget in order to consolidate payments to colleges.

Virtual Learning Collaborative: To expand the use of technology in education, the Governor proposes \$1.1 million in one-time general fund to support the Michigan Community College Association Virtual Learning Collaborative. This initiative will allow students, when their home institution courses are full, to enroll in an equivalent online course from another community college, and will also make available a course database for jointly developed, high-cost, low-enrollment online courses for all 28 colleges to share.

Best Practices: For greater transparency, community colleges are asked to continue their transparency and performance dashboard websites. Added this year are the following best practices:

- Publishing revenue and expenditure projections for both FY 2014 & FY 2015.
- Listing detailed debt service obligations.

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 \$28.1 million in general fund, although appropriated in another budget, represents additional state support for community colleges.

**FY 2014 Community College Performance Funding
2% Increase From FY 2013 in Operations Funding**

	FY13 Current Law Payments	50.0%		17.5%		10.0%		7.5%		Total Performance Funding	FY14 & FY15 Executive Rec.	% Change from FY13	% of Total Perf. Funding
		Proportional to FY13 Funding	Metric Funding	Weighted Completions	Metric Funding	Contact Hour Eq. Students	Metric Funding	Adjusted Admin. Costs	Metric Funding				
Alpena	\$5,133,630	1.8%	\$62,544	1,204	\$19,012	1,665	\$5,865	8.3%	\$19,230	\$106,700	\$5,217,900	1.6%	1.8%
Bay de Noc	\$5,183,982	1.8%	\$63,157	1,264	\$19,959	2,167	\$7,636	2.8%	\$6,513	\$97,300	\$5,258,600	1.4%	1.6%
Delta	\$13,772,715	4.7%	\$167,796	4,966	\$78,415	9,512	\$33,515	10.5%	\$24,200	\$303,900	\$14,016,600	1.8%	5.0%
Glen Oaks	\$2,393,444	0.8%	\$29,160	626	\$9,877	1,235	\$4,352	2.6%	\$5,988	\$49,400	\$2,432,400	1.6%	0.8%
Gogebic	\$4,251,733	1.5%	\$51,799	746	\$11,772	1,113	\$3,920	5.5%	\$12,708	\$80,200	\$4,313,300	1.4%	1.3%
Grand Rapids	\$17,129,226	5.9%	\$208,686	3,335	\$52,661	13,790	\$48,590	10.5%	\$24,278	\$334,200	\$17,388,500	1.5%	5.5%
Henry Ford	\$20,687,355	7.1%	\$252,033	3,680	\$58,109	14,063	\$49,553	8.1%	\$18,637	\$378,300	\$20,975,000	1.4%	6.2%
Jackson	\$11,541,990	3.9%	\$140,616	2,848	\$44,971	5,713	\$20,129	6.8%	\$15,672	\$221,400	\$11,712,900	1.5%	3.7%
Kalamazoo Valley	\$11,880,154	4.1%	\$144,738	3,059	\$48,295	9,089	\$32,025	11.6%	\$26,866	\$251,900	\$12,080,200	1.7%	4.2%
Kellogg	\$9,330,017	3.2%	\$113,669	2,639	\$41,671	5,069	\$17,861	11.5%	\$26,650	\$199,900	\$9,489,200	1.7%	3.3%
Kirtland	\$2,981,228	1.0%	\$36,322	1,235	\$19,493	1,639	\$5,775	7.9%	\$18,361	\$80,000	\$3,048,300	2.2%	1.3%
Lake Michigan	\$5,081,520	1.7%	\$61,908	1,022	\$16,130	3,916	\$13,797	3.2%	\$7,356	\$99,200	\$5,158,500	1.5%	1.6%
Lansing	\$29,463,937	10.1%	\$358,959	8,238	\$130,074	16,038	\$56,511	12.5%	\$28,878	\$574,300	\$29,909,300	1.5%	9.5%
Macomb	\$31,343,710	10.7%	\$381,860	7,442	\$117,505	20,589	\$72,549	12.7%	\$29,502	\$601,300	\$31,807,800	1.5%	9.9%
Mid Michigan	\$4,412,601	1.5%	\$53,760	1,896	\$29,939	4,117	\$14,507	6.1%	\$14,048	\$112,300	\$4,505,700	2.1%	1.9%
Monroe County	\$4,241,924	1.5%	\$51,681	1,098	\$17,338	3,337	\$11,757	11.5%	\$26,590	\$107,400	\$4,330,900	2.1%	1.8%
Montcalm	\$3,051,761	1.0%	\$37,181	841	\$13,272	1,516	\$5,340	7.6%	\$17,616	\$73,400	\$3,111,900	2.0%	1.2%
Mott	\$14,955,771	5.1%	\$182,207	3,521	\$55,598	10,211	\$35,978	11.5%	\$26,577	\$300,400	\$15,190,800	1.6%	5.0%
Muskegon	\$8,493,256	2.9%	\$103,474	1,491	\$23,544	3,617	\$12,745	10.6%	\$24,468	\$164,200	\$8,620,300	1.5%	2.7%
North Central	\$2,992,890	1.0%	\$36,464	808	\$12,751	1,945	\$6,852	8.7%	\$20,105	\$76,200	\$3,056,100	2.1%	1.3%
Northwestern	\$8,662,037	3.0%	\$105,529	1,527	\$24,112	4,525	\$15,945	9.3%	\$21,598	\$167,200	\$8,791,300	1.5%	2.8%
Oakland	\$20,065,054	6.9%	\$244,456	5,202	\$82,142	23,143	\$81,548	12.0%	\$27,888	\$436,000	\$20,413,500	1.7%	7.2%
Schoolcraft	\$11,852,149	4.1%	\$144,398	4,515	\$71,286	10,881	\$38,339	8.4%	\$19,547	\$273,600	\$12,074,100	1.9%	4.5%
Southwestern	\$6,296,647	2.2%	\$76,711	921	\$14,535	2,675	\$9,424	3.3%	\$7,563	\$108,200	\$6,377,200	1.3%	1.8%
St Clair County	\$6,726,704	2.3%	\$81,952	1,575	\$24,862	3,923	\$13,823	7.5%	\$17,291	\$137,900	\$6,835,200	1.6%	2.3%
Washtenaw	\$12,295,224	4.2%	\$149,800	7,952	\$125,558	11,267	\$39,701	10.7%	\$24,658	\$339,700	\$12,581,700	2.3%	5.6%
Wayne County	\$15,867,919	5.4%	\$193,319	4,841	\$76,434	14,283	\$50,327	8.5%	\$19,590	\$339,700	\$16,138,200	1.7%	5.6%
West Shore	\$2,308,320	0.8%	\$28,122	475	\$7,493	1,162	\$4,095	0.9%	\$1,968	\$41,700	\$2,339,900	1.4%	0.7%
TOTAL:	\$292,396,900	100.0%	\$3,562,300	78,960	\$1,246,805	202,193	\$712,460	230.8%	\$534,345	\$6,055,900	\$297,175,300		100.0%
2% New Funding:	\$5,847,100									Skilled trades (15%):	\$1,068,700	\$1,068,700	
Reallocated LSV:	\$1,277,500									TOTAL:	\$7,124,600	\$298,244,000	
Total Distributed:	\$7,124,600									Percent increase:		2.0%	

- Notes:
- The \$1,277,500 allocated for Local Strategic Value (LSV) in FY13 is combined with the new operations funding and distributed to each college through this formula.
 - All calculations are based on a 2 year average of FY11 and FY12 data. The FY13 enacted formula is the source of all methodology for existing metrics.
 - The Agriculture and Agricultural Operations CIP code is added to the 4x weighted category for the completions metric. All other weighting remains the same.
 - Contact Hour Equated Students and Adjusted Administrative Cost data are preliminary data provided by the Workforce Development Agency. Completions data are from IPED5.
 - Adjusted Administrative Cost percentages are subtracted from a ceiling of 23%. The ceiling was 20% in the FY13 enacted formula.
 - Skilled Trades allocations will not be known until all community colleges submit placement data in July 2014.

FY14 Executive Recommendation
State Budget Office
February 7, 2013

**STATE BUILDING AUTHORITY RENT DETAIL
FOR UNIVERSITIES AND COMMUNITY COLLEGES**

	<u>FY 2014 Projected</u>	<u>% of Subtotal</u>
<u>UNIVERSITIES:</u>		
Central	\$9,155,600	7.30%
Eastern	\$5,234,800	4.18%
Ferris	\$6,360,600	5.07%
Grand Valley	\$4,277,000	3.41%
Lake Superior	\$915,600	0.73%
Michigan State	\$16,194,400	12.92%
Michigan Tech	\$7,692,200	6.14%
Northern	\$8,062,600	6.43%
Oakland	\$10,791,500	8.61%
Saginaw Valley	\$9,833,700	7.84%
UM - Ann Arbor	\$9,212,000	7.35%
UM - Dearborn	\$6,332,400	5.05%
UM- Flint	\$2,871,400	2.29%
Wayne State	\$13,079,500	10.43%
Western	\$15,357,300	12.25%
Subtotal	<u>\$125,370,600</u>	<u>100.00%</u>

COMMUNITY COLLEGES:

Alpena	\$434,500	1.55%
Bay de Noc	\$644,500	2.29%
Delta	\$2,877,700	10.24%
Glen Oaks	\$124,900	0.44%
Gogebic	\$78,100	0.28%
Grand Rapids	\$1,700,400	6.05%
Henry Ford	\$1,126,800	4.01%
Jackson	\$1,809,500	6.44%
Kalamazoo	\$1,489,300	5.30%
Kellogg	\$527,900	1.88%
Kirtland	\$368,800	1.31%
Lake Michigan	\$345,200	1.23%
Lansing	\$617,600	2.20%
Macomb	\$1,332,900	4.74%
Mid-Michigan	\$928,900	3.31%
Monroe	\$1,375,600	4.90%
Montcalm	\$1,015,700	3.61%
Mott	\$1,830,400	6.51%
Muskegon	\$201,000	0.72%
North Central	\$476,300	1.70%
Northwestern	\$1,324,800	4.71%
Oakland	\$472,100	1.68%
Schoolcraft	\$1,569,500	5.59%
Southwestern	\$538,600	1.92%
St. Clair	\$361,400	1.29%
Washtenaw	\$2,023,100	7.20%
Wayne County	\$1,918,700	6.83%
West Shore	\$585,800	2.08%
Subtotal	<u>\$28,100,000</u>	<u>100.00%</u>
TOTAL	<u>\$153,470,600</u>	



STATE BUDGET OFFICE
February 7, 2013

Disaster and Emergency Contingency Fund

Proposal

The Governor's fiscal year 2014 budget includes the creation of a Disaster and Emergency Contingency Fund. This fund will enable rapid emergency response in the protection of Michigan residents, state resources and private property in the event of a major natural disaster.

The proposal will amend Act 390 of 1976 (Emergency Management Act) by renaming the current "disaster contingency fund" to "disaster and emergency contingency fund," add \$4.0 million to the fund in fiscal year 2014 and another \$4.0 million in fiscal year 2015, and expand the scope of the fund to include all state declared emergencies.

For quick response in case of emergency, boilerplate is added to the departments of State Police and Natural Resources to provide automatic authorization (capped at \$800,000) to cover costs related to any disaster defined in Act 390 of 1976.

Background

Natural disasters can have a significant impact on residents, local communities and state resources and the state must have the capacity to respond to these emergencies and ensure that communities receive assistance quickly.

The state has spent over \$12 million in response to disasters since 2005. The largest state general fund expenditures occurred as recently as 2012 with the Duck Lake Fire (\$3.1 million) and the Sleeper Lake Fire in 2007 (\$7.9 million). Other disaster expenditures include tornado, wind storm damage, and flooding involving the departments of Natural Resources and State Police. In the past, legislative action has been required to authorize state expenditures for disaster relief. This proposal will speed the state response to emergencies.



STATE BUDGET OFFICE

EDUCATION OMNIBUS BUDGET EXECUTIVE BUDGET FISCAL YEAR 2014 AND 2015

Presented February 7, 2013

The Executive Budget for fiscal year 2014 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 slightly more than \$15 billion - \$13.2 billion for public schools, \$336 million for community colleges and over \$1.4 billion for higher education.

Highlights of the Education Omnibus Budget Bill

- In total, the education omnibus bill is increased by \$363.7 million, or 2.5%, from fiscal year 2013 enacted levels - \$290.5 million in public schools, \$41.8 million in community colleges and \$31.4 million in higher education.

FY2014 Education Omnibus Budget Summary of Appropriations (in millions)

Revenue Sources	K-12 School Aid	Community Colleges	Higher Education	Total
School Aid Fund Revenues	\$11,090.8	\$197.6	\$200.5	\$11,488.9
MPERS Reserve Fund	\$150.0	\$0.0	\$0.0	\$150.0
General Fund	\$230.0	\$138.4	\$1,133.0	\$1,501.3
Other State Restricted	\$0.0	\$0.0	\$0.1	\$0.1
Federal Funds	<u>\$1,764.4</u>	<u>\$0.0</u>	<u>\$97.0</u>	<u>\$1,861.4</u>
Total Appropriations	\$13,235.2	\$336.0	\$1,430.6	\$15,001.8

- Nearly \$600 million of the education budget supports Michigan Public School Employees' Retirement System (MPERS) costs. As part of recent MPERS reforms, a cap of 20.96% of salary and wages was placed on the share of retirement costs that school districts, community colleges and libraries are obligated to pay. The state is required to pay the rest, estimated at an additional 4.56%, or \$436 million, in fiscal year 2014.

**FY2014 Education Omnibus Budget
 MPSERS Appropriations
 (in millions)**

	State share over cap	Total
Community Colleges	\$31.4	\$33.1
Higher Education	\$0.0	\$0.4
School Aid	\$403.3	\$558.3
Libraries	<u>\$1.3</u>	<u>\$1.3</u>
Total Appropriations	\$436.0	\$593.1

- The Executive Budget Recommendation continues to include best practices and performance-based funding for districts, best practices for intermediate school districts, best practices and performance-based funding for public community colleges and universities, and best practices for private colleges and universities.



STATE BUDGET OFFICE February 7, 2013

Food and Agriculture Industry Growth Initiative

Proposal

The Governor's fiscal year 2014 budget provides up to \$3 million general fund for a new Food and Agriculture Industry Growth Initiative; \$1 million in the Michigan Department of Agriculture and Rural Development (MDARD) and \$2 million in the Michigan Strategic Fund (MSF). MDARD will use a competitive grant process to fund research, education, and technical assistance efforts focused on removing barriers and leveraging opportunities identified by food processors, agri-business, and those in agricultural production as critical to business development and growth. Outcomes will help increase sector profitability, aid in business expansion, and increase the overall economic impact on Michigan's economy. MDARD will partner with the food and agriculture industry and institutions of higher education on this proposal. MDARD will also collaborate with MSF in identifying projects that fit within the legal requirements.

Background

Michigan has 2,100 licensed food processors. Currently, only a small portion of our food production potential is captured as the majority of crops and livestock are shipped out of state for processing. The food processing industry has expressed concerns related to barriers to growth including advanced technology needs and the ability to find a trained workforce. MDARD in concert with industry and institutions of higher education can serve as the necessary catalyst to further define the impediments, develop strategies to overcome the challenges, and implement best practices to expand future economic growth.

Implementation Plan

The MDARD Director will form an advisory board consisting of food and agriculture industry representatives who will be charged with identifying barriers and opportunities for growth. The advisory board will then identify the criteria for funding. Funding for this initiative will be distributed via a request for proposal process focusing on those issues identified by the board as most important to meet the long term goals of the industry. Each grantee will be required to identify program outcomes and performance metrics that contribute to the industry's five goals of increasing the economic impact of the food and agriculture industry, increasing agriculture exports, increasing food and agricultural jobs, improving access to healthy foods, and increasing sustainable food and agriculture systems. The proposed grant period is March 1, 2014 to March 1, 2015.



STATE BUDGET OFFICE
February 7, 2013

Hazardous Waste Management Program
Fee Increase

Proposal

The Governor's fiscal year 2014 budget reflects a new system of user charges, developed in consultation with a stakeholder workgroup, to replace the existing fee structure for the hazardous waste management program. The new structure is expected to generate approximately \$2.5 million and includes efficiencies intended to streamline the process. Also included is \$400,000 one-time general fund which combined with the fee revenue provides the minimum level of funding necessary to maintain an authorized state hazardous waste program. A two year sunset is proposed so that the effectiveness of the fee structure in raising the target revenue can be evaluated prior to reauthorization.

Background

The current hazardous waste fee system was developed with the assistance of a stakeholder workgroup in 1998. The intent of the fees at that time was to replace \$1.6 million in transporter licensing fees that was lost when the state joined the National Uniform Hazardous Materials Transportation Program. The fees were intended to be used for the state's 25 percent match for the federal hazardous waste grant. The current fee structure has consistently failed to realize the target revenue. Stakeholder workgroups have been established over the years in an effort to rectify the funding issues; however, the fee structure has never been amended.

In fiscal year 2008, a \$1.8 million infusion of general fund support to the program was provided. However, over the past several years, general fund support has been eliminated. In fiscal year 2012 one-time bridge funding of \$2.0 million surplus revenue from the Small Business Pollution Prevention Assistance Revolving Loan fund was transferred into the program. This funding, intended to help support the program for fiscal year 2012 and fiscal year 2013, will be depleted by the end of fiscal year 2013.

Hazardous Waste Management Program Fee Proposal

New or Increase in Fee	Fee Title	Current Fee	Proposed Fee	% increase	MCL or Boilerplate Section	Current Sunset	Proposed Sunset
Increase Fees	Manifest Processing User Charge	\$8	\$11	38%	324.11135	1-Oct-13	1-Oct-15
	Site id issuance user charge	\$50	\$250	400%	324.11153	1-Oct-13	1-Oct-15
	Treatment, storage or disposal facility user charge	\$2,000	\$6,000	200%	324.11153	1-Oct-13	1-Oct-15
	Used oil handler user charge	\$100	\$500	400%	324.11153	1-Oct-13	1-Oct-15
	Administrative fine	5% (not to exceed 25% of total amount owed)	50% (not to exceed 100% of amount owed)	900%	324.11153 324.11135	1-Oct-13	1-Oct-15
Eliminate fees	Small quantity generator user charge	\$100	\$0	-100%	324.11153	1-Oct-13	n/a
	Large quantity generator user charge	\$400	\$0	-100%	324.11153	1-Oct-13	n/a
	Very large quantity generator user charge	\$1,000	\$0	-100%	324.11153	1-Oct-13	n/a
New Fees	Annual site id maintenance user charge	n/a	\$100	100%	324.11153	n/a	1-Oct-15
	Land disposal facility user charge	n/a	\$9,000	100%	324.11153	n/a	1-Oct-15
	Post closure user charge	n/a	\$4,000	100%	324.11153	n/a	1-Oct-15
	Corrective action with engineered controls user charge	n/a	\$4,000	100%	324.11153	n/a	1-Oct-15
	Corrective action with institutional controls user charge	n/a	\$500	100%	324.11153	n/a	1-Oct-15
	Reclamation without storage user charge	n/a	\$1,000	100%	324.11153	n/a	1-Oct-15

Hazardous Waste Management Program Fee Proposal

New or Increase in Fee	Fee Title	Current Fee	Proposed Fee	% increase	MCL or Boilerplate Section	Current Sunset	Proposed Sunset
New Fees	Used oil burners and marketers user charge	n/a	\$200	100%	324.11153	n/a	1-Oct-15
	Universal waste processor user charge	n/a	\$250	100%	324.11153	n/a	1-Oct-15
	Transfer facility user charge	n/a	\$250	100%	324.11153	n/a	1-Oct-15
	Generator user charge (0.25 tons to less than 0.3 tons)	n/a	\$100	100%	324.11153	n/a	1-Oct-15
	Generator user charge (0.3 tons to less than 0.5 tons)	n/a	\$200	100%	324.11153	n/a	1-Oct-15
	Generator user charge (0.5 tons to less than 1 ton)	n/a	\$250	100%	324.11153	n/a	1-Oct-15
	Generator user charge (1 ton to less than 2 tons)	n/a	\$300	100%	324.11153	n/a	1-Oct-15
	Generator user charge (2 tons to less than 3 tons)	n/a	\$400	100%	324.11153	n/a	1-Oct-15
	Generator user charge (3 tons to less than 5 tons)	n/a	\$500	100%	324.11153	n/a	1-Oct-15
	Generator user charge (5 tons to less than 10 tons)	n/a	\$600	100%	324.11153	n/a	1-Oct-15
	Generator user charge (10 tons to less than 20 tons)	n/a	\$700	100%	324.11153	n/a	1-Oct-15
	Generator user charge (20 tons to less than 1,000 tons)	n/a	\$1,500	100%	324.11153	n/a	1-Oct-15
	Generator user charge (1,000 tons to less than 5,000 tons)	n/a	\$2,000	100%	324.11153	n/a	1-Oct-15
	Generator user charge (5,000 or more tons)	n/a	\$2,500	100%	324.11153	n/a	1-Oct-15



STATE BUDGET OFFICE
February 7, 2013

Fiscal Year 2014 Executive Recommendation

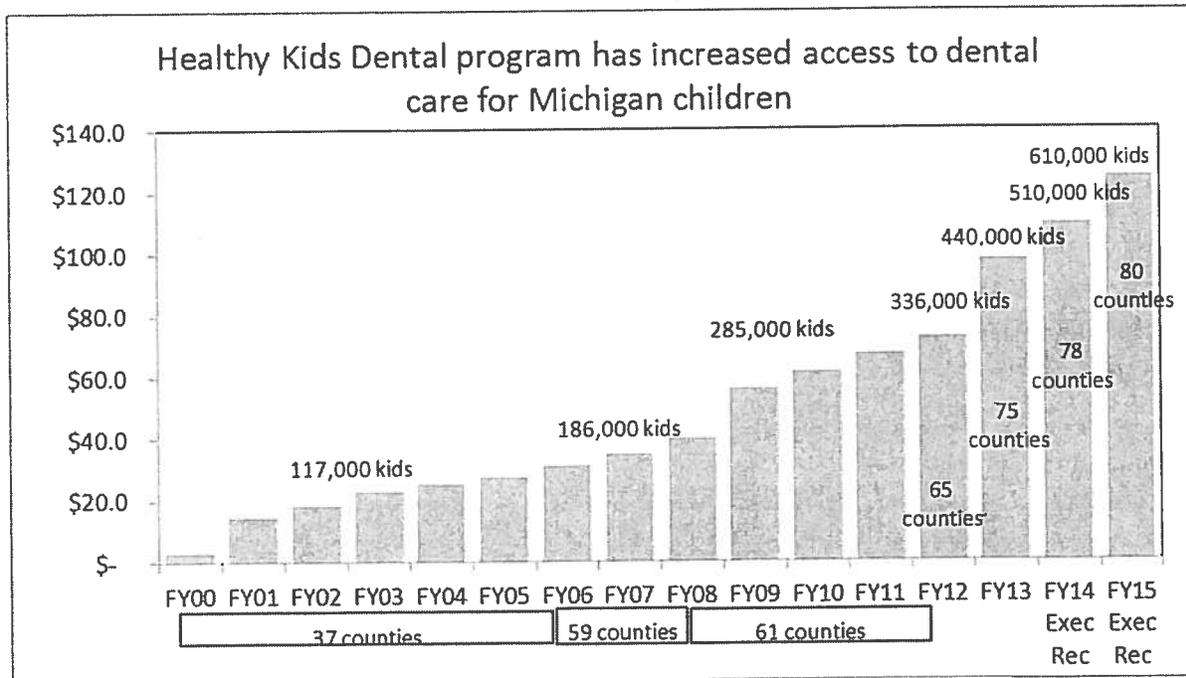
Healthy Kids Dental

Proposal:

The Fiscal Year 2014 Executive Recommendation provides funds for a continued phased in statewide expansion of the Healthy Kids Dental program to an additional 70,500 children in Ingham, Ottawa, and Washtenaw counties financed with \$11.6 million gross, \$3.9 million general fund.

Background Information:

Currently, Healthy Kids Dental is available in 75 of Michigan's 83 counties. The Department of Community Health contracts with Delta Dental to administer the program, which in turn provides access to dentists in the Delta Dental service network. The program currently serves approximately 440,000 children. With the continued phase in of the program, roughly 70,500 additional children will be enrolled.



Children in the Healthy Kids Dental program have significantly better access to dentists and dental services than those who are served in the Medicaid fee for service program. Evidence indicates that access to quality oral health services leads to better overall health.



STATE BUDGET OFFICE
February 7, 2013

Higher Education
FY 2014 Executive Budget Highlights

Overview: State appropriations for state universities receive a 2 percent increase, allocated via the formula enacted in FY 2013. Growth in financial aid is funded, but reforms are proposed to constrain future growth in the Tuition Incentive Program. New best practices are recommended for both public and private institutions.

FY 2013 allocations for performance funding and tuition restraint were built into the FY 2014 base operations appropriations. The Governor's planning budget for FY 2015 similarly builds in the FY 2014 performance funding allocations.

Operations: A total of \$24.9 million in general fund 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. The prerequisites for funding and the formula itself are the same as those enacted in FY 2013, providing stability in state appropriations to universities, and allowing for better long-range institutional planning. The metrics are as follows:

- The two year average number of undergraduate degree and certificate completions in critical skills areas. One-sixth of the formula.
- Research and development expenditures for only those universities that are ranked as research universities under Carnegie Classifications. One-twelfth of the formula.
- Six year graduation rate, scored by comparison with national Carnegie Classification peers. One-sixth of the formula.
- Total degree completions, scored by comparison with national Carnegie Classification peers. One-sixth of the formula.
- Administrative costs as a percentage of total core expenditures, scored by comparison with national Carnegie Classification peers. One-sixth of the formula.
- Compliance with tuition restraint, with any increases held under 4.0 percent. Eligible universities that enact a smaller increase will receive a larger payment. Allocations will not be known until all universities submit their academic year 2013-14 tuition and fees rates later this year. One quarter of the formula.

Michigan State University AgBioResearch and Extension also receive a 2 percent increase, \$1.1 million in general fund.

Student Financial Aid Growth & Reform: A total of \$101.6 million is recommended for student financial aid. This is an increase of \$3.4 million in general fund from FY 2013, attributable to a \$3.2 million increase in the Tuition Incentive

Program (TIP) and a \$200,000 increase in the Children of Veterans and Officer's Survivors Tuition Grant Program.

To bend the cost curve downward on TIP, however, the Governor proposes implementing a cap on Phase I reimbursement of tuition at public universities in FY 2015. This cap would equal 300 percent of the statewide average in-district community college tuition on a per-credit basis. TIP is also proposed as a statutory program for the first time, bringing permanence to this financial aid program for Medicaid-eligible students.

Best Practices: For greater transparency, public universities are asked to continue their transparency and performance dashboard websites. Added this year are the following best practices:

- Publishing revenue and expenditure projections for both FY 2014 & FY 2015.
- Listing detailed debt service obligations.
- Reporting the number of students that received a Pell Grant and completed a program.

At the same time, private colleges and universities are asked to comply with best practices to remain eligible to receive Tuition Grant funding:

- Reporting P-20 longitudinal data to the Center for Educational Performance and Information.
- Reporting the number of students that received a Tuition Grant and completed a program.
- Reporting the number of students that received a Tuition Grant and required remedial education.
- Reporting the number of students that received a Pell Grant and completed a program.

College Access Program: Transferred from the Department of Education to the Higher Education budget for better mission alignment is \$2 million general fund to support the college access efforts of the Michigan College Access Network. This nets to zero statewide.

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 \$125.4 million in general fund, although appropriated in another budget, represents additional state support for higher education.

**FY 2014 University Performance Funding
2% Increase From FY 2013 in Operations Funding**

Funding per unit: % of formula:	Funding Proportional to Share of Total				Scored vs. National Carnegie Peers						Total Performance Funding	FY14 & FY15 Executive Rec.	% Change from FY13	% of Total Perf. Funding	
	\$290 per degree		\$0.0016 per dollar		\$142,925 per point		\$138,161 per point		\$269,059 per point						
	16.7%		8.3%		16.7%		16.7%		16.7%						
	Critical Skills Undergrad Awards	Performance Funding	Research & Development Expenditures	Performance Funding	Six-year Graduation Rate	Performance Funding	Total Degree Completions	Performance Funding	Instit. Support as % of Core Expenditures	Performance Funding					
FY13 Current Law															
Michigan State	\$245,037,000	2,663.8	\$773,473	\$293,704,711	\$474,036	3	\$428,776	3	\$414,483	1	\$296,060	\$2,386,800	\$247,423,800	1.0%	12.8%
UM-Ann Arbor	\$274,156,700	2,629.0	\$763,383	\$728,871,000	\$1,176,389	3	\$428,776	3	\$414,483	1	\$296,060	\$3,079,100	\$277,235,800	1.1%	16.5%
Wayne State	\$183,398,300	659.0	\$191,354	\$163,944,192	\$264,604	0	\$0	0	\$0	0	\$0	\$456,000	\$183,854,300	0.2%	2.4%
Michigan Tech	\$42,579,100	903.1	\$262,240	\$52,917,000	\$85,407	3	\$428,776	3	\$414,483	0	\$0	\$1,190,900	\$43,770,000	2.8%	6.4%
Western	\$95,487,500	1,037.0	\$301,114	\$27,538,940	\$44,448	1	\$142,925	1	\$138,161	3	\$888,179	\$1,514,900	\$97,002,400	1.6%	8.1%
Central	\$71,352,300	680.5	\$197,597	\$7,527,977	\$12,150	2	\$285,851	2	\$276,322	3	\$888,179	\$1,660,100	\$73,012,400	2.3%	8.9%
Oakland	\$44,964,100	918.0	\$266,560	\$9,531,111	\$15,383	0	\$0	3	\$414,483	0	\$0	\$696,400	\$45,660,500	1.5%	3.7%
Eastern	\$66,466,700	642.0	\$186,418			0	\$0	3	\$414,483	0	\$0	\$600,900	\$67,067,600	0.9%	3.2%
Ferris	\$44,250,700	1,212.3	\$352,001			3	\$428,776	3	\$414,483	3	\$888,179	\$2,083,400	\$46,334,100	4.7%	11.2%
Grand Valley	\$55,436,000	1,181.6	\$343,090			3	\$428,776	3	\$414,483	2	\$592,119	\$1,778,500	\$57,214,500	3.2%	9.5%
Saginaw Valley	\$25,656,700	361.5	\$104,969			3	\$428,776	0	\$0	0	\$0	\$533,700	\$26,190,400	2.1%	2.9%
UM-Dearborn	\$22,237,300	356.0	\$103,372			1	\$142,925	0	\$0	0	\$0	\$246,300	\$22,483,600	1.1%	1.3%
UM-Flint	\$19,526,600	375.0	\$108,889			3	\$428,776	3	\$414,483	0	\$0	\$952,100	\$20,478,700	4.9%	5.1%
Northern	\$40,856,600	472.2	\$137,109			1	\$142,925	2	\$276,322	1	\$296,060	\$852,400	\$41,709,000	2.1%	4.6%
Lake Superior	\$12,046,100	183.4	\$53,265			3	\$428,776	1	\$138,161	0	\$0	\$620,200	\$12,666,300	5.1%	3.3%
TOTAL:	\$1,243,451,700	14,274.3	\$4,144,833	\$1,284,034,931	\$2,072,417	29	\$4,144,833	30	\$4,144,833	14	\$4,144,833	\$18,651,700	\$1,262,103,400	1.5%	100.0%
New Funding:	\$24,869,000			<u>Scoring</u>						<u>Tuition Restraint (25%):</u>		\$6,217,300			
				3 = Improving over 3 years							<u>Total:</u>		\$24,869,000		
				2 = Top 20% nationally							<u>% Increase:</u>		2.0%		
				1 = Above national median											

Notes:

- 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 FY10, with growth compared to FY07.
- Data for critical skills awards are from HEIDI. Average of FY11 and FY12 reported data. Methodology from FY13 enacted formula.
- Business & Multidisciplinary Studies CIP code subgroups are removed from the list of critical skills CIP codes used in the FY13 enacted formula.
- Data for research & development expenditures are from IPEDS from FY11. Methodology provided by BLM/AEG.
- Institutional support as a percentage of core expenditures measures administrative spending. A lower percentage yields a better score.
- Allocations for tuition restraint will not be known until all universities submit their FY14 tuition actions.

FY14 Executive Recommendation
February 7, 2013
State Budget Office

**STATE BUILDING AUTHORITY RENT DETAIL
FOR UNIVERSITIES AND COMMUNITY COLLEGES**

	<u>FY 2014 Projected</u>	<u>% of Subtotal</u>
<u>UNIVERSITIES:</u>		
Central	\$9,155,600	7.30%
Eastern	\$5,234,800	4.18%
Ferris	\$6,360,600	5.07%
Grand Valley	\$4,277,000	3.41%
Lake Superior	\$915,600	0.73%
Michigan State	\$16,194,400	12.92%
Michigan Tech	\$7,692,200	6.14%
Northern	\$8,062,600	6.43%
Oakland	\$10,791,500	8.61%
Saginaw Valley	\$9,833,700	7.84%
UM - Ann Arbor	\$9,212,000	7.35%
UM - Dearborn	\$6,332,400	5.05%
UM- Flint	\$2,871,400	2.29%
Wayne State	\$13,079,500	10.43%
Western	\$15,357,300	12.25%
Subtotal	<u>\$125,370,600</u>	<u>100.00%</u>

COMMUNITY COLLEGES:

Alpena	\$434,500	1.55%
Bay de Noc	\$644,500	2.29%
Delta	\$2,877,700	10.24%
Glen Oaks	\$124,900	0.44%
Gogebic	\$78,100	0.28%
Grand Rapids	\$1,700,400	6.05%
Henry Ford	\$1,126,800	4.01%
Jackson	\$1,809,500	6.44%
Kalamazoo	\$1,489,300	5.30%
Kellogg	\$527,900	1.88%
Kirtland	\$368,800	1.31%
Lake Michigan	\$345,200	1.23%
Lansing	\$617,600	2.20%
Macomb	\$1,332,900	4.74%
Mid-Michigan	\$928,900	3.31%
Monroe	\$1,375,600	4.90%
Montcalm	\$1,015,700	3.61%
Mott	\$1,830,400	6.51%
Muskegon	\$201,000	0.72%
North Central	\$476,300	1.70%
Northwestern	\$1,324,800	4.71%
Oakland	\$472,100	1.68%
Schoolcraft	\$1,569,500	5.59%
Southwestern	\$538,600	1.92%
St. Clair	\$361,400	1.29%
Washtenaw	\$2,023,100	7.20%
Wayne County	\$1,918,700	6.83%
West Shore	\$585,800	2.08%
Subtotal	<u>\$28,100,000</u>	<u>100.00%</u>
TOTAL	<u><u>\$153,470,600</u></u>	



STATE BUDGET OFFICE
February 7, 2013

Human Services
Child Welfare Improvements

Proposal:

Child welfare improvements continue to be a priority for fiscal year 2014. The Executive Recommendation invests over \$970 million gross (\$369 million general fund) in Michigan's child welfare system. These funds support programs that provide supervision and care for children, while working to support their families, or when necessary, find other permanent placements.

Recommendation Highlights

The Executive Recommendation for child welfare improvements includes the following initiatives:

Child Welfare Staffing Enhancement: In order to continue meeting requirements of the Modified Settlement Agreement and Consent Order, the Executive Recommendation includes \$26.3 million gross (\$8.2 million general fund) to support staffing needs for child welfare services. This investment, combined with prior authorization in fiscal year 2013, will enable the Department of Human Services to hire 577 FTE's and meet federally mandated staffing ratios.

Family Preservation Programs Expansion: The Executive Recommendation includes \$2.5 million gross in one-time funding to expand three critical family preservation programs. This investment will allow the Family Reunification Program (FRP) to begin serving counties in Northern Michigan and move toward statewide implementation. Expansion of the Families Together Building Solutions (FTBS) Program will support the department's Pathways to Potential initiative and bring additional prevention services to Macomb and Muskegon counties. Finally, these funds will support statewide expansion of the Supported Visitation Program, which provides home-based parent education services.

Other Child Welfare Investments: In addition to sustained investments from fiscal year 2013 the Executive Recommendation includes \$190.8 million (\$78.9 million general fund) to support foster care payments for 6,600 children in out-of-home care, and \$217.4 million (\$85.5 million general fund) to support 27,000 adopted children.

Background Information:

In July 2008, the state reached an agreement with Children's Rights Inc., a child advocacy organization, settling a federal lawsuit over Michigan's child welfare system. The terms of the agreement included a variety of measures to improve outcomes for vulnerable children. Including additional new funding for fiscal year 2014, the state has invested \$335.3 million gross (\$206.5 million general fund) over the past 7 years toward improvements in the child welfare system.

Children's Rights Settlement Funding History – New Funding Annually
(amounts in thousands)

	FY2008 Funding	FY2009 Funding	FY2010 Funding	FY2011 Funding	FY2012 Funding	FY2013 Funding	TOTAL NEW FUNDING TO DATE 2008-2013	FY2014 Executive Recommendation	GRAND TOTAL NEW FUNDING 2008-2014
1 New Staffing	\$22,277.8	\$25,086.0	\$25,267.7	\$47,838.6	\$29,723.6	\$23,320.3	\$173,514.0	\$26,297.3	\$199,811.3
—FTEs	276.0	377.0	152.0	684.0	0.0	577.0	2,066.0	0.0	2,066.0
2 Private Agency Rates	\$4,837.0	\$6,233.6	\$24,042.2	\$7,693.5	\$32,878.7	\$0.0	\$75,685.0	\$0.0	\$75,685.0
3 Caseload Adjustments	\$12,807.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$12,807.0	\$0.0	\$12,807.0
4 Information Technology System	\$0.0	\$0.0	\$0.0	\$10,454.0	\$3,577.5	\$9,105.3	\$23,136.8	\$0.0	\$23,136.8
5 Monitoring and Settlement Costs	\$0.0	\$8,002.0	(\$1,776.2)	(\$3,700.0)	\$4,000.0	\$0.0	\$6,525.8	\$0.0	\$6,525.8
6 Specialized Mental Health Services	\$0.0	\$0.0	\$1,769.0	\$0.0	\$0.0	\$0.0	\$1,769.0	\$0.0	\$1,769.0
7 New Prevention Programming	\$0.0	\$0.0	\$0.0	\$5,912.4	\$0.0	\$0.0	\$5,912.4	\$2,500.0	\$8,412.4
8 Expansion in Program Eligibility	\$0.0	\$0.0	\$0.0	\$7,175.7	\$0.0	\$0.0	\$7,175.7	\$0.0	\$7,175.7
GROSS FUNDING	\$39,921.8	\$39,321.6	\$49,302.7	\$75,374.2	\$70,179.8	\$32,425.6	\$306,525.7	\$28,797.3	\$335,323.0
Federal	\$8,782.7	\$7,833.4	\$19,822.6	\$26,375.1	\$20,477.6	\$20,580.0	\$103,871.4	\$20,573.1	\$124,444.5
Local	\$0.0	\$0.0	\$3,654.3	\$757.1	\$0.0	\$0.0	\$4,411.4	\$0.0	\$4,411.4
General Fund	\$31,139.1	\$31,488.2	\$25,825.8	\$48,242.0	\$49,702.2	\$11,845.6	\$198,242.9	\$8,224.2	\$206,467.1

FY13 IT funding

*Funding requested in the Department of Technology, Management, and Budget (DTMB) recommendation.

FY13/14 New staffing

*DHS proposes hiring 577 additional FTEs in two phases over FY13 and FY14

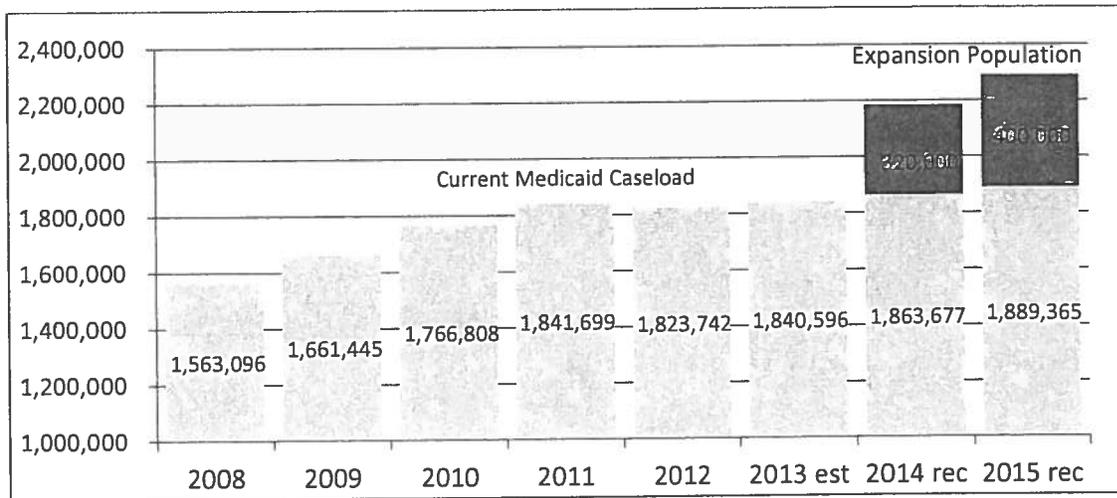


STATE BUDGET OFFICE
February 7, 2013

Medicaid Expansion

Proposal:

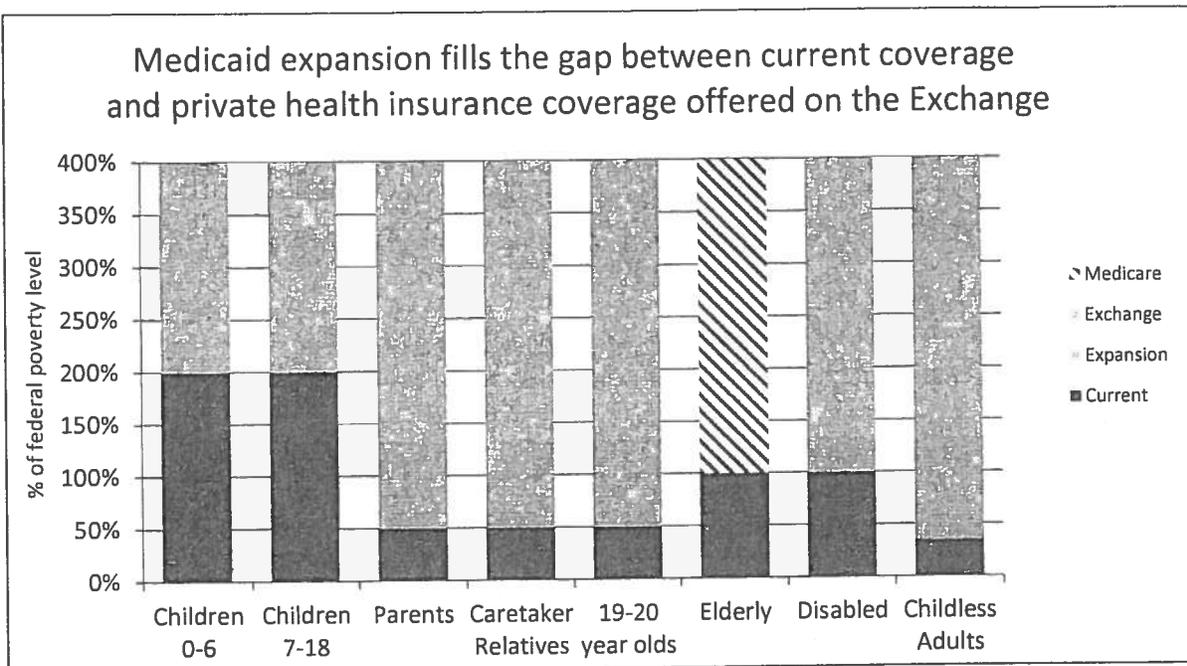
The Fiscal Year 2014 Executive Recommendation supports the expansion of Medicaid to all Michiganders who are not covered by the current program up to 133% of the federal poverty level (about \$15,300 for single individual) financed by the federal government. About 320,000 individuals will qualify for the expansion next fiscal year.



Background Information:

Medicaid is a health insurance program for low income individuals and families, financed and administered by the state and federal governments. In Michigan, approximately 1.8 million people are currently eligible for Medicaid. Of that amount, about 1.1 million, mostly children and adults who are under age 65 and not disabled, are enrolled in health maintenance organizations where their care is managed by a primary care physician and a medical home is established.

Under the Affordable Care Act, states have the option to expand Medicaid to individuals whose income is below 133% of the federal poverty level. In Michigan, expansion will provide health care to an additional 320,000 people in fiscal year 2014 and will grow to more than 470,000 by 2021. Since Michigan already covers all children up to 200% of the federal poverty level, the expansion will affect adults between 19 and 65 years of age. These individuals will enroll in an HMO that will serve as their medical home to cover all medically necessary services as well as preventive physical and mental health care.



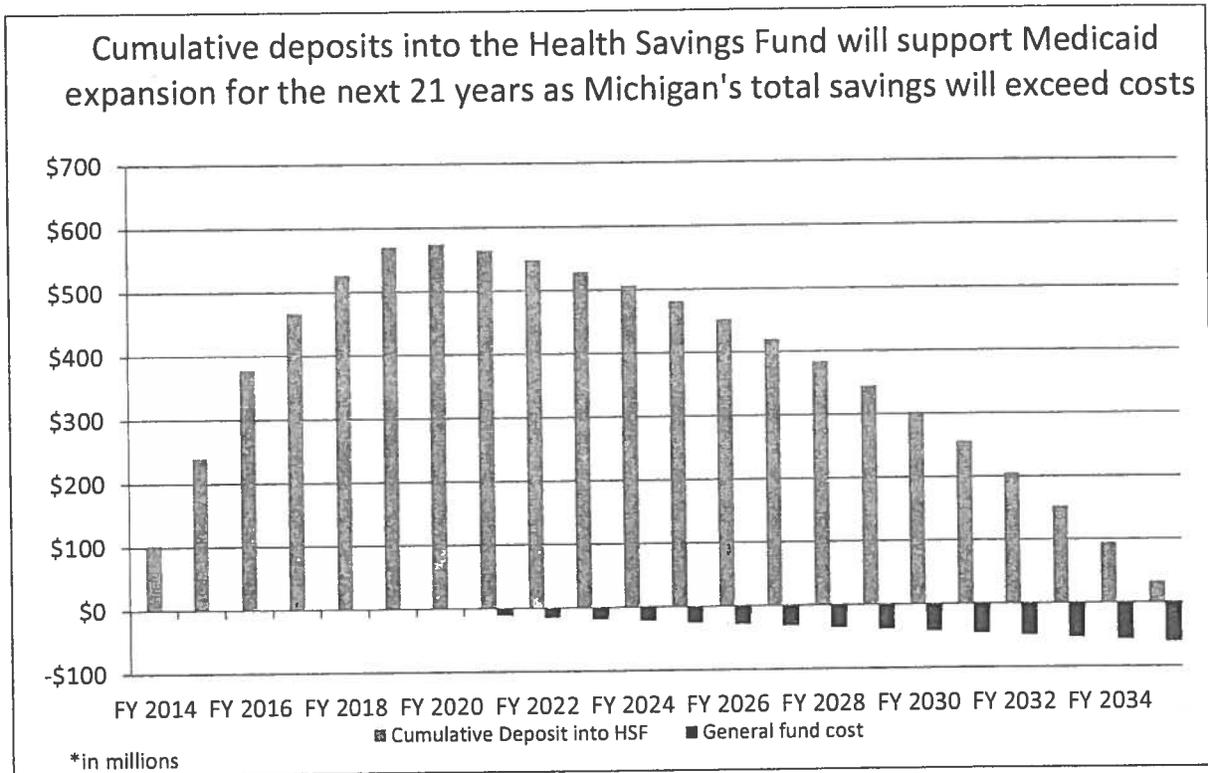
The federal government will pay for Medicaid expansion with 100% federal funds for the first few years. A five percent state cost matching requirement begins in 2017 and gradually increases to ten percent by 2020.

*Dollars in millions	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
New eligibles from Medicaid expansion	320,000	400,000	450,000	456,000	460,000	464,000	468,000
Total state savings from Medicaid expansion	(\$205.9)	(\$274.5)	(\$276.6)	(\$177.4)	(\$119.6)	(\$87.1)	(\$8.8)
Net savings after 50% Deposit into the Michigan Health Savings Fund	(\$103.0)	(\$137.3)	(\$138.3)	(\$88.7)	(\$59.8)	(\$43.6)	(\$4.4)
<i>Cumulative Deposit to the Health Savings Fund</i>	(\$103.0)	(\$240.2)	(\$378.6)	(\$467.2)	(\$527.0)	(\$570.6)	(\$574.9)

State savings will occur in fiscal year 2014 and future years because the federal government will pay 100% of Medicaid costs for some newly eligible adults who are currently enrolled in state funded low income programs. These state funded programs

will be eliminated and those clients will receive services from Medicaid instead. These savings include state funded health services for prisoners and parolees which will be financed with 100% federal funds instead of 100% state dollars.

The Governor's budget recommendation calls for a deposit of 50% of the savings achieved from the expansion into the Michigan Health Savings Fund for the first seven years, through 2020. The fiscal year 2014 deposit will be \$103 million. Deposits in this fund will accumulate and will be used to help cover the increased share of the costs when the federal government scales back its funding in future years. By 2018 there will be over half a billion dollars (\$527 million) in the Fund.





STATE BUDGET OFFICE
February 7, 2013

Department of Natural Resources
Fee Proposals

Proposal

The Governor's fiscal year 2014 budget includes a hunting and fishing license fee structure that is simple, fair and efficient. A base license will allow hunters to hunt small game and waterfowl. Additional tags can be added for deer, turkey, bear, elk, and fur bearing animals. Separate tags will be offered for wolf and moose. Three categories of fishing licenses will be offered along with discounts for senior citizens and members of the military. All other discounts will be eliminated. Revenue generated from hunting and fishing licenses will be deposited into the game and fish protection fund.

In addition, changes to the off-road vehicle (ORV) license fees will position Michigan as *the* Trail State. Fees are proposed to be increased from \$16.25 to \$26.25 and a new fee of \$10 to ride ORVs on state trails is recommended. This proposal is expected to generate sufficient annual revenue to enhance and expand the ORV trail network, increase maintenance and restoration of the trails and provide additional law enforcement. Revenue generated from the ORV license fees will be deposited into the off-road vehicle trail improvement fund.

Background

The current 227 hunting and fishing license categories will be reduced to 31 and costs will be spread equally among adults. The proposed fee structure will allow Michigan to remain price-competitive with neighboring Midwest states. The proposed resident fishing license will be less than the resident all-species fee charged in Illinois, Indiana, Minnesota, Pennsylvania, and Wisconsin. It will cost less to hunt a deer in Michigan than in Illinois and Ohio. The proposal recommends an implementation date of March 1, 2014 to coincide with the beginning of the 2014 license year and is expected to generate an additional \$11.8 million in fiscal year 2014. Fees were last increased by \$1 in 2005.

Additional resources are needed to achieve the Governor's vision of making Michigan *the* Trail State. The department worked collaboratively with the Michigan Snowmobile and Trail Advisory Committee's ORV Advisory Group to determine what level of investment was needed to achieve a premier trail network. The proposed increase is estimated to generate \$2.7 million in additional revenue to invest in the program.

These proposals will require changes to part 435 of the Natural Resources and Environmental Protection Act (1994 PA 451).

**Department of Natural Resources
FY 2014 Fee Proposals**

Type	Categories	Current Fee	Proposed Fee	Difference	% Change
Hunting	Antlerless Deer	15.00	20.00	5.00	33%
Hunting	Application	4.00	5.00	1.00	25%
Hunting	Base Junior	n/a	5.00	n/a	n/a
Hunting	Base Junior Apprentice	n/a	5.00	n/a	n/a
Hunting	Base Nonresident	n/a	150.00	n/a	n/a
Hunting	Base Nonresident Apprentice	n/a	150.00	n/a	n/a
Hunting	Base Resident	n/a	10.00	n/a	n/a
Hunting	Base Resident Apprentice	n/a	10.00	n/a	n/a
Hunting	Base Senior	n/a	4.00	n/a	n/a
Hunting	Base Senior Apprentice	n/a	4.00	n/a	n/a
Hunting	Bear	15.00	25.00	10.00	67%
Hunting	Deer	15.00	20.00	5.00	33%
Hunting	Deer Senior	6.00	8.00	2.00	33%
Hunting	Elk	100.00	100.00	0.00	0%
Fishing	Fish 24 hour	7.00	15.00	8.00	114%
Fishing	Fish All-Species Senior	11.20	10.00	-1.20	-11%
Fishing	Fish Nonresident All-Species	42.00	75.00	33.00	79%
Fishing	Fish Resident All-Species	28.00	25.00	-3.00	-11%
Hunting	Fur Harvester	15.00	15.00	0.00	0%
Hunting	Fur Harvester Senior	6.00	6.00	0.00	0%
Hunting	Managed Waterfowl Area	13.00	13.00	0.00	0%
Hunting	Mentored Youth	7.50	7.50	0.00	0%
Hunting	Military (Active Duty & Disabled Vets)	1.00	0.00	-1.00	-100%
Hunting	Moose	100.00	100.00	0.00	0%
Hunting	Sportcard	1.00	1.00	0.00	0%
Hunting	Turkey Fall	15.00	15.00	0.00	0%
Hunting	Turkey Fall Senior	6.00	6.00	0.00	0%
Hunting	Turkey Spring	15.00	15.00	0.00	0%
Hunting	Turkey Spring Senior	6.00	6.00	0.00	0%
Hunting	Wolf Nonresident	500.00	500.00	0.00	0%
Hunting	Wolf Resident	100.00	100.00	0.00	0%
ORV	License Fee	16.25	26.25	10.00	62%
ORV	ORV additional fee to ride on state trails	n/a	10.00	n/a	n/a

Notes:

- * Retains senior discounts at 60% for all currently eligible licenses except for bear and 24 hour fishing.
- * Does not include 15% multi-license discount.
- * Require that all replacement licenses are charged at the same price as the original licenses.



STATE BUDGET OFFICE
February 7, 2013

School Aid
Digital Learning Initiative

The fiscal year 2014 Executive Recommendation includes \$10 million to expand blended and online learning through a new Digital Learning initiative. After making large investments in technology, most schools continue to face serious challenges in transforming their delivery models to extend, accelerate, and deepen student learning while integrating technology to personalize instruction. Innovative teaching strategies and new uses for technology in the classroom will help to push Michigan's students towards greater academic achievement, educational engagement, post-secondary readiness, and career preparation.

To further this process in Michigan, the Governor has recommended expanding the role of the Michigan Virtual University in the following ways:

- Expand statewide professional development and train a minimum of 1,000 education personnel in Michigan.
 - Michigan Virtual University will launch a statewide campaign to enroll teachers, administrators, and school board members in the *Mastery Series*, an extensive professional development program that introduces educators to instructional strategies for online and blended learning.
- Support and accelerate online and blended learning through a collaborative statewide program with ISDs.
 - Michigan Virtual University will administer a \$2.2 million competitive grant program to intermediate school districts that support their local districts in designing, implementing, and evaluating learning environments that make substantial use of blended and online learning strategies.
- Support a cohort of higher education faculty to implement a new teacher endorsement in online and blended learning.
 - Michigan Virtual University will partner with a minimum of ten higher education institutions that operate teacher preparation programs in support of higher education faculty who will work on research and teaching efforts to implement a new teacher endorsement credential in online and blended learning.
- Research and establish an internet platform to create student-centric learning tools and resources.
 - Michigan Virtual University will establish an easy-to-use online system to gather, store, and publish student-centric learning tools and resources that are independently created by Michigan's teachers. MVU will work with local districts, intermediate districts, and professional

organizations to create and implement a process for making available online resources that align with Michigan's K-12 curriculum standards.

- Create and maintain a public statewide catalog of online courses offered by public schools.
 - Michigan Virtual University will build upon a list of nationally-recognized best practices for online learning to provide reviews of online course vendors, courses, and instructional practices via a publicly available statewide catalog of online courses.

- Provide leadership for the state's system of online learning.
 - Michigan Virtual University staff will be supplemented with state and national experts in online learning who will assist with research on online and blended delivery models, competency-based assessments, cyber school evaluation, student performance, and other areas of new innovation.



STATE BUDGET OFFICE

SCHOOL AID HIGHLIGHTS
EXECUTIVE BUDGET
FISCAL YEARS 2014 AND 2015

FEBRUARY 7, 2013

FY2014 K-12 School Aid Executive Budget

K-12 Funding (in millions)	<u>FY2014</u>	<u>FY2015</u>
School Aid Fund Revenue	\$ 11,090.8	\$ 11,393.2
MPSERS Reserve Fund	\$ 150.0	\$ 100.0
General Fund	\$ 230.0	\$ 233.0
Federal Funds	<u>\$ 1,764.4</u>	<u>\$ 1,764.4</u>
Total Appropriations	\$ 13,235.2	\$ 13,490.6
Local Revenue	<u>\$ 3,320.0</u>	<u>\$ 3,314.0</u>
Total State/Local/Federal	\$ 16,555.2	\$ 16,804.6

Consensus Pupils:

- FY2013 – 1,537,400
- FY2014 – 1,532,000, a decrease of 5,400 pupils from FY2013
- FY2015 – 1,526,000, a decrease of 6,000 from FY2014

Preschool

- The FY2014 budget includes an increase of \$65 million for Great Start Readiness Programs (GSRP), enough to provide an additional 16,000 half-day placements. Funding will increase from \$109.3 M to \$174.3 M (nearly a 60% increase) in FY2014. The Governor is also proposing an additional \$65 million in FY15, providing for \$130 million in increased funding over the next two years.
- Also proposes an increase in the half-day allotment from \$3,400 to \$3,625 (1/2 of the average foundation allowance). A child can either be enrolled in a half-day program, filling one slot, or can be enrolled in a full-day program, filling two slots.

GREAT START READINESS PROGRAM FUNDING			
	FY2013	FY2014	Difference
	PA 200 of 2012	Exec Rec	FY2013 to FY2014
Great Start Readiness Programs (GSRP)			
School-Based and Competitive Programs	\$109,275,000	\$174,275,000	\$65,000,000
Study of Preschool Program Outcomes	<u>\$300,000</u>	<u>\$300,000</u>	
Subtotal, Great Start Readiness Program	\$109,575,000	\$174,575,000	\$65,000,000
Great Start ISD Block Grants (0-3 and early collaboratives)			
	<u>\$10,900,000</u>	<u>\$10,900,000</u>	<u>\$0</u>
Total Preschool Programs	\$120,475,000	\$185,475,000	\$65,000,000
Per Half-Day Allotment	\$3,400	\$3,625	\$225
Est. Number of Half-Day Placements	32,140	48,076	15,936

Basic Operations

- The FY2014 budget includes an **equity payment of up to \$34 per pupil** for districts at or near the minimum foundation allowance, bringing the minimum per-pupil payment to \$7,000 (cost of \$24 M). For all other districts, the per-pupil foundation allowance for FY2014 remains at the FY2013 level.

Per-Pupil Foundation Allowances		
	Minimum	Basic/Maximum
FY2011	\$7,316	\$8,489
FY2012	\$6,846	\$8,019
FY2013	\$6,966	\$8,019

FY2014	\$6,966	\$8,019
FY2014 Equity	<u>\$ 34</u>	<u>\$ 0</u>
FY2014 Foundation Allowance	\$7,000	\$8,019

- **Small Class Size Supplemental Payments** are maintained at a reduced level of \$9 million (from \$13 million). For districts with a foundation allowance greater than or equal to \$7,500, the small class size payment will be capped at \$50 per pupil, and for districts with a foundation allowance less than \$7,500, the payment is capped at \$100 per pupil.
- **Intermediate School District (ISD) Operations** funding remains at the FY2013 level of \$62.1 million, with an additional \$2 million distributed to ISDs that meet best practices criteria.

State-Funded Relief for MPSERS Retirement Obligations

- Recent MPSERS reforms (PA 300 of 2012) – reduced long-term liabilities, increased employee contributions, and capped the employer rate at 20.96% for UAL.
- Funds are appropriated for FY2013, FY2014 and FY2015 to provide fiscal relief to districts and ISDs for the portion of the UAL over and above the cap; \$403.3 million in FY2014 (average of \$250 per pupil) and \$649.2 million in FY2015. An additional amount of \$32.7 million is appropriated for community colleges (\$31.4 M) and libraries (\$1.3 M) in FY2014.
- These funds are in addition to \$155 million currently in the budget for MPSERS cost offsets (average of \$100 per pupil).
- The FY2014 budget assumes the use of \$150 million of the funds in MPSERS Reserve Fund.

MPSERS Retirement Rates for FY2014							
	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	29.35%	29.12%	28.19%	25.52%	26.45%	25.52%	28.42%
Employer Rate:							
Pension Normal Cost	2.90%	2.67%	2.67%	0.00%	0.00%	0.00%	2.90%
Pension UAL	14.08%	14.08%	14.08%	14.08%	14.08%	14.08%	14.08%
Retirement Incentive (10-yr. payback)	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%
Pension Total Rate	18.34%	18.11%	18.11%	15.44%	15.44%	15.44%	18.34%
Health Normal Cost	0.93%	0.93%	0.00%	0.00%	0.93%	0.00%	0.00%
Health UAL	5.52%	5.52%	5.52%	5.52%	5.52%	5.52%	5.52%
Retiree Health Total Rate	6.45%	6.45%	5.52%	5.52%	6.45%	5.52%	5.52%
Employer Capped Rate	24.79%	24.56%	23.63%	20.96%	21.89%	20.96%	23.86%

Performance Funding

- Performance funding is maintained at the FY2013 level of \$30 M – up to \$100 per pupil.
- \$30 per pupil for academic growth in grades 3-8 for math
- \$30 per pupil for academic growth in grades 3-8 for reading
- \$40 per pupil for academic growth in all high school tested subjects (reading, writing, math, science, and social studies)

Best Practices

- **Districts** that meet 7 of the following 8 criteria are eligible for \$16 per-pupil - \$25 million:
 1. Districts participate in schools of choice programs.
 2. Districts monitor student growth at least twice annually and report the results to parents.
 3. Districts offer dual enrollment and other opportunities for postsecondary coursework.
 4. Districts offer online learning opportunities.
 5. Districts are the policy holder for health care services benefits.
 6. Districts provide a dashboard to parents and members of the community.
 7. Districts obtain competitive bids for services.
 8. Districts offer physical or health education.
- **Intermediate School Districts (ISDs)** that meet 5 of following 6 criteria - \$2 million:
 1. ISD enters into agreement with the department to develop a service consolidation plan.
 2. ISDs work in a consortium to develop system requirements and detailed specifications for end-to-end IT solutions that could be leveraged statewide for student management systems for general and special education and business services.
 3. ISD agrees to develop a plan in FY2013 to be implemented by constituent districts in FY2014 to integrate technology into the classroom and prepare teachers to use digital technology.
 4. ISDs obtain competitive bids on the provision of pupil transportation, food service, custodial or other noninstructional services provided to constituent districts of at least \$50,000.
 5. ISDs create and host a “citizens” dashboard.
 6. ISD is the policyholder for health care services benefits.

Digital Learning Innovation (*NEW*) – Funded with \$10 M (\$5 M ongoing, \$5 M one-time)

- Allows pupils to enroll in online learning courses either offered by their own districts or from a statewide catalog of courses maintained by Michigan Virtual University of all vendors. Online course syllabi describing course requirements/expectations will be available on the districts' websites and linked to the MVU statewide catalog.
- The Michigan Virtual Learning Research Institute, located at Michigan Virtual University, will compare the online courses contained in the statewide catalog to nationally-recognized best practices and make that information available to parents/students on their website, which will be linked to each district's website.
- The Institute will also award up to \$2.2 million to consortias of intermediate districts to assist in statewide planning, implementing and evaluating of digital online coursework and providing other technical assistance.
- Provides for a new digital learning teacher endorsement credential and supports higher education faculty members who implement the new endorsement into their higher education institutions' teacher preparation programs.
- Establishes a software platform and user network where educators can create and share student-centric learning tools and resources.

Competitive Student-Centric Grant Program – (*NEW*)

- The FY2014 budget proposes \$8 million for competitive grants to districts that have aligned instructional delivery with individual student learning styles and pace.

Other Education Instructional Programs

- Funding for the **Technology Infrastructure Program** is continued for the 2nd year of a 2-year grant program, with \$13.5 million. Funds are intended to aid districts with technology improvements in preparation of the planned implementation of online growth assessments in fiscal year 2015.
- The FY2014 budget provides for \$1.4 billion for **special education services**: \$980.6 million in state funds (a decrease of \$15.7 million from FY2013 enacted levels) and \$444 million in federal funds.
- A total of \$35.6 million for **career and vocational education** programs (\$26.6 million) and vocational education millage subsidy payments (\$9 million) is maintained.
- Funding to support **adult education** programs is maintained at \$22 million.
- Education programs in **juvenile justice facilities** are increased by \$31,700 from FY2013 levels to \$2.2 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.

Student Support Services

- The FY2014 budget maintains \$309.0 million in funding for **at-risk** programs. Funding for **adolescent teen health centers** is continued at \$3.6 million. Funding for **hearing and vision screenings** is maintained at \$5.2 million. An additional \$812 million in federal funds

are also available to assist schools in need of support services to improve student achievement and meet federal education standards.

- Funding for **school lunch and breakfast programs** is funded with \$491.3 million: \$28.1 million in state funds and \$463.2 million in federal funds. School breakfast funding is reduced by \$4 million to \$5.6 million to reflect actual prior-year expenditure levels.
- A total of \$7.9 million (\$2.7 million state funds and \$5.2 million federal) supports the state's **math and science centers**.
- **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 \$2 million.

Assessment and Accountability

- The FY2014 budget maintains funding to districts at the FY2013 level of \$38 million for **state data collection and reporting costs**.
- The FY2014 budget provides \$34.9 million (\$26.7 million in state and \$8.2 million in federal) for costs associated with **student assessments** required under state and federal law.
- **Center for Educational Performance and Information (CEPI)** funding totals \$9.4 million general fund.

Debt Service and Other Required Payments

- **School Bond Loan Fund Debt Service** is increased by \$11.3 million to \$131.7 million.
- **Debt Service on Non-Durant District Bonds** is increased by \$500,000 to \$39.5 million.
- **Renaissance Zone** reimbursements are maintained at \$26.3 million. Payments to libraries are transferred to the MDE budget to consolidate library payments in one budget.
- **School Aid Fund Borrowing Costs** are increased by \$2.8 million from the FY2013 enacted levels, to \$6 million.
- **PILT Payments** are increased by \$681,500 from FY2013 enacted levels to \$4 million. This increase is the result of recently-enacted legislation (PA 603/PA 604 of 2012).

FY2013 Supplemental

- The FY2013 school aid supplemental recognizes **\$58 million in estimated cost savings** for foundation allowance and special education costs. These technical cost adjustments were agreed to prior to the January 2013 Consensus Revenue Estimating Conference.
- The supplemental also increases the appropriation for **MPSERS reform costs**. The original-enacted school aid budget, adopted prior to MPSERS reforms being enacted (PA 300 of 2012), included an appropriation of \$130 million for reform costs. The state cost of the reforms in FY2013 is \$173 million. This supplemental includes an increase of \$43 million for MPSERS reform costs, bringing the total K-12 cost to \$160 million, \$12.5 million for community colleges, and \$500,000 for libraries.



STATE BUDGET OFFICE
February 7, 2013

Strategic Water Quality Initiatives Funding

Proposal

The Governor's fiscal year 2014 budget reflects an investment of \$100 million in Strategic Water Quality Initiatives Funding to award grants and/or loans to local units of government for the following:

- Design, development and implementation of asset management plans or capital improvement programs for sanitary sewer and storm sewer infrastructure.
- Development of stormwater management plans or programs.
- Development and implementation of stormwater utilities.
- Planning and design of sewer projects.
- Creation of wetland mitigation banks.

Corresponding debt service funding has been added to the Department of Treasury budget to reflect debt service costs associated with the issuance of these new bonds.

Background

P.A. 231 of 2010 created a state water pollution control revolving fund advisory committee to evaluate and make recommendations to achieve the following outcomes:

1. Increase level of investment in sewage collection and treatment systems;
2. Provide incentives for action on improving water quality and preventing pollution; and
3. Optimize the cost-benefit ratio of alternative designs of sewage collection and treatment systems.

The committee recommended reforms to the existing State Revolving Fund program to stimulate investments in larger scale sewer system improvement projects that address chronic water quality problems with the objective of simplified application, selection and loan processes. These program and process changes were included in recently passed legislation (PA 511, and PA's 559 – 562 of 2012).



STATE BUDGET OFFICE
February 7, 2013

Fiscal Year 2014 Executive Recommendation

Strengthening Michigan's Mental Health Services

Proposal:

The fiscal year 2014 Executive Recommendation addresses the mental health and substance abuse services needs of Michigan's citizens. Funding is included for mental health courts, jail diversion, behavioral health homes, and mental health innovations. Additionally, mental health and substance abuse services are maintained and transitioned to the Medicaid expansion program.

Background Information:

Mental Health Courts: \$4.1 million general fund

Mental health courts are programs that divert select defendants with mental illness into judicially-supervised, community-based treatment as an alternative to more costly local and state criminal justice punishment. This funding will maintain nine existing mental health courts and cover services and treatment while allowing for further expansion of this successful specialty program.

Jail Diversion: \$1.6 million gross and general fund

An official advisory council will be created to advise the Department of Community Health on the state's jail diversion plan. The council will be comprised of cross system stakeholders such as judges, local law enforcement, jails and substance use disorder and community mental health services programs. Funding will also be provided to five communities to enhance current jail diversion efforts.

Behavioral Health Homes: \$900,000 gross/\$90,000 general fund

The Patient Protection and Affordable Care Act established the option for states to provide "health home" services for Medicaid enrollees with chronic conditions. These demonstrations will ensure better coordination of physical and mental health care for Medicaid individuals with chronic health conditions. A care manager or team will coordinate and facilitate access to these services.

To be eligible under health homes, Medicaid beneficiaries must have at least two chronic conditions, including asthma, diabetes, heart disease, obesity, mental health condition or substance abuse disorder. Additionally, beneficiaries are eligible for services if they have one chronic condition and are at risk for another or have one serious and persistent mental health condition.

The federal match rate for health home services is 90 percent for the first eight fiscal quarters that a state's health home state plan amendment is in effect.

Mental Health Innovations: \$5 million gross and general fund

The Department of Community Health is partnering with the departments of Human Services and Education, as well as the State Court Administrative Office and local law enforcement to identify and implement services to help at-risk children. Funds for Mental Health Innovations will be used to finance and support services for these children.

- Home-based mental health services for children:
Home-based services can include individual and family therapy, as well as the identification of family strengths and needs to determine appropriate interventions.
- Care management and treatment for high-risk youth:
Coordinating with the Department of Human Services, the Department of Community Health will work with private providers to pilot a high intensity care management team for 90 youth with complex behavior disorders. The teams will provide monitoring support, intervention, and care management and will also work to ensure continuity of treatment for youth whose residency changes between counties.
- Training and Awareness:
Mental health first aid training programs will target health care workers, educators, clergy, and community groups focusing on mental health. Crisis intervention training will help law enforcement officers identify youth with mental health needs and guide them to treatment resources.

Medicaid Expansion – Impact on Mental Health Services

The fiscal year 2014 Executive Recommendation includes a general fund savings of \$161 million for Mental Health Adult Benefits Waiver and non-Medicaid mental health services. Services associated with these programs are not being eliminated. Rather, they will transition to the new Medicaid expansion program, financed 100 percent by the federal government.

Individuals enrolled in the Mental Health Adult Benefits Waiver are low-income childless adults who receive limited mental health and substance abuse services through Community Mental Health Services Programs. These individuals with incomes at or below 133 percent of the federal poverty level will transition from the existing program and will instead be eligible to enroll in Medicaid to receive a full array of services.

Non-Medicaid Mental Health funding is for individuals receiving services not covered by Medicaid. These individuals, at or below 133 percent of the federal poverty level, will also be eligible for the new expansion program. Funding of \$70 million has been maintained in the traditional non-Medicaid program to cover services for individuals who will not be income-eligible for the Medicaid expansion program. These remaining funds will also be used to support services not covered by private insurance, substance abuse prevention, and services required by the mental health code such as in-home mental health monitoring services.



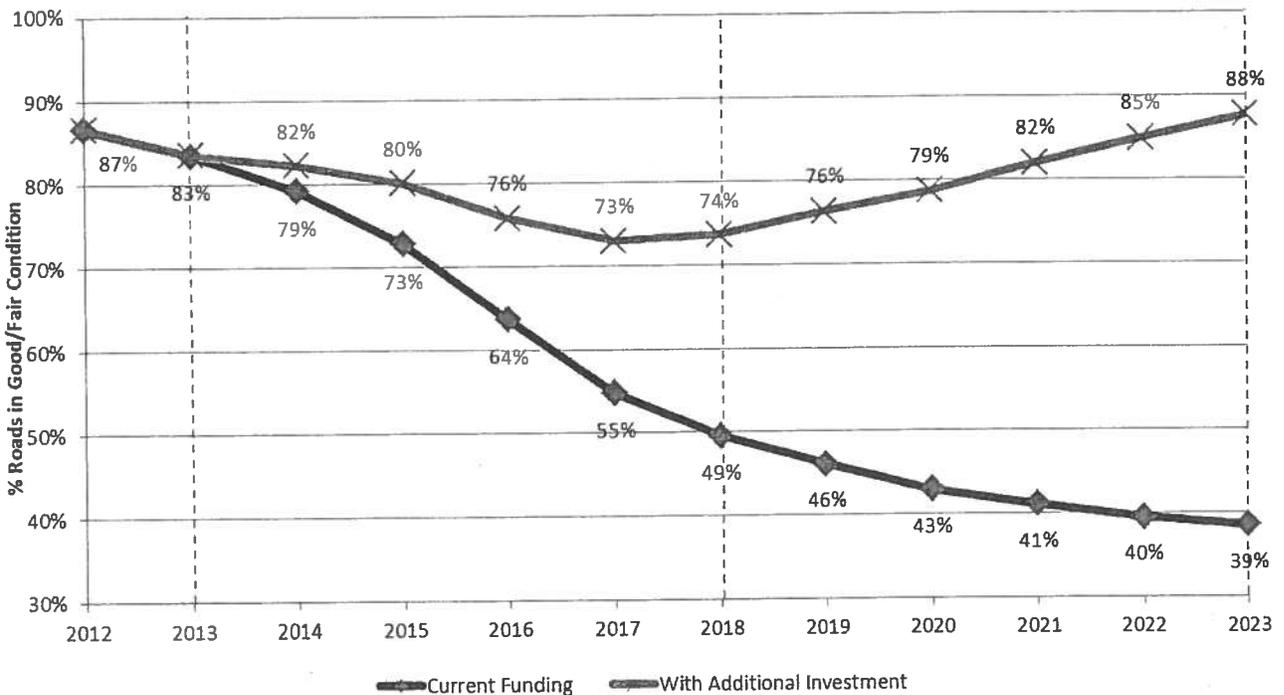
STATE BUDGET OFFICE
February 7, 2013

Moving Michigan Forward:
Transportation Investment Package

Investment Proposal:

Governor Snyder's budget for Fiscal Year 2014 includes a comprehensive transportation package that targets \$1.2 billion annually in increased investment to key urban and rural commercial corridors to support the state's economic comeback. Without the additional investment, the condition of Michigan's roads and bridges will continue to deteriorate at an accelerated pace, jeopardizing the state's economic interests and the quality of life of Michigan's citizens who depend upon a safe and reliable transportation network.

State Trunkline Pavement Condition Forecast:
Additional Investment Needed to Avoid
Drastic Declines in System Condition



Background:

The time for investment has never been more critical. Condition forecasts indicate that state trunklines in good/fair condition will fall to 83 percent in 2013, down from 87 percent the year prior, and set to drop even more precipitously in the next few years. Due to declines in revenue and inflationary pressures that erode purchasing power, the current funding model is simply not able to keep pace with system needs. It is forecasted that system condition will drop to a potentially debilitating 49 percent in five years and to 39 percent in ten years, if no action is taken to raise investment levels.

Furthermore, the costs of continued inaction are significant. It is projected a staggering \$25 billion will be needed to reconstruct the network if system condition is allowed to deteriorate to such unprecedented levels. From a fiscal perspective, it is far more cost-effective to repair a road or bridge now than to pay for a much more costly reconstruction in the future. Acting now will deliver real cost savings for Michigan taxpayers - it is the choice of spending \$12 billion over the next 10 years to invest in needed repairs or \$25 billion later on to reconstruct a failing system.

The economic impacts of a rapidly deteriorating network are also significant. Reforms implemented to stage Michigan's economic comeback will be stymied unless we invest now in our essential transportation infrastructure. Key economic sectors that rely upon the transportation network to move people and goods safely and efficiently - manufacturing, agriculture, tourism - will all be severely impacted by declines in system condition, which is why so many business groups support efforts to expeditiously address this long-term problem.

Revenue Components:

The transportation system has historically been supported by its users. The Governor continues this user fee basis by recommending \$1.2 billion in additional annual revenues from increased motor fuel and registration taxes. It is estimated that the annual impact of this package on the typical motorist will equate to \$120 dollars per vehicle. The package includes the following revenue components:

1) Increase in the gasoline tax (from 19 to 33 cents)	\$598.7 million
2) Increase in the diesel tax (from 15 to 33 cents)	\$129.0 million
3) Increase in vehicle, truck and trailer registration taxes	<u>\$508.3 million</u>
Total	\$1,236.0 million or \$1.236 billion

In addition, if adopted by local voters in each county, a new local vehicle registration tax option \$280.0 million

Motor Fuel Taxes

The Governor's proposal includes reforms to modernize the collection of motor fuel taxes. The package increases motor fuel taxes to 33 cents per gallon, while eliminating the rate disparity between gasoline and diesel fuels. This new per gallon rate will generate a total \$727.7 million in additional revenues in fiscal year 2014, and will remain effective for two years. Beginning in fiscal year 2016, the per gallon rate will be adjusted based on a new dynamic formula that will better respond to market conditions.

Vehicle Registration Taxes

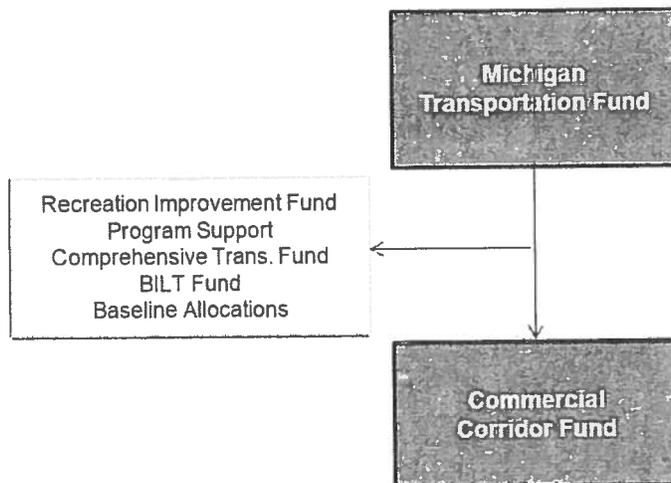
The proposal also includes a 25 percent increase in gross vehicle weight truck and trailer registrations, and 60 percent increase in light vehicle registrations. These increases are estimated to raise an additional \$508.3 million for transportation purposes.

Local Registration Option

The Governor's transportation package seeks to give each of Michigan's 83 counties the option of raising additional revenue for specific local transportation needs via a new local vehicle registration tax. Subject to voter approval, this local option would equate to 0.18 percent of the vehicle list price, yielding up to \$280 million for local road and transit needs. The local option would be efficiently collected by the Secretary of State with each state vehicle registration, with the revenues remitted back to each county.

Distribution Components:

Additional investment alone is not the only prescription ordered for Michigan's ailing transportation system. Governor Snyder's transportation package also simplifies the distribution formula and reforms it by strategically targeting investment of the additional revenues to the state's key commercial corridors. By focusing on the state's most heavily traveled roads and bridges, this new distribution ensures that investments are directed in a manner most vital to the Michigan economy.



Commercial Corridor Fund

Through the creation of a new Commercial Corridor Fund, the additional investments will follow Michigan roads and bridges based on their importance to economic development creating a more modern means of distribution.

Under a new simplified distribution formula, the Department of Transportation and local road agencies will each receive a "baseline" allocation from the Michigan Transportation Fund equivalent to the amount received in fiscal year 2012. After allocations for the Recreation Improvement Fund, program support, Comprehensive Transportation Fund, a new Basic Industry Logistics Transportation (BILT) Fund and the baseline allocations, the balance of all revenues, over \$1.1 billion, are directed to a new Commercial Corridor Fund.

The Commercial Corridor Fund is a pass-through mechanism by which funds will be distributed to state and local agencies. Every county in Michigan contains commercial corridors that serve as arteries of economic development. The Governor will be working closely with the legislature in the coming months on the statutory distribution of the Commercial Corridor Fund.

**Michigan Transportation Fund (MTF)
 Revenue and Distribution Summary***
 (in thousands)

	FY 2014 Based on Current Law	FY 2014 Exec. Rec. Proposal	Difference
MTF Forecasted Revenue:	\$1,882,514	\$3,118,514	\$1,236,000
Recreation Improvement Fund	\$16,200	\$28,174	\$11,974
Program Support	\$45,615	\$45,615	\$0
Comprehensive Transportation Fund	\$160,124	\$274,025	\$113,901
TEDF & Other	\$72,063	\$0	(\$72,063)
Current Formula Distributions	\$1,588,512	\$0	(\$1,588,512)
<i>Formula - State Trunkline Fund</i>	\$647,414	\$0	(\$647,414)
<i>Formula - Local Road Agencies</i>	\$941,098	\$0	(\$941,098)
BILT Fund (New)	\$0	\$55,414	\$55,414
Baseline Allocations (New)**	\$0	\$1,583,506	\$1,583,506
<i>Baseline - State Trunkline Fund</i>	\$0	\$642,415	\$642,415
<i>Baseline - Local Road Agencies</i>	\$0	\$941,092	\$941,092
Commercial Corridor Fund (CCF) (New)	\$0	\$1,131,779	\$1,131,779

* Reflects Department of Treasury transportation revenue estimates for the MTF for fiscal year 2014.

** Baseline Allocations based on FY 2012 distributions received as reported in the Annual Report of the MTF.

Basic Industry Logistics Transportation (BILT) Fund

The new BILT Fund replaces the Transportation Economic Development Fund and is a \$58.3 million competitive grant program that will assist in financing critical transportation projects supporting economic growth and job creation in Michigan. The focus of the BILT Fund will be to provide transportation improvements that support private investment in the areas of manufacturing, tourism and agriculture.

Comprehensive Transportation Fund

The transportation package will also provide for much needed investment in other modes of mobility, including \$113.9 million for Comprehensive Transportation Fund programs that support local transit, rail passenger and rail freight.

State Aeronautics Fund

An increase in the registration tax from 1 to 3 cents per pound for licensed aircraft will also provide needed support to the aeronautics programs, and is estimated to raise \$540,000.



STATE BUDGET OFFICE February 7, 2013

Veterans' Service Delivery Initiative

Proposal

The Governor's fiscal year 2014 budget includes an investment of \$8.6 million in general fund support (detail attached) for a Veterans' Service Delivery Initiative in the Department of Military and Veterans Affairs (DMVA). This investment both recognizes veterans affairs as a distinct mission within DMVA and elevates the responsibility for cross department collaboration to enhance veterans' awareness of and access to available benefits and services. The new organization resulting from this initiative will engage in three major activities:

- Strategic planning
- Strategic communications and customer service
- Targeted outreach and performance management

Background

Michigan's current veterans' service delivery model is not structured to provide coordinated, high-quality services to help veterans recognize and access the benefits and services for which they are eligible. Out of the 50 states and two federal territories of Guam and Puerto Rico, Michigan ranks last in receiving federal funds from the United States Department of Veterans Affairs, as measured by that agency's Geographical Distribution of Expenditures (GDX). While some contributing factors are beyond the state's ability to impact, there are several root causes the state can address:

- Lack of veteran awareness of benefit eligibility.
- Lack of a coordinated communications strategy for alerting veterans of changes in eligibility.
- Lack of targeted outreach to encourage veterans to proactively access and avail themselves of benefits for which they may be eligible.

The high-quality services to which Michigan's veterans are entitled can best be provided if a single entity coordinates all efforts to serve this population.

Implementation

Executive Order No. 2013-2, issued on January 18, 2013 with an effective date of March 20, 2013, creates the Michigan Veterans Affairs Agency as an agency within the Department of Military and Veterans Affairs.

FY14 VETERANS' SERVICE DELIVERY INITIATIVE

(\$ in millions)

38.0 FTE positions, including 5.0 veterans' service officers	\$4.7
Supplies and materials	\$1.2
Community engagement (Track 2) project in Wayne and Kent counties to integrate non-profit and non-governmental veterans' services with those in state and federal programs	\$1.8
Web portal project	\$0.6
Development of veterans' service organization contract performance measurements	<u>\$0.3</u>
TOTAL	\$8.6