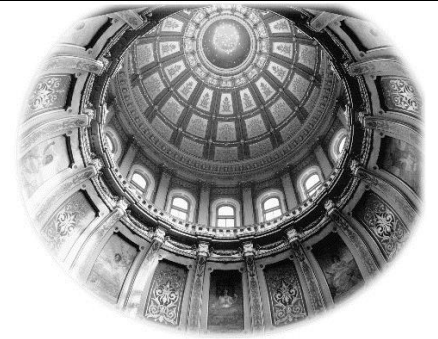


# CAPITOL NEWS UPDATE

WEEK OF February 12, 2015

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## FY 2016 BUDGET FOCUSES ON EDUCATION, SKILLED TRADES, SOME HEALTH PROGRAMS

### ***Cuts coming in current year budget***

Gov. Rick Snyder presented his Fiscal Year 2016 budget recommendations which totals \$54 billion; 1.3 percent over the current year. Inflation in the state over the next year is expected to increase by 1.4 percent. However, the General Fund budget is decreased 9.3 percent. The School Aid Fund recommendation is up 2 percent.

Breaking down the FY 2016 \$54 billion total gross spending, the lion's share (46 percent) goes to Health and Human Services; Education-30 percent, Jobs-10 percent, Government Services-7 percent, Public Safety-5 percent, Environment-2 percent and Reserves-less than 1 percent.

Snyder's budget proposal calls for:

- A \$75 per-pupil foundation grant, a \$75 million investment to rehab distressed school districts, and a \$25 million proposal for a statewide third-grade reading initiative.
- A 1.4 percent increase to total \$393.8 million for Community Colleges as well as an investment of \$6 million to restore financial aid for part-time students.
- An additional \$28 million for higher general operations rising to \$1.54 billion which is a 2 percent increase over current year.
- A doubling of the existing \$10 million for the skilled trades programs, and \$17.8 million for career and technical education for early/middle college programs. The budget proposal also calls for \$129 million in funding for community revitalization and business attraction efforts.
- An increase of 23.8 million in constitutional revenue sharing for cities, villages and townships. While statutory revenue sharing holding steady at \$243 million. Counties would benefit from an additional \$3.5 million in revenue sharing to accommodate additional counties coming into the state system.

Additionally, Snyder is calling for \$2.8 million to expand the Healthy Kids Dental Program to cover children to 8 years of age in Wayne, Oakland and Kent counties and proposing \$23 million to increase health care provider payments and urging dentists to accept low-income adults on Medicaid.

In the area of public safety, the Governor is proposing \$7.7 million to train 75 new troopers and an additional \$1 million to train 10 new motor carrier officers. There is also money to speed up the backlog of DNA testing, prosecution of sexual assault cases, and a new statewide drug policy initiative.

As for those crumbling roads and bridges, the governor's plan calls for a total of \$113 million to ensure the maximum federal match money for the roads and passage of the \$1.2 billion ballot proposal that

voters will be asked to approve on May 5. For purposes of budgeting, the Governor's recommended FY 2016 does not factor in funding from the passage of proposal 1.

Anticipating that the sun will not always shine on the great state of Michigan, the Governor wants to put another \$95 million in the Rainy Day Fund bringing the total balance of the fund to \$611 million the end of FY 2016.

The budget Snyder put forth is one based on a \$526.5 million hole in FY 2016 and a \$325 million shortfall in the current FY 2015 budget.

For an executive summary and complete department-by-department breakdown of the administration's proposed budget go to: <http://ow.ly.ISRFF>

### **SNYDER MAKES CUTS IN CURRENT BUDGET**

The Governor signed an executive order that reduces General Fund spending in the current fiscal year by nearly \$103 million and another \$3.5 million in special purpose dollars.

Departments facing reductions are: Michigan State Police - \$23.3 million; Department of Corrections - \$17.8 million; Department of Community Health - \$16.5 million; Department of Human Services - \$15.4 million, Department of Technology, Budget and Management - \$15.5 million. The departments of Agriculture, Education, Environmental Quality, Licensing and Regulatory Affairs, Natural Resources and Treasury have been reduced by a much smaller amount. He is also preparing a negative supplemental to decrease spending in the current budget year by an additional \$93.1 million.

To shore up the General Fund, some \$250.3 million in costs is being picked up by the School Aid Fund which is not facing a budget shortfall.

Despite the cuts, state officials are saying a limited number of state employee positions will be impacted.

### **SNYDER SEEKING CERTAINTY ON TAX CREDITS**

In an effort to minimize the drain on state revenues being caused previously granted government tax credits to major auto companies and others, Gov. Rick Snyder is mulling possible options that would provide the state some certainty on the amount of those credits.

Possibilities include offers from the state to buy back the credits, or placing a cap on how much of a credit could be redeemed during a certain year, but extend the credit program out over more years.

While declining to address the issue directly, a Snyder spokesperson did say the Governor is looking into the tax credit issue to see whether there are any best practices that could be used to add some predictability to the credits from a budget standpoint.

More than half of the \$6.4 billion originally pledged for those credits in the past decade have gone to the automakers.