



FY 2018-19

APPROPRIATIONS REPORT

Part I - Governor's Recommendations

February 2018

Senate Fiscal Agency



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www.senate.michigan.gov/sfa

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2. To provide written analyses of all Senate bills, House bills, and Administrative Rules considered by the Senate.
3. To review and evaluate proposed and existing State programs and services.
4. To provide economic and revenue analysis and forecasting.
5. To review and evaluate the impact of Federal budget decisions on the State.
6. To review and evaluate State issuance of long-term and short-term debt.
7. To review and evaluate the State's compliance with constitutional and statutory fiscal requirements.
8. To prepare special reports on fiscal issues as they arise and at the request of members of the Senate.

The Agency is located on the 8th floor of the Victor Office Center. The Agency is an equal opportunity employer.



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OVERVIEW SUMMARY

On February 7, 2018, Governor Rick Snyder presented his fiscal year (FY) 2018-19 State Budget Message and his budget projections for FY 2019-20. Pursuant to an Attorney General's letter opinion issued on February 9, 2011, the Governor is allowed to propose a two-year budget and the Legislature can enact a two-year budget but the second year would be only an expression of an "intent to appropriate", not binding or legally enforceable. This overview will focus on Governor Snyder's FY 2018-19 appropriation recommendation, as presented on February 7, 2018.

The FY 2018-19 budget recommendation from the Governor is based on the consensus revenue estimates agreed to on January 11, 2018. The FY 2018-19 General Fund/General Purpose (GF/GP) consensus revenue estimate is \$10.3 billion. This represents a 0.3% increase from the FY 2017-18 GF/GP consensus revenue estimate. The FY 2018-19 School Aid Fund (SAF) consensus revenue estimate is \$13.5 billion, a 2.9% increase from the FY 2017-18 consensus revenue estimate. The Governor's FY 2018-19 recommendation proposes one fee adjustment in the Department of Environmental Quality that would raise \$73.9 million from an increase of solid waste disposal fees, commonly referred to as "tipping fees". This new fee revenue would be used primarily for environmental cleanup and brownfield redevelopment. The Governor also is recommending statutory changes that would direct the deposit of 25.0% of the unassigned year-end GF/GP revenue balance to the Budget Stabilization Fund, and redirect \$13.0 million of Transportation and Economic Development Fund revenue to the State's General Fund. In addition, the Governor proposes to phase out driver responsibility fees (DRFs) by the end of FY 2018-19 and to provide forgiveness of certain outstanding DRF debts, resulting in GF/GP revenue losses. All of these fee and revenue proposals would require statutory change.

The Governor recommends FY 2018-19 Gross appropriations of \$56.8 billion and Adjusted Gross appropriations of \$55.9 billion. Included in this appropriation total are \$22.7 billion of Federal funds, \$385.9 million of local and private funds, \$22.8 billion of State Restricted revenue, and \$10.0 billion of GF/GP revenue. [Table 1](#) outlines the sources of funding for each department and budget area included in the Governor's recommendation. [Figures A](#) and [B](#) illustrate the total funding by source and major spending category. Compared with FY 2017-18 year-to-date appropriations, the Governor's FY 2018-19 budget includes a Gross appropriation increase of \$173.6 million or 0.3% (as outlined in [Table 2](#)), an increase in State Spending from State Resources appropriations of \$599.8 million or 1.9%, and a decrease in GF/GP appropriations of \$32.1 million or 0.3%.

The principal reasons for the increase in State Spending from State Resources appropriations are costs associated with the Medicaid match in the Department of Health and Human Services; funding increases in the School Aid budget for the foundation allowance and the Michigan Public School Employees' Retirement System; and a nearly \$400.0 million increase in State Restricted and GF/GP revenue for the Department of Transportation. [Tables 3-5](#) and [Figures C-E](#) compare the Governor's FY 2018-19 recommendation for Adjusted Gross, State Spending from State Resources, and GF/GP appropriations with the FY 2017-18 year-to-date appropriations. [Table 6](#) and [Figure F](#) compare the FY 2018-19 recommended number of 53,358.5 full-time equated (FTE) positions to the FY 2017-18 level of 52,893.5 FTEs, an increase of 465.0 positions or 0.9%.

The FY 2018-19 recommendation includes appropriations that the Governor has designated as either "ongoing" or "one-time". [Table 7](#) outlines the proposed FY 2018-19 one-time appropriations by fund source, with a Gross total for all budget areas of \$318.7 million. The Governor's budget does not include any new appropriation for the Budget Stabilization Fund; [Figure G](#) (on page 60) outlines the year-end balances for the Fund.

The Governor's recommendation includes \$18.5 billion of estimated payments to local units of government. This exceeds the required level of payments pursuant to Article IX, Section 30, of the State Constitution by more than \$2.0 billion. Below is a summary of the estimate, and [Table 8](#) lists the estimated State payments to local units of government for FY 2017-18 and FY 2018-19, of \$18.0 billion and \$18.5 billion, respectively.

STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT ARTICLE IX, SECTION 30 REQUIREMENT (millions of dollars)	
	FY 2018-19 Est.
State Spending from State Resources	\$32,818.2 ^{a)}
Required Payments to Local Units of Government (48.97%)	\$16,071.1
Estimated Payments to Local Units of Government.....	\$18,481.4
Estimated Payments as a Percentage of Total State Spending	56.31%
Surplus of Section 30 Payments	\$2,410.3
^{a)} Does not include \$8.586 million of Federal aid counted as GF/GP revenue.	

[Tables 9](#) and [10](#) present the GF/GP and SAF balance sheets for FY 2017-18, FY 2018-19, and FY 2019-20, which, when combined, reflect positive ending balances for all three fiscal years.

The total Gross and GF/GP dollar changes from FY 2017-18 to FY 2018-19 are an increase of \$173.6 million Gross and a decrease of \$32.1 million GF/GP. [Table 11](#) shows that the \$32.1 million GF/GP decrease consists of \$0.5 million of GF/GP funding for new programs; \$458.0 million of GF/GP funding increases; \$395.5 million of GF/GP funding reductions; a \$151.5 million GF/GP decrease due to fund shifts; and an increase of \$56.3 million GF/GP due to program transfers and economic and unclassified salaries' adjustments. [Tables 12-17](#) provide the details of these changes.

The FY 2018-19 School Aid Fund budget changes proposed by the Governor are outlined in [Table 18](#). As the table indicates, the net change in SAF appropriations is an increase of \$51.7 million. This \$51.7 million change consists of \$10.5 million for new programs, \$482.8 million of funding increases for existing programs, and \$441.6 million of funding reductions.

The Governor's fee and revenue proposals are summarized on pages 35 and 36. This summary includes an update of the personal property tax reform issue that the Governor has tied to his lack of State funding increases for community colleges, fire protection grants, and State Revenue Sharing. [Tables 19-28](#) outline background information regarding major budget areas and other general appropriation issues. [Tables 29-32](#) summarize the consensus revenue estimates that are the basis for the Governor's proposed budget, and [Tables 33-35](#) provide details by budget area of the Governor's FY 2018-19 Gross and GF/GP changes to FY 2017-18. The Appendix to this report contains highlight sheets of the Governor's recommendation for all budget areas.

On an overall basis, the Governor's FY 2018-19 budget proposal increases Gross appropriations by 0.3% and State Spending from State Resources appropriations by 1.9%, while reducing GF/GP appropriations by 0.3%. The primary reason for the reduction in GF/GP appropriations is the shift of nearly \$300.0 million of K-12 and Higher Education GF/GP appropriations to the School Aid Fund. As in his previous seven budgets, the Governor's eighth and final budget message includes performance measures for State programs.

Table 1
FY 2018-19 GOVERNOR'S RECOMMENDATION
BY SOURCE OF FUNDS

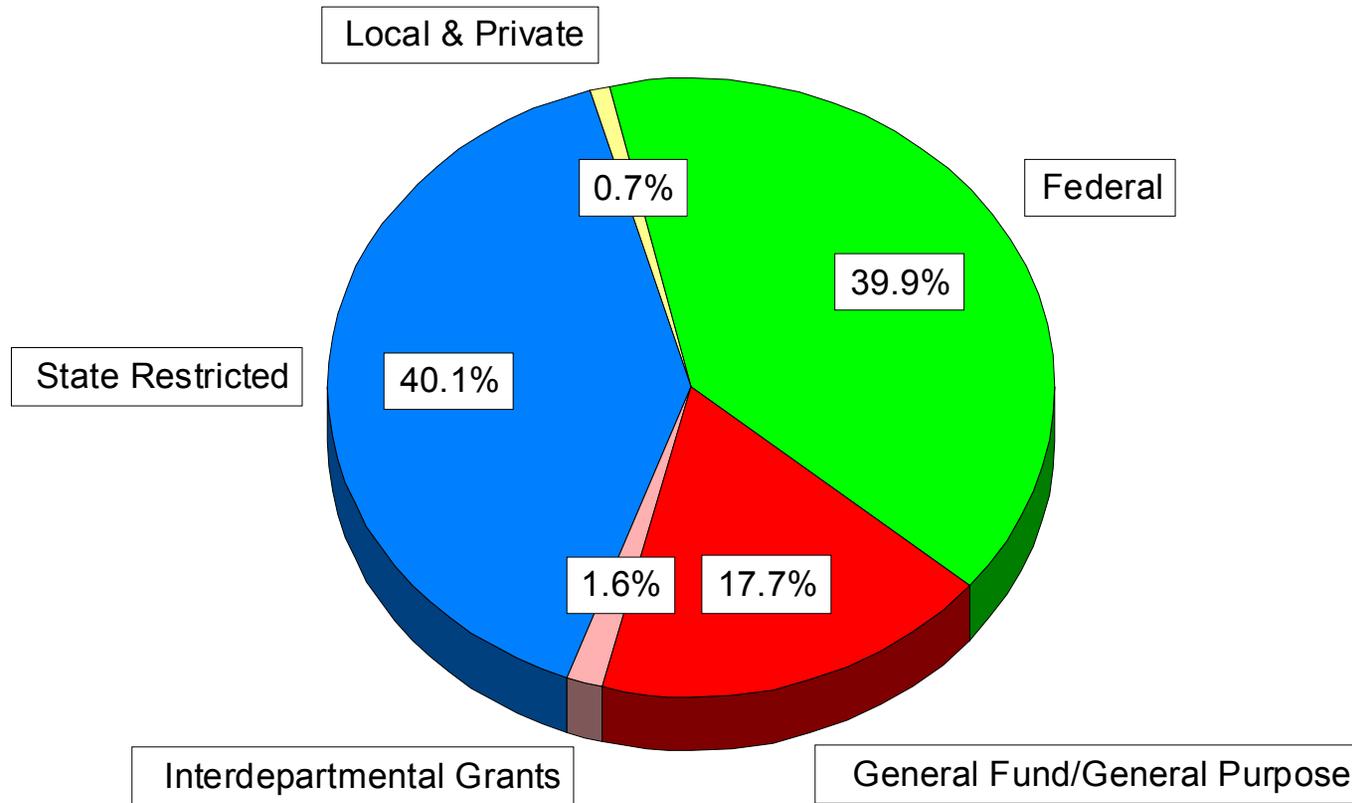
Department/Budget Area	Gross	IDGs	Adjusted Gross	Federal	Local & Private	State Restricted	General Fund/ General Purpose
Agriculture & Rural Development	\$102,888,100	\$313,900	\$102,574,200	\$11,695,200	\$101,800	\$37,072,000	\$53,705,200
Attorney General	102,028,900	30,386,400	71,642,500	9,628,500	0	21,907,200	40,106,800
Capital Outlay	0	0	0	0	0	0	0
Civil Rights	16,201,100	299,100	15,902,000	2,802,700	18,700	58,500	13,022,100
Community Colleges	405,015,500	0	405,015,500	0	0	405,015,500	0
Corrections	2,035,125,100	0	2,035,125,100	5,315,200	8,960,100	40,939,600	1,979,910,200
Education	357,107,300	0	357,107,300	255,366,800	7,888,600	8,668,200	85,183,700
Environmental Quality	494,588,000	3,143,700	491,444,300	160,225,400	1,061,700	283,210,700	46,946,500
Executive	6,980,100	0	6,980,100	0	0	0	6,980,100
Health & Human Services	25,240,354,300	13,813,700	25,226,540,600	17,955,593,700	271,522,800	2,456,898,500	4,542,525,600
Higher Education	1,658,932,600	0	1,658,932,600	113,026,400	0	385,688,300	1,160,217,900
Insurance & Financial Services	67,571,900	713,800	66,858,100	2,017,300	0	64,690,800	150,000
Judiciary	301,783,300	1,551,300	300,232,000	5,987,400	7,581,400	92,879,500	193,783,700
Legislative Auditor General	24,938,000	5,823,400	19,114,600	0	0	2,008,800	17,105,800
Legislature	157,281,800	0	157,281,800	0	400,000	4,394,300	152,487,500
Licensing & Regulatory Affairs	500,462,100	48,414,300	452,047,800	65,744,400	211,800	297,271,300	88,820,300
Military & Veterans Affairs	189,089,300	101,800	188,987,500	98,170,200	2,175,400	23,279,500	65,362,400
Natural Resources	436,705,300	232,200	436,473,100	81,731,600	7,431,400	299,965,800	47,344,300
Natural Resources (Trust Fund)	0	0	0	0	0	0	0
School Aid	14,635,968,800	0	14,635,968,800	1,724,743,500	0	12,866,225,300	45,000,000
State	254,662,800	20,000,000	234,662,800	1,460,000	50,100	214,686,400	18,466,300
State Police	711,814,700	24,728,300	687,086,400	78,223,600	5,261,800	148,698,200	454,902,800
Talent & Econ. Development	1,118,945,600	0	1,118,945,600	762,645,800	6,121,700	183,432,300	166,745,800
Technology, Mgt., & Budget	1,360,504,900	751,777,000	608,727,900	5,033,700	2,471,000	114,457,400	486,765,800
Transportation	4,705,089,900	4,092,500	4,700,997,400	1,318,271,700	51,432,000	3,156,293,700	175,000,000
Treasury (Debt Service)	107,580,000	0	107,580,000	0	0	0	107,580,000
Treasury (Operations)	525,354,200	12,780,300	512,573,900	27,128,000	13,163,200	371,069,400	101,213,300
Treasury (Revenue Sharing)	1,298,609,300	0	1,298,609,300	0	0	1,298,609,300	0
TOTAL APPROPRIATIONS	\$56,815,582,900	\$918,171,700	\$55,897,411,200	\$22,684,811,100	\$385,853,500	\$22,777,420,500	\$10,049,326,100

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Figure A

Appropriations by Source of Funds

FY 2018-19 Governor's Recommendation Gross



Total = \$ 56,815,582,900

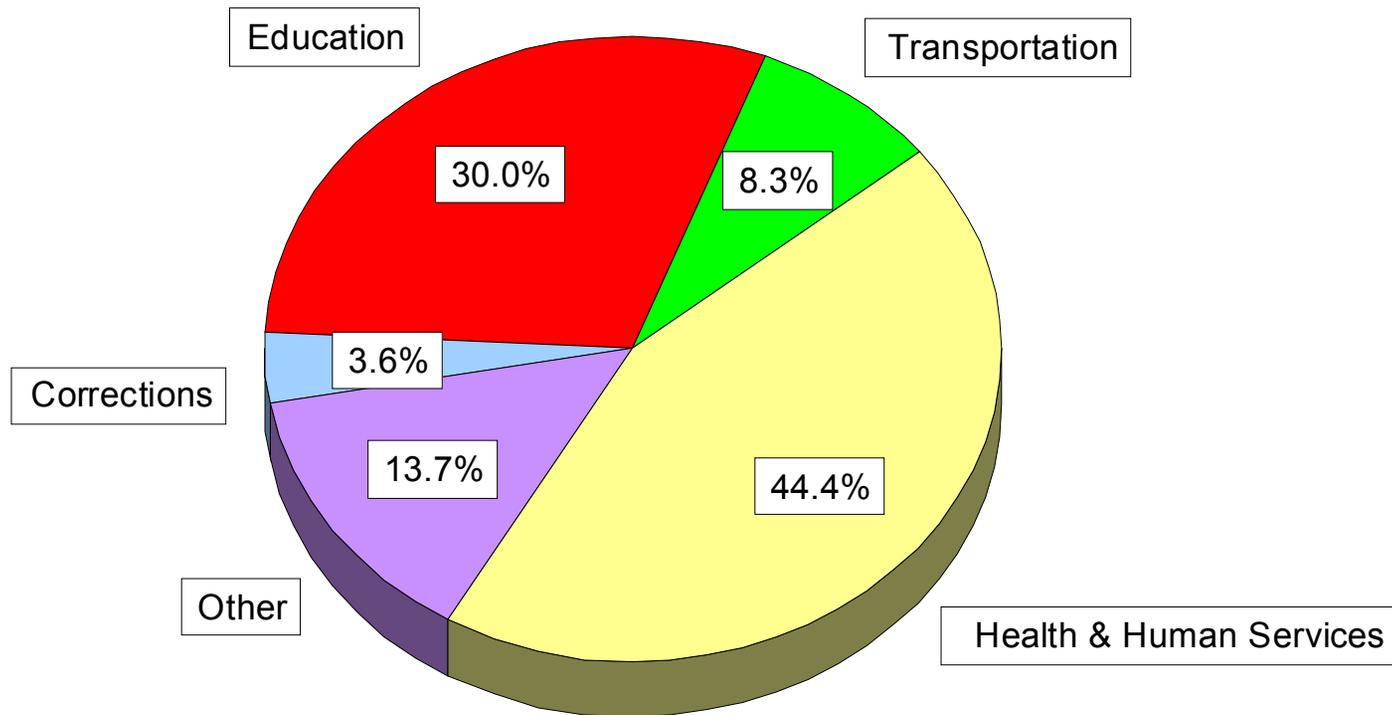
Table 2
GROSS APPROPRIATIONS
FY 2017-18 YEAR-TO-DATE VERSUS FY 2018-19 GOVERNOR'S RECOMMENDATION

Department/Budget Area	FY 2017-18 Year-to-Date Appropriations*	FY 2018-19 Governor's Recommendation	Dollar Difference	Percent Change
Agriculture & Rural Development.....	\$114,698,600	\$102,888,100	(\$11,810,500)	(10.3%)
Attorney General	101,798,800	102,028,900	230,100	0.2
Capital Outlay.....	800	0	(800)	(100.0)
Civil Rights	16,249,600	16,201,100	(48,500)	(0.3)
Community Colleges	399,326,500	405,015,500	5,689,000	1.4
Corrections	2,001,919,200	2,035,125,100	33,205,900	1.7
Education	352,181,200	357,107,300	4,926,100	1.4
Environmental Quality	551,505,200	494,588,000	(56,917,200)	(10.3)
Executive.....	6,848,500	6,980,100	131,600	1.9
Health & Human Services	25,509,303,800	25,240,354,300	(268,949,500)	(1.1)
Higher Education.....	1,629,224,400	1,658,932,600	29,708,200	1.8
Insurance & Financial Services.....	66,741,400	67,571,900	830,500	1.2
Judiciary	300,043,000	301,783,300	1,740,300	0.6
Legislative Auditor General.....	24,286,200	24,938,000	651,800	2.7
Legislature.....	155,274,800	157,281,800	2,007,000	1.3
Licensing & Regulatory Affairs.....	434,672,000	500,462,100	65,790,100	15.1
Military & Veterans Affairs.....	179,504,400	189,089,300	9,584,900	5.3
Natural Resources	409,993,500	436,705,300	26,711,800	6.5
Natural Resources (Trust Fund)	0	0	0	0.0
School Aid	14,584,313,900	14,635,968,800	51,654,900	0.4
State	254,358,500	254,662,800	304,300	0.1
State Police	698,946,800	711,814,700	12,867,900	1.8
Talent & Economic Development.....	1,179,421,800	1,118,945,600	(60,476,200)	(5.1)
Technology, Management, & Budget.....	1,412,643,200	1,360,504,900	(52,138,300)	(3.7)
Transportation	4,349,443,000	4,705,089,900	355,646,900	8.2
Treasury (Debt Service).....	107,580,000	107,580,000	0	0.0
Treasury (Operations).....	513,929,900	525,354,200	11,424,300	2.2
Treasury (Revenue Sharing).....	1,287,738,100	1,298,609,300	10,871,200	0.8
TOTAL APPROPRIATIONS.....	\$56,641,947,100	\$56,815,582,900	\$173,635,800	0.3%

* As of February 7, 2018

Figure B

Gross Appropriations by Major Category FY 2018-19 Governor's Recommendation



Total = \$ 56,815,582,900

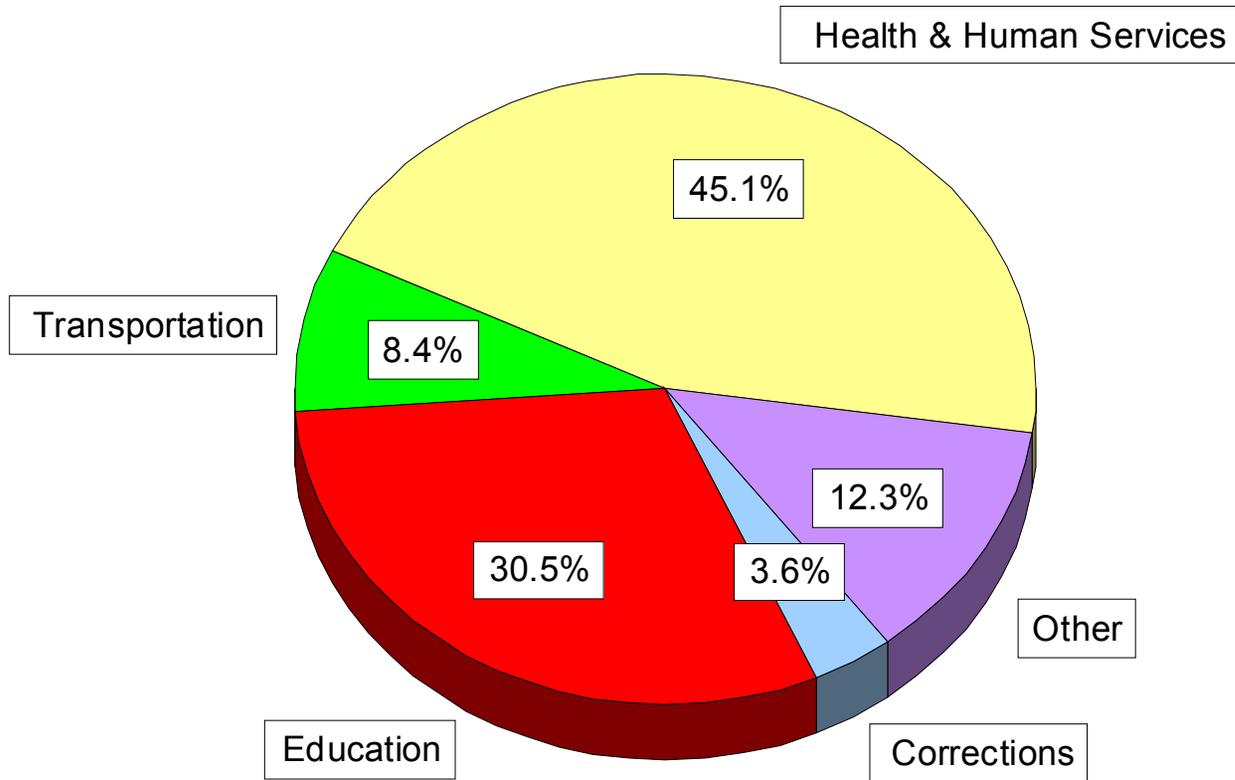
Table 3
ADJUSTED GROSS APPROPRIATIONS
FY 2017-18 YEAR-TO-DATE VERSUS FY 2018-19 GOVERNOR'S RECOMMENDATION

Department/Budget Area	FY 2017-18 Year-to-Date Appropriations*	FY 2018-19 Governor's Recommendation	Dollar Difference	Percent Change
Agriculture & Rural Development.....	\$114,388,300	\$102,574,200	(\$11,814,100)	(10.3%)
Attorney General	71,883,500	71,642,500	(241,000)	(0.3)
Capital Outlay.....	800	0	(800)	(100.0)
Civil Rights	15,953,000	15,902,000	(51,000)	(0.3)
Community Colleges	399,326,500	405,015,500	5,689,000	1.4
Corrections	2,001,919,200	2,035,125,100	33,205,900	1.7
Education	352,181,200	357,107,300	4,926,100	1.4
Environmental Quality	548,404,700	491,444,300	(56,960,400)	(10.4)
Executive.....	6,848,500	6,980,100	131,600	1.9
Health & Human Services	25,495,662,900	25,226,540,600	(269,122,300)	(1.1)
Higher Education.....	1,629,224,400	1,658,932,600	29,708,200	1.8
Insurance & Financial Services.....	66,033,800	66,858,100	824,300	1.2
Judiciary	298,492,400	300,232,000	1,739,600	0.6
Legislative Auditor General.....	18,577,000	19,114,600	537,600	2.9
Legislature.....	155,274,800	157,281,800	2,007,000	1.3
Licensing & Regulatory Affairs.....	386,836,900	452,047,800	65,210,900	16.9
Military & Veterans Affairs.....	179,402,600	188,987,500	9,584,900	5.3
Natural Resources	409,761,300	436,473,100	26,711,800	6.5
Natural Resources (Trust Fund)	0	0	0	0.0
School Aid	14,584,313,900	14,635,968,800	51,654,900	0.4
State	234,358,500	234,662,800	304,300	0.1
State Police	672,725,200	687,086,400	14,361,200	2.1
Talent & Economic Development.....	1,179,421,800	1,118,945,600	(60,476,200)	(5.1)
Technology, Management, & Budget.....	698,684,200	608,727,900	(89,956,300)	(12.9)
Transportation	4,345,403,700	4,700,997,400	355,593,700	8.2
Treasury (Debt Service).....	107,580,000	107,580,000	0	0.0
Treasury (Operations).....	501,316,200	512,573,900	11,257,700	2.2
Treasury (Revenue Sharing).....	1,287,738,100	1,298,609,300	10,871,200	0.8
TOTAL APPROPRIATIONS.....	\$55,761,713,400	\$55,897,411,200	\$135,697,800	0.2%

* As of February 7, 2018

Figure C

Adjusted Gross Appropriations by Major Category FY 2018-19 Governor's Recommendation



Total = \$ 55,897,411,200

**Table 4
STATE SPENDING FROM STATE RESOURCES APPROPRIATIONS
FY 2017-18 YEAR-TO-DATE VERSUS FY 2018-19 GOVERNOR'S RECOMMENDATION**

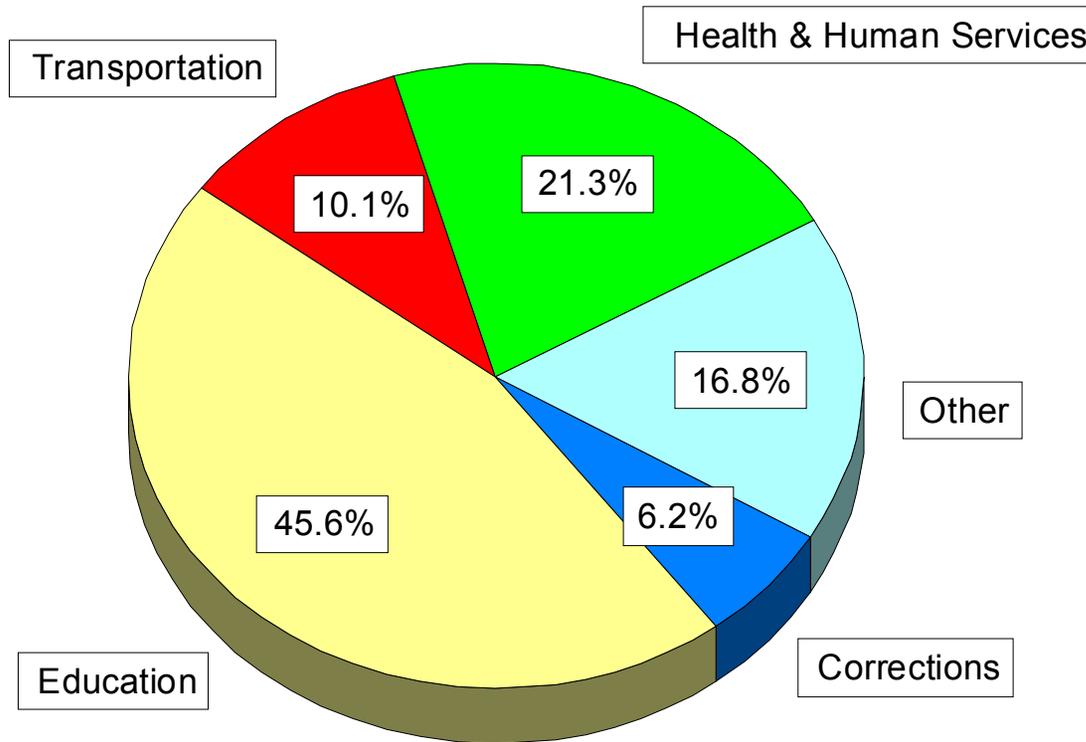
Department/Budget Area	FY 2017-18 Year-to-Date Appropriations*	FY 2018-19 Governor's Recommendation	Dollar Difference	Percent Change
Agriculture & Rural Development.....	\$102,912,800	\$90,777,200	(\$12,135,600)	(11.8%)
Attorney General	62,365,500	62,014,000	(351,500)	(0.6)
Capital Outlay.....	800	0	(800)	(100.0)
Civil Rights	13,158,500	13,080,600	(77,900)	(0.6)
Community Colleges	399,326,500	405,015,500	5,689,000	1.4
Corrections	1,987,783,000	2,020,849,800	33,066,800	1.7
Education	90,245,000	93,851,900	3,606,900	4.0
Environmental Quality	377,806,800	330,157,200	(47,649,600)	(12.6)
Executive.....	6,848,500	6,980,100	131,600	1.9
Health & Human Services	6,822,471,200	6,999,424,100	176,952,900	2.6
Higher Education.....	1,517,698,000	1,545,906,200	28,208,200	1.9
Insurance & Financial Services.....	64,019,100	64,840,800	821,700	1.3
Judiciary	285,103,400	286,663,200	1,559,800	0.5
Legislative Auditor General.....	18,577,000	19,114,600	537,600	2.9
Legislature.....	154,874,800	156,881,800	2,007,000	1.3
Licensing & Regulatory Affairs.....	321,454,200	386,091,600	64,637,400	20.1
Military & Veterans Affairs.....	84,900,100	88,641,900	3,741,800	4.4
Natural Resources	332,219,600	347,310,100	15,090,500	4.5
Natural Resources (Trust Fund)	0	0	0	0.0
School Aid	12,857,370,400	12,911,225,300	53,854,900	0.4
State	232,848,400	233,152,700	304,300	0.1
State Police	583,025,400	603,601,000	20,575,600	3.5
Talent & Economic Development.....	411,156,100	350,178,100	(60,978,000)	(14.8)
Technology, Management, & Budget.....	691,254,500	601,223,200	(90,031,300)	(13.0)
Transportation	2,954,470,500	3,331,293,700	376,823,200	12.8
Treasury (Debt Service).....	107,580,000	107,580,000	0	0.0
Treasury (Operations).....	459,750,100	472,282,700	12,532,600	2.7
Treasury (Revenue Sharing).....	1,287,738,100	1,298,609,300	10,871,200	0.8
TOTAL APPROPRIATIONS.....	\$32,226,958,300	\$32,826,746,600	\$599,788,300	1.9%

* As of February 7, 2018

Figure D

State Spending From State Resources

FY 2018-19 Governor's Recommendation



Total = \$ 32,826,746,600

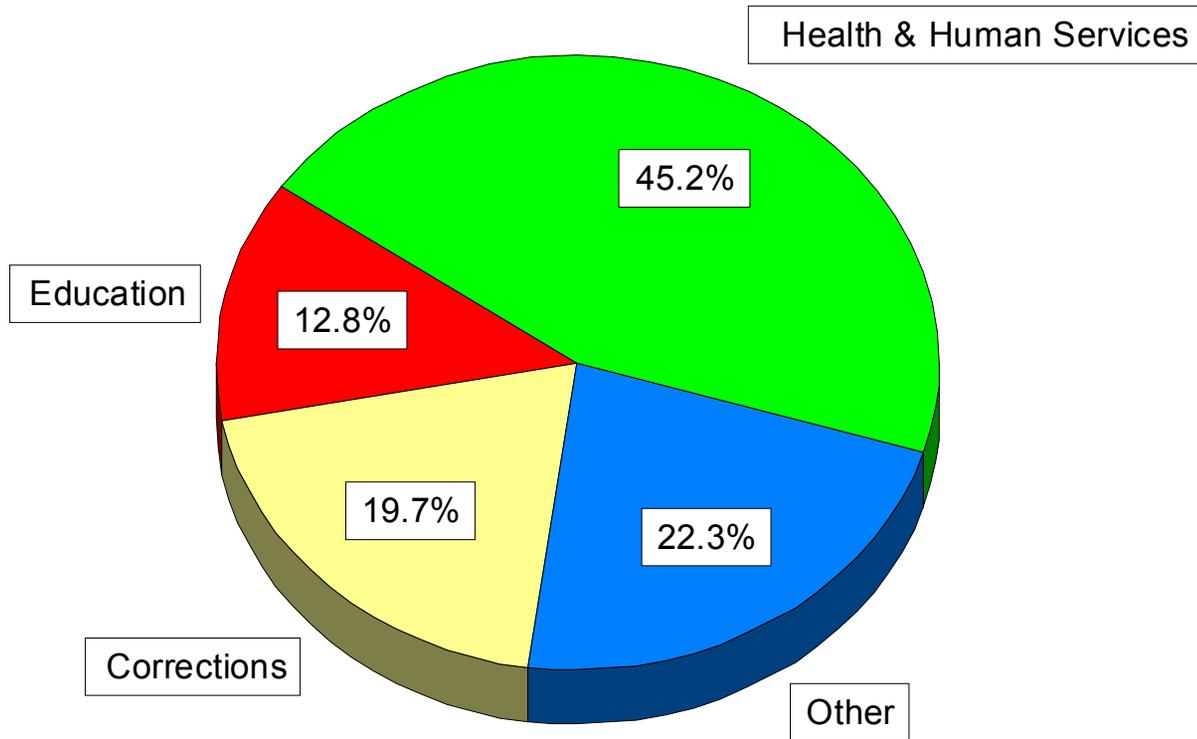
Table 5
GENERAL FUND/GENERAL PURPOSE APPROPRIATIONS
FY 2017-18 YEAR-TO-DATE VERSUS FY 2018-19 GOVERNOR'S RECOMMENDATION

Department/Budget Area	FY 2017-18 Year-to-Date Appropriations*	FY 2018-19 Governor's Recommendation	Dollar Difference	Percent Change
Agriculture & Rural Development.....	\$66,251,800	\$53,705,200	(\$12,546,600)	(18.9%)
Attorney General	40,248,600	40,106,800	(141,800)	(0.4)
Capital Outlay.....	800	0	(800)	(100.0)
Civil Rights	13,006,600	13,022,100	15,500	0.1
Community Colleges	1,025,000	0	(1,025,000)	(100.0)
Corrections	1,946,633,600	1,979,910,200	33,276,600	1.7
Education	81,677,400	85,183,700	3,506,300	4.3
Environmental Quality	63,081,500	46,946,500	(16,135,000)	(25.6)
Executive.....	6,848,500	6,980,100	131,600	1.9
Health & Human Services	4,380,531,400	4,542,525,600	161,994,200	3.7
Higher Education.....	1,279,254,500	1,160,217,900	(119,036,600)	(9.3)
Insurance & Financial Services.....	150,000	150,000	0	0.0
Judiciary	192,574,400	193,783,700	1,209,300	0.6
Legislative Auditor General.....	16,607,600	17,105,800	498,200	3.0
Legislature.....	150,597,100	152,487,500	1,890,400	1.3
Licensing & Regulatory Affairs.....	44,416,600	88,820,300	44,403,700	100.0
Military & Veterans Affairs.....	62,567,500	65,362,400	2,794,900	4.5
Natural Resources	57,971,100	47,344,300	(10,626,800)	(18.3)
Natural Resources (Trust Fund)	0	0	0	0.0
School Aid	215,000,000	45,000,000	(170,000,000)	(79.1)
State	24,139,000	18,466,300	(5,672,700)	(23.5)
State Police	439,601,700	454,902,800	15,301,100	3.5
Talent & Economic Development.....	205,099,400	166,745,800	(38,353,600)	(18.7)
Technology, Management, & Budget.....	579,855,200	486,765,800	(93,089,400)	(16.1)
Transportation	0	175,000,000	175,000,000	100.0
Treasury (Debt Service).....	107,580,000	107,580,000	0	0.0
Treasury (Operations).....	98,368,500	101,213,300	2,844,800	2.9
Treasury (Revenue Sharing).....	8,379,100	0	(8,379,100)	(100.0)
TOTAL APPROPRIATIONS.....	\$10,081,466,900	\$10,049,326,100	(\$32,140,800)	(0.3%)

* As of February 7, 2018

Figure E

General Fund/General Purpose FY 2018-19 Governor's Recommendation



Total = \$ 10,049,326,100

Table 6
FULL-TIME EQUATED CLASSIFIED POSITIONS
FY 2017-18 YEAR-TO-DATE VERSUS FY 2018-19 GOVERNOR'S RECOMMENDATION

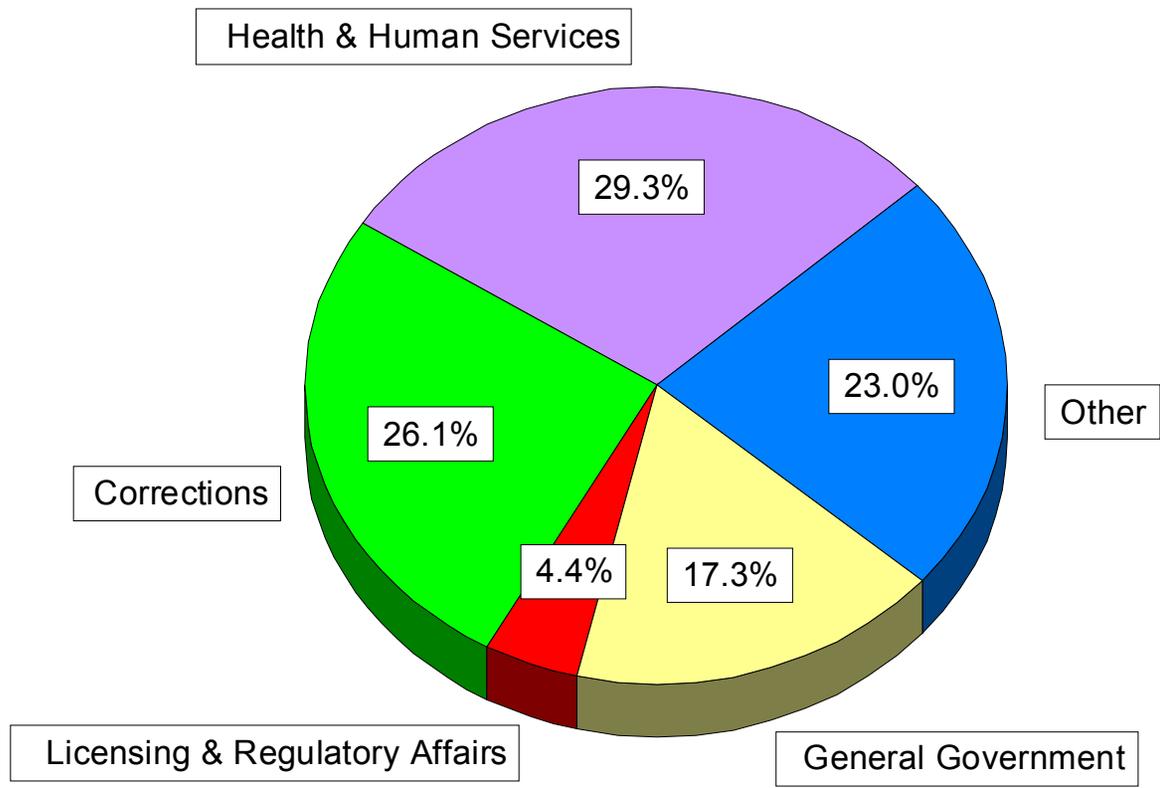
Department/Budget Area	FY 2017-18 Year-to-Date Appropriations*	FY 2018-19 Governor's Recommendation	Position Change	Percent Change
Agriculture & Rural Development	493.5	500.5	7.0	1.4%
Attorney General	530.0	530.0	0.0	0.0
Civil Rights	110.0	110.0	0.0	0.0
Corrections	13,803.9	13,951.2	147.3	1.1
Education	603.5	614.5	11.0	1.8
Environmental Quality	1,246.0	1,257.0	11.0	0.9
Executive	79.2	79.2	0.0	0.0
Health & Human Services	15,620.5	15,612.7	(7.8)	(0.0)
Insurance & Financial Services	336.5	336.5	0.0	0.0
Judiciary	501.0	490.0	(11.0)	(2.2)
Licensing & Regulatory Affairs	2,322.3	2,322.3	0.0	0.0
Military & Veterans Affairs	904.5	904.5	0.0	0.0
Natural Resources	2,261.8	2,327.3	65.5	2.9
State	1,586.0	1,586.0	0.0	0.0
State Police	3,438.0	3,490.0	52.0	1.5
Talent & Economic Development	1,447.0	1,450.0	3.0	0.2
Technology, Management, & Budget	2,937.0	3,116.0	179.0	6.1
Transportation	2,820.3	2,820.3	0.0	0.0
Treasury (Operations)	1,852.5	1,860.5	8.0	0.4
TOTAL POSITIONS	52,893.5	53,358.5	465.0	0.9%

Note: Full-Time Equated classified positions include exempt positions in Judiciary.

* As of February 7, 2018

Figure F

Full-Time Equated Classified Positions FY 2018-19 Governor's Recommendation



Total = 53,358.5

Table 7

FY 2018-19 GOVERNOR'S RECOMMENDATION ONE-TIME APPROPRIATIONS			
Budget Area/Program	Gross	State Restricted	GF/GP
Community Colleges			
MPSERS normal cost: lowered assumed rate of return (SAF).....	\$6,431,000	\$6,431,000	\$0
Community Colleges Total	\$6,431,000	\$6,431,000	\$0
Corrections			
New custody staff training.....	\$9,227,700	\$0	\$9,227,700
Higher custody level programming	2,400,000	0	2,400,000
Corrections Total	\$11,627,700	\$0	\$11,627,700
Education			
Flint declaration of emergency reserve fund placeholder.....	\$100	\$100	\$0
Education Total	\$100	\$100	\$0
Environmental Quality			
Flint declaration of emergency reserve fund placeholder.....	\$100	\$100	\$0
Environmental Quality Total	\$100	\$100	\$0
Health and Human Services			
Flint declaration of emergency (includes \$100 reserve fund placeholder).....	\$4,621,100	\$100	\$4,621,000
Multicultural integration funding	1,381,100	0	1,381,100
Child lead poisoning elimination board recommendations	1,250,000	0	1,250,000
Autism navigator	1,025,000	0	1,025,000
Employment first	500,000	0	500,000
University autism programs	250,000	0	250,000
Health and Human Services Total	\$9,027,200	\$100	\$9,027,100
Higher Education			
MPSERS normal cost: lowered assumed rate of return (SAF).....	\$669,000	\$669,000	\$0
Higher Education Total	\$669,000	\$669,000	\$0
Legislature			
Information technology design project	\$750,000	\$0	\$750,000
Legislature Total	\$750,000	\$0	\$750,000
Natural Resources			
Snowmobile trail groomer pilot (snowmobile trail fund)	\$200,000	\$200,000	\$0
Tribal consent decree negotiation legal costs	37,500	0	37,500
Natural Resources Total	\$237,500	\$200,000	\$37,500

Table 7 - continued

FY 2018-19 GOVERNOR'S RECOMMENDATION ONE-TIME APPROPRIATIONS			
Budget Area/Program	Gross	State Restricted	GF/GP
School Aid			
MPSERS normal cost: lowered assumed rate of return (SAF).....	\$88,139,000	\$88,139,000	\$0
Flint declaration of emergency (includes \$100 reserve fund placeholder).....	3,230,100	100	3,230,000
Partnership model districts increase (SAF)	2,000,000	2,000,000	0
School Aid Total	\$93,369,100	\$90,139,100	\$3,230,000
State Police			
New and attrition trooper schools	\$6,070,000	\$0	\$6,070,000
Sexual assault prevention and education initiative.....	600,000	0	600,000
State Police Total	\$6,670,000	\$0	\$6,670,000
Talent and Economic Development			
Going pro skilled trades training program.....	\$10,000,000	\$0	\$10,000,000
Entrepreneurship eco-system	2,500,000	0	2,500,000
Project rising tide	2,000,000	0	2,000,000
Flint declaration of emergency reserve fund placeholder.....	100	100	0
Talent and Economic Development Total	\$14,500,100	\$100	\$14,500,000
Technology, Management, and Budget			
Michigan civilian cyber corps (infrastructure fund)	\$420,000	\$420,000	\$0
Flint declaration of emergency reserve fund placeholder.....	100	100	0
Technology, Management, and Budget Total	\$420,100	\$420,100	\$0
Transportation			
Acceleration of road funding package with GF revenue.....	\$175,000,000	\$0	\$175,000,000
Transportation Total	\$175,000,000	\$0	\$175,000,000
Treasury-Operations			
Flint declaration of emergency reserve fund placeholder.....	\$100	\$100	\$0
Treasury-Operations Total	\$100	\$100	\$0
TOTAL ONE-TIME BUDGET AREA APPROPRIATIONS	\$318,702,000	\$97,859,700	\$220,842,300

Table 8

**STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT
FY 2017-18 YEAR-TO-DATE VERSUS FY 2018-19 GOVERNOR'S RECOMMENDATION**

Department/Budget Area	FY 2017-18 Year-to-Date Appropriations*	FY 2018-19 Governor's Recommendation	Dollar Difference	Percent Change
Agriculture & Rural Development	\$7,450,000	\$6,350,000	(\$1,100,000)	(14.8%)
Attorney General.....	0	0	0	0.0
Capital Outlay	400	0	(400)	(100.0)
Civil Rights	0	0	0	0.0
Community Colleges.....	399,326,500	405,015,500	5,689,000	1.4
Corrections.....	113,888,800	115,868,600	1,979,800	1.7
Education	14,367,700	13,567,700	(800,000)	(5.6)
Environmental Quality.....	4,531,000	24,581,000	20,050,000	442.5
Executive	0	0	0	0.0
Health & Human Services.....	1,360,064,000	1,466,684,500	106,620,500	7.8
Higher Education	0	0	0	0.0
Insurance & Financial Services	0	0	0	0.0
Judiciary.....	147,230,400	147,443,700	213,300	0.1
Legislative Auditor General.....	0	0	0	0.0
Legislature	0	0	0	0.0
Licensing & Regulatory Affairs.....	30,625,700	87,951,800	57,326,100	187.2
Military & Veterans Affairs	142,400	142,400	0	0.0
Natural Resources	7,154,300	7,712,700	558,400	7.8
Natural Resources (Trust Fund)	0	0	0	0.0
School Aid.....	12,679,972,800	12,733,596,100	53,623,300	0.4
State.....	1,215,900	1,129,000	(86,900)	(7.1)
State Police.....	14,113,200	14,231,300	118,100	0.8
Talent & Economic Development	11,300,000	32,400,000	21,100,000	186.7
Technology, Management, & Budget	0	4,000,000	4,000,000	100.0
Transportation.....	1,717,843,100	1,960,123,900	242,280,800	14.1
Treasury (Debt Service).....	0	0	0	0.0
Treasury (Operations).....	186,083,500	161,949,700	(24,133,800)	(13.0)
Treasury (Revenue Sharing)	1,287,738,100	1,298,609,300	10,871,200	0.8
TOTAL APPROPRIATIONS	\$17,983,047,800	\$18,481,357,200	\$498,309,400	2.8%

* As of February 7, 2018

Table 9

**FEBRUARY 2018 GOVERNOR'S RECOMMENDATION GENERAL FUND/GENERAL PURPOSE (GF/GP)
REVENUE, EXPENDITURES, AND YEAR-END BALANCE
(millions of dollars)**

	FY 2017-18	FY 2018-19	FY 2019-20
Revenue:			
Beginning Balance	\$622.5	\$191.8	\$7.3
<u>Ongoing Revenue:</u>			
Consensus Revenue Estimate (January 2018)	\$10,307.7	\$10,339.6	\$10,413.5
Revenue Sharing Payments	(465.9)	(466.2)	(466.2)
Accelerate Sales Tax on Difference	0.0	(0.3)	(0.7)
Redirect TEDF to GF	0.0	13.0	13.0
Driver Responsibility Fees (Administration's Proposal)	(4.5)	(15.5)	(9.0)
Subtotal Ongoing Revenue	\$9,837.3	\$9,870.6	\$9,950.6
<u>Non-Ongoing Revenue:</u>			
One-Time Appropriation for Revenue Sharing	(\$5.8)	\$0.0	\$0.0
Lawsuit Settlement Proceeds	(6.4)	(5.8)	0.0
Venture Michigan Fund Tax Vouchers	0.0	0.0	(19.2)
Subtotal Non-Ongoing Revenue	(\$12.2)	(\$5.8)	(\$19.2)
Total Estimated GF/GP Revenue	\$10,447.6	\$10,056.6	\$9,938.7
Expenditures:			
<u>Ongoing Appropriations:</u>			
Initial Ongoing Appropriations	\$9,784.4	\$9,831.7	\$9,958.4
Estimated Average Baseline Adjustments	0.0	0.0	200.0
Subtotal Ongoing Appropriations	\$9,784.4	\$9,831.7	\$10,158.4
<u>One-Time and Other Appropriations:</u>			
Initial One-Time Appropriations	\$257.3	\$217.6	\$0.0
Appropriation to Budget Stabilization Fund	150.0	0.0	0.0
Enacted Supplementals	39.7	0.0	0.0
Pending Supplementals (Requests 2018-3, 2018-5)	25.4	0.0	0.0
Other Adjustments	(1.1)	0.0	0.0
Subtotal One-Time and Other Appropriations	\$471.3	\$217.6	\$0.0
Total Estimated GF/GP Expenditures	\$10,255.8	\$10,049.3	\$10,158.4
PROJECTED YEAR-END GF/GP BALANCE	\$191.8	\$7.3	(\$219.7)

Table 10

**FEBRUARY 2018 GOVERNOR'S RECOMMENDATION SCHOOL AID FUND
REVENUE, EXPENDITURES, AND YEAR-END BALANCE
(millions of dollars)**

	FY 2017-18	FY 2018-19	FY 2019-20
Revenue:			
Beginning Balance.....	\$377.4	\$97.0	\$6.0
<u>Ongoing Revenue:</u>			
Consensus Revenue Estimate (January 2018)	\$13,084.5	\$13,464.0	\$13,822.7
General Fund/General Purpose Grant	78.0	45.0	45.0
Community District Trust Fund	72.0	72.0	72.0
Accelerate Sales Tax on Difference	(0.2)	(2.0)	(4.2)
Federal Ongoing Aid.....	<u>1,726.9</u>	<u>1,724.7</u>	<u>1,719.7</u>
Subtotal Ongoing Revenue	\$14,961.2	\$15,303.7	\$15,655.2
<u>Non-Ongoing Revenue:</u>			
SAF Deposit into MPSERS Reserve	(\$55.0)	\$0.0	\$0.0
MPSERS Reserve Fund	23.1	31.9	0.0
Venture Michigan Fund Tax Vouchers	<u>0.0</u>	<u>0.0</u>	<u>(6.0)</u>
Subtotal Non-Ongoing Revenue.....	(\$31.9)	\$31.9	(\$6.0)
Total Estimated School Aid Fund Revenue.....	\$15,306.7	\$15,432.6	\$15,655.2
Expenditures:			
<u>Ongoing Appropriations:</u>			
Initial Ongoing K-12 Appropriations	\$14,266.5	\$14,542.6	\$14,542.5
Pending Supplementals (Request 2018-5)	(11.2)	0.0	0.0
Fund Community Colleges with School Aid Fund.....	394.7	398.6	401.3
Partially Fund Higher Education with School Aid Fund	<u>237.9</u>	<u>384.9</u>	<u>385.9</u>
Subtotal Ongoing Appropriations	\$14,887.9	\$15,326.1	\$15,329.7
<u>One-Time and Other Appropriations:</u>			
Initial One-Time K-12 Appropriations	\$89.3	\$93.4	\$88.1
Initial One-Time Community College Appropriations	3.6	6.4	6.4
Initial One-Time Higher Education Appropriations.....	0.4	0.7	0.7
Enacted Supplementals.....	5.5	0.0	0.0
MPSERS K-12 Reform Costs.....	<u>223.1</u>	<u>0.0</u>	<u>0.0</u>
Subtotal One-Time and Other Appropriations.....	\$321.9	\$100.5	\$95.2
Total Estimated School Aid Fund Expenditures.....	\$15,209.8	\$15,426.6	\$15,424.9
PROJECTED YEAR-END SCHOOL AID FUND BALANCE.....	\$97.0	\$6.0	\$230.3

SUMMARY OF MAJOR FY 2018-19 GROSS AND GF/GP APPROPRIATION CHANGES

The Governor's FY 2018-19 budget includes a Gross appropriation increase of 0.3%, and a GF/GP appropriation decrease of 0.3%, compared to FY 2017-18. Table 11 provides a comparison of the Governor's recommended FY 2018-19 Gross and GF/GP appropriations to the FY 2017-18 year-to-date levels as of February 7, 2018. The Governor's FY 2018-19 recommendation of \$56.8 billion Gross and \$10.0 billion GF/GP represents an appropriation increase of \$173.6 million Gross and an appropriation decrease of \$32.1 million GF/GP. The net change in GF/GP appropriations can be categorized as new GF/GP programs of \$0.5 million, GF/GP funding increases of \$458.0 million, GF/GP funding reductions of \$395.5 million, and fund shifts that result in a \$151.5 million decrease in GF/GP appropriations. Fund shifts are generally defined as changes in the funding sources for a program that do not affect the overall appropriation level of the program. The Governor also: transfers five programs among departments, resulting in a GF/GP increase of \$9,100; adds an unclassified salaries increase of \$422,900 Gross and \$223,700 GF/GP; and includes net economic adjustments of \$108.7 million Gross and \$56.1 million GF/GP.

Table 11

FY 2018-19 GOVERNOR'S APPROPRIATION RECOMMENDATION SUMMARY OF CHANGES FROM FY 2017-18 YEAR-TO-DATE GROSS AND GENERAL FUND/GENERAL PURPOSE APPROPRIATIONS		
	Gross	GF/GP
FY 2017-18 Year-To-Date Appropriation¹	\$56,641,947,100	\$10,081,466,900
Changes for FY 2018-19:		
New Programs.....	\$10,714,300	\$500,000
Program Increases.....	1,832,150,300	458,046,800
Program Eliminations/Reductions.....	(1,778,388,300)	(395,458,400)
Major Fund Shifts Affecting GF/GP.....	0	(151,545,900)
Program Transfers.....	55,400	9,100
Economic Adjustments.....	108,681,200	56,083,900
Unclassified Salaries.....	422,900	223,700
Total Changes.....	\$173,635,800	(\$32,140,800)
FY 2018-19 Governor's Recommendation.....	\$56,815,582,900	\$10,049,326,100

¹ Appropriation as of February 7, 2018.

Table 12 outlines the details of the \$10.7 million Gross and \$0.5 million GF/GP for new programs. Nearly all of the new program funding is in the School Aid budget: \$5.5 million to implement recommendations from the Special Education Task Force, and \$5.0 million for new career technical education incentive payments. The Governor also recommends \$0.2 million from the brownfield development fund to allow the Department of Treasury to calculate how much income tax is generated from the MI Thrive Program's environmental cleanup projects.

Table 12

FY 2018-19 GOVERNOR'S APPROPRIATION RECOMMENDATION NEW PROGRAMS		
Budget Area/Program	Gross	GF/GP
School Aid		
Special education task force - early on State funding.....	\$5,000,000	\$0
Career technical education incentive payments.....	5,000,000	0
Special education task force - mediation/parental supports.....	500,000	500,000
Treasury-Operations		
MI thrive program income tax calculations (brownfield dev. fund).....	214,300	0
TOTAL NEW PROGRAMS.....	\$10,714,300	\$500,000

The details of the \$1.8 billion Gross and \$458.0 million GF/GP funding increases recommended by the Governor are listed in [Table 13](#). A significant amount, nearly \$400.0 million, of the recommended Gross increases can be attributed to additional road funding in the Department of Transportation. In the Department of Health and Human Services (DHHS), the Governor recommends a Gross increase for Medicaid caseload and costs of \$155.2 million, and a Gross increase of \$190.0 million for the hospital rate adjustor retainer. The Governor's School Aid K-12 budget includes \$312.0 million for an increase in the K-12 foundation allowance, largely paid for by removing the FY 2017-18 one-time \$200.0 million Michigan Public School Employees' Retirement System (MPERS) extra payment for unfunded accrued liabilities, and reducing funding for shared-time activities (\$67.9 million) and the cyber school foundation allowance (\$25.0 million). The Governor's budget includes \$28.6 million SAF for a 2.0% increase for public university operations, with no increase for community college operations but an increase of \$7.3 million SAF for colleges' MPERS costs. The Governor also continues to reward those public universities that limit resident undergraduate tuition increases, and retains at 3.8% the maximum percentage amount that a university may increase tuition and fees without a penalty, while changing the maximum dollar amount tuition increase allowed from \$475 to \$480, in FY 2018-19. Other major FY 2018-19 GF/GP increases include \$46.0 million for indigent defense grants in the Department of Licensing and Regulatory Affairs, and \$24.1 million for costs associated with new trooper schools in the Department of State Police.

Table 13

FY 2018-19 GOVERNOR'S APPROPRIATION RECOMMENDATION FUNDING INCREASES		
Budget Area/Program	Gross	GF/GP
Agriculture and Rural Development		
Milk safety and quality assurance.....	\$780,000	\$780,000
Office of organization innovation	307,100	307,100
Genome sequencer in lab division	300,000	0
Attorney General		
Medical marihuana regulation (marihuana fund).....	126,700	0
Retain \$2.6 million for Flint water investigation (lawsuit settlement fund).....	0	0
Community Colleges		
MPERS rate cap adjustment.....	4,495,000	0
MPERS normal cost offset (one-time).....	2,819,000	0
Corrections		
Replace contracted food service with state employees	13,667,100	13,667,100
New custody staff training (one-time)	9,227,700	9,227,700
Higher custody level IT/infrastructure (\$1.6 million ongoing, \$2.4 million one-time)	4,000,000	4,000,000
Health care recruitment and retention	3,762,400	3,762,400
Corizon health care contract inflationary adjustment	2,458,900	2,458,900
Offenders with special needs contract adjustments	1,648,700	1,648,700
Offender success community partners contract adjustments.....	1,291,400	1,291,400
Probation residential services base and caseload	850,000	850,000
Sewer treatment rate increase at Harrison Facility	184,300	184,300
Education		
Technical adjustments to IDGs.....	380,700	0
Braille textbook production expansion.....	300,000	0
Environmental Quality		
Renew Michigan initiative (replaces clean Michigan initiative; tipping fees)	73,885,400	0
Oil, gas, and mineral services (shift from one-time to ongoing)	4,000,000	4,000,000
Aquifer dispute resolution	524,000	0
Volkswagen diesel emissions mitigation trust funding	506,600	0
Rent adjustment.....	17,600	4,300
Executive Office		
Operations	105,400	105,400

Table 13 - continued

FY 2018-19 GOVERNOR'S APPROPRIATION RECOMMENDATION		
FUNDING INCREASES		
<u>Budget Area/Program</u>	<u>Gross</u>	<u>GF/GP</u>
Health and Human Services		
Increased hospital rate adjustor (HRA) retainer	190,000,000	(21,249,200)
Autism services base/caseload	94,744,100	33,681,400
Medicaid physical health actuarial soundness (1.5%).....	85,483,500	20,902,700
Medicaid behavioral health actuarial soundness (2.0%).....	51,019,000	16,483,500
Foster care base/caseload	36,548,800	21,025,500
Integrated service delivery (Federal funds)	13,783,400	0
Behavioral health base/caseload.....	12,678,300	4,507,000
Second Healthy Michigan Plan waiver costs (cases moved to exchanges)	12,000,000	810,000
Child care fund base/caseload	10,036,100	10,036,100
Rural hospital OB/GYN pool - restore lost Federal with GF/GP.....	7,000,000	7,000,000
Substance use disorder capitation payment adjustment.....	6,508,100	2,313,600
Emerging public health threat funding	4,750,000	4,750,000
Drinking water declaration of emergency (one-time).....	4,621,100	4,621,000
Dental services actuarial soundness (1.5%)	3,577,500	1,271,800
Managed care rules staff (15.0 FTEs).....	1,660,200	830,100
Replace Federal CHIP money for primary care and free clinics	1,504,500	1,504,500
Foster care education stability travel costs.....	1,406,500	987,700
State facility psychiatrist salary adjustments	1,394,800	1,258,600
Multicultural integration increase (one-time).....	1,381,100	1,381,100
Housing/urban development Federal authorization.....	1,176,000	0
Guardianship base/caseload	1,170,100	1,053,800
Inflationary adjustment (\$2.00 per person per month) for FIP.....	1,017,600	0
Rent costs for non-state owned buildings.....	859,300	455,100
Children's trust fund carryforward funded projects	800,000	0
State psych hospital pharmacy inflation (5.0%).....	502,700	418,200
Autism navigator increase to \$1,025,000 (one-time).....	460,000	460,000
Psychiatric hospital revenue adjustment	423,800	0
Adoption incentive payments grant	361,800	0
Children's special healthcare/local public health staff salary adjustment.....	300,000	0
Federal tax refund offset.....	255,600	86,900
Restricted fund adjustments for substance abuse.....	231,200	0
Increased newborn screening fee revenue	168,600	0
Increase in rehabilitation service fee revenue	110,000	0
Federal Perkins grant for Bay Pines	77,600	0
Sexual assault kit annualization of costs	2,600	2,600
Poison control adjustment tied to match rate	400	0
Higher Education		
University operations increase (2.0% SAF).....	28,566,800	0
Competitive scholarships (FY 19=\$32.4 million)	6,000,000	6,000,000
Tuition incentive program (Federal).....	1,500,000	0
MSU agbio research increase (2.0%).....	678,300	678,300
MSU extension increase (2.0%)	585,100	585,100
MPSERS hold harmless (one-time).....	250,000	0
Judiciary		
Direct trial court automation support.....	544,700	0
Court of appeals operations.....	511,900	511,900
Two new circuit judge positions	255,300	242,200
Appellate public defender program.....	228,100	0
Supreme court administration.....	63,000	0
Private rent increase	23,600	23,600

Table 13 - continued

FY 2018-19 GOVERNOR'S APPROPRIATION RECOMMENDATION FUNDING INCREASES		
Budget Area/Program	Gross	GF/GP
Legislative Auditor General		
3.0% increase	651,800	498,200
Legislature		
3.0% increase	4,257,000	4,140,400
Legislative IT systems design (one-time)	750,000	750,000
Licensing and Regulatory Affairs		
Michigan indigent defense commission grants (\$15.3 million cost recovery) ...	61,300,000	46,000,000
Annualize first responder coverage fund (marihuana fund)	3,465,000	0
Law enforcement grants (liquor license fees)	1,200,000	0
Nurse aide training program (license fees)	600,000	0
Licensing for substance use disorder program (marihuana fund)	500,000	0
Military and Veterans Affairs		
Special maintenance	5,000,000	0
National Guard tuition assistance	2,500,000	2,500,000
Jacobetti facility Medicaid certification efforts	1,111,700	1,111,700
Land purchases and appraisal	900,000	0
Camp Grayling northern strike exercise	750,000	750,000
Additional staffing for veterans homes authority	500,000	500,000
Natural Resources		
State parks repair and maintenance (FY 19=\$23.5 million)	7,000,000	0
Use of increased recreational program revenue	4,075,000	0
Forest development infrastructure	3,500,000	0
Wildlife and public health funding	2,600,000	2,600,000
Waterways projects	2,163,500	0
Additional conservation officers	1,500,000	1,500,000
ORV trail improvement fund	1,300,000	0
State parks technical adjustments	754,700	0
Tribal consent decree negotiation (\$240,000 ongoing, \$37,500 one-time)	277,500	277,500
Snowmobile trail groomer development	200,000	0
Mackinac Island historic facilities	200,000	200,000
Great lakes protection fund	128,900	0
Hunter education program	84,400	0
Historical marker program	60,000	0
School Aid		
Foundation allowance increase	312,000,000	0
MPSERS rate cap	71,916,000	46,000
MPSERS normal cost reimbursement for AROR (one-time)	39,170,000	19,000
Special education	23,100,000	0
Cash flow borrowing costs	17,500,000	0
MPSERS additional normal costs for defined contribution	14,500,000	0
Partnership model districts	2,000,000	0
Promise zone reimbursements	1,500,000	0
School lunch	648,900	0
MiSTEM executive director	150,000	150,000
MiSTEM advisory council	50,000	50,000
State		
Driver license contracting costs	925,000	0
Information technology costs	800,000	0
Commercial driver license testing kiosks	500,000	0

Table 13 - continued

FY 2018-19 GOVERNOR'S APPROPRIATION RECOMMENDATION FUNDING INCREASES		
<u>Budget Area/Program</u>	<u>Gross</u>	<u>GF/GP</u>
State Police		
Annualize FY 2017-18 trooper school costs	20,267,100	20,267,100
New trooper school (ongoing costs)	3,800,000	3,800,000
Marihuana field sobriety tests (marihuana fund)	3,400,000	0
Annualize FY 2017-18 medical marihuana regulation costs	2,924,200	0
Equipment lifecycle replacement	1,252,500	1,252,500
Pay increases for lieutenants and lab managers	935,600	822,300
Computer crimes unit	618,400	618,400
Public safety officer benefit program	150,000	150,000
Talent and Economic Development		
Workforce development program	501,000	0
Drinking water declaration of emergency placeholder (one-time)	100	0
Technology, Management, and Budget		
Technical adjustments for information technology IDGs	31,023,400	0
State building authority rent increase	19,186,400	19,186,400
Enterprisewide portfolio management services	2,010,000	2,010,000
DTMB building occupancy charge - special maintenance	1,800,000	0
Regional prosperity grants	1,500,000	1,500,000
Agency services rate adjustment	1,500,000	1,500,000
Procurement improvement plan completion	891,900	0
Financial services support	559,400	12,900
Michigan civilian cyber corps (infrastructure fund; one-time)	420,000	0
Transportation		
Michigan transportation fund increases	178,969,000	0
GF increase for roads (one-time)	175,000,000	175,000,000
Bridge and culvert maintenance	18,000,000	0
Transit and rail increases	14,985,300	0
Highway maintenance adjustments	4,337,600	0
Information technology systems updates	2,000,000	0
Services initiatives	1,200,000	0
Interdepartmental grant technical adjustments	893,900	0
Blue water bridge transportation to work funding	175,000	0
Movable bridge fund inflationary increase	112,400	0
Treasury-Operations		
Medical marihuana grants and administration (marihuana fund)	7,157,100	0
Information technology rate increase	5,450,000	5,450,000
State lottery staff and administration increase	637,200	0
OPEB oversight	464,000	464,000
Accounting services	30,000	0
Treasury-Revenue Sharing		
Increase constitutional revenue sharing by 3.1%	24,732,900	0
Re-entry of Antrim, Keweenaw, Mackinac to county revenue sharing	259,000	0
Increase county incentive program by 0.1%	58,400	0
TOTAL FUNDING INCREASES	\$1,832,150,300	\$458,046,800

Table 14 provides the details of the \$1.8 billion of Gross, and \$395.5 million of GF/GP, funding reductions in the Governor's FY 2018-19 budget, which nearly offset the Gross and GF/GP funding increases. Of the \$395.5 million of GF/GP reductions, \$232.8 million, or nearly two-thirds, consists of appropriations that were either supplementals (\$24.1 million) or designated as one-time (\$211.0 million) for FY 2017-18. The largest of the other reductions are in the Department of Corrections and DHHS: an \$18.8 million GF/GP decrease due to the closure of the West Shoreline correctional facility, and reductions of \$600.9 million Gross and \$17.2 million GF/GP, to adjust DHHS base and caseload costs.

Table 14

**FY 2018-19 GOVERNOR'S APPROPRIATION RECOMMENDATION
FUNDING ELIMINATIONS/REDUCTIONS**

Budget Area/Program	Gross	GF/GP
Agriculture and Rural Development		
MSU agriculture industry research (one-time).....	(\$8,400,000)	(\$8,400,000)
Food bank council food freezing (one-time).....	(2,000,000)	(2,000,000)
Food and agriculture investment grants (FY 19=\$3.3 million).....	(1,443,900)	(1,443,900)
Enhanced wildlife mitigation (one-time).....	(1,000,000)	(1,000,000)
Intercounty drain mapping (one-time).....	(250,000)	(250,000)
Food safety/quality assurance, complete Federal grant (FY 19=\$16.6 million) ...	(250,000)	(250,000)
County fair funding (FY 19=\$400,000).....	(249,300)	(249,300)
Remove draft beer delivery systems supplemental.....	(150,000)	(150,000)
Qualified forest GF reduction.....	(130,000)	(130,000)
Albion campground development (one-time).....	(100,000)	(100,000)
Environmental stewardship funding.....	(100,000)	(100,000)
Farmland and open space preservation reduction.....	(99,900)	(99,900)
Revenue adjustments.....	(86,300)	0
Drinking water emergency (one-time).....	(100)	0
Attorney General		
Prosecutors' life without parole funding (one-time).....	(700,000)	(700,000)
Prosecutors' NextGen info tech system funding (one-time).....	(600,000)	0
Capital Outlay		
Remove FY 2017-18 funding from supplementals.....	(800)	(800)
Civil Rights		
Remove deaf/hard of hearing needs assessment (one-time; FY 19=\$715,600).....	(150,000)	(150,000)
Community Colleges		
Michigan transfer network enhancements (one-time).....	(1,025,000)	(1,025,000)
Reduce renaissance zone reimbursements.....	(600,000)	0
Corrections		
Close West Shoreline correctional facility.....	(18,924,700)	(18,832,700)
Remove FY 2017-18 officer academy (one-time).....	(4,359,000)	(4,359,000)
Eliminate Goodwill flip the script program.....	(1,500,000)	(1,500,000)
Eliminate certain sanction substance abuse parole program.....	(1,440,000)	(1,440,000)
Eliminate supervising region incentive program.....	(1,000,000)	(1,000,000)
Eliminate future facility and staff transition costs.....	(1,000,000)	(1,000,000)
Eliminate high school online equivalency pilot.....	(1,000,000)	(1,000,000)
State restricted fund source adjustments.....	(278,000)	0
Eliminate Federally qualified health center pilot.....	(75,000)	(75,000)
Education		
Remove school water training program.....	(1,000,000)	(1,000,000)
Reduce renaissance zone reimbursements.....	(800,000)	(800,000)
Adjust state restricted revenue to actual.....	(300,200)	0
Remove local revenue source.....	(11,700)	0
Environmental Quality		
Stormwater asset management and wastewater grants.....	(62,000,000)	0
Remove petroleum product cleanup program (one-time).....	(14,900,000)	0
Remove supplemental PFAS funding (include in renew Michigan proposal).....	(14,837,500)	(14,837,500)
Remove supplemental clean environment init. (include in renew Mich. prop.).....	(14,000,000)	0
Remove supplemental water infrastructure initiative (include in FY 20).....	(10,700,000)	0
Oil, gas, mineral services funding (move from one-time to ongoing).....	(4,000,000)	(4,000,000)
Remove water line replacement contingency fund transfer.....	(2,200,000)	0
Wetland mitigation banking.....	(2,000,000)	0
Clean Michigan initiative contaminated sediments.....	(1,565,000)	0
Remove supplemental vapor intrusion funding (FY 19=\$1.3 million).....	(1,000,000)	(1,000,000)

Table 14 - continued

FY 2018-19 GOVERNOR'S APPROPRIATION RECOMMENDATION
FUNDING ELIMINATIONS/REDUCTIONS

Budget Area/Program	Gross	GF/GP
Health and Human Services		
Food assistance base/caseload	(415,110,400)	0
Medicaid and HMP physical health base/caseload	(155,392,700)	(707,900)
Medicaid special financing adjustments	(70,870,100)	727,600
Other technical adjustments (electronic health records grant expiration)	(40,720,400)	0
Remove Federal match for rural/sole and OB/GYN hospital pools	(26,587,800)	0
Remove FY 2017-18 drinking water emergency funding (one-time)	(21,541,700)	(1,680,000)
Children's special health care services base/caseload	(18,638,100)	(7,533,000)
Expiration of Federal opioid grant	(16,372,700)	0
Medicaid pharmacy savings	(14,064,700)	(5,000,000)
Eliminate county hold harmless for foster care	(8,000,000)	(8,000,000)
Adjust out excess restricted revenue	(7,129,900)	0
Mental health/wellness commission funding (FY 19=\$12.3 million)	(7,000,000)	(4,758,500)
Remove direct primary care pilot funding (one-time)	(5,724,000)	(2,016,000)
Adoption subsidies base/caseload	(5,697,800)	(1,962,300)
Remove Medicaid level of care determination funding	(5,000,000)	(2,500,000)
Eliminate hospice room and board grant	(3,318,000)	(3,318,000)
Sexual assault kit, back out \$4 million supplemental/spend \$800,000	(3,200,000)	(4,000,000)
Reduce heat and eat authorization to actual spending	(2,500,000)	(2,500,000)
Family independence program base/caseload	(2,200,900)	(6,102,900)
Remove FY 2017-18 Federal housing support funding	(2,000,000)	0
Family support subsidy base/caseload	(1,715,300)	0
Eliminate outstate dental clinic funding increase	(1,550,000)	(1,550,000)
HMP behavioral health base/caseload	(1,434,500)	(96,900)
Remove FY 2017-18 guardianship increase (lower \$95/month to \$83/month)	(1,419,600)	(500,000)
Remove dental clinic funding (one-time)	(1,000,000)	(1,000,000)
Remove FY 2017-18 foster care relative licensing funding	(1,000,000)	(1,000,000)
Eliminate early primary care pilot funding	(1,000,000)	(1,000,000)
Remove Oaklawn hospital funding (one-time)	(850,000)	(850,000)
Eliminate MedIncentive program	(830,000)	(415,000)
Remove statewide double up food bucks (one-time)	(750,000)	(750,000)
Eliminate Kalamazoo opioid pilot	(700,000)	(700,000)
State disability assistance base/caseload	(620,200)	(620,200)
Remove real alternatives funding increase (FY 19=\$100,000)	(550,000)	(550,000)
Remove farmers' market wireless funding (one-time)	(500,000)	(250,000)
Eliminate dental registry funding	(500,000)	(500,000)
Remove over authorization in SSI administration	(476,200)	(476,200)
Annualization of PFAS services (FY 19=\$7.7 million)	(368,700)	(368,700)
Eliminate kids kicking cancer funding	(305,000)	(305,000)
Eliminate team cares clinic funding (one-time)	(300,000)	(300,000)
Remove Muskegon covenant academy grant	(280,000)	(280,000)
Reduce university autism to \$250,000 (one-time)	(250,000)	(250,000)
Eliminate bone marrow transplant funding	(250,000)	(250,000)
Eliminate SSI legal services funding	(250,000)	(250,000)
Eliminate parent-to-parent adoption program	(250,000)	(250,000)
Remove FY 2017-18 kidney foundation increase (FY 19=\$178,000)	(200,000)	(200,000)
Remove food bank Michigan ag surplus system funding (one-time)	(184,000)	(184,000)
Remove prenatal diagnosis funding (one-time)	(150,000)	(150,000)
Remove Chaldean Ladies of Charity funding (one-time)	(150,000)	(150,000)
Supplemental security income base/caseload	(135,900)	(135,900)
Remove special olympics funding (one-time)	(100,000)	(100,000)
Remove Oakland food pantry funding (one-time)	(100,000)	(100,000)

Table 14 - continued

FY 2018-19 GOVERNOR'S APPROPRIATION RECOMMENDATION
FUNDING ELIMINATIONS/REDUCTIONS

Budget Area/Program	Gross	GF/GP
Health and Human Services (continued)		
Eliminate Michigan corner store initiative	(100)	(100)
Higher Education		
Tuition grants (FY 19=\$32 million)	(6,000,000)	(6,000,000)
MPSERS rate cap adjustment	(1,572,000)	0
Eliminate separate appropriation for Indian tuition waiver	(300,000)	(300,000)
Judiciary		
State court administrative office	(1,346,800)	(511,900)
<i>Montgomery v Louisiana</i> compliance (one-time).....	(700,000)	(700,000)
Reduce swift and sure sanctions (FY 18=\$4 million).....	(345,800)	(154,000)
Pretrial risk assessment (one-time).....	(300,000)	(300,000)
Remove expansion of problem-solving courts (one-time; FY 19=\$18.2 million)	(219,300)	(219,300)
Legislature		
Reduce IT system project funding (one-time; FY 19=\$750,000).....	(3,000,000)	(3,000,000)
Licensing and Regulatory Affairs		
Eliminate medical marijuana grants to county law enforcement	(3,000,000)	0
Fire protection grants (FY 19=\$8.5 million from PPT revenue proposal).....	(2,173,900)	(2,173,900)
Reduce overstated restricted funds.....	(639,300)	0
Remove admin. funding for local community stabilization authority.....	(150,000)	0
Remove drinking water emergency placeholder (one-time).....	(100)	0
Military and Veterans Affairs		
Remove armory special maintenance (one-time).....	(2,500,000)	(2,500,000)
Baseline technical adjustments	(145,000)	0
Natural Resources		
Remove trail development funding (one-time)	(5,000,000)	(5,000,000)
Remove land ownership tracking system (one-time)	(2,900,000)	(1,900,000)
Remove FY 2017-18 waterways projects.....	(1,520,500)	0
Wildlife management funding (one-time; FY 19=\$44.9 million).....	(1,000,000)	(1,000,000)
Remove wetlands restoration from hunter stamp revenue	(500,000)	0
Remove Bay State park playscape	(400,000)	(400,000)
Remove Onaway pavilion construction	(400,000)	(400,000)
Remove swimmer's itch pilot (one-time).....	(250,000)	(250,000)
Remove shooting range repair, etc. (one-time).....	(250,000)	(250,000)
Reduce snowmobile local grants (FY 19=\$8.1 million)	(226,200)	(226,200)
Reduce invasive species funding (one-time; FY 19=\$5 million).....	(200,000)	(200,000)
Remove mineral extraction summit funding (one-time).....	(50,000)	(50,000)
Remove obsolete fund sources	(15,100)	0
School Aid		
Remove MPSERS UAAL payment (one-time)	(200,000,000)	0
Technical foundation cost adjustments	(97,700,000)	0
Shared time	(67,900,000)	0
25% reduction to cyber school foundation	(25,000,000)	0
Remove CTE equipment upgrades (\$2.9 million ongoing, \$9.6 million one-time).....	(12,500,000)	(12,500,000)
Drinking water declaration of emergency	(5,500,000)	(5,500,000)
Computer adaptive tests.....	(4,000,000)	0
Assessment funding	(3,700,000)	0
Nonpublic schools mandates reimbursement (one-time).....	(2,500,000)	(2,500,000)
Value-added growth and projection analytics (one-time)	(2,500,000)	(2,500,000)
Michigan education corps (one-time)	(2,500,000)	(2,500,000)
Information technology certifications (one-time).....	(2,300,000)	(2,300,000)
Federal grants.....	(2,200,000)	0
Renaissance zone costs.....	(2,000,000)	0

Table 14 - continued

FY 2018-19 GOVERNOR'S APPROPRIATION RECOMMENDATION
FUNDING ELIMINATIONS/REDUCTIONS

Budget Area/Program	Gross	GF/GP
School Aid (continued)		
Year-round schools grants	(1,500,000)	0
Financial data analysis tools.....	(1,500,000)	0
CTE counselors (ISD/district grants)	(1,160,000)	0
Online algebra tool (one-time).....	(1,100,000)	(1,100,000)
Online mathematics tool	(1,000,000)	(1,000,000)
Career preparation and readiness platform (one-time)	(1,000,000)	(1,000,000)
Cybersecurity competition	(500,000)	0
Competency based education (one-time)	(500,000)	(500,000)
10 cents a meal program (one-time)	(375,000)	(375,000)
Detroit precollege engineering (one-time)	(340,000)	(340,000)
FIRST robotics for non-publics	(300,000)	(300,000)
Digital assessment preparation	(250,000)	(250,000)
Overall adjustments to MiSTEM network regions	(200,000)	(1,400,000)
Early learning collaborative	(175,000)	0
Conductive learning center study (one-time).....	(150,000)	0
Van Andel education institute (one-time)	(150,000)	(150,000)
Restaurant and culinary training (one-time)	(79,000)	(79,000)
State		
Remove FY 2017-18 supplemental funding for voter equipment.....	(5,000,000)	(5,000,000)
State Police		
Adjust non-GF funds.....	(6,254,700)	0
Reduce disaster/emergency contingency fund (one-time; FY 19 fund=\$4.6 million).....	(5,000,000)	(5,000,000)
Remove FY 2017-18 boilerplate approp. for Federal/restricted funds	(4,024,000)	0
New trooper school (reduced one-time costs).....	(3,216,200)	(3,216,200)
Eliminate enhanced 9-1-1 (one-time)	(2,200,000)	(2,200,000)
Remove equipment lifecycle replacement (one-time)	(1,000,000)	(1,000,000)
Remove fair and impartial police training grants (one-time).....	(980,000)	(980,000)
Reduce forensic science (one-time; FY 19=\$44.4 million).....	(730,000)	(730,000)
Remove Mich. international speedway traffic control grant (one-time)	(725,000)	(725,000)
Remove emergency management unused funding.....	(392,400)	(392,400)
Reduce forensic science overtime costs	(274,400)	(274,400)
Eliminate impaired driving commission funding	(250,000)	(250,000)
Remove law enforcement job task analysis (one-time).....	(200,000)	(200,000)
Reduce civil air patrol funding	(20,000)	(20,000)
Talent and Economic Development		
Remove Michigan enhancement grants (one-time)	(35,897,000)	(35,897,000)
Going pro funding (one-time; FY 19=\$40.9 million)	(5,500,000)	(5,500,000)
Business attraction (FY 19=\$110.4 million).....	(5,120,100)	(5,120,100)
Remove talent marketing (one-time)	(5,000,000)	(5,000,000)
Community ventures (FY 19=\$5 million)	(3,300,000)	(306,700)
Remove special grants (one-time).....	(2,700,000)	(2,700,000)
Technical adjustments (non-GF)	(1,653,900)	0
Entrepreneurship eco-system (FY 19=\$18.4 million)	(1,500,000)	0
Arts and cultural grants (one-time; FY 19=\$10.12 million).....	(1,000,000)	(1,000,000)
Remove protect and grow funding (one-time)	(1,000,000)	(1,000,000)
Land bank fast track authority (FY 19=\$4.1 million).....	(1,000,000)	(1,000,000)
Technology, Management, and Budget		
Remove Michigan infrastructure fund (one-time)	(35,000,000)	(35,000,000)
Reduce IT investment fund (FY 19=\$40 million)	(32,500,000)	(32,500,000)
Reduce drinking water emergency to \$100 reserve placeholder (one-time)	(24,999,900)	(25,000,000)
Remove Michigan.gov content management (one-time)	(6,171,300)	(6,171,300)

Table 14 - continued

FY 2018-19 GOVERNOR'S APPROPRIATION RECOMMENDATION FUNDING ELIMINATIONS/REDUCTIONS		
Budget Area/Program	Gross	GF/GP
Technology, Management, and Budget (continued)		
Remove public safety communication equipment (one-time)	(5,000,000)	(5,000,000)
Reduce homeland/cyber security (FY 19=\$15,231,300)	(4,700,000)	(4,700,000)
Remove SIGMA transition support (one-time)	(2,413,200)	(2,413,200)
Remove FY 2016-17 MAIN closeout (one-time)	(2,087,600)	(2,087,600)
Remove citizen centric info tech initiative (one-time)	(2,000,000)	(2,000,000)
Remove school reform office info system (one-time)	(353,000)	(353,000)
Remove vendor tracking pilot (one-time)	(300,000)	(300,000)
Remove supplemental funding for MDOT MiTRIP	(100,000)	(100,000)
Reduce state police retirement system payment	(87,000)	(87,000)
Adjust professional development funds	(50,000)	0
Transportation		
Federal funding reductions	(21,045,600)	0
Permanent reduction of TEDF category A	(13,000,000)	0
Debt service adjustments	(9,502,300)	0
Remove FY 2017-18 culvert mapping supplemental	(2,000,000)	0
Aviation program adjustments	(404,800)	0
Treasury-Operations		
Remove info tech services and projects (one-time)	(2,000,000)	(2,000,000)
Remove FY 2017-18 Michigan infrastructure council supplemental	(1,500,000)	0
Reduce city income tax admin. (one-time; FY 19=\$9.9 million)	(1,500,000)	0
Remove urban search and rescue (one-time)	(900,000)	(900,000)
Savings from administrative efficiencies	(750,000)	(750,000)
Remove financial data analytic tool reimbursement	(500,000)	(500,000)
Adjust restricted funds	(158,700)	0
Remove beat the streets funding	(100,000)	(100,000)
Treasury Revenue Sharing		
Reduce per capita cities, villages, townships funding (one-time)	(6,200,000)	(6,200,000)
Reduce statutory cities, villages, townships funding (one-time)	(5,800,000)	0
Reduce county revenue sharing	(2,179,100)	(2,179,100)
TOTAL FUNDING ELIMINATIONS/REDUCTIONS	(\$1,778,388,300)	(\$395,458,400)

The details of the net negative \$151.5 million in fund shifts that increase and decrease GF/GP appropriations are listed in [Table 15](#). The largest fund shift amount, \$135.6 million from GF/GP to the School Aid Fund, is in the K-12 School Aid budget, to reflect the replacement of all but \$45.0 million GF/GP in that budget area. In addition, in the Higher Education budget, there is a replacement of \$120.0 million of GF/GP revenue with School Aid Fund revenue. The largest fund shifts that increase GF/GP are in the Department of Health and Human Services: \$60.0 million due to the expiration of a one-time Health Insurance Claims Assessment (HICA) fund balance, and shifts from Federal funds to GF/GP due to a lower traditional Medicaid match rate (64.78% to 64.45%) and a lower expansion Medicaid match rate (94.25% to 93.25%).

Table 15

FY 2018-19 GOVERNOR'S APPROPRIATION RECOMMENDATION FUND SHIFTS TO INCREASE/(REDUCE) GF/GP	
Budget Area/Program	GF/GP
Agriculture	
Replace GF with fertilizer control fund revenue	(\$200,000)
Health and Human Services	
Expiration of one-time HICA balance	60,048,800
Title XIX match rate dropping from 64.78% to 64.45%	37,984,100
Healthy Michigan Plan match rate dropping from 94.25% to 93.25%	32,971,200
Replace Healthy Michigan Fund revenue with GF	14,252,500
Money-follows-person match reduction	2,459,600
Title XXI match rate dropping from 98.35% to 98.12%	588,000
Replace GF with Medicaid Benefits Trust Fund revenue	(38,250,000)
Savings from shift of cases to Healthy Michigan Plan	(13,995,000)
Replace GF with Merit award trust fund	(2,000,000)
Higher Education	
Replace GF with School Aid Fund revenue	(120,000,000)
Judiciary	
Replace GF with court fee fund revenue	(500,000)
Natural Resources	
Replace GF with parks revenue for State parks repair/maintenance	(7,000,000)
School Aid	
Replace GF with School Aid Fund revenue	(135,611,700)
State	
Replace GF with Transportation administration collection fund revenue	(1,148,300)
Talent and Economic Development	
Replace penalty and interest revenue with GF in going pro program	25,000,000
Replace entrepreneurship 21st century revenue with GF	500,000
Replace GF with penalty and interest revenue in colleges skilled trades	(4,600,000)
Replace GF with 21st century revenue in business attraction program	(2,000,000)
Technology, Management, and Budget	
Correct statewide cost allocation	(45,100)
TOTAL GF/GP FUND SHIFTS	(\$151,545,900)

The Governor's FY 2018-19 budget recommendation includes various other changes from FY 2017-18, including program transfers, and adjustments for unclassified salaries and economic factors. Table 16 presents program transfers that result in net appropriation increases of \$55,400 Gross and \$9,100 GF/GP.

Table 16

FY 2018-19 GOVERNOR'S APPROPRIATION RECOMMENDATION PROGRAM TRANSFERS		
Budget Area/Program	Gross	GF/GP
<u>Office of the Great Lakes (23.0 FTEs)</u>		
From: Department of Environmental Quality	(\$11,743,600)	(\$917,700)
To: Department of Natural Resources	11,801,800	929,600
<u>School Reform Office (11.0 FTEs)</u>		
From: Department of Technology, Management, and Budget	(3,353,800)	(3,353,800)
To: Department of Education	3,351,000	3,351,000
<u>Early Literacy Administration</u>		
From: School Aid	(1,000,000)	(1,000,000)
To: Department of Education	1,000,000	1,000,000

Table 16 - continued

FY 2018-19 GOVERNOR'S APPROPRIATION RECOMMENDATION PROGRAM TRANSFERS		
Budget Area/Program	Gross	GF/GP
<u>Project UNIFY (Special Olympics)</u>		
From: Department of Health and Human Services	(500,000)	(500,000)
To: Department of Education	500,000	500,000
<u>Division of Deafness Fund (Interpreter Certification)</u>		
From: Department of Civil Rights	(93,400)	0
To: Department of Licensing and Regulatory Affairs	93,400	0
TOTAL PROGRAM TRANSFERS	\$55,400	\$9,100

Table 17 outlines the Governor's FY 2018-19 Gross and GF/GP changes by budget area for unclassified salaries and economic factors. The Governor recommends a Gross increase of \$422,900 (\$223,700 GF/GP) for unclassified salaries, and economic adjustments of \$108.7 million Gross and \$56.1 million GF/GP.

Table 17

FY 2018-19 GOVERNOR'S APPROPRIATION RECOMMENDATION GROSS AND GF/GP CHANGES FOR UNCLASSIFIED SALARIES AND ECONOMIC FACTORS				
Department/Budget Area	Unclassified Salaries		Economics	
	Gross	GF/GP	Gross	GF/GP
Agriculture & Rural Development.....	\$11,200	\$11,200	\$1,050,700	\$728,200
Attorney General	15,500	15,500	1,387,900	542,700
Civil Rights	13,600	13,600	181,300	151,900
Corrections	37,000	37,000	25,655,100	25,355,800
Education	17,000	14,700	1,489,300	440,600
Environmental Quality	15,600	4,500	3,079,700	611,400
Executive	26,200	26,200	0	0
Health & Human Services	23,100	15,500	32,751,800	16,710,500
Insurance & Financial Services	15,400	0	815,100	0
Judiciary	0	0	3,025,600	2,816,800
Licensing & Regulatory Affairs	100,200	5,700	4,494,800	571,900
Military & Veterans Affairs	29,400	29,400	1,438,800	403,800
Natural Resources.....	15,500	0	3,762,300	542,300
School Aid	0	0	199,000	140,700
State	13,000	13,000	3,066,300	462,600
State Police	11,900	11,900	4,774,900	3,366,900
Talent & Economic Development.....	21,600	2,300	2,672,100	267,900
Technology, Management, & Budget.....	20,700	11,000	8,065,700	1,801,300
Transportation	15,500	0	5,910,900	0
Treasury (Operations)	20,500	12,200	4,859,900	1,168,600
TOTAL CHANGES	\$422,900	\$223,700	\$108,681,300	\$56,083,900

SUMMARY OF MAJOR SCHOOL AID APPROPRIATION CHANGES

Overall, for the School Aid budget, the Governor is recommending a Gross appropriation increase of \$51.7 million compared with current law, as shown in Table 18, or a \$62.8 million increase compared with revised projected FY 2017-18 spending. The recommendation would decrease GF/GP support of the budget by \$170.0 million, from \$215.0 million in current law to \$45.0 million in FY 2018-19 (and also would include a GF/GP reduction in the current fiscal year, discussed under Proposed Supplemental, below).

Proposed Supplemental

The Governor's FY 2017-18 supplemental request (2018-5) would reduce GF/GP support of the School Aid budget from \$215.0 million to \$78.0 million, a reduction of \$137.0 million. This reduced GF/GP support would be replaced with School Aid Fund (SAF) revenue.

In addition, the supplemental would decrease Gross appropriations by \$11.2 million, consisting of negative net cost adjustments throughout the budget to align appropriations with anticipated spending levels. The negative \$11.2 million is based on consensus pupils and cost adjustments, developed in January 2018. The specifics of the supplemental are decreased costs of \$24.3 million for foundation allowance payments and \$2.0 million for renaissance zone reimbursements, and increased costs of \$11.5 million for cash flow borrowing, \$3.2 million for special education, \$306,900 for school lunch, and \$100,000 for promise zone reimbursement.

Foundation Allowance

The Governor is recommending an increase ranging from \$120 per pupil for districts with foundation allowances at or above the basic foundation (which is \$8,289 for FY 2017-18), up to \$240 per pupil for districts at the minimum foundation allowance (which is \$7,631 for FY 2017-18). The proposal uses the "2x" formula, which provides double the dollar increase to districts at the minimum compared with the dollar increase for districts at or above the basic, with districts between the minimum and the basic getting something between "1x" and "2x". Under the proposal, the basic would increase to \$8,409 and the minimum to \$7,871. The total cost of the proposal is \$312.0 million.

In addition, the Governor is proposing a 25% reduction in the foundation allowance of cyber schools (i.e., those public school academies that were issued a contract under the Revised School Code to operate as a school of excellence that is a cyber school); this proposal would save the State an estimated \$25.0 million.

At Risk

The Governor is proposing to maintain funding for the At Risk program at \$499.0 million.

Michigan Public School Employees' Retirement System (MPERS)

The Governor is proposing to continue the lowering of the assumed rate of return (AROR) in the closed MPERS plans from 7.75% to 7.5%. (The new hybrid plan, established in 2017, assumes a 6.0% rate of return.) In MPERS, the first quarter-point reduction was funded in FY 2017-18, and FY 2018-19 represents the second quarter-point reduction in the AROR. (Also, the retirement system board adopted a policy under which gains exceeding the AROR would be used in future years to further "buy down" the AROR. For FY 2019-20, the MPERS AROR is projected to decline to 7.05%.)

The increase in the K-12 budget cost for FY 2018-19 related to MPERS totals \$125.6 million. The cost is broken into three parts: \$71.9 million for the increase in cost on the "old" debt, paid for by the State via the MPERS rate cap, \$39.2 million for the increase in the "normal" cost for service earned in the future, and \$14.5 million for additional defined contribution (DC) costs related to Public Act 92 of 2017 (which increased the employer matching contributions under the optional DC plan). The

normal cost is generally paid by the employer, but the Governor's proposal uses one-time funding to cover the increase in the normal cost for FY 2018-19. (There will be an additional increase in "normal" costs in FY 2019-20 when the AROR declines to 7.05%, but the Governor's recommendation for FY 2019-20 does not address those costs.)

New Programs

The Governor's budget proposal includes \$5.0 million for a new per-pupil payment to districts for students in career and technical education (CTE) courses, as well as \$5.0 million for Early On and \$500,000 for special education mediation and parental supports, recommended by the Special Education Taskforce.

Increases in Existing Programs

In addition to the increases mentioned earlier for the foundation allowance and MPERS, the budget proposal includes an increase of \$23.1 million for special education, \$17.5 million for cash flow borrowing costs, \$2.0 million for partnership model districts, \$1.5 million for promise zone reimbursements, \$648,900 for school lunch, and a couple of other smaller increases.

Program Reductions or Eliminations

The Governor is proposing to reduce the amount of funding in the budget for shared-time programs. In a shared-time program, a nonpublic or home-schooled student participates in one or more non-core public school classes, generating payment for the public school, which is able to count that student in membership. The current estimate of the FY 2017-18 State cost of shared-time programs is \$132.0 million; the Governor's budget would cap the FY 2018-19 funding for any particular district at an amount equal to 5% of the district's non-shared time pupil count, and also would eliminate kindergarten from the list of eligible grades in which shared-time pupils may be counted. These two proposals would save the State an estimated \$67.9 million if implemented.

The Governor is proposing to eliminate the \$200.0 million one-time additional payment toward MPERS unfunded accrued liabilities, the \$12.5 million appropriated for CTE equipment upgrades, \$4.0 million for computer adaptive tests, \$2.5 million each for nonpublic schools mandates reimbursement, Michigan Education Corps, and value-added growth and projection analytics, along with a number of other programs. The Governor would reduce Flint Declaration of Emergency funding from \$8.7 million to \$3.2 million, and assessment funding by \$3.7 million. The budget proposes a number of cost adjustments, including savings in the foundation allowance due to declining pupils and increasing taxable values, and a small reduction in Federal grants anticipated to be received.

Other Items of Note

The proposed budget continues the \$72.0 million from the Community District Trust Fund to support the foundation allowance of the Detroit Public Schools Community District. The Governor's recommendation for the overall Education omnibus continues to fund the Community Colleges budget entirely out of School Aid Fund revenue and increases SAF support of the Higher Education budget. Total School Aid Fund support of postsecondary budgets under the Governor's Recommendation is \$783.5 million (\$398.6 million for Community Colleges and \$384.9 million for Higher Education), an increase of \$150.9 million above the FY 2017-18 level. The MPERS changes mentioned above are carried into the Community Colleges and Higher Education budgets.

Table 18

FY 2018-19 GOVERNOR'S GROSS APPROPRIATION RECOMMENDATION K-12 SCHOOL AID APPROPRIATION CHANGES (millions of dollars)	
FY 2017-18 Year-to-Date Gross Appropriations	\$14,584.3
FY 2018-19 Governor's Recommended Gross Appropriations	14,636.0
Net Change in School Aid Appropriations	\$51.7
Recommended Appropriations for New Programs:	
Career and technical education per-pupil payments	\$5.0
Special education taskforce - Early On	5.0
Special education taskforce - mediation and parental supports	0.5
Subtotal Appropriations for New Programs	\$10.5
Recommended Appropriation Increases in Existing Programs:	
Foundation allowance: \$120 to \$240 per-pupil increase	\$312.0
MPSERS rate cap on unfunded accrued liabilities	71.9
MPSERS normal cost increase due to lowered assumed rate of return (AROR)	39.2
Special education	23.1
Cash flow borrowing costs	17.5
MPSERS enhanced DC costs under PA 92 of 2017	14.5
Partnership model districts	2.0
Promise zone reimbursement	1.5
School lunch	0.6
MiSTEM executive director	0.2
Economics	0.2
MiSTEM advisory council	0.1
Subtotal Appropriation Increases in Existing Programs	\$482.8
Recommended Appropriation Eliminations or Reductions:	
Eliminate MPSERS one-time extra payment on unfunded accrued liabilities	(\$200.0)
Technical foundation allowance cost adjustments	(97.7)
Shared-time funding reduction	(67.9)
Cyber school foundation allowance reduction	(25.0)
Eliminate CTE equipment upgrades	(12.5)
Flint Declaration of Emergency reduction	(5.5)
Eliminate funding for computer adaptive assessments	(4.0)
Assessment funding reduction	(3.7)
Eliminate reimbursement for nonpublic schools mandates	(2.5)
Eliminate Michigan Education Corps	(2.5)
Eliminate value-added growth and projection analytics	(2.5)
Eliminate information technology certifications	(2.3)
Reduction in anticipated Federal grants	(2.2)
Reduction in renaissance zone reimbursements (technical)	(2.0)
Eliminate funding for year-round schools grants	(1.5)
Eliminate funding for financial data analysis tools	(1.5)
Eliminate funding for CTE counselors	(1.2)
Eliminate funding for online algebra tool	(1.1)
Eliminate funding for online mathematics tool	(1.0)
Eliminate funding for career prep and readiness platform	(1.0)
Transfer early literacy administrative funding to MDE	(1.0)
Eliminate funding for competency-based education grants	(0.5)
Eliminate funding for cybersecurity competitions	(0.5)
Eliminate funding for 10 Cents a Meal	(0.4)
Eliminate funding for Detroit Area Precollege Engineering Program (DAPCEP)	(0.3)
Eliminate funding for nonpublics in FIRST Robotics	(0.3)
Eliminate funding for digital assessment preparation	(0.3)
Eliminate funding for Van Andel Education Institute	(0.2)
Eliminate funding for early learning collaborative	(0.2)
Eliminate conductive learning center study	(0.2)
Eliminate restaurant and culinary training grant	(0.1)
Subtotal Appropriation Eliminations or Reductions	(\$441.6)
TOTAL RECOMMENDED APPROPRIATION CHANGES	\$51.7

FEE AND REVENUE PROPOSALS

Proposed Fee Adjustments

Solid Waste Disposal Fees

The FY 2018-19 budget proposes one fee increase, which would raise a total of \$73.9 million in revenue from an increase in solid waste disposal fees, commonly referred to as "tipping fees", in the Department of Environmental Quality (DEQ). The fee is currently 12 cents per cubic yard, which is equivalent to about 36 cents per ton, depending on the type of waste. The proposal would eliminate the current fee and replace it with a fee of \$4.75 per ton, which would increase fee revenue from about \$5.0 million to \$79.0 million per year. Under the proposal, fee revenue would be used by the DEQ as follows:

- \$45.0 million for environmental cleanup and brownfield redevelopment
- \$15.0 million for recycling grants
- \$5.0 million for water quality monitoring
- \$5.0 million for State park infrastructure
- \$1.5 million for asbestos disposal oversight and landfill gas monitoring
- \$1.5 million for materials management planning with local units of government
- \$6.0 million for the existing solid waste management program

The Governor's budget recommendation also includes fee adjustments that would not have a budgetary impact until FY 2019-20. These include a fee increase on community water suppliers in the DEQ budget, and the elimination of the sunset on a number of fees totaling about \$16.5 million of revenue in the Department of Licensing and Regulatory Affairs budget. The proposed fee increases on community water suppliers would support the following: integrated asset management, addressing infrastructure failures that threaten public health and the environment, and grants and loans to community water suppliers for capital improvements, including lead service line replacement. The proposal would not begin to generate revenue until FY 2019-20, when it is projected to generate about \$25.2 million, and then the revenue would increase over the following five years. Although the increased fees would not take effect until FY 2019-20, proposed legislation will be requested prior to that time, as the proposal would require community water suppliers to remit certain data to the DEQ to allow the DEQ to administer the fee.

Driver Responsibility Fees

The Governor's recommendation includes a proposed phase-out of driver responsibility fees by the end of FY 2018-19. The proposal would sunset new assessments beginning October 1, 2018, provide forgiveness of certain outstanding debts, offer amnesty for other selected debts, and allow drivers to seek reinstatement of their suspended licenses before all fees were paid. The provisions would eliminate the revenue source used to fund Fire Protection Grants, and reduce General Fund revenue by \$4.5 million in FY 2017-18, \$15.5 million in FY 2018-19, and \$9.0 million in FY 2019-20. As discussed below, the loss of revenue for Fire Protection Grants would be offset by modifying distributions of personal property tax reimbursement revenue made by the Local Community Stabilization Authority.

Proposed Revenue Adjustments

Personal Property Tax Reform

Personal property taxes (PPTs) were substantially changed by legislation enacted in 2012, amended in 2013 and 2014, and then made effective by voter approval in 2014. To reimburse local governments that had a lower property tax base as a result of the PPT exemptions and thus received less property tax revenue, the Local Community Stabilization Authority (LCSA) was created. The LCSA is required to levy a fixed dollar amount of the use tax and then distribute that revenue to compensate local governmental units for reduced personal property tax revenue according to a statutory formula.

The Department of Treasury determined that the reimbursements due in FY 2017-18 for calendar year 2017 taxes total \$374.1 million. Of that amount, \$135.4 million is payable to Tier 1 municipalities for millage guaranteed at 100%. The remaining funds available to be distributed to Tier 2 municipalities total \$238.7 million. Of the Tier 2 amount, only \$81.6 million is needed to reimburse the eligible local units for all of their qualified loss, measured by the difference in taxable value since 2013. The remaining \$157.1 million is in excess of the qualified losses. The amount of money necessary to reimburse local governments for Tier 2 millage was overestimated at the time the PPT package was enacted. The statute, however, requires the funds to be distributed. The payments are made according to a statutory schedule with most of the payments distributed in November 2017, and the remaining distribution scheduled for February 2018.

The Governor's recommendation characterizes the \$157.1 million in reimbursements in excess of 100% of the qualified loss as "bonus payments" that can be regarded as funds that reduce the need for FY 2018-19 State appropriations in certain budget areas. The proposed budgets for community colleges and revenue sharing note that the PPT bonus payments are available to many local units of government to offset increased costs in other areas. Not every community college and local unit of government, however, receives this additional payment.

The Governor's recommendation also proposes legislation to modify the distribution of Tier 2 payments in excess of qualified losses. The new formula would not allocate any excess revenue to libraries or authorities, and the excess revenue would first be reduced by an amount necessary to guarantee full funding of Fire Protection Grants. (Fire Protection Grants are partially funded by driver responsibility fees, which the recommendation would phase out by the end of FY 2018-19.) After funding Fire Protection Grants, the proposed formula would divide the remaining revenue across the remaining types of local units (counties, cities, villages, townships, and community colleges) based on their average share of excess revenue during the last two years. As a result, counties would receive 30% of the excess revenue after Fire Protection Grants were funded, while cities would receive 48%, villages 2%, townships 5%, and community colleges 15%. Excess revenue to individual community colleges would be distributed based on their share of State appropriations, while distributions to other local units would be made on a per-person basis, according to a unit's revenue sharing population.

Redirection of Transportation Economic Development Fund (TEDF) Revenue

The Governor's Department of Transportation budget proposal would redirect \$13.0 million of TEDF funding reserved for Category A (targeted industries) to the State General Fund. Category A funds are used for improvements that will result in economic development for the local area of a project. To qualify for funding, a Category A project must relate to one of the following industries: agriculture; tourism; forestry; high-tech research; manufacturing; mining; office centers of not less than 50,000 square feet; and medical research/tourism facilities of not less than 50,000 square feet.

The FY 2017-18 appropriation for TEDF Category A projects is \$19,059,500. The proposed \$13.0 million redirection of Category A funds, coupled with a \$615,100 base increase from Michigan Transportation Fund revenue, would leave the TEDF Category A line with \$6,674,600 for FY 2018-19. It should be noted that this proposed TEDF redirection would require a change in statute.

SUMMARY OF OTHER MAJOR FY 2018-19 APPROPRIATION ISSUES

Capital Outlay

The Governor's FY 2018-19 budget recommendation does not include any new planning authorizations for State agencies, universities, or community colleges. The Governor is proposing an FY 2017-18 supplemental that would change the State funding for three authorized projects from State Building Authority (SBA) bonding to a General Fund appropriation. The affected projects include the Detroit and Grand Rapids Veterans Homes (State share \$42.1 million) and the State Capitol Restoration/Infrastructure Upgrade Project (State share \$70.0 million). The SBA estimates that paying cash for the State share of these projects would result in savings of \$48.1 million.

Community Colleges

The Governor's budget recommendation does not include a funding increase for community college operations, due to additional funding that colleges receive from changes to the personal property tax. The Governor is recommending that funds allotted based on current personal property tax calculations be changed so that there is a more equitable distribution of funding. The Governor also proposes a net increase of \$7.3 million from the School Aid Fund for MPERS-related adjustments, the elimination of \$1.0 million GF/GP for FY 2017-18 one-time Michigan Transfer Network enhancements, and a \$600,000 SAF reduction (from \$3.1 million to \$2.5 million) to Renaissance Zone reimbursements based on projected costs. Details are included in the Appendix.

Department of Corrections

The Governor's budget recommendation for Corrections includes \$13.7 million to transfer prisoner food service from a private vendor back to State employees. The increase would allow the Michigan Department of Corrections (MDOC) to hire 352.0 FTEs to replace the contracted employees. Of the increase, approximately \$6.6 million would be due to stranded legacy costs that are currently part of the State budget, but would be assigned to MDOC payroll. The budget proposes \$18.9 million in savings from the closure of the West Shoreline Correctional Facility. The prison population has fallen by almost 3,900 inmates in the past three years, and this closure, along with the 2016 closure of Pugsley Correctional Facility and the end of the leased beds program, reflects that decline. The budget also proposes to eliminate \$6.0 million in legislative initiatives that had been added to the budget in recent years. These eliminations include the Goodwill Flip-the-Script program, the Supervising Region Incentive Program, and a high school online equivalency pilot program, among others.

Department of Health and Human Services

The Governor's proposed FY 2018-19 budget for the Department of Health and Human Services is largely a continuation budget on a programmatic basis, with most funding adjustments tied to base, caseload, and fund sources as well as Federal rule changes. The overall budget is down \$268.9 million Gross but up \$162.0 million GF/GP from the year-to-date FY 2017-18 funding level. The main reason for this difference in Gross and GF/GP funding is large negative Gross base adjustments in lines that have zero or very little GF/GP funding, in particular Food Assistance Program (FAP) and Healthy Michigan Plan funding.

Base and Caseload Adjustments

The budget is built off the FY 2017-18 year-to-date funding, which does not take into account very large net FY 2016-17 lapses in the Medicaid program. As such, the FY 2017-18 Medicaid base is significantly overappropriated, and large, mostly negative adjustments are included in the Governor's proposed FY 2017-18 DHHS supplemental.

The largest base and caseload adjustments are negative adjustments to the FAP line (\$415.1 million, all Federal) and the Healthy Michigan Plan (\$192.8 million Gross and \$13.0 million GF/GP). The budget includes adjustments to public assistance programs (savings of \$3.0 million Gross and \$6.9 million GF/GP) and child welfare programs (increase of \$40.3 million Gross and \$30.2 million GF/GP). The net adjustment for traditional Medicaid outside of Autism Services is a reduction of \$20.5 million Gross and \$2.4 million GF/GP.

There is one line that would nearly double from its year-to-date FY 2017-18 funding level: Medicaid Autism Services funding would increase from \$105.1 million to \$199.8 million, at a cost of \$33.7 million GF/GP. Although a significant increase was anticipated, it should be noted that the Governor's proposed FY 2017-18 supplemental assumes that most of this \$94.7 million Gross increase over current funding (\$75.6 million Gross) would occur in FY 2017-18. Given that, it appears that the remaining increase of \$19.1 million Gross from the adjusted FY 2017-18 level to FY 2018-19 would likely be insufficient to cover the continued rapid growth in the line.

Medicaid Actuarial Soundness

The State is required by the Federal government to reimburse Medicaid managed care organizations (MCOs) at actuarially sound rates. In the FY 2017-18 budget, the Legislature and Governor agreed to an additional 1.0% increase for Medicaid MCOs that provide physical health services. The Governor's FY 2018-19 budget proposes an additional 1.5% increase for Medicaid physical health, including dental services, at a total cost, with the 2.5% adjustment over the original FY 2017-18 funding level, of \$146.1 million Gross and \$36.1 million GF/GP. The 1.5% increase itself would cost \$89.1 million Gross and \$22.2 million GF/GP. Rates for behavioral health MCOs, the pre-paid inpatient health plans (PIHPs), would be increased by 2.0% in FY 2018-19, at a cost of \$51.0 million Gross and \$16.5 million GF/GP.

Fund Source Adjustments

The traditional Federal Medicaid match rate would decline from 64.78% to 64.45%, increasing State costs by \$38.0 million GF/GP. The expansion Medicaid (Healthy Michigan Plan) match rate would decrease from 94.25% to 93.25%, increasing State costs by \$33.0 million GF/GP.

One-time carry-forward Health Insurance Claims Assessment (HICA) revenue would no longer be available, increasing GF/GP costs by \$60.0 million. On the positive side, there would be more revenue available in the Medicaid Benefits Trust Fund, reducing GF/GP costs by \$38.3 million.

Hospital Rate Adjustor and Managed Care Rule

The State has made large (\$1.45 billion in FY 2016-17) supplemental payments paid through Medicaid MCOs to hospitals as part of the "hospital rate adjustor" (HRA) process. The State match dollars for these Medicaid payments are provided through the hospital quality assurance assessment program (QAAP) tax. The Federal government is forcing the State to phase out the HRA payments, with a reduction of 10% per year over 10 years. The Federal government also has made changes to what payments can be made under the HRA even as the payments are phased out. These changes include making the HRA payments more directly tied to claims and restructuring payments to better support access to hospital services. The Federal government's changes also mean that certain special hospital pools that were mostly passed through the HMOs to hospitals, such as the \$34.3 million rural and sole community hospital pool and the

\$11.3 million obstetrics/gynecology (OB/GYN) hospital funding pool, will no longer be eligible for matching funds.

The Governor's budget proposes increasing the hospital QAAP by \$54.2 million in order to increase the flow of HRA money, payments that meet the new Federal requirements, through to the hospitals even as this annual 10% annual reduction starts to be implemented. Under the QAAP statute, the State retains 13.2% of the Federal match related to QAAP revenue. The retention would result in a \$21.2 million GF saving as the State would retain \$21.2 million of that QAAP increase.

Of that \$21.2 million, \$7.0 million (all GF) would be used to fully restore the OB/GYN pool (which is presently \$3.9 million GF, \$7.0 million Federal) to maintain that funding at current levels. While the Federal match for the rural/sole hospital pool would discontinue, it appears that the shifting of HRA funding to focus on addressing access issues would help offset that.

The net impact of these changes would be a \$198.7 million increase in Gross funding, mostly due to the increased HRA payments, with net GF/GP savings of \$13.4 million.

New Initiatives

The Governor's budget proposes to continue funding to combat per- and polyfluoroalkyl substances (PFAS) that have been found at various sites around the State. Total funding would be just over \$8.0 million Gross and GF/GP, a slight drop from FY 2017-18 funding, which included some one-time laboratory equipment purchases. The budget also would include \$4.8 million Gross and GF/GP for local public health to address PFAS, vapor intrusion, drinking water contamination, and other potential issues. The budget also proposes a \$2 per-person per-month increase in the Family Independence Program (FIP) grant.

One-time funding for efforts to address the Flint water crisis would continue, with continued funding for lead poisoning prevention, "Double Up Food Bucks", the Children's Health Access and Michigan Child Collaborative Care programs, lead abatement and investigations, and the Nurse Family Partnership, among other endeavors.

While not a new initiative per se, the second Healthy Michigan Plan (HMP) waiver required that certain higher-income HMP recipients who have been on HMP for at least 48 months migrate to the health exchanges for coverage. The Governor's budget assumes that 10,000 individuals would shift into the exchanges and that exchange products would be 25.0% more expensive than HMP coverage, with an assumed cost of \$12.0 million Gross and \$810,000 GF/GP.

Reductions and Savings Initiatives

The Governor's budget again proposes ending the county hold harmless provision for foster care payments, for savings of \$8.0 million Gross and GF/GP. The proposed budget removes numerous other legislative initiatives from the FY 2017-18 budget, including funding for a guardianship rate increase, MedIncentive grants, the Real Alternatives program, the bone marrow transplant registry, and out-State dental clinics.

Finally, the budget assumes savings in the Medicaid Pharmaceutical Services line from a proposal to list various drugs on the Preferred Drug List even if those drugs are statutorily exempted from prior authorization. This apparently would have no impact on the ability of Medicaid clients to be given prescriptions for these drugs but would lead to increased rebate revenue (\$14.1 million Gross, \$5.0 million GF/GP savings).

Higher Education

The Governor's budget recommendation for Higher Education includes a \$28.6 million, or 2.0%, School Aid Fund increase for university operations. Half of the increase would be distributed proportionally to FY 2010-11 appropriations and half would be distributed based on performance metrics. Tuition restraint for resident undergraduate students is recommended at the greater of a 3.8% or \$490 increase. Michigan State University AgBioResearch and Extension would receive a 2.0% increase of \$1.3 million. Michigan Public School Employees Retirement System reimbursements and hold-harmless payments would be reduced by a net \$1.3 million SAF, from \$7.1 million to \$5.8 million. The Tuition Incentive Program would be increased by \$1.5 million Federal, from \$58.3 million to \$59.8 million, based on program need. Competitive Scholarships would be increased by \$6.0 million GF/GP, from \$26.4 million to \$32.4 million; and Tuition Grants decreased by \$6.0 million GF/GP, from \$38.0 million to \$32.0 million. The Tuition Grant per-student maximum award is proposed to be increased from a minimum of \$2,000 to \$2,100, while the cap on Tuition Grant payments per institution would be increased by \$700,000, from \$3.5 million to \$4.2 million. The Appendix provides details of the Higher Education recommendation.

Department of Transportation

In addition to \$150.0 million in income tax revenue earmarked through the 2015 road funding package, the Governor is proposing \$175.0 million GF/GP for roads in FY 2018-19, which would essentially accelerate the package to the estimated FY 2019-20 funding level. The money is proposed to be divided pursuant to the Public Act 51 distribution formula, in the following way:

- \$68,425,000 for State roads (39.1%)
- \$68,425,000 for county road commissions (39.1%)
- \$38,150,000 for cities and villages (21.8%)

Of the portion set aside for State roads, \$20.0 million is proposed by the Governor for three new projects: \$6.0 million for connected vehicle technologies to support the installation of dedicated short-range communications (DSRC) units at three locations in southeastern Michigan and one in the Upper Peninsula; \$3.0 million for hydrogen fuel cell charging stations; and \$11.0 million for an innovative mobility pilot program for seniors and individuals with disabilities.

Revenue Sharing Payments

The Governor recommends revenue sharing payments of approximately \$1.3 billion in FY 2018-19, an increase of 0.8% or \$10.9 million over FY 2017-18 year-to-date appropriations. This increase is due almost entirely to an estimated \$24.7 million increase in constitutional revenue sharing for cities, villages, and townships (CVTs), offset by a \$12.0 million reduction in one-time funding for CVT "statutory" revenue sharing. There also is a net decrease in payments to counties of \$1.9 million. The grant program for financially distressed cities, villages, and townships would be funded at the same level in FY 2018-19 as in FY 2017-18. The Governor's recommendation is shown in [Table 19](#).

Table 19

REVENUE SHARING APPROPRIATION SUMMARY				
Ongoing/One-Time Appropriations	FY 2017-18 Year-to-Date	FY 2018-19 Gov's Rec.	Dollar Change	Percent Change
Constitutional Revenue Sharing	\$807,610,900 ^{a)}	\$832,343,800	\$24,732,900	3.1%
CVT Revenue Sharing	255,040,000	243,040,000	(12,000,000)	(4.7)
County Incentive Program	43,160,400	43,218,800	58,400	0.1
County Revenue Sharing	176,926,800	175,006,700	(1,920,100)	(1.1)
Financially Distressed CVTs	5,000,000	5,000,000	0	0.0
TOTAL	\$1,287,738,100	\$1,298,609,300	\$10,871,200	0.8%

^{a)} Reflects the January 2018 consensus revenue estimate for sales tax revenue.

Constitutional revenue sharing is estimated at \$832,343,800 in FY 2018-19 based on the January 2018 consensus revenue estimates. This would provide CVTs with a 3.1% increase in payments over the revised FY 2017-18 estimate. Constitutional revenue sharing pays CVTs 15.0% of sales tax collected at a rate of 4.0%. The funds are distributed on a per capita basis. Each CVT is projected to receive approximately \$84.48 per capita in FY 2018-19.

For CVT revenue sharing ("statutory"), the Governor recommends \$243,040,000 in FY 2018-19. This consists entirely of ongoing funding and removes \$12.0 million in one-time funding from FY 2017-18. Eligibility, payments, and transparency and accountability requirements would remain the same as in the current fiscal year.

The Governor proposes to reduce revenue sharing payments to counties by 0.9% to \$218.2 million. The County Revenue Sharing line would decrease by \$1,920,100 to \$175,006,700 and the County Incentive Program would increase by \$58,400 to \$43,218,800. This includes the removal of \$2,179,100 GF/GP that was added in FY 2017-18, paired with an increase of \$317,400 in revenue sharing payments to counties to cover the cost of three counties (Antrim, Keweenaw, and Mackinac) that will return to State-paid county revenue sharing for part-year funding in FY 2018-19. As in prior years, compliance with accountability and transparency criteria would be required for eligible counties to receive full payments under the County Incentive Program in FY 2018-19. The last two counties (Emmet and Leelanau) are projected to return to State-paid revenue sharing in FY 2021-22 and FY 2022-23, when withdrawals from each county's revenue sharing reserve fund will be completed.

The Governor's budget maintains the grant program for Financially Distressed Cities, Villages, or Townships at \$5.0 million in FY 2018-19, the same level of funding as in FY 2017-18.

Flint Drinking Water Declaration of Emergency

On January 5, 2016, Governor Snyder issued a proclamation that a state of emergency existed in the County of Genesee and the City of Flint due to damaged infrastructure. Table 20 summarizes the FY 2015-16 through FY 2016-17 State appropriations that have been enacted explicitly for this emergency, and outlines the Governor's recommendations for FYs 2017-18 and 2018-19. Cumulative total State appropriations, assuming the Governor's recommendations for FY 2017-18 supplemental funding and FY 2018-19 funding are adopted, would be \$536.3 million Gross and \$278.0 million GF/GP. The Governor's recommended appropriations would result in a \$6.1 million Water Emergency Reserve Fund balance.

Table 20

**FLINT DRINKING WATER DECLARATION OF EMERGENCY
SUMMARY OF GROSS AND GF/GP STATE APPROPRIATIONS
FY 2015-16 through FY 2018-19 GOVERNOR'S RECOMMENDATION**

Department/Budget Area	FY 2015-16 Year-to-Date		FY 2016-17 Year-to-Date		FY 2017-18 Year-to-Date*		FY 2018-19 Gov's Rec.		Cumulative Approps	
	Gross	GF/GP	Gross	GF/GP	Gross	GF/GP	Gross	GF/GP	Gross	GF/GP
Agriculture & Rural Dev.	\$0	\$0	\$0	\$0	\$100	\$0	\$0	\$0	\$100	\$0
Attorney General	1,300,000	0	5,600,000	3,000,000	2,600,000	0	2,600,000	0	12,100,000	3,000,000
Education	28,285,000	8,685,000	8,050,100	0	100	0	100	0	36,335,300	8,685,000
Environmental Quality	47,253,500	45,776,500	110,500,100	5,400,000	31,200,100	18,000,000	100	0	188,953,800	69,176,500
Health & Human Services	32,097,000	19,600,000	15,138,100	9,094,200	21,541,700	1,680,000	4,621,100	4,621,000	73,397,900	34,995,200
HHS Medicaid Waiver	20,862,600	4,470,700	30,352,500	6,098,100	30,352,500	6,098,100	30,352,500	6,098,100	111,920,100	22,765,000
Licensing & Regulatory Affairs	1,860,000	1,660,000	0	0	100	0	0	0	1,860,100	1,660,000
Military & Veterans Affairs	2,500,000	2,000,000	0	0	0	0	0	0	2,500,000	2,000,000
Natural Resources	250,000	250,000	0	0	0	0	0	0	250,000	250,000
School Aid	9,200,000	9,200,000	12,630,100	10,142,500	8,730,100	8,730,000	3,230,100	3,230,000	33,790,300	31,302,500
State Police	6,100,000	6,100,000	3,908,100	0	0	0	0	0	10,008,100	6,100,000
Talent & Economic Dev.	0	0	0	0	0	0	100	0	100	0
Tech, Man, Budget Reserve	18,900,000	18,900,000	10,000,000	10,000,000	25,000,000	25,000,000	0	0	53,900,000	53,900,000
Reserve Fund Withdrawals	(977,000)	0	(26,060,500)	0	(20,700,700)	0	(700)	0	(47,738,900)	0
Tech, Man, Budget	0	0	500,000	0	0	0	100	0	500,100	0
Treasury	44,130,000	44,130,000	14,400,100	0	100	0	100	0	58,530,300	44,130,000
Total	\$211,761,100	\$160,772,200	\$185,018,600	\$43,734,800	\$98,724,100	\$59,508,100	\$40,803,500	\$13,949,100	\$536,307,300	\$277,964,200

* Includes FY 2017-18 pending supplemental request 2018-3 for DEQ: \$29 million Gross (\$18 million GF/\$11 million Reserve Fund).

	<u>Gross</u>	<u>GF/GP</u>
Cumulative State Appropriations =	\$536,307,300	\$277,964,200
Total Reserve Fund Appropriations	\$53,900,000	\$53,900,000
Total Reserve Fund Withdrawals	(\$47,738,900)	
Reserve Fund Balance	\$6,161,100	

State Employee Compensation Changes

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

The Civil Service Commission on December 14, 2016, approved a two-year agreement for wages and benefits for employees who are exclusively represented by employee unions (AFSCME, MCO, MSEA, SEIU, and UAW) for fiscal years 2017-18 and 2018-19. At that meeting, the Commission approved a 2.0% general wage increase effective October 1, 2018, for represented employees. Additionally, contracts will require represented employees to continue to pay 20.0% of their health care premiums.

The Civil Service Commission, on December 13, 2017, adopted a Coordinated Compensation Plan for non-exclusively represented State classified employees (NEREs) for FY 2018-19. Beginning on October 1, 2018, NEREs will receive a 2.0% general wage increase. They also will continue to pay 20.0% of their health insurance premium in FY 2018-19. Coordinated Compensation Plans for NEREs are approved by the Civil Service Commission on an annual basis; thus, a compensation plan for FY 2019-20 will not be considered until December 2018.

Total Gross employee wages and salaries in the FY 2018-19 Governor's budget are an estimated \$3.4 billion, while other total Gross employee benefit costs are an estimated \$2.7 billion.

Table 21 provides a summary of the incremental State employee economic cost changes for FY 2018-19 recommended in the Governor's budget, including Gross employee salary increases of \$65.6 million. The State's portion of the cost of longevity payments and employee health insurance is estimated to increase by \$19.7 million for FY 2018-19. The amount that needs to be contributed to the State employee retirement systems in FY 2018-19 results in an increase in costs. Retirement contributions, excluding payments for legacy pension costs, will increase \$3.7 million Gross and \$1.5 million GF/GP. Other employee retirement costs (OERC), including legacy pension costs and retiree health care costs, for FY 2018-19 will be more than the costs in FY 2017-18. Gross increases for OERC will total \$11.6 million or \$5.0 million GF/GP. The total GF/GP impact of economic adjustments for FY 2018-19 is an increase of \$56.1 million.

Table 21

FY 2018-19 STATE BUDGET RECOMMENDATION ECONOMIC ADJUSTMENTS INCLUDED IN BUDGET (millions of dollars)		
	Gross	GF/GP
Wages and Salaries	\$65.6	\$35.5
Longevity and Employee Insurance Costs	19.7	9.9
Retirement Contributions	3.7	1.5
Other Employee Retirement Costs (OERC)	11.6	5.0
Workers' Compensation	0.5	0.5
All Other Economics	7.6	3.7
TOTAL ECONOMICS	\$108.7	\$56.1

Employer Retirement Contribution Rates

A significant aspect of the State budget, as well as the budgets of K-12 school districts and community colleges, is the amount employers are required to pay into the retirement accounts of their employees. The Governor's budget includes the required employer contribution rates to the two largest plans: the State Employees' Retirement System (SERS) and the Michigan Public School Employees' Retirement System (MPERS). The State also has retirement plans for State Police, Judiciary, and the Legislature, but those systems are not discussed here as they are much smaller in scale. Public Acts 300 of 2012 and 136 of 2016 implemented a cap on the rate school employers in MPERS pay toward the unfunded accrued liabilities in the system, and Public Act 92 of 2017 implemented a cap on the rate employers pay toward the optional defined contribution plan, with any payments above the cap paid by the State.

Lowering the Assumed Rate of Return (AROR)

Beginning in FY 2017-18, as reflected in Tables 22 and 23, the assumed rate of return (AROR) in most of the State's retirement plans was lowered from 8% to 7.5%. The AROR for MPERS was lowered one-quarter point to 7.75%. Continuing in FY 2018-19, the MPERS AROR is reduced another one-quarter point, from 7.75% to 7.5%. Due to the adoption of a "dedicated gains" policy by the various retirement system boards, beginning in FY 2019-20 for MPERS, and in FY 2020-21 for the other State systems, the ARORs will be adjusted downward any time there are gains that exceed the AROR (i.e., excess gains will be "dedicated" to "buying down" the ARORs).

Any time the AROR is lowered, there are increases in both the payments for liabilities accrued in the past (legacy costs) and the amount required to pay for benefits earned today (normal cost). Therefore, in MPERS, for FY 2018-19, there are additional costs in the K-12, community colleges, and higher education budgets to implement the further one-quarter point reduction in the AROR. The State is required to pay any legacy costs that exceed the statutory caps for local employers; the State is not required to reimburse employers for increases in normal costs.

Beginning in FY 2019-20 (unless the retirement boards vote to rescind the "dedicated gains" policies), there will be additional normal costs required to be paid by schools and colleges (presently estimated at \$105.0 million), unless a budget is enacted to hold local employers harmless from the AROR change. Beginning in FY 2020-21, there will be additional normal costs required to be paid by the State for the other State retirement systems. These costs will occur any time "dedicated gains" are used to "buy down" the AROR. The excess gains pay for the increase in legacy unfunded accrued liability (UAL) payments, but not the increase in normal costs.

Returning to the FY 2018-19 budget impact, an increase of \$42.2 million is proposed to pay the increased normal costs in MPERS for the second year of the phase-in of the lower AROR. (As mentioned above, reimbursing local employers for the increase in normal costs is optional for the State.) Also, an additional State cost of \$113.6 million is required to pay for the increased UAL costs attributable to the lower AROR, although this is partially offset by \$38.7 million in other UAL savings, leaving a net UAL cost increase in FY 2018-19 of \$74.9 million. The higher funding levels will continue until the UAL is paid off (FY 2037-38).

Under Public Act 92 of 2017, the State is required to pay any additional defined contribution costs in excess of 4% of payroll for participating employees. This is estimated to cost \$15.8 million for FY 2018-19, an increase of \$4.0 million. Also, the Governor is proposing to cover the increase in employer normal costs due to Public Act 92 of 2017 (which arise because the hybrid plan assumes 6% rate of return), estimated to total \$21.8 million for FY 2018-19, an increase of \$10.5 million.

Contribution Rates and Estimated Costs for SERS and MPSERS

Table 22 provides a three-year summary of the contribution rates for defined benefit (DB) and defined contribution (DC) retirement for SERS. Beginning in FY 2012-13, the unfunded accrued liability in SERS was spread across both DB and DC payroll, rather than just the declining DB payroll as had been the case previously. Also, beginning in FY 2011-12, the funding methodology for retiree health care was changed from a cash basis to a prefunding basis, requiring larger contributions up front in order to save money down the road. The State Employees' Retirement System pension component was closed to newly hired employees on March 31, 1997, and the retiree health care premium coverage component was closed to new employees on January 1, 2012.

Table 22

STATE RETIREMENT CONTRIBUTION RATES AS A PERCENTAGE OF PAYROLL				
	FY 2016-17	FY 2017-18	FY 2018-19	2018-19 Change
<u>State Employees' Retirement System</u> ¹⁾				
Defined Benefit Pension	25.50%	24.60%	21.97%	(2.63%)
Defined Benefit Health Care	21.05	22.14	23.81	1.67
Total Defined Benefit Costs	46.55%	46.74%	45.78%	(0.96%)
Defined Contribution Retirement	28.94%	26.43%	24.38%	(2.05%)
Defined Contribution Health Care	21.70	22.14 ²⁾	23.81 ²⁾	1.67
Total Defined Contribution Costs	50.64%	48.57%	48.19%	(0.38%)
1) Public Act 264 of 2011 required the unfunded accrued liability to be spread across both DB and DC payroll. Also, FY 2017-18 is the seventh year of prefunding retiree health.				
2) For DC employees hired after January 1, 2012, cost would be 2% higher to pay the 401k health match.				

Table 23 provides a look at the FY 2018-19 contribution rates for the eight different retirement plan combinations in MPSERS. Before the enactment of significant MPSERS reforms in 2010 and 2012, there were two principal types of retirement plans available to school employees, based on hire date: the basic system and the Member Investment Plan (MIP) system. Since the passage of the reforms that began in 2010, there are now eight combinations of retirement and retiree health care plans in MPSERS, including the earlier basic and MIP plans (no longer available to new employees), the Pension Plus hybrid plan (available between July 2010 and January 2018), a straight defined contribution plan (available since September 2012), and a second hybrid plan (available since February 2018). Retiree health care for school employees first hired since September 4, 2012, is now strictly a personal health fund (401k or similar savings account) and does not contain any health care premium subsidy. All employees hired before September 4, 2012, also were given an opportunity to "cash out" the value of their health care premium subsidy and convert to a personal health fund. Similar to one of the SERS reforms, prefunding of retiree health care is now a component of MPSERS.

Public Act 300 of 2012 capped the K-12 and community college contribution rate for unfunded liabilities at roughly 21% of payroll (their FY 2011-12 amount), and Public Act 136 of 2016 capped the university contribution rate for unfunded liabilities at roughly 26% of payroll (their FY 2011-12 amount); the State pays for any liabilities above that amount. The "normal" cost for pension and retiree health care can fluctuate slightly from year to year, and is generally paid by the local employer. The State subsidy on the UAL is roughly 12.2% of MPSERS payroll for schools, community colleges, and participating libraries, or about \$1.1 billion. Legislation was enacted in 2016 to implement a rate cap for the seven universities that remain part of MPSERS for employees hired before 1996, and that State cost is roughly \$5.1 million.

Table 23

FY 2018-19 MPSERS EMPLOYER CONTRIBUTION RATES

	Basic/MIP with Premium Subsidy	Pension Plus with Premium Subsidy	Pension Plus PHF	Pension Plus to DC with PHF	Basic/MIP to DC with Premium Subsidy	Basic/MIP to DC with PHF	Basic/MIP with PHF	Pension Plus 2 with PHF
<u>Pension Contributions</u>								
Pension Normal Cost	4.86%	3.07%	3.07%	0.00%	0.00%	0.00%	4.86%	6.20%
Pension UAL	12.03	12.03	12.03	12.03	12.03	12.03	12.03	12.03
Pension Early Retirement Incentive	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36
Pension Total Rate	18.25%	16.46%	16.46%	13.39%	13.39%	13.39%	18.25%	19.59%
<u>Health Contributions</u>								
Health Normal Cost	0.36%	0.36%	0.00%	0.00%	0.36%	0.00%	0.00%	0.00%
Health UAL	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57
Health Total Rate	7.93%	7.93%	7.57%	7.57%	7.93%	7.57%	7.57%	7.57%
DB CONTRIBUTION TOTAL	26.18%	24.39%	24.03%	20.96%	21.32%	20.96%	25.82%	27.16%
<u>DC Contributions</u>								
DC Employer Contributions	0.00%	1.00%	1.00%	3.00%	4.00%	4.00%	0.00%	0.00%
Personal Health Care Fund	0.00	0.00	2.00	2.00	0.00	2.00	2.00	2.00
DC CONTRIBUTION TOTAL	0.00%	1.00%	3.00%	5.00%	4.00%	6.00%	2.00%	2.00%
<u>Total Uncapped Rate (w/o DC)</u>								
State Subsidy	12.21	12.21	12.21	12.21	12.21	12.21	12.21	12.21
DC = Defined Contribution; MIP = Member Investment Plan; PHF = Personal Health Fund								
<p>Note: The Governor's budget includes \$1.03 billion in the K-12 budget, \$75.3 million in the Community Colleges budget, and \$5.1 million in the Higher Education budget to pay the State subsidy for the UAL rate cap, which includes the FY 2018-19 cost of lowering the assumed rate of return to 7.5%, and \$15.8 million for the increased cost for the enhanced DC matching. Identified as one-time funding, the Governor's budget includes \$88.1 million in the K-12 budget, \$6.4 million in the Community Colleges budget, and \$0.7 million in the Higher Education budget to hold the entities harmless from increased pension and health care normal costs due to a lowering in the assumed rate of return. Further, the budget includes \$21.8 million to hold employers harmless from the increase in normal costs associated with the new hybrid plan's 6% assumed rate of return (for new hires choosing the plan, beginning February 1, 2018).</p>								

Source: State Budget Office

Table 24 outlines the FY 2018-19 estimated contributions to SERS and MPERS by the State and local employers, as proposed in the Governor's budget. The total combined cost of the estimated employer (State and local) contributions is approximately \$5.0 billion.

Table 24

FY 2018-19 ESTIMATED CONTRIBUTIONS TO TWO LARGEST RETIREMENT SYSTEMS (millions of dollars)	
<u>State Employees' Retirement System (SERS)¹⁾</u>	
Defined Benefit Pension.....	\$182.0
Defined Contribution.....	565.0
Retiree Health Care.....	765.0
Subtotal State Employees' Retirement System ²⁾	\$1,512.0
<u>Michigan Public School Employees' Retirement System (MPERS)³⁾</u>	
<u>Local Share</u>	
Defined Benefit Pension ⁴⁾	\$1,590.0
Defined Benefit Health Care.....	732.0
"401k" for Health Care.....	16.0
Subtotal Public School Employees' Retirement System (Local).....	\$2,338.0
<u>State Share</u>	
Unfunded Accrued Liabilities (Pension and Health).....	\$1,113.0
Subtotal Michigan Public School Employees' Retirement System.....	\$3,460.0
TOTAL ESTIMATED RETIREMENT CONTRIBUTIONS.....	\$4,963.0
FY 2017-18 Estimated Subsidy Per K-12 Pupil on Average.....	\$700
¹⁾ Public Act 264 of 2011 required the unfunded accrued liability to be spread across both DB and DC payroll. Also, FY 2017-18 is the seventh year of prefunding retiree health. ²⁾ Excludes FICA, which totals approximately \$260.0 million. ³⁾ Excludes DC contributions for pension; includes DC contributions for health. ⁴⁾ Includes roughly \$95.2 million reimbursed by the State due to AROR normal cost increases, and \$100.0 million reimbursed by the State under Sec. 147a of the School Aid Act.	

For the fourth year, the Governor's proposed budget includes a boilerplate section for each department identifying how much of the appropriation is in support of the legacy costs associated with the State Employees' Retirement System. As noted earlier, the total contributions made to a retirement system are a combination of a payment toward the past unfunded accrued liabilities for benefits already earned (legacy costs) and a payment toward the accrual of service credit in the future (normal costs). As shown on Table 24, the total contributions in the State Employees' Retirement System are estimated by the Senate Fiscal Agency at \$1.5 billion, and of that total, \$1.3 billion is estimated by the State Budget Office for legacy costs (both pension and health), with the remaining \$200.0 million for normal costs including State DC contributions for SERS. Table 25 identifies the estimated legacy costs for pension and for retiree health care, and the total of the two, for each department.

Table 25
FY 2018-19
LEGACY COSTS BREAKOUT – PENSIONS AND HEALTH CARE

Department	Pension-Related Legacy Costs (Retirement) Gross	Health Care Legacy Costs (OPEB) Gross	Total Legacy Costs Gross
Agriculture & Rural Development	\$5,729,700	\$6,698,700	\$12,428,400
Attorney General	8,321,100	9,728,400	18,049,500
Civil Rights	1,179,300	1,378,700	2,558,000
Corrections	147,129,800	172,012,000	319,141,800
Education	7,189,700	8,405,600	15,595,300
Environmental Quality	15,475,100	18,092,300	33,567,400
Health & Human Services	168,379,300	196,855,200	365,234,500
Insurance & Financial Services	4,385,700	5,127,400	9,513,100
Judiciary	6,513,000	7,614,500	14,127,500
Licensing & Regulatory Affairs	26,355,100	30,812,200	57,167,300
Military & Veterans Affairs	8,072,200	9,437,300	17,509,500
Natural Resources	21,973,000	25,689,000	47,662,000
State	14,132,900	16,523,000	30,655,900
State Police	77,070,000	71,235,500	148,305,500
Talent & Economic Development	14,979,800	17,513,200	32,493,000
Technology, Management, & Budget	39,278,600	45,921,300	85,199,900
Transportation	31,218,300	36,497,900	67,716,200
Treasury	20,302,200	23,735,600	44,037,800
TOTAL	\$617,684,800	\$703,277,800	\$1,320,862,600

Source: State Budget Office

Debt Service Adjustments

Table 26 provides a summary of recommended debt service appropriations for FY 2018-19. These include State park improvement revenue bonds appropriated in the Department of Natural Resources; School Bond Loan Fund bonds in K-12 School Aid; debt service costs related to the Facility for Rare Isotope Beams and the Community College Skilled Trades Equipment Program appropriated in the Department of Talent and Economic Development; State Building Authority rent payments appropriated in the Department of Technology, Management, and Budget (DTMB); various transportation-related bonds in the Department of Transportation; and general obligation bonds in the Department of Treasury. Gross appropriations for debt service on these bonds would total \$731.4 million for FY 2018-19. This represents a \$9.7 million (1.3%) increase from the \$721.7 million debt service appropriations in FY 2017-18.

Table 26
DEBT SERVICE APPROPRIATIONS
FY 2018-19 COMPARED WITH FY 2017-18

Department/Program	FY 2017-18 Gross Appropriation	FY 2018-19 Governor's Rec.	Dollar Change	Percent Change
Natural Resources				
State Park Improvement Revenue Bonds	\$1,191,000	\$1,195,700	\$4,700	0.4%
Subtotal Natural Resources	\$1,191,000	\$1,195,700	\$4,700	0.4%
School Aid				
School Bond Loan.....	\$125,500,000	\$125,500,000	\$0	0.0%
Subtotal School Aid	\$125,500,000	\$125,500,000	\$0	0.0%
Talent and Economic Development¹				
Facility For Rare Isotope Beams (MSF)	\$7,300,000	\$7,300,000	\$0	0.0%
Community College Skilled Trades Equipment Program (MSF)	4,600,000	4,600,000	0	0.0
Subtotal Talent & Economic Dev.....	\$11,900,000	\$11,900,000	\$0	0.0%
DTMB-State Building Authority Rent				
State Agencies	\$49,665,800	\$55,581,600	\$5,915,800	11.9%
Department of Corrections	21,029,900	18,318,800	(2,711,100)	(12.9)
Universities.....	144,995,300	155,478,500	10,483,200	7.2
Community Colleges	30,879,600	36,378,100	5,498,500	17.8
Subtotal Technology, Mgt., & Budget	\$246,570,600	\$265,757,000	\$19,186,400	7.8%
Transportation				
State Trunkline	\$185,109,100	\$175,580,400	(\$9,528,700)	(5.1%)
Economic Development	11,548,300	11,595,300	47,000	0.4
Local Bridge Fund	2,315,400	2,315,700	300	0.0
Blue Water Bridge Fund.....	7,105,100	7,106,300	1,200	0.0
Airport Safety and Protection Plan.....	4,617,000	3,437,900	(1,179,100)	(25.5)
Comprehensive Transportation.....	18,244,500	19,401,500	1,157,000	6.3
Subtotal Transportation	\$228,939,400	\$219,437,100	(\$9,502,300)	(4.2%)
Treasury				
Quality of Life Bond.....	\$21,964,000	\$21,964,000	\$0	0.0%
Clean Michigan Initiative	62,751,000	62,751,000	0	0.0
Great Lakes Water Initiative.....	22,865,000	22,865,000	0	0.0
Subtotal Treasury.....	\$107,580,000	\$107,580,000	\$0	0.0%
TOTAL	\$721,681,000	\$731,369,800	\$9,688,800	1.3%

¹ Does not include Michigan Strategic Fund (MSF) bonding for the Cadillac Place, House Office Building, or Senate Office Building, or debt issued by authorities other than the State Building Authority (such as MSHDA or the Michigan Finance Authority).

Tobacco Settlement Revenue and Appropriations

In 1998, a Master Settlement Agreement was reached between 46 states, including Michigan, and certain U.S. tobacco manufacturers, to provide annual payments to states. The payments began in 2000 and will continue in perpetuity. As Table 27 illustrates, there are several transfers out of the tobacco settlement revenue before it is deposited into the Merit Award Trust Fund, where it is available for appropriation by the Legislature. Pursuant to law, \$75.0 million of the tobacco settlement revenue is earmarked each fiscal year, from FY 2007-08 through FY 2018-19, for the 21st Century Jobs Trust Fund. Also pursuant to law, \$17.5 million of the tobacco settlement revenue is deposited each fiscal year, from FY 2014-15 through FY 2034-35, into the Budget Stabilization Fund as repayment for an FY 2013-14 State appropriation of \$194.8 million to the Settlement Administration Fund to help mitigate the impact of the City of Detroit bankruptcy on its pensioners. A new statutory earmark for the Community District Trust Fund of \$72.0 million annually, for 10 years, was enacted in FY 2016-17 to implement a new system for schools in Detroit.

The other transfer of funds from tobacco settlement revenue is for debt service on the securitization of a portion of the tobacco settlement revenue in 2006 and 2007. The debt service amount for FY 2018-19 is estimated to be \$68.8 million. Under the Governor's proposal, there would be an estimated FY 2018-19 year-end balance of \$3.3 million in the Merit Award Trust Fund.

Table 27
TOBACCO SETTLEMENT REVENUE AND APPROPRIATIONS
FY 2017-18 COMPARED TO FY 2018-19 GOVERNOR'S RECOMMENDATION
(actual dollars)

	FY 2017-18 Year-To-Date	FY 2018-19 Gov's Rec.	Gov's Rec. Chg. From FY 2017-18
Revenue			
Unreserved Balance From Prior Fiscal Year	\$4,289,100	\$5,263,500	\$974,400
Total Annual Payments.....	304,969,500	303,406,400	(1,563,100)
Assumed Withheld Payments.....	(18,298,200)	(18,204,400)	93,800
Settlement Credit to Manufacturers	0	0	0
Interest Earnings.....	703,000	893,400	190,400
Total Tobacco Settlement Revenue	\$291,663,400	\$291,358,900	(\$304,500)
Less Transfers Out For:			
21 st Century Jobs Trust Fund	(\$75,000,000)	(\$75,000,000)	\$0
Detroit Public Schools Trust Fund	(72,000,000)	(72,000,000)	0
Payment to Budget Stabilization Fund (Detroit).....	(17,500,000)	(17,500,000)	0
Payment on 2006 Bond Securitization.....	(38,242,000)	(38,045,900)	196,100
Payment on 2007 Bond Securitization.....	(30,874,500)	(30,716,300)	158,200
Total Transfers Out.....	(\$233,616,500)	(\$233,262,200)	\$354,300
Net Revenue To Merit Award Trust Fund	\$58,046,900	\$58,096,700	\$49,800
Appropriations			
<u>Attorney General</u>			
Operations.....	\$499,500	\$506,700	\$7,200
<u>Health and Human Services</u>			
Medicaid Base-Long-term Care	46,200,000	48,200,000	2,000,000
Aging-Respite Care.....	4,068,700	4,068,700	0
<u>State Police</u>			
Tobacco Tax Enforcement.....	843,000	846,800	3,800
<u>Department of Treasury</u>			
Student Financial Services Administration.....	1,172,200	1,187,300	15,100
Total Merit Award Trust Fund Appropriations	\$52,783,400	\$54,809,500	\$2,026,100
MERIT AWARD TRUST FUND YEAR-END BALANCE	\$5,263,500	\$3,287,200	(\$1,976,300)

Data Source: State Budget Office

State Spending from State Resources Appropriations

Table 28 compares State Spending from State Resources appropriations (a combination of State Restricted and State GF/GP appropriations) for selected State budget areas over the time period from FY 2008-09 to FY 2018-19, which reflects the Governor's recommendation. As the table indicates, total State Spending appropriations are estimated to increase by 24.8% over the 10-year period, while State Spending appropriations for Higher Education are estimated to be 1.9% lower. The Detroit Consumer Price Index is estimated to increase by 15.0% over the same time period.

Table 28

STATE SPENDING FROM STATE RESOURCES APPROPRIATIONS TOTAL COMPARED IN SELECTED BUDGET AREAS (millions of dollars)				
Budget Area	FY 2008-09 Year-to-Date Appropriations	FY 2018-19 Gov's Rec. Appropriations	Dollar Difference	Percent Change
Health and Human Services	\$5,445.1	\$6,999.4	\$1,554.3	28.5%
Corrections	1,832.5	2,020.8	188.3	10.3%
K-12 School Aid	11,097.8	12,911.2	1,813.4	16.3%
Community Colleges	299.4	405.0	105.7	35.3%
Higher Education	1,576.2	1,545.9	(30.3)	(1.9%)
Revenue Sharing-Constitutional	649.1	832.3	183.2	28.2%
Revenue Sharing-Nonconstitutional	391.0	466.3	75.3	19.2%
All Other Programs	5,018.8	7,645.7	2,626.9	52.3%
Total State Spending	\$26,309.9	\$32,826.7	\$6,516.8	24.8%
Addendum (populations):				
Medicaid Caseload	1,708,157	2,450,000	741,843	43.4%
Prison Population	50,203	39,688	(10,515)	(20.9%)
K-12 Pupil Count	1,619,744	1,478,500	(141,244)	(8.7%)
University Students	257,148	259,711	2,563	1.0%
Community College Students	157,225	124,868	(32,357)	(20.6%)
Michigan Personal Income (millions)	\$339,681.2	\$487,577.0	\$147,895.8	43.5%
Detroit Consumer Price Index	202.8	233.1	30.3	15.0%
NOTES: Revenue Sharing: Constitutional number is the January 2018 Consensus Revenue Estimating Conference (CREC) estimate. Medicaid Caseload: Number for FY 2018-19 includes the estimated 670,000 individuals who are eligible under the expansion of Medicaid. Prison Population: These are the most recent year-end numbers published by the Department of Corrections for calendar years 2007 and 2017, respectively. K-12 Pupils: FY 2018-19 pupil count is the January 2018 CREC estimate. Community College and University Students: Numbers in FY 2018-19 column reflect the most recent data available, which are FY 2016-17 fiscal-year-equated-students as reported in the Activities Classification Structure (ACS) and the Higher Education Institutional Data Inventory (HEIDI). Michigan Personal Income and Detroit CPI: Numbers are fiscal year averages; FY 2018-19 numbers are January 2018 CREC estimates.				

ECONOMIC AND REVENUE FORECAST

The Governor's proposed budget for FY 2018-19 is based on the consensus economic forecast adopted at the January 11, 2018, Consensus Revenue Estimating Conference. This economic forecast is summarized in [Table 29](#).

U.S. Economy

Since the 2008-2009 recession, generally regarded as the most severe economic contraction in more than 70 years, the economy has grown slowly. Some fundamental elements of the economy remain well below their prerecession peaks, and many factors that have recovered have done so more slowly than during almost any other post-World War II recovery. As of the third quarter of 2017, the economy had been in recovery for 33 quarters after the recession trough in the second quarter of 2009. Four recoveries since World War II lasted 20 quarters or more, although only two recoveries lasted 33 quarters or more, and at this point the current recovery is approximately half as strong as the average of those recoveries.

Inflation-adjusted Gross Domestic Product (GDP) in the third quarter of 2017 was only 14.5% above the level during the fourth quarter of 2007, when the recession began, and only 19.6% above the level in the second quarter of 2009, when the economy finished contracting. As a result, the economy has averaged only 2.2% annual growth since the end of the recession, compared with an average of 4.5% annual growth over the other two recoveries of 33 months or more since World War II. Consumption expenditures, which on average account for two-thirds of economic activity, also have exhibited weak growth relative to historical standards, with the current recovery averaging 2.4% annual growth, compared with a historical average of 4.5% growth. Furthermore, consumption growth has been offset by the contracting government sector, which has declined at an average annual rate of 0.8% compared with the historical average of 2.8% growth. In addition, economic growth is generally limited by the combination of population growth (specifically the portion of the population that enters the labor force and finds work) and productivity. During the 1985-2005 period, productivity (measured by output per hour in the nonfarm business sector) grew by approximately 2.3% per year, while productivity has grown by 1.3% or less per year in every year since 2010—the longest and most severe slowdown in productivity experienced since at least World War II. Productivity increased 1.2% in 2017, tying the 2015 growth rate and only the second time since 2010 that productivity growth exceeded 1.0%. Slow population growth, declining labor force participation rates, and low productivity have combined to limit the maximum potential economic growth the economy can achieve.

Although consumption has returned to its historical position of accounting for the majority of growth in the economy, it is being offset by other sectors of the economy and has been financed by increased borrowing, particularly since early 2014. Between the third quarter of 2016 and the third quarter of 2017, borrowing activity continued to rise, even as income growth flattened. Over that four-quarter period, inflation-adjusted consumption spending per person rose at an annual rate of 1.9%, compared with a 0.2% rate of increase in inflation-adjusted wage and salary income per person. As a result, personal saving as a percentage of disposable personal income decreased in the third quarter of 2017 to the lowest levels since the fourth quarter of 2007—when the recession began. Furthermore, consumer debt rose even more rapidly. Between the third quarter of 2016 and the third quarter of 2017, outstanding consumer debt per person increased at an annual rate of 3.2%, growing more rapidly than either the 0.3% annual rate for income or the 1.9% annual rate for spending. Nonrevolving debt, which includes student loans and motor vehicle loans, and revolving credit (mainly credit card debt) both grew at similar rates over the 12-month period, and on an inflation-adjusted per-person basis, those rates are nearly 10 times the growth rate in personal income and almost double the rate of consumption spending.

Consumer debt has increased even as the share of disposable personal income that must be used to service that debt has remained flat at levels not experienced since the early 1980s. Just as the composition of consumer debt has changed so has the cost of servicing that debt. While nonrevolving debt has grown more rapidly than revolving debt, the share of disposable personal income required to service mortgage debt has steadily fallen since 2007, largely as a result of monetary policy designed to keep long-term interest rates low. However, the cost of servicing revolving debt, which had fallen between 2007 and 2012 as consumers dealt with the aftermath of the 2008-2009 financial crisis, has increased since 2012. Although the total financial obligations ratio remained stable between the third quarter of 2016 and the third quarter of 2017, it is likely to increase once interest rates begin rising.

The housing market, which counts as residential investment rather than consumption spending, fell in the second and third quarters of 2017, and remains weak by almost any historical measure--roughly matching housing start levels during the 1979-1982 and 1991 recessions. Housing starts totaled 1.2 million units in 2017, the eighth consecutive annual increase in starts, although the 2.5% increase from 2016 represented the weakest growth in housing starts since the 2008-2009 recession. Furthermore, 2017 represented the 17th-weakest year of housing starts (based on data available back to 1959), above the nine-year 2008 through 2016 period and the recession years of 1975, 1981, 1982, 1991 and 1992. Residential construction as a share of GDP continues to remain at record lows. Between 1995 and 2003, residential investment represented approximately 5.2% of inflation-adjusted GDP. At the recession low for housing starts, in the first quarter of 2009, residential construction comprised 2.8% of GDP, and averaged approximately 3.5% of GDP during 2017.

Despite the improvements in the economy, job growth has remained relatively weak. Notwithstanding employment gains since 2010, payroll employment did not reach the prerecession peak until May 2014. As of November 2017, payroll employment averaged only 1.6% annual growth since the February 2010 trough and was up only 1.4% from the November 2016 level, after showing as much as a 2.3% year-over-year increase as recently as February 2015, and 1.9% year-over-year growth in April 2016. Year-over-year payroll employment growth declined slowly during 2017, from 1.6% in January and February, to 1.4% in both October and November. During the first 11 months of 2017, the economy averaged 174,000 new jobs a month, the lowest monthly average since 2011 and the third year of consecutive declines, and not much above the 160,000 increase necessary to keep pace with population growth. The unemployment rate fell from a peak of 10.0% in October 2009, to 4.1% in November 2017. However, through 2013, the labor force grew much more slowly than the working age population and declines in the unemployment rate often reflected a stagnant or declining labor force as much as increased employment. Between the December 2009 trough in total employment (as opposed to payroll employment) and September 2014, the labor force averaged 0.3% per year annual growth. In 2016, the labor force grew 1.3%, but that growth slowed, with the labor force estimated to have increased by only 0.7% in 2017. As of September 2014, total employment had surpassed the prerecession peak of November 2007 and the September 2017 level of total employment set an all-time record. However, labor force participation during 2017 remained at the same 40-year lows experienced since 2013.

Inflation-adjusted GDP is expected to increase at a rate of 2.5% in 2018, slightly faster than the 2.3% growth experienced in 2017, before slowing to 2.1% growth in 2019. The unemployment rate is estimated to decline from 4.4% in 2017 to 4.2% in 2018 and 4.1% in 2019. Housing starts are expected to continue increasing over the forecast period, rising from 1.20 million starts in 2017 to 1.27 million units in 2018 and 1.31 million in 2019, while light vehicle sales are expected to decrease from 17.1 million units in 2017 to 16.9 million units in 2018, and 16.8 million units in 2019.

Michigan Economy

Like the national economy, Michigan's economic activity also was very weak in 2009 and 2010. Wage and salary employment declined 7.0% from the 2008 level in 2009, marking nine consecutive years that wage and salary employment declined from the previous year's level, and the loss of 291,700 jobs in 2009 represented the largest one-year loss of payroll jobs since the Great Depression. Between the April 2000 peak and Michigan's March 2010 employment trough, Michigan lost 861,500 jobs, a decline of 18.4%.

Since 2010, however, the Michigan economy has grown. Payroll employment increased for a seventh consecutive year in 2017, rising 1.5%, after growing 1.9% in 2016. Personal income grew approximately 3.0% during 2017, at a rate faster than the 2.6% in 2016 but slower than the 5.5% growth in 2015.

In 2018 and 2019, Michigan's economy is expected to continue expanding. Wage and salary employment is projected to rise 0.9% in both 2018 and 2019, and then increase 1.1% in 2020. The unemployment rate is expected to decline from 4.4% in 2017 to 4.3% in both 2018 and 2019, before edging down to 4.2% in 2020. Personal income, adjusted for inflation, will grow an estimated 2.7% in 2018 and 2.4% in 2019, after growing 1.1% in 2017. Inflation, as measured by the Detroit Consumer Price Index, will increase 1.6% in 2018 and 1.9% in 2019, after rising 1.8% in 2017.

Revenue Estimates

Based on the economic forecast summarized above, it is estimated that revenue totaling \$58.6 billion will be available in FY 2018-19 to support Governor Snyder's proposed budget. This represents a 0.3% decrease from the revised estimate of the total revenue that the Governor expects will be available for FY 2017-18. Estimates of the total revenue on which the Governor's proposed budget is based are summarized in [Table 30](#). The Governor did not make any tax policy recommendations as part of the FY 2018-19 budget proposal.

Following are summaries of the revenue estimates on which the Governor's proposed General Fund/General Purpose and School Aid Fund budgets are based.

General Fund/General Purpose and School Aid Fund

The General Purpose portion of the General Fund (GF/GP) and the School Aid Fund (SAF) portion of the overall State budget account for \$25.5 billion, or 43.5%, of the total State government revenue estimated for FY 2018-19. Detailed estimates of GF/GP and SAF revenue for FY 2017-18 and FY 2018-19 are presented in [Table 31](#) and [Table 32](#), respectively. The estimates for GF/GP and SAF revenue derived from ongoing revenue sources and enacted tax policy changes are the consensus estimates adopted by the Administration, Senate Fiscal Agency, and House Fiscal Agency at the January 11, 2018, Consensus Revenue Estimating Conference. In addition to the consensus estimates, the total GF/GP and SAF revenue estimates include the Administration's initial estimates of one-time revenue adjustments, grants and transfers, Federal aid, and beginning carry-over balances.

General Fund/General Purpose Revenue

As shown in [Table 31](#), GF/GP revenue is expected to total \$10.1 billion in FY 2018-19, which represents a decrease of 3.7% from the revised FY 2017-18 estimates. This decline in total GF/GP revenue is attributable to growth in revenue from ongoing sources being more than offset by: 1) a \$430.7 million reduction in the projected carry-over balance from the prior fiscal year,

2) a \$27.8 million increase in the amount of use tax diverted to local units as a result of personal property tax reform, 3) the loss of \$150.0 million attributable to an earmark, adopted as part of the transportation funding package adopted in 2015, of individual income tax revenue to the Michigan Transportation Fund, and 4) an additional \$205.8 million in homestead property credits, attributable to changes to the credits also adopted with the transportation funding package. Revenue from ongoing sources is forecast to increase 0.3% in FY 2018-19, to \$10.3 billion.

School Aid Fund

School Aid Fund revenue available for spending in FY 2018-19 will total an estimated \$15.4 billion, representing a 0.8% increase from the revised estimate for FY 2017-18. This projected increase in SAF revenue reflects growth in revenue from ongoing State sources being somewhat offset by a \$33.0 million decrease in the grant from the General Fund, a 0.1% decline in Federal Aid, and a \$280.4 million decrease in the balance carried forward from FY 2017-18. The estimate of SAF revenue in FY 2018-19 summarized in Table 32 includes ongoing earmarked tax and lottery revenue totaling an estimated \$13.5 billion, a 2.9% increase from the revised estimate for FY 2017-18. In addition, the SAF revenue estimate for FY 2018-19 includes Federal aid totaling \$1.7 billion, a \$45.0 million grant from the General Fund, and \$103.9 million in transfers from other funds.

Table 29

**CONSENSUS ECONOMIC FORECAST
JANUARY 11, 2018**

	Calendar 2017 Forecast	Calendar 2018 Forecast	% Change From Prior Year	Calendar 2019 Forecast	% Change From Prior Year	Calendar 2020 Forecast	% Change From Prior Year
United States:							
Real Gross Domestic Product (billions of chained 2009 dollars)	17,101	17,529	2.5%	17,897	2.1%	18,237	1.9%
Consumer Price Index (1982-84=100)	244.860	248.929	1.7%	253.872	2.0%	259.552	2.2%
3-Month Treasury Bills (Interest Rate, %).....	0.90%	1.60%		1.60%		1.90%	
Unemployment Rate (%).....	4.4%	4.2%		4.1%		4.0%	
Light Vehicle Sales (millions of units)	17.1	16.9	(1.2%)	16.8	(0.6%)	16.7	(0.6%)
Michigan:							
Wage and Salary Employment (thousands)	4,390	4,430	0.9%	4,470	0.9%	4,519	1.1%
Unemployment Rate (%).....	4.4%	4.3%		4.3%		4.2%	
Personal Income (billions of dollars).....	\$452,542	\$472,001	4.3%	\$492,769	4.4%	\$514,944	4.5%
Real Personal Income (billions of 1982-84 dollars) ...	\$199,998	\$205,406	2.7%	\$210,345	2.4%	\$215,093	2.3%
Detroit Consumer Price Index (1982-84=100).....	226.273	229.789	1.6%	234.267	1.9%	239.405	2.2%

Source: Estimates adopted at the January 11, 2018, Consensus Revenue Estimating Conference.

Table 30

**GOVERNOR'S PROJECTED TOTAL STATE REVENUE:
FY 2016-17 THROUGH FY 2018-19
(millions of dollars)**

Fund	FY 2016-17 Final	FY 2017-18 Estimate	% Change FY 2017-18/ FY 2016-17	FY 2018-19 Estimate	% Change FY 2018-19/ FY 2017-18
General Fund/General Purpose:					
Beginning Balance.....	\$604.4	\$622.5	----	\$191.8	----
Revenue From Ongoing Sources ¹⁾	10,192.3	10,307.7	1.1%	10,339.6	0.3%
Proposed Tax/Fee Changes	0.0	0.0	----	0.0	----
One-Time Revenue Adjustments & Other.....	(335.1)	(482.6)	44.0	(474.8)	(1.6)
Total GF/GP Revenue.....	\$10,461.6	\$10,447.6	(0.1%)	\$10,056.6	(3.7%)
School Aid Fund:					
Beginning Balance.....	\$168.2	\$377.4	----	\$97.0	----
Ongoing Earmarked Tax & Lottery Revenue ¹⁾	12,685.1	13,084.5	3.1%	13,464.0	2.9%
Proposed Tax/Revenue Changes	0.0	0.0	----	0.0	----
Federal Aid	1,617.7	1,726.9	6.7	1,724.7	(0.1)
Other Revenue (General Fund grant, etc.).....	314.6	117.9	(62.5)	146.9	24.6
Total SAF Revenue.....	\$14,785.6	\$15,306.7	3.5%	\$15,432.6	0.8%
Other Funds:					
Gen'l Fund/Special Purpose & Special Revenue Funds	\$5,643.2	\$5,920.5	4.9%	\$6,070.9	2.5%
Federal Aid (not included elsewhere).....	17,925.8	20,628.3	15.1	20,650.0	0.1
Transportation Funds	4,983.3	5,792.6	16.2	5,971.7	3.1
Fund Balances:					
Budget Stabilization Fund Beginning Balance/Revenue.....	710.0	889.1	25.2	922.2	3.7
Other Fund Balances.....	<u>1,260.8</u>	<u>1,243.2</u>	<u>(1.4)</u>	<u>1,004.1</u>	<u>(19.2)</u>
Total Fund Balances.....	1,970.8	2,132.3	8.2	1,926.3	(9.7)
Adjustments (not included elsewhere)	288.2	15.8	----	(24.9)	----
Total Other Funds with Beginning Balance.....	30,811.3	34,489.5	11.9	34,594.1	0.3
Gross Revenue	\$56,058.5	\$60,243.8	7.5%	\$60,083.3	(0.3%)
Less Interfund Transfers.....	<u>(\$1,494.4)</u>	<u>(\$1,453.7)</u>	<u>(2.7%)</u>	<u>(\$1,453.7)</u>	<u>0.0%</u>
Net Total Revenue	\$54,564.0	\$58,790.2	7.7%	\$58,629.6	(0.3%)

¹⁾ Estimates adopted at the January 11, 2018, Consensus Revenue Estimating Conference.

Source: Governor's Executive Budget for FY 2018-19, Appendix C, State Budget Office Balance Sheets, and Senate Fiscal Agency

Table 31

GENERAL FUND/GENERAL PURPOSE REVENUE ESTIMATES: FY 2017-18 AND FY 2018-19
(millions of dollars)

	FY 2017-18	FY 2018-19	Percent Change
Beginning Balance	\$622.5	\$191.8	(69.2%)
Consensus Estimates for Ongoing Revenue Sources¹⁾			
<u>Taxes:</u>			
Net Income Tax.....	7,068.2	6,961.0	(1.5)
Michigan Business Tax.....	(757.9)	(639.5)	(15.6)
Corporate Income Tax.....	955.2	912.0	(4.5)
Sales.....	1,271.6	1,312.0	3.2
Use.....	558.7	583.8	4.5
Cigarette.....	185.0	183.0	(1.1)
Beer and Wine/Liquor.....	108.5	110.5	1.8
Insurance Company Premiums.....	412.1	415.3	0.8
Oil/Gas Severance.....	25.0	26.6	6.4
Essential Services Assessment.....	91.1	97.0	6.5
All Other Taxes.....	4.0	1.5	(62.5)
Subtotal Taxes.....	9,921.5	9,963.2	0.4
Nontax Revenue.....	386.2	376.4	(2.5)
Total GF/GP Consensus Revenue Estimates	\$10,307.7	\$10,339.6	0.3%
Revenue Sharing Payments (Ongoing Plus One-Time).....	(471.7)	(466.2)	(1.2)
Other Revenue Adjustments ²⁾	(10.9)	(8.6)	(21.1)
Proposed Tax Policy/Enforcement Changes.....	0.0	0.0	---
Total GF/GP Revenue (Current Fiscal Year)	\$9,825.1	\$9,864.8	0.4%
TOTAL GF/GP REVENUE WITH BEGINNING BALANCE	\$10,447.6	\$10,056.6	(3.7%)
¹⁾ Estimates adopted at the January 11, 2018, Consensus Revenue Estimating Conference. ²⁾ Includes the following: \$4.5 million loss in FY 2017-18 and \$15.5 million loss in FY 2018-19 from proposal to eliminate Driver Responsibility Fees, reductions from lawsuit settlements of \$6.4 million in FY 2017-18 and \$5.8 million in FY 2018-19, a \$0.3 million loss in FY 2018-19 from accelerating the phase-in of sales tax on the difference, and a \$13.0 million gain in FY 2018-19 from redirecting revenue from the Transportation Economic Development Fund to the General Fund.			

Table 32

SCHOOL AID FUND REVENUE ESTIMATES: FY 2017-18 AND FY 2018-19
(millions of dollars)

	FY 2017-18	FY 2018-19	Percent Change
Beginning Balance	\$377.4	\$97.0	(74.3%)
Consensus Estimates for Earmarked Tax & Lottery Revenue¹⁾			
<u>Taxes:</u>			
Sales Tax & Use Tax	6,389.9	6,596.0	3.2
Income Tax.....	2,831.0	2,921.7	3.2
State Education Property Tax	2,027.1	2,098.7	3.5
Real Estate Transfer Tax	322.6	331.0	2.6
Tobacco Taxes.....	353.0	347.7	(1.5)
Casino Gaming Tax	113.0	115.0	1.8
Other Tax Revenue.....	121.9	123.9	1.6
Subtotal Taxes	12,158.5	12,534.0	3.1
Lottery	926.0	930.0	0.4
Subtotal Earmarked Tax & Lottery Consensus Estimate	\$13,084.5	\$13,464.0	2.9%
GF/GP Grant	78.0	45.0	(42.3)
Federal Aid	1,726.9	1,724.7	(0.1)
Proposed Tax Policy/Enforcement Changes	0.0	0.0	----
Other Revenue Adjustments ²⁾	39.9	101.9	155.4
Total SAF Revenue (Current Fiscal Year)	\$14,929.3	\$15,335.6	2.7%
TOTAL SAF REVENUE WITH BEGINNING BALANCE	\$15,306.7	\$15,432.6	0.8%

¹⁾ Estimates adopted at the January 11, 2018, Consensus Revenue Estimating Conference.

²⁾ Includes the following: \$72.0 million from Community District Trust Fund in both FY 2017-18 and FY 2018-19, reductions of \$0.2 million in FY 2017-18 and \$2.0 million in FY 2018-19 from accelerating the phase-in of sales tax on the difference, \$23.1 million in FY 2017-18 and \$31.9 million in FY 2018-19 from MPSERS Reserve revenue, and a \$55.0 million reduction in FY 2017-18 from a deposit into the MPSERS Reserve Fund.

Budget Stabilization Fund

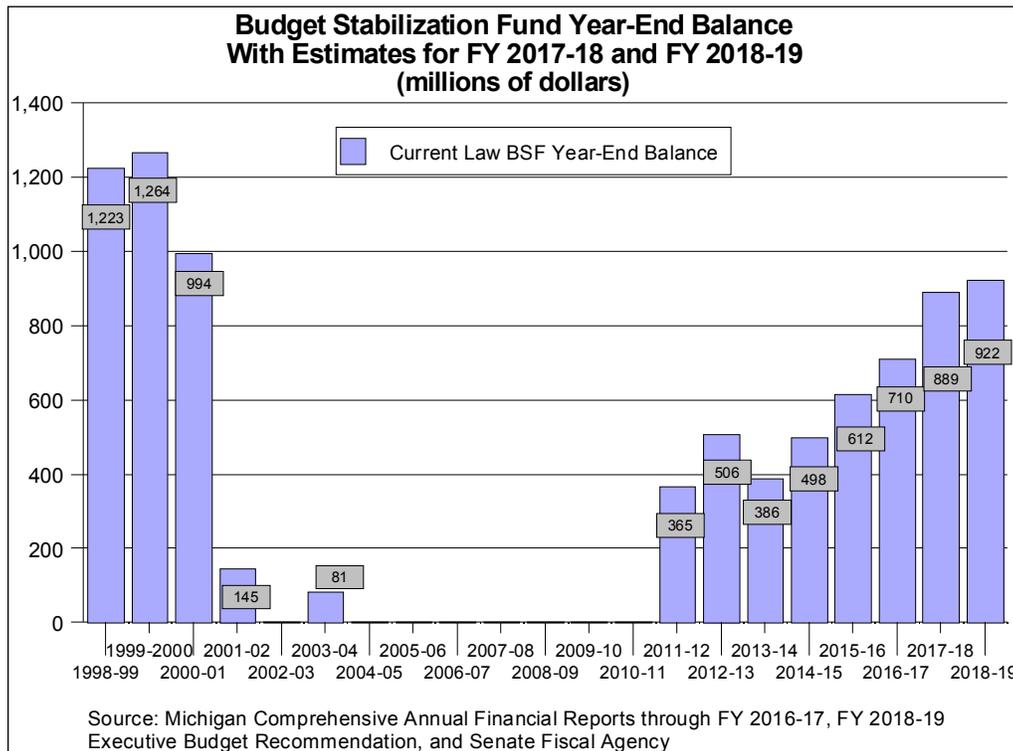
The Budget Stabilization Fund (BSF) is the State's "Rainy Day" fund or cash reserve. In years of economic growth, deposits may be made to the Fund, and in years of recession, money may be withdrawn to cushion the budgetary impact of declining State revenue or for job creation activities. Statutory formulas direct the amount of the pay-in or pay-out from the BSF; however, the Legislature has the authority to appropriate the formula amount or a different amount.

The BSF balance was \$710.0 million at the close of FY 2016-17. Deposits of \$167.5 million have been appropriated for FY 2017-18. Public Act 107 of 2017 appropriated \$150.0 million GF/GP to the BSF in FY 2017-18 and the Michigan Trust Fund Act requires the deposit of \$17.5 million from tobacco settlement revenue into the BSF each year from FY 2014-15 to FY 2034-35. The Trust Fund Act transfers reimburse the BSF for a \$194.8 million withdrawal in FY 2013-14 related to the Detroit bankruptcy settlement. Based on the appropriated deposits and estimated interest earnings, the BSF balance at the close of FY 2017-18 is estimated at \$889.1 million.

The Governor recommends a deposit of 25% of lapsed funds from FY 2017-18 to the BSF in FY 2018-19. There is no way to know the amount of lapses before book-closing, so no estimate is provided for FY 2018-19.

Based on current appropriations and estimated interest earnings, the BSF balance at the close of FY 2018-19 is estimated at \$922.2 million. The history of the BSF year-end balances and the estimate for FY 2018-19 are shown in [Figure G](#).

Figure G



DETAILS FOR DEPARTMENTS AND BUDGET AREAS

This section of the report presents tables that summarize the Governor's FY 2018-19 Gross and GF/GP appropriation changes to FY 2017-18 (as of February 7, 2018) for each department and budget area. [Tables 33](#) and [34](#) summarize the Gross and GF/GP changes, respectively. [Table 35](#) provides detail by budget area for the Gross and GF/GP changes. Following [Table 35](#) is an Appendix that includes highlight sheets for individual departments and budget areas that summarize the Gross appropriation and boilerplate language changes from FY 2017-18 year-to-date (as of February 7, 2018) to the Governor's recommendation for FY 2018-19.

Table 33

FY 2018-19 GOVERNOR'S RECOMMENDATION COMPARED TO FY 2017-18 YEAR-TO-DATE			
Department/Budget Area	FY 2017-18 Year-To-Date Gross Appropriations	FY 2018-19 Gov's Rec. Gross Appropriations	Gov's Gross Change To FY 2017-18
Agriculture and Rural Development	\$114,698,600	\$102,888,100	(\$11,810,500)
Attorney General	101,798,800	102,028,900	230,100
Capital Outlay	800	0	(800)
Civil Rights	16,249,600	16,201,100	(48,500)
Community Colleges	399,326,500	405,015,500	5,689,000
Corrections	2,001,919,200	2,035,125,100	33,205,900
Education	352,181,200	357,107,300	4,926,100
Environmental Quality	551,505,200	494,588,000	(56,917,200)
Executive	6,848,500	6,980,100	131,600
Health and Human Services	25,509,303,800	25,240,354,300	(268,949,500)
Higher Education	1,629,224,400	1,658,932,600	29,708,200
Insurance and Financial Services	66,741,400	67,571,900	830,500
Judiciary	300,043,000	301,783,300	1,740,300
Legislative Auditor General	24,286,200	24,938,000	651,800
Legislature	155,274,800	157,281,800	2,007,000
Licensing and Regulatory Affairs	434,672,000	500,462,100	65,790,100
Military and Veterans Affairs	179,504,400	189,089,300	9,584,900
Natural Resources	409,993,500	436,705,300	26,711,800
School Aid	14,584,313,900	14,635,968,800	51,654,900
State	254,358,500	254,662,800	304,300
State Police	698,946,800	711,814,700	12,867,900
Talent and Economic Development	1,179,421,800	1,118,945,600	(60,476,200)
Technology, Management, and Budget	1,412,643,200	1,360,504,900	(52,138,300)
Transportation	4,349,443,000	4,705,089,900	355,646,900
Treasury (Debt Service)	107,580,000	107,580,000	0
Treasury (Operations)	513,929,900	525,354,200	11,424,300
Treasury (Revenue Sharing)	1,287,738,100	1,298,609,300	10,871,200
Total Budget Area Appropriations	\$56,641,947,100	\$56,815,582,900	\$173,635,800

Note: Includes ongoing and one-time appropriations as of February 7, 2018.

Table 34

FY 2018-19 GOVERNOR'S RECOMMENDATION COMPARED TO FY 2017-18 YEAR-TO-DATE			
Department/Budget Area	FY 2017-18 Year-To-Date GF/GP Appropriations	FY 2018-19 Gov's Rec. GF/GP Appropriations	Gov's GF/GP Change To FY 2017-18
Agriculture and Rural Development	\$66,251,800	\$53,705,200	(\$12,546,600)
Attorney General	40,248,600	40,106,800	(141,800)
Capital Outlay	800	0	(800)
Civil Rights	13,006,600	13,022,100	15,500
Community Colleges	1,025,000	0	(1,025,000)
Corrections	1,946,633,600	1,979,910,200	33,276,600
Education	81,677,400	85,183,700	3,506,300
Environmental Quality	63,081,500	46,946,500	(16,135,000)
Executive	6,848,500	6,980,100	131,600
Health and Human Services	4,380,531,400	4,542,525,600	161,994,200
Higher Education	1,279,254,500	1,160,217,900	(119,036,600)
Insurance and Financial Services	150,000	150,000	0
Judiciary	192,574,400	193,783,700	1,209,300
Legislative Auditor General	16,607,600	17,105,800	498,200
Legislature	150,597,100	152,487,500	1,890,400
Licensing and Regulatory Affairs	44,416,600	88,820,300	44,403,700
Military and Veterans Affairs	62,567,500	65,362,400	2,794,900
Natural Resources	57,971,100	47,344,300	(10,626,800)
School Aid	215,000,000	45,000,000	(170,000,000)
State	24,139,000	18,466,300	(5,672,700)
State Police	439,601,700	454,902,800	15,301,100
Talent and Economic Development	205,099,400	166,745,800	(38,353,600)
Technology, Management, and Budget	579,855,200	486,765,800	(93,089,400)
Transportation	0	175,000,000	175,000,000
Treasury (Debt Service)	107,580,000	107,580,000	0
Treasury (Operations)	98,368,500	101,213,300	2,844,800
Treasury (Revenue Sharing)	8,379,100	0	(8,379,100)
Total Budget Area Appropriations	\$10,081,466,900	\$10,049,326,100	(\$32,140,800)

Note: Includes ongoing and one-time appropriations as of February 7, 2018.

Table 35

GOVERNOR'S FY 2018-19 GROSS AND GF/GP CHANGES TO FY 2017-18		
Budget Area/Line Items	Gov's Changes to FY 2017-18	
	Gross	GF/GP
Agriculture and Rural Development		
Milk safety and quality assurance inspections increase	\$780,000	\$780,000
Office of organization innovation tech analysis	307,100	307,100
Laboratory genome sequencer Federal support	300,000	0
Pesticide and plant pest management fund shift to restricted	0	(200,000)
Eliminate one-time Ag industry research/development grants (MSU)	(8,400,000)	(8,400,000)
Eliminate one-time Food Bank Council grant	(2,000,000)	(2,000,000)
Reduce Food and Ag investment grant program	(1,443,900)	(1,443,900)
Eliminate one-time wildlife risk mitigation project	(1,000,000)	(1,000,000)
Eliminate one-time intercounty drain mapping project	(250,000)	(250,000)
Food safety and quality assurance project completion	(250,000)	(250,000)
Reduce county fairs, shows and exposition grants	(249,300)	(249,300)
Eliminate training for management of beer delivery systems	(150,000)	(150,000)
Reduce qualified forest program	(130,000)	(130,000)
Environmental stewardship project completion	(100,000)	(100,000)
Eliminate one-time campground development grant	(100,000)	(100,000)
Reduce farmland and open space temporary support	(99,900)	(99,900)
Technical adjustment for funds received	(86,300)	0
Eliminate one-time drinking water emergency placeholder	(100)	0
Unclassified salaries	11,200	11,200
Economic adjustments	1,050,700	728,200
Total Agriculture and Rural Development	(\$11,810,500)	(\$12,546,600)
Attorney General		
Special counsel for Flint investigation (lawsuit settlement funds)	\$600,000	\$0
Medical marijuana regulation (marijuana regulatory fund)	126,700	0
Remove FY 2017-18 one-time funding	(1,300,000)	(700,000)
Remove FY 2017-18 supplemental funding	(600,000)	0
Unclassified salaries	15,500	15,500
Economic adjustments	1,387,900	542,700
Total Attorney General	\$230,100	(\$141,800)
Capital Outlay		
Remove FY 2017-18 planning authorizations	(\$800)	(\$800)
Total Capital Outlay	(\$800)	(\$800)
Civil Rights		
Remove FY 2017-18 one-time funding	(\$150,000)	(\$150,000)
Transfer deaf interpreter certification to LARA (deafness fund)	(93,400)	0
Unclassified salaries	13,600	13,600
Economic adjustments	181,300	151,900
Total Civil Rights	(\$48,500)	\$15,500
Community Colleges		
MPERS rate cap adjustment (SAF)	\$4,495,000	\$0
MPERS normal cost offset (one-time 2nd year) (SAF)	2,819,000	0
Remove one-time funding for MI transfer network enhancements	(1,025,000)	(1,025,000)
Renaissance zone reimbursements, from \$3.1m to \$2.5m (SAF)	(600,000)	0
Total Community Colleges	\$5,689,000	(\$1,025,000)

Table 35 - continued

GOVERNOR'S FY 2018-19 GROSS AND GF/GP CHANGES TO FY 2017-18		
Budget Area/Line Items	Gov's Changes to FY 2017-18	
	Gross	GF/GP
Corrections		
Prison food service	\$13,667,100	\$13,667,100
New custody staff training	9,227,700	9,227,700
Higher custody level staff programming	4,000,000	4,000,000
Health care recruitment and retention	3,762,400	3,762,400
Corizon health care contract adjustment	2,458,900	2,458,900
Offenders with special needs contract adjustment	1,648,700	1,648,700
Offender success community partners contract adjustments	1,291,400	1,291,400
Probation residential services	850,000	850,000
Sewer treatment rate increase	184,300	184,300
Facility closure	(18,924,700)	(18,832,700)
Remove one-time funding	(4,359,000)	(4,359,000)
Goodwill flip-the-script	(1,500,000)	(1,500,000)
Substance abuse parole-certain-sanction program	(1,440,000)	(1,440,000)
Supervising region incentive program	(1,000,000)	(1,000,000)
Future facility and staff transition costs	(1,000,000)	(1,000,000)
High school online equivalency pilot	(1,000,000)	(1,000,000)
State restricted fund source adjustments	(278,000)	0
Federally qualified health centers pilot	(75,000)	(75,000)
Unclassified salaries	37,000	37,000
Economic adjustments	25,655,100	25,355,800
Total Corrections	\$33,205,900	\$33,276,600
Department of Education		
School reform office transfer from DTMB	\$3,351,000	\$3,351,000
Early literacy implementation transfer from School Aid	1,000,000	1,000,000
Project UNIFY (special olympics) transfer from DHHS	500,000	500,000
Technical adjustments	380,700	0
Braille textbook production expansion	300,000	0
Remove FY 2017-18 supplemental funding for water testing	(1,000,000)	(1,000,000)
Renaissance zone reimbursements, from \$3.3 m to \$2.5 m	(800,000)	(800,000)
State restricted fund adjustment	(300,200)	0
Remove local revenue	(11,700)	0
Unclassified salaries	17,000	14,700
Economic adjustments	1,489,300	440,600
Total Department of Education	\$4,926,100	\$3,506,300
Environmental Quality		
Clean environment initiative (increase tipping fees)	\$73,885,400	\$0
Aquifer dispute resolution - reappropriate remaining funds	524,000	0
Volkswagen diesel emissions trust administration	506,600	0
Private facility rent adjustment	17,600	4,300
Move oil, gas, and mineral serv. \$4 million GF/GP one-time to ongoing ...	0	0
Eliminate stormwater, asset management, and wastewater grants	(62,000,000)	0
Remove FY 2017-18 supplementals and contingency fund transfers	(42,737,500)	(15,837,500)
Remove FY 2017-18 one-time appropriations	(14,900,000)	0
Transfer office of the Great Lakes to DNR	(11,743,600)	(917,700)
Reduce wetland mitigation banking funds per statute	(2,000,000)	0
Remove CMI - contaminated sediment fund source	(1,565,000)	0
Unclassified salaries	15,600	4,500
Economic adjustments	3,079,700	611,400
Total Environmental Quality	(\$56,917,200)	(\$16,135,000)

Table 35 - continued

GOVERNOR'S FY 2018-19 GROSS AND GF/GP CHANGES TO FY 2017-18		
Budget Area/Line Items	Gov's Changes to FY 2017-18	
	Gross	GF/GP
Executive		
Operations increase	\$105,400	\$105,400
Unclassified salaries	26,200	26,200
Economic adjustments	0	0
Total Executive	\$131,600	\$131,600
Health and Human Services		
Hospital rate adjustor (HRA) payment changes	\$101,395,700	(\$16,407,600)
Autism services base/caseload	94,744,100	33,681,400
Medicaid & Healthy Mich. Plan (HMP) actuarial soundness (1.5%).....	85,483,500	20,902,700
Actuarial soundness for Medicaid behavioral health (2.0%).....	45,276,800	16,095,900
Traditional Medicaid base/caseload	43,028,900	16,492,600
Foster care payments base/caseload	36,548,800	21,025,500
Changes in Medicaid access to care (MACI) payments	14,074,700	2,561,000
Adjust Federal funding for integrated service delivery.....	13,783,400	0
Medicaid behavioral health base/caseload	12,678,300	4,507,000
Second HMP waiver; shift of cases to exchanges.....	12,000,000	810,000
Increase grad. Med. (GME) payments to authority health/pine rest.....	10,703,200	0
Child care fund base/caseload	10,036,100	10,036,100
Medicaid substance use disorder base/caseload	6,508,100	2,313,600
Actuarial soundness for HMP behavioral health (2.0%)	5,742,200	387,600
Funding to combat emerging public health threats.....	4,750,000	4,750,000
Actuarial soundness for dental services (1.5%)	3,577,500	1,271,800
New staff to address Federal managed care rule.....	1,660,200	830,100
Replace Federal children's health insurance funding with GF/GP	1,504,500	1,504,500
Foster care education stability travel funding	1,406,500	987,700
Psychiatrist salary increase	1,394,800	1,258,600
Increase in multicultural funding (one-time; FY 19 total=\$16.7 million) ...	1,381,100	1,381,100
Guardianship assistance base/caseload	1,170,100	1,053,800
Increase in FIP cash welfare grant (\$2/person/month).....	1,017,600	0
Building lease adjustments	859,300	455,100
Reflect restricted dollars for direct child welfare services	800,000	0
Rebasing of university DSH payments to actual levels	736,000	0
State facility pharmacy inflation (5%).....	502,700	418,200
Recognize substance use disorder liquor license revenue	500,000	0
Increase autism navigator funding (one-time) to \$1,025,000	460,000	460,000
Revenue and expenditure adjustments in State facilities	423,800	0
Children's special health care services (CSHCS) gifts/bequests	300,000	0
Increased Federal tax refund offset fee revenue	255,600	86,900
Recognize additional newborn screening fee revenue	168,600	0
Increased rehabilitation services fee revenue	110,000	0
Effect of Title XXI match rate on poison control funding.....	400	0
Correction of CHAMPS (IT system) fund source error	100	(13,995,000)
HICA revenue changes	0	60,048,800
Change in standard Medicaid match rate	0	37,992,200
Change in expansion Medicaid match rate.....	0	32,971,200
Replace Healthy Michigan fund revenue with GF	0	14,252,500
Change in effective match rate for "money follows person"	0	2,459,600
Change in title XIX match rate	0	579,900
Replace GF with merit award trust fund revenue	0	(2,000,000)
Replace GF with Medicaid benefits trust fund revenue	0	(38,250,000)
Food assistance program base/caseload	(415,110,400)	0
HMP base/caseload	(191,321,600)	(9,775,500)
Remove excess Federal authorization from electronic health line	(48,169,000)	0

Table 35 - continued

GOVERNOR'S FY 2018-19 GROSS AND GF/GP CHANGES TO FY 2017-18		
Budget Area/Line Items	Gov's Changes to FY 2017-18	
	Gross	GF/GP
Health and Human Services (continued)		
Physician adjustor and specialty network access fees changes	(27,367,500)	0
CSHCS base/caseload	(18,638,100)	(7,533,000)
Flint drinking water emergency funding (one-time)	(16,920,600)	2,941,000
Medicaid pharmacy savings proposal.....	(14,064,700)	(5,000,000)
Remove most FY 2017-18 one-time projects	(9,808,000)	(5,850,000)
Changes in Federal authorization	(8,808,800)	0
Eliminate county hold harmless funding	(8,000,000)	(8,000,000)
Eliminate FY 2017-18 hepatitis A funding.....	(7,100,000)	(7,100,000)
Reduce mental health and wellness commission programming.....	(7,000,000)	(4,758,500)
Adjust revenue and FTE count to actual.....	(6,608,700)	0
Adoption subsidy base/caseload	(5,697,800)	(1,962,300)
Remove level of care determination funding	(5,000,000)	(2,500,000)
Remove room and board hospice funding.....	(3,318,000)	(3,318,000)
Adjust sexual assault evidence kit tracking funding	(3,200,000)	(4,000,000)
Heat and eat program funding	(2,500,000)	(2,500,000)
Family independence program base/caseload	(2,200,900)	(6,102,900)
Family support subsidy base/caseload.....	(1,715,300)	0
Remove dental clinics grant.....	(1,550,000)	(1,550,000)
HMP behavioral health base/caseload	(1,434,500)	(96,900)
Eliminate FY 2017-18 guardianship rate increase.....	(1,419,600)	(500,000)
Adjust out excess recoupment revenue.....	(1,290,000)	0
Remove early primary care pilot funding	(1,000,000)	(1,000,000)
Eliminate funding to license relative caregivers as foster parents.....	(1,000,000)	(1,000,000)
Eliminate MedIncentive funding.....	(830,000)	(415,000)
Remove FY 2017-18 Kalamazoo opioid project	(700,000)	(700,000)
State disability assistance base/caseload	(620,200)	(620,200)
Remove increases to "real alternatives" program.....	(550,000)	(550,000)
Eliminate funding for dental registry	(500,000)	(500,000)
Transfer portion of mental health/wellness funding to MDOE	(500,000)	(500,000)
Reduce SSI administration appropriation	(476,200)	(476,200)
Adjust PFAS funding	(368,700)	(368,700)
Eliminate funding for "kids kicking cancer"	(305,000)	(305,000)
Remove covenant house funding	(280,000)	(280,000)
Remove SSI legal advocacy contract.....	(250,000)	(250,000)
Reduce university autism funding (one-time) to \$250,000	(250,000)	(250,000)
Eliminate adoptive family support funding	(250,000)	(250,000)
Eliminate bone marrow registry funding	(250,000)	(250,000)
Remove FY 2017-18 increase for kidney foundation	(200,000)	(200,000)
Supplemental security income base/caseload.....	(135,900)	(135,900)
Remove Michigan corner store placeholder	(100)	(100)
Unclassified salaries	23,100	23,100
Economic adjustments.....	32,754,400	16,705,500
Total Health and Human Services	(\$268,949,500)	\$161,994,200
Higher Education		
University operations increase (2.0%; SAF)	\$28,566,800	\$0
State competitive scholarships (TANF)	6,000,000	0
Tuition incentive program (TANF).....	1,500,000	0
MSU agbio research (2.0%)	678,300	678,300
MSU extension (2.0%).....	585,100	585,100
MPERS normal cost one-time (2nd year) hold harmless (SAF).....	250,000	0
Fund shift (university operations) from GF/GP to SAF	0	(120,000,000)
Tuition grants (TANF)	(6,000,000)	0

Table 35 - continued

GOVERNOR'S FY 2018-19 GROSS AND GF/GP CHANGES TO FY 2017-18		
Budget Area/Line Items	Gov's Changes to FY 2017-18	
	Gross	GF/GP
Higher Education (continued)		
Reduce MPSERS reimbursement from \$6.7m to \$5.1m (SAF)	(1,572,000)	0
Indian tuition waiver program.....	(300,000)	(300,000)
Total Higher Education.....	\$29,708,200	(\$119,036,600)
Insurance and Financial Services		
Unclassified salaries	\$15,400	\$0
Economic adjustments.....	815,100	0
Total Insurance and Financial Services	\$830,500	\$0
Judiciary		
Direct trial court automation support.....	\$544,700	\$0
Court of appeals operations.....	511,900	511,900
Add two new circuit court judgeships.....	255,300	242,200
Appellate public defender program.....	228,100	0
Supreme court administration.....	63,000	0
Branchwide appropriations	23,600	23,600
Replace GF with court fee fund	0	(500,000)
State court administrative office.....	(1,346,800)	(511,900)
Montgomery v Louisiana compliance (FY 18=\$700,000).....	(700,000)	(700,000)
Swift and sure sanctions program (FY 18=\$4 million).....	(345,800)	(154,000)
Pretrial risk assessment (FY 18=\$605,700)	(300,000)	(300,000)
Problem solving courts (FY 18=\$18,233,400)	(219,300)	(219,300)
Economic adjustments.....	3,025,600	2,816,800
Total Judiciary.....	\$1,740,300	\$1,209,300
Legislative Auditor General		
Operations increase (3.0%)	\$651,800	\$498,200
Total Legislative Auditor General	\$651,800	\$498,200
Legislature		
Operations increase (3.0%)	\$4,487,700	\$4,371,100
Legislative IT design project (one-time; FY 19 total=\$750,000).....	750,000	750,000
Remove FY 2017-18 one-time funding for IT project	(3,000,000)	(3,000,000)
National association dues	(230,700)	(230,700)
Total Legislature	\$2,007,000	\$1,890,400
Licensing and Regulatory Affairs		
Indigent defense grants to locals	\$61,300,000	\$46,000,000
Annualize revenue to first responder presumed coverage fund.....	3,465,000	0
Liquor law enforcement grants (statutory allocation).....	1,200,000	0
Nurse aide training/registry program	600,000	0
Substance use disorder programs (marihuana regulatory fund).....	500,000	0
Transfer deaf interpreter certification from Civil Rights (deafness fund)	93,400	0
Eliminate marihuana ops/oversight grants (marihuana registry fund).....	(3,000,000)	0
Remove GF/GP for fire protection grants (ongoing and one-time).....	(2,173,900)	(2,173,900)
Reduce overstated restricted funds	(639,300)	0
Transfer admin support for LCSA to Mich. municipal svcs. authority....	(150,000)	0
Remove FY 2017-18 placeholder for Flint water crisis	(100)	0
Unclassified salaries	100,200	5,700
Economic adjustments.....	4,494,800	571,900
Total Licensing and Regulatory Affairs.....	\$65,790,100	\$44,403,700

Table 35 - continued

GOVERNOR'S FY 2018-19 GROSS AND GF/GP CHANGES TO FY 2017-18		
Budget Area/Line Items	Gov's Changes to FY 2017-18	
	Gross	GF/GP
Military and Veterans Affairs		
Special maintenance for training facilities.....	\$5,000,000	\$0
National Guard tuition assistance program.....	2,500,000	2,500,000
D.J. Jacobetti home for veterans Medicaid certification effort.....	1,111,700	1,111,700
Land acquisitions.....	900,000	0
Camp Grayling northern strike exercise.....	750,000	750,000
Veterans facility authority (FY 18=\$1 million).....	500,000	500,000
Eliminate one-time armory special maintenance.....	(2,500,000)	(2,500,000)
Technical adjustment for federal funds received.....	(145,000)	0
Unclassified salaries.....	29,400	29,400
Economic adjustments.....	1,438,800	403,800
Total Military and Veterans Affairs.....	\$9,584,900	\$2,794,900
Natural Resources		
State parks repair and maintenance (ongoing).....	\$14,000,000	\$0
Transfer office of the Great Lakes from DEQ.....	11,801,800	929,600
Increase recreational funds to reflect increased revenue.....	4,075,000	0
Increase forest development fund for infrastructure projects.....	3,500,000	0
Wildlife division increase for chronic wasting disease.....	2,600,000	2,600,000
Waterways projects.....	2,163,500	0
Hire 10 new conservation officers.....	1,500,000	1,500,000
Increase ORV funds to reflect increased revenue.....	1,300,000	0
State parks technical costs adjustment.....	754,700	0
Renegotiate tribal consent decree (Great Lakes fisheries).....	277,500	277,500
Mackinac Island historical facilities maintenance.....	200,000	200,000
Develop state-of-the art snowmobile trail groomer (one-time).....	200,000	0
Increase Great Lakes protection fund to reflect available revenue.....	128,900	0
Transfer historical marker program funds from MI history foundation.....	60,000	0
Increase Federal hunter education funds.....	84,400	0
Remove FY 2017-18 supplemental and one-time funds.....	(17,676,200)	(16,676,200)
Remove FY 2017-18 waterways projects.....	(1,520,500)	0
Reduce waterfowl hunt stamp funds for wetland purchase/improvements...	(500,000)	0
Remove obsolete fund sources.....	(15,100)	0
Unclassified salaries.....	15,500	0
Economic adjustments.....	3,762,300	542,300
Total Natural Resources.....	\$26,711,800	(\$10,626,800)
School Aid		
Foundation allowance increase \$120-\$240 per pupil, using 2x.....	\$312,000,000	\$0
MPERS rate cap on UAAL.....	71,916,000	46,000
MPERS normal cost reimbursement for lower AROR.....	39,170,000	19,000
Special education technical cost adjustments.....	23,100,000	0
Cash flow borrowing costs.....	17,500,000	0
MPERS additional DC costs due to PA 92 of 2017.....	14,500,000	0
Special education taskforce: early on (new).....	5,000,000	0
Career tech. ed. (CTE) per-pupil incentive payments (new).....	5,000,000	0
Partnership model district increase (from \$6.0 million to \$8.0 million).....	2,000,000	0
Promise zone reimbursement.....	1,500,000	0
School lunch.....	648,900	0
Special ed. taskforce: mediation and parental supports (new).....	500,000	500,000
MiSTEM executive director.....	150,000	150,000
MiSTEM advisory council.....	50,000	50,000
Fund shift - SAF replacing GF/GP.....	0	(135,611,700)
Eliminate MPERS one-time extra payment toward liabilities.....	(200,000,000)	0

Table 35 - continued

GOVERNOR'S FY 2018-19 GROSS AND GF/GP CHANGES TO FY 2017-18		
Budget Area/Line Items	Gov's Changes to FY 2017-18	
	Gross	GF/GP
School Aid (continued)		
Foundation allowance technical cost adjustments	(97,700,000)	0
Reduce shared-time funding.....	(67,900,000)	0
Reduce cyber school foundation allowance (25%).....	(25,000,000)	0
Eliminate CTE equipment upgrades	(12,500,000)	(12,500,000)
Reduce Flint declaration of emergency funding	(5,500,000)	(5,500,000)
Eliminate computer adaptive assessments	(4,000,000)	0
Reduce assessment funding.....	(3,700,000)	0
Eliminate nonpublic schools mandates reimbursement	(2,500,000)	(2,500,000)
Eliminate Michigan education corps	(2,500,000)	(2,500,000)
Eliminate value-added growth and projection analytics.....	(2,500,000)	(2,500,000)
Eliminate information technology certifications.....	(2,300,000)	(2,300,000)
Reduction in Federal grants.....	(2,200,000)	0
Reduce renaissance zone reimbursements (technical).....	(2,000,000)	0
Eliminate year-round schools grants	(1,500,000)	0
Eliminate funding for financial data analysis tools	(1,500,000)	0
Eliminate funding for CTE counselors	(1,160,000)	0
Eliminate funding for online algebra tool.....	(1,100,000)	(1,100,000)
Eliminate funding for online mathematics tool	(1,000,000)	(1,000,000)
Eliminate funding for career preparation and readiness platform.....	(1,000,000)	(1,000,000)
Transfer early literacy administration to MDOE.....	(1,000,000)	(1,000,000)
Eliminate grants for competency-based education.....	(500,000)	(500,000)
Eliminate cybersecurity competitions.....	(500,000)	0
Eliminate 10 cents a meal.....	(375,000)	(375,000)
Eliminate Detroit area pre-college engineering program funding	(340,000)	(340,000)
Eliminate funding for nonpublics in first robotics	(300,000)	(300,000)
Eliminate funding for digital assessment preparation	(250,000)	(250,000)
Reduce overall operational funding for MiSTEM network	(200,000)	(1,400,000)
Eliminate funding for early learning collaborative	(175,000)	0
Eliminate funding for Van Andel education institute	(150,000)	(150,000)
Eliminate conductive learning center study	(150,000)	0
Eliminate restaurant and culinary training grant	(79,000)	(79,000)
Economic adjustments.....	199,000	140,700
Total School Aid.....	\$51,654,900	(\$170,000,000)
State		
Driver license contracting costs (extension of contract)	\$925,000	\$0
Information technology.....	800,000	0
Commercial driver license testing kiosks (maintenance costs).....	500,000	0
Replace GF/GP with transportation admin. collection fund revenue	0	(1,148,300)
Remove FY 2017-18 supplemental funding for voting machines	(5,000,000)	(5,000,000)
Unclassified salaries	13,000	13,000
Economic adjustments.....	3,066,300	462,600
Total State.....	\$304,300	(\$5,672,700)
State Police		
Annualize costs of FY 2017-18 trooper schools	\$20,267,100	\$20,267,100
Costs for FY 2018-19 trooper schools (one-time)	6,070,000	6,070,000
New trooper school, ongoing costs.....	3,800,000	3,800,000
Medical marijuana field sobriety testing.....	3,400,000	0
Annualize costs of Medical marijuana regulation	2,924,200	0
Lifecycle replacement of in-car cameras	1,252,500	1,252,500
Pay increase for lieutenants and lab managers	935,600	822,300
Cyber crimes unit.....	618,400	618,400

Table 35 - continued

GOVERNOR'S FY 2018-19 GROSS AND GF/GP CHANGES TO FY 2017-18		
Budget Area/Line Items	Gov's Changes to FY 2017-18	
	Gross	GF/GP
State Police (continued)		
Sexual assault evidence kit tracking system	158,900	158,900
Public safety officer benefit program	150,000	150,000
Sex assault prevention/education - continue \$600,000 one-time.....	0	0
Remove one-time costs for FY 2017-18 trooper schools	(9,286,200)	(9,286,200)
Technical adjustment for actual funds received	(6,254,700)	0
Eliminate one-time deposit to disaster emergency fund.....	(5,000,000)	(5,000,000)
Remove FY 2017-18 boilerplate appropriations	(4,024,000)	0
Eliminate one-time grant for advanced 9-1-1.....	(2,200,000)	(2,200,000)
Eliminate one-time secure cities equipment replacement	(1,000,000)	(1,000,000)
Eliminate one-time fair and impartial police training grants	(980,000)	(980,000)
Eliminate one-time forensic science enhancement	(730,000)	(730,000)
Eliminate one-time grant to provide traffic control at MIS.....	(725,000)	(725,000)
Emergency management/homeland security efficiencies	(392,400)	(392,400)
Reduce forensic science overtime	(274,400)	(274,400)
Completion of impaired driving safety commission work.....	(250,000)	(250,000)
Completion of one-time law enforcement job analysis project	(200,000)	(200,000)
Remove FY 2017-18 supplemental appropriations	(158,900)	(158,900)
Eliminate support for civil air patrol	(20,000)	(20,000)
Unclassified salaries	11,900	11,900
Economic adjustments.....	4,774,900	3,366,900
Total State Police	\$12,867,900	\$15,301,100
Talent and Economic Development		
Workforce development federal increase	\$501,000	0
Drinking water declaration of emergency placeholder.....	100	0
Replace penalty and interest revenue with GF in going pro program.....	0	25,000,000
Replace 21 st century revenue with GF in entrepreneurship program	0	500,000
Replace GF with penalty and interest revenue in coll. skilled trades	0	(4,600,000)
Replace GF with 21 st century revenue in business attraction.....	0	(2,000,000)
Remove FY 2017-18 one-time appropriations.....	(45,597,000)	(45,597,000)
Going pro program (FY 18=\$40.9 million)	(5,500,000)	(5,500,000)
Business attraction and community revitalization (FY 18=\$110.4 million).....	(5,120,100)	(5,120,100)
Community ventures (FY 18=\$6.8 million)	(3,300,000)	(306,700)
Technical adjustment	(1,653,900)	0
Entrepreneurship eco-system (FY 18=\$18.9 million)	(1,500,000)	0
Land bank fast track authority.....	(1,000,000)	(1,000,000)
Unclassified salaries	21,600	2,300
Economic adjustments.....	2,672,100	267,900
Total Talent and Economic Development	(\$60,476,200)	(\$38,353,600)
Technology, Management, and Budget		
Align IT appropriations with actual expenditures	\$31,023,400	\$0
State building authority rent increase	19,186,400	19,186,400
Enterprise portfolio management system	2,010,000	2,010,000
Building occupancy charges for special maintenance.....	1,800,000	0
Agency services rate adjustment.....	1,500,000	1,500,000
Regional prosperity grants	1,500,000	1,500,000
Procurement improvement plan.....	891,900	0
Financial services support - to alleviate workload related to IT	559,400	12,900
Michigan civilian cyber corps (one-time).....	420,000	0
Drinking water emergency reserve fund placeholder	100	0
Statewide cost allocation plan adjustment.....	0	(45,100)
Remove FY 2017-18 one-time funding.....	(82,025,100)	(82,025,100)

Table 35 - continued

GOVERNOR'S FY 2018-19 GROSS AND GF/GP CHANGES TO FY 2017-18		
Budget Area/Line Items	Gov's Changes to FY 2017-18	
	Gross	GF/GP
Technology, Management, and Budget (continued)		
IT infrastructure fund (FY 18 ITIF=\$72.5 million).....	(32,500,000)	(32,500,000)
Transfer school reform office to MDOE	(3,353,800)	(3,353,800)
Homeland/cyber security IT project delay (FY 18=\$16.2 million).....	(1,000,000)	(1,000,000)
Remove FY 2017-18 supplemental funding	(100,000)	(100,000)
State Police retirement system supplemental payment.....	(87,000)	(87,000)
Professional development funds.....	(50,000)	0
Unclassified salaries	20,700	11,000
Economic adjustments.....	8,065,700	1,801,300
Total Technology, Management, and Budget	(\$52,138,300)	(\$93,089,400)
Transportation		
Michigan transportation fund revenue adjustments	\$178,969,000	\$0
State general fund for roads (one-time).....	175,000,000	175,000,000
Increased maintenance for bridges and culverts	18,000,000	0
Transit and rail adjustments.....	14,985,300	0
Highway maintenance adjustments	4,337,600	0
IT system upgrades	2,000,000	0
Service initiatives	1,200,000	0
Technical adjustments to IDGs and moveable bridge	1,006,300	0
Transportation to work program.....	175,000	0
Federal funding reduction	(21,045,600)	0
Transportation economic dev. fund (TEDF) reduction.....	(13,000,000)	0
Debt service adjustments.....	(9,502,300)	0
Remove FY 2017-18 supplemental for asset management council	(2,000,000)	0
Aviation program adjustments	(404,800)	0
Unclassified salaries	15,500	0
Economic adjustments.....	5,910,900	0
Total Transportation	\$355,646,900	\$175,000,000
Treasury - Debt Service		
No change.....	\$0	\$0
Total Treasury - Debt Service	\$0	\$0
Treasury - Operations		
Medical marihuana admin./grants (marihuana excise fund).....	\$7,157,100	\$0
Information technology rate increase.....	5,450,000	5,450,000
State lottery staff and administration	637,200	0
OPEB oversight	464,000	464,000
MI thrive program administration	214,300	0
Technical adjustment	30,000	0
Remove FY 2017-18 one-time approps. for IT, urban search/rescue ...	(5,900,000)	(2,900,000)
General fund reduction through administrative efficiencies	(750,000)	(750,000)
Remove financial data analytic tool reimbursement.....	(500,000)	(500,000)
Remove unavailable 9-1-1 restricted fund.....	(158,700)	0
Remove beat the streets grant	(100,000)	(100,000)
Unclassified salaries	20,500	12,200
Economic adjustments.....	4,859,900	1,168,600
Total Treasury - Operations	\$11,424,300	\$2,844,800

Table 35 - continued

GOVERNOR'S FY 2018-19 GROSS AND GF/GP CHANGES TO FY 2017-18		
Budget Area/Line Items	Gov's Changes to FY 2017-18	
	Gross	GF/GP
Treasury - Revenue Sharing		
Constitutional revenue sharing	\$24,732,900	\$0
County incentive program	58,400	0
Supplemental city, village, and township revenue sharing	(6,200,000)	(6,200,000)
City, village, and township revenue sharing	(5,800,000)	0
County revenue sharing	(1,920,100)	(2,179,100)
Total Treasury - Revenue Sharing	\$10,871,200	(\$8,379,100)
TOTAL BUDGET AREA CHANGES	\$173,635,800	(\$32,140,800)

APPENDIX

Governor's Recommendation
Highlight Sheets



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BILL ANALYSIS



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Senate Bill 850 (as introduced)
 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2017-18 YEAR-TO-DATE*	FY 2018-19 GOV.'S REC.	CHANGES FROM FY 2017-18 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	493.5	500.5	7.0	1.4
GROSS	114,698,600	102,888,100	(11,810,500)	(10.3)
Less:				
Interdepartmental Grants Received	310,300	313,900	3,600	1.2
ADJUSTED GROSS	114,388,300	102,574,200	(11,814,100)	(10.3)
Less:				
Federal Funds	11,373,900	11,695,200	321,300	2.8
Local and Private	101,600	101,800	200	0.2
TOTAL STATE SPENDING	102,912,800	90,777,200	(12,135,600)	(11.8)
Less:				
Other State Restricted Funds	36,661,000	37,072,000	411,000	1.1
GENERAL FUND/GENERAL PURPOSE	66,251,800	53,705,200	(12,546,600)	(18.9)
PAYMENTS TO LOCALS	7,450,000	6,350,000	(1,100,000)	(14.8)

*As of February 7, 2018.

FY 2017-18 Year-to-Date Gross Appropriation	\$114,698,600
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Changes from FY 2017-18 Year-to-Date:

- Milk Safety and Quality Assurance.** Governor recommended \$780,000 GF/GP and 5.0 FTEs for dairy inspections to address the growth in state dairy production. 780,000
- Office of Organization Innovation.** Governor recommended \$307,100 GF/GP to support reclassification of two data management staff from temporary to permanent to analyze data from department information technology systems and practices. 307,100
- Laboratory Genome Sequencer.** Governor recommended \$300,000 Federal to support use of Genome Sequencer in accordance with the International Organization for Standardization (ISO) standards. 300,000
- Pesticide and Plant Pest Management.** Governor recommended a reduction of \$200,000 GF/GP to be supplanted by an equal additional amount of Fertilizer Control Fund revenue. 0
- Agriculture Industry Research and Development Grant.** Governor recommended the elimination of a one-time FY 2017-18 grant of \$8.4 million GF/GP, which consisted of \$2.5 million for an Animal Agriculture Initiative, \$3.2 million for Fruit and Vegetable Campus/Mobile Labs and \$1.5 million for the Tree Fruit Commission. (8,400,000)
- Food Bank Council.** Governor recommended the elimination of a \$2.0 million GF/GP one-time grant to the Food Council of Michigan for a food-freezing project. (2,000,000)
- Food and Agriculture Investment Program.** Governor recommended the reduction of \$1,443,900 GF/GP to the grant program, leaving a proposed total FY 2018-19 appropriation of \$3.3 million GF/GP. (1,443,900)

8. Wildlife Risk Management. Governor recommended the elimination of one-time funding of \$1.0 million GF/GP for a cost share program with local conservation districts to assess cattle farms and implement practices to prevent the spread of bovine tuberculosis in cattle.	(1,000,000)
9. Intercounty Drain Program. Governor recommended the elimination of a \$250,000 GF/GP one-time project to establish a state standard drainage infrastructure mapping tool.	(250,000)
10. Food Safety and Quality Assurance. Governor recommended a reduction of \$250,000 GF/GP to reflect the completion of one-time projects and a decrease in federal food safety grants.	(250,000)
11. County Fairs, Shows and Exposition Grants. Governor recommended a reduction of \$249,300 GF/GP to the grant program, leaving a proposed total FY 2018-19 appropriation of \$400,000 GF/GP.	(249,300)
12. Beer Delivery Systems. Governor recommended removal of \$150,000 GF/GP FY 2017-18 funding to support for training for management of draft beer delivery systems.	(150,000)
13. Qualified Forest Program. Governor recommended a reduction of \$130,000 GF/GP from the program, to be offset by restricted revenue, sufficiently authorized by current appropriations.	(130,000)
14. Environmental Stewardship/Michigan Agriculture Environmental Assurance Program. Governor recommended a reduction of \$100,000 GF/GP due to completion of internal projects, leaving a recommended FY 2018-19 gross appropriation of \$10.2 million.	(100,000)
15. Campground Development Grant. Governor recommended the elimination of a one-time grant of \$100,000 GF/GP to provide for park enhancements associated with the Albion Equine Center.	(100,000)
16. Farmland and Open Space Program. Governor recommended a reduction of \$99,900 GF/GP due to a decrease in temporary staff previously funded to address backlogs in program application processing.	(99,900)
17. Drinking Water Declaration of Emergency. Governor recommended elimination of a one-time restricted revenue place-holder appropriation related to the Flint drinking water emergency.	(100)
18. Technical Adjustment for Actual Funds Received. Governor recommended technical adjustment to reflect reductions in non-GF/GP funds received.	(86,300)
19. Unclassified Salaries. Governor recommended economic increase.	11,200
20. Economic Adjustments. Includes \$1,050,700 Gross and \$728,200 GF/GP for total economic adjustments, of which an estimated \$28,400 Gross and \$1,500 GF/GP is for legacy retirement costs (pension and retiree health).	1,050,700
Total Changes.....	(\$11,810,500)
FY 2018-19 Governor's Recommendation.....	\$102,888,100

Boilerplate Changes from FY 2017-18 Year-to-Date:

1. **Disciplinary Action.** Governor eliminated language-prohibiting action against an employee for communicating with legislative staff. (Sec. 215)
2. **Retain Reports.** Governor eliminated a requirement that all reports be kept and retained by MDARD. (Sec. 234)
3. **Department Fee Collection.** Governor removed language referring to collection of lab fees related to horse racing industry, to reflect privatization of such services within the Department of Treasury's Gaming Commission. (Sec. 301)
4. **Food and Dairy Division Report.** Governor modified language to clarify that the report is to be based on fiscal years and that only significant enforcement actions be reported. (Sec. 401)

5. **Management of Draft Beer Delivery Systems.** Governor struck language providing guidelines for FY 2017-18 appropriation of \$150,000 GF/GP to provide education and training for managers of draft beer delivery systems. (Sec.402)
6. **Food Safety Modernization Act.** Governor eliminated a FY 2017-18 boilerplate section describing the intent that the MDARD work with the FDA and agriculture producers to help implement the federal Food Safety Modernization Act. (Sec.403)
7. **TB Testing Costs.** Governor eliminated this section which required that the MDARD pay for all whole herd and individual TB testing in modified accredited zones. (Sec. 451)
8. **Animal Industry Division Report.** Governor modified this section to include a report on indemnification payments for livestock depredation made in the previous calendar year. (Sec.452)
9. **Animal Indemnification.** Governor recommended striking a section that required an indemnification agreement that exceeded \$100,000 be subject to appropriation by the legislature and that no payments could be made until the legislature was notified, and specified that payments shall be made for livestock killed by a wolf, coyote or cougar. A subsection requiring a report was shifted to become a part of Sec. 452 for FY 2018-19. (Sec.453)
10. **Bovine TB Activity and Status Report.** Governor removed annual and quarterly report requirement of the MDARD activities and current status of bovine TB in the state. (Sec. 457)
11. **Aquaculture.** Governor struck a boilerplate section requiring inspection and testing of aquaculture facilities and aquaculture research. (Sec.458)
12. **Whole Herd TB Testing.** Governor eliminated language prohibiting whole herds from being tested more often than every four years or not re-tested until all other county herds have been tested, except under certain circumstances. (Sec. 459)
13. **Wildlife Risk Mitigation.** Governor struck language which provided guidelines for FY 2017-18 one-time grants of \$1.0 million for projects designed to identify and mitigate risks related to the transmission of bovine TB from wildlife to cattle. (Sec.461)
14. **Food and Agriculture Investment Program.** Governor modified language to strike the requirement for an annual report of the program, adding language requiring projects to be accomplished by utilizing state employees or contracts with service providers, or both, removes language requiring project guidelines to be approved by the Michigan Agriculture Commission prior to an award, and adds that the total cost of the project is \$3.3 million. (Sec.701)
15. **Rural Development Fund Grant Program.** Governor struck language requiring establishment of criteria and measurable outcomes for the program. (Sec. 702)
16. **Agriculture Development Division Report.** Governor modified language by adding requirement to produce a report of the Grape and Wine Industry Council, shifting that requirement from Sec. 709 of the FY 2017-18 budget bill. (Sec.706)
17. **Grape and Wine Industry Council.** Governor shifted council language which required an annual report from FY 2017-18 Sec. 709 to Sec. 708 of FY 2018-19. (Sec. 709)
18. **Agriculture Equine Industry Development Fund (AEID).** Governor removed obsolete language referring to department costs for lab analysis for horse racing activities, now performed by contractual means under the Department of Treasury's Gaming Board. (Sec.802)
19. **Equine Regulatory Costs.** Governor eliminated a section which provided criteria to the Gaming Board for establishing equine regulatory costs. (Sec. 804)
20. **County Fairs, Shows and Exposition Grants.** Governor modified language to cite carryforward authority and stated the cost of the grants to be \$400,000. (Sec.805)
21. **Agriculture Industry Research and Development Grants.** Governor recommended elimination of language describing distribution of the FY 2017-18 one-time \$8.4 million grant program. The grant was to be spent as follows: Animal Agriculture Initiative, \$2.5 million; Fruit and Vegetable Campus/Mobile Labs, \$3.2 million; Fruit and Vegetable Campus/Mobile Labs Workforce and Development Initiative, \$1.2 Million; Tree Fruit Commission, \$1.5 million. (Sec. 901)

Date Completed: 2-13-18

Fiscal Analyst: Bruce R. Baker

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberation.



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Senate Bill 855 (as introduced)
 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2017-18 YEAR-TO-DATE*	FY 2018-19 GOV.'S REC.	CHANGES FROM FY 2017-18 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	530.0	530.0	0.0	0.0
GROSS	101,798,800	102,028,900	230,100	0.2
Less:				
Interdepartmental Grants Received	29,915,300	30,386,400	471,100	1.6
ADJUSTED GROSS	71,883,500	71,642,500	(241,000)	(0.3)
Less:				
Federal Funds	9,518,000	9,628,500	110,500	1.2
Local and Private	0	0	0	0.0
TOTAL STATE SPENDING	62,365,500	62,014,000	(351,500)	(0.6)
Less:				
Other State Restricted Funds	22,116,900	21,907,200	(209,700)	(0.9)
GENERAL FUND/GENERAL PURPOSE	40,248,600	40,106,800	(141,800)	(0.4)
PAYMENTS TO LOCALS	0	0	0	0.0

*As of February 7, 2018.

FY 2017-18 Year-to-Date Gross Appropriation	\$101,798,800
Changes from FY 2017-18 Year-to-Date:	
1. FY 2017-18 Supplemental Funding. The Governor did not include supplemental funding added in FY 2017-18 by Public Act 158 of 2017 that provided \$600,000 in restricted funding from the Lawsuit Settlement Proceeds Fund for costs associated with Flint Water Crisis investigations and prosecutions.	(600,000)
2. Removal of FY 2017-18 One-Time Items. The Governor did not include one-time funding for FY 2017-18 totaling \$1.3 million; \$700,000 for the Prosecuting Attorneys Coordinating Council (PACC) for costs associated with juvenile life without parole cases; and \$600,000 for the PACC to replace their NextGen case management system.	(1,300,000)
3. Attorney General Special Counsel for Flint Investigation. Governor increased funding by \$600,000 in restricted funds to maintain the full \$2.6 million authorization for the expenditure of Lawsuit Settlement Proceeds Funds. These funds are used for costs associated with the special counsel and the Flint investigations. The authorization was reduced in the FY 2017-18 budget and later brought whole via a supplemental appropriation.	600,000
4. Marihuana Regulatory Fund. Funding is provided for the first full year of operations related to the regulation of medical marihuana and marihuana dispensaries.	126,700
5. Economic Adjustments. Includes \$1,403,400 Gross and \$558,200 GF/GP for total economic adjustments, of which an estimated \$28,400 Gross and \$1,500 GF/GP is for legacy retirement costs (pension and retiree health).	1,403,400
Total Changes	\$230,100
FY 2018-19 Governor's Recommendation	\$102,028,900

Boilerplate Changes from FY 2017-18 Year-to-Date:

1. **Boilerplate Structure. Governor:** Moved boilerplate from the FY 2017-18 general sections that applied to all General Government budgets to the Article for the Department of Attorney General. Changes to those items can be found in the highlight sheet for the **General Sections**.
2. **Drug Investigation and Prosecution Unit.** Language requires the attorney general to use funds appropriated in Part 1 to maintain a minimum of 24 drug investigations and to prosecute when sufficient evidence is obtained. **Governor:** Deleted section. (Current Law Sec. 301a)
3. **Lawsuit Proceeds for Drinking Water Contamination.** Language allows the Department to use up to \$2.0 million of lawsuit settlement proceeds to pay for costs and associated expenses related to the declaration of emergency due to drinking water contamination. **Governor:** Increase allowable use amount to \$2.6 million. (Sec. 314)
4. **Juvenile Life without Parole.** Language states that the \$700,000 appropriated in Part 1 is to be used for investigations, crime victim rights, prosecutions and appeals for retroactive juvenile life without parole cases. Also requires a report to be submitted by September 30. **Governor: Deleted section.** (Current Law Sec. 314a)
5. **Legacy Cost Estimates.** Total legacy costs are estimated at \$17,281,300. Of the total, pension-related legacy costs are estimated at \$8,893,100 and retiree health care legacy costs are estimated at \$8,388,200 for fiscal year ending September 30, 2018. **Governor:** Provided the following Legacy Costs estimates for FY 2019: Total legacy costs estimated at \$18,049,500. Of that total, \$8,321,100 are for pension-related legacy costs and \$9,728,400 are for retiree health care legacy costs for the fiscal year ending September 30, 2019. (Sec. 315)

Date Completed: 2-14-18

Fiscal Analyst: Joe Carrasco, Jr.



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Senate Bill 855 (as introduced)
 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2017-18 YEAR-TO-DATE*	FY 2018-19 GOV.'S REC.	CHANGES FROM FY 2017-18 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	110.0	110.0	0.0	0.0
GROSS	16,249,600	16,201,100	(48,500)	(0.3)
Less:				
Interdepartmental Grants Received	296,600	299,100	2,500	0.8
ADJUSTED GROSS	15,953,000	15,902,000	(51,000)	(0.3)
Less:				
Federal Funds	2,775,800	2,802,700	26,900	1.0
Local and Private	18,700	18,700	0	0.0
TOTAL STATE SPENDING	13,158,500	13,080,600	(77,900)	(0.6)
Less:				
Other State Restricted Funds	151,900	58,500	(93,400)	(61.5)
GENERAL FUND/GENERAL PURPOSE	13,006,600	13,022,100	15,500	0.1
PAYMENTS TO LOCALS	0	0	0	0.0

*As of February 7, 2018.

FY 2017-18 Year-to-Date Gross Appropriation	\$16,249,600
Changes from FY 2017-18 Year-to-Date:	
1. Removal of FY 2017-18 One-Time Items. The Governor did not include one-time funding for FY 2017-18 totaling \$150,000 for a needs assessment of the deaf, deaf/blind, and hard of hearing community.	(150,000)
2. Transfer of Deafness Fund to Department of Licensing and Regulatory Affairs. Governor transfers funding to DLARA to account for the fees actually collected by DLARA for certifying deaf interpreters.	(93,400)
3. Economic Adjustments. Includes \$194,900 Gross and \$165,500 GF/GP for total economic adjustments, of which an estimated negative \$137,600 Gross and a negative \$112,700 GF/GP is for legacy retirement costs (pension and retiree health).	194,900
Total Changes	(\$48,500)
FY 2018-19 Governor's Recommendation	\$16,201,100

Boilerplate Changes from FY 2017-18 Year-to-Date:

- Boilerplate Structure. Governor:** Moved boilerplate from the FY 2017-18 general sections that applied to all General Government budgets to the Article for the Department of Civil Rights. Changes to those items can be found in the highlight sheet for the **General Sections**.

2. **Deaf, Deaf/Blind, and Hard of Hearing Needs Assessment.** The funds appropriated in Part 1 for deaf, deaf/blind, and hard of hearing needs assessment may be used by the Department of Civil Rights to survey the deaf, deaf/blind, and hard of hearing community in the state to identify the size of this population so as to provide services to this population of citizens including education, employment, and healthcare. **Governor:** Deletes section. (Current Law Sec. 406)
3. **Legacy Cost Estimates.** Total legacy costs are estimated at \$2,695,600. Of the total, pension-related legacy costs are estimated at \$1,387,200 and retiree health care legacy costs are estimated at \$1,308,400 for fiscal year ending September 30, 2018. **Governor:** Provided the following Legacy Costs estimates for FY 2019: Total legacy costs estimated at \$2,558,000. Of that total, \$1,179,300 are for pension-related legacy costs and \$1,378,700 are for retiree health care legacy costs for the fiscal year ending September 30, 2019.

Date Completed: 2-14-18

Fiscal Analyst: Joe Carrasco, Jr.



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Senate Bill 851 (as introduced)
Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2017-18 YEAR-TO-DATE*	FY 2018-19 GOV.'S REC.	CHANGES FROM FY 2017-18 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	N/A	N/A	N/A	N/A
GROSS	399,326,500	405,015,500	5,689,000	1.4
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS	399,326,500	405,015,500	5,689,000	1.4
Less:				
Federal Funds	0	0	0	0.0
Local and Private	0	0	0	0.0
TOTAL STATE SPENDING	399,326,500	405,015,500	5,689,000	1.4
Less:				
Other State Restricted Funds	398,301,500	405,015,500	6,714,000	1.7
GENERAL FUND/GENERAL PURPOSE	1,025,000	0	(1,025,000)	(100.0)
PAYMENTS TO LOCALS	399,326,500	405,015,500	5,689,000	1.4

*As of February 7, 2018.

FY 2017-18 Year-to-Date Gross Appropriation	\$399,326,500
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Changes from FY 2017-18 Year-to-Date:

- 1. College Operations.** The Governor did not include a funding increase for community college operations, due to additional funding that colleges received from changes to the personal property tax law. The Governor is recommending that funds received based on calculated reimbursement of personal property tax revenue lost be changed so that there is a more equitable distribution of funding. No specific proposal on redistribution has been made as of this date. See attached [Table 1](#) for details on community college budget. 0
- 2. Michigan Public School Employees' Retirement System (MPSERS).** Adjustments include an increase of \$7,662,000 School Aid Fund (SAF) related to decreasing the assumed rate of return for the Unfunded Actuarial Accrued Liability (UAAL); a one-time increase of \$2,819,000 SAF due to decreasing the assumed rate of return for the normal cost hold harmless; and a decrease of \$3,167,000 SAF for the State's rate cap obligation. 7,314,000
- 3. Renaissance Zone Reimbursements.** The appropriation is reduced from \$3.1 million to \$2.5 million based on projected payments and the impact of personal property tax reforms. (600,000)

- 4. **Michigan Transfer Network Enhancements.** The Governor eliminated the FY 2017-18 one-time \$1,025,000 GF/GP for improvements to the Michigan Transfer Network (MTN). The MTN website helps students, advisers, and the general public, find transfer course equivalencies between Michigan colleges and universities. The enhancement funding provided for a new Michigan Transfer Network website, including a new course equivalency database, information about the Michigan Transfer Agreement, and associate to bachelor's degree transfer pathways that allow a student to maximize coursework at community colleges and universities. (1,025,000)

Total Changes..... \$5,689,000

FY 2018-19 Governor's Recommendation..... \$405,015,500

Boilerplate Changes from FY 2017-18 Year-to-Date:

- 1. **Michigan Transfer Network Website Enhancements.** The Governor removed FY 2017-18 one-time funding language providing criteria for the \$1,025,000 appropriation for enhancements to the website to improve the transfer of college credit among Michigan's postsecondary institutions. (Sec. 201 (7))
- 2. **Payment Distribution Schedule.** Provides for payment schedule. If the State Budget Director determines that a community college failed to submit Activities Classification Structure (ACS) data to the Center Educational Performance and Information (CEPI) by November 1, or failed to submit its longitudinal data system data set, the State Treasurer shall withhold the monthly installments from that community college until those data are submitted. The State Budget Director is required to notify the community college subcommittee chairs at least 10 days before withholding funds from any community college. The Governor changed the reference from "Activities Classification Structure" (ACS) to the Community College Verified Data Inventory, removed prior notice to the Legislature requirement regarding withholding funds, and updated date references. (Sec. 206)
- 3. **Transparency.** Requires community colleges to make available through links on website homepages annual operating budgets, links to the most recent activities classification structure report, current collective bargaining agreements, health care plans, audits and financial reports, projected general fund revenue and expenditures and debt service obligations, board of trustees resolution regarding compliance with best practices, and opportunities for earning college credit through dual enrollment. Provides that the State Budget Director determines compliance and authorizes withholding of State aid payments for noncompliance, contingent on ten days prior notice to the community college subcommittees. The Governor removed the State Budget Director's authority to determine compliance and withhold funds for failure to comply with transparency site requirements. The Governor also changed the reference from the "Activities Classification Structure" (ACS) to the new "Michigan Community College Data Inventory." (Sec. 209)
- 4. **Academic Program Partnerships.** The Governor added language requiring the Michigan Community College Association, the Michigan Association of State Universities, and the Michigan Independent Colleges and Universities, on behalf of their member colleges and universities, to submit a comprehensive report detailing the number of academic program partnerships between public community colleges, public universities, and private colleges and universities. This language was first included with the FY 2016-17 appropriation. It was removed in the FY 2017-18 budget. The Governor is recommending that it be restored for FY 2018-19. (Sec. 210e)
- 5. **ACS Database.** Requires the Center for Educational Performance and Information (CEPI) to establish, maintain, and coordinate the State community college database. The Governor changed references from ACS to "Michigan Community College Data Inventory (MCCDI), eliminated last sentence from (3)(g) regarding appointments from groupings of colleges designated in the ACS (now MCCDI). (Sec. 217)
- 6. **Tuition and Mandatory Fees Report.** Each community college shall report to the center by August 31 of each year the tuition and mandatory fees paid by a full-time in-district student and a full-time out-of-district student as established by the college governing board for the current academic year. This report should also include the annual cost of attendance based on a full-time course load of 30 credits. Each community college shall also report any revisions to the reported current academic year tuition and mandatory fees adopted by the college governing board to the center within 15 days of being adopted. The center shall provide this information and any revisions to the house and senate fiscal agencies and the state budget director. The Governor eliminated: "This report should also include the annual cost of attendance based on a full-time course load of 30 credits." (Sec. 225)

7. **Associate Degree Report.** Each community college shall report to the center the numbers and type of associate degrees and other certificates awarded by the community college during the previous fiscal year. The report shall be made not later than November 15 of each year. Community colleges shall work with the center to develop a systematic approach for meeting this requirement using the P-20 longitudinal data system. The Governor modified this language by requiring colleges to report to CEPI by October 15 of each year, and adjusting language to reflect the current status of the development of the approach to submit data, using the P-20 Longitudinal Data System. (Sec. 226)
8. **Repealed Provisions.** The Governor deleted: Anticipated appropriations for subsequent fiscal year (Sec. 201a); prohibits use of appropriations for construction or maintenance of self-liquidating projects and requires compliance with Section 238 if the Management and Budget Act and Joint Capital Outlay Subcommittee use and finance requirements - includes penalty for noncompliance (Sec. 208); encourages community colleges to achieve efficiencies through cost containment measures and collaborations (Sec. 212); prohibits use of appropriations for purchase or lease of foreign automobiles (Sec. 227); and prohibition on disciplinary action against an employee for communicating with a member of the Legislature or legislative staff. (Sec. 228)

Date Completed: 2-12-18

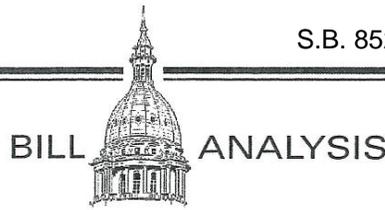
Fiscal Analyst: Bill Bowerman

Table 1: FY 2018-19 COMMUNITY COLLEGE APPROPRIATIONS: GOVERNOR'S RECOMMENDATION

College	FY 2017-18 Year-To-Date	FY 2018-19 Governor's Recommendation		
		Adjustments	Appropriation	Percent Change
Alpena	\$5,627,500	\$0	\$5,627,500	0.0%
Bay de Noc	5,589,000	0	5,589,000	0.0
Delta	14,990,700	0	14,990,700	0.0
Glen Oaks	2,601,400	0	2,601,400	0.0
Gogebic	4,715,400	0	4,715,400	0.0
Grand Rapids	18,556,800	0	18,556,800	0.0
Henry Ford	22,299,200	0	22,299,200	0.0
Jackson	12,590,100	0	12,590,100	0.0
Kalamazoo Valley	12,948,700	0	12,948,700	0.0
Kellogg	10,143,600	0	10,143,600	0.0
Kirtland	3,289,400	0	3,289,400	0.0
Lake Michigan	5,523,600	0	5,523,600	0.0
Lansing	32,324,200	0	32,324,200	0.0
Macomb	33,863,600	0	33,863,600	0.0
Mid Michigan	4,968,900	0	4,968,900	0.0
Monroe	4,665,500	0	4,665,500	0.0
Montcalm	3,446,300	0	3,446,300	0.0
Mott	16,258,100	0	16,258,100	0.0
Muskegon	9,203,000	0	9,203,000	0.0
North Central	3,353,200	0	3,353,200	0.0
Northwestern	9,508,900	0	9,508,900	0.0
Oakland	21,905,700	0	21,905,700	0.0
Schoolcraft	12,991,300	0	12,991,300	0.0
Southwestern	6,860,700	0	6,860,700	0.0
St. Clair	7,300,100	0	7,300,100	0.0
Washtenaw	13,631,400	0	13,631,400	0.0
Wayne County	17,338,300	0	17,338,300	0.0
West Shore	2,556,300	0	2,556,300	0.0
Subtotal Operations:	\$319,050,900	\$0	\$319,050,900	0.0%
MPSERS Retiree Health Care	\$1,733,600	\$0	\$1,733,600	0.0%
MPSERS Reform Costs	70,805,000	4,495,000	75,300,000	6.3
Renaissance Zone Reimbursements	3,100,000	(600,000)	2,500,000	(19.4)
MI Transfer Network Enhancements (one-time)	1,025,000	(1,025,000)	0	(100.0)
MPSERS Normal Cost Offset (one-time)	3,612,000	2,819,000	6,431,000	78.0
Total Appropriations:	\$399,326,500	\$5,689,000	\$405,015,500	1.4%
State School Aid Fund	398,301,500	6,714,000	405,015,500	1.7
GF/GP	\$1,025,000	(\$1,025,000)	\$0	(100.0%)



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Senate Bill 852 (as introduced)
 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2017-18 YEAR-TO-DATE*	FY 2018-19 GOV.'S REC.	CHANGES FROM FY 2017-18 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	13,803.9	13,951.2	147.3	1.1
GROSS	2,001,919,200	2,035,125,100	33,205,900	1.7
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS	2,001,919,200	2,035,125,100	33,205,900	1.7
Less:				
Federal Funds	5,293,800	5,315,200	21,400	0.4
Local and Private	8,842,400	8,960,100	117,700	1.3
TOTAL STATE SPENDING	1,987,783,000	2,020,849,800	33,066,800	1.7
Less:				
Other State Restricted Funds	41,149,400	40,939,600	(209,800)	(0.5)
GENERAL FUND/GENERAL PURPOSE	1,946,633,600	1,979,910,200	33,276,600	1.7
PAYMENTS TO LOCALS	113,888,800	115,868,600	1,979,800	1.7

*As of February 7, 2018.

FY 2017-18 Year-to-Date Gross Appropriation	\$2,001,919,200
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Changes from FY 2017-18 Year-to-Date:

- 1. **Prison Food Service.** Governor proposed to not renew the private contract for prisoner food service and transition to State employees. 13,667,100
- 2. **New Custody Staff Training.** Governor funded a one-time officer academy with an expected graduated class of 359 to address higher than anticipated attrition. 9,227,700
- 3. **Higher Custody Level Programming.** Governor included one-time (\$2.4 million) and ongoing (\$1.6 million) funding for technology and infrastructure updates to support educational and core programming for higher custody level prisoners (Level IV and V). 4,000,000
- 4. **Health Care Recruitment and Retention.** Governor included funding to increase incentives and compensation for positions with high vacancy rates; primarily dentists, registered nurses, and qualified mental health professionals. 3,762,400
- 5. **Corizon Health Care Contract.** Governor funded a contractual inflationary adjustment. 2,458,900
- 6. **Offender with Special Needs Contract Adjustments.** Governor increased funding for reentry costs for offenders with special needs due to increased caseloads. 1,648,700
- 7. **Offender Success Community Partners Contract Adjustments.** Governor included increased funding for Prisoner Reentry Service contracts that were re-bid in 2017. 1,291,400
- 8. **Probation Residential Services.** Governor increased funding due to increased demand for probation residential services. 850,000
- 9. **Facility Closure.** Governor included net savings from the closure of the West Shoreline Correctional Facility. (18,924,700)

10. Goodwill Flip-the-Script. Governor eliminated the program.	(1,500,000)
11. Substance Abuse Parole Certain Sanction Program. Governor eliminated the program.	(1,440,000)
12. Supervising Region Incentive Program. Governor eliminated the program.	(1,000,000)
13. Future Facility and Staff Transition Costs. Governor eliminated funding.	(1,000,000)
14. High School Online Equivalency Pilot. Governor eliminated the pilot program.	(1,000,000)
15. Federally Qualified Health Centers Pilot. Governor eliminated the pilot program.	(75,000)
16. One-Time Funding Removal. Governor eliminated one-time funding for an officer academy in FY 2017-18.	(4,359,000)
17. Other Changes. Sewer treatment rate increase at Gus Harrison Correctional Facility. Aligned restricted funding with expected revenue.	(93,700)
18. Unclassified Salaries. Includes \$37,000 Gross and \$37,000 GF/GP for unclassified salaries.	37,000
19. Economic Adjustments. Includes \$25,655,100 Gross and \$25,355,800 GF/GP for total economic adjustments, which includes an estimated \$35,841,100 Gross and \$34,868,700 GF/GP is for legacy retirement costs (pension and retiree health).	25,655,100
Total Changes.....	\$33,205,900
FY 2018-19 Governor's Recommendation.....	\$2,035,125,100

Boilerplate Changes from FY 2017-18 Year-to-Date:

1. **Deletions.** Governor proposed to eliminate the following sections from current-year boilerplate: 206, 216, 217, 239, 248, 308, 309, 310, 405, 406, 411, 412, 413, 417, 421, 437, 601, 602, 604(2), 611, 612, 802, 803, 812, 816, 902, 904, 905, 908, 913(2), 937, 940, 942, 943, 944, 945, 1011, 1013, and 1201. These deletions include a variety of reporting requirements, record retention requirements, statements of legislative intent, and language pertaining to health services, the Consensus Revenue Estimating Conference, Goodwill Flip-the-Script, the Supervising Region Incentive Program, a federally qualified health centers pilot, the Substance Abuse Parole Certain Sanction program, parole board policies, future facility and staff transition costs, per prisoner/per day costs, the leased beds program, an online high school pilot program, religious programming and faith-based initiatives, one-time reports, contracting requirements, and anticipated appropriations.
2. **Definitions.** Eight definitions were eliminated from the bill. These included acronyms that are no longer referenced in the bill, as well as the definitions of "cost per prisoner" and "offender who would likely be sentenced to imprisonment".
3. **Reporting requirements.** Governor reduced the frequency of reporting for prisoner populations (Sec. 419), parole review (Sec. 422), correctional officer to prisoner ratios (Sec. 912), and Holmes Youthful Trainee status. (Sec. 930)
4. **Recidivism rates.** Governor changed measurement of recidivism rates. (Sec. 408)
5. **Updated amounts for Total Legacy Costs.** Governor updated total legacy costs section. The pension-related costs are \$147,129,800 and the retiree health care costs are \$172,012,000. (Sec. 214)

Date Completed: 2-13-18

Fiscal Analyst: Ryan M. Bergan

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberation.



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BILL ANALYSIS



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Senate Bill 853 (as introduced)
 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2017-18 YEAR-TO-DATE*	FY 2018-19 GOV.'S REC.	CHANGES FROM FY 2017-18 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	603.5	614.5	11.0	1.8
GROSS	352,181,200	357,107,300	4,926,100	1.4
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS	352,181,200	357,107,300	4,926,100	1.4
Less:				
Federal Funds	254,084,700	255,366,800	1,282,100	0.5
Local and Private	7,851,500	7,888,600	37,100	0.5
TOTAL STATE SPENDING	90,245,000	93,851,900	3,606,900	4.0
Less:				
Other State Restricted Funds	8,567,600	8,668,200	100,600	1.2
GENERAL FUND/GENERAL PURPOSE	81,677,400	85,183,700	3,506,300	4.3
PAYMENTS TO LOCALS	14,367,700	13,567,700	(800,000)	(5.6)

*As of February 7, 2018.

FY 2017-18 Year-to-Date Gross Appropriation	\$352,181,200
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Changes from FY 2017-18 Year-to-Date:

- School Reform Office.** The Governor transferred FTEs and funding for the School Reform Office from the DTMB to finalize Executive Order 2017-5. Of the total FTEs and funding, 9.0 FTEs and \$2,853,400 GF/GP were transferred to Partnership District Support while 2.0 FTEs and \$497,600 GF/GP were transferred to State Board/Superintendent Operations. 3,351,000
- Early Literacy Implementation.** The Governor transferred the early literacy program implementation funding from the School Aid Budget to the Department of Education. The GF/GP was transferred from Section 35 of the School Aid Act to School Support Services. 1,000,000
- Project UNIFY Transfer.** The Governor transferred funding for Project UNIFY from the Department of Health and Human Services to the Department of Education. The funding provides grants to the Special Olympics programs. The funding is all supported by GF/GP. 500,000
- Child Development and Care External Support.** The Governor made a technical adjustment increase to account for economic adjustments made in the Department of Licensing and Regulatory Affairs and the Department of Health and Human Services. The increase was supported by Federal funds. 380,700
- Braille Textbook Production Expansion.** The Governor increased the Low-Incidence Outreach Program to expand production of Braille textbooks. The increase was paid for with funds from the Low-Incidence Outreach Fund. 300,000
- Supplemental Removal.** The Governor removed FY 2017-18 supplemental funding for school drinking water education. (1,000,000)

7. Renaissance Zone Reimbursement. The Governor decreased appropriations to account for declines in projected reimbursements. The decline is from Personal Property Tax reimbursement changes and the expiration of Renaissance Zones.	(800,000)
8. State Restricted Fund Adjustment. The Governor reduced appropriations to various State Restricted funds to align with current revenue projections. The reductions were not replaced with other fund sources resulting in a gross appropriation reduction.	(300,200)
9. Local Revenue Removal. The Governor removed Local District Service Fee revenue from the Department, because the fund has not generated revenue in 10 budget cycles. The reduction was not replaced with another fund source resulting in a gross appropriation reduction.	(11,700)
10. Economic Adjustments. Includes \$1,506,300 Gross and \$455,300 GF/GP for total economic adjustments, of which an estimated \$166,200 Gross and \$39,600 GF/GP is for legacy retirement costs (pension and retiree health).	1,506,300
<hr/>	
Total Changes.....	\$4,926,100
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FY 2018-19 Governor's Recommendation.....	\$357,107,300
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Boilerplate Changes from FY 2017-18 Year-to-Date:

1. **Deleted Reports.** The Governor deleted a number of sections related to reporting/notification requirements, which include: 223 (retention of all reports), 227 (responding to requests from the Legislature and report due dates within 30 days), 229 (notification when entering in contracts above \$1.0 million or amendments to Federal accountability plans), 230 (nonpublic school mandate report), 325 (notification of grants received), and 1001 (child care provider report).
2. **Other Deleted Sections.** The Governor deleted a number of other sections, which include: 222 (protects employees who testify to the Legislature), 302 (State Board travel expenditure cap), 803 (legislative intent to keep the Library of Michigan whole), 1002 (increase the Child Development and Care hourly reimbursement rate), 1004 (\$1.0 million for the TEACH scholarship program), 1005 (LARA funding requirements), 1009 (increased the Child Development and Care threshold to 130% of the Federal Poverty Level), 1021 (ACT contract renegotiations), and 1101 (Drinking Water Declaration of Emergency, CDC pilot program).
3. **Special Education Funding Modification.** The Governor modified the special education requirements to include a cap of \$100,000 for distributing informational materials to parents or guardians of students with disabilities and removed the requirement for annual training of mediators with information of Federal and State mandated protections of students with disabilities, the Federal Individuals with Disabilities Education Act, and Michigan Administrative Rules and Codes for special education program. (Sec. 350)
4. **New Early Literacy Implementation Section.** The Governor included a new section that was transferred from the School Aid Act that corresponds to the \$1.0 million transferred from the School Aid Act to School Support Services. The section requires that up to \$1.0 million in School Support Services be used to implement early literacy programs funded in School Aid Section 35a. (Sec. 601)
5. **Technical Modifications.** The Governor made a number of modifications that include date changes, spending changes to reflect Part 1 appropriations, legacy cost estimations, and standardized section language. (Sec. 201, 203, 212, 214, 225, 226, 407, 701, 804, 1007)

Date Completed: 2-14-18

Fiscal Analyst: Cory Savino

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberation.



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Senate Bill 854 (as introduced)
 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2017-18 YEAR-TO-DATE*	FY 2018-19 GOV.'S REC.	CHANGES FROM FY 2017-18 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	1,246.0	1,257.0	11.0	0.9
GROSS	551,505,200	494,588,000	(56,917,200)	(10.3)
Less:				
Interdepartmental Grants Received	3,100,500	3,143,700	43,200	1.4
ADJUSTED GROSS	548,404,700	491,444,300	(56,960,400)	(10.4)
Less:				
Federal Funds	170,042,600	160,225,400	(9,817,200)	(5.8)
Local and Private	555,300	1,061,700	506,400	91.2
TOTAL STATE SPENDING	377,806,800	330,157,200	(47,649,600)	(12.6)
Less:				
Other State Restricted Funds	314,725,300	283,210,700	(31,514,600)	(10.0)
GENERAL FUND/GENERAL PURPOSE	63,081,500	46,946,500	(16,135,000)	(25.6)
PAYMENTS TO LOCALS	4,531,000	24,581,000	20,050,000	442.5

*As of February 7, 2018.

FY 2017-18 Year-to-Date Gross Appropriation	\$551,505,200
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Changes from FY 2017-18 Year-to-Date:

- Clean Environment Initiative.** The Governor proposed an increase in solid waste disposal fees, commonly referred to as 'tipping fees' from 12 cents per cubic yard (approximately 36 cents per ton, on average) to \$4.75 per ton. This increased fee would generate about \$79.0 million in total, an increase of about \$73.9 million over the \$5.1 million that the tipping fees currently generate for the existing solid waste management program. In total, fee revenue would be used for the following: \$45.0 million for environmental cleanup and brownfield redevelopment (20.0 new FTEs), \$15.0 million for recycling grants, \$5.0 million for water quality monitoring (3.0 new FTEs), \$5.0 million for State park infrastructure improvements, \$1.5 million for asbestos disposal oversight and landfill gas monitoring (7.0 new FTEs), \$1.5 million for materials management planning with local governments (8.0 new FTEs), and \$6.0 million would be used to continue the current solid waste management program. 73,885,400
- Oil, Gas, and Mineral Services.** The Governor included GF/GP funds for the operation of the Office of Oil, Gas, and Mineral Services. In the past the Office had been funded primarily through the Oil and Gas Regulatory Fund, which receives revenue based on the gross cash value of oil and gas produced in Michigan. Due to low prices in the last few years, the Fund has not had sufficient revenue to support the operations of the Office. In FY 2017-18 \$4.0 million GF/GP was included as a one-time measure to fund the Office. Since prices have remained low the Governor proposed retaining this GF/GP on an ongoing basis. 0

3. Aquifer Dispute Resolution. The Governor included a reappropriation of lapsed funds from the Aquifer Protection Revolving Fund that was created through Public Act 305 of 2012. These funds have been used to support dispute resolutions between small and large well owners when it is believed the larger well's withdrawals are affecting the smaller well's ability to access water. Unused funds had been carried forward as a work project through FY 2016-17, but that authority has since expired.	524,000
4. Stormwater, Asset Management, and Wastewater (SAW) Grants and Loans. The Governor removed appropriations for these grants. The grants were capitalized with \$450.0 million in bond proceeds from the Great Lakes Protection Bond (Proposal 2 of 2002), and all available funds have been awarded.	(62,000,000)
5. Clean Michigan Initiative (CMI) - Contaminated Sediments. The Governor removed the remaining CMI - Contaminated Sediment appropriations as these funds have all been either spent or encumbered for existing projects.	(1,565,000)
6. Wetland Mitigation Banking. Statute allows for up to \$10.0 million from the Great Lakes Protection Bond to be allocated to the establishment of wetland mitigation banks. So far, \$9.0 million has been appropriated for that purpose so the Governor reduced this item to appropriate the remaining \$1.0 million.	(2,000,000)
7. Volkswagen Diesel Emissions Mitigation Trust. The Governor included an appropriation to reflect private funds the DEQ has received to administer benefits to customers affected by the Volkswagen diesel emissions settlement. The settlement funds themselves will not pass through the DEQ; DEQ will act only as an administrator for the Trust.	506,600
8. Office of the Great Lakes. The Governor's Recommendation reflects Executive Order 2017-9, which transferred the Office of the Great Lakes from the Department of Environmental Quality to the DNR. 23.0 FTEs and related funding was included in the transfer.	(11,743,600)
9. Rent Adjustment. The Governor included additional funds to reflect increased private rent costs at certain DEQ facilities.	17,600
10. Remove FY 2017-18 Supplementals and Contingency Fund Transfers.	(42,737,500)
11. Remove FY 2017-18 One-Time Appropriations.	(14,900,000)
12. Economic Adjustments. Includes \$3,095,300 Gross and \$615,900 GF/GP for total economic adjustments, of which an estimated \$1,348,400 Gross and \$128,800 GF/GP is for legacy retirement costs (pension and retiree health).	3,095,300
Total Changes	(\$56,917,200)
FY 2018-19 Governor's Recommendation	\$494,588,000

Boilerplate Changes from FY 2017-18 Year-to-Date:

1. **Communication with the Legislature.** The Governor removed a prohibition against taking disciplinary action against Department employees who communicate with the Legislature. (Sec. 220)
2. **Rule Promulgation - Small Business Impact.** The Governor removed a prohibition against the promulgation of rules that would have a disproportionate impact on small businesses. (Sec. 221)
3. **Refined Petroleum Fund (RPF) Repayment.** The Governor removed a statement of legislative intent that the \$70.0 million transferred to the Environmental Protection Fund from the Refined Petroleum Fund in FY 2006-07 be repaid. (Sec. 305)
4. **Refined Petroleum Fund - Corrective Action Reimbursement.** The Governor removed a section that allows up to \$36.0 million from the RPF to be used to reimburse owners and operators of underground storage tanks who have taken corrective actions, but who are not eligible for reimbursement under the Underground Storage Tank Authority. (Sec. 314)

5. **CMI - Contaminated Sediments.** The Governor removed work project language for this program as it has no funding remaining. (Sec. 407)
6. **CMI Earmark - Allied Paper Superfund Site.** The Governor removed a boilerplate earmark for \$150,000 from CMI - Contaminated Sediments funds for an engineering study at the Allied Paper Superfund site. (Sec. 411)
7. **Aquifer Protection - Work Project.** The Governor included a new section that would allow unexpended funds for aquifer protection to be carried forward into subsequent fiscal years as a work project. (Sec. 6-412)
8. **Stormwater, Asset Management, and Wastewater (SAW) Grant Report.** The Governor removed a report containing a summary of all completed asset management plans that received a SAW grant. The section also requires a local unit of government receiving a SAW grant to make its asset management plan available to the Department upon request.

Date Completed: 2-12-18

Fiscal Analyst: Josh Sefton

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberation.



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Senate Bill 855 (as introduced)
 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2017-18 YEAR-TO-DATE*	FY 2018-19 GOV.'S REC.	CHANGES FROM FY 2017-18 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	79.2	79.2	0.0	0.0
GROSS	6,848,500	6,980,100	131,600	1.9
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS	6,848,500	6,980,100	131,600	1.9
Less:				
Federal Funds	0	0	0	0.0
Local and Private	0	0	0	0.0
TOTAL STATE SPENDING	6,848,500	6,980,100	131,600	1.9
Less:				
Other State Restricted Funds	0	0	0	0.0
GENERAL FUND/GENERAL PURPOSE	6,848,500	6,980,100	131,600	1.9
PAYMENTS TO LOCALS	0	0	0	0.0

*As of February 7, 2018.

FY 2017-18 Year-to-Date Gross Appropriation	\$6,848,500
Changes from FY 2017-18 Year-to-Date:	
1. Executive Office Operations. Governor recommended a 2.0% overall increase for Executive Operations.	105,400
2. Unclassified Salaries. Increased GF/GP funding by \$26,200 for total funding of \$1,333,500 for FY 2018-19.	26,200
Total Changes	\$131,600
FY 2018-19 Governor's Recommendation	\$6,980,100

Boilerplate Changes from FY 2017-18 Year-to-Date:

1. There is no boilerplate for the Executive Office.

Date Completed: 2-14-18

Fiscal Analyst: Joe Carrasco, Jr.

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberation.



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Senate Bill 856 (as introduced)
 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2017-18 YEAR-TO-DATE*	FY 2018-19 GOV.'S REC.	CHANGES FROM FY 2017-18 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	15,620.5	15,612.7	(7.8)	(0.0)
GROSS	25,509,303,800	25,240,354,300	(268,949,500)	(1.1)
Less:				
Interdepartmental Grants Received	13,640,900	13,813,700	172,800	1.3
ADJUSTED GROSS	25,495,662,900	25,226,540,600	(269,122,300)	(1.1)
Less:				
Federal Funds	18,406,770,700	17,955,593,700	(451,177,000)	(2.5)
Local and Private	266,421,000	271,522,800	5,101,800	1.9
TOTAL STATE SPENDING	6,822,471,200	6,999,424,100	176,952,900	2.6
Less:				
Other State Restricted Funds	2,441,939,800	2,456,898,500	14,958,700	0.6
GENERAL FUND/GENERAL PURPOSE	4,380,531,400	4,542,525,600	161,994,200	3.7
PAYMENTS TO LOCALS	1,360,064,000	1,466,684,500	106,620,500	7.8

*As of February 7, 2018.

FY 2017-18 Year-to-Date Gross Appropriation	\$25,509,303,800
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Changes from FY 2017-18 Year-to-Date:

- 1. Medicaid and Related Match Rates.** Governor reflected drops in traditional Medicaid match rate to 64.45%, Title XXI match rate to 98.12%, and expansion Medicaid match rate to 93.0% effective January 1, 2019. Total cost increase \$71.5 million GF/GP. 0
- 2. Other Fund Source Adjustments.** Governor reflected many fund source shifts, including \$60.0 million reduction in available Health Insurance Claims Assessment revenue, \$2.0 million more tobacco settlement revenue, \$14.3 million less Healthy Michigan Fund revenue, \$38.3 million more Medicaid Benefits Trust Fund revenue, and a shift in cost allocation saving \$14.0 million in Medicaid. Total impact is a \$22.5 million GF/GP increase. 0
- 3. Changes in Federal Grants.** Budget reflected changes in Federal grants including a \$48.2 million reduction due to expiration of Federal electronic health records funding. (43,194,400)
- 4. Medicaid Actuarial Soundness Adjustments.** Budget reflected a 1.5% increase for physical health Medicaid and a 2.0% increase for behavioral health. Net cost \$38.7 million GF/GP. 140,080,000
- 5. Adjustments to Special Medicaid Payments.** Budget included adjustments to special Medicaid payments made to hospitals and physicians to reflect maximum allowable expenditures in FY 2018-19. (12,556,800)

<p>6. Hospital Rate Adjustor (HRA) Payment Changes. New Federal regulations forced a shift in allowable HRA payments. Governor's budget reflects an increase in the hospital provider assessment used to provide a net increase in reconfigured HRA payments, with resulting State gainsharing. The rural and sole community hospital pool and the obstetrics hospital pool would no longer be eligible for Federal match. The lost match on the obstetrics pool would be replaced with \$7.0 million in GF/GP. Net GF/GP savings due to the gainshare would be \$16.4 million.</p>	<p>101,395,700</p>
<p>7. Healthy Michigan Plan (HMP) Base and Caseload. Governor adjusted HMP lines to reflect estimated expenditures in FY 2018-19. Savings of \$9.9 million GF/GP.</p>	<p>(192,756,100)</p>
<p>8. Traditional Medicaid Base and Caseload. Governor adjusted Medicaid physical and behavioral health lines to reflect slight increase in costs. Net cost of \$15.8 million GF/GP.</p>	<p>43,577,200</p>
<p>9. Autism Services Base and Caseload. Governor included a near doubling of funding over the original FY 2017-18 level for these services due to significant growth in demand for services. Net cost of \$33.7 million GF/GP.</p>	<p>94,744,100</p>
<p>10. Food Assistance Base and Caseload. Budget reflected a rebasing of this 100% Federal line to expected expenditure levels.</p>	<p>(415,110,400)</p>
<p>11. Children's Services Base and Caseload. Governor included a net increase in funding, largely tied to a projected \$36.5 million Gross increase in the foster care line. Net increase of \$30.2 million GF/GP.</p>	<p>40,341,900</p>
<p>12. Public Assistance Programs Base and Caseload. Governor included minor caseload adjustments for cash welfare programs, including fund source adjustments. Net savings of \$6.9 million GF/GP.</p>	<p>(2,957,000)</p>
<p>13. Program Enhancements and Expenditure Increases. Budget included funding for increased GME payments, migration of cases from HMP to the health exchanges, funding to combat new public health threats, and a \$2 per person per month increase in the cash welfare grant. Total cost \$9.2 million GF/GP.</p>	<p>33,030,300</p>
<p>14. Program Reductions and Savings Initiatives. Governor proposed eliminating numerous legislative items including county hold harmless funding, dental clinics funding, and increased kidney foundation funding. Governor also included a Medicaid pharmacy savings proposal and a reduction in mental health and wellness commission programming. Net savings of \$38.4 million GF/GP</p>	<p>(51,067,400)</p>
<p>15. One-Time Funding Adjustments. Budget reflected a reduction in one-time Flint funding and an increase in multicultural and autism navigator funding. Net reduction of \$1.3 million GF/GP.</p>	<p>(25,137,500)</p>
<p>16. Other Changes. Other changes, in particular adjustments to reflect actual available non-GF revenue, resulted in a reduction in spending of \$5.9 million GF/GP.</p>	<p>(12,116,600)</p>
<p>17. Economic Adjustments. Includes \$32,777,500 Gross and \$16,728,600 GF/GP for total economic adjustments, of which an estimated \$4,261,800 Gross and \$2,185,400 GF/GP is for legacy retirement costs (pension and retiree health).</p>	<p>32,777,500</p>
<p>Total Changes.....</p>	<p>(\$268,949,500)</p>
<p>FY 2018-19 Governor's Recommendation.....</p>	<p>\$25,240,354,300</p>

Boilerplate Changes from FY 2017-18 Year-to-Date:

1. **Deletions.** Governor eliminated the following sections from current year boilerplate: 222, 264, 289, 291, 299, 526, 531, 532, 537, 558, 559, 590, 603, 625, 650, 651, 721, 805, 908, 912, 916, 943, 950, 994, 1101, 1012, 1057, 1060, 1146, 1147, 1228, 1229, 1350, 1502, 1503, 1508, 1645, 1706, 1790, 1812, 1851, 1856, 1875, 1876, 1882, 1908, 1910, 1911, 1913, 1914, 1915, and 2001.

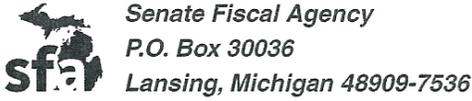
2. **Legacy Costs.** Governor modified language to specify legacy costs for FY 2018-2019 to include \$168.4 million for pension-related costs and \$196.9 million for retiree health care costs. (Sec. 214)
3. **Policy Notifications.** Governor did not include language which requires report that lists the changes that are made annually to the policy and procedures manual. (Sec. 222)
4. **Interest Charges on Late Payments.** Governor included new language to allow the Department to charge interest up to 1% per month on any unpaid payment balance until the payment plus any accrued interest is received. (Sec. 228)
5. **Communication with Department Staff.** Governor did not include language which prohibits the Department from punishing an employee for communicating with a member of the Legislature or their staff. (Sec. 264)
6. **Department Employee Legal Fees.** Governor included new language requiring the Department be responsible for any necessary and reasonable attorney fees incurred by private and independent legal counsel for current and former employees in defense of the Department in relation to the Flint municipal water system. (Sec. 296)
7. **Behavioral Health Integration Pilots.** Governor modified language directing the implementation of pilots that integrate Medicaid behavioral and physical health to reflect the completion of some objectives. Governor removed the subsections that require the Department to contract with a project facilitator to develop performance metrics and provide oversight and implementation functions, work to fully implement all pilots by March 1, 2018, states legislative intent about the purpose of the pilots, appropriates funding to support the implementation of the pilot and requires the Department to provide the spending plans by December 1, and requires a report by November 1 on the time frame for implementation and any barriers to implementation. (Sec. 298)
8. **Requests for Proposal, Information, and Qualification.** Governor removed language requiring the Department to consider issuing a request for information or qualification before issuing a request for proposal in excess of \$5.0 million. (Sec. 299)
9. **Private Agency Per Diem Rates and County Hold Harmless.** Governor modified and removed sections that support the Department covering the county's share of a \$46.20 per diem rate paid to child placing agencies. (Sec. 546 and 589)
10. **Foster Care Licensure and Services.** Governor modified language which provides incentive payments to child placing agencies to obtain licensure for unlicensed foster care providers. The funds available to support this effort were reduced from \$3,500,000.00 to \$2,500,000.00 and the rates paid to the agencies were reduced in concert. (Sec. 574)
11. **Partial Child Care Fund Reimbursements.** Governor includes new section that allows for the Department to pay partial reimbursements to counties for their undisputed billings. (Sec. 595)
12. **Heat and Eat Program.** Governor retains language supporting a \$20.01 annual standard utility allowance, but removed language that allocated \$6,766,800.00 in Federal funding to support the Heat and Eat program. (Sec. 688)
13. **CMHSP and Substance Use Disorder Data Reporting.** Governor combined reporting requirements on substance use disorder, prevention, education and treatment programs with other reporting requirements by CMHSPs. Deleted previous year section pertaining to substance use disorder programs. (Sec. 904 and 908)
14. **Deemed Status for CMHSPs, PIHPs, and Subcontractors.** Governor removed language directing the Department to seek federal approval to deem CMHSPs, PIHPs, and subcontractors that have been accredited by a national agency to be in compliance with program review and audit requirements. (Sec. 994)
15. **Spenddown Report.** Governor removed language requiring a report addressing the challenges of meeting spenddown requirements. (Sec. 1012)
16. **Caro Regional Mental Health Center.** Governor modified language to allow funds to be spent to support a psychiatric hospital in a different location if the funds are transferred, and removed a statement of legislative intent that any future capital outlay funding be used for planning and construction at the current location. (Sec. 1061)
17. **Guardian and Conservator Charges.** Governor modified language to reduce the amount the Department is allowed to deduct for guardian and conservator charges from \$95 to \$83. (Sec. 1606)
18. **Ambulance QAAP.** Governor removed language stating legislative intent that any restricted funds provided for ambulance provider reimbursements must come from an ambulance QAAP with a narrowly tailored base that excludes other municipal services. (Sec. 1790)

19. **Obstetrical and Newborn Care Lump Sum Payment.** Governor modified language to specify that \$11.0 million shall be used to provide a lump-sum payment to hospitals that qualify for rural hospital access payments for obstetrical care. The payments shall be based on the volume of obstetrical and newborn care cases billed by qualified hospitals using the most recent available data. (Sec. 1802)
20. **Rural Hospital Funding.** Governor modified language to reference the Healthy Michigan Plan line item rather than the Health Plan Services line item in order to reflect new managed care rule distributions. (Sec. 1866)
21. **Protected Class Prescriptions.** Governor removed language prohibiting the Department from subjecting certain prescription drugs to prior authorization procedures. (Sec. 1875)

Date Completed: 2-14-18

Fiscal Analyst: Ellyn Ackerman, Steve Angelotti, and John Maxwell

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberation.



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Senate Bill 857 (as introduced)
Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2017-18 YEAR-TO-DATE*	FY 2018-19 GOV.'S REC.	CHANGES FROM FY 2017-18 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	N/A	N/A	N/A	N/A
GROSS	1,629,224,400	1,658,932,600	29,708,200	1.8
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS	1,629,224,400	1,658,932,600	29,708,200	1.8
Less:				
Federal Funds	111,526,400	113,026,400	1,500,000	1.3
Local and Private	0	0	0	0.0
TOTAL STATE SPENDING	1,517,698,000	1,545,906,200	28,208,200	1.9
Less:				
Other State Restricted Funds	238,443,500	385,688,300	147,244,800	61.8
GENERAL FUND/GENERAL PURPOSE	1,279,254,500	1,160,217,900	(119,036,600)	(9.3)
PAYMENTS TO LOCALS	0	0	0	0.0

*As of February 7, 2018.

FY 2017-18 Year-to-Date Gross Appropriation	\$1,629,224,400
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Changes from FY 2017-18 Year-to-Date:

- 1. University Operations.** The Governor included an overall \$28.6 million School Aid Fund (SAF) (2.0%) increase for university operations. The formula continues performance metrics used in recent years, with a minor modification regarding increased weighting for associate degrees and certificates for the critical skills metric. Half of the funding increase is allocated proportional to FY 2010-11 (across-the-board). Prerequisites for receiving performance funding are continued. Tuition restraint is set at the greater of 3.8% or \$490 (FY 2017-18 tuition restraint was the greater of 3.8% or \$475). Table 1 provides details of formula allocations. 28,566,800
- 2. Funding Shift.** The Governor shifted \$120.0 million in funding for university operations from the State General Fund to the SAF. This results in a total SAF appropriation of \$385.6 million. 0
- 3. Competitive Scholarships.** Public Act 208 of 1964 established State competitive scholarships. Undergraduate students at Michigan two-year and four-year, public and private institutions are eligible for up to 10 semesters if they have financial need and a qualifying ACT score. The Governor recommended increasing funding by \$6.0 million Federal Temporary Assistance for Needy Families (TANF) (22.8%), from \$26,361,700 to \$32,361,700, offset by a \$6.0 million reduction to the Tuition Grant Program (see item #4 below). These adjustments are recommended based on eligible students and fully funding the grant award amounts set in the State School Aid Act (Sections 251 and 252). The Governor is recommending the same adjustment in an FY 2017-18 Supplemental (DTMB Supplemental Request 2018-5). 6,000,000

- 4. Tuition Grants. Public Act 313 of 1966 established Tuition Grants.** Undergraduate students at Michigan private institutions are eligible for up to 10 semesters, if they have financial need. The Governor recommended decreasing funding by \$6.0 million TANF, from \$38,021,500 to \$32,021,500, based on enrollments and projected amounts needed to fund the grant award amount set in the State School Aid Act. The Governor is recommending the same adjustment in an FY 2017-18 Supplemental (DTMB Supplemental Request 2018-5).

(6,000,000)
- 5. Tuition Incentive Program (TIP).** The TIP is a financial aid program targeted toward low-income middle school and high school students. It was established in FY 1986-87 through language in the Department of Social Services appropriation bill and was transferred to the Higher Education budget in FY 1992-93. The TIP provides an incentive to students to complete high school and go on to college by pledging to pay their tuition and fees for associate degree or certificate programs (Phase I), as well as up to \$2,000 at a four-year institution (Phase II). Students in grades 6 through 12 who are Michigan Medicaid-eligible for 24 months in a 36-consecutive-month period can qualify for TIP. The Governor increased funding from by \$1.5 million, from 58.3 million to \$59.8 million, funded from TANF.

1,500,000
- 6. MSU AgBioResearch.** MSU AgBioResearch performs agricultural research to promote efficient production, marketing, distribution, and use of farm products. The Governor included a \$678,300 GF/GP (2.0%) increase for MSU AgBioResearch, increasing funding from \$33,913,100 to \$34,591,400.

678,300
- 7. MSU Extension.** MSU Extension identifies and solves farm, home, and community problems through the practical application of research findings. MSU Extension operates Michigan's Expanded Food and Nutrition Education Program (EFNEP), serves as a resource for youth 4-H programs, and provides information on family financial planning. The Governor included a \$585,100 GF/GP (2.0%) increase for MSU Extension, increasing funding from \$29,252,600 to \$29,837,700.

585,100
- 8. Michigan Public School Employees' Retirement System (MPERS).** Adjustments for the seven universities (Central, Eastern, Ferris, Lake Superior, Michigan Tech, Northern, and Western) include a decrease of \$1,572,000 (SAF) based on the rate cap for the UAAL; and a one-time increase of \$250,000 (SAF) due to decreasing the assumed rate of return for the normal cost offset.

(1,322,000)
- 9. North American Indian Tuition Waiver.** Public Act 174 of 1976 provides for free tuition for Michigan resident North American Indians who attend Michigan public community colleges, universities, and certain Federal tribally controlled community colleges. State appropriations in university operation budgets have not kept pace with actual costs. In FY 2016-17, universities absorbed \$6.5 million in waiver costs. The FY 2017-18 budget included a separate appropriation of \$300,000 to partially offset the shortfall in State funding. The Governor eliminated the funding for FY 2018-19.

(300,000)

Total Changes	\$29,708,200
FY 2018-19 Governor's Recommendation	\$1,658,932,600

Boilerplate Changes from FY 2017-18 Year-to-Date:

- 1. **Budget Transparency.** Requires public university to maintain a public transparency website available through a link on its website homepage with specified budget and other information. The Governor removed State Budget Director's authority to determine compliance and withhold funds for noncompliance. (Sec. 245)
- 2. **State Tuition Grant Program.** Provides that grants for the State Tuition Grant Program shall be distributed pursuant to 1966 PA 313 and includes other criteria. The Department of Treasury determines an actual maximum state tuition grant award per student, which shall not be less than \$2,000. The section also provides that not more than \$3.2 million in tuition grants shall be awarded to eligible students enrolled in the same independent nonprofit institution. The Governor increased the per student award stated in this section from \$2,000 to \$2,100; removed the provision that limited duration of grants to ten years after eligibility is first determined; eliminated the termination date for use of carry-forward funds; increased the maximum award to students enrolled in the same independent nonprofit college by \$700,000, from \$3.5 million to \$4.2 million; and updated date references. (Sec. 252)

3. **Tuition Incentive Program (TIP).** Provides criteria for the TIP. The Governor modified this section by eliminating the carry-forward authorization for unexpended funds; extending the date for implementation of penalty for reporting requirement noncompliance from FY 2018-19 to FY 2019-20; and updating date references. (Sec. 256)
4. **Tuition Restraint.** The Governor updated the cap for increases in resident undergraduate tuition and fee rates to the greater of 3.8% or \$490 (\$475 in FY 2017-18); eliminated language that states "fee" includes the annual amount a student is charged for coverage by the university-affiliated group health insurance policy; removed provision that stated universities exceeding the cap will not receive planning or construction authorizations for a State funded capital outlay project in the subsequent two fiscal years; removed provision stating that other sanctions may be imposed at any time by the Legislature for universities exceeding tuition cap; and updated date references. (Sec. 265)
5. **Performance Funding.** The Governor eliminated legislative intent statement that, beginning in the next State fiscal year, a university classified as improving is assigned a score of 1; referenced increased weighting for certificates and associate degrees in critical skills metric, eliminated the legislative intent statement to allocate more funding based on performance metrics in future years; and updated date references. (Sec. 265a)
6. **Academic Program Partnerships.** Requires the Michigan Community College Association, the Michigan Association of State Universities, and the Michigan Independent Colleges and Universities, on behalf of their member colleges and universities, to submit a comprehensive report detailing the number of academic program partnerships between public community colleges, public universities, and private colleges and universities. This language was first included with the FY 2016-17 appropriation. It was removed in the FY 2017-18 budget. The Governor is recommending that it be restored for FY 2018-19. (Sec. 265b)
7. **Indian Tuition Waiver.** The Governor removed the legislative intent statement that funds be allocated from the General Fund for unfunded North American Indian tuition waiver costs incurred by public universities. The Governor also removed language regarding the distribution of additional funds appropriated for waiver costs. (Sec. 268 (1)(2))
8. **Yellow Ribbon GI Education Enhancement Program.** Requires universities to meet the provisions of section 5003 of the post-9/11 veterans educational assistance act of 2008, 38 USC 3301 to 3327, including voluntary participation in the Yellow Ribbon GI Education Enhancement Program established in that act in 38 USC 3317. Requires reporting to Higher Education Subcommittees, fiscal agencies, and the Michigan Association of State Universities on whether or not it has chosen to participate in the Yellow Ribbon GI Education Enhancement Program. Requires establishment of an on-campus veterans' liaison to provide information and assistance to all student veterans, flexible enrollment deadlines for veterans and admission application process that includes a specific question as to whether an applicant for admission is a veteran, an active member of the military, a member of the National Guard or military reserves, or the spouse or dependent of a veteran, active member of the military, or member of the National Guard or military reserves, in order to more quickly identify potential educational assistance available to that applicant. Also requires universities to consider all veterans residents of this state for determining their tuition rates and fees, waive enrollment fees for all veterans, and report by October 1 of each year, regarding services provided specifically to veterans and active military duty personnel. The Governor removed this section. (Sec. 275)
9. **Higher Education Institutional Data Inventory (HEIDI) Audit.** The Governor recommended changing the frequency that the Auditor General is required to audit data submitted by universities from "periodically" to "not less than every four years." (Sec. 289)
10. **Repealed Provisions.** The Governor removed the following sections: Intent regarding appropriations for the next fiscal year (Sec. 236a); provision stating the acceptance and use of Federal or private funds does not place an obligation upon the Legislature to continue the purposes for which the funds are made available (portion of Sec. 242); intent regarding protection/preservation of U of M Douglas Lake Biological Station (Sec. 261); discouraged instruction activity (Sec. 271a); and human embryonic stem cell research report. (Sec. 274)

Date Completed: 2-12-18

Fiscal Analyst: Bill Bowerman

Table 1: FY 2018-19 HIGHER EDUCATION APPROPRIATIONS: GOVERNOR'S RECOMMENDATION

University	FY 2017-18 Year-To-Date Appropriation	Formula Adjustments					Total Formula Distribution	Other Changes	FY 2018-19 Gov. Rec.	Dollar Change From FY 2017-18	Percent Change	Appropriation Per FYES
		Proportional to FY 2010-11	Critical Skills	Research & Development	Metrics based on Carnegie Peers							
Central	\$85,654,400	\$805,831	\$145,914	\$15,721	\$791,249	\$1,758,700		\$87,413,100	\$1,758,700	2.1%	\$4,327	
Eastern	75,169,900	764,542	166,606	5,118	870,986	1,807,300		76,977,200	1,807,300	2.4	4,602	
Ferris	53,595,500	488,929	273,556	0	617,870	1,380,400		54,975,900	1,380,400	2.6	4,724	
Grand Valley	70,100,100	623,253	246,801	0	1,083,375	1,953,400		72,053,500	1,953,400	2.8	3,150	
Lake Superior	13,775,000	127,657	33,947	0	51,786	213,400		13,988,400	213,400	1.5	7,248	
Michigan State	281,239,100	2,852,821	576,106	369,240	1,231,666	5,029,800		286,268,900	5,029,800	1.8	6,230	
Michigan Tech	49,052,200	481,940	164,009	62,637	187,141	895,700		49,947,900	895,700	1.8	7,510	
Northern	47,137,400	453,944	106,260	0	306,972	867,200		48,004,600	867,200	1.8	6,966	
Oakland	51,235,900	510,470	239,430	13,313	816,981	1,580,200		52,816,100	1,580,200	3.1	2,957	
Saginaw Valley	29,766,100	278,767	87,832	0	394,140	760,700		30,526,800	760,700	2.6	3,867	
UM-Ann Arbor	314,589,100	3,180,347	561,008	905,443	1,539,429	6,186,200		320,775,300	6,186,200	2.0	7,014	
UM-Dearborn	25,421,900	248,654	85,501	0	314,672	648,800		26,070,700	648,800	2.6	3,776	
UM-Flint	23,061,800	210,156	108,259	0	203,840	522,300		23,584,100	522,300	2.3	3,662	
Wayne State	199,169,800	2,153,770	170,603	191,499	675,324	3,191,200		202,361,000	3,191,200	1.6	8,990	
Western	109,376,800	1,102,321	208,258	24,074	436,835	1,771,500		111,148,300	1,771,500	1.6	5,698	
Subtotal University Operations:	\$1,428,345,000	\$14,283,400	\$3,174,090	\$1,587,044	\$9,522,267	\$28,566,800	\$0	\$1,456,911,800	\$28,566,800	2.0%	\$5,610	
MPERSERS Reimbursement	\$6,705,000						(\$1,572,000)	\$5,133,000	(\$1,572,000)	(23.4%)		
MSU AgBioResearch	33,913,100						678,300	34,591,400	678,300	2.0		
MSU Extension	29,252,600						585,100	29,837,700	585,100	2.0		
Higher Education Database	200,000						0	200,000	0	0.0		
Midwest Higher Ed. Compact	115,000						0	115,000	0	0.0		
King-Chavez-Parks	2,691,500						0	2,691,500	0	0.0		
MPERSERS Normal Cost Hold Harmless (one-time)	419,000						250,000	669,000	250,000	59.7		
Total Universities	\$1,501,641,200	\$14,283,400	\$3,174,090	\$1,587,044	\$9,522,267	\$28,566,800	(\$58,600)	\$1,530,149,400	\$28,508,200	1.9%		
School Aid Fund	238,343,500	14,283,400	3,174,090	1,587,044	9,522,267	28,566,800	118,678,000	385,588,300	147,244,800	61.8		
State GF/GP	\$1,263,297,700	\$0	\$0	\$0	\$0	\$0	(\$118,736,600)	\$1,144,561,100	(\$118,736,600)	(9.4%)		
Grants and Financial Aid												
State Competitive Scholarships	\$26,361,700						\$6,000,000	\$32,361,700	\$6,000,000	22.8%		
Tuition Grants	38,021,500						(6,000,000)	32,021,500	(6,000,000)	(15.8)		
Tuition Incentive Program (TIP)	58,300,000						1,500,000	59,800,000	1,500,000	2.6		
Children of Veterans & Officer's Tuition	1,400,000						0	1,400,000	0	0.0		
Project Gear-Up	3,200,000						0	3,200,000	0	0.0		
North American Indian Tuition Waiver	300,000						(300,000)	0	(300,000)	(100.0)		
Total Grants/Financial Aid	\$127,583,200						\$1,200,000	\$128,783,200	\$1,200,000	0.9%		
Federal Higher Ed Act	3,200,000						0	3,200,000	0	0.0		
Federal TANF	108,326,400						1,500,000	109,826,400	1,500,000	1.4		
Veterans Tax Check-off	100,000						0	100,000	0	0.0		
State GF/GP	\$15,956,800	\$0	\$0	\$0	\$0	\$0	(\$300,000)	\$15,656,800	(\$300,000)	(1.9)		
TOTAL HIGHER EDUCATION												
TOTAL ALL FUNDS	\$1,629,224,400	\$14,283,400	\$3,174,090	\$1,587,044	\$9,522,267	\$28,566,800	\$1,141,400	\$1,658,932,600	\$29,708,200	1.8%		
TOTAL FEDERAL	111,526,400	0	0	0	0	0	1,500,000	113,026,400	1,500,000	1.3		
TOTAL STATE RESTRICTED	238,443,500	14,283,400	3,174,090	1,587,044	9,522,267	28,566,800	118,678,000	385,688,300	147,244,800	61.8		
TOTAL STATE GF/GP	\$1,279,254,500	\$0	\$0	\$0	\$0	\$0	(\$119,036,600)	\$1,160,217,900	(\$119,036,600)	(9.3%)		



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BILL ANALYSIS



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Senate Bill 858 (as introduced)
 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2017-18 YEAR-TO-DATE*	FY 2018-19 GOV.'S REC.	CHANGES FROM FY 2017-18 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	336.5	336.5	0.0	0.0
GROSS	66,741,400	67,571,900	830,500	1.2
Less:				
Interdepartmental Grants Received	707,600	713,800	6,200	0.9
ADJUSTED GROSS	66,033,800	66,858,100	824,300	1.2
Less:				
Federal Funds	2,014,700	2,017,300	2,600	0.1
Local and Private	0	0	0	0.0
TOTAL STATE SPENDING	64,019,100	64,840,800	821,700	1.3
Less:				
Other State Restricted Funds	63,869,100	64,690,800	821,700	1.3
GENERAL FUND/GENERAL PURPOSE	150,000	150,000	0	0.0
PAYMENTS TO LOCALS	0	0	0	0.0

*As of February 7, 2018.

FY 2017-18 Year-to-Date Gross Appropriation	\$66,741,400
Changes from FY 2017-18 Year-to-Date:	
1. Economic Adjustments. Includes \$830,500 Gross and \$0.0 GF/GP for total economic adjustments, of which an estimated negative \$38,200 Gross and negative \$100 GF/GP is for legacy retirement costs (pension and retiree health).	830,500
Total Changes	\$830,500
FY 2018-19 Governor's Recommendation	\$67,571,900

Boilerplate Changes from FY 2017-18 Year-to-Date:

- Definitions.** The Governor modified this section to remove the definitions for "LARA", "MBLSLA fund", and "Subcommittees".
- Out-of-State Travel Report.** The Governor replaced this report with a less detailed version consistent with the report found in most other Department budget bills. The replacement version removed certain travel limitations. (Sec. 207)
- Contingency Funds.** The Governor added a limitation for the use of contingency funds, requiring that they be transferred pursuant to section 393(2) of the Management and Budget Act, 1984 PA 431, MCL 18.1393, prior to use. (Sec. 210).
- Communication with the Legislature.** The Governor removed a section prohibiting the Department from taking disciplinary action against employees who communicate with the Legislature. (Sec. 218)
- TV or Radio Productions.** The Governor removed a section prohibiting the Department from producing radio or TV productions. (Sec. 219)

6. **Healthy Michigan Plan - Accounting.** The Governor removed a section requiring the Department to notify the State Budget Office and fiscal agencies of any changes to the existing accounting structure for costs associated with Healthy Michigan. (Sec. 220)
7. **Healthy Michigan Reporting.** The Governor removed a section that limited GF/GP expenditures regarding the Healthy Michigan Plan to meeting reporting requirements. The section was not applicable as the budget recommendation included no GF/GP funds. (Sec. 221)
8. **Health Insurance Rate Filings Report.** The Governor removed a section requiring the Department to report annual rate filings to the Legislature. (Sec. 301)

Date Completed: 2-14-18

Fiscal Analyst: Michael Siracuse



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Senate Bill 859 (as introduced)
 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2017-18 YEAR-TO-DATE*	FY 2018-19 GOV.'S REC.	CHANGES FROM FY 2017-18 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	501.0	490.0	(11.0)	(2.2)
GROSS	300,043,000	301,783,300	1,740,300	0.6
Less:				
Interdepartmental Grants Received	1,550,600	1,551,300	700	0.0
ADJUSTED GROSS	298,492,400	300,232,000	1,739,600	0.6
Less:				
Federal Funds	6,464,100	5,987,400	(476,700)	(7.4)
Local and Private	6,924,900	7,581,400	656,500	9.5
TOTAL STATE SPENDING	285,103,400	286,663,200	1,559,800	0.5
Less:				
Other State Restricted Funds	92,529,000	92,879,500	350,500	0.4
GENERAL FUND/GENERAL PURPOSE	192,574,400	193,783,700	1,209,300	0.6
PAYMENTS TO LOCALS	147,230,400	147,443,700	213,300	0.1

*As of February 7, 2018.

FY 2017-18 Year-to-Date Gross Appropriation	\$300,043,000
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Changes from FY 2017-18 Year-to-Date:

- 1. New Circuit Court Judge Positions.** The Governor's recommendation included funding for two new circuit court judge positions as per PAs 56 & 57 of 2014; one in Oakland County and one in Macomb County. 255,300
- 2. GF Replacement with Court Fee Fund.** The recommendation includes the replacement of \$500,000 of General Fund dollars with increased revenue from the Court Fee Fund in the Justices' and Judges' Compensation section. 0
- 3. Court of Claims Funding Shift.** The recommendation includes moving administration of the Court of Claims from the State Court Administrative Office line item in Section 102 to the Court of Appeals Operations line item in Section 103. 0
- 4. One-Time Funding removals.** The recommendation included the removal of one-time funding for compliance with *Montgomery v Louisiana* (\$700,000) (11 FTEs), the FY 2017-18 expansion of problem solving courts (\$219,300), and pretrial risk assessment (\$300,000). (1,219,300)
- 5. Swift and Sure Reduction.** The recommendation includes nearly a 4% reduction to the Swift and Sure Sanctions Program. FY 2018-19 funding recommended at \$3,654,200. (154,000)
- 6. Other Changes.** The recommendation includes other service baseline adjustments to align spending authorization with expected revenues (\$190,900) and increased rent for the Court of Appeals Troy office (\$23,000). (167,300)
- 7. Economic Adjustments.** Includes \$3,025,600 Gross and \$2,816,800 GF/GP for total economic adjustments, of which an estimated \$164,400 Gross and \$106,100 GF/GP is for legacy retirement costs (pension and retiree health). 3,025,600

Total Changes.....	\$1,740,300
FY 2018-19 Governor's Recommendation.....	\$301,783,300

Boilerplate Changes from FY 2017-18 Year-to-Date:

1. **Management and Budget Act.** The Governor removed subsection 2, which required expenditures or transfers be approved by an authorized judicial agent. (Sec. 202)
2. **Definitions.** The Governor's recommendation removed boilerplate definitions for the following terms: "DOJ", "DOT", "HHS", "SADO", "Title IV-D", and "Title IV-E". (Sec. 203)
3. **Legacy Costs.** The Governor amended a section to update the anticipated legacy costs for FY 2018-19. (Sec. 214)
4. **Communications with the Legislature.** The Governor removed a section prohibiting disciplinary action against judicial employees who communicate with the legislature. (Sec. 215)
5. **Foster Care.** The Governor removed sections that required a judge to get input from foster parents during a foster care case and explain on the record any changes to a foster care family service plan. (Secs. 216 & 217)
6. **Evaluation of DHHS and TED Programs for Swift and Sure participants.** The Governor removed a section requiring the state court administrative office to evaluate DHHS and TED programs available for Swift and Sure participants and to provide guidance to courts participating in Swift and Sure. (Sec. 218)
7. **Retention of Reports.** The Governor removed a section requiring the Judicial Branch to retain copies of all reports funded from appropriations in Part 1. (Sec. 219)
8. **Judicial Data Warehouse.** The Governor amended a section regarding the public availability of data in the Judicial Data Warehouse. (Sec. 304)
9. **Reporting on Restitution and Court Fees.** The Governor removed a section requiring the state court administrative office to report on collected and uncollected restitution and court fees for counties. (Sec. 306)
10. **Reporting on the Parental Rights Restoration Act.** The Governor removed a section requiring the State court administrative office to report on the implementation of the Parental Rights Restoration Act, 1990 PA 211. (Sec. 312)
11. **Pretrial Risk Assessment Tool.** The Recommendation removed a subsection requiring the State Court Administrative Office to report on plans to pilot the Pretrial Risk Assessment Tool and its implementation timeline. (Sec. 316)
12. **Assignment of State-owned Vehicles.** The Governor amended a section to allow for the permanent assignment of state-owned vehicles to Justices of the Supreme Court. (Sec. 317)
13. **One-Time Appropriations Removals.** The Governor removed one-time appropriation sections for Veterans courts and compliance with *Montgomery v Louisiana*. (Secs. 401 & 402)
14. **Legislative Intent.** The Governor removed a section that expressed legislative intent to provide the same appropriations for FY 2018-19 as in FY 2017-18. (Sec. 1201)

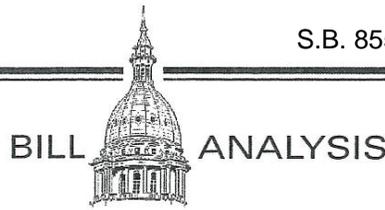
Date Completed: 2-26-18

Fiscal Analyst: Michael Siracuse

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberation.



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Senate Bill 855 (as introduced)
 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2017-18 YEAR-TO-DATE*	FY 2018-19 GOV.'S REC.	CHANGES FROM FY 2017-18 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	0.0	0.0	N/A	N/A
GROSS	179,561,000	182,219,800	2,658,800	1.5
Less:				
Interdepartmental Grants Received	5,709,200	5,823,400	114,200	2.0
ADJUSTED GROSS	173,851,800	176,396,400	2,544,600	1.5
Less:				
Federal Funds	0	0	0	0.0
Local and Private	400,000	400,000	0	0.0
TOTAL STATE SPENDING	173,451,800	175,996,400	2,544,600	1.5
Less:				
Other State Restricted Funds	6,247,100	6,403,100	156,000	2.5
GENERAL FUND/GENERAL PURPOSE	167,204,700	169,593,300	2,388,600	1.4
PAYMENTS TO LOCALS	0	0	0	0.0

*As of February 7, 2018.

FY 2017-18 Year-to-Date Gross Appropriation	\$179,561,000
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- Changes from FY 2017-18 Year-to-Date:**
- 1. Removal of FY 2017-18 One-Time Items.** The Governor did not include one-time funding for FY 2017-18 totaling \$3.0 million (all GF/GP) that funded the upgrade and integration of the legislative computer system (Chamber Automation System). (3,000,000)
 - 2. Legislative Adjustment.** The Governor increased overall funding for the Legislature by a total of 3.0% (excluding one-time funds). The Senate received an increase of \$1.2 million overall while the House received an overall increase of \$1.7 million. The House and Senate Fiscal Agencies received an increase of \$96,900 each. The Legislative Council received an increase of \$449,100 while the Retirement System received an increase of \$140,100. The Binsfeld Office Building received an increase of \$240,900 while the Cora Anderson House Building received increases totaling \$353,100. Finally, the Governor included additional funding of \$226,200 for the State Capitol Historic Site line item (\$133,200 for general operations and \$93,000 for restoration, renewal and maintenance). Funding for the Legislature totals \$157.3 million (\$152.5 million GF/GP) for FY 2018-19. 4,487,700
 - 3. National Association Dues.** Governor decreased the appropriation for the dues paid to national associations of which the State is a member by nearly 50% for total funding in FY 2018-19 of \$224,000. (230,700)
 - 4. Auditor General Adjustment.** Governor recommended a 3.0% overall increase for Auditor General operations. The increase totaled \$651,800 of which \$498,200 is general fund. Funding for the Auditor General totals \$24.9 million (\$17.1 million GF/GP) for FY 2018-19. 651,800

5. One-Time Funding. The Governor included a total of \$750,000 in one-time funding for the upgrade and integration of the legislative computer system (Chamber Automation System).	750,000
Total Changes.....	\$2,658,800
FY 2018-19 Governor's Recommendation.....	\$182,219,800

Boilerplate Changes from FY 2017-18 Year-to-Date:

1. **Boilerplate Structure. Governor:** Moved boilerplate from the FY 2016-17 general sections that applied to all General Government budgets to the Article for the Legislature. Changes to those items can be found in the highlight sheet for the **General Sections**.
2. **Michigan Manual.** Designates as work project appropriation for the Michigan Manual. **Governor:** Rewrites language to comply with the Management and Budget Act. Also states that the purpose of the work project will be the publication of the Michigan Manual and lists the total estimated cost at \$3.0 million and a completion date of September 30, 2023. (Sec. 605)
3. **Property Management.** Designates property management appropriation for the Legislature as work project. Specifies that the funds will be used to purchase equipment and services for building maintenance. Includes an estimated total cost of \$2.0 million and completion date of September 30, 2021. **Governor:** Rewrites language to comply with the Management and Budget Act. Also states that the purpose of the work project will be to purchase equipment and services for building maintenance and lists the total estimated cost at \$2.0 million and a completion date of September 30, 2022. (Sec. 606)
4. **Legislative Automated Processing.** Designates appropriations in Part 1 for automated data processing as work project appropriations. Includes estimated costs of \$2.0 million and tentative completion date of September 30, 2021 **Governor:** Rewrites language to comply with the Management and Budget Act. Also states that the purpose of the work project will be to purchase equipment, software, and services in order to support and implement data processing requirements and technology improvements and lists the total estimated cost at \$3.0 million and a completion date of September 30, 2023. (Sec. 607)
5. **Legacy Cost Estimates.** Total legacy costs are estimated at \$21,252,700. Of the total, Pension-related legacy costs are estimated at \$10,936,800 and retiree health care legacy costs are estimated at \$10,315,900 for fiscal year ending September 30, 2018. **Governor:** Deletes section. (Current Law Sec. 615)
6. **Legislative System IT Upgrade.** Language states that the funds appropriated shall be used for the design, development, and implementation of a legislative computer system. Funds cannot be used without written approval from the Speaker of the House, the Senate Majority Leader, and the Legislative Council Administrator. **Governor:** Rewrites language to comply with the Management and Budget Act. Also states that the purpose of the work project will be for the continued design, development, and implementation of the legislative computer system and lists the total estimated cost at \$12.75 million and a completion date of September 30, 2023. (Sec. 616)

Date Completed: 2-14-18

Fiscal Analyst: Joe Carrasco, Jr.

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberation.



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Senate Bill 860 (as introduced)
 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2017-18 YEAR-TO-DATE*	FY 2018-19 GOV.'S REC.	CHANGES FROM FY 2017-18 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	2,322.3	2,322.3	0.0	0.0
GROSS	434,672,000	500,462,100	65,790,100	15.1
Less:				
Interdepartmental Grants Received	47,835,100	48,414,300	579,200	1.2
ADJUSTED GROSS	386,836,900	452,047,800	65,210,900	16.9
Less:				
Federal Funds	65,020,900	65,744,400	723,500	1.1
Local and Private	361,800	211,800	(150,000)	(41.5)
TOTAL STATE SPENDING	321,454,200	386,091,600	64,637,400	20.1
Less:				
Other State Restricted Funds	277,037,600	297,271,300	20,233,700	7.3
GENERAL FUND/GENERAL PURPOSE	44,416,600	88,820,300	44,403,700	100.0
PAYMENTS TO LOCALS	30,625,700	87,951,800	57,326,100	187.2

*As of February 7, 2018.

FY 2017-18 Year-to-Date Gross Appropriation	\$434,672,000
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Changes from FY 2017-18 Year-to-Date:

- 1. Michigan Indigent Defense Commission Grants.** The Governor included additional funds for grants to the 134 local indigent defense systems to implement the four initial minimum standards established by the Commission. Of the funds, \$15.3 million would come from cost recovery for partially indigent defendants, with the remaining \$46.0 million coming from GF/GP. 61,300,000
- 2. Annualize First Responder Presumed Coverage Fund.** The Governor included an increase to this program to reflect a full year of revenue and expenditures to and from this program, totaling about \$5.5 million. The program provides worker's compensation benefits to first responders with certain diseases that are presumed to have been caused by hazards experienced in the line of duty. The Fund is capitalized with excise tax revenue from retail medical marijuana sales. 3,465,000
- 3. Law Enforcement Grants - Liquor Licenses.** The Governor included an increase in grants to local law enforcement from liquor license revenue as required in the Liquor Control Code. The Code requires that 55% of liquor license revenue go to law enforcement. Increased license revenue has rendered the current appropriation for these grants insufficient to allow for the statutorily-required payments to go out. 1,200,000
- 4. Nurse Aide Training Program.** The Governor included a supplemental request for \$600,000 from the Nurse Aide Training Fund, which was created under Public Act 172 of 2017. Funds would be used to administer a new nurse aide training and registration program as directed by Public Act 172 of 2017. 600,000

<p>5. Substance Use Disorder Programs. The Governor included additional Medical Marijuana Regulatory Fund revenue to fund substance use disorder programs as required under Public Act 281 of 2016 (Medical Marijuana Facilities Licensing Act). The Act requires \$500,000 from the Fund to be allocated for this purpose. The Fund receives license fee revenue from medical marijuana facilities.</p>	500,000
<p>6. Fire Protection Grants. The Governor proposed removing GF/GP support for these grants, which would leave \$8.5 million for the grants from Driver Responsibility Fees. However, the Governor also recommended a statutory change that would allocate the first \$6.5 million from excess personal property tax reimbursements be distributed through the Fire Protection Grants formula, which would effectively increase Fire Protection Grants to a total of \$15.0 million, but that increase would not be reflected in the LARA budget and would be done off-budget through the LCSA.</p>	(773,900)
<p>7. Medical Marijuana Operation and Oversight Grants. The Governor proposed the elimination of these grants to county law enforcement for operation and oversight of the Michigan Medical Marijuana Act. The grants are funded from registry fees paid by medical marijuana cardholders.</p>	(3,000,000)
<p>8. Administrative Support for the Local Community Stabilization Authority (LCSA). The Governor removed funding for administrative support for the LCSA. The legislation that created the LCSA made it optional for LARA to provide these services, and responsibility for those services was transferred to the Michigan Municipal Services Authority effective October 1, 2017.</p>	(150,000)
<p>9. Division on Deafness Fund - Transfer from Department of Civil Rights (DCR) to LARA. The Governor's budget reflects Executive Order 2017-8, which transferred all of the DCR's responsibilities under the Deaf Persons' Interpreters Act, including the Division on Deafness Fund, from DCR to LARA.</p>	93,400
<p>10. Reduce Overstated Restricted Funds. The Governor included reductions to a number of line items and restricted fund sources to reflect available revenue.</p>	(639,300)
<p>11. Remove FY 2017-18 One-time Appropriations. The Governor removed a \$100 placeholder from the Drinking Water Declaration of Emergency Reserve Fund, and \$1.4 million GF/GP for Fire Protection Grants.</p>	(1,400,100)
<p>12. Economic Adjustments. Includes \$4,595,000 Gross and \$577,600 GF/GP for total economic adjustments, of which an estimated \$802,600 Gross and \$157,700 GF/GP is for legacy retirement costs (pension and retiree health).</p>	4,595,000
<p>Total Changes.....</p>	\$65,790,100
<p>FY 2018-19 Governor's Recommendation.....</p>	<p>\$500,462,100</p>

Boilerplate Changes from FY 2017-18 Year-to-Date:

1. **Out-of-State Travel Report.** The Governor replaced this report with a less detailed version that is consistent with the report found in most other Department budget bills. The new section also removes restrictions on out-of-state travel. (Sec. 207)
2. **Communication with the Legislature.** The Governor removed a prohibition against taking disciplinary action against Department employees who communicate with the Legislature. (Sec. 218)
3. **TV or Radio Productions.** The Governor removed a prohibition against the Department producing radio or TV productions. (Sec. 219)
4. **Healthy Michigan Plan - Accounting Structure.** The Governor removed a section requiring the Department to notify the State Budget Office and fiscal agencies if any changes to the existing accounting structure for costs associated with Healthy Michigan. (Sec. 220)

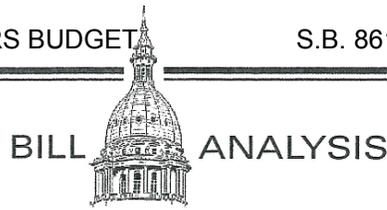
5. **Regulatory Activities Report.** The Governor removed a report providing details on licensing/regulatory activities undertaken by each agency or bureau in the Department. (Sec. 226)
6. **Employee Performance Monitoring.** The Governor removed a section stating the intent of the Legislature that the Department establish an employee performance monitoring process in addition to what is required by the Civil Service Commission. (Sec. 227)
7. **Liquor License Delay Mitigation.** The Governor removed a section requiring the Michigan Liquor Control Commission to utilize funds to invest in technology to mitigate delays in license issuance related to section 503 of the Michigan Liquor Control Code. (Sec. 401)
8. **Medical Marihuana Report.** The Governor retained a report for this program, but removed the specifications for the report. (Sec. 507)
9. **Child Care Facilities License Fees.** The Governor retained language allowing the Department to assess and collect fees for the licensing and regulation of child care facilities, but removed the reporting requirement of this section. (Sec. 515)
10. **Bureau of Services for Blind Persons (BSBP) - Identify Federal Match.** The Governor removed a requirement that BSBP work with service organizations to identify qualified Federal match dollars. (Sec. 705)
11. **Medical Marihuana Operation and Oversight Grants.** The Governor removed boilerplate pertaining to medical marihuana operation and oversight grants to county law enforcement. This is consistent with the Governor's elimination of the funding for these grants. (Sec. 902)
12. **Indigent Defense Metrics.** The Governor included a new section requiring the Michigan Indigent Defense Commission to establish metrics to assess the provision of indigent defense services, and to produce a report on these metrics. (Sec. 12-905 of Governor's Rec.)

Date Completed: 2-12-18

Fiscal Analyst: Josh Sefton



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Senate Bill 861 (as introduced)
 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2017-18 YEAR-TO-DATE*	FY 2018-19 GOV.'S REC.	CHANGES FROM FY 2017-18 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	904.5	904.5	0.0	0.0
GROSS	179,504,400	189,089,300	9,584,900	5.3
Less:				
Interdepartmental Grants Received	101,800	101,800	0	0.0
ADJUSTED GROSS	179,402,600	188,987,500	9,584,900	5.3
Less:				
Federal Funds	92,334,100	98,170,200	5,836,100	6.3
Local and Private	2,168,400	2,175,400	7,000	0.3
TOTAL STATE SPENDING	84,900,100	88,641,900	3,741,800	4.4
Less:				
Other State Restricted Funds	22,332,600	23,279,500	946,900	4.2
GENERAL FUND/GENERAL PURPOSE	62,567,500	65,362,400	2,794,900	4.5
PAYMENTS TO LOCALS	142,400	142,400	0	0.0

*As of February 7, 2018.

FY 2017-18 Year-to-Date Gross Appropriation	\$179,504,400
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Changes from FY 2017-18 Year-to-Date:

- Special Maintenance - Federal.** Governor recommended an increase of \$5.0 million Federal for maintenance projects at various State military training facilities. 5,000,000
- National Guard Tuition Assistance Program.** Governor recommended a \$2.5 million GF/GP increase for the program to reflect higher growth in member participation for a FY 2018-19 recommended appropriation of \$6,506,700. 2,500,000
- D.J. Jacobetti Home for Veterans.** Governor recommended \$1.1 million GF/GP to support ongoing efforts to establish facility as being Medicaid certified. 1,111,700
- Land Acquisitions and Appraisals.** Governor recommended an increase of \$900,000 restricted for land and facility acquisition for a FY 2018-19 recommended appropriation of \$2.9 million restricted. 900,000
- Camp Grayling.** Governor recommended \$750,000 GF/GP to assist with ongoing costs of annual Northern Strike military training exercise. 750,000
- Veterans Facility Authority.** Governor recommended an increase of \$500,000 GF/GP for the Veterans Facility Authority, per PA 561 of 2016, et al., which would bring FY 2018-19 appropriations to \$1.5 million GF/GP. 500,000
- Armory Special Maintenance.** Governor recommended removal of one-time appropriation of \$2.5 million GF/GP for armory maintenance. (2,500,000)
- Technical Adjustment for Actual Funds Received.** Governor recommended technical adjustments to reflect reductions of \$145,000 Federal. (145,000)
- Unclassified Salaries.** Governor recommended economic increase of \$29,400 GF/GP. 29,400

10. Economic Adjustments. Includes \$1,438,800 Gross and \$403,800 GF/GP for total economic adjustments, of which includes an estimated \$433,700 Gross and \$150,000 GF/GP is for legacy retirement costs.	1,438,800
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Total Changes.....	\$9,584,900
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FY 2018-19 Governor's Recommendation.....	\$189,089,300
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Boilerplate Changes from FY 2017-18 Year-to-Date:

1. **Contingency Funds.** Governor recommended increasing the total federal funds available for contingency fund legislative transfers from \$10.0 million to \$12.0 million. (Sec. 210)
2. **Disciplinary Action.** Governor eliminated language prohibiting action against employee who communicates with Legislature. (Sec. 215)
3. **Sale of Property.** Governor struck language requiring the department to notify the subcommittees prior to the public announcement of the intention to sell real property. (Sec. 219)
4. **Unclassified Positions.** Governor struck language listing the titles of unclassified employees and requires notice if additional unclassified positions are created. (Sec. 301)
5. **Youth ChalleNGe Academy.** Governor revised language, striking language requiring resources sufficient to train 144 cadets simultaneously to train and graduate at least 114 students per cohort (228 annually) and stuck a requirement that the average grade level increase for graduates is 2 years and added language requiring that the department shall "ensure individual success through improvement of Tests of Adult Basic Education score and/or results in general equivalency diploma, alternative high school diploma, or high school credit recovery." (Sec. 303)
6. **National Guard Tuition Assistance Program.** Governor revised metric requiring efforts to increase program participation to 1,100 members by the fourth year of the program to the fifth year. (Sec. 307)
7. **Medicaid and Medicare Certification Standards for D.J. Jacobetti Home for Veterans.** Governor amended language by modifying schedule for the completion of certification from June 1, 2018 to October 1, 2018. (Sec. 403)
8. **Michigan Veterans Affairs Agency.** Governor struck language requiring a report to include a summary of activities and strategies under a community assessment and regional service delivery model. (Sec. 405)
9. **Veterans Service Organization Grants.** Governor deleted language specifying a fixed hourly payment of \$34.00 per hour. (Sec. 407)
10. **Armory Maintenance.** Governor deleted a section relating to the expenditure of a one-time FY 2017-18 appropriation for armory maintenance. (Sec. 601)
11. **Budget Year Two Funding.** Governor struck language providing guidelines for year two appropriations. (Sec. 701)
12. **Budget Year Two-Outreach Metric.** Governor struck language requiring the reporting of the percentage of veterans contacted, with a goal of 100% reached. (Sec. 702)
13. **Budget Year Two-Developed Claims Metric.** Governor struck language requiring the MVAA to maintain a minimum of 50% fully developed claims as determined by the USDVA. (Sec. 703)

Date Completed: 2-13-18

Fiscal Analyst: Bruce R. Baker

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberation.



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Senate Bill 862 (as introduced)
 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2017-18 YEAR-TO-DATE*	FY 2018-19 GOV.'S REC.	CHANGES FROM FY 2017-18 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	2,261.8	2,327.3	65.5	2.9
GROSS	409,993,500	436,705,300	26,711,800	6.5
Less:				
Interdepartmental Grants Received	232,200	232,200	0	0.0
ADJUSTED GROSS	409,761,300	436,473,100	26,711,800	6.5
Less:				
Federal Funds	70,095,700	81,731,600	11,635,900	16.6
Local and Private	7,446,000	7,431,400	(14,600)	(0.2)
TOTAL STATE SPENDING	332,219,600	347,310,100	15,090,500	4.5
Less:				
Other State Restricted Funds	274,248,500	299,965,800	25,717,300	9.4
GENERAL FUND/GENERAL PURPOSE	57,971,100	47,344,300	(10,626,800)	(18.3)
PAYMENTS TO LOCALS	7,154,300	7,712,700	558,400	7.8

*As of February 7, 2018.

FY 2017-18 Year-to-Date Gross Appropriation	\$409,993,500
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Changes from FY 2017-18 Year-to-Date:

- 1. State Parks Repair and Maintenance.** The Governor included an additional \$10.0 million from the Park Improvement Fund and \$4.0 million from Recreation Passport Fees to support various capital outlay projects in State parks. This adjustment brings the total ongoing amount available for State park repair and maintenance to \$23.5 million. 14,000,000
- 2. Recreational Program Revenues.** The Governor included additional appropriations to reflect increased revenue in several areas: \$1.75 million in additional Recreation Passport funds allocated according to statute, \$400,000 State Waterways fund for the Recreational Boating program, and \$1,925,000 Park Improvement Fund to support the operation of State parks. This increase would also support an additional 26.5 FTEs across the affected programs. 4,075,000
- 3. Wildlife Division.** The Governor included additional GF/GP and 3.0 FTEs to fund lab technicians, testing and disposal costs, supplies, and other costs related to the DNR response to chronic wasting disease in Michigan. 2,600,000
- 4. Conservation Officers.** The Governor included additional GF/GP and 10.0 FTEs to train and hire ten new conservation officers. 1,500,000
- 5. Off-Road Vehicle Trail Improvement Fund.** The Governor included additional appropriations from this fund to reflect increased sales of ORV permits. Funds are allocated according to statute, including an additional \$950,600 for ORV trail improvement grants, and \$308,800 and 2.0 FTEs for law enforcement. The remaining \$40,600 would cover administrative costs in various parts of the department. 1,300,000

<p>6. FY 2018-19 Waterways Projects. The Governor included additional funding for capital outlay projects funded from the Michigan State Waterways Fund in FY 2018-19. This includes \$541,900 for Presque Isle Marina improvements, \$643,000 for Ottawa Beach Marina improvements, and \$601,100 for Elmwood Township Marina improvements. The Governor also included an additional \$377,500 for State boating infrastructure maintenance, bringing the total for that item to \$5,952,500.</p>	<p>2,163,500</p>
<p>7. Forest Development Infrastructure. The Governor included additional Forest Development Fund for various infrastructure projects to maintain and improve access to State forest lands.</p>	<p>3,500,000</p>
<p>8. Mackinac Island State Park Historic Facilities. The Governor included additional GF/GP for ongoing maintenance on the historic facilities on Mackinac Island bringing the total for operations and maintenance at the park to \$1.8 million.</p>	<p>200,000</p>
<p>9. Snowmobile Trail Groomer Development. The Governor included one-time funding from the Snowmobile Trail Improvement Fund for a contract to develop a state-of-the-art snowmobile trail groomer.</p>	<p>200,000</p>
<p>10. Tribal Consent Decree Negotiation. The Governor included \$240,000 ongoing and \$37,500 one-time to hire a biologist and cover Attorney General costs associated with the renegotiation of the 2000 tribal consent decree for the allocation, management, and regulation of State and Tribal fisheries. The consent decree is renegotiated every 20 years.</p>	<p>277,500</p>
<p>11. Office of the Great Lakes. The Governor's Recommendation reflects Executive Order 2017-9, which transferred the Office of the Great Lakes from the Department of Environmental Quality to the DNR. This transfer affected 23.0 FTEs and related funding.</p>	<p>11,801,800</p>
<p>12. Great Lakes Protection Fund. The Governor included an increase in the Great Lakes Protection Fund appropriation for the Office of the Great Lakes to reflect available revenue in that fund.</p>	<p>128,900</p>
<p>13. State Parks Technical Adjustments. The Governor included additional Park Improvement Fund appropriations to reflect increases in the costs to operate State parks. These costs primarily stem from vendor costs due to increased camping reservations (\$750,000). State park improvement bond debt service increases comprise the rest of this item.</p>	<p>754,700</p>
<p>14. Historical Marker Program. The Governor included additional restricted funds to reflect receipt of this program from the Michigan History Foundation.</p>	<p>60,000</p>
<p>15. Hunter Education Program - Federal Funds. The Governor included additional Federal appropriations to reflect actual revenues for the Hunter Education Program.</p>	<p>84,400</p>
<p>16. FY 2017-18 Waterways Projects. The Governor removed funding for capital outlay projects funded from the Michigan State Waterways Fund in FY 2017-18. This includes \$750,000 for the East Tawas State Harbor, and \$770,500 for local boating infrastructure and maintenance. The total amount included for the latter item is about \$1.7 million.</p>	<p>(1,520,500)</p>
<p>17. Wetlands Restoration, Enhancement, and Acquisition. This item is funded using waterfowl hunt stamp revenue, and provides authority to purchase and enhance wetlands to provide habitat for various waterfowl species. The Governor reduced this item to \$1,000,000 to reflect available revenue.</p>	<p>(500,000)</p>
<p>18. Remove Obsolete Fund Sources. The Governor removed two fund sources (Clean Michigan Initiative and Mann House Trust Fund) to reflect that these two funds are no longer anticipated to receive revenue.</p>	<p>(15,100)</p>
<p>19. Remove FY 2017-18 Supplemental and One-Time Appropriations.</p>	<p>(17,676,200)</p>
<p>20. Economic Adjustments. Includes \$3,777,800 Gross and \$542,300 GF/GP for total economic adjustments, of which an estimated \$3,406,400 Gross and \$369,500 GF/GP is for legacy retirement costs (pension and retiree health).</p>	<p>3,777,800</p>
<p>Total Changes.....</p>	<hr/> <p>\$26,711,800</p>

FY 2018-19 Governor's Recommendation.....	\$436,705,300
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Boilerplate Changes from FY 2017-18 Year-to-Date:

1. **Report Retention.** The Governor removed a requirement that reports be retained according to State and Federal laws. (Sec. 218)
2. **Communication with the Legislature.** The Governor removed a prohibition against taking disciplinary action against Department employees who communicate with the Legislature. (Sec. 220)
3. **Invasive Species Grant Earmark.** The Governor removed a requirement that not less than \$3.6 million appropriated for invasive species prevention and control be allocated toward grants. (Sec. 251)
4. **Michigan Historical Center - Museum Store.** The Governor removed a section that exempts the museum store from certain requirements of the Management and Budget Act. (Sec. 404)
5. **Michigan Historical Center - Collections.** The Governor removed a section that allows proceeds from the sale or transfer or artifacts to be used to purchase other exhibit items for the museum. (Sec. 405)
6. **Michigan Historical Center - Fees.** The Governor removed a section that allows the museum to charge fees for various services rendered, including admissions. (Sec. 406)
7. **Land Transaction Report.** The Governor removed a report on all land transactions approved by the Natural Resources Commission during the prior fiscal year. (Sec. 408)
8. **Invasive Species Order - Swine.** The Governor removed a report on efforts and expenditures related to the enforcement of the invasive species order against swine. (Sec. 503)
9. **Cervid Operation Licensing Fees.** The Governor removed a report on the use of cervidae licensing and inspection fees as well as a requirement that those fees be used only for regulation of private cervid operations. (Sec. 504)
10. **Water Control Structure Certification.** The Governor removed a requirement that the Department not impede the certification process for water control structures on Michigan waterways. (Sec. 602)
11. **Forest Management Investment.** The Governor removed language related to performance metrics for an increase in funding in the Forest Management Division that was included in the FY 2016-17 budget. (Sec. 808)
12. **Snowmobile Law Enforcement Grants.** The Governor removed a section directing the Department to provide snowmobile law enforcement grants to counties from appropriations for that purpose. (Sec. 901)
13. **Marine Safety Grant Report.** The Governor removed a report on marine safety grants to county law enforcement. (Sec. 902)
14. **Conservation Officer Increase.** The Governor removed a section directing how increased funds for law enforcement should be spent. (Sec. 903)
15. **Swimmer's Itch Pilot.** The Governor removed a section directing the expenditure of one-time funds for a swimmer's itch pilot program.

Date Completed: 2-12-18

Fiscal Analyst: Josh Sefton

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberation.



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Senate Bill 863 (as introduced)
 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2017-18 YEAR-TO-DATE*	FY 2018-19 GOV.'S REC.	CHANGES FROM FY 2017-18 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	N/A	N/A	N/A	N/A
GROSS	14,584,313,900	14,635,968,800	51,654,900	0.4
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS	14,584,313,900	14,635,968,800	51,654,900	0.4
Less:				
Federal Funds	1,726,943,500	1,724,743,500	(2,200,000)	(0.1)
Local and Private	0	0	0	0.0
TOTAL STATE SPENDING	12,857,370,400	12,911,225,300	53,854,900	0.4
Less:				
Other State Restricted Funds	12,642,370,400	12,866,225,300	223,854,900	1.8
GENERAL FUND/GENERAL PURPOSE	215,000,000	45,000,000	(170,000,000)	(79.1)
PAYMENTS TO LOCALS	12,679,972,800	12,733,596,100	53,623,300	0.4

*As of February 7, 2018.

FY 2017-18 Year-to-Date Gross Appropriation	\$14,584,313,900
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Changes from FY 2017-18 Year-to-Date:

- 1. **Foundation Allowance.** The Governor increased the foundation allowance using the "2x" formula, from \$120-\$240 per pupil, bringing the minimum to \$7,871 and basic to \$8,409. 312,000,000
- 2. **MPSERS Rate Cap.** The Governor increased funding required to be paid by the State due to the statutory cap on payments made by local employers for legacy costs in the Michigan Public School Employees Retirement System (MPSERS). 71,916,000
- 3. **MPSERS Hold Harmless.** The Governor increased funding to hold districts harmless from increased normal costs due to the lowering of the assumed rate of return on assets. 39,170,000
- 4. **Special Education.** The Governor increased funding to reflect recent cost estimates. 23,100,000
- 5. **Cash Flow Borrowing Costs.** The Governor increased funding by \$17.5 million to reimburse the General Fund for the School Aid Fund's cash flow borrowing costs. 17,500,000
- 6. **MPSERS Increased Costs under P.A. 92 of 2017.** Legislation enacted under Public Act 92 of 2017 increased costs required to be paid by the School Aid Fund. The Governor increased this line item's funding by \$14.5 million. 14,500,000
- 7. **Special Education - Early On.** The Governor recommended \$5.0 million for a new program recommended by the Special Education Task Force for Early On services. 5,000,000
- 8. **Career and Technical Education (CTE) Incentive.** The Governor recommended \$5.0 million in new funding to incentivize districts to enroll students in CTE programs. 5,000,000
- 9. **Partnership Model.** The Governor recommended a \$2.0 million increase (for a total of \$8.0 million) for the partnership model with MDE and academically-struggling districts. 2,000,000

10. Promise Zones. The Governor increased promise zone reimbursements by \$1.5 million.	1,500,000
11. School Lunch. The Governor increased school lunch funding by \$648,900.	648,900
12. Special Education - Parental Support and Mediation. The Governor recommended \$500,000 GF/GP for a new program recommended by the Special Education Task Force for mediation and parental support services.	500,000
13. MPSERS One-Time Additional Payment toward Unfunded Liabilities. The Governor removed the \$200.0 million one-time additional payment toward unfunded liabilities.	(200,000,000)
14. Technical Foundation Allowance Cost Adjustments. The Governor included technical adjustments to the foundation allowance due to pupils and taxable values.	(97,700,000)
15. Reduction in Shared-Time Funding. The Governor capped the number of shared-time FTEs that may be claimed by a district, resulting in estimated State savings of \$67,900,000.	(67,900,000)
16. Reduction in Cyber School Foundation Allowance. The Governor reduced the foundation allowance for cyber schools by 25%, saving the State \$25,000,000.	(25,000,000)
17. Elimination of Numerous Programs. The Governor eliminated the following programs, totaling \$23,429,000: computer adaptive tests (\$4.0 million), reimbursement for nonpublic mandates (\$2.5 million GF/GP), Michigan Education Corps (\$2.5 million GF/GP), value-added growth and projection analytics (\$2.5 million GF/GP), Microsoft information technology certifications (\$2.3 million GF/GP), financial data analysis grants (\$1.5 million), year-round schools grants (\$1.5 million), CTE counselors (\$1.2 million), Algebra Nation (\$1.1 million GF/GP), Imagine Learning (\$1.0 million GF/GP), MiBright Future (\$1.0 million GF/GP), competency-based education grants (\$500,000 GF), cybersecurity competitions (\$500,000), 10 Cents a Meal (\$375,000 GF/GP), Detroit Precollege Engineering/DAPCEP (\$340,000 GF/GP), digital assessment preparation (\$250,000 GF/GP), Early Learning Collaborative (\$175,000), and Van Andel Education Institute (\$150,000 GF/GP).	(23,429,000)
18. CTE Equipment. The Governor eliminated GF/GP grants to upgrade CTE equipment.	(12,500,000)
19. Flint Declaration of Emergency. The Governor reduced funding to \$3.2 million GF/GP.	(5,500,000)
20. Reduction to Online Reporting Tool for Assessments. The Governor reduced funding for an online reporting tool for assessments from \$3.2 million to \$0.5 million.	(2,700,000)
21. Federal Grants. The Governor reduced Federal grants by \$2.2 million.	(2,200,000)
22. Renaissance Zone Costs. The Governor reduced renaissance zone funding by \$2.0 million to align with projected reimbursements.	(2,000,000)
23. Elimination of Kindergarten Entry Observation Tool. Of the total assessment funding, the Governor eliminated \$1.0 million supporting a kindergarten entry observation tool.	(1,000,000)
24. MDE Early Literacy Administration. The Governor transferred \$1.0 million GF/GP for early literacy administration to the MDE budget.	(1,000,000)
25. FIRST Robotics for Nonpublics. The Governor eliminated \$300,000 GF/GP supporting FIRST Robotics classes in nonpublic schools.	(300,000)
26. Conductive Learning Center Study. The Governor eliminated \$150,000 supporting a study of conductive learning due to FY 2017-18 being the last year of planned funding.	(150,000)
27. GF/GP Fund Shift. The Governor reduced GF/GP support of the K-12 budget from \$215.0 million in FY 2017-18 to \$45.0 million in FY 2018-19, replaced with School Aid Fund revenue.	0
28. Economic Adjustments. Includes \$199,000 Gross and \$140,700 GF/GP for total economic adjustments, of which an estimated \$37,500 Gross and \$23,900 GF/GP is for legacy retirement costs (pension and retiree health).	199,000
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Total Changes	\$51,654,900
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FY 2018-19 Governor's Recommendation	\$14,635,968,800
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Boilerplate Changes from FY 2017-18 Year-to-Date:

1. **Hardship Repayments.** The Governor reduced from nine to four the number of years a district may repay an adjustment, when that repayment is determined to cause a hardship, and removed language allowing for the Department to waive all or a portion of a repayment under certain conditions. (Sec. 15)
2. **Cyber School Reporting.** The Governor included cyber schools in the mandated report provided by districts on the costs to provide virtual learning. (Sec. 18)
3. **Data Hub Network.** The Governor removed a hard deadline of September 30, 2018 for districts to adopt the Michigan data hub network. Instead, language was included to promote the adoption of the network. (Sec. 22m)
4. **At Risk.** The Governor made a number of changes in this section, including: changing K-3 to K-12 for compliance with Section 1280f of the School Code; adding numeracy for the allowable use of resources; requiring multi-tiered systems of supports for at least grades K-8 (current law is grades 4-8); implementing culturally and linguistically responsive teaching strategies for English language learners; amending MTSS components; increase from 3% to 5% the amount of funding that may be used for certain professional development; and replacing the current formula that would otherwise take effect in FY 2018-19 for districts meeting certain academic benchmarks with a requirement that a district whose At Risk population performed lower than the statewide average would be required to either attain the statewide average or an improvement of at least 10 percentage points by FY 2020-21. If the district failed to meet either of those benchmarks by that date, then the district would be subject to the partnership model. (Sec. 31a)
5. **Early Literacy.** The Governor included language requiring the State Superintendent to designate as critical shortage any employees hired or contracted for under the funds provided in Section 35a. (Sec. 35a)
6. **FIRST Robotics.** The Governor included intermediate districts as eligible grantees for Robotics. (Sec. 99h)
7. **STEM Participation Report.** The Governor removed a report that would provide the number of male and female participants in MiSTEM centers, and the steps centers take to reduce disparity in participation. (Sec. 99s)
8. **Assessment Changes.** The Governor changed the grades for the summative science test to be taken from 4 and 7 to 5 and 8, and added language requiring the Department to provide guidance to districts on optionally adopting and implementing department-approved benchmark assessments, and to recommend that districts commit to using the same benchmark assessment for not less than three years before changing to another test. (Sec. 104c)
9. **School Start before Labor Day.** The Governor removed the requirement that the public hearing held before a school seeks a waiver to start school before Labor Day be a joint meeting with the Department. (Sec. 160)
10. **Noncertificated Educators.** The Governor proposed several changes to guidelines for when a "noncertificated educator" may or may not provide instruction or counseling services in a district. (Sec. 163)
11. **Legal Action against the State.** The Governor proposed to repeal the section providing for a penalty in an amount equal to the amount spent if a district or ISD uses State funding to pay for an expense related to a legal action initiated by the district or ISD against the State. (Sec. 164g)
12. **Collective Bargaining Agreement Penalty.** The Governor proposed to repeal a section penalizing a district or ISD 5% of its State aid if it enters into certain bargaining agreements outlined in the section. (Sec. 164h)
13. **Shared Time.** The Governor proposed to remove the payment for nonpublic kindergarten students enrolled in shared time programs at a public school. In addition, the Governor added language clarifying that State aid would be provided only for nonessential elective courses, and that a curricular offering may include an optional experience. However, to be provided State aid, that course and optional experience must be available to full-time pupils in the minor's grade level or age group, subject to the same requirements that apply to a full-time pupil's participation. (Sec. 166b)

Date Completed: 2-13-18

Fiscal Analyst: Kathryn Summers

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberation.

FY 2017-18 Year-to-Date and Revised Appropriations and Governor's Rec for FY 2018-19 (Dollars in Thousands)

Line Item Description	Revised PA 143 11/02/2017	FY 18 Gov's Rec Supplemental	FY 19 Gov's Rec 02/07/2018	FY 19 Change from Current Law
Sec. 11j School Bond Loan Fund Payments - Debt Service	\$125,500.0	\$125,500.0	\$125,500.0	\$0.0
Sec. 11m Cash Flow Borrowing Costs	\$6,500.0	\$18,000.0	\$24,000.0	\$17,500.0
Sec. 11o/s Flint Declaration of Emergency	\$8,730.1	\$8,730.1	\$3,230.1	(\$5,500.0)
Sec. 20f Categorical Offset Payments	\$18,000.0	\$18,000.0	\$18,000.0	\$0.0
Sec. 21h Partnership Model Districts	\$6,000.0	\$6,000.0	\$8,000.0	\$2,000.0
Sec. 21j District Grants for Competency-Based Education	\$500.0	\$500.0	\$0.0	(\$500.0)
Sec. 22a Proposal A Obligation Payment	\$5,181,800.0	\$5,176,000.0	\$5,048,000.0	(\$133,800.0)
Sec. 22b Discretionary Payment - State	\$4,037,500.0	\$4,019,000.0	\$4,228,600.0	\$191,100.0
Sec. 22d Isolated Districts Funding	\$5,000.0	\$5,000.0	\$5,000.0	\$0.0
Sec. 22m Technology Regional Data Hubs	\$2,200.0	\$2,200.0	\$2,200.0	\$0.0
Sec. 22n High School Per-Pupil Bonus	\$11,000.0	\$11,000.0	\$11,000.0	\$0.0
Sec. 23f Shared-Time Pupils	\$0.0	\$0.0	\$64,100.0	\$64,100.0
Sec. 24 Court-Placed Pupils	\$8,000.0	\$8,000.0	\$8,000.0	\$0.0
Sec. 24a Juvenile Detention Facilities	\$1,339.0	\$1,339.0	\$1,355.7	\$16.7
Sec. 24c Challenge Program	\$1,528.4	\$1,528.4	\$1,545.4	\$17.0
Sec. 25f Strict Discipline Academies	\$750.0	\$750.0	\$750.0	\$0.0
Sec. 25g Dropout Recovery	\$750.0	\$750.0	\$750.0	\$0.0
Sec. 26a Renaissance Zone Costs	\$17,000.0	\$15,000.0	\$15,000.0	(\$2,000.0)
Sec. 26b PILT Reimbursement	\$4,405.1	\$4,405.1	\$4,405.1	\$0.0
Sec. 26c Promise Zone	\$1,500.0	\$1,600.0	\$3,000.0	\$1,500.0
Sec. 31a "At Risk" Pupil Support	\$499,000.0	\$499,000.0	\$499,000.0	\$0.0
Sec. 31a Child and Adolescent Health Centers	\$6,057.3	\$6,057.3	\$6,057.3	\$0.0
Sec. 31a Vision/Hearing Screening	\$5,150.0	\$5,150.0	\$5,150.0	\$0.0
Sec. 31b Year-Round Schools Grants	\$1,500.0	\$1,500.0	\$0.0	(\$1,500.0)
Sec. 31d School Lunch Programs - State Share	\$22,495.1	\$22,802.0	\$23,144.0	\$648.9
Sec. 31d School Lunch Programs - Federal Share	\$523,200.0	\$523,200.0	\$523,200.0	\$0.0
Sec. 31f School Breakfast	\$4,500.0	\$4,500.0	\$4,500.0	\$0.0
Sec. 31j Support of Local Produce in School Meals	\$375.0	\$375.0	\$0.0	(\$375.0)
Sec. 32d Great Start - School Readiness	\$243,900.0	\$243,900.0	\$243,900.0	\$0.0
Sec. 32p Great Start Early Childhood Block Grants	\$13,400.0	\$13,400.0	\$13,400.0	\$0.0
Sec. 32q Early Learning Cooperative	\$175.0	\$175.0	\$0.0	(\$175.0)
Sec. 35 MDE Administration of Early Reading Initiatives	\$1,000.0	\$1,000.0	\$0.0	(\$1,000.0)
Sec. 35a(4) Investment in Literacy Coaches for K-3 Teachers	\$6,000.0	\$6,000.0	\$6,000.0	\$0.0
Sec. 35a(5) Early Literacy District Grants	\$20,900.0	\$20,900.0	\$20,900.0	\$0.0
Sec. 35a(6) Michigan Education Corps	\$2,500.0	\$2,500.0	\$0.0	(\$2,500.0)
Sec. 39a(1) NCLB Federal DOE Grants	\$731,600.0	\$731,600.0	\$730,600.0	(\$1,000.0)
Sec. 39a(2) Other Non-NCLB Federal DOE Grants	\$30,000.0	\$30,000.0	\$30,000.0	\$0.0
Sec. 41 Bilingual Education	\$6,000.0	\$6,000.0	\$6,000.0	\$0.0
Sec. 51a Special Education - Federal IDEA	\$370,000.0	\$370,000.0	\$370,000.0	\$0.0
Sec. 51a(2) Spec. Ed. Foundations - State Share	\$264,200.0	\$266,400.0	\$272,100.0	\$7,900.0
Sec. 51a(3) Spec. Ed. Hold Harmless to ISDs - State Share	\$1,000.0	\$1,000.0	\$1,100.0	\$100.0
Sec. 51a(6) Spec. Ed. Rules Change - State Share	\$2,200.0	\$2,200.0	\$2,200.0	\$0.0
Sec. 51a(11) Spec. Ed. Non Sec. 52 to ISDs - State Share	\$3,600.0	\$3,300.0	\$3,400.0	(\$200.0)
Sec. 51a(16) Spec. Ed. ISD Compliance Reimbursement - State Share	\$500.0	\$500.0	\$500.0	\$0.0
Sec. 51c Special Education Headlee - State Share	\$635,300.0	\$636,600.0	\$650,600.0	\$15,300.0
Sec. 51d Special Education - Other Federal	\$61,000.0	\$61,000.0	\$61,000.0	\$0.0
Sec. 53a Court-Placed Spec. Ed. FTEs - State Share	\$10,500.0	\$10,500.0	\$10,500.0	\$0.0
Sec. 54 MI School for Deaf and Blind - State Share	\$1,688.0	\$1,688.0	\$1,688.0	\$0.0
Sec. 54b Integrated Behavior and Learning Support (MiBLSi)	\$1,600.0	\$1,600.0	\$1,600.0	\$0.0
Sec. 54c Special Ed Taskforce - Mediation and Parental Supports - NEW	\$0.0	\$0.0	\$500.0	\$500.0
Sec. 54d Special Ed Taskforce - Early On - NEW	\$0.0	\$0.0	\$5,000.0	\$5,000.0
Sec. 55 Conductive Learning Center Study	\$150.0	\$150.0	\$0.0	(\$150.0)
Sec. 56 Spec. Ed. Millage Equalization - State Share	\$37,758.1	\$37,758.1	\$37,758.1	\$0.0
Sec. 61a Vocational Education	\$37,850.3	\$37,850.3	\$36,611.3	(\$1,239.0)
Sec. 61b Career and Technical Education/Dual Enrollment	\$8,000.0	\$8,000.0	\$8,000.0	\$0.0
Sec. 61c Career and Technical Education Equipment Upgrades	\$12,500.0	\$12,500.0	\$0.0	(\$12,500.0)
Sec. 61d CTE Incentive Payments - NEW	\$0.0	\$0.0	\$5,000.0	\$5,000.0

FY 2017-18 Year-to-Date and Revised Appropriations and Governor's Rec for FY 2018-19 (Dollars in Thousands)

<u>Line Item Description</u>	<u>Revised PA 143 11/02/2017</u>	<u>FY 18 Gov's Rec Supplemental</u>	<u>FY 19 Gov's Rec 02/07/2018</u>	<u>FY 19 Change from Current Law</u>
Sec. 62 ISD Vocational Ed Millage Equalization	\$9,190.0	\$9,190.0	\$9,190.0	\$0.0
Sec. 64b Dual Enrollment Incentive Payments	\$1,750.0	\$1,750.0	\$1,750.0	\$0.0
Sec. 64d Information Technology Certifications	\$2,300.0	\$2,300.0	\$0.0	(\$2,300.0)
Sec. 65 Detroit Precollege Engineering	\$340.0	\$340.0	\$0.0	(\$340.0)
Sec. 67 College and Career Readiness Tools	\$3,000.0	\$3,000.0	\$3,000.0	\$0.0
Sec. 67a Career Preparation and Readiness Platform	\$1,000.0	\$1,000.0	\$0.0	(\$1,000.0)
Sec. 74 Bus Driver Safety Instruction	\$2,025.0	\$2,025.0	\$2,025.0	\$0.0
Sec. 74 School Bus Inspections	\$1,705.3	\$1,705.3	\$1,729.9	\$24.6
Sec. 81 ISD General Operations Support	\$67,108.0	\$67,108.0	\$67,108.0	\$0.0
Sec. 94 Advanced Placement (AP) Incentive Program	\$750.0	\$750.0	\$750.0	\$0.0
Sec. 94a Center for Educ. Perf. and Information - State Share	\$16,216.0	\$16,216.0	\$16,356.7	\$140.7
Sec. 94a Center for Educ. Perf. and Information - Federal	\$193.5	\$193.5	\$193.5	\$0.0
Sec. 95b Value-Added Growth and Projection Analytics System	\$2,500.0	\$2,500.0	\$0.0	(\$2,500.0)
Sec. 98 Michigan Virtual High School - State	\$7,387.5	\$7,387.5	\$7,387.5	\$0.0
Sec. 99h FIRST Robotics	\$2,800.0	\$2,800.0	\$2,500.0	(\$300.0)
Sec. 99k Cybersecurity Competitions	\$500.0	\$500.0	\$0.0	(\$500.0)
Sec. 99r STEM Executive Director	\$250.0	\$250.0	\$400.0	\$150.0
Sec. 99s(2) Comprehensive STEM Initiative (Administration)	\$50.0	\$50.0	\$100.0	\$50.0
Sec. 99s(3) Comprehensive STEM Grants	\$2,850.0	\$2,850.0	\$2,850.0	\$0.0
Sec. 99s(4) Math/Science Centers - State	\$3,299.3	\$3,299.3	\$0.0	(\$3,299.3)
Sec. 99s(4) Math/Science Centers - Federal	\$4,700.0	\$4,700.0	\$3,500.0	(\$1,200.0)
Sec. 99s(5) ISD Reimbursement for Transition Costs	\$85.0	\$85.0	\$0.0	(\$85.0)
Sec. 99s(6) Transition to MiSTEM Network Regions	\$1,400.0	\$1,400.0	\$4,584.3	\$3,184.3
Sec. 99s(13) Van Andel Education Institute	\$150.0	\$150.0	\$0.0	(\$150.0)
Sec. 99t Online Algebra Tool	\$1,100.0	\$1,100.0	\$0.0	(\$1,100.0)
Sec. 99u Online Mathematics Program	\$1,000.0	\$1,000.0	\$0.0	(\$1,000.0)
Sec. 102d Reimbursement for Purchase of Financial Data Analysis Tool(s)	\$1,500.0	\$1,500.0	\$0.0	(\$1,500.0)
Sec. 104 MEAP Testing - State Share	\$34,709.4	\$34,709.4	\$31,009.4	(\$3,700.0)
Sec. 104 MEAP Testing - Federal Share	\$6,250.0	\$6,250.0	\$6,250.0	\$0.0
Sec. 104d Computer Adaptive Test	\$4,000.0	\$4,000.0	\$0.0	(\$4,000.0)
Sec. 104e Digital Assessment Preparation	\$250.0	\$250.0	\$0.0	(\$250.0)
Sec. 107 Adult Education - State	\$27,000.0	\$27,000.0	\$27,000.0	\$0.0
Sec. 147a(1) MPSERS District Reimbursement	\$100,000.0	\$100,000.0	\$100,000.0	\$0.0
Sec. 147a(2) MPSERS Normal Cost Reimbursement for Lower AROR	\$48,969.0	\$48,969.0	\$88,139.0	\$39,170.0
Sec. 147c(1) MPSERS Rate Cap (Section 41 of MPSERS Act)	\$960,784.0	\$960,784.0	\$1,032,700.0	\$71,916.0
Sec. 147c(2) MPSERS Additional UAAL Payment	\$200,000.0	\$200,000.0	\$0.0	(\$200,000.0)
Sec. 147e MPSERS Additional Normal/DC Costs for PA 92 of 2017	\$23,100.0	\$23,100.0	\$37,600.0	\$14,500.0
Sec. 152a Adair v State of Michigan	\$38,000.5	\$38,000.5	\$38,000.5	\$0.0
Sec. 152b Reimbursement for Nonpublic Mandates	\$2,500.0	\$2,500.0	\$0.0	(\$2,500.0)
TOTAL SCHOOL AID APPROPRIATIONS	\$14,584,313.9	\$14,573,120.8	\$14,635,968.8	\$51,654.9
TOTAL REVENUE				
Federal Aid	\$1,726,943.5	\$1,726,943.5	\$1,724,743.5	(\$2,200.0)
School Aid Fund (SAF)	\$12,547,270.3	\$12,673,077.2	\$12,762,325.2	\$215,054.9
MPSERS Reforms Fund	\$23,100.0	\$23,100.0	\$31,900.0	\$8,800.0
General Fund/General Purpose	\$215,000.0	\$78,000.0	\$45,000.0	(\$170,000.0)
Community Dist. Education Trust Fund (\$72.0 m)/Other (\$100 Flint Reserve)	\$72,000.1	\$72,000.1	\$72,000.1	\$0.0
TOTAL REVENUE	\$14,584,313.9	\$14,573,120.8	\$14,635,968.8	\$51,654.9



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Senate Bill 855 (as introduced)
 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2017-18 YEAR-TO-DATE*	FY 2018-19 GOV.'S REC.	CHANGES FROM FY 2017-18 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	1,586.0	1,586.0	0.0	0.0
GROSS	254,358,500	254,662,800	304,300	0.1
Less:				
Interdepartmental Grants Received	20,000,000	20,000,000	0	0.0
ADJUSTED GROSS	234,358,500	234,662,800	304,300	0.1
Less:				
Federal Funds	1,460,000	1,460,000	0	0.0
Local and Private	50,100	50,100	0	0.0
TOTAL STATE SPENDING	232,848,400	233,152,700	304,300	0.1
Less:				
Other State Restricted Funds	208,709,400	214,686,400	5,977,000	2.9
GENERAL FUND/GENERAL PURPOSE	24,139,000	18,466,300	(5,672,700)	(23.5)
PAYMENTS TO LOCALS	1,215,900	1,129,000	(86,900)	(7.1)

*As of February 7, 2018.

FY 2017-18 Year-to-Date Gross Appropriation	\$254,358,500
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Changes from FY 2017-18 Year-to-Date:

- 1. Removal of FY 2017-18 One-Time Appropriation.** Governor removed GF/GP funding of \$5.0 million provided for voting machine replacements. (5,000,000)
- 2. Driver License Contracting Costs.** Governor included additional restricted funding to cover the costs of extending the current contract with the State's vendor that produces State-issued driver license and personal identification cards. The Department is currently in the process of creating its own system to produce the licenses starting in FY 2021-22. 925,000
- 3. Information Technology Costs.** Governor included additional restricted funding totaling \$800,000 for two items that increased IT costs. Funding of \$500,000 is provided to cover the increased IT rate increases charged to the Department by DTMB for providing IT assistance. The remaining \$300,000 will fund a project to create a disaster recovery plan for the Qualified Voter File in the event that the security of the QVF is ever breached. 800,000
- 4. Commercial Driver License Testing Kiosks.** Governor included additional restricted funding for maintenance costs of the testing kiosks for commercial driver licenses located at various branch offices across the state. The kiosks were provided by the Federal government to comply with new Federal regulations, however, maintenance costs are the responsibility of the state. 500,000
- 5. Replacement of GF/GP with Restricted Funds.** General Fund/General Purpose dollars that are currently used to fund the Department are replaced with restricted funds from the Transportation Administration Collection Fund (TACF). While this has a net zero effect on the gross for the Department, this reduces overall GF/GP expenditures for the State by \$1.1 million in FY 2018-19. 0

6. Economic Adjustments. Includes \$3,079,300 Gross and \$475,600 GF/GP for total economic adjustments, of which an estimated negative \$514,300 Gross and negative \$40,500 GF/GP is for legacy retirement costs (pension and retiree health).	3,079,300
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Total Changes	\$304,300
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FY 2018-19 Governor's Recommendation	\$254,662,800
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Boilerplate Changes from FY 2017-18 Year-to-Date:

1. **Boilerplate Structure. Governor:** Moved boilerplate from the FY 2017-18 general sections that applied to all General Government budgets to the Article for the Department of State. Changes to those items can be found in the highlight sheet for the **General Sections**.
2. **Business Application Modernization Project Report.** Requires a report of the total funds expended for the business application modernization project, start dates, costs, and penalties paid to the state by the contract provider. **Governor:** Eliminated section. (Current Law Sec. 716b)
3. **Buena Vista Branch Office.** Requires the Department to maintain a full service branch office in Buena Vista Township. **Governor:** Eliminated section. (Current Law Sec. 718)
4. **Legacy Cost Estimates.** Total legacy costs are estimated at \$31,170,200. Of the total, Pension-related legacy costs are estimated at \$16,040,400 and retiree health care legacy costs are estimated at \$15,129,800 for fiscal year ending September 30, 2018. **Governor:** Provided the following Legacy Costs estimates for FY 2019: Total legacy costs estimated at \$30,655,900. Of that total, \$14,132,900 are for pension-related legacy costs and \$16,523,000 are for retiree health care legacy costs for the fiscal year ending September 30, 2019.

Date Completed: 2-14-18

Fiscal Analyst: Joe Carrasco, Jr.



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Senate Bill 864 (as introduced)
 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2017-18 YEAR-TO-DATE*	FY 2018-19 GOV.'S REC.	CHANGES FROM FY 2017-18 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	3,438.0	3,490.0	52.0	1.5
GROSS	698,946,800	711,814,700	12,867,900	1.8
Less:				
Interdepartmental Grants Received	26,221,600	24,728,300	(1,493,300)	(5.7)
ADJUSTED GROSS	672,725,200	687,086,400	14,361,200	2.1
Less:				
Federal Funds	83,686,500	78,223,600	(5,462,900)	(6.5)
Local and Private	6,013,300	5,261,800	(751,500)	(12.5)
TOTAL STATE SPENDING	583,025,400	603,601,000	20,575,600	3.5
Less:				
Other State Restricted Funds	143,423,700	148,698,200	5,274,500	3.7
GENERAL FUND/GENERAL PURPOSE	439,601,700	454,902,800	15,301,100	3.5
PAYMENTS TO LOCALS	14,113,200	14,231,300	118,100	0.8

*As of February 7, 2018.

FY 2017-18 Year-to-Date Gross Appropriation	\$698,946,800
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Changes from FY 2017-18 Year-to-Date:

- FY 2017-18 Trooper Schools.** Governor recommended annualized costs for 150 expected new trooper graduates from FY 2017-18, including \$16.8 million GF/GP for salaries and benefits and \$3.5 million GF/GP for various other expenses such as fleet leasing and equipment. 20,267,100
- FY 2018-19 Trooper Schools.** Governor recommended one-time costs for FY 2018-19 trooper schools, including a new 50 trooper school (\$3.1 million GF/GP) and an attrition replacement school of 80 troopers (\$3.0 million GF/GP). Department enlisted strength is projected to be 1,940 at the close of FY 2017-18 and at 2172 at the close of FY 2018-19. 6,070,000
- FY 2018-19 New Trooper School.** Governor recommended on-going costs of \$3.8 GF/GP for new January, 2019, trooper school to graduate 50 troopers, which would include \$3.1 million GF/GP for salaries and benefits and \$0.7 million for other costs, including fleet leasing and equipment. 3,800,000
- Michigan Commission on Law Enforcement Standards (MCOLES).** Governor Recommended an increase of \$2.5 million restricted (per PA 281 of 2016) to provide administrative support for the commission's regulatory and grant issuing responsibilities. 2,500,000
- Medical Marijuana Regulation.** Governor recommended \$2.9 million GF/GP to annualize FY 2017-18 costs of medical marijuana regulation structure created in FY 2017-18. 2,924,200
- In-Car Cameras.** Governor recommended \$1.3 million GF/GP to provide lifecycle replacement of vehicle mounted in-car cameras. 1,252,500

7. Lieutenants and Lab Manager Pay. Governor recommended \$0.9 million GF/GP for pay increases for State Police Lieutenants and lab managers as recommended by the State Employer and approved by the Civil Service Commission.	935,600
8. Medical Marijuana Field Sobriety Testing. Governor recommended \$900,000 restricted to support the implementation of standardized field sobriety test for THC intoxication, per PA 281 of 2016.	900,000
9. Cyber Crimes Unit. Governor recommended \$618,400 GF/GP and 5.0 FTEs to provide for administrative support for the Michigan Cyber Command Center.	618,400
10. Sexual Assault. Governor recommended \$158,900 GF/GP and 1.0 FTE to support the implementation of the Sexual Assault Evidence Kit Tracking System as included in PA 158 of 2017.	158,900
11. Public Safety Officer Benefit Program. Governor recommended \$150,000 GF/GP to increase funding for FY 2018-19 to \$301,600 GF/GP to better ensure sufficient funds are available for the \$25,000 benefit provided to survivors of public safety officers killed in action.	150,000
12. Sexual Assault Prevention and Education Initiative. Governor recommended the continuation of a FY 2017-18 one-time \$600,000 GF/GP grant program aimed at institutions of higher educations.	0
13. FY 2017-18 Trooper Schools. Governor recommended removal of \$9.3 million GF/GP one-time appropriations for FY 2017-18 trooper schools.	(9,286,200)
14. Disaster and Emergency Contingency Fund. Governor recommended removal of one-time FY 2017-18 appropriation of \$5.0 million GF/GP for the Disaster and Emergency Contingency Fund, which had a December, 2017, balance of \$4.6 million.	(5,000,000)
15. Advanced 9-1-1. Governor recommended elimination of \$2.2 million GF/GP for a one-time grant to encourage statewide use of Advanced 9-1-1 systems.	(2,200,000)
16. Secure Cities Initiative. Governor recommended removal of one-time funding of \$1.0 million GF/GP for lifecycle replacement of equipment for the Secure Cities initiative.	(1,000,000)
17. Fair and Impartial Police Training Grants. Governor recommended elimination of a one-time appropriation of \$980,000 GF/GP for police training program grants.	(980,000)
18. Forensic Science One-Time Enhancement. Governor recommended removal of a one-time appropriation of \$730,000 GF/GP for forensic science enhancements.	(730,000)
19. Michigan International Speedway. Governor recommended elimination of a one-time appropriation of \$725,000 GF/GP to provide State Police traffic control services for certain racing events at Michigan International Speedway.	(725,000)
20. Emergency Management/Homeland Security. Governor recommended an efficiency reduction of \$392,400 GF/GP and 3.0 unfilled FTEs.	(392,400)
21. Forensic Science Overtime. Governor recommended a reduction of \$274,400 GF/GP in needed overtime costs due to additional fully trained workers coming on line.	(274,400)
22. Impaired Driving Safety Commission. Governor recommended elimination of appropriation of \$250,000 GF/GP due to completion of commission's work.	(250,000)
23. Law Enforcement Job Analysis Project. Governor recommended elimination of \$200,000 GF/GP due to completion of project.	(200,000)
24. Civil Air Patrol. Governor recommended removal of one-time \$20,000 GF/GP grant to Michigan Civil Air Patrol.	(20,000)
25. Technical Adjustment for Actual Funds Received. Governor recommended technical adjustment to reflect reductions in \$1.0 million in IDGs, \$5,750,000 federal, \$716,000 local, \$63,100 private, and \$1,274,400 restricted.	(6,254,700)
26. FY 2017-18 Supplemental Appropriations. Technical adjustment for FY 2017-18 supplemental appropriations of \$158,900 GF/GP.	(158,900)

27. FY 2017-18 Boilerplate Appropriations. Technical adjustment for FY 2017-18 receive and expend appropriations from boilerplate authorization, including \$4.0 million restricted and \$24,000 Federal.	(4,024,000)
28. Unclassified Salaries. Governor recommended economic increase.	11,900
29. Economic Adjustments. Includes \$4,774,900 Gross and \$3,366,900 GF/GP for total economic adjustments, which includes an estimated \$24,065,100 Gross and \$15,932,900 GF/GP is for legacy retirement costs.	4,774,900
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Total Changes.....	\$12,867,900
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FY 2018-19 Governor's Recommendation.....	\$711,814,700
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Boilerplate Changes from FY 2017-18 Year-to-Date:

1. **Disciplinary Action.** Governor eliminated language prohibiting action against employee who communicates with Legislature. (Sec. 216)
2. **Privatization Notice.** Governor struck boilerplate section requiring prior legislative notice of MSP privatization plans. (Sec. 220)
3. **Training and Publication.** Governor recommended new boilerplate language that would allow the department to create and collect fees for printing and mailing costs for distributing publications, videos and other materials, and costs of workshops and conferences, not to exceed actual department costs. (Sec. 223)
4. **Criminal Justice Information Systems.** Governor deleted requirement to provide detailed report on concealed pistol licensing. (Sec. 402)
5. **Special Operations.** Governor recommended adjustment to a performance metric which would require the Michigan Cyber Commander Center casework to increase by 25% over the FY 207-18 level. (Sec. 701)
6. **Emergency Management and Homeland Security.** Governor recommended removing a requirement of a quarterly report on the status of infrastructure vulnerabilities in the State. (Sec. 704)
7. **Advanced 9-1-1.** Governor recommended deletion of language related to one-time FY 2017-18 grant for Advanced 9-1-1. (Sec. 902)
8. **Budget Year Two Funding.** Governor struck language providing guidelines for year two appropriations. (Sec. 1001)

Date Completed: 2-12-18

Fiscal Analyst: Bruce R. Baker



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Senate Bill 855 (as introduced)
 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2017-18 YEAR-TO-DATE*	FY 2018-19 GOV.'S REC.	CHANGES FROM FY 2017-18 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	1,447.0	1,450.0	3.0	0.2
GROSS	1,179,421,800	1,118,945,600	(60,476,200)	(5.1)
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS	1,179,421,800	1,118,945,600	(60,476,200)	(5.1)
Less:				
Federal Funds	762,144,800	762,645,800	501,000	0.1
Local and Private	6,120,900	6,121,700	800	0.0
TOTAL STATE SPENDING	411,156,100	350,178,100	(60,978,000)	(14.8)
Less:				
Other State Restricted Funds	206,056,700	183,432,300	(22,624,400)	(11.0)
GENERAL FUND/GENERAL PURPOSE	205,099,400	166,745,800	(38,353,600)	(18.7)
PAYMENTS TO LOCALS	11,300,000	32,400,000	21,100,000	186.7

*As of February 7, 2018.

FY 2017-18 Year-to-Date Gross Appropriation	\$1,179,421,800
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Changes from FY 2017-18 Year-to-Date:

- 1. Workforce Development Program.** The Governor Increased the Workforce Development Program (WDP) due to an increase in the Federal award amount for the Employment and Training Program. The increase is supported by Federal funds. 501,000
- 2. Drinking Water Declaration of Emergency.** The Governor included a \$100 placeholder in one-time appropriations to allow for potential transfers from the Drinking Water Declaration of Emergency Fund if necessary. 100
- 3. Community College Skilled Trades Equipment Program.** The Governor changed the fund source for this \$4.6 million debt service payment from GF/GP to Penalties and Interest revenue. 0
- 4. One-Time Appropriations Removal.** The Governor removed a number of FY 2017-18 one-time appropriations, which include: Arts and Culture Grants (\$1.0 million), Michigan Enhancement Grants (\$35,897,000), Protect and Grow (\$1.0 million), Special Grants (\$2.7 million), and Talent Marketing (\$5.0 million). All of these appropriations were supported by GF/GP. (45,597,000)
- 5. Going Pro Reduction and Fund Shift.** The Governor reduced the one-time appropriation portion of this program by \$5.5 million Gross and GF/GP. Also, the Governor changed the fund source for \$25.0 million of Penalties and Interest revenue to GF/GP. (5,500,000)
- 6. Business Attraction and Community Revitalization.** The Governor reduced the program by \$5,120,100 Gross and GF/GP. Also, the Governor changed the fund source for \$2.0 million from GF/GP to the 21st Century Jobs Trust Fund. (5,120,100)

7. Community Venture Reduction. The Governor reduced Gross appropriations by \$3.3 million. Of that total, \$2,993,300 was Penalties and Interest revenue and \$306,700 was GF/GP. Also, the Governor transferred 7.0 FTEs and \$1.5 million Penalties and Interest revenue to Workforce Development Administration (WDA).	(3,300,000)
8. Technical Adjustments. The Governor reversed the defined calculations made to a number of lines supported by various Federal funds and the 21 st Century Jobs Trust Fund, which do not allow for economic increases.	(1,653,900)
9. Entrepreneurship Eco-System. The Governor reduced the program by \$1.5 million Gross and 21 st Century Jobs Trust Fund dollars. Also, the Governor changed the fund source for \$500,000 of 21 st Century Job Trust Fund revenue to GF/GP. The \$2.0 million in total 21 st Century Jobs Trust Fund reductions were moved to the Business Attraction and Community Revitalization. Finally, the Governor moved \$2.5 million from ongoing to one-time appropriations.	(1,500,000)
10. Land Bank Fast Track Authority. The Governor removed \$1.0 million in ongoing appropriations to the Authority, while adding 3.0 FTEs.	(1,000,000)
11. Internal FTE and Appropriation Transfers. The Governor made a number of internal transfers throughout the Department. This included transferring 12.0 FTEs and \$2.5 million in Federal funds from the UIA and WDA to the Department's Executive Direction; transferring \$2.3 million in Federal funds from WDP to WDA and Talent Investment Agency Executive Direction; and transferring \$150,000 from the MSF to the Land Bank Fast Track Authority.	0
12. Economic Adjustments. Includes \$2,693,700 Gross and \$270,200 GF/GP for total economic adjustments, of which an estimated \$136,000 Gross and \$20,300 GF/GP is for legacy retirement costs (pension and retiree health).	2,693,700
Total Changes	(\$60,476,200)
FY 2018-19 Governor's Recommendation	\$1,118,945,600

Boilerplate Changes from FY 2017-18 Year-to-Date:

1. **Deleted One-Time Appropriations.** The Governor deleted a number of sections related to one-time appropriations that were removed in part 1, which include: 1051 (Talent Marketing), 1053 (Arts and Culture Grants), 1054 (Protect and Grow), and 1084 (Going Pro).
2. **Deleted Grants.** The Governor deleted a number of sections related to special grants, which include: 1047 (Michigan Enhancement Grants), 1048 (Entrepreneurship Eco-System grant), 1055 (DTED-Grant), 1067 (Helmets to Hardhats), 1069 (Focus Hope), 1070 (Graduation for Life grant), and 1071 (Jobs for Michigan's Graduates Program).
3. **Deleted Other.** The Governor deleted a number of other sections, which include: 990 (MSHDA goals report), 1007 (Michigan Strategic Fund and Michigan Economic Development Corporation report), 1010 (Jobs for Michigan Investment Fund report), 1033 (Michigan Film and Media Office activity report), 1040 (Department's use of MAIN or other accounting system), 1041 (limits the amount that can be transferred to Business Attraction and Community Development to no more than 60% before April 1), 1080 (Community Venture matching amount), 1081 (Statewide System for Data Integration status report), and 1082 (Sustainable Employment Pilot status report).
4. **Date Modification.** The Governor changed the reporting data for a number of sections from March 15th to April 10th. (Secs. 1005, 1009, 1034, 1038, 1050, 1068, and 1079)
5. **Going Pro Administration.** The Governor expanded the language for "skilled trades training program" and "jobs created, jobs retained". (Sec. 1065)
6. **Technical Modifications.** The Governor made a number of technical adjustments to reflect date changes, Part 1 appropriations total, legacy cost estimates, and standardized language. (Secs. 201, 981, 1011, 1032, 1043, 1044, 1050, 1063, 1066, 1076)

Date Completed: 2-14-18

Fiscal Analyst: Cory Savino

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberation.



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Senate Bill 855 (as introduced)
 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2017-18 YEAR-TO-DATE*	FY 2018-19 GOV.'S REC.	CHANGES FROM FY 2017-18 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	2,937.0	3,116.0	179.0	6.1
GROSS	1,412,643,200	1,360,504,900	(52,138,300)	(3.7)
Less:				
Interdepartmental Grants Received	713,959,000	751,777,000	37,818,000	5.3
ADJUSTED GROSS	698,684,200	608,727,900	(89,956,300)	(12.9)
Less:				
Federal Funds	4,985,300	5,033,700	48,400	1.0
Local and Private	2,444,400	2,471,000	26,600	1.1
TOTAL STATE SPENDING	691,254,500	601,223,200	(90,031,300)	(13.0)
Less:				
Other State Restricted Funds	111,399,300	114,457,400	3,058,100	2.7
GENERAL FUND/GENERAL PURPOSE	579,855,200	486,765,800	(93,089,400)	(16.1)
PAYMENTS TO LOCALS	0	4,000,000	4,000,000	--

*As of February 7, 2018.

FY 2017-18 Year-to-Date Gross Appropriation	\$1,412,643,200
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Changes from FY 2017-18 Year-to-Date:

- FY 2017-18 Supplemental Funding.** The Governor did not include supplemental funding added in FY 2017-18 by Public Act 201 of 2017 that allocates \$100,000 for the implementation of House Bill 4644 (a bill that establishes size and weight permit fees for motor vehicles), contingent on the bill's enactment. (100,000)
- Removal of FY 2017-18 One-Time Items.** The Governor did not include one-time funding for FY 2017-18 totaling \$82.0 million (all GF/GP) and 10.0 FTEs that funded a variety of one-time items. (82,025,100)
- Enterprisewide Portfolio Management Services.** Governor provided funding and 11.0 FTEs to support expenses associated with expanding the Enterprise Portfolio Management Office services across the portfolio of the information technology projects across all of State government. 2,010,000
- Regional Prosperity Grants.** Governor increased funding for continued support of the Regional Prosperity Initiative. Funding will be used to encourage local private, public, and non-profit partners to create vibrant regional economies. 1,500,000
- Procurement Improvement Plan Completion.** Governor provided funding and 6.0 FTEs to improve procurement services such as permanent supplier relationship management, contract management, and an enterprisewide professional development certification program for procurement professionals. 891,900
- Financial Services Support.** Governor increased funding and added 6.0 FTEs to alleviate the increased workload related to procurement of IT services and commodities and to reduce billing errors. 559,400

<p>7. SBA Rent Increase. Governor adjust SBA rent payments by a total of \$19.2 million to comply with the DTMB Act which requires that SBA rent payments be made associated with projects authorized for construction. The increase in rental payments total \$37.6 million for FY 2018-19, however, \$18.4 million is available in existing authorization to cover nearly half of that expense thus only an additional \$19.2 million is needed. The adjustments are as follows: a \$5.5 million increase for community colleges; a \$2.7 million decrease for corrections; a \$5.9 million increase for state agencies; and a \$10.5 million increase for universities.</p>	<p>19,186,400</p>
<p>8. Agency Services Rate Adjustment. Governor includes additional funding to provide continued support for pay per-performance incentives in an effort to retain important and talented information technology personnel.</p>	<p>1,500,000</p>
<p>9. DTMB BOC Special Maintenance. Governor increased authorization in the Department's IDG allowance for building operating costs to accommodate increased utility costs and other building service contracts such as elevators, security guards, and janitorial services.</p>	<p>1,800,000</p>
<p>10. Technical Adjustments for IT. Alignment of funding of the IDGs with department and agency actual current year appropriations increased restricted funding by \$31.0 million and 10.0 FTEs.</p>	<p>31,023,400</p>
<p>11. One-Time Funding. The Governor included a total of \$420,100 in one-time funding for two items. A total of \$420,000 was included to continue support for the Michigan Civilian Cyber Corps (MiC3) to provide expert assistance to resolve cyber incidents when the State is under a Governor-declared State of Emergency and a \$100 placeholder was included for deposit into the fund for future use for costs associated with the Flint Water Crisis.</p>	<p>420,100</p>
<p>12. Professional Development Funds Adjustment. Governor reduced the authorization for professional development funds for non-represented employees (NEREs) based on approved civil service contracts for FY 2018-19.</p>	<p>(50,000)</p>
<p>13. State Police Employees Retirement System Supplemental Payment. Funding is decreased to adjust for a decline in the number retirement beneficiaries. Supplemental payments have been made for these retirees and beneficiaries pursuant to PA 168 of 2015.</p>	<p>(87,000)</p>
<p>14. IT Investment Fund (ITIF) Reduction. Governor included a General Fund reduction of \$25.0 million to the ITIF line item to adjust its funding level to account for the near completion of the SIGMA project. Due to the near completion of this project, ongoing costs will be reduced going forward. Governor also removed \$7.5 million of one-time funding.</p>	<p>(32,500,000)</p>
<p>15. Homeland/Cyber Security Reduction. Governor included a General Fund reduction of \$1.0 million to enterprise data network and backend network equipment updates. These updates can be put on hold without impacting the state's security posture.</p>	<p>(1,000,000)</p>
<p>16. School Reform Office Transferred to Department of Education. The School Reform Office was transferred to the Department of Education per Executive Order 2017-5 and the Governor includes the transfer of the funds and accompanying 11.0 FTEs for the School Reform Office from DTMB to the Department of Education where the Office now resides.</p>	<p>(3,353,800)</p>
<p>17. FTE Adjustment. The Governor adjusted FTE allocations by adding an additional 167 FTEs to better align with the appropriated funds and the associated positions across several lines within the Technology Services funding unit. The Department has both appropriated and unappropriated FTEs that are allocated as needed by the agency. The Department expects to exceed their appropriated FTE count related to increases in federally mandated programs, new systems, and contractor conversions and IT talent retention. There are no costs associated with this realignment.</p>	<p>0</p>
<p>18. Economic Adjustments. Includes \$8,086,400 Gross and \$1,812,300 GF/GP for total economic adjustments, of which an estimated \$1,054,600 Gross and \$843,300 GF/GP is for legacy retirement costs (pension and retiree health).</p>	<p>8,086,400</p>
<p>Total Changes</p>	<p>(\$52,138,300)</p>
<p>FY 2018-19 Governor's Recommendation</p>	<p>\$1,360,504,900</p>

Boilerplate Changes from FY 2017-18 Year-to-Date:

1. **Boilerplate Structure.** The Governor moved boilerplate from the FY 2016-17 general sections that applied to all General Government budgets to the Article for the Department of Technology, Management, and Budget. Changes to those items can be found in the highlight sheet for the **General Sections**.
2. **Special Revenue and Internal Service Funds.** Provides for appropriations financed from special revenue, internal service, pension trust funds or MAIN user charges not to exceed aggregate amounts appropriated in Part 1. **Governor:** Changes reference from MAIN to SIGMA. (Sec. 805)
3. **MAIN (SIGMA) Charges.** Provides that the Michigan Administrative Information Network (MAIN) and the Statewide Integrated Governmental Management Applications (SIGMA) shall be funded by charges against State funds benefiting from MAIN and SIGMA. **Governor:** Deletes reference to MAIN referring only to SIGMA as MAIN is no longer in use. (Sec. 807)
4. **Pilot Project to Provide Comprehensive Vendor Information.** Language provides a pilot project to allow the State to contract with a vendor that will provide comprehensive information on all vendors with whom the State conducts business transactions. **Governor:** Eliminates section as pilot project has been completed. (Current Law Sec. 810a)
5. **Unclassified Salaries.** Requires the Department to compile a report by January 1 pertaining to the salaries of unclassified employees and gubernatorial appointees. **Governor:** Eliminates section. (Current Law Sec. 822)
6. **DTMB Fees and Rates.** Language requires the Department to provide a report to the Legislature that identifies fee and rate schedules to be used by State departments and agencies for services. **Governor:** Eliminates section. (Current Law Sec. 822d)
7. **Legacy Cost Estimates.** Total legacy costs are estimated at \$84,145,300. Pension-related legacy costs are estimated at \$43,301,700 and retiree health care legacy costs are estimated at \$40,843,600 for fiscal year ending September 30, 2018. **Governor:** Provided the following Legacy Costs estimates for FY 2019: Total legacy costs estimated at \$85,199,900. Of that total, \$39,278,600 are for pension-related legacy costs and \$45,921,300 are for retiree health care legacy costs for the fiscal year ending September 30, 2019. (Sec. 822e)
8. **School Reform Office.** Language per E.O. 2015-9 provides stipulations for schools placed in a School Reform/Redesign school district as well as protecting students with individualized education programs. **Governor:** Eliminates section. (Current Law Sec. 822i)
9. **School Reform Office Public Hearings.** Language requires the School Reform Office to hold at least one public hearing, prior to the school reform expending funds or proceeding with the dissolution of a school, in the school district that the Office is considering for placement of a CEO or dissolution of the school district. **Governor:** Eliminates section. (Current Law Sec. 822j)
10. **Tracking Performance of Vendors.** Language states that the Department shall establish a system that collaborates with other departments to track the performance of vendors who are awarded contracts through the procurement process. **Governor:** Eliminates section. (Current Law Sec. 822m)
11. **Placement of all Contract Proposals on Department Website.** Language requires the Department to establish a publically accessible portal on the Department's website that displays all contract proposals for all State departments and agencies. **Governor:** Eliminates section. (Current Law Sec. 822n)
12. **School Reform Office Coordination with Department of Education.** Language requires the School Reform Office to coordinate with the Department of Education to streamline State services and resources, reduce duplication, and increase efficiency. **Governor:** Eliminates section. (Current Law Sec. 822o)
13. **Spatial Information/Technical Services.** Allows Department to enter into agreements to supply spatial information and technical services to other departments, local units of government, and organizations. Provides for receipt and expenditure of funds relating to providing services, publications, and maps, and other products in addition to amounts appropriated in Part 1. Includes annual reporting requirement regarding receipt and expenditure of funds under this section. **Governor:** Deletes reporting requirement. (Sec. 824)

14. **SIGMA Access.** Provides for access to all historical and current data contained within MAIN or its successor for the Legislature and State departments. **Governor:** Changes language to refer to SIGMA, or its predecessor, as MAIN has been replaced with SIGMA. (Sec. 825)
15. **NEW. Enterprise Portfolio Management. Governor:** Adds new language requiring the Department to identify specific outcomes and performance measures including: Implementing an enhanced IT project management service delivery through statewide application of best practice models; collaboration with State agencies to bring all project management/project control office contracts under the enterprise portfolio management office; and to initiate steps to improve the state unified IT environment (SUITE) compliance rating. (**NEW** Sec. 840)
16. **Capital Outlay Definitions.** Provides various definitions contained in the appropriation act. **Governor:** Deletes definitions for Department; Director; Fiscal Agencies; State Agency; and State Building Authority. (Sec. 860)
17. **Drinking Water Declaration of Emergency Reserve Fund.** Language creates the Drinking Water Declaration of Emergency Reserve Fund within the Department of Treasury. Language also requires the deposit of \$25.0 million into the fund in FY 2017-18, states that funds cannot be spent until appropriated by the Legislature, requires all interest earnings by the Reserve Fund to be deposited in the general fund, and states that any funds remaining in the Reserve Fund at the end of the fiscal year shall remain in the Reserve Fund and not lapse to the general fund. **Governor:** Eliminates section. (Current Law Sec. 880)
18. **Other Deletions.** In keeping with the condensed structure of the Governor's budget, the following current-year language sections and/or subsections were not included: 828, 829, 830, 832, 836a, and 837. The majority of these sections required the Department to provide either reports or notifications to the Legislature.

Date Completed: 3-23-18

Fiscal Analyst: Joe Carrasco, Jr.



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Senate Bill 865 (as introduced)
 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2017-18 YEAR-TO-DATE*	FY 2018-19 GOV.'S REC.	CHANGES FROM FY 2017-18 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	2,820.3	2,820.3	0.0	0.0
GROSS	4,349,443,000	4,705,089,900	355,646,900	8.2
Less:				
Interdepartmental Grants Received	4,039,300	4,092,500	53,200	1.3
ADJUSTED GROSS	4,345,403,700	4,700,997,400	355,593,700	8.2
Less:				
Federal Funds	1,340,301,200	1,318,271,700	(22,029,500)	(1.6)
Local and Private	50,632,000	51,432,000	800,000	1.6
TOTAL STATE SPENDING	2,954,470,500	3,331,293,700	376,823,200	12.8
Less:				
Other State Restricted Funds	2,954,470,500	3,156,293,700	201,823,200	6.8
GENERAL FUND/GENERAL PURPOSE	0	175,000,000	175,000,000	--
PAYMENTS TO LOCALS	1,717,843,100	1,960,123,900	242,280,800	14.1

*As of February 7, 2018.

FY 2017-18 Year-to-Date Gross Appropriation	\$4,349,443,000
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Changes from FY 2017-18 Year-to-Date:

- Michigan Transportation Fund Revenue Adjustments.** The Governor's budget included increases to the STF & Bluewater Bridge Fund (\$56.0 million), County Road Commissions (\$77.9 million), Cities and Villages (\$43.4 million), the Transportation Economic Development Fund (\$1.2 million), and the Local Bridge Program (\$117,900). 178,969,000
- One-Time General Fund for Roads.** The Governor included a one-time distribution of General Fund dollars for roads to be divided among the Department (\$68.4 million), Counties (\$68.4 million), and Cities & Villages (\$38.2 million). \$20.0 million from the Department's share is intended to fund 3 Next Generation Technologies projects, including the installation of dedicated short range communications units on roads in four counties, the construction of hydrogen fuel cell charging stations in three locations and a mobility pilot program for seniors and persons with disabilities. 175,000,000
- Priority Maintenance.** The Governor included STF increases for the maintenance of bridges (\$8.0 million), culverts (\$8.0 million), and Program development, delivery, and system operations (\$2.0 million). 18,000,000
- Transit and Rail Program Adjustments.** The Governor included funding increases from the Comprehensive Transportation Fund (CTF) to the following programs: Rail Ops & Infrastructure (\$6.3 million), Transit Capital (\$7.2 million), Local Bus Operating (\$1.0 million), Detroit/Wayne County Port Authority (\$268,200). 14,985,300
- Highway Maintenance Adjustments.** The Governor's recommendation included adjustments for increased materials costs (\$4.0 million) and maintenance of 49 new STF lane miles (\$337,600). 4,337,600

6. IT Systems Upgrades. The Governor included \$2.0 million to support work station replacement and application modernization.	2,000,000
7. CTF Program Adjustments. The Governor included increases to two CTF funded programs: \$1.2 million to support increased requests from local transit agencies for the Service Initiatives line item and \$175,000 for the Transportation to Work line to support the Blue Water Transportation Commission's Job Access/Reverse Commute (JARC) program.	1,375,000
8. Technical Adjustments. The recommendation included adjustments to IDGs (\$893,900) and the Moveable Bridge statutory increase requirement (\$112,400).	1,006,300
9. Federal Funding Adjustments. Increases in federal funding are anticipated for federal highway funds (\$24.0 million), transportation planning (\$2.8 million), and local transit agencies (\$2.0 million); however, a large reduction is anticipated for passenger and freight rail (\$50.1 million).	(21,045,600)
10. Transportation Economic Development Fund Reduction. The Governor's recommendation includes a permanent redirection of Category A funding (targeted industries) to the general fund.	(13,000,000)
11. Debt Service Adjustments.	(9,502,300)
12. Aviation Program Adjustments. Reduced revenue from aviation fuel taxes will result in an overall decrease of funding for Airport Improvement Programs.	(404,800)
13. Other Changes. The Governor's recommendation did not include one-time supplemental funding for the current year: PA 201 of 2017.	(2,000,000)
14. Economic Adjustments. Includes \$5,926,400 Gross and \$0 GF/GP for total economic adjustments, of which an estimated \$3,772,900 Gross and \$0 GF/GP is for legacy retirement costs (pension and retiree health).	5,926,400
Total Changes	\$355,646,900
FY 2018-19 Governor's Recommendation	\$4,705,089,900

Boilerplate Changes from FY 2017-18 Year-to-Date:

1. **Communication with the Legislature.** The Governor removed a section prohibiting the Department from taking disciplinary action against employees who communicate with the Legislature. (Sec. 215)
2. **Federal Rule Change Notification.** The Governor removed a requirement that the Department inform the legislature of proposed federal rule changes that would require amendments to Michigan law. (Sec. 217)
3. **Remanufactured Parts.** The Governor removed a requirement that the Department prioritize the use of remanufactured parts for the maintenance of its auto fleet. (Sec. 270)
4. **Commercial Space at Public Terminals.** The Governor removed a section that required space leased by the Department be rented on a competitive market rate basis and that placed restrictions on uses for lease revenue. (Sec. 305)
5. **State Infrastructure Bank Program.** The Governor deleted a subsection that required an annual report on the program to the legislature and the State Budget Office. (Sec. 313)
6. **Rest Area Signage.** The Governor removed a section that required signage with contact information be posted for the contractor responsible for rest area maintenance. (Sec. 319)
7. **Contractor Payment Process.** The Governor removed a section requiring prompt payment of contractors and Departmental review of the payment process. (Sec. 353)
8. **Local Federal Aid Project Review.** The Governor removed a section requiring review of local Federal aid projects within 120 days of receipt. (Sec. 357)
9. **Groundbreaking Ceremony Reimbursement Prohibition.** The Governor removed a section prohibiting reimbursement to contractors or consultants for costs associated with groundbreaking ceremonies. (Sec. 375)

10. **Billboard Safety Studies.** The Governor removed a section prohibiting safety studies on the impacts of billboards on motorist safety. (Sec. 376)
11. **E-Verify System Application for all Construction Contracts.** The Governor removed a section requiring the use of the E-Verify system to verify that all persons hired by a contractor are legally present and authorized to work in the United States. Removal of this section also relieves the Department of an annual reporting requirement to the legislature on the use of the E-Verify system. (Sec. 381)
12. **Final Cost-Sharing.** The Governor removed a section that requires the Department to submit a final cost-sharing bill to local agencies, when applicable, within 2 years after the date of the final contract payment. (Sec. 382)
13. **Best Practices.** The Governor removed a section that required the Department to employ and report on best practices for transportation services in the state. (Sec. 393)
14. **Funding Prioritization.** The Governor removed a section that required the Department and local agencies to prioritize funding for existing road networks. (Sec. 394)
15. **Contractual Eligibility.** The Governor removed a section that required applicants for contractual services, other than construction contracts, meet eligibility requirements. (Sec. 396)
16. **Work Project Balances and Federal Earmarks.** The Governor removed a section that required the Department to report annually all work project balances and all federal earmarks not expended for the preceding fiscal year. (Sec. 397)
17. **Replacement Buses for Rural Transit Agencies.** The Governor removed a section that required the department to include rural transit buses in its 5310 federal grant application. (Sec. 403)
18. **Flooding Mitigation.** The Governor amended this section to require the Department to report on flooding mitigation activities in Wayne, Oakland, and Macomb Counties. (Sec. 605)
19. **I-94 Reconstruction in Jackson County.** The Governor removed a section that required the department to fund a rebuilding and modernization project in Jackson County and to prepare the project for the receipt of federal funds. (Sec. 606)
20. **Contract Incentives & Disincentives.** The Governor removed a section that required the Department to establish and report annually on contract incentives and disincentives for the prior fiscal year. (Sec. 612)
21. **Capital Federal Aid Construction Project Reporting.** The Governor removed a section that required the department to report on all capital federal aid participating construction projects completed in the prior fiscal year. The Governor removed the report, claiming it was underutilized and required excessive staff time to produce it. (Sec. 613)
22. **Alternative Road Surface Materials.** The Governor removed a section that encouraged the Department to examine the use of alternative or recycled materials for road construction. Removal of this section included removal of the annual reporting requirement on the use of such materials. (Sec. 660)
23. **Winter Maintenance Truck Refurbishment.** The Governor removed a section requiring the department to investigate and report on any cost savings for the refurbishment of maintenance trucks as opposed to replacement. (Sec. 670)
24. **Railroad Abandonment Notification.** The Governor removed a section that required the Department to notify the Legislature if and when the Department receives notification of a railroad company's intent to abandon a rail line. (Sec. 703)
25. **Rail Operations and Infrastructure Reporting.** The Governor removed a section to require reporting on rail and infrastructure programs. (Sec. 704)
26. **Rail Freight Economic Development Spending.** The Governor removed a section that required the department to spend \$2.5 million of Comprehensive Transportation Fund on freight economic development. (Sec. 750)
27. **Department Ownership and Operation of Airports.** The Governor removed a section that encouraged the Department to find private entities or local public agencies to assume ownership and operating responsibility of Department owned airports. (Sec. 802)
28. **Ageing Aircraft.** The Governor removed a section that required the Department to issue an RFP for competitive bids to manage and sell the Department's ageing aircraft fleet. (Sec. 803)
29. **Airport Improvement Programs.** The Governor modified a section to require local units of government to provide 50% of any non-federal share of an airport construction or improvement project, up from a 5% minimum. (Sec. 901)

30. **One-Time General Fund Distribution for Roads.** The Governor included a new section to divide the \$175.0 million of General Fund One-Time dollars appropriated in Part 1. The Section divides the money as follows: \$68,425,000 to the state trunkline for roads and projects for connected vehicles, hydrogen fueling stations, and transportation services for the elderly and persons with disabilities; \$68,425,000 for county road commissions; \$38,150,000 for cities and villages.

Date Completed: 2-14-18

Fiscal Analyst: Michael Siracuse

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberation.



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Senate Bill 855 (as introduced)
 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2017-18 YEAR-TO-DATE*	FY 2018-19 GOV.'S REC.	CHANGES FROM FY 2017-18 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	N/A	N/A	N/A	N/A
GROSS	107,580,000	107,580,000	0	0.0
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS	107,580,000	107,580,000	0	0.0
Less:				
Federal Funds	0	0	0	0.0
Local and Private	0	0	0	0.0
TOTAL STATE SPENDING	107,580,000	107,580,000	0	0.0
Less:				
Other State Restricted Funds	0	0	0	0.0
GENERAL FUND/GENERAL PURPOSE	107,580,000	107,580,000	0	0.0
PAYMENTS TO LOCALS	0	0	0	0.0

*As of February 7, 2018.

FY 2017-18 Year-to-Date Gross Appropriation	\$107,580,000
Changes from FY 2017-18 Year-to-Date: None	0
Total Changes	
FY 2018-19 Governor's Recommendation	\$107,580,000

Boilerplate Changes from FY 2017-18 Year-to-Date: None

Date Completed: 2-14-18

Fiscal Analyst: Cory Savino

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 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2017-18 YEAR-TO-DATE*	FY 2018-19 GOV.'S REC.	CHANGES FROM FY 2017-18 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	1,852.5	1,860.5	8.0	0.4
GROSS	513,929,900	525,354,200	11,424,300	2.2
Less:				
Interdepartmental Grants Received	12,613,700	12,780,300	166,600	1.3
ADJUSTED GROSS	501,316,200	512,573,900	11,257,700	2.2
Less:				
Federal Funds	27,022,600	27,128,000	105,400	0.4
Local and Private	14,543,500	13,163,200	(1,380,300)	(9.5)
TOTAL STATE SPENDING	459,750,100	472,282,700	12,532,600	2.7
Less:				
Other State Restricted Funds	361,381,600	371,069,400	9,687,800	2.7
GENERAL FUND/GENERAL PURPOSE	98,368,500	101,213,300	2,844,800	2.9
PAYMENTS TO LOCALS	186,083,500	161,949,700	(24,133,800)	(13.0)

*As of February 7, 2018.

FY 2017-18 Year-to-Date Gross Appropriation	\$513,929,900
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Changes from FY 2017-18 Year-to-Date:

- 1. Medical Marihuana Excise Fund.** The Governor increased administration and grants appropriated from the Medical Marihuana Excise Fund to align with current revenue projections. Of the total increase, \$6,930,000 accounts for increased grants and \$227,100 accounts for increased administration. The increase is all supported by the Medical Marihuana Excise Fund. 7,157,100
- 2. Information Technology Rate Increase.** The Governor increased the Information Technology line item to account for a rate increase from the DTMB. The increase accounts for 10.0 FTEs and \$2.7 million for continuing mainframe legacy upgrades and \$2.8 million for cloud hosting and security upgrades. The increase is supported by GF/GP. 5,450,000
- 3. State Lottery Staff and Administration.** The Governor added 5.0 FTEs and funding in the Bureau of State Lottery due to increased workloads in the Bureau from continued growth in the Michigan Lottery. The increase is all supported by State lottery revenue. 637,200
- 4. OPEB Oversight.** The Governor included 2.0 FTEs and additional ongoing funding in order to implement the requirements of Public Act 202 of 2017, which require monitoring, evaluating, and reporting on pension and retirement health benefit plans offered by 1,400 local units of government. The increase is all supported by GF/GP. 464,000
- 5. MI Thrive Program Administration.** The Governor included 1.0 FTE and additional ongoing revenue to allow the Department to calculate income tax revenue generated from approved MI Thrive projects that clean up contaminated environmental sites. The funding is supported by the Brownfield Development Fund. 214,300
- 6. Technical Adjustment.** The Governor increased accounting services to account for a user charge increase. The increase is supported from the IDG Accounting Service Center User Charges Fund. 30,000

7. One-Time and Supplemental Removal. The Governor removed FY 2017-18 one-time appropriations, which include Treasury Operation IT Services (\$2.0 million), City Income Tax Administration (\$1.5 million), Urban Search and Rescue (\$900,000), and a FY 2017-18 supplemental for the Infrastructure Council (\$1.5 million). Of the total removal, \$1.5 million is from the City Income Tax Local Fund, \$1.5 million is from the Michigan Infrastructure Fund, and \$2.9 million is GF/GP.	(5,900,000)
8. Administration Efficiency Reduction. The Governor reduced Gross and GF/GP appropriations to the Department Services, Supervision of the General Property Tax Law and Tax Compliance line items due to administrative efficiencies.	(750,000)
9. Financial Data Analytical Tool Reimbursement. The Governor removed this ongoing grant program, which was all supported by GF/GP.	(500,000)
10. Restricted Fund Removal. The Governor removed the Emergency 911 Restricted fund from the Tax and Economic Policy line item due to the sunset of authorization for the Department. The decrease was not replaced with another revenue source resulting in a gross reduction to the line item.	(158,700)
11. Beat the Streets Removal. The Governor removed this ongoing grant program, which was all supported by GF/GP.	(100,000)
12. Internal FTE and Fund Transfers. The Governor made a number of internal transfers of FTEs and funds throughout the Department. This included transferring 6.0 FTEs and \$689,000 from Tax Processing, 2.0 FTEs and \$260,600 from Tax Compliance, 3.0 FTEs and \$529,700 from Accounting, and 1.0 FTE and \$223,600 from Collections to Executive Direction; transferring 11.0 FTEs and \$2,073,400 (the Revenue Sharing and Grant Division) from the Office of Revenue and Tax Analysis to the Office of Accounting Services; and Rolling the Financial Independence Team line item (9.0 FTEs and \$4,259,700) into the Supervision of the General Property Tax line item.	0
13. Economic Adjustments. Includes \$4,880,400 Gross and \$1,180,800 GF/GP for total economic adjustments, of which an estimated \$1,013,200 Gross and \$200,100 GF/GP is for legacy retirement costs (pension and retiree health).	4,880,400
Total Changes.....	\$11,424,300
FY 2018-19 Governor's Recommendation.....	\$525,354,200

Boilerplate Changes from FY 2017-18 Year-to-Date:

1. **Deleted.** The Governor deleted a number of sections, which include: 902a (notification of bond refinancing), 903(4) (RFP for secondary placement collections program), 936 (financial data analytic tool reimbursement), 943 (establishment of a close-loop payment system), 949g (Urban Search and Rescue).
2. **Pension Plan Consultant.** The Governor modified language for pension plan consultants that removes language requiring notification that a consultant has been used and provide a rationale for why a consultant was needed, and retained language that the Department must retain any reports provided by consultants and made available upon request. (Sec. 944)
3. **Lottery Promotion and Advertisement.** The Governor modified language for Lottery promotion and advertisement that removed the \$30.0 million cap, but retained language that promotion and advertisement cannot exceed 1% of the prior year's gross sales. (Sec. 964)
4. **Transformation Brownfield Plans.** The Governor added new language that requires the payment of captured tax revenue due under approved transformation Brownfield plans, in accordance to statute. (Sec. 949k)
5. **Technical Adjustments.** The Governor made a number of technical adjustments to reflect date changes, Part 1 appropriations total, legacy cost estimates, and standardized language. (Secs. 201, 926, and 948)

Date Completed: 2-14-18

Fiscal Analyst: Cory Savino

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberation.



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BILL ANALYSIS

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Senate Bill 855 (as introduced)
 Committee: Appropriations

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2017-18 YEAR-TO-DATE*	FY 2018-19 GOV.'S REC.	CHANGES FROM FY 2017-18 YEAR-TO-DATE	
			AMOUNT	PERCENT
FTE Positions	N/A	N/A	N/A	N/A
GROSS	1,287,738,100	1,298,609,300	10,871,200	0.8
Less:				
Interdepartmental Grants Received	0	0	0	0.0
ADJUSTED GROSS	1,287,738,100	1,298,609,300	10,871,200	0.8
Less:				
Federal Funds	0	0	0	0.0
Local and Private	0	0	0	0.0
TOTAL STATE SPENDING	1,287,738,100	1,298,609,300	10,871,200	0.8
Less:				
Other State Restricted Funds	1,279,359,000	1,298,609,300	19,250,300	1.5
GENERAL FUND/GENERAL PURPOSE	8,379,100	0	(8,379,100)	(100.0)
PAYMENTS TO LOCALS	1,287,738,100	1,298,609,300	10,871,200	0.8

*As of February 7, 2018.

FY 2017-18 Year-to-Date Gross Appropriation	\$1,287,738,100
Changes from FY 2017-18 Year-to-Date:	
1. Constitutional Revenue Sharing. Governor recommended \$832,343,800 for constitutional revenue sharing for FY 2018-19, an increase of 3.1% from the January 2018 consensus estimate for FY 2017-18.	24,732,900
2. City, Village, and Township (CVT) Revenue Sharing. Governor recommended \$243,040,000 in FY 2018-19 for nonconstitutional or "statutory" payments to cities, villages, and townships, the same ongoing amount as in FY 2017-18. Governor removed \$5,800,000 in one-time funding that was used for alternative per-capita payments to cities, villages, and townships.	(5,800,000)
3. Supplemental City, Village, and Township Revenue Sharing. Governor removed one-time funding for per-capita payments for cities, villages, and townships.	(6,200,000)
4. Revenue Sharing Payments to Counties. Governor recommended a total of \$218,225,500 for revenue sharing payments to counties. This amount would be paid through two line items: \$175,006,700 for County Revenue Sharing and \$43,218,800 for the County Incentive Program. Governor recommended increases of \$259,000 for County Revenue Sharing and \$58,400 for the County Incentive Program to cover the partial-year cost of three counties (Antrim, Keweenaw, and Mackinac) that re-enter State-paid revenue sharing in 2019. Also removed \$2,179,100 that was added in FY 2017-18.	(1,861,700)
5. Financially Distressed Cities, Villages, and Townships. Governor recommended \$5.0 million in FY 2018-19 for this grant program, the same amount as in FY 2017-18.	0
Total Changes	\$10,871,200
FY 2018-19 Governor's Recommendation	\$1,298,609,300

Boilerplate Changes from FY 2017-18 Year-to-Date:

1. **CVT Revenue Sharing.** Governor set the amount that an eligible local government can receive at 78.51044% of FY 2009-10 statutory payments, the same as the standard payment in FY 2017-18. Removed the option for CVTs over 7,500 in population to receive payment of \$2.64659 per capita instead of the standard payment. (Sec. 952(1))
2. **County Revenue Sharing.** Governor recommended that payments in FY 2018-19 be 100.986% of the payments for which counties are eligible under the Glen Steil State Revenue Sharing Act; reduced from 101.986% in FY 2017-18. (Sec. 955)
3. **Financial Distressed CVTs.** Governor added language allowing funds to be used "to administer other projects that move the city, village, or township toward financial stability". (Sec. 956)
4. **Supplemental CVT Revenue Sharing.** Governor removed supplemental CVT revenue sharing program. (Sec. 957)

Date Completed: 2-14-18

Fiscal Analyst: Ryan M. Bergan



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- Appropriations Report – Part I - Governor's Recommendations
- Appropriations Report – Part II - Initial Appropriations
- Appropriations Report – Part III - Year-End Appropriations
- Status of Lawsuits Against the State
- Higher Education Appropriations Report
- Michigan Economic Outlook and Budget Review
- Monthly Revenue Report
- Monthly Michigan Economic Indicators
- State Notes: Topics of Legislative Interest