STATE BUDGET OFFICE
February 5, 2014

Property Tax Relief

Proposal

The governor's fiscal year 2015 budget includes an expansion of the existing Homestead Property Tax credit to provide $102.7 million of additional property tax relief through the income tax to seniors, working families, and disabled citizens.

Currently, the general Homestead Property Tax Credit is available to homeowners and renters with incomes up to $50,000. It is calculated by subtracting 3.5 percent of the taxpayer's income from the amount of property taxes on the taxpayer's home and multiplying that result by 60 percent. An enhanced credit is available for low-income seniors and disabled citizens. Renters calculate their credit using 20 percent of rent.

Beginning with tax year 2013, the governor proposes two significant changes to the calculation of the Homestead Property Tax Credit. First, the governor proposes to change the income multiplier from 3.5 percent to 3.0 percent, allowing a greater percentage of property taxes to be refunded. Second, the governor proposes to extend the credit to taxpayers with incomes up to $60,000.

The proposed changes will provide additional property tax relief to an estimated 1.3 million taxpayers. Seniors will receive approximately 33 percent of this relief.

Under the governor's proposal, taxpayers who qualify for and claim the existing credit will be issued a supplemental refund check in the summer of 2014 for the 2013 tax year. Newly eligible taxpayers will need to file a credit claim in order to receive a refund. In future years, eligible taxpayers will simply claim the credit by filing a Homestead Property Tax Credit return.

Homestead Property Tax Credit Expansion

	Example 1	Example 2	Example 3	Example 4	Example 5	Example 6	Example 7
Claimant Description	Senior Citizen	Senior Citizen	Disabled Citizen	General Citizen	General Citizen	General Citizen	Renter
Total Household Resources	$28,000	$52,500	$40,500	$24,000	$49,500	$56,250	$28,000
Property Taxes	$1,900	$3,600	$2,500	$1,800	$3,000	$3,700	-
Rent	-	-	-	-	-	-	$6,850
Credit Under Current Law	$662	$0	$1,083	$576	$76	$0	$234
Credit Under Proposal	$763	$240	$1,200	$648	$182	$240	$318
GAIN BY PROPOSAL	***$101***	***$240***	***$117***	***$72***	***$106***	***$240***	***$84***

Background

The Homestead Property Tax Credit provides low- and middle-income taxpayers with property tax relief through the income tax if their property taxes or rent exceed a certain percentage of their income. Under current statute, an individual is eligible for the Homestead Property Tax Credit if all of the following requirements are met:

- The individual's homestead is in Michigan;
- The individual is a resident of the State of Michigan for at least six months during the year;
- The individual owns or is contracted to pay rent and occupies a Michigan homestead on which property taxes are levied;
- If the individual owns the home, the taxable value of the home is less than $135,000;
- The individual has total household resources of less than $50,000.

STATE BUDGET OFFICE

EDUCATION OMNIBUS BUDGET
EXECUTIVE BUDGET
FISCAL YEARS 2015 AND 2016

Presented February 5, 2014

The Executive Budget for fiscal year 2015 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 $15.7 billion - $13.8 billion for public schools, $371.5 million for community colleges and slightly over $1.5 billion for higher education.

Highlights of the Education Omnibus Budget Bill

- In total, the education omnibus bill is increased by $597.9 million, or 4.0%, from fiscal year 2014 enacted levels. Adjusting the total by removing the $50 million deposit to the Michigan Public School Employees Retirement System (MPSERS) Reserve Fund in the School Aid budget results in a $547.9 million, or 3.6%, increase.

FY 2015 Education Omnibus Budget
Summary of Appropriations
(in millions)

Revenue Sources	K-12 School Aid	Community Colleges	Higher Education	Total
School Aid Fund Revenues	$11,841.0	$197.6	$200.5	$12,239.1
General Fund	$180.0	$173.9	$1,214.9	$1,568.8
Other State Restricted	$18.0	$0.0	$0.1	$18.1
Federal Funds	$1,808.2	$0.0	$97.0	$1,905.2
Total Appropriations	$13,847.1	$371.5	$1,512.5	$15,731.2
MPSERS Reserve Deposit	$50.0	$0.0	$0.0	$50.0
Adjusted Total Approp.	$13,791.1	$371.5	$1,512.5	$15,681.2

- Nearly $850 million of the education budget supports MPSERS costs. As part of recent MPSERS reforms, a cap of 20.96% of salary and wages was placed on the share of unfunded accrued liability (UAL) retirement costs that school districts, community colleges and libraries are obligated to pay. The state is required to pay the rest, estimated at $730.9 million in fiscal year 2015. The governor also proposes a further reduction of 1.2% in this cap in fiscal year 2015, by transferring

another $116.4 million in retirement costs from schools, libraries and community colleges to the state.

FY 2015 Education Omnibus Budget
MPSERS Appropriations
(in millions)

	State share over cap*	**Total**
Community Colleges	$60.8	$60.8
Higher Education	$0.0	$2.4
School Aid	$783.9	$783.9
Libraries	$2.6	$2.6
Total Appropriations	**$847.3**	**$849.8**

(*Calculated using a rate cap of 19.76%, as proposed in the Executive Budget)

- 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 5, 2014

Community Colleges
FY 2015 Executive Budget Highlights

Overview: The governor proposes an FY2015 budget for community colleges of $371.5 million, an increase of 10.6 percent in total funding over FY 2014. Operations receives a 3 percent increase ($8.9 million) to a total of 307.2 million. Michigan Public School Employees Retirement System (MPSERS) payments increase by $27.7 million to a total of $60.8 million in FY 2015, and are expected to climb to $79.5 million in FY 2016.

Operations: A total of $8.9 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 distributed through the enacted FY 2014 formula, improving predictability in state appropriations to community colleges, and allowing 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. 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.
- Compliance with a set of best practices that reflect local strategic values. 15 percent of the formula.

New for FY 2015 is a requirement to limit tuition increases. Community colleges must keep any tuition and fee increases for resident students at 3.2 percent or less in order to qualify for any new performance funding.

Retirement Reform Payments: As part of recent reforms in the Michigan Public School Employees Retirement System (MPSERS), the community college contribution rate for unfunded accrued liabilities was capped at the FY 2012 level of 20.96%. The state pays the amount over the cap. To further lessen the burden of retirement costs on community colleges, the governor proposes an additional reduction of 1.2% in the capped rate. The budget increases the state's payments for retirement liabilities by $27.7 million in general fund, bringing the total state support for the community colleges' MPSERS obligations to $60.8 million in fiscal year 2015. The fiscal year 2016 budget assumes an additional increase of $18.7 million, for a total of $79.5 million.

Best Practices: For greater transparency, community colleges are asked to continue their transparency and performance dashboard websites.

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 $26.5 million in general fund, although appropriated in another budget, represents additional state support for community colleges.

FY 2015 Community College Performance Funding
3% Increase From FY 2014 in Operations Funding

	% of formula:	50.0%		17.5%		10.0%		7.5%				15.0%		
	FY14 Current Law Payments	Relative to FY14 Funding	Metric Funding	Weighted Completions	Metric Funding	Contact Hour Eq. Students	Metric Funding	Adjusted Admin. Costs	Metric Funding	**Total Appropriated Performance Funding**	**FY15 Executive Rec.**	**Assumed LSV Funding**	**Assumed Total FY15 Funding**	% Change from FY14
Alpena	5,236,500	1.8%	$78,547	1,050	$20,374	1,556	$7,346	8.9%	$24,344	**$130,600**	**$5,367,100**	**$23,600**	**$5,390,700**	2.9%
Bay de Noc	5,279,300	1.8%	$79,189	1,239	$24,053	2,009	$9,488	1.3%	$3,660	**$116,400**	**$5,395,700**	**$23,800**	**$5,419,500**	2.7%
Delta	14,063,500	4.7%	$210,952	4,469	$86,758	9,004	$42,521	11.7%	$31,892	**$372,100**	**$14,435,600**	**$63,300**	**$14,498,900**	3.1%
Glen Oaks	2,441,500	0.8%	$36,622	1,009	$19,578	1,143	$5,397	0.7%	$1,963	**$63,600**	**$2,505,100**	**$11,000**	**$2,516,100**	3.1%
Gogebic	4,330,300	1.5%	$64,954	714	$13,861	1,028	$4,853	6.6%	$17,882	**$101,600**	**$4,431,900**	**$19,500**	**$4,451,400**	2.8%
Grand Rapids	17,454,900	5.9%	$261,823	3,204	$62,200	12,891	$60,876	10.7%	$29,226	**$414,100**	**$17,869,000**	**$78,500**	**$17,947,500**	2.8%
Henry Ford	21,060,000	7.1%	$315,899	3,730	$72,402	13,447	$63,497	6.3%	$17,230	**$469,000**	**$21,529,000**	**$94,800**	**$21,623,800**	2.7%
Jackson	11,758,200	3.9%	$176,373	3,025	$58,725	4,996	$23,594	6.4%	$17,546	**$276,200**	**$12,034,400**	**$52,900**	**$12,087,300**	2.8%
Kalamazoo Valley	12,122,500	4.1%	$181,837	3,530	$68,519	8,652	$40,857	12.8%	$34,744	**$326,000**	**$12,448,500**	**$54,600**	**$12,503,100**	3.1%
Kellogg	9,522,000	3.2%	$142,830	2,531	$49,135	4,846	$22,883	12.4%	$33,849	**$248,700**	**$9,770,700**	**$42,800**	**$9,813,500**	3.1%
Kirtland	3,055,700	1.0%	$45,835	1,180	$22,898	1,490	$7,037	8.2%	$22,397	**$98,200**	**$3,153,900**	**$13,800**	**$3,167,700**	3.7%
Lake Michigan	5,178,100	1.7%	$77,671	1,069	$20,753	3,570	$16,859	9.7%	$26,254	**$141,500**	**$5,319,600**	**$23,300**	**$5,342,900**	3.2%
Lansing	30,023,700	10.1%	$450,354	8,499	$164,993	14,725	$69,533	12.5%	$33,950	**$718,800**	**$30,742,500**	**$135,100**	**$30,877,600**	2.8%
Macomb	31,931,200	10.7%	$478,967	6,907	$134,078	19,820	$93,596	12.9%	$35,040	**$741,700**	**$32,672,900**	**$143,700**	**$32,816,600**	2.8%
Mid Michigan	4,517,900	1.5%	$67,768	1,867	$36,235	3,583	$16,919	8.4%	$22,875	**$143,800**	**$4,661,700**	**$20,300**	**$4,682,000**	3.6%
Monroe County	4,342,600	1.5%	$65,139	1,056	$20,491	3,072	$14,506	11.3%	$30,682	**$130,800**	**$4,473,400**	**$19,500**	**$4,492,900**	3.5%
Montcalm	3,121,200	1.0%	$46,818	821	$15,938	1,407	$6,646	8.1%	$22,065	**$91,500**	**$3,212,700**	**$14,000**	**$3,226,700**	3.4%
Mott	15,247,100	5.1%	$228,706	3,505	$68,034	9,392	$44,351	10.8%	$29,299	**$370,400**	**$15,617,500**	**$68,600**	**$15,686,100**	2.9%
Muskegon	8,653,500	2.9%	$129,802	1,576	$30,595	3,932	$18,565	10.9%	$29,685	**$208,600**	**$8,862,100**	**$38,900**	**$8,901,000**	2.9%
North Central	3,064,400	1.0%	$45,966	700	$13,580	1,918	$9,057	9.4%	$25,633	**$94,200**	**$3,158,600**	**$13,800**	**$3,172,400**	3.5%
Northwestern	8,825,300	3.0%	$132,379	1,717	$33,333	4,245	$20,046	10.3%	$28,065	**$213,800**	**$9,039,100**	**$39,700**	**$9,078,800**	2.9%
Oakland	20,483,100	6.9%	$307,246	5,503	$106,831	22,085	$104,290	10.9%	$29,666	**$548,000**	**$21,031,100**	**$92,200**	**$21,123,300**	3.1%
Schoolcraft	12,112,200	4.1%	$181,683	4,722	$91,660	10,495	$49,560	8.9%	$24,108	**$347,000**	**$12,459,200**	**$54,500**	**$12,513,700**	3.3%
Southwestern	6,404,300	2.1%	$96,064	1,106	$21,471	2,366	$11,173	5.4%	$14,578	**$143,300**	**$6,547,600**	**$28,800**	**$6,576,400**	2.7%
St Clair County	6,860,100	2.3%	$102,901	1,433	$27,819	3,580	$16,907	8.4%	$22,982	**$170,600**	**$7,030,700**	**$30,900**	**$7,061,600**	2.9%
Washtenaw	12,610,800	4.2%	$189,162	7,275	$141,232	10,457	$49,381	11.0%	$29,984	**$409,800**	**$13,020,600**	**$56,700**	**$13,077,300**	3.7%
Wayne County	16,194,300	5.4%	$242,914	6,769	$131,399	12,645	$59,710	9.7%	$26,386	**$460,400**	**$16,654,700**	**$72,900**	**$16,727,600**	3.3%
West Shore	2,349,800	0.8%	$35,247	455	$8,833	1,118	$5,281	1.9%	$5,059	**$54,500**	**$2,404,300**	**$10,600**	**$2,414,900**	2.8%
TOTAL:	$298,244,000	100.0%	$4,473,650	80,655	$1,565,778	189,473	$894,730	246.7%	$671,048	**$7,605,200**	**$305,849,200**	**$1,342,100**	**$307,191,300**	
New funding:	**$8,947,300**													
Total FY15 funds:	$307,191,300										**Percent increase:**		**3.0%**	

Notes:

1. FY14 Current Law includes the base operations appropriations plus each college's rounded allocation from Local Strategic Value (LSV).
2. All calculations are based on a 2 year average of FY12 and FY13 data. The FY14 enacted formula is the source of all methodology for existing metrics.
3. Contact Hour Equated Students and Adjusted Administrative Cost data are preliminary data provided by the Workforce Development Agency. Completions data are from IPEDS.
4. Adjusted Administrative Cost percentages are subtracted from a ceiling of 22%. The ceiling was 23% in the FY14 enacted formula.

FY15 Executive Recommendation
State Budget Office
February 5, 2014

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STATE BUDGET OFFICE
February 5, 2014

Higher Education
FY 2015 Executive Budget Highlights

Overview: The governor proposes investing an additional 6.1 percent, or $80.3 million, in state university operations, all general fund. This is the largest percentage increase for universities since fiscal year 2001 and provides nearly $1.3 billion in operating funds. Total funding for higher education is $1.5 billion.

Operations: A total of $76.9 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. Under this budget, aggregated university funding is halfway restored from reductions made in FY 2012.

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

- New for FY 2015, the formula recognizes prior year reductions for university operations and allocates funding proportional to FY 2011 levels. Because prior reductions were made across the board, this portion of new funding is added in a similar fashion. One-half of formula funding is distributed this way.
- The two year average number of undergraduate degree and certificate completions in critical skills areas.
- Research and development expenditures for only those universities that are ranked as research universities under Carnegie Classifications.
- Several metrics that are scored by comparison with national Carnegie Classification peers, and then weighted by undergraduate FYES. Scoring is done using the enacted FY 2014 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.
    - Administrative costs as a percentage of total core expenditures.
    - Also new for FY 2015, the number of students receiving a Pell Grant.

Michigan State University AgBioResearch and Extension also each receive a 6.1 percent increase, a combined $3.4 million in general fund.

The prerequisites for funding are the same as those enacted in FY 2014, and include:

- Participation in the MACRAO Michigan Transfer Network/Transfer Wizard.
- Participation in reverse transfer agreements with at least 3 community colleges.
- Counting dual enrollment credits that have been utilized for high school graduation when deciding to award university credit for these classes.
- Limiting any tuition increases to 3.2 percent or less in order to receive any new performance funding provided in this recommendation. This cap represents double the level of expected inflation.

Student Financial Aid Growth: A total of $103.1 million is recommended for student financial aid. This is an increase of $1.5 million in general fund from FY 2014, attributable to projected increases in the Tuition Incentive Program (TIP).

Best Practices: For greater transparency, public universities are asked to continue their transparency and performance dashboard websites. At the same time, private colleges and universities are asked to comply with best practices to remain eligible to receive Tuition Grant funding. These practices include reporting the following: P-20 longitudinal data, the number of students that received a Tuition Grant and completed a program and/or required remedial education, and the number of students that received a Pell Grant and completed a program.

University Data Reporting Investments: The Governor proposes adding $95,000 in general fund to a total of $200,000 for the Higher Education Institutional Data Inventory (HEIDI). Increased IT resources will improve the data collection process and allow for the completion of long-delayed projects.

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 $124.8 million in general fund, although appropriated in another budget, represents additional state support for higher education.

FY 2015 University Performance Funding
6.1% Increase From FY 2014 in Operations Funding

		Funding Proportional to FY11		Funding Proportional to Share of Total				Scored vs. National Carnegie Peers										
Funding per unit:		$0.0271 per dollar		$592 per completion		$0.0033 per dollar		$11.26 per weighted point										
% of formula:		50.0%		11.1%		5.6%		33.3%										
	FY14 Current Law	FY11 Operations	Performance Funding	Critical Skills Undergrad Awards	Performance Funding	Research & Development Expenditures	Performance Funding	6-year Grad Rate	Total Degrees	Institut. Support as % of Expends.	Students Receiving a Pell Grant	Total Points	Total Undergrad FYES	FYES-Weighted Score	Performance Funding	**Total Performance Funding**	**FY15 & FY16 Executive Rec.**	% Change from FY14	% of Total Perf. Funding
Michigan State	$249,597,800	$283,685,200	$7,678,812	2,718	$1,558,482	$318,951,530	$1,057,934	2	3	2	3	10	35,494	354,940	$4,984,188	**$15,279,400**	**$264,877,200**	6.1%	19.9%
UM-Ann Arbor	$279,232,700	316,254,500	$8,560,400	2,743	$1,572,744	$714,903,000	$2,371,270	3	3	2	2	10	27,905	279,050	$3,918,515	**$16,422,900**	**$295,655,600**	5.9%	21.4%
Wayne State	$183,398,300	214,171,400	$5,797,207	661	$378,709	$153,453,343	$508,991	0	0	0	3	3	15,470	46,410	$651,705	**$7,336,600**	**$190,734,900**	4.0%	9.5%
Michigan Tech	$43,473,800	47,924,200	$1,297,216	927	$531,332	$56,380,000	$187,008	3	0	2	2	7	5,165	36,155	$507,701	**$2,523,300**	**$45,997,100**	5.8%	3.3%
Western	$97,279,000	109,615,100	$2,967,070	1,069	$612,929	$23,042,963	$76,431	2	2	2	2	8	17,550	140,400	$1,971,544	**$5,628,000**	**$102,907,000**	5.8%	7.3%
Central	$73,540,100	80,132,000	$2,169,019	693	$397,056	$9,894,583	$32,819	3	3	3	3	12	18,660	223,920	$3,144,361	**$5,743,300**	**$79,283,400**	7.8%	7.5%
Oakland	$45,651,600	50,761,300	$1,374,011	1,023	$586,554	$11,252,501	$37,324	0	2	0	2	4	14,182	56,728	$796,594	**$2,794,500**	**$48,446,100**	6.1%	3.6%
Eastern	$67,275,400	76,026,200	$2,057,883	664	$380,715			2	3	2	3	10	15,616	156,160	$2,192,852	**$4,631,400**	**$71,906,800**	6.9%	6.0%
Ferris	$45,636,500	48,619,200	$1,316,028	1,241	$711,584			2	3	2	3	10	10,875	108,750	$1,527,104	**$3,554,700**	**$49,191,200**	7.8%	4.6%
Grand Valley	$57,823,500	61,976,400	$1,677,582	1,299	$744,552			3	3	2	3	11	19,751	217,261	$3,050,853	**$5,473,000**	**$63,296,500**	9.5%	7.1%
Saginaw Valley	$25,991,000	27,720,700	$750,346	394	$225,620			2	2	0	2	6	8,215	49,290	$692,147	**$1,668,100**	**$27,659,100**	6.4%	2.2%
UM-Dearborn	$22,510,400	24,726,200	$669,291	374	$214,152			2	0	0	2	4	5,894	23,576	$331,062	**$1,214,500**	**$23,724,900**	5.4%	1.6%
UM-Flint	$19,938,200	20,898,000	$565,669	437	$250,274			2	2	2	2	8	5,571	44,568	$625,839	**$1,441,800**	**$21,380,000**	7.2%	1.9%
Northern	$41,741,400	45,140,300	$1,221,861	488	$279,624			2	3	2	3	10	7,911	79,110	$1,110,889	**$2,612,400**	**$44,353,800**	6.3%	3.4%
Lake Superior	$12,231,000	12,694,200	$343,608	173	$99,228			0	2	0	2	4	2,231	8,924	$125,314	**$568,100**	**$12,799,100**	4.6%	0.7%
TOTAL:	$1,265,320,700	$1,420,344,900	$38,446,000	14,901	$8,543,556	$1,287,877,920	$4,271,778	28	31	21	37	117	210,490	1,825,242	$25,630,667	**$76,892,000**	**$1,342,212,700**	6.1%	100.0%

FY15 Formula Funding:	**$76,892,000**
MSU AgBioresearch:	$1,844,900
MSU Extension:	$1,588,700
Total New FY15 Funding:	**$80,325,600**

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 FY11, with growth compared to FY08, except Pell Grants, which compares FY11 to FY09.
2. Funding proportional to FY11 provides an across the board increase of 2.71% from each university's FY11 operations funding amounts, yielding a combined total percentage increase of 3.04% from total FY14 operations funding.
3. Data for critical skills awards are from HEIDI. Average of FY12 and FY13 reported data. Methodology from FY14 enacted formula.
4. Data for research & development expenditures are from IPEDS from FY12. Methodology provided by BLM/AEG.
5. Institutional support as a percentage of core expenditures measures administrative spending. A lower percentage yields a better score.

FY15 Executive Recommendation
February 5, 2014
State Budget Office

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STATE BUDGET OFFICE

SCHOOL AID HIGHLIGHTS
EXECUTIVE BUDGET
FISCAL YEARS 2015 AND 2016

FEBRUARY 5, 2014

FY2015 K-12 School Aid Executive Budget

K-12 Funding (*in millions*)	**FY2015**	**FY2016**
School Aid Fund Revenue	$ 11,790.9	$ 11,802.6
MPSERS Reserve Fund	$ 18.0	$ 0.0
General Fund	$ 180.0	$ 180.0
Federal Funds	$ 1,808.2	$ 1,808.2
Total Appropriations	**$ 13,797.1**	**$ 13,790.7**
MPSERS Reserve Deposit	$ 50.0	$ 0.0
Total K-12 Budget	**$ 13,847.1**	**$ 13,790.7**
Local Revenue	$ 3,390.0	$ 3,450.0
Total State/Local/Federal	$ 17,237.1	$ 17,240.7

Consensus Pupils:

FY2014 – 1,523,300
FY2015 – 1,514,000, a decrease of 9,300 pupils from FY2014
FY2016 – 1,507,000, a decrease of 7,000 from FY2015

Basic Operations

- The FY2015 budget includes $150 million for an increase in the foundation allowance between $83 and $111 per pupil. The minimum foundation allowance will increase by $111 to $7,187 per pupil; the basic foundation allowance will increase by $83 to $8,132 per pupil. All districts will receive a per-pupil payment of $55, for a cost of $80 million. The remaining $70 million is distributed through the 2x formula that provides for a greater increase for districts at the minimum funding level, at an amount of between $28 and $56 per pupil.

- Nearly $9 billion supports district and public school academy foundation allowances.

Per-Pupil Foundation Allowances		
	Minimum	**Basic/Maximum**
FY2014 (includes Equity)	$7,076	$8,049
Increase	$ 111	$ 83
FY2015 Foundation	**$7,187**	**$8,132**

- **Small Class Size Supplemental Payments** are maintained at the current-year level of $13 million.

- The FY2014 budget included a **hold harmless provision** that provides districts with at least a $5 per-pupil increase when considering the foundation allowance increase, equity payment, and the reduction in the MPSERS offset payment all enacted in the FY2014 budget. This

categorical is continued in FY2015 at the same per-pupil amount that the district received in FY2014.

- **Intermediate School District (ISD) Operations** funding remains at the FY2014 level of $62.1 million, with an additional $2 million distributed to ISDs that meet best practices criteria.

Preschool

- Keeping with the commitment the Governor made last year of investing $130 million over two years in preschool programs, the FY2015 budget includes an additional **increase of $65 million for Great Start Readiness Programs (GSRP)**, enough to provide preschool opportunities for an additional 16,000 half-day placements. Funding will increase from $185.5 million to $250.5 million (nearly a 40% increase) in FY2015.

- Also proposed is an **increase in the half-day allotment from $3,625 to $3,725** (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

	FY2014 PA 60 of 2013	FY2015 Exec Rec	Difference FY2014 to FY2015
Great Start Readiness Programs (GSRP)			
School-Based and Competitive Programs	$174,275,000	$239,275,000	$65,000,000
Study of Preschool Program Outcomes	$300,000	$300,000	$0
Subtotal, Great Start Readiness Program	$174,575,000	$239,575,000	$65,000,000
Great Start ISD Block Grants (0-3 and early collaboratives)	$10,900,000	$10,900,000	$0
Total Preschool Programs	**$185,475,000**	**$250,475,000**	**$65,000,000**
Per Half-Day Allotment	$3,625	$3,725	$100
Est. Number of Half-Day Placements	48,200	64,300	16,100

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. The state is funding the amount of UAL over and above the cap with $674.7 million in FY2015 for districts, an increase of $270.1 over the FY2014 level. In FY2016, the state payment increases by another $233.5 million, after which time, payments are expected to level off.

- To provide districts with further relief, the governor is proposing to reduce the UAL cap by an additional 1.2% to 19.76%, by repurposing the separate MPSERS Cost Offset payment of $100 million for this purpose. An additional $9.2 million is added to also reduce the rate by the same amount for ISDs.

- Total state payments related to MPSERS in the school aid budget are $783.9 million in FY2015.

- The FY2015 budget assumes the use of $18 million of the funds in MPSERS Reserve Fund.

MPSERS Retirement Rates for FY2015							
	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	**33.99**	**32.91%**	**32.40**	**29.17%**	**29.68%**	**29.17%**	**33.48%**
Employer Rate:							
Pension Normal Cost	4.31%	3.23%	3.23%	0.00%	0.00%	0.00%	4.31%
Pension UAL	17.40%	17.40%	17.40%	17.40%	17.40%	17.40%	17.40%
Retirement Incentive (10-yr. payback)	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%
Pension Total Rate	**23.07%**	**21.99%**	**21.99%**	**18.76%**	**18.76%**	**18.76%**	**23.07%**
Health Normal Cost	0.51%	0.51%	0.00%	0.00%	0.51%	0.00%	0.00%
Health UAL	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Retiree Health Total Rate	**1.51%**	**1.51%**	**1.00%**	**1.00%**	**1.51%**	**1.00%**	**1.00%**
Employer Capped Rate	**24.58%**	**23.50%**	**22.99%**	**19.76%**	**20.27%**	**19.76%**	**24.07%**

Performance Funding

- Performance funding is maintained at the FY2014 level of $46.4 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 existing criteria are eligible for $52 per pupil - $80 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 existing 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 to be implemented by constituent districts 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.

Districts in Fiscal Distress

- The FY2015 budget includes several efforts to help school districts that are struggling financially. A joint effort between MDE, Treasury, and CEPI will develop an **early warning system** to identify troubled schools earlier. The budget also establishes the **Distressed District Emergency Fund**, a new reserve, funded with $10 million, intended to help mitigate the effects on students if a district's fiscal distress is likely to cause disruptions in learning during the school year.

- **Consolidation Innovation Grants** are continued at $5 million for incentive payments to districts for the consolidation of services or districts.

College and Career Readiness Programs

- The budget includes $1.75 million for incentives to districts that support **dual enrollment**. Districts may be eligible to receive up to $60 per pupil, per course that is successfully completed.

- A total of $250,000 is earmarked for an independent study on the pathways between K-12 and colleges and careers to help improve the gap between skills and careers.

- Funding for **First Robotics** programs is continued at reduced level of $2 million.

- The FY2015 budget includes $250,000 to pay for some or all of the testing costs associated with **Advanced Placement and International Baccalaureate tests** for low-income pupils.

Other Education Instructional Programs

- Funding for the **Technology Infrastructure Program** is continued at the FY2014 level of $50 million. Funds are intended to aid districts with technology improvements in preparation of the planned implementation of online growth assessments in fiscal year 2015. $8.5 million is dedicated specifically to help support the conversion of paper tests to online platform.

- To urge more districts to explore **year-round schooling** options, there is $2 million included in the budget for pilot programs.

- The FY2015 budget provides for $1.4 billion for **special education services**: $938.9 million in state funds (a decrease of $41.5 million from FY2014 enacted levels) and $444 million in federal funds.

- A total of $36.8 million for **career and vocational education** programs ($27.6 million) and vocational education millage subsidy payments ($9.2 million) is maintained.

- Funding to support **adult education** programs is maintained at $22 million. Several programmatic changes are proposed to better align resources based upon the ten prosperity regions and to reward providers for successful outcomes. The funding distribution will go from one based primarily on prior year allocations to one based on regional need and performance. The new funding distribution will phase in over 3 years to allow providers time to adjust.

- Education programs in **juvenile justice facilities** are increased by $28,000 from FY2014 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 $808 million in federal funds are also available to assist schools in need of support services to improve student achievement and meet federal education standards. Programmatic changes provide more flexibility for districts while holding them accountable for outcomes.

- Funding for **school lunch and breakfast programs** is funded with $541.3 million: $28.1 million in state funds and $513.2 million in federal funds.

- A total of $8.4 million ($3.2 million state funds and $5.2 million federal) supports the state's **math and science centers and the STEM Partnership**.

- **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 $2.6 million.

Assessments and Accountability

- Building on the recently-released report by the **Michigan Council for Educator Effectiveness**, there is $27.8 million included for the phased-in implementation of evaluation tools and systems for teachers and administrators.

- The FY2015 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. The increase of $7.2 million from the FY2014 level will be for a phased-in approach to make student-testing changes necessary to link students and teachers for educator evaluations.

- The FY2015 budget maintains funding to districts at the FY2014 level of $38 million for **state data collection and reporting costs**.

- **Center for Educational Performance and Information** (CEPI) funding totals $12.0 million general fund, an increase of $2.5 million to replace federal funds used to build the Longitudinal Data System and the MI School Data web portal.

Debt Service and Other Required Payments

- **School Bond Loan Fund Debt Service** is increased by $10.9 million to $142.6 million.
- **Debt Service on Non-Durant District Bonds** is maintained at $39.5 million; after which, the payment will end.
- **Renaissance Zone** reimbursements are maintained at $26.3 million. Payments to libraries are transferred to the MDE budget to consolidate library appropriations in one budget.

- **School Aid Fund Borrowing Costs** are maintained at the FY2014 enacted levels of $4 million.
- **PILT Payments** are increased by $200,500 (10% increase) from FY2014 enacted levels to $4.2 million. Funding is also continued for payments to **Promise Zones** at an amount of $293,100.

FY2014 Supplemental

- The FY 2014 school aid supplemental requests $51.7 million in federal spending authority for the Race to the Top – Early Learning Challenge grant that was recently awarded to the state. These funds will be spent over 4 years in accordance with the federally-approved application.

- The supplemental also recognizes $111.5 million in estimated costs savings for revised pupil counts, taxable values, special education costs and cash flow borrowing costs. These savings are offset slightly by increased costs of $2.2 million in estimated MPSERS unfunded accrued liabilities that will not be paid by districts that were dissolved under Section 12 of the Revised School Code. Also, an additional $250,000 is recommended to help low-income pupils pay for the costs of taking Advanced Placement and International Baccalaureate tests.

STATE BUDGET OFFICE
February 5, 2014

Departments of Education and Treasury Early Warning System and Financial Independence Team

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The fiscal year 2015 Executive Recommendation includes $6.5 million general fund and 9.0 FTEs in the Department of Treasury and $778,100 general fund and 4.0 FTEs in the Department of Education to create the Financial Independence Team, which will be tasked with identifying financially troubled school districts earlier and providing assistance to those districts.

Amendments to the school aid budget and other enacting legislation revise the current deficit elimination plan process by:

- Creating an early warning system to allow for quicker identification of troubled districts.
    - The departments of Education, Treasury and the Center for Educational Performance and Information are developing an early warning data system that examines financial and enrollment trend data to identify districts where offering some extra financial expertise may alleviate future fiscal stress.
    - Districts will be required to submit annual financial data earlier to the state - by October 15 rather than November 15 - to allow financial issues to be identified more quickly.

- Require districts with potential financial stress to submit periodic financial status reports to the state.
    - Once a district is identified as having potential financial distress, the district will be required to periodically report up-to-date information to the state. These monthly reports will include information related to pupil counts, budget to actual expenditures, cash flow, fund balances and other financial data.

- Require districts that are identified as being in deficit to submit a financial preplan.
    - If a district that was identified as having potential financial distress is determined to be in deficit, that district is required to submit a financial preplan prior to submitting a deficit elimination plan. Financial preplans consist of more detailed financial information about the district, including liabilities, required payments, borrowing obligations, and pupil enrollment information.

- Require districts in deficit to prepare a deficit elimination plan that must be approved by the state.
    - Following the submission of a financial preplan, a deficit district must submit a deficit elimination plan that details the resolution of the district's deficit. Deficit elimination plans are often accompanied by education plans, which outline academic improvements that the district can make in tandem with their deficit elimination activities.

- Require districts in deficit with rapidly deteriorating financial circumstances or persistently declining enrollment that have not been able to implement their deficit elimination plan effectively to submit an enhanced deficit elimination plan.
    - In more extreme cases of financial distress, a district is required to submit an enhanced deficit elimination plan that will be monitored by the state's financial experts. Enhanced deficit elimination plans must detail the resolution of the district's financial crisis, including projections for the next three years, and may require the adoption of a financial recovery agreement.

- As a condition of approving an enhanced deficit elimination plan, the district may be required to enter into a financial recovery agreement with the state treasurer.
    - A financial recovery agreement may require the adoption of necessary measures to address the district's financial crisis, the appointment of a local auditor or inspector, the retention of one or more consultants or experts to assist with the implementation of the financial recovery agreement, and the consideration of alternative means of education for the district's students.

- For districts in continued financial crisis, the State Treasurer can declare that a financial emergency exists and an emergency manager may be appointed. As a last resort, the state may pursue the district dissolution process for the most financially troubled districts or districts may voluntarily choose to dissolve if the district is unable to meet its financial obligations while also providing educational services.

Other amendatory bills in the package require that districts use the uniform chart of accounts and other budgetary process standards; allow districts to issue school finance stability bonds, with the approval of the State Treasurer, to eliminate operating deficits; and increase the cap for emergency borrowing from $50 million to $100 million.

STATE BUDGET OFFICE
February 5, 2014

School Aid
Educator Evaluations and Student Assessments Phase-In

Public Act 102 of 2011 established the Michigan Council for Educator Effectiveness, a temporary commission that was tasked with recommending classroom observation and student growth assessment tools that would provide the foundation for high quality teacher and administrator evaluations in Michigan. In summer 2013, the Council released its final report.

Based on the Council's recommendations, the fiscal year 2015 Executive Recommendation includes $27.8 million in the School Aid budget and $5.9 million in the Department of Education for a total of $33.7 million committed to phasing in educator evaluations over several years.

Of the $27.8 million in School Aid for educator evaluations, $22.1 million provides for phased-in observer training and licenses for teacher and administrator evaluation tools; $2.7 million will be used to provide teacher-student rosters needed for the local evaluation systems; and $3 million provides value-added modeling related to existing tests, an electronic reporting system that will integrate observation tool and value-added modeling data for districts, and piloting alternative evaluations for teachers who serve student populations that cannot be evaluated using standard assessments or observation tools.

Funding in the Department of Education supports staff to implement the educator evaluations, fidelity monitoring for implementation and compliance, a waiver review process for districts that have applied to use an alternative educator evaluation tool, and integration of educator evaluation results into the teacher preparation institution rating system.

The School Aid budget also includes an increase of $7.2 million for the first year of a multi-year computer-based student assessment phase-in. A new online reporting system will allow students, teachers, and parents to view assessment results immediately after the assessment is scored, allowing for quicker turnaround and providing for more individualized learning. Interim assessments, which can be used to measure student growth by testing students multiple times throughout the school year, will be phased-in for grades and subjects not currently tested.

Governor Snyder also recommends a total of $50 million for technology infrastructure grants, of which $8.5 million is earmarked to convert existing tests to online student assessments, provide paper and pencil tests to districts that are not prepared to implement online assessments, expand writing assessments to additional grade levels,

and provide a greater number of constructed response test questions, which will require students to demonstrate higher-order skills such as problem solving and communicating reasoning.

EDUCATOR EVALUATIONS AND STUDENT ASSESSMENT PHASE-IN – INCREASED COSTS

	FY 2015	FY 2016	FY 2017
TOTAL INCREASED COSTS	**$40,914,000**	**$45,191,248**	**$47,522,852**

MCEE RECOMMENDATIONS INCREASED COSTS	**FY 2015**	**FY 2016**	**FY 2017**
Observation Tools Total	**$22,070,000**	**$14,040,100**	**$12,686,000**
Teacher Observations - Training and Licenses	$19,253,800	$12,623,100	$11,269,000
Administrator Observations - Training and Licenses	$2,816,200	$1,417,000	$1,417,000
Value-Added Modeling and Integrated Evaluation Total	**$3,030,000**	**$5,605,000**	**$6,955,000**
State Administration; Data Systems Total	**$8,614,000**	**$7,214,000**	**$7,214,000**
School Aid	$2,700,000	$2,200,000	$2,200,000
Department of Education	$5,914,000	$5,014,000	$5,014,000
MCEE RECOMMENDATIONS TOTAL	**$33,714,000**	**$26,859,100**	**$26,855,000**

STUDENT ASSESSMENTS INCREASED COSTS	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**
Computer-Based Assessments; Online Reporting Tool Total	**$3,200,000**	**$9,000,000**	**$9,000,000**	**$9,000,000**	**$9,000,000**
Converting to Computer-Based Assessments	$0*	$8,500,000	$8,500,000	$8,500,000	$8,500,000
Online Reporting Tool to Districts	$3,200,000	$500,000	$500,000	$500,000	$500,000
Interim Tests Total	**$4,000,000**	**$9,332,148**	**$11,667,852**	**$14,333,296**	**$17,000,000**
Interim Tests: Development Costs	$4,000,000	$4,000,000	$4,000,000	$4,000,000	$4,000,000
Interim Tests: Grades 3-11 ELA/Math	$0	$5,332,148	$5,332,148	$5,332,148	$5,332,148
Interim Tests: Grades K-2, 12 ELA/Math	$0	$0	$2,335,704	$2,335,704	$2,335,704
Interim Tests: Grades 3-11 Social Studies	$0	$0	$0	$2,665,444	$2,665,444
Interim Tests: Grades 3-11 Sciences	$0	$0	$0	$0	$2,666,704
ASSESSMENTS INCREASED COSTS TOTAL	**$7,200,000**	**$18,332,148**	**$20,667,852**	**$23,333,296**	**$26,000,000**

*NOTE: $8.5 million earmarked from Technology Infrastructure Grant funds

STATE BUDGET OFFICE
February 5, 2014

Invasive Species Initiative
Quality of Life Group

Proposal

The governor's fiscal year 2015 budget reflects an investment of $4 million ongoing and $2 million one-time general fund to implement a comprehensive, coordinated regional response to prevent, detect, eradicate, and control invasive species. In addition, $4 million one-time is proposed for fiscal year 2016.

Specifically, the initiative is designed to:

- Engage and educate the public to prevent the establishment of high risk invasive species
- Enhance monitoring of organisms in trade industries, conduct surveys of outdoor recreation participants, and integrate data to allow for early detection and assessment of high risk invasive species
- Improve detection of existing invasive species by coordinating the efforts of volunteers
- Eradicate and control existing invasive species via grants to local partners
- Develop solutions for emerging invasive species issues
- Develop a statewide terrestrial invasive species management plan

The fiscal year 2015 spending plan includes approximately $2.4 million appropriated in the Department of Natural Resources (DNR) budget to support 16 FTE positions with the remaining $3.6 million ($1.6 million ongoing and $2.0 million one-time) being allocated to on-the-ground efforts of partners in the form of grants for management and research projects.

Background

Historically, invasive species-related activities in Michigan were limited or sporadic due largely to inadequate funding. Specifically, the dispersal of aquatic based *zebra mussels*, persistent growth of wetland plant species or *Phragmites*, and the infestation of an exotic green beetle which targets ash trees known as the *emerald ash borer* to name a few, illustrate the need for new approaches to strategically prevent, detect, and manage invasive species. The proposed initiative will capitalize on the current state of knowledge to increase the capacity for the state, municipalities, and stakeholder organizations to work together in protecting and restoring natural resource assets.

Michigan residents and visitors are urgently asking for leadership, guidance and support from state agencies to prevent the continued destruction of key economies and ecosystems. The Quality of Life Group (QOL), agencies within the Executive Branch of government made up of the departments of Natural Resources, Environmental Quality and Agriculture and Rural Development, has achieved significant progress in updating and implementing the Aquatic Invasive Species (AIS) Management Plan including: 1) undertaking critical efforts to prevent Asian carp from entering the Great Lakes; 2) actively promoting protective federal ballast water standards; 3) increasing early detection and rapid response efforts; and 4) heightening public awareness through education and outreach. However, these efforts rely primarily on initial investments in federal funding and lack a strategic framework for terrestrial species. With the proposed infusion of state funds, the QOL Group may be able to leverage other federal and private funding opportunities.

STATE BUDGET OFFICE
FEBRUARY 5, 2014

Fiscal Year 2015
Local Government Revenue Sharing and Incentive-Based Program Changes

Proposal

The fiscal year 2015 Executive Budget proposes an increase of $101.4 million for revenue sharing and incentive-based programs, with a portion distributed to high-performing and high-need communities. In addition, constitutionally-required revenue sharing payments to cities, villages, and townships are increased by $19.4 million to $764.9 million, a 3 percent increase based on estimated sales tax collections.

The governor also proposes a set of best practice standards as an alternative to meeting the requirements under the Economic Vitality Incentive and County Incentive programs.

Background

County Revenue Sharing and County Incentive Program

Beginning in fiscal year 2005, county revenue sharing payments were suspended for Michigan's 83 counties and replaced with county revenue sharing reserve funds. State payments were resumed in fiscal year 2008 as counties gradually depleted their individual reserve funds. Each fiscal year, more counties become eligible to receive state payments. The level of state funding is subject to annual appropriations, with a portion designated as incentive payments for meeting best practice criteria similar to the requirements under the Economic Vitality Incentive Program, described below.

For fiscal year 2014, the $145.8 million appropriation provides funding for 63 eligible counties at 80 percent of the maximum funding allowed under statutory provisions.

Under the governor's fiscal year 2015 proposed budget, an increase of $65.4 to $211.2 million provides adequate state funding for 74 eligible counties (up 11 from 2014) at 100 percent of the maximum funding allowed under statutory provisions.

Economic Vitality Incentive Program

Beginning in fiscal 2012, statutory revenue sharing for cities, villages, and townships was replaced with an incentive-based program for eligible communities. If a city, village, or township received a state payment of $4,500 or more under the fiscal year 2010 statutory revenue sharing program, that community qualifies to receive a state payment under the Economic Vitality Incentive Program (EVIP). The potential payment

amount depends upon the level of state funding for EVIP, which is subject to annual appropriations, and upon an otherwise eligible community meeting all EVIP program criteria.

Under the governor's fiscal year 2015 budget, a recommended $7.2 million increase allows an eligible community to qualify for an incentive-based payment equal to 78.5% of its fiscal year 2010 state payment, up from 76.2% in fiscal year 2014.

An EVIP-eligible city, village, and township may receive 1/3 of its incentive-based payment for meeting specific criteria in each of three categories: accountability and transparency, consolidation of services, and unfunded accrued liability plans.

Best Practice Standards Alternative

The governor's fiscal year 2015 budget proposes an alternative method for receiving state payments under the Economic Vitality Incentive and County Incentive programs. Rather than receiving 1/3 of incentive-based funding for meeting specific criteria under each of three categories (described above), those requirements would be waived and replaced with a certification from an eligible community that it meets best practice standards.

An eligible city, village, township, and county meeting the following best practice standards would receive its calculated state payment under the Economic Vitality Incentive and County Incentive programs:

- Standard 1 - an unrestricted general fund balance, as of the most recently audited financial report, is equal to or greater than 6 percent of the most recently adopted general fund budgeted expenditures.

- Standard 2 – employer contributions to one or more defined benefit pension plans offered to employees or elected public officials are equal to or greater than the annual required contribution amounts determined by the actuarial valuation used for the most recent audited financial statements. This standard would not apply if defined benefit pension plans are not offered.

- Standard 3 – employer contributions to one or more other post-employment benefit plans offered to employees or elected public officials are equal to or greater than the annual required contribution amounts determined by the actuarial valuation used for the most recent audited financial statements. For plans with fewer than 100 participants, the employer contribution may be determined under an alternative method recommended by the Governmental Accounting Standards Board. This standard would not apply if other post-employment benefit plans are not offered.

- Standard 4 – general obligation debt outstanding has a bond or credit rating, as assigned by at least two of three rating agencies, not less than AA- or an equivalent rating. This standard does not apply if there is no general obligation debt outstanding.

EVIP Supplemental Payments

The governor's fiscal year 2015 budget recommends $28.8 million for a new supplemental payments program under the Economic Vitality Incentive Program. In combination with increased funding for incentive-based payments, total recommended funding of $271.8 million provides an increase of 15 percent over fiscal year 2014, a 30 percent increase since the program was created in fiscal year 2012.

Under the governor's proposed supplemental payment program, EVIP-eligible cities, villages, and townships will receive a payment based on population, with payments distributed in amounts of $5,000.00 or more. A supplemental payment may increase to reward communities demonstrating best practice standards and to assist other communities with higher needs. The following proposed criteria would provide the basis for a population adjustment increase of 10 percent for meeting one or more of the following criteria with a maximum population adjustment increase of 40 percent:

- An EVIP-eligible community certifies that it meets the best practice standards alternative, recommended for fiscal year 2015. (Refer to *Best Practice Standards Alternative,* above)

- An EVIP-eligible community is in the top 25 percent of Michigan communities with populations of 5,000 or more, based on violent crime rates reported to the Michigan Department of State Police

- An EVIP-eligible community is in the top 25 percent of Michigan communities with populations of 20,000 or more, based on jobless rates published by the U. S. Census Bureau

- An EVIP-eligible community has a deficit elimination plan approved by the Michigan Department of Treasury; proposed supplemental payment adjustment limited to 24 months under this criteria

The fiscal year 2015 budget recommends $300,000 for the Michigan Department of Treasury to administer the supplemental payments program.

Financial impacts of recommended fiscal year 2015 investments for local government revenue sharing and incentive-based programs are outlined in the attached charts.

FY 2015 Executive Budget Recommendation
Local Government Investment Impacts

Constitutional Revenue Sharing
(amounts in millions)

	Fiscal 2010 Actual	Fiscal 2011 Actual	Fiscal 2012 Actual	Fiscal 2013 Actual	Fiscal 2014 Estimated	Fiscal 2015 Estimated	Change from Fiscal 2014	Change from Fiscal 2011
Detroit	$ 60.3	$ 48.1	$ 51.2	$ 52.2	$ 53.9	$ 55.3	3%	15%
All other CVTs	$ 568.9	$ 616.6	$ 656.3	$ 670.0	$ 691.6	$ 709.6	3%	15%
Total Funding	$ 629.2	$ 664.7	$ 707.5	$ 722.2	$ 745.5	$ 764.9	3%	15%

** All cities, villages, and townships (CVTs) receive constitutional revenue sharing payments (1963 Constitutuon, Art. IX, Sec. 10).
Counties do not receive constitutional revenue sharing payments.

FY 2015 Executive Budget Recommendation
Local Government Investment Impacts

County Incentive Program and County Revenue Sharing
(amounts in millions)

	Fiscal 2009 Actual	Fiscal 2010 Actual	Fiscal 2011 Actual	Fiscal 2012 Actual	Fiscal 2013 Estimated	Fiscal 2014 Estimated	Investment	Fiscal 2015 Recommend	Change from Fiscal 2014
County Incentive Program	$ -	$ -	$ -	$ -	$ 26.1	$ 29.2	$ 13.0	$ 42.2	refer to impact below
County Revenue Sharing *	$ 3.0	$ 55.3	$ 112.5	$ 115.0	$ 104.5	$ 116.6	$ 52.4	$ 169.0	
Total Funding	$ 3.0	$ 55.3	$ 112.5	$ 115.0	$ 130.6	$ 145.8	$ 65.4	$ 211.2	

Fiscal 2014 one-time funding of $6.5 million is replaced with fiscal 2015 ongoing investment.

* Beginning in fiscal 2005, county revenue sharing payments were suspended and individual county revenue sharing reserve funds were created. Beginning in fiscal 2008, state payments were resumed as counties gradually depleted their individual reserve funds. Each fiscal year, more counties become eligible to receive state payments as reserve funds are depleted. For fiscal 2015, 74 of Michigan's 83 counties are eligible to receive state payments.

A portion of resumed state payments were designated as incentive payments effective for fiscal 2013, or 20% of total state funding.

The level of state funding is subject to appropriation. Beginning in fiscal 2012, the appropriated amount has funded approximately 75 to 80 percent of the total amount calculated under statutory provisions for eligible counties.

Fiscal 2015 Investment Impact

$65.4 M recognizes 74 eligible counties (up from 63 in fiscal 2014) at 100% of "full funding" calculated under statutory provisions for eligible counties.

Fiscal 2016 Planning - assuming continuation Fiscal 2015 recommendation

A total of 76 counties are estimated to become eligible (up from 74 in fiscal 2015).

"Full funding" calculated under statutory provisions for 76 eligible counties is estimate at $214.7 million, a $3.5 million increase over FY 2015 recommendation.

FY 2015 Executive Budget Recommendation
Local Government Investment Impacts

Economic Vitality Incentive Program
(amounts in millions)

	Year (1) Fiscal 2012	Year (2) Fiscal 2013	Year (3) Fiscal 2014 Appn	Investment	Investment	Combined Investments	Year (4) Fiscal 2015 Recommend	Combined change from Fiscal 2014	Combined change from Fiscal 2012
EVIP	$ 209.7	$ 224.8	$ 235.8	$ 7.2	$ -	$ 7.2	$ 243.0	3%	
EVIP Supplemental Payments	$ -	$ -	$ -	$ -	$ 28.8	$ 28.8	$ 28.8	n/a	
Total Funding	$ 209.7	$ 224.8	$ 235.8	$ 7.2	$ 28.8	$ 36.0	$ 271.8	15%	30%

FY 2015 EVIP investments provide a total funding increase of 30% since the first year of incentive-based funding.

Investment of $7.2 million provides a 3% increase for EVIP-eligible communities under current law criteria.

Boilerplate language earmarks $28.8 million for "EVIP Supplemental Payments" ($0.3 M for administration; $28.5 M to EVIP-eligible communities). Funding to be allocated on a population basis with high-performing and high-need communities receiving a larger share. Supplemental payments in the amount of $5,000 and above will be distributed.

Fiscal 2014 one-time investment of $9.5 million is funded with ongoing funding for fiscal 2015.

Total CVTs = 1,773 EVIP-Eligible CVTs = 486 (27.4% of total CVTs)

STATE BUDGET OFFICE
February 5, 2014

Fiscal Year 2015 Executive Recommendation

Mental Health and Wellness Commission

Proposal:

The fiscal year 2015 Executive Recommendation includes $15.6 million gross and general fund to implement the recommendations of the Mental Health and Wellness Commission. These recommendations will allow individuals and families living with mental illnesses, developmental disabilities and substance use disorders to receive coordinated mental health services that encourage independence and self-determination and provide better access to high quality and coordinated care. In addition, the recommendations support establishing metrics to evaluate the effectiveness of services provided.

Background Information:

The Department of Community Health will partner with the departments of Human Services, Corrections, Education, Military and Veterans Affairs, the Michigan State Housing Development Authority and the Michigan Strategic Fund to implement the findings of the commission workgroups. They include:

- Initiatives that address coordination between school districts and healthcare providers for services to children; appropriate job opportunities for individuals with mental illness or a developmental disability; and better access to timely services for Michigan's veterans.

- Initiatives aimed at increasing permanent housing and independent living services for homeless persons with mental illness.

- Initiatives that facilitate information sharing between physical and mental health care providers to help track and coordinate services.

- Initiatives that provide law enforcement with training and tools to respond to individuals in emergency situations and ensure they receive needed services.

- Initiatives to reduce stigma associated with mental illness and the collection of data to evaluate policies, programs and services.

STATE BUDGET OFFICE
February 5, 2014

Mental Health Diversion

Proposal
The fiscal year 2015 Executive Recommendation addresses Michigan's mental health needs by developing services to divert individuals with mental illness out of the criminal justice system and into appropriate community treatment.

Total funding of $6.1 million general fund is recommended for investment in three agencies in the followings areas:

Assisted Outpatient Treatment: $1.18 million
Assisted Outpatient Treatment is a court-ordered program of community-based mental health services designed to improve outcomes for people with serious mental illness with a history of repeated hospitalizations or incarcerations attributable to non-adherence with outpatient treatment. Funding recommended for the Judiciary ($730,000) will provide for court evaluations, attorney services, and training of local stakeholders. Funding of $450,000 for the Michigan Department of Community Health (MDCH) will provide treatment services through community mental health services providers.

Probation Mental Health Resources: $1.0 million
Funding of $1.0 million in the Judiciary budget will reinforce existing mental health courts through court coordination, mental health services, substance abuse treatment, housing, and transportation services.

Crisis Intervention Teams: $1.7 million
An investment of $1.7 million in the MDCH budget will help develop and strengthen local crisis intervention teams to help divert offenders prior to booking into the criminal justice system. The funding will provide for local law enforcement training which is considered a best practice diversion strategy.

Jail Behavioral Health Treatment: $1.0 million
Funding of $1.0 million in the MDCH budget will help improve the provision of local in-jail behavioral health treatment. The investment is intended to enhance mental health treatment in areas such as psychiatric services, case management, co-occurring disorders management, and individual and group therapy.

Local Re-entry Behavioral Health Treatment: $1.0 million

An investment of $1.0 million in the Michigan Department of Corrections budget will support a contract for a pilot program in a local jail to arrange for appropriate mental health services when jail inmates return to the community.

Data Collection: $200,000

Funding of $200,000 will be included in the MDCH budget to collect data to measure the effectiveness of local mental health diversion. Data collection efforts will measure the changes brought about by investments in the strategies taken in preemptive, pre-booking, in-jail, post-booking and post-release diversion services.

Background

Executive Order 2013-7 established the Mental Health Diversion Council within the Department of Community Health to advise and assist with the implementation of a mental health diversion action plan with the goal of reducing the number of people with mental illness that enter the corrections system. The 14-member council was chaired by Lt. Gov. Calley and included representatives from the departments of Community Health and Corrections along with appointees representing mental health service providers, the judiciary, prosecuting attorneys, law enforcement, defense attorneys, consumer advocates, and others.

In addition to the charge to adopt an action plan, the council worked to identify areas of best practice in the various stages of the criminal justice system such as at pre-booking and post-booking to expand the use of diversions to treatment.

STATE BUDGET OFFICE
February 5, 2014

Michigan Strategic Fund
Community College Skilled Trades Equipment Program

Proposal

Governor Snyder's fiscal year 2015 budget includes a Community College Skilled Trades Equipment Program to address workforce talent needs. This program will provide community colleges the opportunity to compete for $50 million in bond funds to re-tool instructional equipment to the latest technology so that they can deliver educational programs in high-wage, high-skill and high-demand skilled trade occupations. Community colleges desiring to participate in the program must demonstrate employer demand within their prosperity region in alignment with an annual talent needs plan.

Program Details

- Provides up to $50 million in bond funds to be issued by the Michigan Strategic Fund for skilled trade equipment and related investments that will build and retain a talented workforce in Michigan. The program will reimburse eligible expenses related to the acquisition and installation of equipment, including any necessary renovations related to the installation, and training for instructors.

- The Michigan Strategic Fund will invite Michigan community colleges to participate in a competitive selection process.

- At a minimum, the selection process will require community colleges to address the following:

    - Describe the equipment to be purchased and present a detailed cost estimate.

    - Demonstrate alignment with a prosperity region annual talent plan that addresses the needs of Michigan businesses.

    - Provide that equipment and related improvements address the identified talent needs in the prosperity region, and will support industry-recognized credentials or degrees in high-skill, high-demand occupations.

- Community colleges will be required to provide a minimum match of twenty-five percent of the total project cost. Additional matching funds may also be provided from Michigan businesses on behalf of the community college, but not including paid internships or graduate employment.

Community College Skilled Trades Equipment Program (continued):

- The Michigan Strategic Fund will convene a review panel consisting of staff from the Michigan Economic Development Corporation, the Workforce Development Agency and members of the Governor's Talent Investment Board to evaluate proposals and make recommendations to the Michigan Strategic Fund Board for the award of project grants.

- The Michigan Strategic Fund Board will approve the award of project grants no later than April 1, 2015. Approved award grants must commence no later than April 1, 2016 in order to be eligible for reimbursement from the bond funds.

- A total of $4.6 million general fund has been included in the fiscal year 2015 Michigan Strategic Fund budget for annual debt service.

STATE BUDGET OFFICE
February 5, 2014

Michigan Strategic Fund
Engineering Talent Investment Program

Proposal

Governor Snyder's fiscal year 2015 budget includes an innovative Engineering Talent Investment Program that will allow higher education institutions with accredited engineering programs to compete for $100 million in bond funds for capital improvements. The goal of the program is to enhance talent critical to Michigan's economic growth by increasing the number of engineering graduates with the skills needed by Michigan employers. Through established partnerships with employers, the program is also focused on retaining these highly-skilled engineering graduates in Michigan.

Program Details

- Provides up to $100 million in bond funds to be issued by the Michigan Strategic Fund for capital improvements related to the construction, expansion, renovation, re-purposing and equipping of facilities that provide primary instructional, laboratory or research support to engineering programs.

- Eligible institutions include Michigan public institutions of higher education with engineering programs accredited by the Accreditation Board for Engineering and Technology, Inc. (ABET).

- The Michigan Strategic Fund will invite eligible institutions to submit a Request for Proposal for the purposes of competitive selection. Proposals may be submitted by an institution or jointly in partnership with other eligible higher education institutions.

- In the Request for Proposal, eligible institutions will be required, at minimum, to address the following:

    - Describe the capital project and present a professional cost estimate.
    - Demonstrate how the project will increase the number of engineering graduates.
    - Present a strategic plan for the placement of engineering graduates in Michigan businesses with annual engagement and retention goals.
    - Partner with at least one Michigan employer with a tangible commitment to hire engineering graduates.

- Institutions are encouraged to enter into partnerships with employers that begin immediately upon project award to the benefit of current engineering graduates.

Engineering Talent Investment Program (continued):

- Institutions will be required to provide a minimum match of twenty-five percent of the total project cost. Additional matching funds may also be provided from Michigan businesses on behalf of the institution, not including paid internships or graduate employment.

- The Michigan Strategic Fund will convene a panel of experts with experience in higher education, business, economic development, workforce development and engineering to review proposals and make recommendations to the Michigan Strategic Fund Board for the award of projects.

- The Michigan Strategic Fund Board will approve the award of projects no later than April 1, 2015. Projects must commence construction no later than April 1, 2016 in order to be eligible for reimbursement from the bond funds.

- A total of $7.9 million general fund has been included in the fiscal year 2015 Michigan Strategic Fund budget for annual debt service.

STATE BUDGET OFFICE
February 5, 2014

National Guard Tuition Assistance Program
Department of Military and Veterans Affairs

Proposal

The governor's fiscal year 2015 budget reflects an investment of $5 million ongoing general fund to implement a tuition assistance program for members of the Michigan Air and Army National Guard. To be eligible for the state tuition assistance program National Guard members have to be qualified in a military occupational skill, remain in an active drilling status with a service contract, be members in good standing, meet yearly physical fitness and weight control standards, and maintain a 2.0 GPA (on a 4.0 scale). The proposed tuition assistance program would cover 100% of tuition and authorized fees, up to $4,500 a year, for members to pursue course work in programs leading to a certificate, their first associates, bachelors or masters degree; lateral or lower degrees are not authorized.

Specifically, the initiative is designed to:

- Increase military readiness by increasing recruitment and retention of Michigan Army and Air National Guard service members
- Improve Michigan National Guard market share, a comparison of all enlistments in the state that enter the National Guard, other reserve component, or active duty
- Enhance the Michigan National Guard's ability to better compete with neighboring states for federal dollars
- Increase the pool of eligible candidates within the Michigan National Guard to become commissioned officers

The fiscal year 2015 spending plan includes approximately $4.8 million appropriated in the Department of Military and Veterans Affairs (DMVA) budget to provide tuition assistance benefits to Michigan National Guard service members with approximately $200,000 to support administrative costs of the program.

Background

A state tuition assistance program is highly beneficial in the recruitment and retention of soldiers and airmen. As Michigan is 1 of only 7 states that does not offer a tuition assistance program to National Guard members, the governor's proposal would allow the Michigan National Guard to offer benefits on par with 43 other states and increase recruitment and retention levels.

STATE BUDGET OFFICE
February 5, 2014

Fiscal Year 2015 Executive Recommendation

Senior Citizen Investments - Making Michigan a "No Wait State"

Proposal:

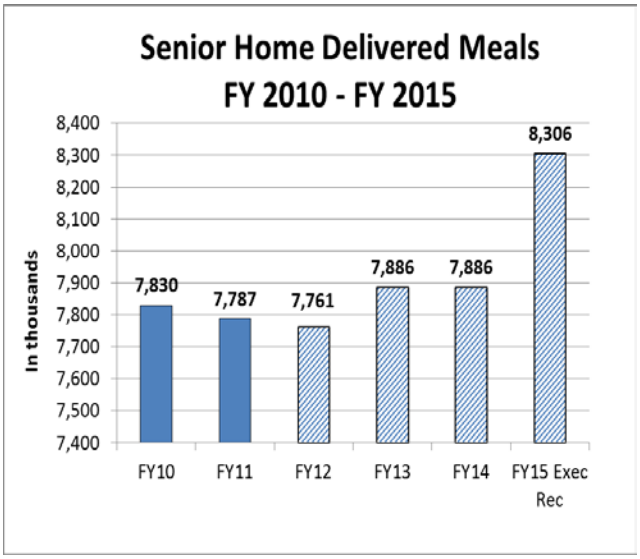
The Fiscal Year 2015 Executive Recommendation provides funds for a variety of senior citizen initiatives with $49 million gross, $21 million general fund. These investments will focus on improving the health and wellness of the nearly 2 million Michigan residents aged 60 years or older. The governor is committed to supporting programs that foster independence and keep older adults in their homes as long as possible.

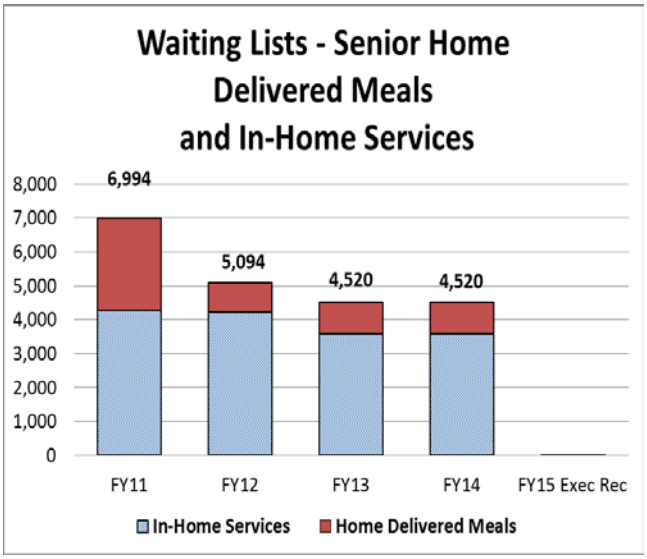
The Michigan Office of Services to the Aging partners with 16 regional Area Agencies on Aging and 1,300 local community-based agencies to provide services to older adults.

Background Information:

The Fiscal Year 2015 Executive Recommendation includes a total of $5 million gross and general fund to eliminate waiting lists for home delivered meals and in-home services and to help seniors who are now underserved. Nearly 420,000 additional meals will be served with a $1.8 million general fund increase to the Home Delivered Meals program. This will eliminate a waiting list of nearly 1,000 as of September 30, 2013 and also help an estimated 2,700 seniors receiving less than the optimum number of meals per week.

The governor's proposal for Fiscal Year 2015 also adds $3.2 million general fund for a variety of in-home services. The client waiting list as of September 30, 2013 for this service category was approximately 3,500. In-home services include assistance with chores, home health aides, shopping, housekeeping and other personal care needs.





The Fiscal Year 2015 Executive Recommendation includes $1 million gross and general fund for the prevention and detection of elder abuse in Michigan.

An estimated 90,000 older adults in Michigan are affected by various forms of physical and financial abuse. With the recent passage of a series of elder abuse prevention laws, recognition of the problem has grown and these new funds will bolster efforts to prevent, detect and investigate cases of elder abuse and neglect.

The Michigan Office of Services to the Aging will:

- Promote improved elder abuse identification and reporting by medical professionals;
- Support abuse detection and training for financial services employees and in long-term care and home care settings;
- Determine the cost and feasibility of an integrated elder abuse reporting system;
- Support local interdisciplinary investigative teams;
- Develop a formal criminal justice restitution initiative and/or a civil law investigation and recovery initiative based on successful models from other states.

The Fiscal Year 2015 Executive Recommendation supports the expansion of existing and new Program of All Inclusive Care for the Elderly (PACE) initiatives with $16.4 million gross and $5.7 million general fund transferred from other accounts.

Currently, PACE initiatives provide services to individuals who are nursing home eligible but can live safely in the community with support. Sites are currently in place in Wayne, Kent, Muskegon, Calhoun, Berrien, and Washtenaw Counties. The Fiscal Year 2015 Executive Recommendation expands to additional sites in Muskegon and to new county sites in Genesee, Saginaw, and Ingham.

There are many benefits of the PACE program:

- The program provides comprehensive medical care as well as adult day care, home health and personal care, and prescription drug costs.
- The PACE program is a cost effective model to the state.
- Most enrolled recipients reside in their own homes and surveys have demonstrated a high satisfaction with services provided by PACE providers.

The Fiscal Year 2015 Executive Recommendation eliminates the waiting list for the MIChoice Home and Community Based Waiver program with $26.2 million gross and $9 million general fund.

The MIChoice program provides medical care services to individuals who transition from nursing facilities as well as to those nursing home eligibles who transition from the community. The strong success of the program has generated a waiting list for those who wish to receive MIChoice supported services. The MIChoice waiting list can be eliminated by adding an additional 1,250 slots for individuals who currently reside in the community. The Fiscal Year 2015 Executive Recommendation has sufficient funding to eliminate the waiting list and provide the needed medical care to those eligible to receive it.

Funding directed to this program will bridge the gap for individuals who are nursing home eligible, require medical care and attention, and prefer to remain in their own home.