



FY 2019-20

APPROPRIATIONS REPORT
Part I - Governor's Recommendations

April 2019

Senate Fiscal Agency



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www.senate.michigan.gov/sfa

THE SENATE FISCAL AGENCY

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1. To provide technical, analytical, and preparatory support for all appropriations bills.
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 March 5, 2019, Governor Gretchen Whitmer presented her Executive Budget recommendations for fiscal year (FY) 2019-20 and budget projections for FY 2020-21. Public Act (PA) 389 of 2018 requires the Governor to propose a budget for the upcoming fiscal year and the following fiscal year. 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 only be an expression of an "intent to appropriate", not binding or legally enforceable. Beginning with FY 2020-21, the Governor also is required to produce a five-year strategic plan for the State when submitting a budget recommendation to the Legislature. This overview will focus on Governor Whitmer's FY 2019-20 appropriation recommendation.

The FY 2019-20 budget recommendation from the Governor is based on the consensus revenue estimates agreed to on January 17, 2019. The FY 2019-20 General Fund/General Purpose (GF/GP) consensus revenue estimate is \$10.7 billion. This represents a 0.2% increase from the May 2018 consensus estimates. The FY 2019-20 School Aid Fund (SAF) consensus revenue estimate is \$13.9 billion, a 2.8% increase from the May 2018 consensus estimate. The Governor's FY 2019-20 recommendation proposes two major revenue increases. The first major change in revenue is a recommended \$0.45 increase in gas taxes, to be phased in with three \$0.15-cent increases spread between October 1, 2019, and October 1, 2020. The Governor's recommendation represents an increase of \$2.5 billion of additional revenue earmarked to road and transportation funding, with the exception of a portion, which is constitutionally dedicated to the Department of Natural Resources (DNR) Recreation Improvement Fund. The Governor also is recommending to tax pass-through businesses, such as partnerships, limited liability companies (LLCs), and S-corporations at 6.0%, which is projected to generate \$203.0 million in FY 2019-20 (\$157.0 million to GF/GP, \$45.5 million to SAF). The Governor offsets these two revenue increases with two significant changes to revenue collection. The Governor recommends increasing the Earned Income Tax Credit (EITC) from 6% of the Federal EITC to 10% in FY 2019-20 and to 12% in FY 2020-21. This change is projected to cost \$76.0 million in FY 2019-20. The Governor also recommends repealing the changes made in 2012 that expanded the retirement income that was subject to income tax collection. The Governor's proposal is estimated to reduce income tax revenue collection by approximately \$259.0 million in FY 2019-20. These recommended revenue proposals would require statutory changes.

The Governor's proposal for the School Aid Fund recommends an additional \$507.0 million SAF in FY 2019-20 for an increase in the foundation allowance (\$235.0 million SAF), increased support for special education students (\$120.0 million SAF), additional funding to support academically at-risk students (\$102.0 million SAF), and additional funding for career and technical education (CTE) (\$50.0 million SAF). The Governor is proposing to eliminate the SAF appropriation to the public universities and, instead, replace all \$500.1 million that was appropriated in FY 2018-19 with GF/GP in FY 2019-20. Additionally, the Governor recommends a 3.0% increase in funding to both universities and community colleges, \$43.7 million GF/GP, and \$9.7 million GF/GP, respectively.

The Governor recommends FY 2019-20 Gross appropriations of \$60.2 billion and Adjusted Gross appropriations of \$59.1 billion. Included in this appropriation total are \$23.1 billion of Federal funds, \$415.1 million of local and private funds, \$24.9 billion of State Restricted revenue, and \$10.7 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 2018-19 year-to-date appropriations, the Governor's FY 2019-20 budget includes a Gross appropriation increase of \$2.0 billion, or 3.5%, an increase in State spending from State Resources appropriations of \$1.6 billion, or 4.6%, and an increase in GF/GP appropriations of \$237.8 million, or 2.3%.

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 (DHHS),

funding increases in the School Aid budget for the foundation allowance and other categoricals, and the increase in spending for the Department of Transportation. Tables 2-5 compare the Governor's FY 2019-20 recommendation for Gross, Adjusted Gross, State Spending from State Resources, and GF/GP appropriations with the FY 2018-19 year-to-date appropriations. Table 6 compares the FY 2019-20 recommended number of 53,804.2 full-time equated (FTE) positions to the FY 2018-19 level of 53,757.5 FTEs, an increase of 46.7 positions, or 0.1%.

The FY 2019-20 recommendation includes appropriations that the Governor has designated as either "ongoing" or "one-time". Table 7 outlines the proposed FY 2019-20 one-time appropriations by fund source, with a Gross total for all budget areas of \$292.1 million. The Governor's budget also includes a recommended appropriation for the Budget Stabilization Fund (BSF) of \$150.0 million for FY 2019-20.

Table 8 lists the estimated State payments to local units of government for FYs 2018-19 and 2019-20, of \$18.9 billion and \$19.7 billion, respectively.

Tables 9 and 10 present the GF/GP and SAF balance sheets as presented by the Governor for FY 2018-19, FY 2019-20, and FY 2020-21, which, when combined, reflect positive ending balances for all three years.

The total Gross and GF/GP dollar changes from FY 2018-19 to FY 2019-20 are an increase of \$2.0 billion Gross and an increase of \$237.8 million GF/GP. Table 11 shows that the \$237.8 million GF/GP increase consists of \$3.3 million of GF/GP funding for new programs, \$457.9 million of GF/GP funding increases, \$903.2 million of GF/GP funding reductions, a \$625.5 million GF/GP increase due to fund shifts, and an increase of \$54.3 million due to program transfers and economic and unclassified salaries' adjustments. Tables 12-17 provide the details for these changes.

The FY 2019-20 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 \$526.6 million.

Tables 19-34 outline background information regarding major budget areas and other general appropriation issues, and Tables 35-37 provide recent State appropriation history.

On an overall basis, the Governor's FY 2019-20 budget proposal increases Gross appropriations by 3.5% and State Spending from State Resources by 4.6%, and GF/GP by 2.3%. The primary reason for these increases is because the Governor is recommending increases in revenue to support roads, shift School Aid support away from public universities, and increase the foundation allowance and categorical spending in the School Aid budget.

Table 1

**FY 2019-20 GOVERNOR'S RECOMMENDATION
BY SOURCE OF FUNDS**

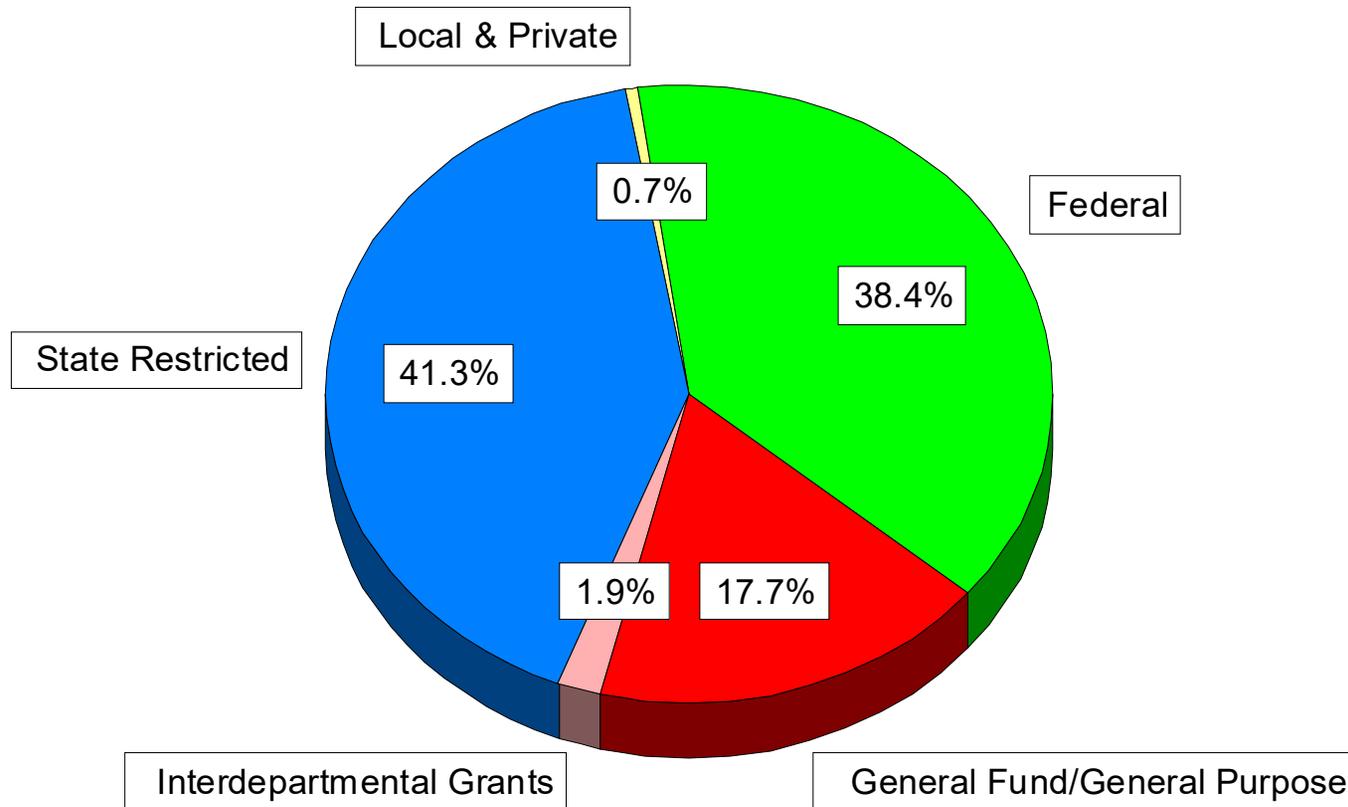
| Department/Budget Area | Gross | IDGs | Adjusted Gross | Federal | Local & Private | State Restricted | General Fund/ General Purpose |
|---------------------------------|-------------------------|------------------------|-------------------------|-------------------------|----------------------------|-------------------------|--|
| Agriculture & Rural Development | \$109,830,500 | \$318,400 | \$109,512,100 | \$11,836,400 | \$101,800 | \$39,653,700 | \$57,920,200 |
| Attorney General | 106,517,800 | 34,908,000 | 71,609,800 | 9,713,700 | 0 | 20,159,800 | 41,736,300 |
| Capital Outlay | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Civil Rights | 16,388,300 | 298,500 | 16,089,800 | 2,816,900 | 18,700 | 58,500 | 13,195,700 |
| Community Colleges | 421,164,000 | 0 | 421,164,000 | 0 | 0 | 408,215,500 | 12,948,500 |
| Corrections | 2,049,998,200 | 0 | 2,049,998,200 | 5,323,700 | 11,687,200 | 41,112,500 | 1,991,874,800 |
| Education | 436,344,500 | 0 | 436,344,500 | 332,152,900 | 7,929,600 | 9,050,000 | 87,212,000 |
| Environmental Quality | 478,273,300 | 3,176,600 | 475,096,700 | 160,895,300 | 1,061,800 | 259,346,600 | 53,793,000 |
| Executive | 7,114,300 | 0 | 7,114,300 | 0 | 0 | 0 | 7,114,300 |
| Health & Human Services | 26,178,757,500 | 13,857,600 | 26,164,899,900 | 18,221,270,400 | 299,341,200 | 2,864,946,300 | 4,779,342,000 |
| Higher Education | 1,711,321,800 | 0 | 1,711,321,800 | 123,526,400 | 0 | 0 | 1,587,795,400 |
| Insurance & Financial Services | 68,889,800 | 723,100 | 68,166,700 | 1,017,600 | 0 | 66,999,100 | 150,000 |
| Judiciary | 309,341,000 | 1,551,700 | 307,789,300 | 6,028,400 | 7,573,800 | 93,044,900 | 201,142,200 |
| Legislature | 192,700,500 | 5,823,400 | 186,877,100 | 0 | 400,000 | 6,403,100 | 180,074,000 |
| Licensing & Regulatory Affairs | 572,612,500 | 49,014,200 | 523,598,300 | 95,852,500 | 351,800 | 303,125,900 | 124,268,100 |
| Military & Veterans Affairs | 201,102,500 | 101,800 | 201,000,700 | 106,177,200 | 630,000 | 23,908,600 | 70,284,900 |
| Natural Resources | 474,444,700 | 232,200 | 474,212,500 | 86,011,600 | 7,431,600 | 329,545,300 | 51,224,000 |
| Natural Resources (Trust Fund) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| School Aid | 15,371,238,900 | 0 | 15,371,238,900 | 1,749,578,500 | 0 | 13,576,660,400 | 45,000,000 |
| State | 255,209,600 | 20,000,000 | 235,209,600 | 1,460,000 | 50,100 | 210,732,000 | 22,967,500 |
| State Police | 718,629,000 | 24,933,900 | 693,695,100 | 75,728,500 | 4,801,200 | 144,658,200 | 468,507,200 |
| Talent & Econ. Development | 1,088,257,000 | 0 | 1,088,257,000 | 762,145,800 | 6,128,300 | 175,074,600 | 144,908,300 |
| Technology, Mgt., & Budget | 1,580,268,900 | 950,488,800 | 629,780,100 | 4,968,400 | 2,452,300 | 117,916,800 | 504,442,600 |
| Transportation | 5,778,292,000 | 3,974,300 | 5,774,317,700 | 1,341,650,100 | 51,932,000 | 4,380,735,600 | 0 |
| Treasury (Debt Service) | 104,335,000 | 0 | 104,335,000 | 0 | 0 | 0 | 104,335,000 |
| Treasury (Operations) | 590,416,900 | 12,905,600 | 577,511,300 | 27,242,500 | 13,243,300 | 422,533,700 | 114,491,800 |
| Treasury (Revenue Sharing) | 1,382,407,900 | 0 | 1,382,407,900 | 0 | 0 | 1,382,407,900 | 0 |
| TOTAL APPROPRIATIONS | \$60,203,856,400 | \$1,122,308,100 | \$59,081,548,300 | \$23,125,396,800 | \$415,134,700 | \$24,876,289,000 | \$10,664,727,800 |

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Figure A

Appropriations by Source of Funds

FY 2019-20 Governor's Recommendation Gross



Total = \$ 60,203,856,400

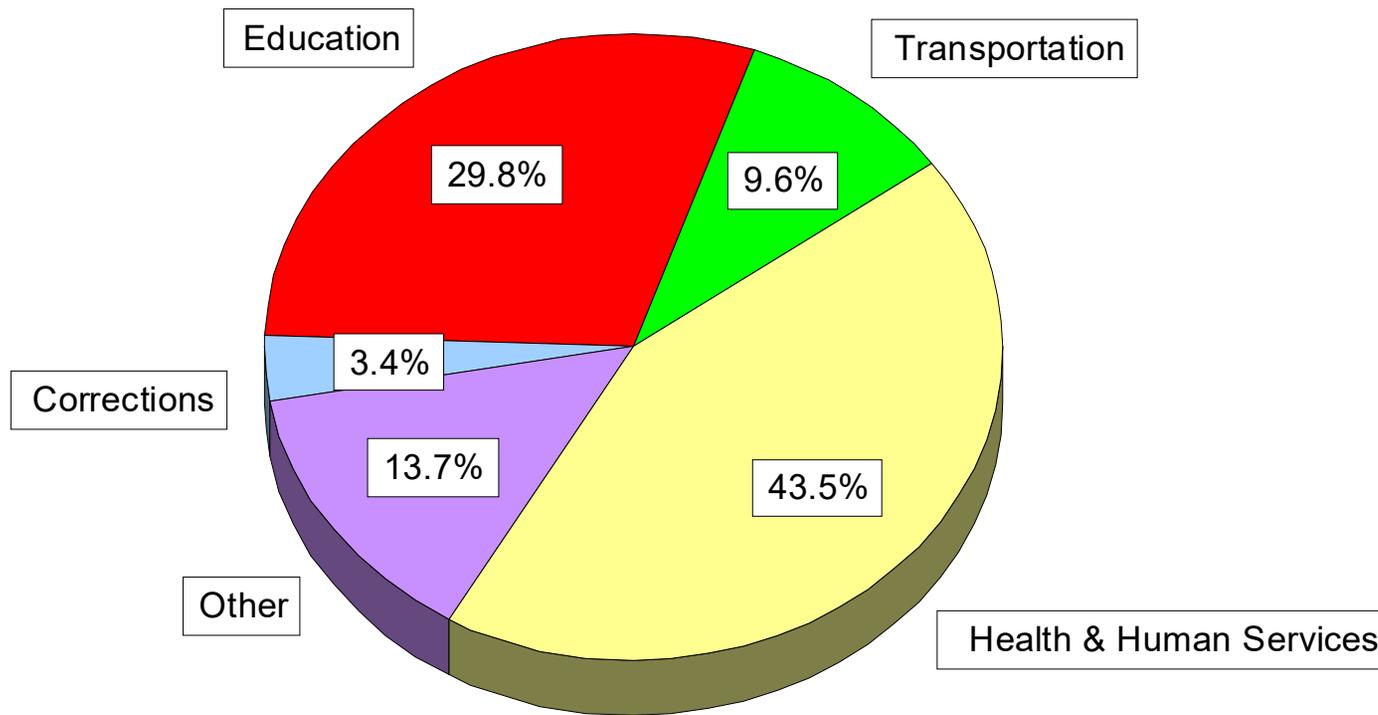
Table 2
GROSS APPROPRIATIONS
FY 2018-19 YEAR-TO-DATE VERSUS FY 2019-20 GOVERNOR'S RECOMMENDATION

| Department/Budget Area | FY 2018-19 Year-to-Date Appropriations* | FY 2019-20 Governor's Recommendation | Dollar Difference | Percent Change |
|---------------------------------------|--|---|--------------------------|-----------------------|
| Agriculture & Rural Development..... | \$110,198,100 | \$109,830,500 | (\$367,600) | (0.3%) |
| Attorney General | 104,027,700 | 106,517,800 | 2,490,100 | 2.4 |
| Capital Outlay..... | 15,000,900 | 0 | (15,000,900) | (100.0) |
| Civil Rights | 16,201,100 | 16,388,300 | 187,200 | 1.2 |
| Community Colleges | 408,215,500 | 421,164,000 | 12,948,500 | 3.2 |
| Corrections | 2,019,056,200 | 2,049,998,200 | 30,942,000 | 1.5 |
| Education | 406,134,900 | 436,344,500 | 30,209,600 | 7.4 |
| Environmental Quality | 501,302,600 | 478,273,300 | (23,029,300) | (4.6) |
| Executive..... | 6,980,100 | 7,114,300 | 134,200 | 1.9 |
| Health & Human Services | 25,502,246,400 | 26,178,757,500 | 676,511,100 | 2.7 |
| Higher Education..... | 1,669,732,600 | 1,711,321,800 | 41,589,200 | 2.5 |
| Insurance & Financial Services..... | 67,971,900 | 68,889,800 | 917,900 | 1.4 |
| Judiciary | 304,079,100 | 309,341,000 | 5,261,900 | 1.7 |
| Legislature..... | 211,450,500 | 192,700,500 | (18,750,000) | (8.9) |
| Licensing & Regulatory Affairs..... | 552,356,700 | 572,612,500 | 20,255,800 | 3.7 |
| Military & Veterans Affairs..... | 199,639,300 | 201,102,500 | 1,463,200 | 0.7 |
| Natural Resources | 484,430,900 | 474,444,700 | (9,986,200) | (2.1) |
| Natural Resources (Trust Fund) | 0 | 0 | 0 | 0.0 |
| School Aid | 14,844,588,800 | 15,371,238,900 | 526,650,100 | 3.5 |
| State | 247,062,800 | 255,209,600 | 8,146,800 | 3.3 |
| State Police | 777,936,400 | 718,629,000 | (59,307,400) | (7.6) |
| Talent & Economic Development..... | 1,260,746,100 | 1,088,257,000 | (172,489,100) | (13.7) |
| Technology, Management, & Budget..... | 1,433,443,600 | 1,580,268,900 | 146,825,300 | 10.2 |
| Transportation | 5,013,880,800 | 5,778,292,000 | 764,411,200 | 15.2 |
| Treasury (Debt Service)..... | 107,080,000 | 104,335,000 | (2,745,000) | (2.6) |
| Treasury (Operations)..... | 570,041,500 | 590,416,900 | 20,375,400 | 3.6 |
| Treasury (Revenue Sharing)..... | 1,338,142,700 | 1,382,407,900 | 44,265,200 | 3.3 |
| TOTAL APPROPRIATIONS..... | \$58,171,947,200 | \$60,203,856,400 | \$2,031,909,200 | 3.5% |

* As of March 5, 2019

Figure B

Gross Appropriations by Major Category FY 2019-20 Governor's Recommendation



Total = \$ 60,203,856,400

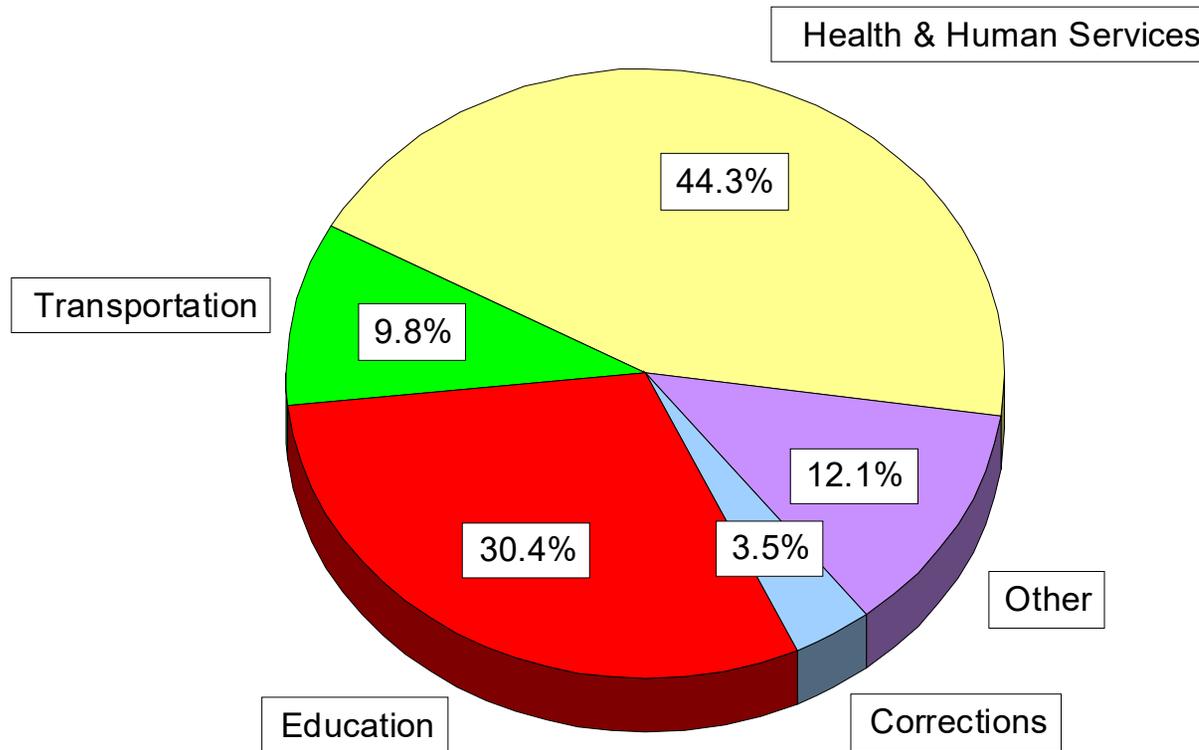
Table 3
ADJUSTED GROSS APPROPRIATIONS
FY 2018-19 YEAR-TO-DATE VERSUS FY 2019-20 GOVERNOR'S RECOMMENDATION

| Department/Budget Area | FY 2018-19 Year-to-Date Appropriations* | FY 2019-20 Governor's Recommendation | Dollar Difference | Percent Change |
|---------------------------------------|--|---|--------------------------|-----------------------|
| Agriculture & Rural Development..... | \$109,884,200 | \$109,512,100 | (\$372,100) | (0.3%) |
| Attorney General | 73,641,300 | 71,609,800 | (2,031,500) | (2.8) |
| Capital Outlay..... | 15,000,900 | 0 | (15,000,900) | (100.0) |
| Civil Rights | 15,902,000 | 16,089,800 | 187,800 | 1.2 |
| Community Colleges | 408,215,500 | 421,164,000 | 12,948,500 | 3.2 |
| Corrections | 2,019,056,200 | 2,049,998,200 | 30,942,000 | 1.5 |
| Education | 406,134,900 | 436,344,500 | 30,209,600 | 7.4 |
| Environmental Quality | 498,158,900 | 475,096,700 | (23,062,200) | (4.6) |
| Executive..... | 6,980,100 | 7,114,300 | 134,200 | 1.9 |
| Health & Human Services | 25,488,437,700 | 26,164,899,900 | 676,467,200 | 2.7 |
| Higher Education..... | 1,669,732,600 | 1,711,321,800 | 41,589,200 | 2.5 |
| Insurance & Financial Services..... | 67,258,100 | 68,166,700 | 908,600 | 1.4 |
| Judiciary | 302,527,800 | 307,789,300 | 5,261,500 | 1.7 |
| Legislature..... | 205,627,100 | 186,877,100 | (18,750,000) | (9.1) |
| Licensing & Regulatory Affairs..... | 503,942,400 | 523,598,300 | 19,655,900 | 3.9 |
| Military & Veterans Affairs..... | 199,537,500 | 201,000,700 | 1,463,200 | 0.7 |
| Natural Resources | 484,198,700 | 474,212,500 | (9,986,200) | (2.1) |
| Natural Resources (Trust Fund) | 0 | 0 | 0 | 0.0 |
| School Aid | 14,844,588,800 | 15,371,238,900 | 526,650,100 | 3.5 |
| State | 227,062,800 | 235,209,600 | 8,146,800 | 3.6 |
| State Police | 753,188,100 | 693,695,100 | (59,493,000) | (7.9) |
| Talent & Economic Development..... | 1,260,746,100 | 1,088,257,000 | (172,489,100) | (13.7) |
| Technology, Management, & Budget..... | 681,666,600 | 629,780,100 | (51,886,500) | (7.6) |
| Transportation | 5,009,788,300 | 5,774,317,700 | 764,529,400 | 15.3 |
| Treasury (Debt Service)..... | 107,080,000 | 104,335,000 | (2,745,000) | (2.6) |
| Treasury (Operations)..... | 557,261,200 | 577,511,300 | 20,250,100 | 3.6 |
| Treasury (Revenue Sharing)..... | 1,338,142,700 | 1,382,407,900 | 44,265,200 | 3.3 |
| TOTAL APPROPRIATIONS..... | \$57,253,755,500 | \$59,081,548,300 | \$1,827,792,800 | 3.2% |

* As of March 5, 2019

Figure C

Adjusted Gross Appropriations by Major Category FY 2019-20 Governor's Recommendation



Total = \$ 59,081,548,300

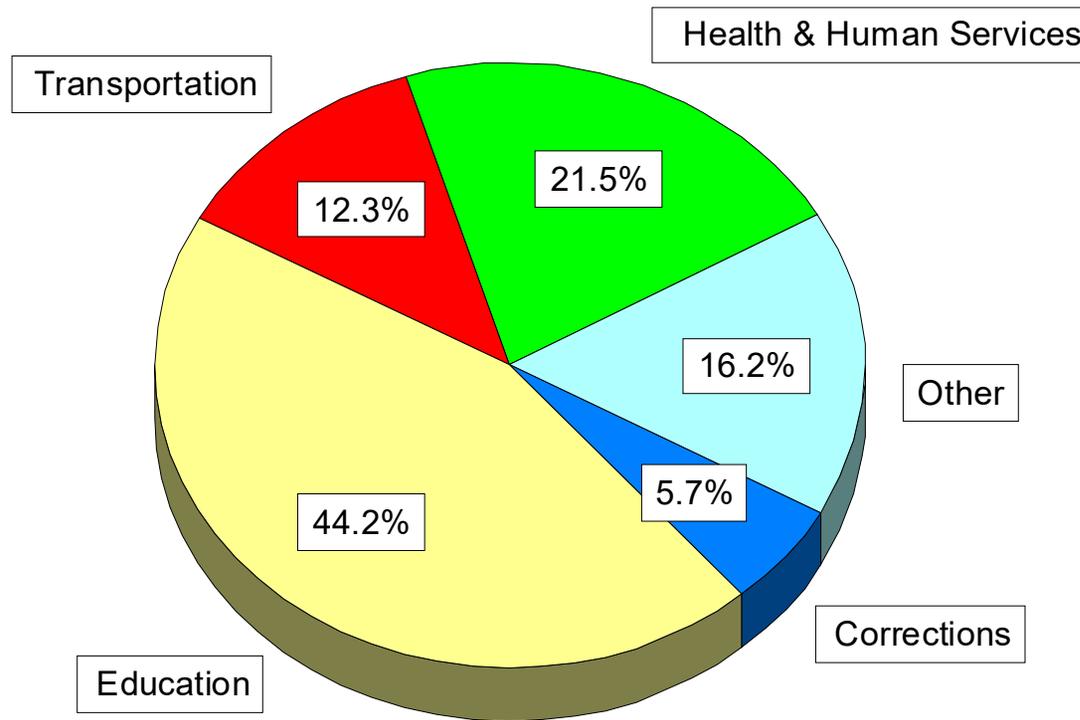
Table 4
STATE SPENDING FROM STATE RESOURCES APPROPRIATIONS
FY 2018-19 YEAR-TO-DATE VERSUS FY 2019-20 GOVERNOR'S RECOMMENDATION

| Department/Budget Area | FY 2018-19 Year-to-Date Appropriations* | FY 2019-20 Governor's Recommendation | Dollar Difference | Percent Change |
|---------------------------------------|---|--|------------------------|----------------|
| Agriculture & Rural Development..... | \$98,007,200 | \$97,573,900 | (\$433,300) | (0.4%) |
| Attorney General | 63,634,000 | 61,896,100 | (1,737,900) | (2.7) |
| Capital Outlay..... | 15,000,900 | 0 | (15,000,900) | (100.0) |
| Civil Rights | 13,080,600 | 13,254,200 | 173,600 | 1.3 |
| Community Colleges | 408,215,500 | 421,164,000 | 12,948,500 | 3.2 |
| Corrections | 2,004,780,900 | 2,032,987,300 | 28,206,400 | 1.4 |
| Education | 100,171,800 | 96,262,000 | (3,909,800) | (3.9) |
| Environmental Quality | 336,871,800 | 313,139,600 | (23,732,200) | (7.0) |
| Executive..... | 6,980,100 | 7,114,300 | 134,200 | 1.9 |
| Health & Human Services | 7,198,369,000 | 7,644,288,300 | 445,919,300 | 6.2 |
| Higher Education..... | 1,546,206,200 | 1,587,795,400 | 41,589,200 | 2.7 |
| Insurance & Financial Services..... | 65,240,800 | 67,149,100 | 1,908,300 | 2.9 |
| Judiciary | 289,059,000 | 294,187,100 | 5,128,100 | 1.8 |
| Legislature..... | 205,227,100 | 186,477,100 | (18,750,000) | (9.1) |
| Licensing & Regulatory Affairs..... | 412,316,700 | 427,394,000 | 15,077,300 | 3.7 |
| Military & Veterans Affairs..... | 99,191,900 | 94,193,500 | (4,998,400) | (5.0) |
| Natural Resources | 386,427,600 | 380,769,300 | (5,658,300) | (1.5) |
| Natural Resources (Trust Fund) | 0 | 0 | 0 | 0.0 |
| School Aid | 13,098,645,300 | 13,621,660,400 | 523,015,100 | 4.0 |
| State | 225,552,700 | 233,699,500 | 8,146,800 | 3.6 |
| State Police | 647,277,500 | 613,165,400 | (34,112,100) | (5.3) |
| Talent & Economic Development..... | 491,978,600 | 319,982,900 | (171,995,700) | (35.0) |
| Technology, Management, & Budget..... | 674,161,900 | 622,359,400 | (51,802,500) | (7.7) |
| Transportation | 3,640,084,600 | 4,380,735,600 | 740,651,000 | 20.3 |
| Treasury (Debt Service)..... | 107,080,000 | 104,335,000 | (2,745,000) | (2.6) |
| Treasury (Operations)..... | 516,970,000 | 537,025,500 | 20,055,500 | 3.9 |
| Treasury (Revenue Sharing)..... | 1,338,142,700 | 1,382,407,900 | 44,265,200 | 3.3 |
| TOTAL APPROPRIATIONS..... | \$33,988,674,400 | \$35,541,016,800 | \$1,552,342,400 | 4.6% |

* As of March 5, 2019

Figure D

State Spending From State Resources FY 2019-20 Governor's Recommendation



Total = \$ 35,541,016,800

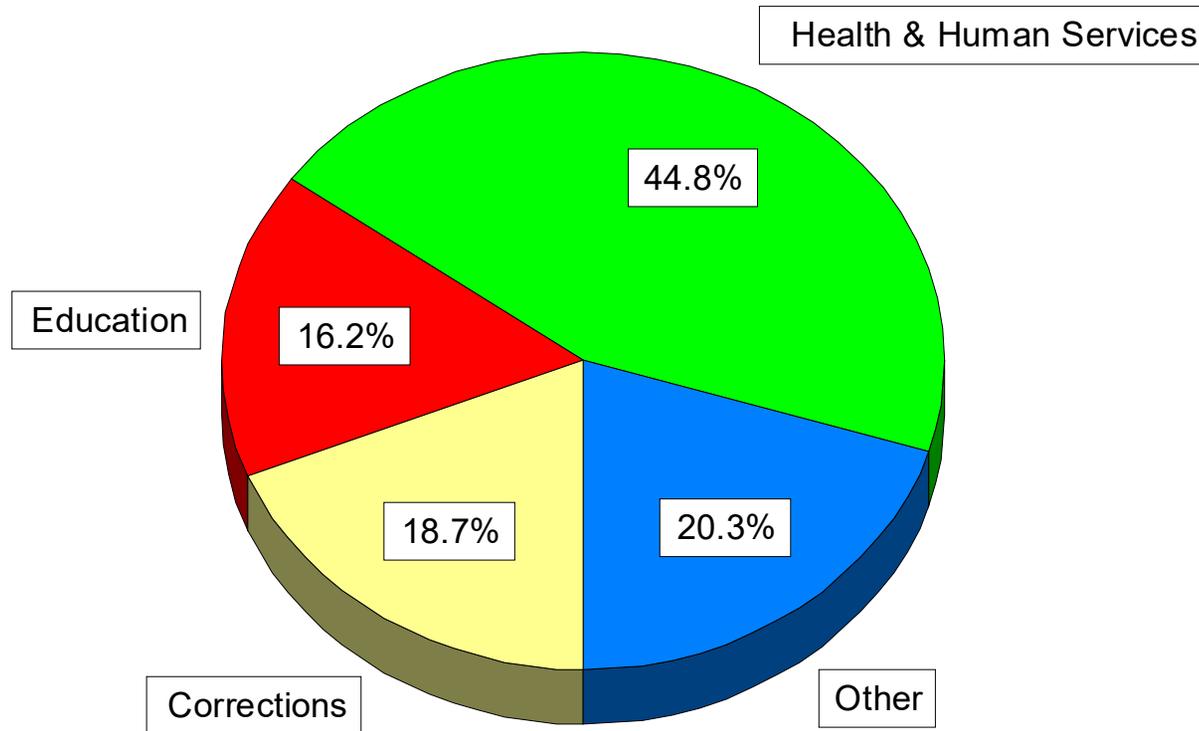
**Table 5
GENERAL FUND/GENERAL PURPOSE APPROPRIATIONS
FY 2018-19 YEAR-TO-DATE VERSUS FY 2019-20 GOVERNOR'S RECOMMENDATION**

| Department/Budget Area | FY 2018-19 Year-to-Date Appropriations* | FY 2019-20 Governor's Recommendation | Dollar Difference | Percent Change |
|---------------------------------------|--|---|--------------------------|-----------------------|
| Agriculture & Rural Development..... | \$60,835,200 | \$57,920,200 | (\$2,915,000) | (4.8%) |
| Attorney General | 41,206,800 | 41,736,300 | 529,500 | 1.3 |
| Capital Outlay..... | 15,000,900 | 0 | (15,000,900) | (100.0) |
| Civil Rights | 13,022,100 | 13,195,700 | 173,600 | 1.3 |
| Community Colleges | 0 | 12,948,500 | 12,948,500 | 100.0 |
| Corrections | 1,963,841,300 | 1,991,874,800 | 28,033,500 | 1.4 |
| Education | 91,503,600 | 87,212,000 | (4,291,600) | (4.7) |
| Environmental Quality | 58,546,500 | 53,793,000 | (4,753,500) | (8.1) |
| Executive..... | 6,980,100 | 7,114,300 | 134,200 | 1.9 |
| Health & Human Services | 4,439,614,400 | 4,779,342,000 | 339,727,600 | 7.7 |
| Higher Education..... | 1,046,017,900 | 1,587,795,400 | 541,777,500 | 51.8 |
| Insurance & Financial Services..... | 550,000 | 150,000 | (400,000) | (72.7) |
| Judiciary | 196,079,500 | 201,142,200 | 5,062,700 | 2.6 |
| Legislature..... | 198,824,000 | 180,074,000 | (18,750,000) | (9.4) |
| Licensing & Regulatory Affairs..... | 135,845,300 | 124,268,100 | (11,577,200) | (8.5) |
| Military & Veterans Affairs..... | 75,912,400 | 70,284,900 | (5,627,500) | (7.4) |
| Natural Resources | 77,241,800 | 51,224,000 | (26,017,800) | (33.7) |
| Natural Resources (Trust Fund) | 0 | 0 | 0 | 0.0 |
| School Aid | 87,920,000 | 45,000,000 | (42,920,000) | (48.8) |
| State | 18,466,300 | 22,967,500 | 4,501,200 | 24.4 |
| State Police | 493,173,800 | 468,507,200 | (24,666,600) | (5.0) |
| Talent & Economic Development..... | 286,546,300 | 144,908,300 | (141,638,000) | (49.4) |
| Technology, Management, & Budget..... | 552,044,500 | 504,442,600 | (47,601,900) | (8.6) |
| Transportation | 356,790,900 | 0 | (356,790,900) | (100.0) |
| Treasury (Debt Service)..... | 107,080,000 | 104,335,000 | (2,745,000) | (2.6) |
| Treasury (Operations)..... | 103,881,300 | 114,491,800 | 10,610,500 | 10.2 |
| Treasury (Revenue Sharing)..... | 0 | 0 | 0 | 0.0 |
| TOTAL APPROPRIATIONS..... | \$10,426,924,900 | \$10,664,727,800 | \$237,802,900 | 2.3% |

* As of March 5, 2019

Figure E

General Fund/General Purpose FY 2019-20 Governor's Recommendation



Total = \$ 10,664,727,800

Table 6
FULL-TIME EQUATED CLASSIFIED POSITIONS
FY 2018-19 YEAR-TO-DATE VERSUS FY 2019-20 GOVERNOR'S RECOMMENDATION

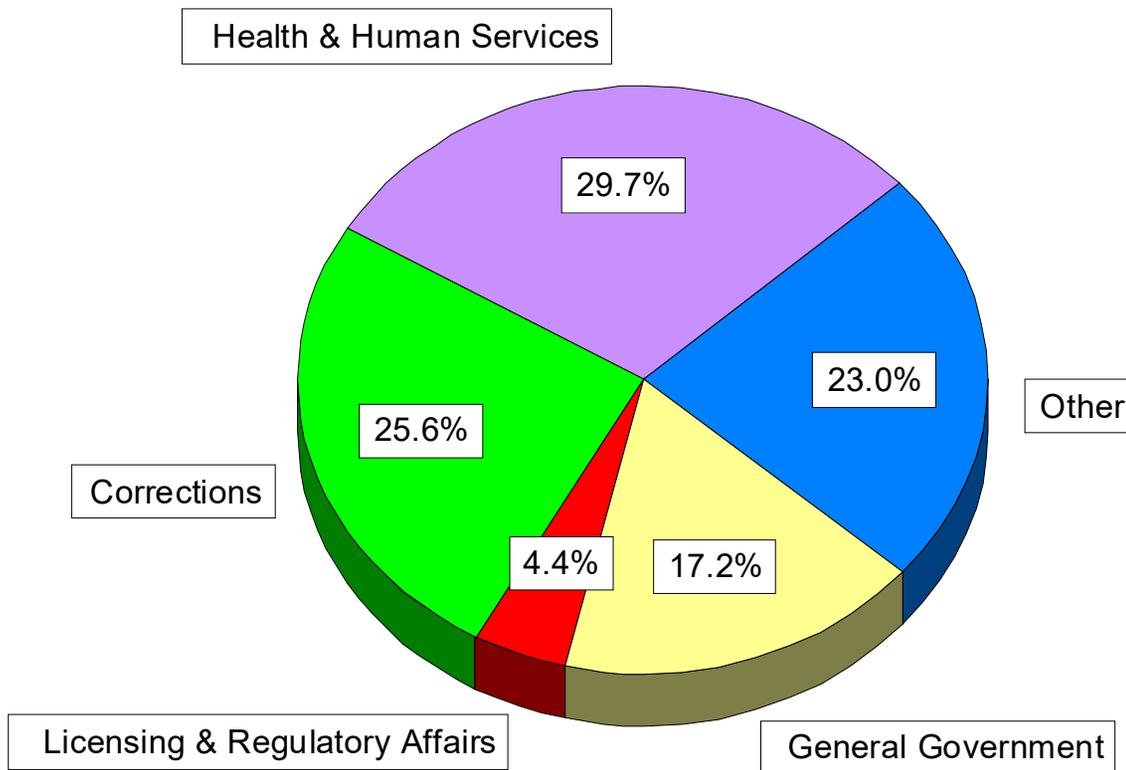
| Department/Budget Area | FY 2018-19 Year-to-Date Appropriations* | FY 2019-20 Governor's Recommendation | Position Change | Percent Change |
|---------------------------------------|--|---|----------------------------|---------------------------|
| Agriculture & Rural Development | 502.5 | 503.5 | 1.0 | 0.2% |
| Attorney General..... | 531.0 | 539.0 | 8.0 | 1.5 |
| Civil Rights..... | 110.0 | 110.0 | 0.0 | 0.0 |
| Corrections | 13,963.2 | 13,793.8 | (169.4) | (1.2) |
| Education..... | 614.5 | 614.5 | 0.0 | 0.0 |
| Environmental Quality..... | 1,257.0 | 1,281.0 | 24.0 | 1.9 |
| Executive | 79.2 | 79.2 | 0.0 | 0.0 |
| Health & Human Services | 15,936.7 | 16,001.0 | 64.3 | 0.4 |
| Higher Education | 0.0 | 0.0 | 0.0 | 0.0 |
| Insurance & Financial Services | 336.5 | 346.5 | 10.0 | 3.0 |
| Judiciary | 502.0 | 503.0 | 1.0 | 0.2 |
| Licensing & Regulatory Affairs | 2,327.3 | 2,347.3 | 20.0 | 0.9 |
| Military & Veterans Affairs..... | 912.5 | 924.5 | 12.0 | 1.3 |
| Natural Resources | 2,334.3 | 2,360.1 | 25.8 | 1.1 |
| State | 1,586.0 | 1,586.0 | 0.0 | 0.0 |
| State Police..... | 3,518.0 | 3,541.0 | 23.0 | 0.7 |
| Talent & Economic Development..... | 1,450.0 | 1,450.0 | 0.0 | 0.0 |
| Technology, Management, & Budget..... | 3,116.0 | 3,135.0 | 19.0 | 0.6 |
| Transportation..... | 2,818.3 | 2,818.3 | 0.0 | 0.0 |
| Treasury (Operations)..... | 1,862.5 | 1,870.5 | 8.0 | 0.4 |
| TOTAL POSITIONS | 53,757.5 | 53,804.2 | 46.7 | 0.1% |

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

* As of March 5, 2019

Figure F

Full-Time Equated Classified Positions FY 2019-20 Governor's Recommendation



Total = 53,804.2

Table 7

| FY 2019-20 GOVERNOR'S RECOMMENDATION ONE-TIME APPROPRIATIONS | | | |
|--|----------------------|------------------|---------------------|
| Budget Area/Program | Gross | State Restricted | GF/GP |
| Agriculture & Rural Development | | | |
| Double Up Food Bucks expansion | \$2,000,000 | \$0 | \$2,000,000 |
| Agriculture & Rural Development Total..... | \$2,000,000 | \$0 | \$2,000,000 |
| Corrections | | | |
| New custody staff training..... | \$10,466,800 | \$0 | \$10,466,800 |
| Electronic tether replacement | 4,567,100 | 0 | 4,567,100 |
| Aging prisoner population | 350,000 | 0 | 350,000 |
| Corrections Total | \$15,383,900 | \$0 | \$15,383,900 |
| Environmental Quality | | | |
| Drinking water infrastructure grant program | \$4,000,000 | \$0 | \$4,000,000 |
| Drinking water declaration of emergency placeholder..... | 100 | 100 | 0 |
| Environmental Quality Total | \$4,000,100 | \$100 | \$4,000,000 |
| Health and Human Services | | | |
| Restoration of Affordable Care Act - Heath insurer fee | \$180,500,000 | \$0 | \$50,019,800 |
| Information Technology - partial continuation of FY19 supplemental funding | 47,000,000 | 0 | 11,750,000 |
| State Innovation Model | 7,000,000 | 0 | 7,000,000 |
| Drinking water emergency response services | 2,858,700 | 0 | 2,858,700 |
| Health and Human Services Total..... | \$237,358,700 | \$0 | \$71,628,500 |
| Judiciary | | | |
| Cybersecurity for supreme court website and customer relationship software | \$1,475,000 | \$0 | \$1,475,000 |
| Judicial Tenure Commission..... | 100,000 | 0 | 100,000 |
| Judiciary Total..... | \$1,575,000 | \$0 | \$1,575,000 |
| Licensing & Regulatory Affairs | | | |
| Refugee services database | \$520,000 | \$0 | \$520,000 |
| Licensing & Regulatory Affairs Total..... | \$520,000 | \$0 | \$520,000 |
| Natural Resources | | | |
| Protect wildlife and public health by fighting Chronic Wasting Disease | \$2,000,000 | \$0 | \$2,000,000 |
| Identify where pipelines cross waterways..... | 1,350,000 | 0 | 1,350,000 |
| Natural Resources Total | \$3,350,000 | \$0 | \$3,350,000 |

Table 7 - continued

| FY 2019-20 GOVERNOR'S RECOMMENDATION ONE-TIME APPROPRIATIONS | | | |
|--|----------------------|------------------|----------------------|
| Budget Area/Program | Gross | State Restricted | GF/GP |
| School Aid | | | |
| Drinking water declaration of emergency placeholder..... | \$100 | \$100 | \$0 |
| School Aid Total..... | \$100 | \$100 | \$0 |
| State Police | | | |
| New trooper school..... | \$4,737,600 | \$0 | \$4,737,600 |
| In-car camera streaming network..... | 2,300,000 | 0 | 2,300,000 |
| State Police Total..... | \$7,037,600 | \$0 | \$7,037,600 |
| Technology, Management, and Budget | | | |
| MPSCS upgrades..... | \$5,878,900 | \$ | \$5,878,900 |
| Enterprise special maintenance..... | 5,000,000 | 0 | 5,000,000 |
| Drinking water declaration of emergency placeholder..... | 100 | 100 | 0 |
| Technology, Management, and Budget Total..... | \$10,879,000 | \$100 | \$10,878,900 |
| Treasury-Operations | | | |
| Wrongful imprisonment compensation fund..... | \$10,000,000 | \$0 | \$10,000,000 |
| Drinking water declaration of emergency placeholder..... | 100 | 100 | 0 |
| Treasury-Operations Total..... | \$10,000,100 | \$100 | \$10,000,000 |
| TOTAL ONE-TIME BUDGET AREA APPROPRIATIONS..... | \$292,104,500 | \$400 | \$125,853,900 |

Table 8

**STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT
FY 2018-19 YEAR-TO-DATE VERSUS FY 2019-20 GOVERNOR'S RECOMMENDATION**

| Department/Budget Area | FY 2018-19 Year-to-Date Appropriations* | FY 2019-20 Governor's Recommendation | Dollar Difference | Percent Change |
|--|--|---|--------------------------|-----------------------|
| Agriculture & Rural Development | \$6,350,000 | \$8,450,000 | \$2,100,000 | 33.1% |
| Attorney General..... | 0 | 0 | 0 | 0.0 |
| Capital Outlay | 0 | 0 | 0 | 0.0 |
| Civil Rights | 0 | 0 | 0 | 0.0 |
| Community Colleges..... | 408,215,500 | 421,164,000 | 12,948,500 | 3.2 |
| Corrections..... | 122,169,600 | 123,385,700 | 1,216,100 | 1.0 |
| Education | 14,567,700 | 14,267,700 | (300,000) | (2.1) |
| Environmental Quality..... | 9,701,000 | 23,346,000 | 13,645,000 | 140.7 |
| Executive | 0 | 0 | 0 | 0.0 |
| Health & Human Services..... | 1,486,146,300 | 1,554,203,600 | 68,057,300 | 4.6 |
| Higher Education | 0 | 0 | 0 | 0.0 |
| Insurance & Financial Services | 0 | 0 | 0 | 0.0 |
| Judiciary..... | 148,614,500 | 144,425,200 | (4,189,300) | (2.8) |
| Legislature | 0 | 0 | 0 | 0.0 |
| Licensing & Regulatory Affairs..... | 105,251,900 | 101,999,600 | (3,252,300) | (3.1) |
| Military & Veterans Affairs | 2,242,400 | 2,415,000 | 172,600 | 7.7 |
| Natural Resources | 9,725,200 | 17,921,400 | 8,196,200 | 84.3 |
| Natural Resources (Trust Fund) | 0 | 0 | 0 | 0.0 |
| School Aid..... | 12,900,901,000 | 13,406,340,600 | 505,439,600 | 3.9 |
| State..... | 1,129,000 | 1,127,500 | (1,500) | (0.1) |
| State Police..... | 19,231,300 | 14,078,600 | (5,152,700) | (26.8) |
| Talent & Economic Development | 31,400,000 | 37,598,800 | 6,198,800 | 19.7 |
| Technology, Management, & Budget | 0 | 0 | 0 | 0.0 |
| Transportation..... | 2,106,336,600 | 2,302,463,700 | 196,127,100 | 9.3 |
| Treasury (Debt Service)..... | 0 | 0 | 0 | 0.0 |
| Treasury (Operations)..... | 219,653,600 | 191,229,200 | (28,424,400) | (12.9) |
| Treasury (Revenue Sharing) | 1,338,142,700 | 1,382,407,900 | 44,265,200 | 3.3 |
| TOTAL APPROPRIATIONS | \$18,929,778,300 | \$19,746,824,500 | \$817,046,200 | 4.3% |

* As of March 5, 2019

Table 9

**MARCH 2019 GOVERNOR'S RECOMMENDATION GENERAL FUND/GENERAL PURPOSE (GF/GP)
REVENUE, EXPENDITURES, AND YEAR-END BALANCE
(millions of dollars)**

| | FY 2018-19 | FY 2019-20 | FY 2020-21 |
|---|--------------------|--------------------|--------------------|
| Revenue: | | | |
| Beginning Balance | \$715.2 | \$237.5 | \$7.3 |
| <u>Ongoing Revenue:</u> | | | |
| Consensus Revenue Estimate (January 2019)..... | \$10,700.2 | \$10,717.8 | \$10,852.6 |
| Other Revenue Adjustments (Administration's Proposal): | | | |
| Recommended repeal of income tax earmark to roads | 0.0 | 468.0 | 600.0 |
| Recommended repeal of retirement tax..... | 0.0 | (200.7) | (275.6) |
| Recommended pass-through tax..... | 0.0 | 157.0 | 217.2 |
| Recommended EITC phase in..... | 0.0 | (76.0) | (114.0) |
| Revenue Sharing Payments | (466.0) | (466.0) | (466.0) |
| Revenue Sharing investment proposal | <u>0.0</u> | <u>(29.9)</u> | <u>(29.9)</u> |
| Subtotal Ongoing Revenue | \$10,234.2 | \$10,570.2 | \$10,784.3 |
| <u>Non-ongoing Revenue:</u> | | | |
| One-Time Appropriation for Revenue Sharing..... | (13.1) | 0.0 | 0.0 |
| Lawsuit Settlement Proceeds | (6.3) | 5.2 | 0.0 |
| Reimbursement for implementation of recreational marijuana..... | <u>0.0</u> | <u>10.0</u> | <u>0.0</u> |
| Subtotal Non-Ongoing Revenue | (\$19.4) | \$15.2 | \$0.0 |
| Total Estimated GF/GP Revenue | \$ 10,930.1 | \$ 10,822.9 | \$ 10,792.6 |
| Expenditures: | | | |
| <u>Ongoing Appropriations:</u> | | | |
| Initial Ongoing Appropriations..... | \$9,614.6 | \$9,831.7 | \$9,958.4 |
| Recommended higher education shift from SAF to GF..... | 0.0 | 500.1 | 0.0 |
| Estimated Average Baseline Adjustments | 0.0 | 311.1 | 176.5 |
| Defined calculations..... | 0.0 | 54.2 | 45.0 |
| State Building Authority rent increase..... | 0.0 | 0.0 | 14.6 |
| Recommended department investments | 0.0 | 133.3 | 0.0 |
| Recommended department reductions | <u>0.0</u> | <u>(74.6)</u> | <u>0.0</u> |
| Subtotal Ongoing Appropriations | \$9,614.6 | \$10,538.7 | \$10,774.8 |
| <u>One-Time and Other Appropriations:</u> | | | |
| Initial One-Time Appropriations | \$406.8 | \$0.0 | \$0.0 |
| Appropriation to Budget Stabilization Fund..... | 100.0 | 150.0 | 0.0 |
| Enacted Supplementals | 405.5 | 0.0 | 0.0 |
| Estimated Lapses | (4.5) | 0.0 | 0.0 |
| Recommended FY19 Supplementals | 175.2 | 0.0 | 0.0 |
| Recommended ACA Insurer Fee..... | 0.0 | 50.0 | 0.0 |
| Recommended Investments | <u>0.0</u> | <u>75.9</u> | <u>0.0</u> |
| Subtotal One-Time and Other Appropriations | \$1,078.0 | \$275.9 | \$0.0 |
| Total Estimated GF/GP Expenditures..... | \$10,692.6 | \$10,814.6 | \$10,774.8 |
| PROJECTED YEAR-END GF/GP BALANCE..... | \$237.5 | \$8.3 | \$17.8 |

Table 10

MARCH 2019 GOVERNOR'S RECOMMENDATION SCHOOL AID FUND
REVENUE, EXPENDITURES, AND YEAR-END BALANCE
(millions of dollars)

| | FY 2018-19 | FY 2019-20 | FY 2020-21 |
|---|-------------------|-------------------|-------------------|
| Revenue: | | | |
| Beginning Balance | \$317.6 | \$40.3 | \$3.3 |
| Ongoing Revenue: | | | |
| Consensus Revenue Estimate (January 2019) | \$13,550.5 | \$13,926.7 | \$14,264.4 |
| General Fund/General Purpose Grant | 87.9 | 45.0 | 45.0 |
| Community District Trust Fund | 72.0 | 72.0 | 72.0 |
| Federal Ongoing Aid | 1,745.9 | (2.0) | (4.2) |
| Federal Ongoing Aid | 1,726.9 | 1,749.6 | 1,749.6 |
| Marihuana sales tax adjustment from CREC | 0.0 | 1.7 | 5.3 |
| Other Revenue Adjustments (Administration's Proposal): | | | |
| Recommended repeal of retirement tax | 0.0 | (58.1) | (79.8) |
| Recommended pass-through tax | 0.0 | 45.5 | 62.9 |
| Subtotal Ongoing Revenue | \$15,456.3 | \$15,782.4 | \$16,119.4 |
| Non-Ongoing Revenue: | | | |
| SAF Deposit into MPSERS Reserve | \$0.0 | (\$40.0) | \$0.0 |
| Mental Health Services and Support Fund | 30.0 | 0.0 | 0.0 |
| Subtotal Non-Ongoing Revenue | \$30.0 | (\$40.0) | \$0.0 |
| Total Estimated School Aid Fund Revenue | \$15,803.9 | \$15,782.7 | \$16,122.6 |
| Expenditures: | | | |
| Ongoing Appropriations: | | | |
| Initial Ongoing K-12 Appropriations | \$14,644.1 | \$14,681.5 | \$15,371.2 |
| Fund Community Colleges with School Aid Fund | 401.9 | 408.2 | 408.2 |
| Partially Fund Higher Education with School Aid Fund | 499.4 | 0.0 | 0.0 |
| School Aid Baseline Adjustments | 37.3 | 43.3 | 124.2 |
| School Aid Investments | 0.0 | 677.8 | 0.0 |
| School Aid Reductions | 0.0 | (31.4) | 0.0 |
| Community College and Universities MPSERS-related costs | 7.1 | 0.0 | 11.5 |
| Subtotal Ongoing Appropriations | \$15,589.8 | \$15,779.5 | \$15,915.1 |
| One-Time and Other Appropriations: | | | |
| Enacted One-Time K-12 Appropriations | \$33.2 | \$0.0 | \$0.0 |
| Enacted Supplemental (PA 586 of 2018) | 79.1 | 0.0 | 0.0 |
| Recommended Supplemental - Hydration Station | 61.5 | 0.0 | 0.0 |
| Subtotal One-Time and Other Appropriations | \$173.8 | \$0.0 | \$0.0 |
| Total Estimated School Aid Fund Expenditures | \$15,763.6 | \$15,779.6 | \$15,915.1 |
| PROJECTED YEAR-END SCHOOL AID FUND BALANCE | \$40.3 | \$3.3 | \$207.5 |

SUMMARY OF MAJOR FY 2019-20 GROSS AND GF/GP APPROPRIATION CHANGES

The Governor's FY 2019-20 budget includes a Gross appropriation increase of 3.5%, and a GF/GP appropriation increase of 2.3%, compared to FY 2018-19. [Table 11](#) provides a comparison of the Governor's recommended FY 2019-20 Gross and GF/GP appropriations to the FY 2018-19 year-to-date levels as of March 5, 2019. The Governor's FY 2019-20 recommendation of \$60.2 billion Gross and \$10.7 billion GF/GP represents an appropriation increase of \$2.0 billion Gross and an appropriation increase of \$237.8 million GF/GP. The net change in GF/GP appropriations can be categorized as new GF/GP programs of \$3.3 million, GF/GP funding increases of \$457.9 million, GF/GP funding reductions of \$903.2 million, and fund shifts that result in a \$625.5 million increase 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 did not transfer any major programs among departments, resulting in no impact to GF/GP; added an unclassified salaries increase of \$810,800 Gross and \$399,900 GF/GP; and included net economic adjustments of \$98.1 million Gross and \$53.9 million GF/GP.

Table 11

| FY 2019-20 GOVERNOR'S APPROPRIATION RECOMMENDATION SUMMARY OF CHANGES FROM FY 2018-19 YEAR-TO-DATE GROSS AND GENERAL FUND/GENERAL PURPOSE APPROPRIATIONS | | |
|---|-------------------------|-------------------------|
| | Gross | GF/GP |
| FY 2018-19 Year-To-Date Appropriation¹ | \$58,171,947,200 | \$10,426,924,900 |
| Changes for FY 2019-20: | | |
| New Programs..... | \$27,882,800 | \$3,250,000 |
| Program Increases..... | 3,671,041,800 | 457,947,000 |
| Program Eliminations/Reductions..... | (1,765,915,900) | (903,245,200) |
| Major Fund Shifts Affecting GF/GP..... | 0 | 625,521,500 |
| Program Transfers..... | 0 | 0 |
| Economic Adjustments..... | 98,089,700 | 53,929,700 |
| Unclassified Salaries..... | 810,800 | 399,900 |
| Total Changes..... | \$2,031,909,200 | \$237,802,900 |
| FY 2019-20 Governor's Recommendation..... | \$60,203,856,400 | \$10,664,727,800 |

¹ Appropriation as of March 5, 2019.

[Table 12](#) outlines the details of the \$27.9 million Gross and \$3.3 million GF/GP for new programs. The new program funding in the Department of Environmental Quality budget is \$1.9 million GF/GP for a drinking water compliance assistance unit and \$260,000 Gross to implement the Coal Ash Care Fund. The Department of Natural Resources includes new program funding to identify where pipelines cross waterways. The Governor also recommends \$21.4 million Gross to recreational projects as would be Constitutionally mandated from new revenue generated by the proposed gas tax increase.

Table 12

| FY 2019-20 GOVERNOR'S APPROPRIATION RECOMMENDATION NEW PROGRAMS | | |
|---|---------------------|--------------------|
| Budget Area/Program | Gross | GF/GP |
| Environmental Quality | | |
| Create drinking water compliance assistance unit..... | \$ 1,900,000 | \$ 1,900,000 |
| Implement statutory coal ash care fund..... | 260,000 | 0 |
| Natural Resources | | |
| Constitutional 2% dedication of new gas tax revenue to recreation projects..... | 21,372,800 | 0 |
| Identify where pipelines cross waterways (one-time)..... | 1,350,000 | 1,350,000 |
| State Police | | |
| Implement recreational marijuana investigative services..... | 3,000,000 | 0 |
| TOTAL NEW PROGRAMS..... | \$27,882,800 | \$3,250,000 |

The details of the \$3.7 billion Gross and \$457.9 million GF/GP funding increases recommended by the Governor are listed in Table 13. A significant amount, over \$917.5 million, of the recommended Gross increases can be attributed to the recommended increase in revenue resulting from the Governor's proposed new gas tax in the Department of Transportation. In the Department of Health and Human Services, the Governor recommends a Gross increase for Medicaid actuarial soundness adjustments of \$211.5 million, and a Gross increase of \$180.5 million for a one-time restoration of the Affordable Care Act Health Insurer Fee. The Governor's School Aid K-12 budget includes \$235.0 million for an increase in the K-12 foundation allowance, \$120.0 million SAF for special education payments, and \$102.0 million SAF to programming for academically at-risk students. The Governor's budget includes \$43.7 million GF for a 3.0% increase for public university operations, and \$9.7 million for GF for a 3.0% increase for community college operations.

Table 13

| FY 2019-20 GOVERNOR'S APPROPRIATION RECOMMENDATION FUNDING INCREASES | | |
|--|--------------|--------------|
| Budget Area/Program | Gross | GF/GP |
| Agriculture and Rural Development | | |
| Statewide expansion of Double Up Food Bucks..... | \$ 4,000,000 | \$ 4,000,000 |
| Agriculture preservation conservation easement grant program funding..... | 2,000,000 | 0 |
| Align restricted authorization with available revenues..... | 211,800 | 0 |
| Attorney General | | |
| Expand marihuana legal services..... | 935,400 | 0 |
| DTMB legal services..... | 670,000 | 0 |
| IDG to DHHS for child abuse and neglect cases in Wayne County..... | 340,000 | 0 |
| MSHDA legal services..... | 335,500 | 0 |
| Community Colleges | | |
| 3.0% increase for community college operations..... | 9,667,500 | 9,667,500 |
| MPSERS normal costs - adjust for assumed rate of return..... | 5,781,000 | 3,281,000 |
| Corrections | | |
| New custody staff training (one-time)..... | 10,466,800 | 10,466,800 |
| Expand Hepatitis C treatment to F-1 and F-0 individuals in custody..... | 6,965,200 | 6,965,200 |
| Inflationary increase in Corizon health care contract..... | 5,446,500 | 5,446,500 |
| Electronic tether replacement (one-time)..... | 4,567,100 | 4,567,100 |
| Detroit Detention Center contract cost adjustment..... | 2,623,600 | 0 |
| Thumb Correction Facility health care costs (\$350,000 one-time)..... | 2,100,000 | 2,100,000 |
| Increase in mileage reimbursement..... | 324,100 | 324,100 |
| Lease cost increases for prisoner transportation vehicles..... | 102,300 | 102,300 |
| Water/sewer rate increase at St Louis facility..... | 97,000 | 97,000 |
| Grandview Plaza security costs..... | 42,000 | 42,000 |
| Prison industries transportation costs..... | 10,000 | 0 |
| Education | | |
| Child development and care, eligibility to 140% of poverty and rate increase ... | 30,000,000 | 0 |
| Office of great start operations (compliance with Federal requirements)..... | 3,600,000 | 0 |
| Child development and care external support..... | 323,200 | 0 |
| Information technology funding increase..... | 300,000 | 0 |
| Executive Office | | |
| 2% increase for operations..... | 134,200 | 134,200 |
| Health and Human Services | | |
| Medicaid HMO/behavioral health actuarial soundness..... | 211,452,000 | 61,886,700 |
| Restoration of Affordable Care Act Health Insurer Fee (one-time)..... | 180,500,000 | 50,019,800 |
| Recognition of Medicaid provider assessment adjustments..... | 123,032,400 | (8,127,700) |
| Adjustments for Medicaid special payments..... | 118,613,000 | 0 |
| Medicaid behavioral health program base and caseload adjustments..... | 76,295,200 | 21,281,000 |
| Realization of State retention of unallocated DSH funds..... | 40,696,000 | (4,500,000) |

Table 13 - continued

| FY 2019-20 GOVERNOR'S APPROPRIATION RECOMMENDATION | | |
|---|--------------|--------------|
| FUNDING INCREASES | | |
| Budget Area/Program | Gross | GF/GP |
| Health and Human Services (continued) | | |
| Recognition of increased Federal authorization for Crime Victim Services | 40,315,000 | 0 |
| Anticipated increase in Medicare premium payment enrollment | 35,226,100 | 12,660,200 |
| Medicaid adult home help minimum wage adjustment | 28,173,100 | 10,125,500 |
| Medicaid and Healthy Michigan Plan physical health base | 27,855,500 | 39,218,600 |
| Implementation of Healthy Michigan Plan work requirement | 26,215,400 | 13,107,700 |
| State pays first child care fund legislation implementation | 18,979,000 | (4,118,200) |
| Annualize direct care worker \$0.25/hour increase | 16,000,000 | 5,311,300 |
| Foster care base and caseload adjustments. | 15,563,700 | 5,490,500 |
| New funding to combat environmental and public health hazards | 13,857,000 | 13,857,000 |
| Non-GF authorization adjustments for Medicaid and population health lines | 13,683,100 | 0 |
| Child Care Fund program base and caseload adjustments | 12,306,000 | 10,124,200 |
| Workforce and training support for HMP work requirement | 10,000,000 | 10,000,000 |
| State innovation model, replace Federal with GF (one-time) | 7,000,000 | 7,000,000 |
| Foster care supportive visitation/parent-child visit assistance | 5,913,700 | 5,913,700 |
| Drinking water emergency response services | 5,196,900 | 5,196,900 |
| Annualization of child protective services staff expansion | 5,000,000 | 5,000,000 |
| Medicaid nursing facility capital asset value adjustment | 4,862,600 | 1,747,600 |
| Property improvements and non-state buildings lease increases | 4,149,500 | 2,555,300 |
| Increase in Federal authorization for adoption incentive payments | 4,145,500 | 0 |
| Increase in Federal authorization for Mental Health Block Grant | 3,100,000 | 0 |
| Annualization of new Caro State Hospital staff | 3,023,300 | 3,023,300 |
| Drinking water emergency response services (one-time) | 2,858,700 | 2,858,700 |
| Continuation of family reunification program | 2,371,500 | 0 |
| Increased staffing for Center for Forensic Psychiatry to reduce waiting times ... | 2,178,600 | 2,178,600 |
| Relative foster parent licensure incentive (\$1,000 incentive) | 1,764,600 | 1,764,600 |
| Federal authorization for domestic violence prevention and treatment. | 1,568,500 | 0 |
| Medicaid adult home help - electronic visit verification costs | 1,500,000 | 150,000 |
| Continuation of building community partnership program (family reunification) | 975,000 | 975,000 |
| Annualization of homeless services \$2.00 per diem increase | 950,000 | 950,000 |
| Implementation costs for Federal family first prevention services act | 562,100 | 407,500 |
| State psychiatric hospitals/centers pharmacy inflation | 527,800 | 436,400 |
| Federal grant for epidemiology and lab capacity | 500,000 | 0 |
| Increased Federal authorization for foster care kinship navigator | 427,700 | 0 |
| Additional SIGMA State Restricted authorization | 417,400 | 0 |
| Wayne County attorney general contract funding | 340,000 | 247,800 |
| Newborn screening fees statutory inflationary increase. | 271,300 | 0 |
| Provide no-cost birth certificates for homeless individuals | 226,000 | 226,000 |
| Attorney General health, education and family services division | 195,000 | 139,600 |
| Settlement monitor contract increase | 148,300 | 78,400 |
| Mandated IRS background investigation funding | 130,200 | 44,300 |
| Child welfare training institute supervisor | 130,000 | 98,600 |
| Restoration of past state supplementation administration reductions | 125,000 | 125,000 |
| Higher Education | | |
| 3.0% University operations increase | 43,707,400 | 43,707,400 |
| 3.0% MSU AgBioResearch operations increase | 1,037,700 | 1,037,700 |
| 3.0% MSU Extension operations increase | 895,100 | 895,100 |
| MPSERS normal costs - adjust for assumed rate of return | 565,000 | 1,234,000 |
| Insurance and Financial Services | | |
| Funding for anti-fraud unit | 499,300 | 0 |

Table 13 - continued

| FY 2019-20 GOVERNOR'S APPROPRIATION RECOMMENDATION FUNDING INCREASES | | |
|---|--------------|--------------|
| <u>Budget Area/Program</u> | Gross | GF/GP |
| Judiciary | | |
| Supreme Court website modernization/cybersecurity (\$1,475,000 one-time).... | 1,929,100 | 1,929,100 |
| SADO public defender caseload enhancement | 457,200 | 457,200 |
| Expansion of online dispute resolution | 450,000 | 450,000 |
| Additional circuit court judge positions | 222,700 | 207,100 |
| Funding to reduce judicial tenure commission backlog (\$100,000 one-time).... | 200,000 | 200,000 |
| SADO funding for juvenile lifers resentencing | 141,900 | 141,900 |
| Pretrial risk assessment tool | 20,000 | 20,000 |
| Licensing and Regulatory Affairs | | |
| Research use of marihuana for veterans' treatment pursuant to initiative | 20,000,000 | 0 |
| Unaccompanied refugee minors assistance | 3,790,900 | 0 |
| Michigan Regulation and Taxation of Marihuana Act (ongoing costs) | 1,000,000 | 0 |
| Medical Marihuana Facilities Licensing Act (ongoing costs) | 900,000 | 0 |
| Refugee services database..... | 520,000 | 0 |
| Child care licensing and regulation revenue | 500,000 | 0 |
| Adult foster care licensing | 410,000 | 0 |
| Firefighter training grants enhancement | 300,000 | 0 |
| Testing support for the bureau of fire services..... | 289,900 | 0 |
| Statewide indigent defense training evaluation | 205,200 | 205,200 |
| Light duty zero emission vehicle supply equipment program | 140,000 | 0 |
| Military and Veterans Affairs | | |
| Align Federal/Restricted authorization with available revenues | 5,527,800 | 0 |
| D.J. Jacobetti Home for Veterans CMS certification revenue adjustment..... | 900,000 | (900,000) |
| Land purchases and appraisals increase | 400,000 | 0 |
| Selfridge Air National Guard Base support increase | 400,000 | 400,000 |
| IT/desktop fee increases | 105,000 | 105,000 |
| Natural Resources | | |
| State park infrastructure/employee recruitment/retention (12.8 FTEs)..... | 2,452,300 | 0 |
| Chronic wasting disease efforts | 2,300,000 | 2,300,000 |
| State forests, multi-year projects to combat invasive species etc. (2.0 FTEs) ... | 2,200,000 | 0 |
| State boating infrastructure maintenance (capital outlay)..... | 2,122,500 | 0 |
| Local boating infrastructure maintenance and improvements (capital outlay).... | 1,270,500 | 0 |
| Improve state forest camping & trail experiences (6.0 FTEs)..... | 1,160,800 | 0 |
| Preserve historical & cultural resources (2.0 FTEs) | 850,000 | 0 |
| Forest development infrastructure increase..... | 650,000 | 0 |
| Mobile devices for forestry and fire staff | 550,000 | 0 |
| Use recreation passport revenue to promote outdoor recreation | 350,000 | 0 |
| Replace aging forest management and survey equipment | 250,000 | 0 |
| ORV safety education | 30,800 | 0 |
| Administrative funding for Michigan registered forester program | 30,000 | 0 |
| Align spending authority with State Park Improv. Revenue Bond Debt Service | 1,800 | 0 |
| School Aid | | |
| Foundation allowance: \$120-\$180 (1.5x formula) | 235,000,000 | 0 |
| Special education (additional 4% payment)..... | 120,000,000 | 0 |
| At risk (fully fund at 11% of minimum; increase hold harmless districts to 50%) | 102,000,000 | 0 |
| Great start readiness program - more slots, more funding per child | 84,000,000 | 0 |
| MPSERS hold harmless payment for reduced assumed rate of return..... | 83,930,000 | 35,000 |
| Special education cost increase | 62,300,000 | 0 |
| Career and technical education incentive payments | 50,000,000 | 0 |
| School aid fund cash flow borrowing costs | 32,000,000 | 0 |
| Early literacy coaches | 24,500,000 | 0 |

Table 13 - continued

| FY 2019-20 GOVERNOR'S APPROPRIATION RECOMMENDATION FUNDING INCREASES | | |
|---|--------------|--------------|
| Budget Area/Program | Gross | GF/GP |
| School Aid (continued) | | |
| Federal school lunch funding | 14,000,000 | 0 |
| Promise zone payments..... | 5,400,000 | 0 |
| MPSERS hold harmless payment for PA 92 of 2017 costs | 4,971,000 | 0 |
| Flint declaration of emergency | 4,845,000 | 0 |
| Intermediate school district (ISD) operations increase (3.5%)..... | 2,396,000 | 0 |
| Renaissance zone reimbursement | 300,000 | 0 |
| State | | |
| Funding for the creation of the redistricting commission | 4,616,600 | 4,616,600 |
| Branch office non-employee economic adjustments | 830,000 | 0 |
| "Look Twice Save a Life" motorcycle rider safety program | 300,000 | 0 |
| Elections compliance maintenance and support | 200,000 | 200,000 |
| State Police | | |
| New trooper recruit school | 8,644,900 | 8,644,900 |
| Annualize FY 2018-19 trooper school costs. | 8,098,300 | 8,098,300 |
| In-car camera streaming network | 2,300,000 | 2,300,000 |
| Credit card fee payments | 578,700 | 4,200 |
| Automated biometrics identification system cost increases..... | 510,200 | 510,200 |
| Breath alcohol testing devices inflationary cost increase | 300,100 | 300,100 |
| Increased ammunition costs | 258,600 | 258,600 |
| Accounting service center increased costs..... | 179,100 | 179,100 |
| eWarrant system increased costs..... | 130,000 | 130,000 |
| Ongoing costs for combined strategic support module..... | 123,000 | 123,000 |
| Talent and Economic Development | | |
| MSHDA legal fees | 335,500 | 0 |
| Technology, Management, and Budget | | |
| Alignment of information technology IDGs with agency CSB requests | 191,899,900 | 0 |
| Michigan public safety communication system (\$5,878,900 one-time) | 14,093,700 | 14,093,700 |
| Microsoft license agreement | 5,000,000 | 5,000,000 |
| Enterprise special maintenance (one-time) | 5,000,000 | 5,000,000 |
| MiLogin expansion | 3,299,000 | 3,299,000 |
| Motor vehicle fleet adjustment | 1,500,000 | 0 |
| Attorney general legal counsel..... | 670,000 | 0 |
| Michigan state police accounting services..... | 374,900 | 0 |
| Professional development funds..... | 200,000 | 0 |
| Michigan state police retirement system payments | 10,000 | 10,000 |
| Drinking water declaration of emergency placeholder (one-time) | 100 | 0 |
| Transportation | | |
| Fixing Michigan roads program..... | 917,524,800 | 0 |
| Road and bridge revenue adjustments | 205,966,000 | 0 |
| Maintenance funding increases | 51,150,000 | 0 |
| Comprehensive transportation fund revenue adjustments | 37,596,700 | 0 |
| Inspection compliance for ancillary structures | 10,000,000 | 0 |
| Transportation (continued) | | |
| Inflationary costs for maintenance materials..... | 7,384,000 | 0 |
| Information technology modernization | 3,000,000 | 0 |
| Aeronautics revenue adjustments..... | 989,100 | 0 |
| Transportation Economic Development revenue adjustments | 909,800 | 0 |
| Local signal energy billing process improvement | 600,000 | 0 |
| Detroit Wayne county port authority restoration | 50,000 | 0 |
| Treasury-Debt Service | | |
| Great lakes water quality bond | 15,907,000 | 15,907,000 |

Table 13 - continued

| FY 2019-20 GOVERNOR'S APPROPRIATION RECOMMENDATION FUNDING INCREASES | | |
|---|------------------------|----------------------|
| Budget Area/Program | Gross | GF/GP |
| Treasury-Operations | | |
| Marihuana proposal 1 changes (net change in grants) | 12,390,800 | 0 |
| Wrongful imprisonment compensation fund increase | 8,500,000 | 8,500,000 |
| New business pass-through tax administration | 2,000,000 | 2,000,000 |
| Information technology adjustments | 1,450,000 | 1,450,000 |
| Michigan finance authority | 300,000 | 0 |
| Senior citizen cooperative | 250,000 | 250,000 |
| Treasury-Revenue Sharing | | |
| Constitutional state revenue sharing grants..... | 27,468,000 | 0 |
| City, village, and township revenue sharing..... | 19,770,700 | 0 |
| County revenue sharing and county incentive program | 7,642,500 | 0 |
| Community opportunities for renewal | 5,000,000 | 0 |
| TOTAL FUNDING INCREASES | \$3,671,041,800 | \$457,947,000 |

Table 14 provides the details of the \$1.8 billion of Gross, and \$903.2 million of GF/GP, funding reductions in the Governor's FY 2019-20 budget. Of the \$903.2 million of GF/GP reductions, \$300.0 million represents the elimination of one-time appropriations for road and bridge construction in the Department of Transportation. The largest of the other reductions are in the DHHS related to Food Assistance Program base and caseload adjustments and the elimination of \$113.5 million GF/GP in one-time supplemental funding in the Department of Talent and Economic Development.

Table 14

| FY 2019-20 GOVERNOR'S APPROPRIATION RECOMMENDATION FUNDING ELIMINATIONS/REDUCTIONS | | |
|---|---------------|---------------|
| Budget Area/Program | Gross | GF/GP |
| Agriculture and Rural Development | | |
| Reduce food and agriculture investment program | (\$2,600,000) | (\$2,600,000) |
| Eliminate animal agriculture initiative grant (one-time)..... | (2,000,000) | (2,000,000) |
| Reduce county fairs, shows and exhibitions grants line | (1,125,000) | (1,125,000) |
| Eliminate dairy industry assistance program (one-time)..... | (1,000,000) | (1,000,000) |
| Eliminate agriculture industry research and development grant (one-time)..... | (550,000) | (550,000) |
| Eliminate ACRE agriculture incubator grant (one-time)..... | (260,000) | (260,000) |
| Eliminate ODC Network - project clarity grant (one-time)..... | (120,000) | (120,000) |
| Attorney General | | |
| Remove juvenile life w/o parole funding (one-time)..... | (700,000) | 0 |
| Remove NextGen management project Federal dollars..... | (378,800) | 0 |
| Remove forensic interviewing training dollars (one-time)..... | (100,000) | (100,000) |
| Capital Outlay | | |
| Remove FY 2018-19 supplemental funding | (15,000,900) | (15,000,900) |
| Community Colleges | | |
| MPERS unfunded accrued liability stabilization | (2,200,000) | 0 |
| Reduce renaissance zone reimbursements | (300,000) | 0 |
| Corrections | | |
| Remove new custody staff training funding (one-time) | (9,227,700) | (9,227,700) |
| Annualize savings from closure of Ojibway Correctional Facility | (6,805,700) | (6,805,700) |
| Remove higher custody level programming (one-time)..... | (2,400,000) | (2,400,000) |
| Remove vocational village funding | (2,000,000) | (2,000,000) |
| Eliminate Goodwill flip the script program..... | (1,500,000) | (1,500,000) |
| Eliminate substance abuse parole certain sanction program | (1,440,000) | (1,440,000) |
| Eliminate supervising region incentive program | (1,000,000) | (1,000,000) |
| Eliminate high school online equivalency pilot program | (500,000) | (500,000) |
| Eliminate Federally qualified health center pilot | (250,000) | (250,000) |
| Eliminate prison kitchen inspection line item | (50,000) | (50,000) |

Table 14 - continued

| FY 2019-20 GOVERNOR'S APPROPRIATION RECOMMENDATION FUNDING ELIMINATIONS/REDUCTIONS | | |
|---|---------------|--------------|
| Budget Area/Program | Gross | GF/GP |
| Education | | |
| Remove E-rate funding for schools/libraries connection speed (one-time)..... | (5,000,000) | (5,000,000) |
| Reduce renaissance zone reimbursement | (300,000) | (300,000) |
| Remove drinking water declaration of emergency placeholder..... | (100) | 0 |
| Environmental Quality | | |
| Remove SWQIF bond funding (funding has been fully appropriated)..... | (15,000,000) | 0 |
| Eliminate lawsuit settlement fund (one-time)..... | (3,000,000) | 0 |
| Eliminate vapor intrusion funding..... | (1,655,300) | (1,655,300) |
| Eliminate water quality and use initiative | (1,522,900) | (1,522,900) |
| Eliminate GF for recycling..... | (1,032,000) | (1,032,000) |
| Aquatic invasive species grants (one-time) | (1,000,000) | (1,000,000) |
| Remove lead remediation grants | (1,000,000) | (1,000,000) |
| Reduce wetlands mitigation banking program..... | (1,000,000) | 0 |
| Water withdrawal assessment program (expired CMI funding)..... | (800,000) | 0 |
| Align Restricted authorization with available revenue | (603,400) | 0 |
| Aquifer protection revolving fund (one-time)..... | (524,000) | 0 |
| Reduce Michigan geological survey funding | (500,000) | (500,000) |
| Remove PFAS: MDOT clean water efforts (one-time)..... | (400,000) | (400,000) |
| Remove landfill research, design, and demonstration project..... | (120,000) | (120,000) |
| Remove water withdrawal assessment changes (2018 PA 209) (one-time)..... | (100,000) | (100,000) |
| Health and Human Services | | |
| Food Assistance Program (FAP) base and caseload adjustments | (170,911,300) | 0 |
| Insurance Provider Assessment (IPA) funding adjustments | (49,289,700) | (2,986,600) |
| Office of the Inspector General Medicaid audit savings | (21,582,600) | (4,861,500) |
| Reduce HMO pharmacy administrative component | (19,853,000) | (5,000,000) |
| Reduction in state support for MiDocs GME Consortium | (15,529,400) | (3,700,000) |
| Nursing facility Medicaid variable cost limit reduction..... | (15,303,300) | (5,500,000) |
| Remove work engagement IT funding (one-time) | (13,515,700) | (1,559,400) |
| Remove sexual assault services Federal grant funding and State match..... | (10,000,000) | (2,000,000) |
| Family Independence Program base and caseload | (9,442,000) | (168,300) |
| Remove Beaumont psychiatric graduate medical education (GME) funding | (8,438,800) | (3,000,000) |
| Remove Hepatitis A funding (one-time)..... | (7,121,200) | (7,121,200) |
| Adoption Subsidies program base and caseload adjustments..... | (6,272,200) | (1,832,800) |
| Rural/Sole hospital pool and OB/GYN pool reduction | (6,000,000) | (6,000,000) |
| Remove child protective services information technology funding (one-time) ... | (5,000,000) | (5,000,000) |
| Remove medical resident loan repayment funding (one-time)..... | (5,000,000) | (5,000,000) |
| Remove funding for census related services (one-time) | (5,000,000) | (1,000,000) |
| Flint drinking water emergency funding (one-time)..... | (4,621,100) | (4,244,400) |
| Information Technology - continue FY 19 funding at lower level..... | (4,500,000) | (2,250,000) |
| Remove Lakeshore Regional Entity (PIHP) funding (one-time) | (3,500,000) | (3,500,000) |
| Eliminate hospice room and board grant | (3,318,000) | (3,318,000) |
| Eliminate mental health hotline funding | (3,000,000) | (3,000,000) |
| Strong Families/Safe Children grant reduction | (2,550,100) | 0 |
| Foster care payment limitations | (2,169,800) | (1,053,700) |
| Medicaid savings from quantity limits on opioids..... | (2,000,000) | (500,000) |
| Mental Health and Wellness Commission funding reduction | (1,800,000) | (1,800,000) |
| Family Support Subsidy program base and caseload | (1,593,000) | 0 |
| Remove funding for Western Michigan University clinics (one-time) | (1,500,000) | (1,500,000) |
| Remove CMH court-appointed guardian reimbursement pool | (1,500,000) | (1,500,000) |
| State Disability Assistance program base and caseload | (1,474,300) | (1,474,300) |
| Eliminate non-emergency medication transport pilot..... | (1,419,600) | (510,200) |
| Remove multicultural integration funding (one-time) | (1,381,100) | (1,381,100) |

Table 14 - continued

| FY 2019-20 GOVERNOR'S APPROPRIATION RECOMMENDATION FUNDING ELIMINATIONS/REDUCTIONS | | |
|---|--------------|--------------|
| Budget Area/Program | Gross | GF/GP |
| Health and Human Services (continued) | | |
| Eliminate expiring Federal grant funding (race to top and clinics)..... | (1,322,400) | 0 |
| Remove child lead elimination board funding (one-time) | (1,250,000) | (1,250,000) |
| State Supplementation payments program base and caseload | (1,205,800) | (1,205,800) |
| Remove autism navigator funding (one-time)..... | (1,025,000) | (1,025,000) |
| Remove Caro Center improvement funding (one-time)..... | (1,000,000) | (1,000,000) |
| Remove one-time portion of funding for U-D dental clinic (one-time)..... | (1,000,000) | (1,000,000) |
| Local public health dental grant reduction | (1,000,000) | (1,000,000) |
| Remove traumatic brain injury funding | (1,000,000) | (1,000,000) |
| Remove laboratory opioid testing funding | (1,000,000) | (1,000,000) |
| Eliminate grants for St. Mary's substance use disorder pilot..... | (1,000,000) | (1,000,000) |
| Eliminate funding for real alternatives contract..... | (700,000) | (50,000) |
| Guardianship Assistance Program base and caseload adjustments | (583,100) | (418,600) |
| Remove School Success Partnership Program funding..... | (525,000) | (75,000) |
| Eliminate early primary care incentive program..... | (500,000) | (500,000) |
| Remove employment first funding (one-time)..... | (500,000) | (500,000) |
| Remove funding for Autism Alliance (one-time) | (466,000) | (466,000) |
| Remove Kent/Ingham nurse family partnership funding (one-time) | (325,000) | (325,000) |
| Remove Children's Trust Fund GF/GP backfill funding | (300,000) | (300,000) |
| Remove primary care clinics funding (one-time) | (300,000) | (300,000) |
| Nursing collaborative practice grant removal..... | (269,700) | 0 |
| Eliminate the SSI advocacy legal services grant..... | (250,000) | (250,000) |
| Eliminate the bone marrow registry grant | (250,000) | (250,000) |
| Eliminate the adoptive family support network contract..... | (250,000) | (250,000) |
| Community services and outreach administration funding realignment | (233,000) | 60,000 |
| Adjust Federal SCHIP funding for poison control | (155,200) | 0 |
| Remove funding for Asian-American health care project (one-time)..... | (150,000) | (150,000) |
| Remove funding for opioid outreach coordinator (one-time) | (115,000) | (115,000) |
| Remove long-term care study funding | (100,000) | (100,000) |
| Remove autism 'train-the-trainer' pilot funding (one-time)..... | (100,000) | (100,000) |
| Remove infant mortality grant (one-time) | (100,000) | (100,000) |
| Remove adoption rate actuarial study funding | (50,000) | (50,000) |
| Align child support incentive funding | 0 | (105,000) |
| Higher Education | | |
| Tuition Incentive Program savings from tuition cap..... | (4,500,000) | (4,500,000) |
| MPERS unfunded accrued liability stabilization | (116,000) | (116,000) |
| Insurance and Financial Services | | |
| Remove funding for study of state innovation waiver (one-time) | (400,000) | (400,000) |
| Judiciary | | |
| Removal of funding for problem solving courts (one-time)..... | (750,000) | (750,000) |
| Reduction in court of appeals judge positions | (365,600) | (365,600) |
| Reduction in district court judge positions | (293,400) | (293,400) |
| Removal of funding for treatment pilot program (one-time)..... | (75,000) | (75,000) |
| Legislature | | |
| Remove Senate purchase of parking garage funding (one-time)..... | (18,000,000) | (18,000,000) |
| Remove legislative council IT design funding (one-time) | (750,000) | (750,000) |
| Licensing and Regulatory Affairs | | |
| Removal of Michigan indigent defense commission funding (one-time) | (5,850,400) | (5,850,400) |
| Removal of first responders fund medical marihuana excise tax revenue | (5,445,000) | 0 |
| Removal of opioid treatment and community resource locator funding..... | (1,200,000) | (1,200,000) |
| Removal of refugee services grant..... | (175,000) | (175,000) |
| Current services base technical adjustments | (221,800) | 0 |

Table 14 - continued

| FY 2019-20 GOVERNOR'S APPROPRIATION RECOMMENDATION FUNDING ELIMINATIONS/REDUCTIONS | | |
|---|---------------|--------------|
| Budget Area/Program | Gross | GF/GP |
| Military and Veterans Affairs | | |
| Reduce military retirement to reflect actuarial assumptions | (4,244,800) | (4,244,800) |
| Reduce National Guard Tuition Assistance Program | (2,500,000) | (2,500,000) |
| Reduce County veteran service fund..... | (2,100,000) | (2,100,000) |
| Reduce operational support for military training sites and support facilities..... | (1,500,000) | (1,500,000) |
| Eliminate armory maintenance (one-time)..... | (1,000,000) | (1,000,000) |
| Eliminate Vietnam veterans outreach project (one-time)..... | (600,000) | (600,000) |
| Eliminate GR Veterans home video monitoring pilot project (one-time)..... | (275,000) | (275,000) |
| Eliminate targeted grants program for county veterans service offices..... | (200,000) | (200,000) |
| Natural Resources | | |
| Ludington State park land (Sargent Minerals Co.) purchase (one-time) | (9,000,000) | 0 |
| Dam management grant program (one-time) | (8,000,000) | (8,000,000) |
| Remove Brandon Rd. lock and dam Asian carp funding (one-time) | (8,000,000) | (8,000,000) |
| Iron Belle trail challenge grants (one-time) | (5,000,000) | (5,000,000) |
| Remove FY 2018-19 capital outlay project appropriations | (3,536,000) | 0 |
| Keweenaw buffalo reef spawning (one-time)..... | (3,000,000) | (3,000,000) |
| State parks repair and maintenance (capital outlay) | (2,500,000) | 0 |
| Remove current year one-time funds..... | (2,425,000) | (2,225,000) |
| Grand River dredging (one-time) | (2,000,000) | (2,000,000) |
| State parks preventive maintenance (one-time)..... | (2,000,000) | 0 |
| UP forest roads bridge replacements (one-time)..... | (1,750,000) | 0 |
| Forest equipment/research/treatments (one-time) | (1,470,000) | 0 |
| Leland/Good Harbor Bay reef fish spawning (one-time) | (500,000) | (500,000) |
| Align wildlife management education authorization with expected revenue | (500,000) | 0 |
| Remove pheasant hunting initiative (one-time) | (260,000) | (260,000) |
| Kalamazoo River study-grant to Battle Creek (one-time)..... | (250,000) | (250,000) |
| Reduce funding for non-motorized trail development and maintenance | (150,000) | (150,000) |
| Reduce UP pocket park repair and maintenance (one-time) | (150,000) | (150,000) |
| Reduce funding for dam management grants | (150,000) | (150,000) |
| School Aid | | |
| Technical foundation allowance cost adjustments (pupils, taxable values) | (218,000,000) | 0 |
| 20% reduction to cyber schools' foundation allowance | (22,000,000) | 0 |
| Federal grants | (10,365,000) | 0 |
| Computer adaptive tests | (9,200,000) | 0 |
| Mental health grants and administration - remove 'train-the-trainer' funding..... | (8,000,000) | 0 |
| Statewide value-added evaluation tool (EVAAS)..... | (2,500,000) | (2,500,000) |
| Career and technical education equipment upgrade grants | (2,500,000) | (2,500,000) |
| Information technology certifications..... | (2,300,000) | (2,300,000) |
| MPERS rate cap on the districts' payments toward unfunded accrued liabilities.... | (1,800,000) | (200,000) |
| Dual enrollment incentive payments | (1,750,000) | 0 |
| Shift responsibility for Youth ChalleNGe to DMVA | (1,625,400) | 0 |
| Online mathematics tool (Imagine Math) | (1,500,000) | (1,500,000) |
| Online algebra tool (Algebra Nation) | (1,500,000) | (1,500,000) |
| FIRST Robotics for public schools..... | (1,500,000) | 0 |
| Reimbursement for financial analytical tools | (1,500,000) | 0 |
| Assessments: replace kindergarten readiness assessment with statewide sampling | (1,500,000) | 0 |
| Virtual reality for skilled trades | (1,200,000) | 0 |
| Imagine Learning (literacy) | (1,000,000) | (1,000,000) |
| Career and technical education counselors..... | (1,000,000) | 0 |
| Bus driver safety program | (810,000) | 0 |
| Balanced calendar/year-round schools | (750,000) | 0 |
| Dropout recovery program | (750,000) | 0 |

Table 14 - continued

| FY 2019-20 GOVERNOR'S APPROPRIATION RECOMMENDATION FUNDING ELIMINATIONS/REDUCTIONS | | |
|---|---------------|---------------|
| Budget Area/Program | Gross | GF/GP |
| School Aid (continued) | | |
| Digital assessment preparation..... | (500,000) | (500,000) |
| Fitness foundation..... | (500,000) | (500,000) |
| Imagine Learning (Español)..... | (500,000) | (500,000) |
| Summer reading pilot project..... | (500,000) | (500,000) |
| Detroit pre-college engineering program (DAPCEP)..... | (400,000) | (400,000) |
| Teach for America..... | (300,000) | (300,000) |
| FIRST Robotics for nonpublic schools..... | (300,000) | (300,000) |
| Nonpublic school reimbursement for mandates | (250,000) | (250,000) |
| Conductive learning center study..... | (250,000) | (250,000) |
| Dyslexia center..... | (250,000) | (250,000) |
| Pipeline to promise | (200,000) | 0 |
| Early learning collaborative..... | (175,000) | 0 |
| Restaurant and culinary training | (100,000) | (100,000) |
| Dropout prevention program (Grand Rapids) | (100,000) | 0 |
| STEM entrepreneurship program | (60,000) | 0 |
| High demand jobs (St. Clair ISD)..... | (50,000) | 0 |
| K-14 transition supports (Dana Center)..... | (25,000) | (25,000) |
| State | | |
| Remove "Look Twice Save a Life" supplemental funding..... | (400,000) | 0 |
| State Police | | |
| Remove boilerplate appropriations from FY 2018-19 | (27,350,900) | 0 |
| Elimination of school safety grants (one-time)..... | (25,000,000) | (25,000,000) |
| Reduce marijuana authorization | (8,988,700) | 0 |
| Eliminate costs of FY 2018-19 trooper school (one-time) | (7,751,300) | (7,751,300) |
| Remove deposit to Disaster and Emergency Contingency Fund (one-time) | (7,500,000) | (7,500,000) |
| Fleet Leasing reduction - patrol and administrative vehicles..... | (2,300,000) | (2,300,000) |
| Eliminate GF/GP support for Secondary Road Patrol Grants | (2,000,000) | (2,000,000) |
| Medical marihuana excise fund removal. | (1,815,000) | 0 |
| Align Federal/Restricted authorization with available revenues | (1,243,600) | 0 |
| Eliminate MIS traffic control support (one-time)..... | (725,000) | (725,000) |
| Special operations reduction..... | (677,600) | (677,600) |
| Eliminate roadside saliva testing project..... | (626,000) | (626,000) |
| Operating supplies and materials savings | (450,000) | (450,000) |
| Grants & Community Services reduction in outreach and education | (255,400) | (255,400) |
| Reductions in discretionary overtime..... | (100,000) | (100,000) |
| Reduce emergency management and homeland security training center | (29,600) | (29,600) |
| Reduce Civil Air Patrol grant..... | (20,000) | (20,000) |
| Elimination of OK2SAY Information technology upgrade (one-time)..... | (100) | (100) |
| Talent and Economic Development | | |
| Remove Michigan enhancement grants (FY 19 supplemental - one-time) | (113,450,500) | (113,450,500) |
| Remove business attraction/community revitalization funding (one-time)..... | (20,000,000) | (20,000,000) |
| Remove Northern Michigan tourism and sports fund (one-time)..... | (10,000,000) | (10,000,000) |
| Remove Going Pro funding (one-time)..... | (10,000,000) | (10,000,000) |
| Pure Michigan reduction | (5,000,000) | (1,000,000) |
| Eliminate community ventures funding | (4,000,000) | 0 |
| Remove earmark for at risk youth grant | (3,000,000) | 0 |
| Remove entrepreneurship eco-system funding (one-time) | (2,500,000) | (2,500,000) |
| Remove GEAR-UP funding | (2,000,000) | (2,000,000) |
| Defined calculation adjustment..... | (1,747,400) | 0 |
| Remove strategic fund grants (one-time) | (1,350,000) | (1,350,000) |
| Remove funding for rising tide (one-time)..... | (1,000,000) | (1,000,000) |

Table 14 - continued

| FY 2019-20 GOVERNOR'S APPROPRIATION RECOMMENDATION FUNDING ELIMINATIONS/REDUCTIONS | | |
|---|--------------------------|------------------------|
| Budget Area/Program | Gross | GF/GP |
| Talent and Economic Development (continued) | | |
| Remove arts and cultural funding (one-time)..... | (1,000,000) | (1,000,000) |
| Talent investment agency federal fund adjustment | (485,600) | 0 |
| Remove drinking water declaration of emergency placeholder (one-time) | (100) | 0 |
| Technology, Management, and Budget | | |
| Remove military and judicial retirement funding (one-time) | (43,100,000) | (43,100,000) |
| Remove deposit into statewide broadband fund (one-time) | (20,000,000) | (13,620,000) |
| Remove funding to help pay off Inkster school district debt (one-time)..... | (8,200,000) | (8,200,000) |
| Eliminate regional prosperity grants | (4,000,000) | (4,000,000) |
| Remove funding for MSP/MPERS retirement system changes (one-time) | (1,185,000) | (1,185,000) |
| Remove funding for CIO security officer (one-time) | (450,000) | (450,000) |
| Remove funding for job vacancy survey (one-time) | (170,000) | (170,000) |
| Revenue alignment and reduction of overstated deducts. | (115,400) | 0 |
| Remove funding for Muskegon/Oceana county towers (one-time) | (30,000) | (30,000) |
| Removal of prior year one-time funding..... | (10,200) | (10,100) |
| Transportation | | |
| Funding for road and bridge construction (one-time)..... | (300,000,000) | (300,000,000) |
| Remove earmark of Wayfair tax dollars to roads (all Restricted) | (114,000,000) | 0 |
| Remove Soo Locks funding (one-time) | (52,000,000) | (52,000,000) |
| Debt service reduction | (5,539,600) | 0 |
| Remove Mackinac Straits study funding (one-time) | (4,490,900) | (4,490,900) |
| Reduced interdepartmental grant payments..... | (317,600) | 0 |
| Remove funding for railroad study (one-time) | (250,000) | (250,000) |
| Shift funding responsibility for specified accounting services to MDARD | (168,700) | 0 |
| Remove funding for Detroit/Wayne port authority (one-time)..... | (50,000) | (50,000) |
| Treasury-Debt Service | | |
| Clean Michigan initiative | (13,224,000) | (13,224,000) |
| Quality of life bond | (5,428,000) | (5,428,000) |
| Treasury-Operations | | |
| Remove FY 19 contingency fund transfer to Flint line item | (2,000,000) | (2,000,000) |
| Remove funding for urban search and rescue (one-time) | (1,500,000) | 0 |
| Administrative efficiencies savings | (1,500,000) | 0 |
| Remove financial data analytic tool reimbursement (one-time)..... | (900,000) | (900,000) |
| Remove funding for beat the streets program (one-time)..... | (750,000) | (750,000) |
| Remove funding for courageous cadets program (one-time)..... | (500,000) | (500,000) |
| Remove forensic science commission placeholder (one-time) | (158,700) | 0 |
| Treasury Revenue Sharing | | |
| Reduce supplemental city, village, and township revenue sharing (one-time).... | (6,200,000) | 0 |
| City, village, and township revenue sharing (one-time)..... | (5,916,000) | 0 |
| Reduce financially distressed cities, villages, or townships funding..... | (2,500,000) | 0 |
| Reduce supplemental county revenue sharing | (1,000,000) | 0 |
| TOTAL FUNDING ELIMINATIONS/REDUCTIONS | (\$1,765,915,900) | (\$903,245,200) |

The details of the net negative \$625.5 million in fund shifts that increase and decrease GF/GP appropriations are listed in [Table 15](#). The largest fund shift amount, \$499.4 million from the School Aid Fund to GF/GP, is in the Higher Education budget, to reflect the Governor's proposal to remove all School Aid Fund dollars from the Higher Education budget. The other large fund shifts that increase GF/GP are in the Department of Health and Human Services: \$75.1 million due to an increased State share of funding required for the Healthy Michigan Plan and shifts from Federal funds to GF/GP due to a lower traditional Medicaid match rate (64.45% to 64.06%) and lower SCHIP/MICHILD/Title XXI match rates (98.12% to 86.34%).

Table 15

| FY 2019-20 GOVERNOR'S APPROPRIATION RECOMMENDATION FUND SHIFTS TO INCREASE/(REDUCE) GF/GP | |
|--|----------------------|
| Budget Area/Program | GF/GP |
| Education | |
| Shift Federal funds to meet child care match requirements | \$599,400 |
| Health and Human Services | |
| Healthy Michigan Plan Federal match (93.25% to 90.75%)..... | 75,061,900 |
| Traditional Medicaid Title XIX Federal match (64.45% to 64.06%)..... | 43,645,000 |
| SCHIP/MiChild/TitleXXI match (98.12% to 86.34%) | 30,767,900 |
| Medicaid Benefits Trust Fund (MBTF) adjustment | 10,000,000 |
| Inspector general staff fund sourcing correction..... | 1,236,500 |
| Federal child support collection fee increase | 956,300 |
| Correct Federal authorization for adoption support/public assistance | 568,000 |
| Adjustment for county charge-back authorization | 489,600 |
| Medicaid state psychiatric DSH increased Restricted revenue | (25,000,000) |
| Higher Education | |
| Replace School Aid Fund dollars with GF/GP | 499,419,300 |
| Children of Veterans Tuition Grant check-off | 100,000 |
| Licensing and Regulatory Affairs | |
| Fund source shift for marihuana regulation (from GF to new tax revenue)..... | (5,000,000) |
| Military and Veterans Affairs | |
| Michigan Youth Challenge Academy (reduced School Aid dollars)..... | 1,557,800 |
| Natural Resources | |
| Shift wildfire protection costs from GF to Forest Development Fund | (574,300) |
| School Aid | |
| Foundation allowance discretionary payment | (22,350,500) |
| Flint declaration of emergency..... | (3,230,000) |
| Special education task force - MiBLSI | (1,600,000) |
| ISD special education monitoring | (500,000) |
| State | |
| Replace GF with transportation administration collection fund revenue..... | (738,700) |
| Talent and Economic Development | |
| Contingent fund, penalty & interest fund shift..... | 25,918,800 |
| Business Attraction and Community Revitalization fund shift | (4,000,000) |
| Land bank fund shift | (1,500,000) |
| Technology, Management, and Budget | |
| Business support services fund shift. | (138,400) |
| Statewide cost allocation adjustments..... | (131,300) |
| Adjustment of DTMB indirect charges and fund sources | (35,800) |
| TOTAL GF/GP FUND SHIFTS | \$625,521,500 |

The Governor's FY 2019-20 budget recommendation includes various other changes from FY 2018-19, including program transfers, and adjustments for unclassified salaries and economic factors. Table 16 presents program transfers that result in no net appropriation increase.

Table 16

| FY 2019-20 GOVERNOR'S APPROPRIATION RECOMMENDATION PROGRAM TRANSFERS | | |
|---|--------------|--------------|
| Budget Area/Program | Gross | GF/GP |
| Refugee Service Functions (5.0 FTEs) | | |
| From: Department of Health and Human Services | (24,978,100) | 0 |
| To: Department of Licensing and Regulatory Affairs | 24,978,100 | 0 |
| Military Retirement | | |
| From: Department of Technology, Management, and Budget..... | (5,244,800) | (5,244,800) |
| To: Department of Military and Veterans Affairs | 5,244,800 | 5,244,800 |

Table 17 outlines the Governor's FY 2019-20 Gross and GF/GP changes by budget area for unclassified salaries and economic factors. The Governor recommends a Gross increase of \$810,800 (\$399,900 GF/GP) for unclassified salaries, and economic adjustments of \$98.1 million Gross and \$53.9 million GF/GP.

Table 17

| FY 2019-20 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..... | \$23,200 | \$23,200 | \$1,052,400 | \$716,800 |
| Attorney General | 32,000 | 32,000 | 1,356,000 | 597,500 |
| Civil Rights | 28,100 | 28,100 | 159,100 | 145,500 |
| Corrections | 76,100 | 76,100 | 23,294,700 | 23,019,800 |
| Education | 35,100 | 27,100 | 1,251,400 | 381,900 |
| Environmental Quality | 31,900 | 9,100 | 3,036,400 | 667,600 |
| Health & Human Services | 47,500 | 38,500 | 28,761,900 | 19,096,900 |
| Insurance & Financial Services..... | 31,700 | 0 | 786,900 | 0 |
| Judiciary | 0 | 0 | 3,325,000 | 3,141,400 |
| Licensing & Regulatory Affairs | 206,500 | 0 | 4,876,900 | 443,000 |
| Military & Veterans Affairs | 60,600 | 60,600 | 1,244,800 | 324,100 |
| Natural Resources..... | 32,000 | 0 | 3,681,300 | 591,500 |
| School Aid | 0 | 0 | 118,500 | 100,500 |
| State | 26,700 | 26,700 | 2,573,500 | 396,600 |
| State Police | 23,700 | 11,500 | 3,379,200 | 2,208,500 |
| Talent & Economic Development..... | 44,700 | 5,000 | 2,664,300 | 238,700 |
| Technology, Management, & Budget..... | 36,400 | 36,400 | 7,246,700 | 1,274,400 |
| Transportation | 32,000 | 0 | 6,025,600 | 0 |
| Treasury (Operations) | 42,600 | 25,600 | 3,255,100 | 585,000 |
| TOTAL CHANGES | \$810,800 | \$399,900 | \$98,089,700 | \$53,929,700 |

SUMMARY OF MAJOR SCHOOL AID APPROPRIATION CHANGES

Overall, the Governor is recommending a Gross appropriation increase of \$526.7 million compared with current law, or a \$516.0 million increase compared with revised projected FY 2018-19 spending, as shown in [Table 18](#). The recommendation would decrease GF/GP support of the budget by \$42.9 million, from \$87.9 million in current law to \$45.0 million in FY 2019-20.

Proposed Supplemental

The Governor's FY 2018-19 supplemental request (2019-3) would include technical cost adjustments for the foundation allowance (totaling a negative \$87.0 million, primarily due to lower pupil counts), add \$19.0 million for cash flow borrowing costs, add \$25.6 million for special education costs, and make other technical adjustments for costs related to the Michigan Public School Employees' Retirement System (MPERS), renaissance zones, and promise zones. The adjustments included in the supplemental that are relatively technical in nature would reduce spending by \$50.8 million.

The supplemental also proposes \$60.0 million for hydration stations and \$1.5 million for administration of this new program. Funds would be provided for the purchase of hydration stations, costs associated with installation of the stations or with removal of drinking fountains, or disposal of hazardous materials associated with the installation. The funds are designed to provide for at least one hydration station per 100 students.

Finally, the supplemental would return \$31.9 million to the MPERS reserve fund, and use SAF in its place in support of MPERS costs. (The Governor further proposes to add another \$40.0 million to the MPERS reserve fund in FY 2019-20 in anticipation of higher costs related to forthcoming changes in actuarial assumptions.)

Foundation Allowance - Additional \$235 Million

The Governor is recommending an increase ranging from \$120 per pupil for districts with foundation allowances at or above the basic foundation (which is \$8,409 for FY 2018-19), up to \$180 per pupil for districts at the minimum foundation allowance (which is \$7,871 for FY 2018-19). The proposal uses a "1.5x" formula, which provides 1.5 times 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 "1.5x". Under the proposal, the basic would increase to \$8,529 and the minimum to \$8,051. The total cost of the proposal is \$235.0 million.

In addition, the Governor is proposing a 20% 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 \$22.0 million.

At Risk - Additional \$102 Million

The Governor is proposing to increase At Risk funding by \$102.0 million, from \$517.0 million to \$619.0 million. The funding is moved to a new section that implements a new weighted foundation per-pupil payment for districts enrolling economically disadvantaged pupils. (The current version of At Risk is substantially similar, in that it is designed to provide a payment equal to 11.5% of the average foundation allowance for each economically disadvantaged pupil.) The current At Risk section is not fully funded, however; therefore, there is proration in the section. The proposed section would be fully funded in FY 2019-20, providing a payment equal to 11% of the minimum foundation allowance per economically disadvantaged pupil for districts below the basic foundation allowance, and 50% of that for districts above the basic.

Special Education - Additional \$120.0 Million

The Governor is proposing to allocate \$120.0 million for additional special education payments to districts to cover an estimated 4.0% of special education costs. (This would be in addition to the constitutionally required payments allocated under Section 51a.)

Career and Technical Education (CTE) - Additional \$50 Million

The Governor is proposing to allocate a total of \$55.0 million (or an increase of \$50.0 million over the existing \$5.0 million in CTE incentive payments) for payments equal to 6.0% of the district's foundation allowance for each high school student enrolled in at least one CTE program in the career pathway identified in a student's educational development plan.

Great Start Readiness Program (GSRP) - Additional \$84 Million

The Governor is proposing to increase eligibility for GSRP from 250% of the Federal poverty level to 300% of the Federal poverty level (adding an estimated 5,000 children), and to increase the full-day payment from \$7,250 per child to \$8,500 per child.

Other Major Increases

The Governor is proposing to triple the number of early literacy coaches and remove local cost sharing for those coaches, at a total cost increase of \$24.5 million. The MPERS hold-harmless payments (due to increasing costs from lowering the assumed rate of return) are expected to increase \$83.9 million. Standard special education cost increases are expected to total \$62.3 million. School Aid Fund cash flow borrowing costs are anticipated to increase \$32.0 million.

Program Reductions or Eliminations

The Governor is proposing the reduction or elimination of a number of items, listed in the following table. Some of the larger changes include \$9.2 million eliminated for computer adaptive tests, \$8.0 million removed from the 'train-the-trainer' portion of school mental health grants, \$2.5 million removed for CTE equipment upgrades, and \$2.5 million removed for a statewide value-added tool related to assessments.

Table 18

| FY 2019-20 GOVERNOR'S GROSS APPROPRIATION RECOMMENDATION K-12 SCHOOL AID APPROPRIATION CHANGES (millions of dollars) | |
|---|------------|
| FY 2018-19 Year-to-Date Gross Appropriations..... | \$14,844.6 |
| FY 2019-20 Governor's Recommended Gross Appropriations..... | 15,371.2 |
| Net Change in School Aid Appropriations..... | \$526.6 |
| Recommended Appropriations for New Programs: | |
| None | \$0.0 |
| Recommended Appropriation Increases in Existing Programs: | |
| Foundation allowance: \$120 to \$180 (1.5x formula) | \$235.0 |
| Special education (additional 4% payment)..... | 120.0 |
| At risk (fully fund at 11% of minimum; increase hold harmless districts to 50%)..... | 102.0 |
| Great start readiness program - more slots, more funding per child | 84.0 |
| MPERS hold harmless payment for reduced assumed rate of return..... | 83.9 |
| Special education cost increase | 62.3 |
| Career and technical education incentive payments..... | 50.0 |
| School aid fund cash flow borrowing costs | 32.0 |
| Early literacy coaches..... | 24.5 |
| Federal school lunch funding..... | 14.0 |
| Promise zone payments | 5.4 |
| MPERS hold harmless payment for PA 92 of 2017 costs | 5.0 |
| Flint declaration of emergency..... | 4.8 |
| Intermediate school district (ISD) operations increase (3.5%) | 2.4 |
| Renaissance zone reimbursement | 0.3 |
| Economics | 0.1 |
| Subtotal Appropriation Increases in Existing Programs..... | \$825.8 |

Table 18 - continued

| FY 2019-20 GOVERNOR'S GROSS APPROPRIATION RECOMMENDATION K-12 SCHOOL AID APPROPRIATION CHANGES (millions of dollars) | |
|---|----------------|
| Recommended Appropriation Eliminations or Reductions: | |
| Technical foundation allowance cost adjustments (pupils, taxable values) | (218.0) |
| 20% reduction in cyber schools' foundation allowances | (22.0) |
| Federal grants..... | (10.4) |
| Computer adaptive tests..... | (9.2) |
| Mental health grants and administration - remove 'train-the-trainer' funding..... | (8.0) |
| Statewide value-added evaluation tool (EVAAS)..... | (2.5) |
| Career and technical education equipment upgrade grants | (2.5) |
| Information technology certifications..... | (2.3) |
| Dual enrollment incentive payments | (1.8) |
| MPSERS rate cap on the districts' payments toward unfunded accrued liabilities..... | (1.8) |
| Strict discipline academies..... | (1.6) |
| Youth ChalleNGe - transferred to DMVA..... | (1.6) |
| Reimbursement for financial analytical tools..... | (1.5) |
| Assessments: replace kindergarten readiness assessment with statewide sampling..... | (1.5) |
| Online algebra tool (Algebra Nation)..... | (1.5) |
| FIRST Robotics for public schools..... | (1.5) |
| Online mathematics tool (Imagine Math) | (1.5) |
| Virtual reality for skilled trades | (1.2) |
| Imagine Learning (literacy) | (1.0) |
| Career and technical education counselors..... | (1.0) |
| Bus driver safety program | (0.8) |
| Balanced calendar/year-round schools..... | (0.8) |
| Dropout recovery program..... | (0.8) |
| Digital assessment preparation..... | (0.5) |
| Fitness foundation | (0.5) |
| Imagine Learning (Espanol)..... | (0.5) |
| Summer reading pilot project..... | (0.5) |
| Detroit pre-college engineering program (DAPCEP) | (0.4) |
| Conductive learning center study..... | (0.3) |
| Dyslexia center | (0.3) |
| Teach for America | (0.3) |
| FIRST Robotics for nonpublic schools..... | (0.3) |
| Nonpublic school reimbursement for mandates..... | (0.3) |
| Pipeline to promise | (0.2) |
| Early learning collaborative..... | (0.2) |
| Dropout prevention program (Grand Rapids)..... | (0.1) |
| Restaurant and culinary training | (0.1) |
| High demand jobs (St. Clair ISD)..... | (0.1) |
| STEM entrepreneurship program | (0.1) |
| K-14 transition supports (Dana Center) | (0.0) |
| Subtotal Appropriation Eliminations or Reductions..... | (\$299.1) |
| TOTAL RECOMMENDED APPROPRIATION CHANGES | \$526.6 |

FEE AND REVENUE PROPOSALS

Proposed Revenue Adjustments

Taxes on Retirees and Retirement Income

Background: Prior to 2012, Michigan's individual income tax exempted certain types of income generally associated with retirees. The amount of the exemption depended on the source of the income. Seniors also were offered additional personal exemptions and limited additional income exemptions based on the source of the income. Beginning in 2012, exemptions were based more on the taxpayer's year of birth and the age of the taxpayer. For those born after 1945, most exemptions based on the source of the income were eliminated and replaced with lower exemptions that applied to all income.

The Governor's Recommendation: The Governor's FY 2019-20 Budget Recommendation proposes to allow taxpayers age 67 or older to select either the exemptions available before 2012, or the current exemptions. The selection would be done each year. For taxpayers under the age of 67, the 2012 changes would no longer apply.

Fiscal Impact: The Governor's FY 2019-20 Budget Recommendation estimates the proposal would reduce individual income tax revenue by approximately \$259.0 million in FY 2019-20 and \$355.0 million in FY 2020-21. Approximately 22.4% of the reduction, or \$58.1 million in FY 2019-20 and \$79.8 million in FY 2020-21, would reduce School Aid Fund revenue. The Governor proposes to offset a portion of the revenue loss with a new pass-through entity tax.

New Pass-Through Entity Tax

Background: Pass-through businesses, such as partnerships, LLCs, and S-corporations, are not taxed under the Corporate Income Tax, which is levied at a rate of 6.0%. Instead, owners of these firms pay State tax on their business income under the individual income tax, just as they do under the Federal tax system, although the State rate is 4.25%. Furthermore, these owners are affected by the Federal Tax Cuts and Jobs Act, which limited the deduction for state and local taxes to \$10,000.

The Governor's Recommendation: The Governor's FY 2019-20 Budget Recommendation proposes a new business tax on pass-through entities. The tax rate would be 6.0%, the same rate as under the Corporate Income Tax, and owners would be provided an exemption for the first \$50,000 of business income. Furthermore, owners would be allowed to claim a credit for the tax on their individual income tax return. The proposal would not affect sole proprietorships.

Fiscal Impact: The Governor's FY 2019-20 Budget Recommendation estimates that the pass-through entity tax would generate approximately \$203.0 million in FY 2019-20 and \$280.0 million in FY 2020-21. However, by shifting the tax from the individual level to the business level, the tax would be deductible against Federal taxes, and not subject to the \$10,000 limit. As a result, a portion of the increased Michigan liability would be offset by decreased Federal liabilities. The Governor's Recommendation estimates the net impact on Michigan taxpayers would be an increase of \$100.0 million or less. The revenue from the tax would be split between the General Fund and School Aid Fund in the same manner as individual income tax revenue.

Motor Fuel Taxes

The Governor's Recommendation: The Governor proposes increasing Michigan's motor fuel taxes. The gasoline tax and diesel tax would increase by 15 cents per gallon on October 1, 2019, April 1, 2020, and October 1, 2020, with corresponding increases in the taxes levied on alternative fuels. Most of the revenue associated with the increased tax rates would not be directed to the Michigan Transportation Fund (MTF) nor distributed according to the current formula under PA 51 of 1951, but would be directed to a new "Fixing Michigan Roads Fund" and distributed according to a new formula. The new formula would be based on Federal classifications that effectively describe the degree to which a given road is traveled.

Fiscal Impact: Corollary legislation would eliminate the current earmarks of individual income tax revenue to the Michigan Transportation Fund, currently slated to total \$468.0 million in FY 2019-20 and \$600.0 million in FY 2020-21. However, a portion of that earmarked revenue would be replaced by an earmark of the additional revenue under the increased tax rates. As a result, while the additional taxes would generate \$2.5 billion in additional revenue in FY 2020-21, only \$2.1 billion would be directed to the Fixing Michigan Roads Fund.

Earned Income Tax Credit

Background: Beginning with tax year 2008, Michigan began offering an Earned Income Tax Credit. The amount of the credit initially was equal to 10.0% of the Federal Earned Income Tax Credit the taxpayer could claim, but was increased to 20.0%, beginning tax year 2009. As part of the tax reform legislation adopted in 2011, the Michigan credit was lowered to 6.0% of the Federal credit starting with tax year 2012. To claim a Federal Earned Income Tax Credit, a taxpayer must have wage income, and the amount of the credit shrinks as wage income grows.

The Governor's Recommendation: The Governor's FY 2019-20 Budget Recommendation proposes to increase the credit to 10.0% of the Federal credit in tax year 2019, and 12.0% for later tax years.

Fiscal Impact: The Governor's FY 2019-20 Budget Recommendation estimates the increased EITC would reduce individual income tax revenue by approximately \$76.0 million in FY 2019-20 and \$114.0 million in FY 2020-21. Tax credits under the individual income tax do not reduce School Aid Fund revenue, so all the revenue decline would lower General Fund revenue. The Governor argues the increase in the credit would help offset the impact on lower-income families of the increase in motor fuel taxes.

Proposed Fee Adjustments

Department of Environmental Quality User Fees

Approximately half of the Department of Environmental Quality's (DEQ's) budget comes from State restricted funds, most of which are supported by user fees. Fourteen fees generating \$27.8 million in annual revenue have sunset dates in FY 2019-20 and will expire without legislative action. Six additional fees are set to expire over the next several years. The Governor's FY 2019-20 Executive Recommendation includes the proposed elimination of sunset dates on 20 existing user fees. Instead, an economic adjustment would be applied every three years to reflect increased operational costs and economic changes. Additionally, discussions on a potential increase in air emissions fees are currently underway and will be brought forth to the Legislature by the DEQ later this spring. The 14 fees set to expire in FY 2019-20 are shown in Table 19.

Table 19

| FY 2019-20 GOVERNOR'S RECOMMENDATION DEQ FEE ADJUSTMENTS | | |
|---|-----------------------|--------------------|
| Fee | Annual Revenue | Sunset Date |
| Groundwater Discharge Permit..... | \$1,190,000 | 9/30/19 |
| Sewer Expedited Permit..... | 31,800 | |
| Air Emission Fees | 9,600,000 | 10/1/19 |
| Electronic Device Manufacturer's Registration | 230,000 | |
| Electronic Device Recycler Registration | 50,000 | |
| Solid Waste Surcharge | 6,000,000 | |
| Great Lakes Shoreline Permits | 2,100,000 | |
| Inland Lakes and Streams Application Fee | | |
| Ordinary High Water Mark Establishment | | |
| Pre-application Meeting | | |
| Submerged Lands Application Fees | | |
| Stormwater Discharge Fee | 1,625,100 | |
| Surface Water Discharge Permit - National Pollutant | | |
| Discharge Elimination System (NPDES) | 2,816,800 | |
| Tire Disposal Surcharge..... | 4,200,000 | 12/31/19 |
| TOTAL FEE ADJUSTMENTS | \$27,843,700 | |

SUMMARY OF OTHER MAJOR FY 2019-20 APPROPRIATION ISSUES

Capital Outlay

The Governor's FY 2019-20 budget recommendation does not include any new planning authorizations for State agencies, universities, or community colleges.

Community Colleges

The Governor's budget recommendation includes a \$9.7 million, or 3.0% GF/GP increase for community college operations using the existing performance funding formula. The Governor also proposes a net increase of \$3.6 million for MPSERS-related adjustments, and a \$300,000 SAF reduction (from \$2.5 million to \$2.2 million) to Renaissance Zone reimbursements based on projected costs. The level of SAF funding in the budget would remain constant, with all additional funds included in the recommendation coming from GF/GP. Finally, the Governor proposes tuition restraint similar to language found in the Higher Education budget. Tuition restraint for community colleges is recommended at the greater of 3.2%, or a \$128 increase. Details are included in the Appendix.

Higher Education

The Governor's budget recommendation for Higher Education includes a \$43.7 million, or 3.0%, GF/GP increase for university operations, distributed proportionately to FY 2018-19 funding. Tuition restraint for resident undergraduate students is recommended at the greater of a 3.2%, or \$427, increase. Michigan State University AgBioResearch and Extension each would receive a 3.0% increase of \$1.9 million GF/GP. Michigan Public School Employees Retirement System reimbursements and hold-harmless payments would be increased by \$449,000, from \$6.9 million to \$7.4 million. The Tuition Incentive Program would be decreased by \$4.5 million Federal, from \$64.3 million to \$59.8 million, based on a proposed boilerplate change that would restrict payments to three times the average in-district tuition at community colleges.

Perhaps the most significant budgetary change for Higher Education in the Governor's recommendation is the replacement of School Aid Fund revenue with GF/GP revenue. In total, that shift would be \$499.4 million, and effectively would allow that SAF revenue to be appropriated in the School Aid budget. The shift would be possible through a part of the Governor's transportation revenue proposal, which would amend the Income Tax Act to remove a statutory earmark that directs \$600.0 million of income tax revenue to transportation. Removing the earmark would cause that revenue to revert to the State General Fund and hence be available to make the proposed fund shift. The Appendix provides details of the Higher Education recommendation.

Scholarship Program Proposals

Michigan Reconnect Program

The Governor's budget recommendation includes a FY 2018-19 supplemental request that would allocate \$110.0 million from the Talent Investment Fund for the proposed Michigan Reconnect Grant Program. The program would target Michigan residents aged 25 or over who have a high school diploma or equivalent, but who do not have a college degree. The program would cover the costs for participants to enroll in eligible programs at community colleges, technical programs, and programs offered at community-based organizations as determined by the Department of Talent and Economic Development. Participants would be eligible to receive funding through the program for up to two years on a 'last dollar' basis, meaning the State would cover remaining tuition after all other financial aid, such as Federal Pell Grants, are exhausted. The supplemental request of \$110.0 million would fund the program through FY 2020-21.

Michigan Opportunity Initiative

While not funded in the FY 2019-20 budget, the Governor proposed a new tuition assistance program as a part of the budget presentation that would be available to students beginning in the fall of 2020. The Michigan Opportunity Initiative would be implemented in two phases, with Phase I providing tuition assistance at community colleges and other nonprofit junior colleges, and Phase II providing tuition assistance at State universities and other nonprofit colleges that issue a four-year degree.

Phase I of the Michigan Opportunity Initiative would provide Michigan residents who enrolled full-time at an eligible community college within one year of high school graduation or receipt of a high school equivalency certificate with tuition assistance on a 'last dollar' basis for up to three years or until the student earns 60 credits or the equivalent. To be eligible under Phase I, students would have to maintain continuous enrollment on a full-time basis, be a Michigan resident for at least the previous year, maintain satisfactory academic standing, and participate in the Success-Coaches Program that also would be established at each participating institution under the proposal.

Phase II of the Michigan Opportunity Initiative would provide Michigan residents who enrolled full-time at an eligible four-year degree-granting institution within one year of high school graduation or receipt of a high school equivalency certificate with tuition assistance on a 'last dollar' basis up to a maximum

of \$2,500 per year for up to two years, or until the student earns 60 credits or the equivalent. To be eligible under Phase II, students would have to maintain continuous enrollment on a full-time basis, be a Michigan resident for at least the previous year, maintain satisfactory academic standing, have earned at least a 3.0 GPA in high school, and be a member of a household with an annual income of less than \$80,000.

Cost estimates for Phase I and Phase II of the Michigan Opportunity Initiative were not included with the Governor's budget proposal.

Department of Environmental Quality

Drinking Water Protection and Innovation Investment

The Governor's FY 2018-19 supplemental recommendation includes a \$120.0 million one-time GF/GP drinking water protection and innovation investment to support drinking water infrastructure upgrades, technology for water systems to address PFAS and emerging contaminants, and support for research and planning surrounding drinking water issues. The DEQ would be responsible for administering the initiative through a grant system established by the DEQ and a broader application of the existing Drinking Water Revolving Fund (DWRf) program. Funding for the initiative would be allocated across the following categories: Lead and Copper Rule Implementation, PFAS and emerging contaminants, DWRf Loan Forgiveness, Affordability and Planning, and Research and Innovation. Funding distributions are shown in Table 20.

Table 20

| GOVERNOR'S RECOMMENDATION DRINKING WATER PROTECTION AND INNOVATION FUNDING DISTRIBUTIONS | | |
|---|--|----------------|
| Category | Uses | Amount |
| Lead and Copper Rule Implementation | <ul style="list-style-type: none"> Implementing requirements of Michigan's revised Lead and Copper Rule, including lead service line replacement for lines at/near 10 ppb Support local Drinking Water Advisory Councils | \$37.5 million |
| PFAS and Emerging Contaminants | <ul style="list-style-type: none"> Abate, cleanup, and invest in technologies to address contaminants in public water systems | \$30 million |
| DWRf Loan Forgiveness | <ul style="list-style-type: none"> Provide grant funding to eligible applicants of the Drinking Water Revolving Funds program | \$40 million |
| Affordability and Planning | <ul style="list-style-type: none"> Provide grants to communities to enhance asset management plans and/or for the development of sustainable water rate plans, and/or for watershed plans | \$7.5 million |
| Research and Innovation | <ul style="list-style-type: none"> Support research and innovation, including optimizing corrosion control treatment, optimizing distribution systems, and enhancing data building capacity of water systems | \$5 million |

Department of Health and Human Services

Governor Whitmer's proposed FY 2019-20 budget for the Department of Health and Human Services is largely a continuation budget, but does include a number of program enhancements and expansions as well as several program reductions and Medicaid cost containment measures. Compared to the year-to-date FY 2018-19 DHHS budget (which includes the December 2018 supplemental, PA 618 of 2018), the Governor's FY 2019-20 budget increases funding by \$651.4 million Gross and \$339.6 million GF/GP.

Base, Caseload, and Fund Source Adjustments

The majority of the \$339.6 million GF/GP increase, \$322.0 million, is tied to base, caseload, and fund source adjustments in the Department.

The traditional Medicaid match will decrease from 64.45% to 64.06% in FY 2019-20, increasing costs by \$43.6 million GF/GP. The temporary enhancement of the State Children's Health Insurance Program match rate will be phased out over two years, meaning the SCHIP rate in FY 2019-20 will decline from 98.12% to 86.34%, for a cost of \$30.8 million GF/GP. The match rate for the Healthy Michigan Plan (HMP), the Medicaid expansion, will drop on January 1, 2020, from 93.0% to 90.0%, increasing costs by \$75.1 million GF/GP. The State will realize \$25.0 million GF/GP savings from greater Federal claims tied to State psychiatric disproportionate share hospital (DSH) payments. General Fund/General Purpose costs will increase by \$10.0 million due to reduced tobacco tax revenue accruing to the Medicaid Benefits Trust Fund. The total impact of these fund source adjustments is an increase in GF/GP costs of \$134.5 million.

The Governor's budget assumes an increase in base Medicaid costs of \$154.2 million Gross, \$65.1 million GF/GP. The budget also includes a number of base and caseload adjustments to human services programs, most notably a \$170.9 million Gross, \$0 GF/GP reduction in Food Assistance, an increase in Child Care Fund costs of \$12.3 million Gross and \$10.1 million GF/GP, and an increase in Foster Care costs of \$15.6 million Gross and \$5.5 million GF/GP. The net impact of Human Services base and caseload adjustments is a reduction of \$163.6 million Gross and an increase of \$10.5 million GF/GP.

The budget includes various adjustments to reflect the Federal requirement that Medicaid managed care reimbursement rates be actuarially sound. These include a 2.75% increase for Medicaid behavioral health, a 2.0% increase for Medicaid physical health, a 5.75% increase for Medicaid autism services, and a 2.7% reduction in payment rates for the Program for All-Inclusive Care for the Elderly (PACE). The total impact of these changes is an increase of \$211.5 million Gross and \$61.9 million GF/GP.

Finally, the Governor's budget includes \$180.5 million Gross and \$50.0 million GF/GP to cover the costs of the anticipated reinstatement of the Federal health insurer fee. Under current Federal statute the fee will be reinstated in 2020. The State, due to actuarial soundness requirements, must reimburse Medicaid health plans for the cost of that fee.

Medicaid Provider Tax and Other Special Payments

The State will realize \$12.6 million in GF/GP savings because of greater leeway to make special financing and provider tax funded payments to Medicaid providers, in particular due to increased room under the DSH cap.

Medicaid Work Engagement Requirement

The budget assumes that the Medicaid work engagement legislation will result in an unspecified reduction in the Medicaid caseload with assumed savings of \$50.0 million Gross and \$4.6 million GF/GP. The Governor's budget also includes \$26.2 million Gross and \$13.1 million GF/GP in funding for staff to implement the work requirement and \$10.0 million Gross and GF/GP to provide workforce training and support to those mandated to comply with the work engagement legislation.

Program Enhancements and Other Cost Increases

The Governor's budget includes several program enhancements and cost increases. The budget includes \$35.2 million Gross, \$12.7 million GF/GP to reflect changes in information technology (IT) systems expected to ensure that all Michigan individuals who are dually eligible for Medicare and Medicaid receive premium support for their Medicare out-of-pocket costs. The State Budget Office estimates that over 25,000 new individuals will receive premium support.

The budget includes \$13.9 million Gross and GF/GP and 23.0 FTEs to expand the Department's capacity to handle environmental and public health risks, such as vapor intrusion, lead exposure, and PFAS. The budget also includes \$5.9 million Gross and GF/GP and 1.0 FTE to expand supportive visits and in-home education for foster families and \$1.8 million Gross and GF/GP to offer a \$1,000 incentive to relative foster care providers to become licensed foster parents within 180 days of the child's placement.

The Governor's budget includes \$2.2 million Gross and GF/GP and 12.0 FTEs to reduce the wait time for evaluations of individuals treated at the Center for Forensic Psychiatry. The Governor's budget includes \$8.1 million Gross and GF/GP in one-time and ongoing funding to deal with the Flint water crisis.

Finally, the Governor's budget includes \$7.0 million Gross and GF/GP in one-time funding to continue State Innovation Model (SIM) initiatives as the Federal SIM funding is expiring.

Program Reductions and Medicaid Cost Containment

The Governor's budget reflects removal of \$6.0 million Gross and GF/GP added last year to the rural/sole and OB/GYN hospital pools. The budget removes \$3.3 million Gross and GF/GP in funding used to support hospice services.

The Governor proposes changing the variable cost limit for Medicaid nursing home services to save a projected \$15.3 million Gross and \$5.5 million GF/GP. Reimbursement is currently cost-based (adjusted annually for audited costs) for nursing homes below the 80th percentile in their class, with reimbursements for those nursing homes above the 80th percentile capped at that 80th percentile value. The Governor's budget would reduce this ceiling to the 70th percentile.

The Governor proposes reducing the Medicaid health maintenance organization (HMO) administrative rate for pharmacy benefit management, for a savings of \$19.9 million Gross, \$5.0 million GF/GP.

The budget includes an additional 30.0 FTEs in the Office of Inspector General that would focus on recouping inappropriate payments made to Medicaid providers by Medicaid health plans, with an assumed net savings of \$21.6 million Gross and \$4.9 million GF/GP.

Other Issues

The Governor's budget continues the December 2018 supplemental funding of \$47.0 million Gross, \$11.8 million GF/GP to cover Department IT costs. The budget does not include any increases for IT beyond that amount.

There do not appear to be major changes in boilerplate. Section 298, which governs the proposed behavioral health integration pilots, is unchanged in the Governor's recommendation.

Revenue Sharing Payments

The Governor recommends revenue sharing payments of approximately \$1.4 billion in FY 2019-20, an increase of 3.3% or \$44.3 million over FY 2018-19 year-to-date appropriations. This increase is due to an estimated \$27.5 million increase in constitutional revenue sharing for cities, villages, and townships (CVTs), a \$7.7 million increase in funding for CVT "statutory" revenue sharing, a net increase in payments to counties of \$6.7 million, and a \$2.5 million increase for grant programs. The Governor's recommendation is shown in Table 21.

Table 21

| REVENUE SHARING APPROPRIATION SUMMARY | | | | |
|--|------------------------------------|---|--------------------------|---------------------------|
| Program Name | FY 2018-19 Year-to-Date | FY 2019-20 Governor's Rec. | Dollar Change | Percent Change |
| Constitutional Revenue Sharing ^{a)} | \$859,071,200 | \$886,539,200 | \$27,468,000 | 3.2% |
| CVT Revenue Sharing ^{b)} | 255,156,000 | 262,810,700 | 7,654,700 | 3.0 |
| County Revenue Sharing ^{c)} | 221,415,500 | 228,058,000 | 6,642,500 | 3.0 |
| Community Opportunities for Renewal ^{d)} | 2,500,000 | 5,000,000 | 2,500,000 | 100.0 |
| TOTAL | \$1,338,142,700 | \$1,382,407,900 | \$44,265,200 | 3.3% |
| a) Reflects the January 2019 consensus revenue estimate for sales tax revenue. b) Includes both ongoing and one-time appropriations for CVT Revenue Sharing and Supplemental CVT Revenue Sharing. c) Includes County Revenue Sharing, County Incentive Program, and Supplemental County Revenue Sharing. d) Formerly Financially Distressed Cities, Villages, or Townships. | | | | |

Constitutional revenue sharing is estimated at \$886,539,200 in FY 2019-20 based on the January 2019 consensus revenue estimates. This would provide CVTs with a 3.2% increase in payments over the revised FY 2018-19 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 \$89.98 per capita in FY 2019-20.

For CVT revenue sharing ("statutory"), the Governor recommends \$262,810,700 in FY 2019-20. One-time funding for CVT revenue sharing and supplemental CVT revenue sharing would be rolled into the ongoing line and all eligible CVTs would receive a 3.0% increase from total FY 2018-19 statutory payments. Eligibility, payments, and transparency and accountability requirements would remain the same as in the current fiscal year.

The Governor proposes to increase revenue sharing payments to counties by 3.0% to \$228.1 million. The County Revenue Sharing line would increase by \$7,536,100 to \$184,732,800 and the County Incentive Program would increase by \$106,400 to \$43,325,200. This includes small adjustments to revenue sharing programs to counties to cover the cost of three counties (Antrim, Keweenaw, and Mackinac) that will receive their first full-year State-paid revenue sharing for FY 2019-20, and then approximately a 2.7% increase to all eligible counties from FY 2018-19. The last two counties (Emmet and Leelanau) are projected to return to State-paid revenue sharing in FY 2020-21 and FY 2022-23, when withdrawals from each county's revenue sharing reserve fund will be completed. The recommendation also would eliminate the supplemental county revenue sharing program and roll that funding into the ongoing county revenue sharing line.

Finally, the financially distressed cities, villages, or townships grant program would be replaced with community opportunities for renewal, with grants more focused on community revitalization projects. Funding would be increased to \$5.0 million.

Department of Transportation

The Governor's recommendation for the Transportation budget for the upcoming two fiscal years, and beyond, adds a new revenue source paired with a new road funding formula to the existing road funding formula currently in place under PA 51 of 1951. The new revenue would be generated by raising the existing gas excise tax of 26.3 cents per gallon with three 15-cent increases slated for October 1, 2019, April 1, 2020, and October 1, 2020. Fiscal year 2020-21 would be the first fiscal year to realize the full impact of the new revenue, and the recommendation predicts that \$2.5 billion would be generated mostly for road and bridge funding under an alternative distribution formula.

The new distribution formula would be managed by the Department and would be distributed under the Federal classification system of Interstates and Freeways (47%), Principle Arterials (30%), Minor Arterials (7%), and Major Collectors (7%). The remaining 9.0% would be divided among local bridges, transit, rail, and rural economic development. Interstates and freeways are traditionally considered trunkline roads. Principle arterials are mostly trunkline roads, except that highly traveled local roads in urban areas would be eligible for this funding, as well. Minor arterials are mostly locally owned, as are major collectors. The new plan would not mandate specific percentage-based distributions to each local unit of government, and the Department, it seems, would have discretion as to which roads in each classification would get funding and when they would get it.

The new budget would remove the last two earmarks of the 2015 road funding package of \$325.0 million and \$600.0 million for FY 2019-20 and FY 2020-21, respectively, and replace those contributions to the PA 51 road funding formula with earmarks of \$325.0 million for both of those fiscal years. The \$325.0 million earmark to the traditional funding matrix will continue past FY 2020-21 and into FY 2021-22, at which point, it will adjust with inflation as well as with any changes in consumption. The new budget also would remove a \$143.0 million earmark from online sales tax revenue from the PA 51 road funding formula for FY 2019-20. That earmark would not be replaced.

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 22](#) summarizes the FY 2015-16 through FY 2018-19 State appropriations that have been enacted explicitly for this emergency, and outlines the Governor's recommendations for FY 2019-20. Cumulative total State appropriations, assuming the Governor's recommendations for FY 2019-20 funding are adopted, would be \$605.6 million Gross and \$291.7 million GF/GP.

Table 22

**FLINT DRINKING WATER DECLARATION OF EMERGENCY
SUMMARY OF GROSS AND GF/GP STATE APPROPRIATIONS
FY 2015-16 through FY 2019-20 GOVERNOR'S RECOMMENDATION**

| Department/Budget Area | Totals through FY 2016-17 | | FY 2017-18 Year-to-Date | | FY 2018-19 Year-to-Date | | FY 2019-20 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 | \$100 | \$0 | \$0 | \$0 | \$0 | \$0 | \$100 | \$0 | |
| Attorney General | 6,900,000 | 3,000,000 | 2,600,000 | 0 | 2,600,000 | 0 | 2,600,000 | 0 | 14,700,000 | 3,000,000 | |
| Education | 36,335,100 | 8,685,000 | 100 | 0 | 100 | 0 | 0 | 0 | 36,335,300 | 8,685,000 | |
| Environmental Quality | 157,753,600 | 51,176,500 | 22,200,100 | 18,000,000 | 100 | 0 | 100 | 0 | 179,953,900 | 69,176,500 | |
| Health & Human Services | 70,705,100 | 28,694,200 | 21,541,700 | 1,680,000 | 4,621,100 | 4,244,400 | 8,055,600 | 8,055,600 | 104,923,500 | 42,674,200 | |
| HHS Medicaid Waiver | 51,215,100 | 10,568,800 | 30,352,500 | 6,098,100 | 30,352,500 | 6,098,100 | 30,352,500 | 6,098,100 | 142,272,600 | 28,863,100 | |
| Licensing & Regulatory Affairs | 1,860,000 | 1,660,000 | 100 | 0 | 0 | 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 | 21,830,100 | 19,342,500 | 8,730,100 | 8,730,000 | 3,230,100 | 3,230,000 | 4,850,000 | 0 | 38,640,300 | 31,302,500 | |
| State Police | 10,008,100 | 6,100,000 | 0 | 0 | 0 | 0 | 0 | 0 | 10,008,100 | 6,100,000 | |
| Talent & Economic Dev. | 0 | 0 | 0 | 0 | 100 | 0 | 0 | 0 | 100 | 0 | |
| Tech, Man, Budget Reserve | 28,900,000 | 28,900,000 | 25,000,000 | 25,000,000 | 0 | 0 | 0 | 0 | 53,900,000 | 53,900,000 | |
| Reserve Fund Withdrawals | (27,037,500) | 0 | (21,250,700) | 0 | (5,613,700) | 0 | 0 | 0 | (53,901,900) | 0 | |
| Tech, Man, Budget | 500,000 | 0 | 0 | 0 | 100 | 0 | 0 | 0 | 500,100 | 0 | |
| Treasury | 58,530,100 | 44,130,000 | 9,550,100 | 0 | 5,613,100 | 0 | 100 | 0 | 73,693,400 | 44,130,000 | |
| Total | \$420,249,700 | \$204,507,000 | \$98,724,100 | \$59,508,100 | \$40,803,500 | \$13,572,500 | \$45,858,300 | \$14,153,700 | \$605,635,600 | \$291,741,300 | |
| | | | | | | | | | <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 | (\$53,900,000) | |
| | | | | | | | | | Reserve Fund Balance | \$0 | |
| (Excluding 19 unexpended \$100 placeholders) | | | | | | | | | | | |

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 12, 2018, approved a one-year agreement for wages and benefits for employees who are exclusively represented by employee unions (AFSCME, MCO, MSEA, SEIU, and UAW) for FY 2019-20. The Commission approved a 2.0% base wage increase and a 2.0% lump-sum payment effective October 1, 2019, for most represented employees. Michigan State Police (MSP) enlisted members will receive a 1.0% base wage increase and a 1.0% lump-sum payment effective October 1, 2019. Additionally, all represented employees will continue to pay 20% of their health care premiums. The wage and benefit portions of the contract will be negotiated for future fiscal years later this summer.

The Civil Service Commission also adopted a Coordinated Compensation Plan for non-exclusively represented (NERE) State classified employees for FY 2019-20. Effective October 1, 2019, NEREs will receive a 2.0% base wage increase and a 2.0% lump-sum payment. They also will continue to pay 20% of their health insurance premium in FY 2019-20. Coordinated Compensation Plans for NEREs are approved by the Civil Service Commission on an annual basis; thus, a compensation plan for FY 2020-21 will not be approved until December 2019.

Total Gross employee wages and salaries in the FY 2019-20 Governor's budget are an estimated \$3.5 billion, while other total Gross employee benefit costs are an estimated \$2.6 billion.

Table 23 provides a summary of the incremental State employee economic cost changes for FY 2019-20 recommended in the Governor's budget, including Gross employee salary increases of \$124.2 million. The State's portion of the cost of longevity payments and employee health insurance is estimated to increase by \$7.7 million for FY 2019-20. The amount contributed to the State employee retirement systems in FY 2019-20 results in an increase in costs. Retirement contributions, excluding payments for legacy pension costs, will increase \$37.5 million Gross and \$21.3 million GF/GP. Other employee retirement costs (OERC), including legacy pension costs and retiree health care costs, for FY 2019-20 will be less than the costs in FY 2018-19. Gross decreases for OERC will total \$79.5 million or \$46.6 million GF/GP. The total GF/GP impact of economic adjustments for FY 2019-20 is an increase of \$54.2 million.

Table 23

| FY 2019-20 STATE BUDGET RECOMMENDATION ECONOMIC ADJUSTMENTS INCLUDED IN BUDGET (millions of dollars) | | |
|---|---------------|---------------|
| | Gross | GF/GP |
| Wages and Salaries | \$124.2 | \$69.9 |
| Longevity and Employee Insurance Costs | 7.7 | 4.5 |
| Retirement Contributions | 37.5 | 21.3 |
| Other Employee Retirement Costs (OERC) | (79.5) | (46.6) |
| Workers' Compensation | 0.9 | 0.4 |
| All Other Economics | 8.0 | 4.7 |
| TOTAL ECONOMICS | \$98.8 | \$54.2 |

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 MPSERS. 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 MPSERS 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.

Public Act 300 of 2012

Public Act 300 of 2012 capped how much employers in MPSERS pay toward unfunded accrued liabilities (which measure the difference between assets in the system and the value of all earned benefits, if those benefits had to be paid out today). Employers pay 20.96% applied to payroll to pay off the legacy debt, and the State is required to pay any annual payments in excess of that cap. For FY 2019-20, the State's required payment for the rate cap (across the K-12, community colleges, and higher education budgets) is \$1.1 billion.

Lowering the Assumed Rate of Return (AROR) and Public Act 92 of 2017

Beginning in FY 2017-18, as reflected in Tables 24 and 25, the assumed rate of return (AROR) in most of the State's retirement plans was lowered from 8% to 7.5%. The AROR for MPSERS was lowered one-quarter point to 7.75%. Continuing in FY 2018-19, the MPSERS AROR was 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 MPSERS, 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). The State is required to pay any legacy costs that exceed the statutory caps for local employers in MPSERS; the State is not required to reimburse employers for increases in normal costs (however, the Governor's budget proposal for FY 2019-20 continues the previous years' policy to hold districts harmless from all the costs, normal and legacy, related to lowering the AROR).

In FY 2019-20, the additional normal costs required to be paid by schools and colleges due to the dedicated gains policy are estimated at \$90.3 million, and the Governor is proposing to hold local employers harmless from the AROR change by reimbursing districts for those costs out of the School Aid budget. (The total cost in FY 2019-20 for this hold-harmless payment related to AROR is \$185.5 million.) 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.

Under Public Act 92 of 2017, the State is required to pay any additional defined contribution costs in excess of 4.0% of payroll for participating employees. This is estimated to cost \$33.0 million for FY 2019-20, an increase of \$20.4 million above revised FY 2018-19 costs. Also, the Governor is proposing to cover the increase in employer normal costs due to PA 92 of 2017 (which arise because the hybrid plan assumes

6.0% rate of return, making the plan more expensive today but less expensive later), estimated to total \$9.5 million for FY 2019-20, a decrease of \$7.9 million compared to the prior year.

Contribution Rates and Estimated Costs for SERS and MPSERS

Table 24 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 24

| STATE RETIREMENT CONTRIBUTION RATES AS A PERCENTAGE OF PAYROLL | | | | |
|---|---------------------|---------------------|---------------------|---------------------------|
| | FY 2017-18 | FY 2018-19 | FY 2019-20 | 2019-20 Change |
| <u>State Employees' Retirement System</u> ¹⁾ | | | | |
| Defined Benefit Pension | 24.60% | 21.97% | 23.82% | 1.85% |
| Defined Benefit Health Care | 22.14 | 23.81 | 20.67 | (3.14) |
| Total Defined Benefit Costs | 46.74% | 45.78% | 44.49% | (1.29%) |
| Defined Contribution Retirement | 26.43% | 24.38% | 23.69% | (0.69%) |
| Defined Contribution Health Care | 22.14 ²⁾ | 23.81 ²⁾ | 20.69 ²⁾ | (3.12) |
| Total Defined Contribution Costs | 48.57% | 48.19% | 44.38% | (3.81%) |
| 1) Public Act 264 of 2011 required the unfunded accrued liability to be spread across both DB and DC payroll. Also, FY 2017-18 will be 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 25 provides a look at the FY 2019-20 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.

Table 25

| FY 2019-20 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 | 6.02% | 3.07% | 3.07% | 0.00% | 0.00% | 0.00% | 6.02% | 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 | 19.41% | 16.46% | 16.46% | 13.39% | 13.39% | 13.39% | 19.41% | 19.59% |
| <u>Health Contributions</u> | | | | | | | | |
| Health Normal Cost | 0.52% | 0.52% | 0.00% | 0.00% | 0.52% | 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 | 8.09% | 8.09% | 7.57% | 7.57% | 8.09% | 7.57% | 7.57% | 7.57% |
| DB CONTRIBUTION TOTAL | 27.50% | 24.55% | 24.03% | 20.96% | 21.48% | 20.96% | 26.98% | 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 | 12.41 | 12.41 | 12.41 | 12.41 | 12.41 | 12.41 | 12.41 | 12.41 |
| 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 \$700,000 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 26 outlines the FY 2019-20 estimated contributions to SERS and MPSERS 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 \$4.8 billion.

Table 26

| FY 2019-20 ESTIMATED CONTRIBUTIONS TO TWO LARGEST RETIREMENT SYSTEMS (millions of dollars) | |
|---|------------------|
| <u>State Employees' Retirement System (SERS)¹⁾</u> | |
| Defined Benefit Pension..... | \$180.0 |
| Defined Contribution..... | 597.0 |
| Retiree Health Care..... | 713.0 |
| Subtotal State Employees' Retirement System ²⁾ | \$1,490.0 |
| <u>Michigan Public School Employees' Retirement System (MPSERS)³⁾</u> | |
| <u>Local Share</u> | |
| Defined Benefit Pension ⁴⁾ | \$1,575.0 |
| Defined Benefit Health Care..... | 638.0 |
| "401k" for Health Care..... | 30.0 |
| Subtotal Public School Employees' Retirement System (Local) | \$2,243.0 |
| <u>Statutorily-Required State Share (Rate Cap)</u> | |
| Unfunded Accrued Liabilities (Pension and Health)..... | \$1,109.0 |
| Subtotal Michigan Public School Employees' Retirement System..... | \$3,352.0 |
| TOTAL ESTIMATED RETIREMENT CONTRIBUTIONS | \$4,842.0 |
| FY 2019-20 Estimated Rate Cap Subsidy Per K-12 Pupil on Average..... | \$705 |
| ¹⁾ Public Act 264 of 2011 required the unfunded accrued liability to be spread across both DB and DC payroll. ²⁾ Excludes FICA. ³⁾ Excludes DC contributions for pension; includes DC contributions for health. ⁴⁾ Includes roughly \$185.5 million reimbursed by the State due to AROR normal cost increases, and \$101.7 million reimbursed by the State for general cost offsets. | |

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 26, 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 \$242.0 million for normal costs including State DC contributions for SERS. Table 27 identifies the estimated legacy costs for pension and for retiree health care, and the total of the two, for each department.

Table 27

FY 2019-20

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 | \$5,847,300 | \$6,181,200 | \$12,028,500 |
| Attorney General | 8,372,900 | 8,850,900 | 17,223,800 |
| Civil Rights | 1,223,300 | 1,293,200 | 2,516,500 |
| Corrections | 143,458,300 | 151,648,700 | 295,107,000 |
| Education | 7,123,800 | 7,530,600 | 14,654,400 |
| Environmental Quality | 15,504,000 | 16,389,100 | 31,893,100 |
| Health & Human Services | 170,303,500 | 180,026,600 | 350,330,100 |
| Insurance & Financial Services | 4,408,200 | 4,659,900 | 9,068,100 |
| Judiciary | 6,369,500 | 6,733,200 | 13,102,700 |
| Licensing & Regulatory Affairs | 26,421,700 | 27,930,100 | 54,351,800 |
| Military & Veterans Affairs | 8,399,100 | 8,878,700 | 17,277,800 |
| Natural Resources | 22,266,700 | 23,537,900 | 45,804,600 |
| State | 14,129,400 | 14,936,000 | 29,065,400 |
| State Police | 74,914,400 | 62,357,900 | 137,272,300 |
| Talent & Economic Development | 14,073,500 | 14,877,000 | 28,950,500 |
| Technology, Management & Budget | 40,670,000 | 42,992,000 | 83,662,000 |
| Transportation | 31,045,600 | 32,818,100 | 63,863,700 |
| Treasury | 20,434,600 | 21,601,300 | 42,035,900 |
| TOTAL | \$614,965,800 | \$633,242,400 | \$1,248,208,200 |

Source: State Budget Office

Debt Service Adjustments

Table 28 provides a summary of recommended debt service appropriations for FY 2019-20. These include School Bond Loan Fund bonds in K-12 School Aid; State park improvement revenue bonds appropriated in the Department of Natural Resources; 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; 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 \$703.4 million for FY 2019-20. This represents a \$8.3 million (1.2%) decrease from the \$711.7 million debt service appropriations in FY 2018-19.

Table 28

| DEBT SERVICE APPROPRIATIONS FY 2019-20 COMPARED WITH FY 2018-19 | | | | |
|--|---|---|----------------------|---------------------------|
| Department/Program | FY 2018-19 Gross Appropriation | FY 2019-20 Governor's Rec. | Dollar Change | Percent Change |
| Natural Resources | | | | |
| State Park Improvement Revenue Bonds | \$1,195,700 | \$1,197,500 | \$1,800 | 0.2% |
| Subtotal Natural Resources | \$1,195,700 | \$1,197,500 | \$1,800 | 0.2% |
| 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 | \$47,024,300 | (\$2,641,500) | (5.3%) |
| Department of Corrections | 21,029,900 | 20,369,400 | (660,500) | (3.1) |
| Universities..... | 144,995,300 | 144,995,300 | 0 | 0.0 |
| Community Colleges | 30,879,600 | 34,181,600 | 3,302,000 | 10.7 |
| Subtotal Technology, Mgt., & Budget | \$246,570,600 | \$246,570,600 | \$0 | 0.0% |
| Transportation | | | | |
| State Trunkline | \$175,580,400 | \$178,660,600 | \$3,080,200 | 1.8% |
| Economic Development | 11,595,300 | 11,638,000 | 42,700 | 0.4 |
| Local Bridge Fund | 2,315,700 | 2,380,700 | 65,000 | 2.8 |
| Blue Water Bridge Fund..... | 7,106,300 | 6,886,400 | (219,900) | (3.1) |
| Airport Safety and Protection Plan | 3,437,900 | 3,435,800 | (2,100) | (0.1) |
| Comprehensive Transportation..... | 19,401,500 | 10,896,000 | (8,505,500) | (43.8) |
| Subtotal Transportation | \$219,437,100 | \$213,897,500 | (\$5,539,600) | (2.5%) |
| Treasury | | | | |
| Quality of Life Bond..... | \$21,964,000 | \$16,536,000 | (\$5,428,000) | (24.7%) |
| Clean Michigan Initiative | 62,251,000 | 49,027,000 | (13,224,000) | (21.2) |
| Great Lakes Water Initiative..... | 22,865,000 | 38,772,000 | 15,907,000 | 69.6 |
| Subtotal Treasury..... | \$107,080,000 | \$104,335,000 | (\$2,745,000) | (3.0%) |
| TOTAL | \$711,683,400 | \$703,400,600 | (\$8,282,800) | (1.2%) |

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 29 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 2022-23, 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 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. Under the Governor's proposal, there would be an estimated FY 2019-20 year-end balance of \$150,900 in the Merit Award Trust Fund.

Table 29
TOBACCO SETTLEMENT REVENUE AND APPROPRIATIONS
FY 2018-19 COMPARED TO FY 2019-20 GOVERNOR'S RECOMMENDATION
(actual dollars)

| | FY 2018-19 Year-To-Date | FY 2019-20 Gov's Rec. | Gov's Rec. Chg. From FY 2018-19 |
|--|----------------------------|--------------------------|------------------------------------|
| Revenue | | | |
| Unreserved Balance From Prior Fiscal Year | \$14,913,370 | \$7,094,350 | (\$7,819,020) |
| Total Annual Payments..... | 297,541,900 | 295,787,300 | (1,754,600) |
| Assumed Withheld Payments..... | (19,102,200) | (18,989,500) | 112,700 |
| Interest Earnings..... | 182,600 | (166,000) | (348,600) |
| Total Tobacco Settlement Revenue | \$293,535,670 | \$283,726,150 | (\$9,809,520) |
| Less Transfers Out For: | | | |
| 21st 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..... | (37,143,860) | (36,924,830) | 219,030 |
| Payment on 2007 Bond Securitization..... | (29,987,960) | (29,811,120) | 176,840 |
| Total Transfers Out..... | (\$231,631,820) | (\$231,235,950) | \$395,870 |
| Net Revenue To Merit Award Trust Fund | \$61,903,850 | \$52,490,200 | (\$9,413,650) |
| Appropriations | | | |
| <u>Attorney General</u> | | | |
| Operations..... | \$506,700 | \$515,600 | \$8,900 |
| <u>Health and Human Services</u> | | | |
| Medicaid Base-Long-term Care | 48,200,000 | 45,700,000 | (2,500,000) |
| Aging-Respite Care..... | 4,068,700 | 4,068,700 | 0 |
| <u>State Police</u> | | | |
| Tobacco Tax Enforcement..... | 846,800 | 851,500 | 4,700 |
| <u>Department of Treasury</u> | | | |
| Student Financial Services Administration..... | 1,187,300 | 1,203,500 | 16,200 |
| Total Merit Award Trust Fund Appropriations | \$54,809,500 | \$52,339,300 | (\$2,470,200) |
| MERIT AWARD TRUST FUND YEAR-END BALANCE | \$7,094,350 | \$150,900 | (\$6,943,450) |

Data Source: State Budget Office

State Spending from State Resources Appropriations

Table 30 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 2009-10 to FY 2019-20, which reflects the Governor's recommendation. As the table indicates, total State Spending appropriations are estimated to increase by 40.7% over the 10-year period. The Detroit Consumer Price Index is estimated to increase by 17.8% over the same time period.

Table 30

| STATE SPENDING FROM STATE RESOURCES APPROPRIATIONS TOTAL COMPARED IN SELECTED BUDGET AREAS (millions of dollars) | | | | |
|---|---|---|------------------------------|---------------------------|
| Budget Area | FY 2009-10 Year-to-Date Appropriations | FY 2019-20 Gov's Rec. Appropriations | Dollar Difference | Percent Change |
| Health and Human Services | \$4,863.8 | \$7,644.3 | \$2,780.5 | 57.2% |
| Corrections | 1,988.1 | 2,033.0 | 44.9 | 2.3% |
| K-12 School Aid | 10,675.1 | 13,621.7 | 2,946.6 | 27.6% |
| Community Colleges | 299.4 | 421.2 | 121.8 | 40.7% |
| Higher Education | 1,460.5 | 1,587.8 | 127.3 | 8.7% |
| Revenue Sharing-Constitutional | 623.7 | 886.5 | 262.8 | 42.1% |
| Revenue Sharing-Nonconstitutional | 365.0 | 490.9 | 125.9 | 34.4% |
| All Other Programs | 4,957.9 | 8,850.7 | 3,892.8 | 78.5% |
| Total State Spending | \$25,233.5 | \$35,536.1 | \$10,302.6 | 40.8% |
| Addendum: | | | | |
| Medicaid Caseload | 1,862,261 | 2,450,000 | 587,739 | 31.6% |
| Prison Population | 48,313 | 38,679 | (9,634) | (19.9%) |
| K-12 Pupil Count | 1,595,722 | 1,460,200 | (135,522) | (8.5%) |
| University Students | 262,615 | 257,453 | (5,162) | (2.0%) |
| Community College Students | 177,277 | 120,724 | (56,553) | (31.9%) |
| Michigan Personal Income (millions) | \$344,253.5 | \$510,420.8 | \$166,167.3 | 48.3% |
| Detroit Consumer Price Index | 204.7 | 241.0 | 36.3 | 17.8% |
| NOTES: Revenue Sharing: Constitutional number is the January 2019 Consensus Revenue Estimating Conference (CREC) estimate. Medicaid Caseload: Number for FY 2019-20 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 2008 and 2018, respectively. K-12 Pupils: FY 2018-19 pupil count is the January 2018 CREC estimate. Community College and University Students: Numbers in FY 2019-20 column reflect the most recent data available, which are FY 2018-19 fiscal-year-equated-students as reported in the Michigan Community College Date Inventory Report and the Higher Education Institutional Data Inventory (HEIDI). Michigan Personal Income and Detroit CPI: Numbers are fiscal year averages; FY 2019-20 numbers are January 2019 CREC estimates. | | | | |

ECONOMIC AND REVENUE FORECAST

The Governor's proposed budget for FY 2019-20 is based on the consensus economic forecast adopted at the January 11, 2019, Consensus Revenue Estimating Conference. This economic forecast is summarized in [Table 31](#).

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 components that have recovered have done so more slowly than during almost any other post-World War II recovery. As of the fourth quarter of 2018, the economy had been in recovery for 38 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 fourth quarter of 2018 was only 19.1% above the level during the fourth quarter of 2007, when the recession began, and only 24.0% above the level in the second quarter of 2009, when the economy finished contracting. As a result, the economy has averaged only 2.3% annual growth since the end of the recession, compared with an average of 4.2% 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 4.3% growth. Furthermore, consumption growth has been offset by the contracting government sector, which has declined at an average annual rate of 0.4% compared with the historical average of 2.4% growth.

Furthermore, 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 growth. During the 1983-2005 period, productivity (measured by output per hour in the nonfarm business sector) grew by approximately 2.3% per year, while productivity has averaged 0.8% annual growth and has grown by less than 1.3% per year in every year since 2010--the longest and most severe slowdown in productivity experienced since at least World War II. Productivity increased 1.3% in 2018, tying the 2015 growth rate and only the third 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. During 2018, borrowing activity continued to rise, but for the first times since 2010, income rose more rapidly than debt during most of the year. As a result, personal saving as a percentage of disposable personal income remained stable in 2018 and the financial obligations ratio (required debt payments as a share of disposable personal income) fell to the lowest level since the fourth quarter of 2014, despite both revolving and nonrevolving debt reaching record levels.

Housing construction, which counts as residential investment rather than consumption spending, increased in 2018, but remains weak by almost any historical measure. Housing starts totaled 1.2 million units in 2018, the ninth consecutive annual increase in starts, although 2018 still represented the 18th-weakest year of housing starts (based on data available back to 1959), above the nine-year 2008 through 2017 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 less than 3.3% of GDP during 2018--down slightly from 2017.

Despite the improvements in the economy, job growth has remained relatively weak. Although employment has risen since 2010, payroll employment did not reach the prerecession peak until May 2014. As of December 2018, payroll employment has averaged 1.7% annual growth since the February 2010 trough. The combined effect of an improving economy, consistent payroll employment growth, and low productivity on the unemployment rate has been significant, especially given the underlying demographics affecting the labor force. The unemployment rate fell from a peak of 10.0% in October 2009, to 3.9% in December 2018. 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 1.7%, slowed to 1.3% in 2017, and rose 1.6% in 2018. As of September 2014, total employment had surpassed the prerecession peak of November 2007 and the December 2018 level of total employment set an all-time record. However, labor force participation during 2018 has remained at the same 40-year lows experienced since 2013.

Inflation-adjusted GDP is expected to increase at a rate of 2.6% in 2019, slightly slower than the 2.9% growth experienced in 2018, before slowing to 1.8% growth in 2020. The unemployment rate is estimated to decline from 3.9% in 2018 to 3.6% in both 2019 and 2020. Housing starts are expected to continue increasing over the forecast, rising from 1.26 million starts in 2018 to 1.28 million units in 2019 and 1.30 million in 2020, while light vehicle sales are expected to decrease from 17.1 million units in 2018 to 16.8 million units in 2019, and 16.6 million units in 2020.

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 859,200 jobs, a decline of 18.7%.

Since 2010, however, the Michigan economy has grown. Payroll employment increased for a seventh consecutive year in 2018, rising 1.1%, the same growth rate as during 2017. Personal income grew approximately 3.8% during 2018, faster than the 3.5% in 2017 but slower than the 5.5% growth in 2015.

In 2019 and 2020, Michigan's economy is expected to continue expanding. Wage and salary employment is projected to rise 0.8% in 2019, 0.5% in 2020, and 0.4% in 2021. The unemployment rate is expected to decline from 4.4% in 2018 to 3.9% in 2019, 2020, and 2021. Personal income, adjusted for inflation, will grow an estimated 1.7% in both 2019 and 2020, after growing 1.3% in 2018. Inflation, as measured by the Detroit Consumer Price Index, will increase 2.0% in 2019 and 2.1% in 2020, after rising 2.5% in 2018.

Revenue Estimates

Based on the economic forecast summarized above, it is estimated that revenue totaling \$62.4 billion will be available in FY 2019-20 to support Governor Whitmer's proposed budget. This represents a 4.6% increase from the revised estimate of the total revenue that the Governor expects will be available for FY 2018-19. Estimates of the total revenue on which the Governor's proposed budget is based are summarized in Table 32. The revenue does reflect the Governor's tax policy recommendations included in the FY 2019-20 budget proposal. Those recommendations include additional revenue from a proposed Business Pass-Through Tax (\$203.0 million in FY 2019-20 and \$280.0 million in FY 2020-21) and a phased-in 45-cent-per-gallon increase in motor fuel taxes (\$1.3 billion in FY 2019-20 and \$2.5 billion in FY 2020-21), as well as revenue reductions from increasing the Earned Income Tax Credit (\$76.0 million in FY 2019-20 and \$114.0 million in FY 2020-21) and changes in the taxation of retirement income (\$259.0 million in FY 2019-20 and \$355.0 million in FY 2020-21). The tax policy recommendations also would eliminate the earmark of individual income tax from the General Fund to the Michigan Transportation Fund in FY 2019-20 (\$468.0 million) and future years (\$600.0 million), replacing a portion of the lost revenue to the MTF with revenue from the proposed increase in motor fuel taxes.

The following are summaries of the revenue estimates upon 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 GF/GP and the SAF portions of the overall State budget accounts for \$26.6 billion, or 42.6%, of the total State government revenue estimated for FY 2019-20. Detailed estimates of GF/GP and SAF revenue for FY 2018-19 and FY 2019-20 are presented in Table 33 and Table 34, 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, 2019, 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, beginning carry-over balances, and the impact of any tax policy recommendations.

General Fund/General Purpose Revenue

As shown in Table 33, GF/GP revenue is expected to total \$10.8 billion in FY 2019-20, which represents a 1.0% decrease from the revised FY 2018-19 estimates. This decline in total GF/GP revenue is attributable to growth in revenue from ongoing sources being more than offset by: 1) a \$477.7 million reduction in the projected carry-over balance from the previous fiscal year, 2) revenue reductions of \$200.7 million and \$76.0 million, from recommended tax policy changes to income taxes on retirement-related income and an increase in the Earned Income Tax Credit, respectively, 3) the elimination of a \$468.0 million earmark, included as part of the transportation funding package adopted in 2015 and legislation adopted at the end of 2018, of individual income tax revenue to the Michigan Transportation Fund, and 4) an additional \$157.0 million from the recommended new Business Pass-Through Tax. Revenue from ongoing sources is forecast to increase 0.2% in FY 2019-20, to \$10.7 billion.

School Aid Fund

School Aid Fund revenue available for spending in FY 2019-20 will total an estimated \$15.8 billion, representing a 0.1% decrease from the revised estimate for FY 2018-19. This projected decrease in SAF revenue reflects 2.8% growth in revenue from ongoing State sources and a 0.2% increase in Federal Aid being slightly more than offset by a \$42.9 million decrease in the grant from the General Fund and a \$277.3 million decrease in the balance carried forward from the previous fiscal year. The estimate of SAF revenue in FY 2018-19 summarized in Table 34 includes ongoing earmarked tax and lottery revenue totaling an estimated \$13.9 billion, a 2.8% increase from the revised estimate for FY 2018-19. In addition, the SAF revenue estimate for FY 2019-20 includes Federal aid totaling \$1.7 billion, a \$45.0 million grant from the General Fund, \$72.0 million in transfers from other funds, a \$40.0 million deposit into the MPSERS Reserve, an additional \$45.5 million from the proposed new Business Pass-Through Tax, and a loss of \$58.1 million from the proposed changes in individual income taxes on retirement-related income.

Table 31

**CONSENSUS ECONOMIC FORECAST
JANUARY 11, 2019**

| | Calendar 2018 Forecast | Calendar 2019 Forecast | % Change From Prior Year | Calendar 2020 Forecast | % Change From Prior Year | Calendar 2021 Forecast | % Change From Prior Year |
|---|------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|
| United States: | | | | | | | |
| Real Gross Domestic Product (billions of chained 2012 dollars) | 18,574 | 19,057 | 2.6% | 19,400 | 1.8% | 19,691 | 1.5% |
| Consumer Price Index (1982-84=100) | 250.999 | 256.424 | 2.2% | 262.128 | 2.2% | 268.273 | 2.3% |
| 3-Month Treasury Bills (Interest Rate, %)..... | 1.90% | 2.70% | | 3.00% | | 3.40% | |
| Unemployment Rate (%)..... | 3.9% | 3.6% | | 3.6% | | 3.7% | |
| Light Vehicle Sales (millions of units) | 17.1 | 16.8 | (1.8%) | 16.6 | (1.2%) | 16.5 | (0.6%) |
| Michigan: | | | | | | | |
| Wage and Salary Employment (thousands) | 4,428 | 4,464 | 0.8% | 4,486 | 0.5% | 4,504 | 0.4% |
| Unemployment Rate (%)..... | 4.4% | 3.9% | | 3.9% | | 3.9% | |
| Personal Income (billions of dollars)..... | \$477,760 | \$495,915 | 3.8% | \$515,256 | 3.9% | \$535,351 | 3.9% |
| Real Personal Income (billions of 1982-84 dollars) ... | \$205,524 | \$209,066 | 1.7% | \$212,709 | 1.7% | \$216,432 | 1.8% |
| Detroit Consumer Price Index (1982-84=100)..... | 232.460 | 237.205 | 2.0% | 242.235 | 2.1% | 247.353 | 2.1% |

Source: Estimates adopted at the January 11, 2019, Consensus Revenue Estimating Conference.

Table 32

**GOVERNOR'S PROJECTED TOTAL STATE REVENUE:
FY 2017-18 THROUGH FY 2019-20
(millions of dollars)**

| Fund | FY 2017-18 Final | FY 2018-19 Estimate | % Change FY 2018-19/ FY 2017-18 | FY 2019-20 Estimate | % Change FY 2019-20/ FY 2018-19 |
|---|---------------------|------------------------|---------------------------------------|------------------------|---------------------------------------|
| General Fund/General Purpose: | | | | | |
| Beginning Balance..... | \$598.5 | \$715.2 | ---- | \$237.5 | ---- |
| Revenue From Ongoing Sources ¹⁾ | 10,945.4 | 10,700.2 | (2.2%) | 10,717.8 | 0.2% |
| Proposed Tax/Fee Changes | 0.0 | 0.0 | ---- | 348.3 | ---- |
| One-Time Revenue Adjustments & Other..... | (475.0) | (485.4) | 2.2 | (480.7) | (1.0) |
| Total GF/GP Revenue..... | \$11,069.0 | \$10,930.1 | (1.3%) | \$10,822.9 | (1.0%) |
| School Aid Fund: | | | | | |
| Beginning Balance..... | \$401.4 | \$317.6 | ---- | \$40.3 | ---- |
| Ongoing Earmarked Tax & Lottery Revenue ¹⁾ | 13,339.9 | 13,550.5 | 1.6% | 13,926.7 | 2.8% |
| Proposed Tax/Revenue Changes | 0.0 | 0.0 | ---- | (12.6) | ---- |
| Federal Aid | 1,726.9 | 1,745.9 | 1.1 | 1,749.6 | 0.2 |
| Other Revenue (General Fund grant, etc.)..... | 188.6 | 189.9 | 0.7 | 78.7 | (58.6) |
| Total SAF Revenue..... | \$15,656.8 | \$15,803.9 | 0.9% | \$15,782.7 | (0.1%) |
| Other Funds: | | | | | |
| Gen'l Fund/Special Purpose & Special Revenue Funds..... | \$5,957.7 | \$6,453.1 | 8.3% | \$6,627.9 | 2.7% |
| Federal Aid (not included elsewhere)..... | 18,340.4 | 19,387.1 | 5.7 | 20,823.2 | 7.4 |
| Transportation Funds | 5,046.8 | 6,184.8 | 22.5 | 7,333.2 | 18.6 |
| Fund Balances: | | | | | |
| Budget Stabilization Fund Beginning Balance/Revenue..... | 710.0 | 1,006.1 | 41.7 | 1,151.7 | 14.5 |
| Other Fund Balances..... | <u>1,317.3</u> | <u>1,306.7</u> | (0.8) | <u>1,139.7</u> | (12.8) |
| Total Fund Balances..... | 2,027.3 | 2,312.8 | 14.1 | 2,291.4 | (0.9) |
| Adjustments (not included elsewhere) | 23.3 | 163.2 | ---- | 294.7 | ---- |
| Total Other Funds with Beginning Balance..... | 31,395.5 | 34,501.1 | 9.9 | 37,370.5 | 8.3 |
| Gross Revenue | \$58,121.3 | \$61,235.1 | 5.4% | \$63,976.1 | 4.5% |
| Less Interfund Transfers..... | (\$1,394.7) | (\$1,575.1) | 12.9% | (\$1,585.0) | 0.6% |
| Net Total Revenue | \$56,726.5 | \$59,660.0 | 5.2% | \$62,391.1 | 4.6% |

¹⁾ Estimates adopted at the January 11, 2019, Consensus Revenue Estimating Conference.

Source: Governor's Executive Budget for FY 2019-20, Appendix C, State Budget Office Balance Sheets, and Senate Fiscal Agency

Table 33

GENERAL FUND/GENERAL PURPOSE REVENUE ESTIMATES: FY 2018-19 AND FY 2019-20
(millions of dollars)

| | FY 2018-19 | FY 2019-20 | Percent Change |
|--|-------------------|-------------------|----------------|
| Beginning Balance | \$715.2 | \$237.5 | (66.8%) |
| Consensus Estimates for Ongoing Revenue Sources¹⁾ | | | |
| <u>Taxes:</u> | | | |
| Net Income Tax..... | 7,039.6 | 7,042.1 | 0.0 |
| Michigan Business Tax..... | (607.7) | (691.0) | 13.7 |
| Corporate Income Tax..... | 1,081.4 | 1,108.9 | 2.5 |
| Sales..... | 1,342.7 | 1,398.7 | 4.2 |
| Use..... | 689.4 | 683.1 | (0.9) |
| Cigarette..... | 181.9 | 179.7 | (1.2) |
| Beer and Wine/Liquor..... | 110.5 | 112.6 | 1.9 |
| Insurance Company Premiums..... | 390.0 | 393.6 | 0.9 |
| Oil/Gas Severance..... | 27.0 | 28.0 | 3.7 |
| Essential Services Assessment..... | 107.0 | 114.0 | 6.5 |
| All Other Taxes..... | 14.0 | 13.2 | (5.7) |
| Subtotal Taxes..... | 10,375.8 | 10,382.9 | 0.1 |
| Nontax Revenue..... | 324.4 | 334.9 | 3.2 |
| Total GF/GP Consensus Revenue Estimates | \$10,700.2 | \$10,717.8 | 0.2% |
| Revenue Sharing Payments (Ongoing Plus One-Time)..... | (479.1) | (495.9) | 3.5 |
| Other Revenue Adjustments ²⁾ | (6.3) | 15.2 | (342.4) |
| Proposed Tax Policy/Enforcement Changes..... | 0.0 | 348.3 | ---- |
| Total GF/GP Revenue (Current Fiscal Year) | \$10,214.8 | \$10,585.4 | 3.6% |
| TOTAL GF/GP REVENUE WITH BEGINNING BALANCE | \$10,930.1 | \$10,822.9 | (1.0%) |
| ¹⁾ Estimates adopted at the January 11, 2019, Consensus Revenue Estimating Conference. ²⁾ Includes the following: reductions from lawsuit settlements of \$6.3 million in FY 2018-19, and a gain of \$5.2 million from settlements in FY 2019-20, plus \$10.0 million in reimbursements for the implementation of recreational marihuana. | | | |

Table 34

SCHOOL AID FUND REVENUE ESTIMATES: FY 2018-19 AND FY 2019-20
(millions of dollars)

| | FY 2018-19 | FY 2019-20 | Percent Change |
|---|-------------------|-------------------|-----------------------|
| Beginning Balance | \$317.6 | \$40.3 | (87.3%) |
| Consensus Estimates for Earmarked Tax & Lottery Revenue¹⁾ | | | |
| <u>Taxes:</u> | | | |
| Sales Tax & Use Tax | 6,774.2 | 7,011.9 | 3.5 |
| Income Tax..... | 2,813.0 | 2,860.2 | 1.7 |
| State Education Property Tax | 2,085.4 | 2,148.1 | 3.0 |
| Real Estate Transfer Tax | 352.9 | 356.4 | 1.0 |
| Tobacco Taxes..... | 346.1 | 340.9 | (1.5) |
| Casino Gaming Tax | 115.0 | 117.3 | 2.0 |
| Other Tax Revenue..... | 121.9 | 144.9 | 18.9 |
| Subtotal Taxes | 12,608.5 | 12,979.7 | 2.9 |
| Lottery | 942.0 | 947.0 | 0.5 |
| Subtotal Earmarked Tax & Lottery Consensus Estimate | \$13,550.5 | \$13,926.7 | 2.8% |
| GF/GP Grant | 87.9 | 45.0 | (48.8) |
| Federal Aid | 1,745.9 | 1,749.6 | 0.2 |
| Proposed Tax Policy/Enforcement Changes | 0.0 | (12.6) | ---- |
| Other Revenue Adjustments ²⁾ | 102.0 | 33.7 | (67.0) |
| Total SAF Revenue (Current Fiscal Year) | \$15,486.3 | \$15,742.4 | 1.7% |
| TOTAL SAF REVENUE WITH BEGINNING BALANCE | \$15,803.9 | \$15,782.7 | (0.1%) |

¹⁾ Estimates adopted at the January 11, 2019, Consensus Revenue Estimating Conference.

²⁾ Includes the following: \$72.0 million from Community District Trust Fund in both FY 2018-19 and FY 2019-20, a positive revenue adjustment of \$1.7 million in FY 2019-20 to sales taxes related to marijuana sales, \$30.0 million in revenue from the Mental Health Services and Support Fund in FY 2018-19, and a \$40.0 million SAF deposit into the MPSERS Reserve Fund in FY 2019-20.

Budget Stabilization Fund

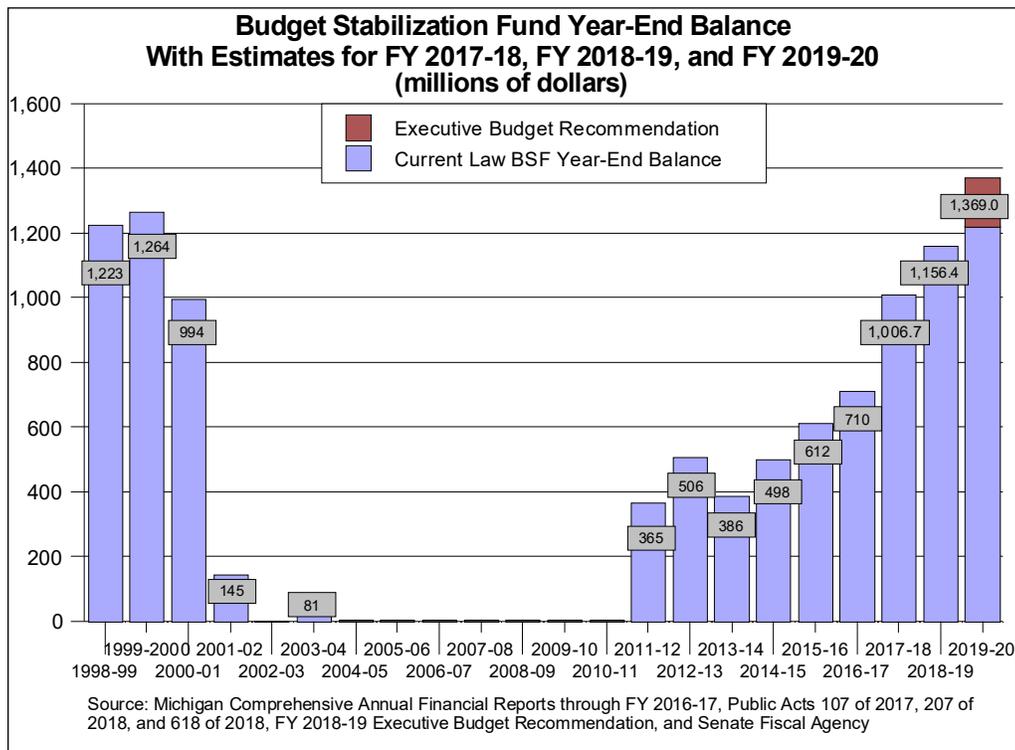
The Budget Stabilization Fund is the State's "Rainy Day" fund or cash reserve. In years of economic growth, deposits may be made to the Fund, and in years of recession, money may be withdrawn to cushion the budgetary impact of declining State revenue or for job creation activities. Statutory formulas 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 an estimated \$1,006.7 million at the close of FY 2017-18. Deposits of \$117.5 million have been appropriated for FY 2018-19. Public Act 618 of 2018 appropriated \$100.0 million GF/GP to the BSF in FY 2018-19 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 2018-19 is estimated at \$1,156.4 million.

The Governor recommends a deposit of \$150.0 million for FY 2019-20. The Governor also recommends a deposit of 25% of lapsed funds from FY 2018-19 to the BSF in FY 2019-20. There is no way to know the amount of lapses before book-closing, so no estimate is provided for FY 2019-20.

Based on current appropriations and estimated interest earnings, the BSF balance at the close of FY 2019-20 is estimated at \$1,219.0 million. The Governor's recommendation would increase the balance to an estimated \$1,369.0 million at the close of FY 2019-20. The history of the BSF year-end balances and the estimate for FY 2019-20 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 2019-2020 Gross and GF/GP appropriation changes to FY 2018-2019 (as of March 5, 2019) for each department and budget area. Tables 35 and 36 summarize the Gross and GF/GP changes, respectively. Table 37 provides detail by budget area for the Gross and GF/GP changes. Following Table 37 is an Appendix that includes highlight sheets for individual departments and budget areas that summarize the Gross appropriation and boilerplate language changes from FY 2018-2019 year-to-date (as of March 5, 2019) to the Governor's recommendation for FY 2019-2020.

Table 35

| FY 2019-20 GOVERNOR'S RECOMMENDATION COMPARED TO FY 2018-19 YEAR-TO-DATE | | | |
|---|---|---|---|
| Department/Budget Area | FY 2018-19 Year-To-Date Gross Appropriations | FY 2019-20 Gov's Rec. Gross Appropriations | Gov's Gross Change To FY 2018-19 |
| Agriculture and Rural Development | \$110,198,100 | \$109,830,500 | (\$367,600) |
| Attorney General | 104,027,700 | 106,517,800 | 2,490,100 |
| Capital Outlay | 15,000,900 | 0 | (15,000,900) |
| Civil Rights | 16,201,100 | 16,388,300 | 187,200 |
| Community Colleges | 408,215,500 | 421,164,000 | 12,948,500 |
| Corrections | 2,019,056,200 | 2,049,998,200 | 30,942,000 |
| Education | 406,134,900 | 436,344,500 | 30,209,600 |
| Environmental Quality | 501,302,600 | 478,273,300 | (23,029,300) |
| Executive | 6,980,100 | 7,114,300 | 134,200 |
| Health and Human Services | 25,502,246,400 | 26,178,757,500 | 676,511,100 |
| Higher Education | 1,669,732,600 | 1,711,321,800 | 41,589,200 |
| Insurance and Financial Services | 67,971,900 | 68,889,800 | 917,900 |
| Judiciary | 304,079,100 | 309,341,000 | 5,261,900 |
| Legislature | 211,450,500 | 192,700,500 | (18,750,000) |
| Licensing and Regulatory Affairs | 552,356,700 | 572,612,500 | 20,255,800 |
| Military and Veterans Affairs | 199,639,300 | 201,102,500 | 1,463,200 |
| Natural Resources | 484,430,900 | 474,444,700 | (9,986,200) |
| Natural Resources (Trust Fund) | 0 | 0 | 0 |
| School Aid | 14,844,588,800 | 15,371,238,900 | 526,650,100 |
| State | 247,062,800 | 255,209,600 | 8,146,800 |
| State Police | 777,936,400 | 718,629,000 | (59,307,400) |
| Talent and Economic Development | 1,260,746,100 | 1,088,257,000 | (172,489,100) |
| Technology, Management, and Budget | 1,433,443,600 | 1,580,268,900 | 146,825,300 |
| Transportation | 5,013,880,800 | 5,778,292,000 | 764,411,200 |
| Treasury (Debt Service) | 107,080,000 | 104,335,000 | (2,745,000) |
| Treasury (Operations) | 570,041,500 | 590,416,900 | 20,375,400 |
| Treasury (Revenue Sharing) | 1,338,142,700 | 1,382,407,900 | 44,265,200 |
| Total Budget Area Appropriations | \$58,171,947,200 | \$60,203,856,400 | \$2,031,909,200 |

Note: Includes ongoing and one-time appropriations as of March 5, 2019.

Table 36

| FY 2019-20 GOVERNOR'S RECOMMENDATION COMPARED TO FY 2018-19 YEAR-TO-DATE | | | |
|---|---|---|---|
| Department/Budget Area | FY 2018-19 Year-To-Date GF/GP Appropriations | FY 2019-20 Gov's Rec. GF/GP Appropriations | Gov's GF/GP Change To FY 2018-19 |
| Agriculture and Rural Development | \$60,835,200 | \$57,920,200 | (\$2,915,000) |
| Attorney General | 41,206,800 | 41,736,300 | 529,500 |
| Capital Outlay | 15,000,900 | 0 | (15,000,900) |
| Civil Rights | 13,022,100 | 13,195,700 | 173,600 |
| Community Colleges | 0 | 12,948,500 | 12,948,500 |
| Corrections | 1,963,841,300 | 1,991,874,800 | 28,033,500 |
| Education | 91,503,600 | 87,212,000 | (4,291,600) |
| Environmental Quality | 58,546,500 | 53,793,000 | (4,753,500) |
| Executive | 6,980,100 | 7,114,300 | 134,200 |
| Health and Human Services | 4,439,614,400 | 4,779,342,000 | 339,727,600 |
| Higher Education | 1,046,017,900 | 1,587,795,400 | 541,777,500 |
| Insurance and Financial Services | 550,000 | 150,000 | (400,000) |
| Judiciary | 196,079,500 | 201,142,200 | 5,062,700 |
| Legislature | 198,824,000 | 180,074,000 | (18,750,000) |
| Licensing and Regulatory Affairs | 135,845,300 | 124,268,100 | (11,577,200) |
| Military and Veterans Affairs | 75,912,400 | 70,284,900 | (5,627,500) |
| Natural Resources | 77,241,800 | 51,224,000 | (26,017,800) |
| Natural Resources (Trust Fund) | 0 | 0 | |
| School Aid | 87,920,000 | 45,000,000 | (42,920,000) |
| State | 18,466,300 | 22,967,500 | 4,501,200 |
| State Police | 493,173,800 | 468,507,200 | (24,666,600) |
| Talent and Economic Development | 286,546,300 | 144,908,300 | (141,638,000) |
| Technology, Management, and Budget | 552,044,500 | 504,442,600 | (47,601,900) |
| Transportation | 356,790,900 | 0 | (356,790,900) |
| Treasury (Debt Service) | 107,080,000 | 104,335,000 | (2,745,000) |
| Treasury (Operations) | 103,881,300 | 114,491,800 | 10,610,500 |
| Treasury (Revenue Sharing) | 0 | 0 | 0 |
| Total Budget Area Appropriations | \$10,426,924,900 | \$10,664,727,800 | \$237,802,900 |

Note: Includes ongoing and one-time appropriations as of March 5, 2019.

Table 37

| GOVERNOR'S FY 2019-20 GROSS AND GF/GP CHANGES TO FY 2018-19 | | |
|--|------------------------------------|-----------------------|
| Budget Area/Line Items | Gov's Changes to FY 2018-19 | |
| | Gross | GF/GP |
| Agriculture and Rural Development | | |
| Double Up Food Bucks expansion | \$4,000,000 | \$4,000,000 |
| Agriculture preservation fund grants | 2,000,000 | 0 |
| Restricted funds alignment adjustment..... | 211,800 | 0 |
| Food and agriculture investment grants reduction | (2,600,000) | (2,600,000) |
| Animal agriculture initiative grant elimination..... | (2,000,000) | (2,000,000) |
| County fairs, shows and exhibition grants reduction | (1,125,000) | (1,125,000) |
| Dairy industry assistance grant program | (1,000,000) | (1,000,000) |
| Agriculture industry R&D grants elimination | (550,000) | (550,000) |
| ACRE agriculture incubator grant elimination..... | (260,000) | (260,000) |
| ODC network - project clarity grant elimination | (120,000) | (120,000) |
| Unclassified salaries | 23,200 | 23,200 |
| Economic adjustments..... | 1,052,400 | 716,800 |
| Total Agriculture and Rural Development..... | (\$367,600) | (\$2,915,000) |
| Attorney General | | |
| Marihuana legal services | \$935,400 | \$0 |
| Legal services for DTMB..... | 670,000 | 0 |
| Legal services for MSHDA..... | 335,500 | 0 |
| Child abuse and neglect investigations in Wayne Co..... | 340,000 | 0 |
| One-Time: Remove juvenile life w/o parole funding | (700,000) | 0 |
| Remove NextGen management project Federal dollars | (378,800) | 0 |
| One-Time: Remove forensic interviewing training dollars | (100,000) | (100,000) |
| Unclassified salaries | 32,000 | 32,000 |
| Economic adjustments..... | 1,356,000 | 597,500 |
| Total Attorney General | \$2,490,100 | \$529,500 |
| Capital Outlay | | |
| Remove FY 2018-2019 construction authorizations..... | (\$14,999,900) | (\$14,999,900) |
| Remove FY 2018-2019 planning authorizations | (1,000) | (1,000) |
| Total Capital Outlay | (\$15,000,900) | (\$15,000,900) |
| Civil Rights | | |
| Unclassified salaries | \$28,100 | \$28,100 |
| Economic adjustments..... | 159,100 | 145,500 |
| Total Civil Rights..... | \$187,200 | \$173,600 |
| Community Colleges | | |
| Community college operations - 3% increase | \$9,667,500 | \$9,667,500 |
| MPSERS normal cost offset | 5,781,000 | 3,281,000 |
| MPSERS UAL adjustment | (2,200,000) | 0 |
| Renaissance zone reimbursements | (300,000) | 0 |
| Total Community Colleges..... | \$12,948,500 | \$12,948,500 |
| Corrections | | |
| New custody staff training (new officer school) | \$10,466,800 | \$10,466,800 |
| Hepatitis C treatment | 6,965,200 | 6,965,200 |
| Corizon health care contract..... | 5,446,500 | 5,446,500 |
| Electronic tether replacement | 4,567,100 | 4,567,100 |
| Detroit Detention Center | 2,623,600 | 0 |
| Aging prisoner population | 2,100,000 | 2,100,000 |
| State vehicle mileage rate increase | 324,100 | 324,100 |
| Prisoner transportation..... | 102,300 | 102,300 |

Table 37 - continued

| GOVERNOR'S FY 2019-20 GROSS AND GF/GP CHANGES TO FY 2018-19 | | |
|--|-----------------------------|----------------------|
| Budget Area/Line Items | Gov's Changes to FY 2018-19 | |
| | Gross | GF/GP |
| Corrections (continued) | | |
| Water/Sewer rate increase | 97,000 | 97,000 |
| Grandview Plaza upgrade to armed security guards..... | 42,000 | 42,000 |
| Prisoner industries transportation costs..... | 10,000 | 0 |
| New corrections officer school | (9,227,700) | (9,227,700) |
| Ojibway Correctional Facility closure savings..... | (6,805,700) | (6,805,700) |
| Higher custody level funding..... | (2,400,000) | (2,400,000) |
| Remove vocational village funding | (2,000,000) | (2,000,000) |
| 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) |
| High school online equivalency pilot program | (500,000) | (500,000) |
| Federally qualified health center pilot | (250,000) | (250,000) |
| Prison kitchen inspections | (50,000) | (50,000) |
| Unclassified salaries | 76,100 | 76,100 |
| Economic adjustments..... | 23,294,700 | 23,019,800 |
| Total Corrections | \$30,942,000 | \$28,033,500 |
| Department of Education | | |
| Child development and care public assistance | \$30,000,000 | \$0 |
| Office of great start operations | 3,600,000 | 0 |
| Child development and care external support..... | 323,200 | 0 |
| Information technology increase..... | 300,000 | 0 |
| Child development and care public assistance | 0 | 599,400 |
| Supplemental appropriation removal..... | (5,000,000) | (5,000,000) |
| Renaissance zone reimbursement | (300,000) | (300,000) |
| Drinking water declaration of emergency | (100) | 0 |
| Adolescent and school health | 0 | 0 |
| Unclassified salaries | 35,100 | 27,100 |
| Economic adjustments..... | 1,251,400 | 381,900 |
| Total Department of Education | \$30,209,600 | (\$4,291,600) |
| Environmental Quality | | |
| Drinking water and environmental health | \$1,896,600 | \$1,900,000 |
| Solid waste management program | 260,000 | 0 |
| Emergency cleanup actions..... | 1,000,000 | 0 |
| Environmental cleanup and redevelopment program..... | (15,000,000) | 0 |
| Central support services | (3,000,000) | 0 |
| Lead remediation grants | (2,000,000) | (1,000,000) |
| Contaminated site investigations, cleanup and revitalization | (1,655,300) | (1,655,300) |
| Water quality and use initiative/general | (1,522,900) | (1,522,900) |
| Surface water | (1,124,000) | 0 |
| Recycling initiative | (1,032,000) | (1,032,000) |
| Wetland mitigation banking grants and loans | (1,000,000) | 0 |
| Water withdrawal assessment program..... | (800,000) | 0 |
| Remove FY 2018-19 supplemental and one-time appropriations | (2,120,000) | (2,120,000) |
| Unclassified salaries | 31,900 | 9,100 |
| Economic adjustments..... | 3,036,400 | 667,600 |
| Total Environmental Quality | (\$23,029,300) | (\$4,753,500) |

Table 37 - continued

| GOVERNOR'S FY 2019-20 GROSS AND GF/GP CHANGES TO FY 2018-19 | | |
|---|-----------------------------|------------------|
| Budget Area/Line Items | Gov's Changes to FY 2018-19 | |
| | Gross | GF/GP |
| Executive | | |
| Operations overall 2% increase | \$107,500 | \$107,500 |
| Unclassified salaries | 26,700 | 26,700 |
| Economic adjustments | | |
| Total Executive | \$134,200 | \$134,200 |
| Health and Human Services | | |
| One-time: Health insurance fee set-aside | \$180,500,000 | \$50,019,800 |
| Medicaid physical health actuarial soundness | 125,823,000 | 33,053,000 |
| Physician Adjustor and SNAF adjustments | 118,355,000 | 0 |
| Trad. Medicaid base, caseload, and fund source | 103,365,100 | 42,156,200 |
| Behavioral health actuarial soundness (2.75%) | 75,267,700 | 25,109,900 |
| Hospital QAAP adjustments | 62,836,800 | (1,565,400) |
| Long Term Care QAAP adjustments | 59,247,000 | (6,562,300) |
| Expand QAAP financed hospital DSH payments | 40,696,000 | (4,500,000) |
| Increase in Federal crime victims' rights funding | 40,000,000 | 0 |
| Medicaid Behavioral Health base and caseload | 38,225,600 | 13,738,300 |
| Adjustments to HMP work engagement legislation | 36,215,400 | 23,107,700 |
| Medicare buy-in compliance | 35,226,100 | 12,660,200 |
| State opioid response grant | 31,914,700 | 0 |
| Adult Home Help minimum wage adjustments | 28,173,100 | 10,125,500 |
| HMP behavioral health base and caseload | 23,003,000 | 2,127,800 |
| Implementation of State Pays First legislation | 18,979,000 | (4,118,200) |
| Annualize cost of direct care worker pay increase | 16,000,000 | 5,311,300 |
| Foster care base and caseload | 15,563,700 | 5,490,500 |
| Medicaid autism services base and caseload | 15,066,600 | 5,414,900 |
| Environmental/pub. health hazards (23.0 FTEs) | 13,857,000 | 13,857,000 |
| Autism actuarial soundness (5.75%) | 13,761,300 | 4,945,800 |
| Child care fund base and caseload | 12,306,000 | 10,124,200 |
| CSHCS base and caseload | 11,317,500 | 4,979,700 |
| Changes in Federal authorization | 10,066,000 | 0 |
| One-time: State innovation model (SIM) funding | 7,000,000 | 7,000,000 |
| Foster care supportive visitation (1.0 FTE) | 5,913,700 | 5,913,700 |
| Flint drinking water emergency - new programming | 5,196,900 | 5,196,900 |
| Annualize costs of CPS staff enhancement | 5,000,100 | 5,000,100 |
| Increase in long term care asset value limit | 4,862,600 | 1,747,600 |
| Annualize costs for new Caro Hospital staff | 3,023,300 | 3,023,300 |
| Address shortfall in property management projects | 2,760,600 | 1,700,000 |
| Additional staff at Forensic Center (12.0 FTEs) | 2,178,600 | 2,178,600 |
| One-time: Lead abatement investigation contractor | 2,158,700 | 2,158,700 |
| Incentive payments to encourage relative licensure | 1,764,600 | 1,764,600 |
| Adult Home Help electronic mobile verification | 1,500,000 | 150,000 |
| Non-State owned building lease adjustment | 1,388,900 | 855,300 |
| Increase in Hurley GME authorization | 1,206,600 | 0 |
| Building community partnership funding | 975,000 | 975,000 |
| Annualize homeless per diem increase (\$16->\$18) | 950,000 | 950,000 |
| Increase in newborn screening fee revenue | 560,800 | 0 |
| Assume 5% State facility pharmacy inflation | 527,800 | 436,400 |
| One-time: Rides to wellness | 500,000 | 500,000 |
| Child welfare fingerprinting funding | 462,100 | 335,000 |
| Additional Restricted funds in Department Admin | 417,400 | 0 |
| Atty Gen contract - increase for Wayne County | 340,000 | 247,800 |
| Increase in funding to support crime victims staff | 315,000 | 0 |
| Waive birth certificate fees for homeless individuals | 226,000 | 226,000 |

Table 37 - continued

| GOVERNOR'S FY 2019-20 GROSS AND GF/GP CHANGES TO FY 2018-19 | | |
|---|-----------------------------|--------------|
| Budget Area/Line Items | Gov's Changes to FY 2018-19 | |
| | Gross | GF/GP |
| Health and Human Services (continued) | | |
| One-time: Flint senior funding..... | 200,000 | 200,000 |
| Funding for Atty General health/ed/family division | 195,000 | 139,600 |
| Settlement monitor contract adjustment | 148,300 | 78,400 |
| Child support IRS background investigation..... | 130,200 | 44,300 |
| Add staff to Child Welfare Institute (1.0 FTE) | 130,000 | 98,600 |
| State supplementation administration shortfall..... | 125,000 | 125,000 |
| Actuary costs for foster care rates | 100,000 | 72,500 |
| Local authorization line for facility revenue recapture | 100 | 0 |
| Expansion Medicaid match rate (93.0% -> 90.0%) | 0 | 75,074,200 |
| Base Medicaid match rate (64.45% -> 64.06%)..... | 0 | 43,632,700 |
| Change in SCHIP match rate (98.12% -> 86.34%) | 0 | 30,767,900 |
| Medicaid Benefits Trust Fund revenue | 0 | 10,000,000 |
| Correct fund sourcing for Inspector General staff..... | 0 | 1,236,500 |
| Increased child support Fed. tax refund offset fees..... | 0 | 956,300 |
| Reflect actual county chargeback revenue..... | 0 | 489,600 |
| Correct public assistance field staff fund source | 0 | 467,800 |
| Title IV-B fund source shift..... | 0 | 100,200 |
| Child support incentive fund source swap | 0 | (105,000) |
| Medicaid State Psych DSH revenue adjustment..... | 0 | (25,000,000) |
| Food Assistance Program base and caseload | (170,911,300) | 0 |
| Remove FY 2018-19 one-time projects | (57,820,100) | (39,237,100) |
| Work engagement HMP caseload reduction | (50,000,000) | (4,625,000) |
| Insurance Provider Assessment adjustments..... | (49,289,700) | (2,986,600) |
| HMP base, caseload..... | (26,827,100) | (3,292,300) |
| Adjust WIC Federal and rebate funding to actual..... | (25,000,000) | 0 |
| Transfer of Refugee Services to LARA..... | (24,978,100) | 0 |
| Savings from expanding OIG activities (30 FTEs)..... | (21,582,600) | (4,861,500) |
| Reduce pharmacy admin component of MCO rates | (19,853,000) | (5,000,000) |
| Reduce support for MiDocs GME consortium | (15,529,400) | (3,700,000) |
| Cut LTC variable cost limit from 80th to 70th pctile | (15,303,300) | (5,500,000) |
| Remove one-time sexual assault services funding | (10,000,000) | (2,000,000) |
| Family Independence Program base and caseload | (9,442,000) | (168,300) |
| Remove FY 19 Beaumont hospital GME funding..... | (8,438,800) | (3,000,000) |
| Adoption subsidies base and caseload | (6,272,200) | (1,832,800) |
| Reduce funding for Rural/Sole and OB/GYN pools..... | (6,000,000) | (6,000,000) |
| Adjust AIDS pharmaceutical rebates to actual | (5,000,000) | 0 |
| Reduce PACE actuarial soundness..... | (3,400,000) | (1,222,000) |
| Removal of room and board hospice funding | (3,318,000) | (3,318,000) |
| Remove funding for mental health hotline | (3,000,000) | (3,000,000) |
| Federal limitations on IV-E foster care payments..... | (2,169,800) | (1,053,700) |
| Savings from quantity limits on opioid prescriptions..... | (2,000,000) | (500,000) |
| Cut Mental Health/Wellness Commission funding..... | (1,800,000) | (1,800,000) |
| Family Support Subsidy base and caseload..... | (1,593,000) | 0 |
| Eliminate CMH court appointed guardian funding | (1,500,000) | (1,500,000) |
| State Disability Assistance base and caseload | (1,474,300) | (1,474,300) |
| Eliminate non-emergency transportation pilot | (1,419,600) | (510,200) |
| Supplemental Security Income base and caseload..... | (1,205,800) | (1,205,800) |
| Removal of opioid testing laboratory funding | (1,000,000) | (1,000,000) |
| Reduce funding for dental grants..... | (1,000,000) | (1,000,000) |
| Remove pediatric TBI funding | (1,000,000) | (1,000,000) |
| Remove real alternatives funding | (700,000) | (50,000) |
| Decrease in medical marihuana revenue | (616,200) | 0 |
| Guardianship assistance base and caseload | (583,100) | (418,600) |

Table 37 - continued

| GOVERNOR'S FY 2019-20 GROSS AND GF/GP CHANGES TO FY 2018-19 | | |
|---|-----------------------------|----------------------|
| Budget Area/Line Items | Gov's Changes to FY 2018-19 | |
| | Gross | GF/GP |
| Health and Human Services (continued) | | |
| Elimination of school success partnership program | (525,000) | (75,000) |
| Eliminate Livonia substance use disorder funding | (500,000) | (500,000) |
| Eliminate early primary care incentive program | (500,000) | (500,000) |
| Remove one-time nurse family partnership funding | (325,000) | (325,000) |
| Remove Children's Trust Fund backfill | (300,000) | (300,000) |
| Elimination of SSI advocacy grant | (250,000) | (250,000) |
| Eliminate bone marrow registry funding | (250,000) | (250,000) |
| Remove adoption family support contract | (250,000) | (250,000) |
| Realign financing for Community Services unit | (233,000) | 60,000 |
| Poison control match rate adjustment | (155,200) | 0 |
| Remove long term care study funding | (100,000) | (100,000) |
| Remove adoption rate actuarial study | (50,000) | (50,000) |
| Info tech funding from one-time to ongoing | (100) | (100) |
| Unclassified salaries | 47,500 | 38,500 |
| Economic adjustments | 28,761,900 | 19,096,900 |
| Total Health and Human Services | \$651,366,600 | \$339,552,600 |
| Higher Education | | |
| University operations - 3% increase | \$43,707,400 | \$43,707,400 |
| MSU AgBioResearch - 3% increase | 1,037,700 | 1,037,700 |
| MSU Extension - 3% increase | 895,100 | 895,100 |
| MPSERS normal cost offset | 565,000 | 1,234,000 |
| School aid fund to GF/GP fund shift | 0 | 499,419,300 |
| Children of veterans tuition grant fund shift | 0 | 100,000 |
| Tuition incentive pgrm - limit pymt to 3x comm. col. | (4,500,000) | (4,500,000) |
| MPSERS UAL adjustment | (116,000) | (116,000) |
| Total Higher Education | \$41,589,200 | \$541,777,500 |
| Insurance and Financial Services | | |
| Anti-fraud unit | \$499,300 | \$0 |
| Removal of one-time funding | (400,000) | (400,000) |
| Unclassified salaries | 31,700 | 0 |
| Economic adjustments | 786,900 | 0 |
| Total Insurance and Financial Services | \$917,900 | (\$400,000) |
| Judiciary | | |
| Update and modernize supreme court website | \$1,929,100 | \$1,929,100 |
| SADO funding for caseload enhancement | 457,200 | 457,200 |
| Online dispute resolution expansion | 450,000 | 450,000 |
| Added one circuit court judge position | 222,700 | 207,100 |
| Judicial tenure commission investment | 200,000 | 200,000 |
| SADO funding increase for Montgomery compliance | 141,900 | 141,900 |
| Pretrial risk assessment tool funding increase | 20,000 | 20,000 |
| Removal of one-time funding for problem-solving courts | (750,000) | (750,000) |
| Removed two court of appeals judge positions | (365,600) | (365,600) |
| Removed two district court judge positions | (293,400) | (293,400) |
| Removal of one-time funding for treatment pilot program | (75,000) | (75,000) |
| Unclassified salaries | 0 | 0 |
| Economic adjustments | 3,325,000 | 3,141,400 |
| Total Judiciary | \$5,261,900 | \$5,062,700 |

Table 37 - continued

| GOVERNOR'S FY 2019-20 GROSS AND GF/GP CHANGES TO FY 2018-19 | | |
|---|-----------------------------|-----------------------|
| Budget Area/Line Items | Gov's Changes to FY 2018-19 | |
| | Gross | GF/GP |
| Legislature | | |
| One-time: Remove Senate parking garage funding | (\$18,000,000) | (\$18,000,000) |
| One-time: Remove legislative council IT design funding | (750,000) | (750,000) |
| Total Legislature | (\$18,750,000) | (\$18,750,000) |
| Licensing and Regulatory Affairs | | |
| Transfer of refugee services functions from DHHS | \$24,978,100 | \$0 |
| Research on marihuana use for veterans' treatment..... | 20,000,000 | 0 |
| Assist. to unaccompanied refugee minors within refugee services program ... | 3,790,900 | 0 |
| Recreational marihuana licensing and regulation..... | 1,000,000 | (5,000,000) |
| Right-size of med, marihuana facilities, licensing, and tracking program | 900,000 | 0 |
| Refugee services database | 520,000 | 0 |
| Child care licensing and regulation restricted funding | 500,000 | 0 |
| Marihuana regulatory fund adjustment for administrative functions ... | 422,000 | 0 |
| Adult foster care restricted funding | 410,000 | 0 |
| Firefighter training grants enhancements | 300,000 | 0 |
| Support for testing and audits under bureau of fire services (2017 PA 177).... | 289,900 | 0 |
| Indigent defense training evaluation | 205,200 | 205,200 |
| Light-duty zero emission vehicle supply equipment program..... | 140,000 | 0 |
| Removal of one-time costs for MI indigent defense commission grants..... | (5,850,400) | (5,850,400) |
| Removal of funding for first responders presumed coverage fund..... | (5,445,000) | 0 |
| Removal of one-time supplemental funding for opioid treatment and community resource locator..... | (1,200,000) | (1,200,000) |
| State restricted deducts | (643,800) | 0 |
| Removal of one-time funding for refugee assistance grant..... | 0 | 0 |
| Unclassified salaries | 206,500 | 0 |
| Economic adjustments..... | 4,876,900 | 443,000 |
| Total Licensing and Regulatory Affairs..... | \$45,400,300 | (\$11,402,200) |
| Military and Veterans Affairs | | |
| Alignment of federal and restricted authorization | \$5,527,800 | \$0 |
| Youth Challenge shift school aid to GF/GP | 0 | 1,557,800 |
| Military retirement program transfer from DTMB | 1,000,000 | 1,000,000 |
| D.J. Jacobetti home CMS certification impact | 900,000 | (900,000) |
| Selfridge AFB maintenance matching funds..... | 400,000 | 400,000 |
| Land purchases and appraisals revenue..... | 400,000 | 0 |
| IT/Desk top fee increases | 105,000 | 105,000 |
| NG tuition assistance program reduction..... | (2,500,000) | (2,500,000) |
| County veteran service fund reduction | (2,100,000) | (2,100,000) |
| Training sites and support facilities reduction..... | (1,500,000) | (1,500,000) |
| Armory maintenance elimination | (1,000,000) | (1,000,000) |
| Vietnam veterans outreach project elimination..... | (600,000) | (600,000) |
| Grand Rapids home video project elimination | (275,000) | (275,000) |
| Targeted grants to counties elimination..... | (200,000) | (200,000) |
| Unclassified salaries | 60,600 | 60,600 |
| Economic adjustments..... | 1,244,800 | 324,100 |
| Total Military and Veterans Affairs..... | \$1,463,200 | (\$5,627,500) |

Table 37 - continued

| GOVERNOR'S FY 2019-20 GROSS AND GF/GP CHANGES TO FY 2018-19 | | |
|--|-----------------------------|-----------------------|
| Budget Area/Line Items | Gov's Changes to FY 2018-19 | |
| | Gross | GF/GP |
| Natural Resources | | |
| Recreation infrastructure improvement projects | \$21,372,800 | \$0 |
| Forest management and timber market development..... | 2,915,000 | 0 |
| Wildlife management | 2,300,000 | 2,300,000 |
| State parks..... | 2,200,000 | 0 |
| State boating infrastructure maintenance | 2,122,500 | 0 |
| Minerals management | 1,350,000 | 1,350,000 |
| Local boating infrastructure maintenance and improvements..... | 1,270,500 | 0 |
| Forest recreation and trails | 1,194,600 | 0 |
| Michigan historical center | 850,000 | 0 |
| Forest development infrastructure | 650,000 | 0 |
| Recreation passport local grants | 350,000 | 0 |
| Recreational boating..... | 218,500 | 0 |
| Wildfire protection | 115,000 | 0 |
| Off-road vehicle safety training grants..... | 30,800 | 0 |
| State parks improvement revenue bonds -debt service | 1,800 | 0 |
| State parks repair and maintenance..... | (2,500,000) | 0 |
| Wetlands restoration, enhancement and acquisition..... | (1,000,000) | 0 |
| East Tawas state harbor, Iosco Co., harbormaster bldg. and site improvements, phase III..... | (750,000) | 0 |
| Ottawa Beach Marina, Ottawa County, marina improvements..... | (643,000) | 0 |
| Elmwood Township Marina, Leelanau Co., marina improvements | (601,100) | 0 |
| Presque Isle Marina, Marquette County, marina improvements | (541,900) | 0 |
| Michigan wildlife council..... | (500,000) | 0 |
| Dam management grant program..... | (150,000) | (150,000) |
| Nonmotorized trail development and maintenance grants | (150,000) | (150,000) |
| Remove FY 2018-19 supplemental and one-time appropriations | (43,805,000) | (29,385,000) |
| Fund shift - replace GF/GP with forest development funds..... | 0 | (574,300) |
| Unclassified salaries | 32,000 | 0 |
| Economic adjustments..... | 3,681,300 | 591,500 |
| Total Natural Resources..... | (\$9,986,200) | (\$26,017,800) |
| School Aid | | |
| Foundation allowance increase - \$120-\$180 (1.5x) | \$235,000,000 | \$0 |
| Special education - additional 4% payment..... | 120,000,000 | 0 |
| At risk increase | 102,000,000 | 0 |
| Great start readiness program increase | 84,000,000 | 0 |
| MPSERS hold harmless payment for AROR..... | 83,930,000 | 35,000 |
| Special education - standard cost increase | 62,300,000 | 0 |
| Career and technical education per-pupil payments | 50,000,000 | 0 |
| Cash flow borrowing costs for the School Aid Fund | 32,000,000 | 0 |
| Early literacy coaches | 24,500,000 | 0 |
| Promise zone payments | 5,400,000 | 0 |
| MPSERS hold harmless for PA 92 of 2017 costs..... | 4,971,000 | 0 |
| Flint declaration of emergency..... | 4,845,000 | (3,230,000) |
| Federal grants..... | 3,635,000 | 0 |
| ISD operations increase - 3.5% | 2,396,000 | 0 |
| Renaissance zone reimbursement | 300,000 | 0 |
| Fund shift: GF/GP to School Aid Fund | 0 | (24,450,500) |
| Technical foundation allowance cost adjustments | (218,000,000) | 0 |
| Cyber schools' foundation allowances - 20% cut | (22,000,000) | 0 |
| Computer adaptive tests - eliminate reimbursement..... | (9,200,000) | 0 |
| Remove 'train-the-trainer' from school mental health | (8,000,000) | 0 |

Table 37 - continued

| GOVERNOR'S FY 2019-20 GROSS AND GF/GP CHANGES TO FY 2018-19 | | |
|--|-----------------------------|-----------------------|
| Budget Area/Line Items | Gov's Changes to FY 2018-19 | |
| | Gross | GF/GP |
| School Aid (continued) | | |
| Eliminate statewide value-added evaluation tool..... | (2,500,000) | (2,500,000) |
| Eliminate CTE equipment upgrade grants..... | (2,500,000) | (2,500,000) |
| Eliminate information technology certifications..... | (2,300,000) | (2,300,000) |
| Eliminate dual enrollment incentive payments | (1,750,000) | 0 |
| Reduce MPSERS rate cap costs | (1,800,000) | (200,000) |
| Strict discipline academies - eliminate categorical | (1,600,000) | 0 |
| Transfer Youth Challenge to DMVA..... | (1,625,400) | 0 |
| Eliminate reimbursement for financial data tools..... | (1,500,000) | 0 |
| Eliminate pilot kindergarten readiness assessment | (1,500,000) | 0 |
| Eliminate funding for Algebra Nation (online algebra)..... | (1,500,000) | (1,500,000) |
| Reduce FIRST Robotics for public schools | (1,500,000) | 0 |
| Eliminate funding for Imagine Learning (math)..... | (1,500,000) | (1,500,000) |
| Eliminate ISD grant for virtual reality skilled trades | (1,200,000) | 0 |
| Eliminate funding for Imagine Learning (literacy) | (1,000,000) | (1,000,000) |
| Eliminate ISD grant for CTE counselors | (1,000,000) | 0 |
| Eliminate ISD grant for ALICE bus driver safety..... | (810,000) | 0 |
| Eliminate funding for balanced calendar grants | (750,000) | 0 |
| Eliminate dropout recovery program..... | (750,000) | 0 |
| Eliminate grant for digital assessment preparation..... | (500,000) | (500,000) |
| Eliminate grant to Fitness Foundation | (500,000) | (500,000) |
| Eliminate funding for Imagine Learning (Español)..... | (500,000) | (500,000) |
| Eliminate funding for a summer reading pilot project | (500,000) | (500,000) |
| Detroit area precollege engineering program | (400,000) | (400,000) |
| Conductive learning center study | (250,000) | (250,000) |
| Dyslexia Center..... | (250,000) | (250,000) |
| Teach for America..... | (300,000) | (300,000) |
| FIRST Robotics for nonpublic schools..... | (300,000) | (300,000) |
| Nonpublic school reimbursement for mandates | (250,000) | (250,000) |
| Pipeline 2 Promise | (200,000) | 0 |
| Early learning collaborative..... | (175,000) | 0 |
| Dropout prevention program (Grand Rapids)..... | (100,000) | 0 |
| Restaurant and culinary training grant..... | (100,000) | (100,000) |
| High demand jobs (St. Clair ISD)..... | (50,000) | 0 |
| STEM entrepreneurship program | (60,000) | 0 |
| Dana Center..... | (25,000) | (25,000) |
| Economic adjustments..... | 118,500 | 100,500 |
| Total School Aid..... | \$526,650,100 | (\$42,920,000) |
| State | | |
| Redistricting commission | \$4,616,600 | \$4,616,600 |
| Branch office contract increases (janitorial, security telecom)..... | 830,000 | 0 |
| Motorcycle safety | 300,000 | 0 |
| Elections system compliance..... | 200,000 | 200,000 |
| Remove "Look Twice Save a Life" supplemental funding | (400,000) | 0 |
| General Fund reduction (fund shift)..... | 0 | (738,700) |
| Unclassified salaries | 26,700 | 26,700 |
| Economic adjustments..... | 2,573,500 | 396,600 |
| Total State..... | \$8,146,800 | \$4,501,200 |
| State Police | | |
| New trooper school to graduate 50..... | \$8,644,900 | \$8,644,900 |
| Annualize 75 FY 19 trooper school grads..... | 8,098,300 | 8,098,300 |
| Recreational marijuana law implementation..... | 3,000,000 | 0 |

Table 37 - continued

| GOVERNOR'S FY 2019-20 GROSS AND GF/GP CHANGES TO FY 2018-19 | | |
|--|------------------------------------|------------------------|
| Budget Area/Line Items | Gov's Changes to FY 2018-19 | |
| | Gross | GF/GP |
| State Police (continued) | | |
| New in-car camera video streaming network..... | 2,300,000 | 2,300,000 |
| Credit card fee charges from MSP transactions..... | 578,700 | 4,200 |
| Biometric ID system cost increases..... | 510,200 | 510,200 |
| Breath alcohol testing devices cost increases..... | 300,100 | 300,100 |
| Ammunition cost increases..... | 258,600 | 258,600 |
| Accounting service center cost increases..... | 179,100 | 179,100 |
| eWarrant system cost increases..... | 130,000 | 130,000 |
| Strategic support geo-mapping project..... | 123,000 | 123,000 |
| Adjustment for FY 19 boilerplate disaster payments..... | (27,350,900) | 0 |
| School safety grants elimination..... | (25,000,000) | (25,000,000) |
| Marihuana restricted funding adjustment..... | (10,803,700) | 0 |
| Trooper school FY 19 one-time costs..... | (7,751,300) | (7,751,300) |
| Disaster and emergency contingency fund deposit..... | (7,500,000) | (7,500,000) |
| Fleet leasing reduction - vehicles..... | (2,300,000) | (2,300,000) |
| Secondary road patrol grant - GF/GP elimination..... | (2,000,000) | (2,000,000) |
| Alignment of federal and restricted authorization..... | (1,243,600) | 0 |
| Michigan International Speedway traffic control..... | (725,000) | (725,000) |
| Special operations reduction due to lowered costs..... | (677,600) | (677,600) |
| Roadside saliva testing project elimination..... | (626,000) | (626,000) |
| Operating supplies and materials reduction..... | (450,000) | (450,000) |
| Outreach and awareness activities reduction..... | (255,400) | (255,400) |
| Discretionary overtime reduction, non-post..... | (100,000) | (100,000) |
| Emergency mgt training center adjustment..... | (29,600) | (29,600) |
| Civil Air Patrol grant elimination..... | (20,000) | (20,000) |
| OKAY2SAY technology upgrade placeholder..... | (100) | (100) |
| Unclassified salaries..... | 23,700 | 11,500 |
| Economic adjustments..... | 3,379,200 | 2,208,500 |
| New trooper school to graduate 50..... | (59,307,400) | (24,666,600) |
| Total State Police..... | \$8,644,900 | \$8,644,900 |
| Talent and Economic Development | | |
| MSHDA legal fees..... | \$335,500 | \$0 |
| Contingent fund, penalty & interest fund shift..... | 0 | 25,918,800 |
| Supplemental appropriations removal..... | (145,450,500) | (145,450,500) |
| Going Pro..... | (10,000,000) | (10,000,000) |
| One-time appropriations removal..... | (5,850,100) | (5,850,000) |
| Pure Michigan..... | (5,000,000) | (1,000,000) |
| Community ventures..... | (4,000,000) | 0 |
| At risk youth grants..... | (3,000,000) | 0 |
| Defined calculation adjustment..... | (1,747,400) | 0 |
| Talent investment agency federal fund adjustment..... | (485,600) | 0 |
| Business attraction and community revitalization fund shift..... | 0 | (4,000,000) |
| Land bank fund shift..... | 0 | (1,500,000) |
| Unclassified salaries..... | 44,700 | 5,000 |
| Economic adjustments..... | 2,664,300 | 238,700 |
| Total Talent and Economic Development..... | (\$172,489,100) | (\$141,638,000) |
| Technology, Management, and Budget | | |
| IT IDG adjustments..... | \$191,899,900 | \$0 |
| MPSCS upgrades and maintenance..... | 14,093,700 | 14,093,700 |
| Microsoft enterprise license agreement..... | 5,000,000 | 5,000,000 |
| Special maintenance projects at state-owned facilities..... | 5,000,000 | 5,000,000 |
| MiLogin support..... | 3,299,000 | 3,299,000 |

Table 37 - continued

| GOVERNOR'S FY 2019-20 GROSS AND GF/GP CHANGES TO FY 2018-19 | | |
|--|-----------------------------|------------------------|
| Budget Area/Line Items | Gov's Changes to FY 2018-19 | |
| | Gross | GF/GP |
| Technology, Management, and Budget (continued) | | |
| Motor vehicle fleet increase | 1,500,000 | 0 |
| Attorney general legal counsel | 670,000 | 0 |
| MSP accounting service center adjustment..... | 374,900 | 0 |
| Professional development funds per collective bargaining agreements..... | 200,000 | 0 |
| MSP retirement system supplemental payments | 10,000 | 10,000 |
| Drinking water declaration of emergency placeholder..... | 100 | 0 |
| Remove one-time military and judicial retirement funding | (43,100,000) | (43,100,000) |
| Remove one-time deposit into statewide broadband fund | (20,000,000) | (13,620,000) |
| Remove funding to help pay off Inkster school district debt | (8,200,000) | (8,200,000) |
| Transfer of military retirement to DMVA | (5,244,800) | (5,244,800) |
| Elimination of regional prosperity grants..... | (4,000,000) | (4,000,000) |
| Remove one-time funding for MSP/MPERS retirement system changes.... | (1,185,000) | (1,185,000) |
| Remove one-time funding for CIO security officer..... | (450,000) | (450,000) |
| Remove one-time funding for job vacancy survey..... | (170,000) | (170,000) |
| Revenue alignments and reduction of overstated deducts..... | (115,400) | 0 |
| Business support services fund shift | 0 | (138,400) |
| Statewide cost allocation adjustments..... | 0 | (131,300) |
| Annual adjustment of DTMB indirect charges and fund sources | 0 | (35,800) |
| Remove one-time funding for Muskegon/Oceana county towers..... | (30,000) | (30,000) |
| Removal of current year one-time funding..... | (10,200) | (10,100) |
| Unclassified salaries | 36,400 | 36,400 |
| Economic adjustments..... | 7,246,700 | 1,274,400 |
| Total Technology, Management, and Budget | \$146,825,300 | (\$47,601,900) |
| Transportation | | |
| Fixing Michigan roads program | \$917,524,800 | \$0 |
| Road and bridge revenue adjustments under Act 51 | 205,966,000 | 0 |
| Maintenance increases | 51,150,000 | 0 |
| CTF program revenue adjustments | 37,596,700 | 0 |
| Inspection compliance for ancillary structures | 10,000,000 | 0 |
| Increased maintenance materials costs | 7,384,000 | 0 |
| Information technology modernization..... | 3,000,000 | 0 |
| Aeronautics program revenue adjustments | 989,100 | 0 |
| Economic development revenue adjustments..... | 909,800 | 0 |
| Local signal energy billing process improvement..... | 600,000 | 0 |
| Detroit/Wayne county port authority baseline adjustment | 50,000 | 0 |
| One-time road funding removal | (300,000,000) | (300,000,000) |
| One-time supplemental removals | (170,790,900) | (56,790,900) |
| Debt service | (5,539,600) | 0 |
| Interdepartmental grants..... | (317,600) | 0 |
| Transfer of certain accounting services to MDARD..... | (168,700) | 0 |
| Unclassified salaries | 32,000 | 0 |
| Economic adjustments..... | 6,025,600 | 0 |
| Total Transportation | \$764,411,200 | (\$356,790,900) |
| Treasury - Debt Service | | |
| Great Lakes water quality bond | \$15,907,000 | \$15,907,000 |
| Clean Michigan initiative | (13,224,000) | (13,224,000) |
| Quality of life bond | (5,428,000) | (5,428,000) |
| Total Treasury - Debt Service | (\$2,745,000) | (\$2,745,000) |

Table 37 - continued

| GOVERNOR'S FY 2019-20 GROSS AND GF/GP CHANGES TO FY 2018-19 | | |
|--|-----------------------------|----------------------|
| Budget Area/Line Items | Gov's Changes to FY 2018-19 | |
| | Gross | GF/GP |
| Treasury - Operations | | |
| Marihuana proposal 1 changes | \$12,390,800 | \$0 |
| Wrongful imprisonment compensation fund | 8,500,000 | 8,500,000 |
| Business pass-through administration | 2,000,000 | 2,000,000 |
| Information technology..... | 1,450,000 | 1,450,000 |
| Michigan finance authority | 300,000 | 0 |
| Senior citizen cooperative housing | 250,000 | 250,000 |
| Drinking water declaration of emergency | 0 | 0 |
| Contingency fund transfer removal | (5,613,000) | 0 |
| One-time appropriation | (1,550,100) | (1,550,100) |
| Administrative efficiencies..... | (650,000) | (650,000) |
| Unclassified salaries | 42,600 | 25,600 |
| Economic adjustments..... | 3,255,100 | 585,000 |
| Total Treasury - Operations | \$20,375,400 | \$10,610,500 |
| Treasury - Revenue Sharing | | |
| Constitutional state revenue sharing grants | \$27,468,000 | \$0 |
| City, village, and township revenue sharing | 19,770,700 | 0 |
| County revenue sharing and county incentive program | 7,642,500 | 0 |
| Community opportunities for renewal | 5,000,000 | 0 |
| Supplemental county revenue sharing | (1,000,000) | 0 |
| Financially distressed cities, villages, or townships | (2,500,000) | 0 |
| City, village, and township revenue sharing (one-time)..... | (5,916,000) | 0 |
| Supplemental city, village, and township revenue sharing | (6,200,000) | 0 |
| Total Treasury - Revenue Sharing | \$44,265,200 | \$0 |
| TOTAL BUDGET AREA CHANGES | \$2,031,909,200 | \$237,802,900 |

APPENDIX

Governor's Recommendation
Highlight Sheets



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BILL ANALYSIS



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Committee: Appropriations

| FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE | FY 2018-19 YEAR-TO-DATE* | FY 2019-20 GOV.'S REC. | CHANGES FROM FY 2018-19 YEAR-TO-DATE | |
|---|--------------------------|------------------------|--------------------------------------|--------------|
| | | | AMOUNT | PERCENT |
| FTE Positions | 502.5 | 503.5 | 1.0 | 0.2 |
| GROSS | 110,198,100 | 109,830,500 | (367,600) | (0.3) |
| Less: | | | | |
| Interdepartmental Grants Received | 313,900 | 318,400 | 4,500 | 1.4 |
| ADJUSTED GROSS | 109,884,200 | 109,512,100 | (372,100) | (0.3) |
| Less: | | | | |
| Federal Funds | 11,775,200 | 11,836,400 | 61,200 | 0.5 |
| Local and Private | 101,800 | 101,800 | 0 | 0.0 |
| TOTAL STATE SPENDING | 98,007,200 | 97,573,900 | (433,300) | (0.4) |
| Less: | | | | |
| Other State Restricted Funds | 37,172,000 | 39,653,700 | 2,481,700 | 6.7 |
| GENERAL FUND/GENERAL PURPOSE | 60,835,200 | 57,920,200 | (2,915,000) | (4.8) |
| PAYMENTS TO LOCALS | 6,350,000 | 8,450,000 | 2,100,000 | 33.1 |

*As of March 5, 2019

| | Gross | GF/GP |
|--|----------------------|---------------------|
| FY 2018-19 Year-to-Date Appropriation | \$110,198,100 | \$60,835,200 |

Changes from FY 2018-19 Year-to-Date:

- | | | |
|--|-------------|-------------|
| 1. Agriculture Preservation Conservation Easement Grant Program Funding. Governor recommended \$2.0 million in Michigan Agriculture Preservation Funds to re-establish a statutory grant program for local government acquisition of permanent easements on farmland. | 2,000,000 | 0 |
| 2. Double Up Food Bucks Expansion. Governor recommended a \$4.0 million GF/GP expansion of the Double Up Food Bucks Program (which provides support for the purchase of healthier foods by food assistance program recipients) from the \$300,000 GF/GP appropriated in DHHS in FY 2018-19 and targeted to Flint, but managed by MDARD. Funds recommended include \$2.0 million ongoing and \$2.0 million one-time funding to expand the program through the Fair Food Network from current 65 counties to statewide. | 4,000,000 | 4,000,000 |
| 3. Alignment of Restricted Authorization with Available Revenues. Governor recommended alignment of Restricted funding amounts across several budget lines to reflect actual funds received. | 211,800 | 0 |
| 4. Food and Agriculture Investment Grant Program. Governor recommended a reduction in the grant program of \$2.6 million GF/GP, leaving a total recommended appropriation for FY 2019-20 of \$2,477,900 GF/GP. | (2,600,000) | (2,600,000) |

| | | |
|--|----------------------|----------------------|
| 5. County Fairs, Shows and Exhibitions Grants Reduction. Governor recommended a reduction in the grant program, including \$200,000 from ongoing appropriations and \$925,000 from one-time, to a recommended appropriation amount of \$200,000 GF/GP for FY 2019-20. | (1,125,000) | (1,125,000) |
| 6. Animal Agriculture Initiative One-Time Grant Elimination. Governor recommended elimination. | (2,000,000) | (2,000,000) |
| 7. Dairy Industry Assistance Program One-Time Grant Elimination. Governor recommended elimination. | (1,000,000) | (1,000,000) |
| 8. Agriculture Industry Research and Development One-Time Grant Elimination. Governor recommended elimination. | (550,000) | (550,000) |
| 9. ACRE Agriculture Incubator One-Time Grant Elimination. Governor recommended elimination. | (260,000) | (260,000) |
| 10. ODC Network - Project Clarity One-Time Grant Elimination. Governor recommended elimination. | (120,000) | (120,000) |
| 11. Unclassified Salaries. Governor recommended economic increase from \$573,500 from FY 2018-19 to \$596,700 for FY 2019-20. | 23,200 | 23,200 |
| 12. Economic Adjustments. Includes \$1,052,400 Gross and \$716,800 GF/GP for total economic adjustments, of which an estimated negative \$778,900 Gross and \$543,800 GF/GP is for legacy retirement costs (pension and retiree health). | 1,052,400 | 716,800 |
| Total Changes | (\$367,600) | (\$2,915,000) |
| FY 2019-20 Governor's Recommendation | \$109,830,500 | \$57,920,200 |

Boilerplate Changes from FY 2018-19 Year-to-Date:

- Disciplinary Action.** Governor eliminated language prohibiting action against an employee for communicating with legislative staff. (Sec. 215)
- Retain Reports.** Governor eliminated a requirement that all reports be kept and retained by MDARD. (Sec. 234)
- County Fairs, Shows, and Expositions Grant Program.** Governor revised language and removed individual projects that had been earmarked for funding. (Sec. 301 from PA 618 of 2018; Sec. 805 from Governor's recommendation)
- Agriculture Development.** Governor eliminated language which provided \$150,000 in Agriculture Development appropriations be used for activities under the Industrial Hemp Research Act. (Sec. 302 of PA 618 of 2018)
- Department Contracting and Granting in Support of Department Activities.** Governor added language stipulating that notices to the legislature for contracts or grants be from line items not specifically authorized to award grants. (Sec. 302)
- Agriculture Industry Research and Development.** Governor eliminated language which provided \$550,000 in Agriculture Development appropriations be used for upgrades to mobile fruit and vegetable processing teaching labs. (Sec. 303 of PA 618 of 2018)
- Dairy Industry Assistance Program.** Governor eliminated language which provided guidelines for \$1.0 million grant program. (Sec. 304 of PA 618 of 2018)
- 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)
- Bovine TB Activity and Status Report.** Governor removed annual and quarterly report requirement of the MDARD activities and status of bovine TB in the State. (Sec. 457)
- Whole Herd TB Testing.** Governor eliminated language prohibiting whole herds from being tested more often than every four years or not retested until all other county herds have been tested, except under certain circumstances. (Sec. 459)
- Apiaries Grants.** Governor removed Sec. 462 which earmarked \$20,000 in funds for a grant program to assist in the construction of protective systems for apiaries. (Sec. 462)

12. **Agriculture Equine Industry Development Fund (AEID).** Governor removed language requiring up to \$395,000 in AEID funds be allocated to the Purses and Supplements - Fairs/Licensed Tracks line item and adds "fairs and licensed tracks" to those who would receive prorated funds after obligations to the Department of Treasury's Michigan Gaming Control Board have been met. (Sec. 802)

Date Completed: 3-12-19

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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Committee: Appropriations

| FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE | FY 2018-19 YEAR-TO-DATE* | FY 2019-20 GOV.'S REC. | CHANGES FROM FY 2018-19 YEAR-TO-DATE | |
|---|--------------------------|------------------------|--------------------------------------|--------------|
| | | | AMOUNT | PERCENT |
| FTE Positions | 531.0 | 539.0 | 8.0 | 1.5 |
| GROSS | 104,027,700 | 106,517,800 | 2,490,100 | 2.4 |
| Less: | | | | |
| Interdepartmental Grants Received | 30,386,400 | 34,908,000 | 4,521,600 | 14.9 |
| ADJUSTED GROSS | 73,641,300 | 71,609,800 | (2,031,500) | (2.8) |
| Less: | | | | |
| Federal Funds | 10,007,300 | 9,713,700 | (293,600) | (2.9) |
| Local and Private | 0 | 0 | 0 | 0.0 |
| TOTAL STATE SPENDING | 63,634,000 | 61,896,100 | (1,737,900) | (2.7) |
| Less: | | | | |
| Other State Restricted Funds | 22,427,200 | 20,159,800 | (2,267,400) | (10.1) |
| GENERAL FUND/GENERAL PURPOSE | 41,206,800 | 41,736,300 | 529,500 | 1.3 |
| PAYMENTS TO LOCALS | 0 | 0 | 0 | 0.0 |

*As of March 5, 2019.

| | Gross | GF/GP |
|--|----------------------|---------------------|
| FY 2018-19 Year-to-Date Appropriation | \$104,027,700 | \$41,206,800 |

Changes from FY 2018-19 Year-to-Date:

- | | | |
|--|-----------|-----------|
| 1. Removal of FY 2018-19 Supplemental Funding. Governor removed supplemental funding for the Prosecuting Attorneys Coordinating Council (PACC) totaling \$378,800 added via PA 618 of 2018. | (378,800) | 0 |
| 2. Marihuana Legal Services. Governor increased IDG funding to provide legal services for marihuana regulation due to adoption of Proposal 1 in November 2018. | 935,400 | 0 |
| 3. MSHDA Legal Services. Governor increased IDG funding and added 2.0 FTEs to provide adequate funding for legal staffing for MSHDA. | 335,500 | 0 |
| 4. Child Abuse and Neglect. Governor provided additional IDG funding and added 2.0 FTEs for attorneys for DHHS for investigations and prosecutions of child abuse and neglect cases in Wayne County. | 340,000 | 0 |
| 5. DTMB Legal Services. Governor provided additional IDG funding and added 4.0 FTEs for additional attorneys for DTMB related activities. | 670,000 | 0 |
| 6. Elimination of FY 2018-19 One-Time Items. Governor removed one-time funding totaling \$800,000; \$100,000 GF/GP. Funding removed as follows: \$700,000 in Restricted lawsuit settlement funds for PACC for juvenile life without parole cases and \$100,000 in GF/GP for PACC for forensic interviewing trainings. | (800,000) | (100,000) |

| | | |
|--|----------------------|---------------------|
| 7. Economic Adjustments. Includes \$1,388,000 Gross and \$629,500 GF/GP for total economic adjustments, of which an estimated negative \$1,089,100 Gross and \$447,700 GF/GP is for legacy retirement costs (pension and retiree health). | 1,388,000 | 629,500 |
| Total Changes | \$2,490,100 | \$529,500 |
| FY 2019-20 Governor's Recommendation | \$106,517,800 | \$41,736,300 |

Boilerplate Changes from FY 2018-19 Year-to-Date:

1. **Boilerplate Structure. Governor:** Moved boilerplate from the FY 2018-19 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. **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)
3. **Address Confidentiality Program.** Requires the Attorney General to develop the address confidentiality program that allows individuals to participate if he or she is a victim of domestic violence, stalking, human trafficking, sexual assault, or is at risk of physical harm if his or her address is disclosed. Section becomes effective upon enactment of Senate Bill 655 of the 99th Legislature. **Governor:** SB 655 was not enacted thus section is deleted. (Current Law Sec. 316a)
4. **Forensic Interviewing.** Requires the one-time funding provided in Part 1 to be used to provide additional forensic interviewing training sessions to meet demand. Funding is intended to fund trainings for Child Advocacy Centers and local prosecutors. **Governor:** Deleted. (Current Law Sec. 318)
5. **Legacy Cost Estimates.** Total legacy costs are estimated at \$18,049,500. Of the total, pension-related legacy costs are estimated at \$8,321,100 and retiree health care legacy costs are estimated at \$9,728,400 for fiscal year ending September 30, 2019. **Governor:** Provided the following Legacy Costs estimates for FY 2020: Total legacy costs estimated at \$17,223,800. Of that total, \$8,372,900 are for pension-related legacy costs and \$8,850,900 are for retiree health care legacy costs for the fiscal year ending September 30, 2020. (Gov. Sec. 214, Current Law Sec. 315)

Date Completed: 3-12-19

Fiscal Analyst: Joe Carrasco, Jr.



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BILL ANALYSIS



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Committee: Appropriations

| FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE | FY 2018-19 YEAR-TO-DATE* | FY 2019-20 GOV.'S REC. | CHANGES FROM FY 2018-19 YEAR-TO-DATE | |
|---|--------------------------|------------------------|--------------------------------------|------------|
| | | | AMOUNT | PERCENT |
| FTE Positions | 110.0 | 110.0 | 0.0 | 0.0 |
| GROSS | 16,201,100 | 16,388,300 | 187,200 | 1.2 |
| Less: | | | | |
| Interdepartmental Grants Received | 299,100 | 298,500 | (600) | (0.2) |
| ADJUSTED GROSS | 15,902,000 | 16,089,800 | 187,800 | 1.2 |
| Less: | | | | |
| Federal Funds | 2,802,700 | 2,816,900 | 14,200 | 0.5 |
| Local and Private | 18,700 | 18,700 | 0 | 0.0 |
| TOTAL STATE SPENDING | 13,080,600 | 13,254,200 | 173,600 | 1.3 |
| Less: | | | | |
| Other State Restricted Funds | 58,500 | 58,500 | 0 | 0.0 |
| GENERAL FUND/GENERAL PURPOSE | 13,022,100 | 13,195,700 | 173,600 | 1.3 |
| PAYMENTS TO LOCALS | 0 | 0 | 0 | 0.0 |

*As of March 5, 2019.

| | Gross | GF/GP |
|--|---------------------|---------------------|
| FY 2018-19 Year-to-Date Appropriation | \$16,201,100 | \$13,022,100 |
| Changes from FY 2018-19 Year-to-Date: | | |
| 1. Economic Adjustments. Includes \$187,200 Gross and \$173,600 GF/GP for total economic adjustments, of which an estimated negative \$166,000 Gross and \$148,000 GF/GP is for legacy retirement costs (pension and retiree health). | 187,200 | 173,600 |
| Total Changes | \$187,200 | \$173,600 |
| FY 2019-20 Governor's Recommendation | \$16,388,300 | \$13,195,700 |

Boilerplate Changes from FY 2018-19 Year-to-Date:

- 1. Governor:** Moved boilerplate from the FY 2018-19 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. Legacy Cost Estimates.** Total legacy costs are estimated at \$2,558,000. Of the total, pension-related legacy costs are estimated at \$1,179,300 and retiree health care legacy costs are estimated at \$1,378,700 for fiscal year ending September 30, 2019. **Governor:** Provided the following Legacy Costs estimates for FY 2020: Total legacy costs estimated at \$2,516,500. Of that total, \$1,223,300 are for pension-related legacy costs and \$1,293,200 are for retiree health care legacy costs for the fiscal year ending September 30, 2020. (CL Sec. 410)

Date Completed: 3-12-19

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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| FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE | FY 2018-19 YEAR-TO-DATE* | FY 2019-20 GOV.'S REC. | CHANGES FROM FY 2018-19 YEAR-TO-DATE | |
|---|--------------------------|------------------------|--------------------------------------|------------|
| | | | AMOUNT | PERCENT |
| FTE Positions | 0.0 | 0.0 | N/A | N/A |
| GROSS | 408,215,500 | 421,164,000 | 12,948,500 | 3.2 |
| Less: | | | | |
| Interdepartmental Grants Received | 0 | 0 | 0 | 0.0 |
| ADJUSTED GROSS | 408,215,500 | 421,164,000 | 12,948,500 | 3.2 |
| Less: | | | | |
| Federal Funds | 0 | 0 | 0 | 0.0 |
| Local and Private | 0 | 0 | 0 | 0.0 |
| TOTAL STATE SPENDING | 408,215,500 | 421,164,000 | 12,948,500 | 3.2 |
| Less: | | | | |
| Other State Restricted Funds | 408,215,500 | 408,215,500 | 0 | 0.0 |
| GENERAL FUND/GENERAL PURPOSE | 0 | 12,948,500 | 12,948,500 | 0.0 |
| PAYMENTS TO LOCALS | 408,215,500 | 421,164,000 | 12,948,500 | 3.2 |

*As of March 5, 2019.

| | Gross | GF/GP |
|--|----------------------|------------|
| FY 2018-19 Year-to-Date Appropriation | \$408,215,500 | \$0 |

Changes from FY 2018-19 Year-to-Date:

- | | | |
|--|--------------------|------------------|
| <p>1. Community College Operations Increase. The Governor included a 3% increase in community college operations. The increase would be distributed through the existing performance funding formula developed by the 2016 Performance Indicators Review Task Force. The formula allocates the money as follows: 30% proportional to FY 2018-19 base appropriation, 30% weighted contact hours, 10% performance improvement, 10% performance completion number, 10% performance completion rate, 5% administrative costs, 5% local strategic value.</p> | <p>9,667,500</p> | <p>9,667,500</p> |
| <p>2. Michigan Public School Employees' Retirement System (MPSERS) Normal Cost Offset. The Governor moved the \$6.4 million one-time FY 2018-19 item for this purpose to an ongoing appropriation and increased the amount by an additional \$5.8 million for a total normal cost offset of \$12.2 million. This amount will support the additional costs associated with bringing the assumed rate of return for MPSERS investments from 8% to 7.05%.</p> | <p>5,781,000</p> | <p>3,281,000</p> |
| <p>3. MPSERS Unfunded Accrued Liability (UAAL) Stabilization Adjustment. The Governor reduced this item to reflect a reduction in the amount of the State's share of costs above the statutory cap. This reduction would bring total MPSERS UAAL payments to \$74.8 million.</p> | <p>(2,200,000)</p> | <p>0</p> |

4. **Renaissance Zone Reimbursements.** The Governor reduced these payments to reflect a reduced estimate for the amount necessary to reimburse community colleges for lost property tax revenue due to renaissance zones. (300,000) 0

| | | |
|---|----------------------|---------------------|
| Total Changes | \$12,948,500 | \$12,948,500 |
| FY 2019-20 Governor's Recommendation | \$421,164,000 | \$12,948,500 |

Boilerplate Changes from FY 2018-19 Year-to-Date:

- Schedule of Payments to Community Colleges.** The Governor removed language requiring the State Budget Director to notify the House and Senate Subcommittees before funds are withheld due to a failure to report certain information as required by statute. (Sec. 206)
- Use and Finance Noncompliance Penalty.** The Governor removed a section that imposes a 1% reduction in State funding to a community college for each violation of certain requirements of the Management and Budget Act. (Sec. 208)
- Transparency Reporting - Noncompliance Penalty.** The Governor removed language that allows the State Budget Director to withhold monthly payments to community colleges if the colleges do not comply with statutory transparency reporting requirements. (Sec. 209)
- Academic Program Partnerships.** The Governor removed a section requiring the Michigan Community College Association (MCCA), Michigan Independent Colleges and Universities, and the Michigan Association of State Universities to submit a report on academic partnership programs. (Sec. 210f)
- Cost Containment.** The Governor removed a section requiring community colleges to pursue various efficiencies in their operations. (Sec. 212)
- Michigan Community College Data Inventory - Advisory Committee Selection.** The Governor removed language requiring the MCCA members selected to serve on the MCCDI Advisory Committee to be from various community college classification groups. (Sec. 217)
- Tuition and Fees Report.** The Governor removed language requiring community colleges to include the annual cost of tuition and fees based on a full-time course load of 30 credits in their tuition and fees report. (Sec. 225)
- Purchase of Foreign Automobiles.** The Governor removed a prohibition on the purchase of foreign automobiles using State funds. (Sec. 228)
- Tuition Restraint.** The Governor included a new section that would make the receipt of performance funding contingent upon keeping increases in tuition and fee rates for the 2019-20 academic year less than the greater of 3.2% or \$128. (Sec. 231)

Date Completed: 3-12-19

Fiscal Analyst: Josh Sefton

Table 1: FY 2019-20 Community College Appropriations: Governor's Recommendation

| College | FY 2018-19 Year-To-Date | FY 2019-20 | | |
|---|----------------------------|----------------------|----------------------|-------------------|
| | | Total Adjustments | Appropriation | Percent Change |
| Alpena | \$5,707,600 | \$158,500 | \$5,866,100 | 2.8% |
| Bay de Noc | 5,624,800 | 145,100 | 5,769,900 | 2.6% |
| Delta | 15,104,300 | 424,900 | 15,529,200 | 2.8% |
| Glen Oaks | 2,620,000 | 89,400 | 2,709,400 | 3.4% |
| Gogebic | 4,844,300 | 128,400 | 4,972,700 | 2.7% |
| Grand Rapids | 18,709,300 | 614,400 | 19,323,700 | 3.3% |
| Henry Ford | 22,463,600 | 634,200 | 23,097,800 | 2.8% |
| Jackson | 12,698,200 | 315,000 | 13,013,200 | 2.5% |
| Kalamazoo Valley | 13,046,600 | 379,500 | 13,426,100 | 2.9% |
| Kellogg | 10,214,400 | 280,100 | 10,494,500 | 2.7% |
| Kirtland | 3,321,600 | 126,800 | 3,448,400 | 3.8% |
| Lake Michigan | 5,672,100 | 165,300 | 5,837,400 | 2.9% |
| Lansing | 32,725,800 | 828,200 | 33,554,000 | 2.5% |
| Macomb | 34,124,000 | 980,200 | 35,104,200 | 2.9% |
| Mid Michigan | 5,112,400 | 172,000 | 5,284,400 | 3.4% |
| Monroe | 4,708,600 | 165,500 | 4,874,100 | 3.5% |
| Montcalm | 3,542,900 | 120,200 | 3,663,100 | 3.4% |
| Mott | 16,381,600 | 475,100 | 16,856,700 | 2.9% |
| Muskegon | 9,264,700 | 243,000 | 9,507,700 | 2.6% |
| North Central | 3,402,600 | 129,300 | 3,531,900 | 3.8% |
| Northwestern | 9,625,400 | 263,200 | 9,888,600 | 2.7% |
| Oakland | 22,093,000 | 751,200 | 22,844,200 | 3.4% |
| Schoolcraft | 13,112,900 | 486,500 | 13,599,400 | 3.7% |
| Southwestern | 6,946,900 | 191,200 | 7,138,100 | 2.8% |
| St. Clair | 7,358,700 | 230,200 | 7,588,900 | 3.1% |
| Washtenaw | 13,764,000 | 530,600 | 14,294,600 | 3.9% |
| Wayne County | 17,487,200 | 557,100 | 18,044,300 | 3.2% |
| West Shore | 2,573,400 | 82,400 | 2,655,800 | 3.2% |
| Subtotal Operations: | \$322,250,900 | \$9,667,500 | \$331,918,400 | 3.0% |
| MPSERS Normal Cost Offset | \$0 | \$12,212,000 | \$12,212,000 | N/A |
| MPSERS Retiree Health Care | 1,733,600 | 0 | 1,733,600 | 0.0% |
| MPSERS Reform Costs | 75,300,000 | (2,200,000) | 73,100,000 | (2.9%) |
| Renaissance Zone Reimbursements | 2,500,000 | (300,000) | 2,200,000 | (12.0%) |
| MPSERS Normal Cost Hold Harmless (one-time) | 6,431,000 | (6,431,000) | 0 | (100.0%) |
| Total Appropriations: | \$408,215,500 | \$12,948,500 | \$421,164,000 | 3.2% |
| State School Aid Fund | 408,215,500 | 0 | \$408,215,500 | 0.0% |
| GF/GP | \$0 | \$12,948,500 | \$12,948,500 | N/A |



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Committee: Appropriations

| FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE | FY 2018-19 YEAR-TO-DATE* | FY 2019-20 GOV.'S REC. | CHANGES FROM FY 2018-19 YEAR-TO-DATE | |
|---|--------------------------|------------------------|--------------------------------------|------------|
| | | | AMOUNT | PERCENT |
| FTE Positions | 13,963.2 | 13,793.8 | (169.4) | (1.2) |
| GROSS | 2,019,056,200 | 2,049,998,200 | 30,942,000 | 1.5 |
| Less: | | | | |
| Interdepartmental Grants Received | 0 | 0 | 0 | 0.0 |
| ADJUSTED GROSS | 2,019,056,200 | 2,049,998,200 | 30,942,000 | 1.5 |
| Less: | | | | |
| Federal Funds | 5,315,200 | 5,323,700 | 8,500 | 0.2 |
| Local and Private | 8,960,100 | 11,687,200 | 2,727,100 | 30.4 |
| TOTAL STATE SPENDING | 2,004,780,900 | 2,032,987,300 | 28,206,400 | 1.4 |
| Less: | | | | |
| Other State Restricted Funds | 40,939,600 | 41,112,500 | 172,900 | 0.4 |
| GENERAL FUND/GENERAL PURPOSE | 1,963,841,300 | 1,991,874,800 | 28,033,500 | 1.4 |
| PAYMENTS TO LOCALS | 122,169,600 | 123,385,700 | 1,216,100 | 1.0 |

*As of March 5, 2019.

| | Gross | GF/GP |
|--|------------------------|------------------------|
| FY 2018-19 Year-to-Date Appropriation | \$2,019,056,200 | \$1,963,841,300 |

Changes from FY 2018-19 Year-to-Date:

- | | | |
|---|-------------|-------------|
| 1. Removal of FY 2018-19 Supplemental Funding. Governor removed supplemental funding totaling \$2.0 million provided for education, skilled trades, and career readiness programs added via PA 618 of 2018. | (2,000,000) | (2,000,000) |
| 2. New Custody Staff Training. Governor provided one-time funding for an officer academy with an expected graduating class of 408 officers to address higher than anticipated attrition. | 10,466,800 | 10,466,800 |
| 3. Hepatitis C Treatment. Governor increased funding to continue treatment costs and expand treatment to F1 and F0 offenders. | 6,965,200 | 6,965,200 |
| 4. Corizon Health Care Contract. Governor increased funding due to inflationary contract costs increases. | 5,446,500 | 5,446,500 |
| 5. Electronic Tether Replacement. Governor provided one-time funding for the replacement of nearly 6,700 electronic tether monitoring devices due to moving from a 3G to a 4G cellular system. | 4,567,100 | 4,567,100 |
| 6. Detroit Detention Center. Governor included a cost adjustment for contract with City of Detroit for the operation of the Center. | 2,623,600 | 0 |
| 7. Aging Prisoner Population. Governor increased funding to support additional staff and renovations at the Thumb Correctional Facility to better serve the health care needs of the aging prisoner population. Total funding is \$2,100,000, all GF/GP, of which \$350,000 is one-time. | 2,100,000 | 2,100,000 |

| | | |
|--|------------------------|------------------------|
| 8. Milage Rate Increase. Governor increased funding due to increased millage reimbursement rate set by DTMB. | 324,100 | 324,100 |
| 9. Prisoner Transportation. Governor increased funding for lease cost increases for prisoner transportation vehicles. | 102,300 | 102,300 |
| 10. Water/Sewer Rate Increase. Governor increased funding due to rate increases for the St. Louis Correctional Facility. | 97,000 | 97,000 |
| 11. Grandview Plaza Security. Governor increased funding due to increased cost of replacing unarmed security guards with armed guards at MDOC headquarters in Lansing. | 42,000 | 42,000 |
| 12. Prison Industries Transportation Costs. Governor increased funding for transportation costs as Michigan State Industries has increased utilization of the transportation line item to move MSI goods between correctional facilities. | 10,000 | 0 |
| 13. Goodwill Flip-the-Script. Governor eliminated the program. | (1,500,000) | (1,500,000) |
| 14. Substance Abuse Parole Certain Sanction Program. Governor eliminated the program. | (1,440,000) | (1,440,000) |
| 15. Supervising Region Incentive Program. Governor eliminated the program. | (1,000,000) | (1,000,000) |
| 16. High School Online Equivalency Pilot. Governor eliminated the pilot program. | (500,000) | (500,000) |
| 17. Federally Qualified Health Centers Pilot. Governor eliminated the pilot program. | (250,000) | (250,000) |
| 18. Prison Kitchen Inspections. Governor eliminated the pilot program. | (50,000) | (50,000) |
| 19. Ojibway Correctional Facility Closure Savings. Governor included the remaining balance of the full-year savings resulting from the closing of the Ojibway facility. | (6,805,700) | (6,805,700) |
| 20. Removal of FY 2018-19 One-Time Savings. Governor removed a total of \$11.6 million in one-time funding that included the following items: higher custody level (\$2.4 million) and new officer school (\$9.2 million). | (11,627,700) | (11,627,700) |
| 21. Economic Adjustments. Includes \$23,370,800 Gross and \$23,095,900 GF/GP for total economic adjustments, of which an estimated negative \$19,777,200 Gross and negative \$19,562,700 GF/GP is for legacy retirement costs (pension and retiree health). | 23,370,800 | 23,095,900 |
| Total Changes | \$30,942,000 | \$28,033,500 |
| FY 2019-20 Governor's Recommendation | \$2,049,998,200 | \$1,991,874,800 |

Boilerplate Changes from FY 2018-19 Year-to-Date:

- Deletions.** Governor proposed to eliminate the following sections from current-year boilerplate: 216, 217, 239, 248, 304, 308, 309, 310, 312, 402, 405, 406, 411, 412, 417, 421, 422, 437, 602, 604(2), 611, 612, 802, 803, 812, 816, 901, 902, 903, 905, 908, 913(2), 940, 942, 943, 944, 1009, 1011, and 1013. 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.** Twelve 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. **Deprived and Depressed Communities.** The Governor eliminated language stating that a Department cannot take disciplinary action against an employee or prisoner for communicating with a legislator or his or her staff. Language replace with new language requiring the Department to take all reasonable steps to ensure that business in deprived or depressed communities compete for and perform contracts to provide services or supplies, or both. (Sec. 206)
4. **Updated amounts for Total Legacy Costs.** Governor updated total legacy costs section. The pension-related costs for FY 2019-20 are \$143,458,300 and the retiree health care costs are \$151,648,700. (Sec. 214)
5. **Recidivism Rates.** Governor revised language for measurement of recidivism rates to state that the measure shall be the reincarceration recidivism rate based on available State data. (Sec. 408)
6. **Reporting Requirements.** Governor reduced the frequency of reporting for prisoner populations (Sec. 419), Hepatitis C treatment (Sec. 807), correctional officer to prisoner ratios (Sec. 912), and Holmes Youthful Trainee status. (Sec. 930)

Date Completed: 3-12-19

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Committee: Appropriations

| FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE | FY 2018-19 YEAR-TO-DATE* | FY 2019-20 GOV.'S REC. | CHANGES FROM FY 2018-19 YEAR-TO-DATE | |
|--|-----------------------------|---------------------------|---|--------------|
| | | | AMOUNT | PERCENT |
| FTE Positions | 614.5 | 614.5 | 0.0 | 0.0 |
| GROSS | 406,134,900 | 436,344,500 | 30,209,600 | 7.4 |
| Less: | | | | |
| Interdepartmental Grants Received | 0 | 0 | 0 | 0.0 |
| ADJUSTED GROSS | 406,134,900 | 436,344,500 | 30,209,600 | 7.4 |
| Less: | | | | |
| Federal Funds | 298,074,500 | 332,152,900 | 34,078,400 | 11.4 |
| Local and Private | 7,888,600 | 7,929,600 | 41,000 | 0.5 |
| TOTAL STATE SPENDING | 100,171,800 | 96,262,000 | (3,909,800) | (3.9) |
| Less: | | | | |
| Other State Restricted Funds | 8,668,200 | 9,050,000 | 381,800 | 4.4 |
| GENERAL FUND/GENERAL PURPOSE | 91,503,600 | 87,212,000 | (4,291,600) | (4.7) |
| PAYMENTS TO LOCALS | 14,567,700 | 14,267,700 | (300,000) | (2.1) |

*As of March 5, 2019.

| | Gross | GF/GP |
|--|----------------------|---------------------|
| FY 2018-19 Year-to-Date Appropriation | \$406,134,900 | \$91,503,600 |

Changes from FY 2018-19 Year-to-Date:

- | | | |
|--|------------|---------|
| 1. Child Development and Care Public Assistance. The Governor increased appropriations to increase the child care provider reimbursement rate between \$0.30 and \$0.50 (\$16.4 million) and increase the entry threshold to 140% of the Federal Poverty Level (\$13.6 million). The funding would be for implementation on January 1 st . | 30,000,000 | 0 |
| 2. Office of Great Start Operations. The Governor increased appropriations for administration and oversight of the Child Development and Care program to meet Federal requirements. | 3,600,000 | 0 |
| 3. Child Development and Care External Support. The Governor increased IDG payments to LARA to account for economic adjustments. | 323,200 | 0 |
| 4. Information Technology. The Governor increased teacher certification fees to support increased IT charges from the DTMB. | 300,000 | 0 |
| 5. Child Development and Care Matching Requirement. The Governor shifted Federal funds to GF/GP to meet Federal matching requirements. | 0 | 599,400 |
| 6. Adolescent and School Health. The Governor continued a \$319,900 supplemental appropriation that replaced lost Federal funding to support HIV/STD education prevention programs in schools. | 0 | 0 |

| | | |
|---|----------------------|----------------------|
| 7. Supplemental Appropriation Removal. The Governor removed a \$5.0 million supplemental appropriation for E-rate enhancements to increase the connection speed for schools and libraries. | (5,000,000) | (5,000,000) |
| 8. Renaissance Zone Reimbursement. The Governor reduced Renaissance Zone Reimbursement to libraries to align with current projections. | (300,000) | (300,000) |
| 9. Drinking Water Declaration of Emergency Placeholder. The Governor removed the placeholder. | (100) | 0 |
| 10. Other. The Governor created the Office of Systems, Evaluation, and Technology, the Office of Financial Management, the Office of Strategic Planning and Implementation, the Office of Educator Excellence, and the Office of Educational Supports by reorganizing existing funds and FTEs throughout the Department. | 0 | 0 |
| 11. Economic Adjustments. Includes \$1,286,500 Gross and \$409,000 GF/GP for total economic adjustments, of which an estimated decrease of \$586,400 Gross and \$187,100 GF/GP is for legacy retirement costs (pension and retiree health). | 1,286,500 | 409,000 |
| Total Changes | \$30,209,600 | (\$4,291,600) |
| FY 2019-20 Governor's Recommendation | \$436,344,500 | \$87,212,000 |

Boilerplate Changes from FY 2018-19 Year-to-Date:

- Deleted Reports.** The Governor deleted a number of sections related to reporting/notification requirements, which include: 221 (retention of sexual misconduct records), 223 (retention of all reports), 227 (responding to requests from the Legislature within 30 days and reporting on due dates), 229 (notification when entering into contracts above \$1.0 million or when changes are made to Federal accountability plans), 230 (nonpublic school report), 325 (notification of grants received), 1003 (ECIC report), and 1010 (notification of Federal CDC changes).
- Other Deleted Sections.** The Governor deleted a number of other sections, which include: 222 (protects employees who testify to the Legislature), 225 (School Aid grant award date requirement), 234 (restrictions of Administrative Rules), 302 (State Board travel expenditure cap), 409 (Administrative hearing requirements), 502 (allowable teacher experience), 602 (Adolescent and School Health funding), 803 (Legislative intent for the Library of Michigan), 1005 (LARA funding requirements), 1011 (CDC biweekly block reimbursement implementation), and 1101 (Drinking Water Declaration of Emergency, CDC pilot program).
- Sexual Abuse Report Modification.** The Governor modified the sexual abuse report requirement, by removing the requirement to issue the sexual abuse report to all schools, but retained language requiring the collection of information on policies adopted by school districts, ISDs, and charter school academies. (Sec. 231)
- Low Incidence Outreach Fund.** The Governor modified the Low Incidence Outreach Fund to allow the Department of Education to spend funds in addition to those appropriated in Part 1. (Sec. 408)
- Child Development and Care Reimbursement Rate Increase.** The Governor increased the CDC reimbursement rate for providers. The increase includes a \$0.20 increase to all provides serving children between the ages of 0-5, a \$0.20 increase to all 0 to 2 star-rated providers, and a \$0.30 increase to all 3 to 5 star-rated providers. (Sec. 1002)
- Child Development and Care Income Entry Level Increase.** The Governor increased the income entry threshold for the CDC program from 130% to 140% of the FPL. (sec. 1009)
- Technical Changes.** The Governor made a number of technical modifications that include date changes, changes in Part 1 appropriations, legacy costs, and name changes. (Sec. 201, 203, 212, 201, 501, 701, 804, 1004, 1007)

Date Completed: 3-12-19

Fiscal Analyst: Cory Savino

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



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Committee: Appropriations

| FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE | FY 2018-19 YEAR-TO-DATE* | FY 2019-20 GOV.'S REC. | CHANGES FROM FY 2018-19 YEAR-TO-DATE | |
|---|--------------------------|------------------------|--------------------------------------|--------------|
| | | | AMOUNT | PERCENT |
| FTE Positions | 1,257.0 | 1,281.0 | 24.0 | 1.9 |
| GROSS | 501,302,600 | 478,273,300 | (23,029,300) | (4.6) |
| Less: | | | | |
| Interdepartmental Grants Received | 3,143,700 | 3,176,600 | 32,900 | 1.0 |
| ADJUSTED GROSS | 498,158,900 | 475,096,700 | (23,062,200) | (4.6) |
| Less: | | | | |
| Federal Funds | 160,225,400 | 160,895,300 | 669,900 | 0.4 |
| Local and Private | 1,061,700 | 1,061,800 | 100 | 0.0 |
| TOTAL STATE SPENDING | 336,871,800 | 313,139,600 | (23,732,200) | (7.0) |
| Less: | | | | |
| Other State Restricted Funds | 278,325,300 | 259,346,600 | (18,978,700) | (6.8) |
| GENERAL FUND/GENERAL PURPOSE | 58,546,500 | 53,793,000 | (4,753,500) | (8.1) |
| PAYMENTS TO LOCALS | 9,701,000 | 23,346,000 | 13,645,000 | 140.7 |

*As of March 5, 2019

| | Gross | GF/GP |
|--|----------------------|---------------------|
| FY 2018-19 Year-to-Date Appropriation | \$501,302,600 | \$58,546,500 |

Changes from FY 2018-19 Year-to-Date:

- | | | |
|--|--------------|-------------|
| 1. Drinking Water Compliance Assistance. The Governor included GF/GP funds to establish a drinking water compliance assistance unit to provide technical expertise to the lead and copper rule requirements with 10.0 new FTEs. | 1,900,000 | 1,900,000 |
| 2. Coal Ash Care Fund. The Governor included authorization for the new Coal Ash Care Fund established in PA 640 of 2018 to collect and spend revenue received from owners or operators of active coal ash landfills. | 260,000 | 0 |
| 3. Remove Annual SWQIF Bond Appropriation. The Governor removed appropriations for the Strategic Water Quality Initiative Fund as bond proceeds have been fully appropriated. | (15,000,000) | 0 |
| 4. Lawsuit Settlement Fund. The Governor eliminated lawsuit settlement proceeds related to the Drinking Water Emergency Declaration. | (3,000,000) | 0 |
| 5. SBO Initiative - Vapor Intrusion. The Governor removed GF/GP funds for the 2017 initiative as the Renewing Michigan's Environment program contains Restricted funding for emerging contaminants. | (1,655,300) | (1,655,300) |
| 6. SBO Initiative - Water Quality and Use Initiative. The Governor removed GF/GP funds for the 2015 initiative and moved 5.0 FTEs to the Renewing Michigan's Environment program. | (1,522,900) | (1,522,900) |

| | | |
|---|-----------------------|----------------------|
| 7. SBO Initiative - Recycling. The Governor removed GF/GP funds for the 2015 initiative as the Renewing Michigan's Environment program contains \$15 million in Restricted funding for recycling grants. | (1,032,000) | (1,032,000) |
| 8. SBO Initiative - Lead Remediation Grants. The Governor removed GF/GP funds for the 2019 initiative. | (1,000,000) | (1,000,000) |
| 9. Wetlands Mitigation Banking Program. The Governor removed funding for the Wetlands Mitigation Banking Program as bond proceeds have been fully appropriated. | (1,000,000) | 0 |
| 10. Water Withdrawal Assessment Program. The Governor removed funding for the Water Withdrawal Assessment Program as bond proceeds have been fully appropriated. | (800,000) | 0 |
| 11. Aquifer Protection Revolving Fund. The Governor removed aquifer protection revolving funds that were intended to be one-time. | (524,000) | 0 |
| 12. Remove FY 2018-19 Supplemental and One-Time Appropriations. The Governor removed several items that were not included as part of the Department's base budget. | (2,120,000) | (2,120,000) |
| 13. Other Changes. The Governor included other technical changes including aligning State Restricted funding authorization with anticipated revenue. | (603,400) | 0 |
| 14. Economic Adjustments. Includes \$3,068,300 Gross and \$676,700 GF/GP for total economic adjustments, of which an estimated negative \$1,920,400 Gross and \$478,400 GF/GP is for legacy retirement costs (pension and retiree health). | 3,068,300 | 676,700 |
| Total Changes | (\$23,029,300) | (\$4,753,500) |
| FY 2019-20 Governor's Recommendation | \$478,273,300 | \$53,793,000 |

Boilerplate Changes from FY 2018-19 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. Report on Fees Charged.** The Governor removed a report containing information on all fees charged by the Department, associated revenues, and all State and Federal fund sources utilized by the Department. (Sec. 238)
- 4. 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)
- 5. Environmental Cleanup and Redevelopment Program.** The Governor removed work project language for this program as it has no funding remaining. (Sec. 307)
- 6. Vapor Intrusion Program.** The Governor removed metric language on the Vapor Intrusion Program as funding was not included. (Sec. 313)
- 7. Lead Remediation Grants.** The Governor removed boilerplate language on Lead Remediation Grants as funding was not included. (Sec. 315)
- 8. Environmental Cleanup and Redevelopment Program (One-Time).** The Governor removed boilerplate language for one-time funding for FY 2018-19. (Sec. 316)
- 9. Aquifer Protection Program.** The Governor removed work project language for the Aquifer Protection Program as funding was not included. (Sec. 412)

10. **Cooperative Lakes Monitoring Program.** The Governor removed boilerplate language on the Cooperative Lakes Monitoring Program as it was a one-time grant in the Department of Talent and Economic Development budget for FY 2018-19. (Sec. 413)
11. **Renew Michigan's Environment.** The Governor included work project language for the Renew Michigan Environment program. (Sec. 501)
12. **Drinking Water Infrastructure.** The Governor included work project language for the Drinking Water Infrastructure program. (Sec. 801)
13. **Drinking Water Infrastructure Grants.** The Governor included language directing Drinking Water Infrastructure Grant allocations. (Sec. 802)
14. **Lead and Copper Rule.** The Governor removed boilerplate language for one-time funding for FY 2018-19. (Sec. 604)
15. **Landfill Research, Design, and Demonstration Project.** The Governor removed boilerplate language for one-time funding for FY 2018-19. (Sec. 801)

Date Completed: 3-12-19

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Committee: Appropriations

| FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE | FY 2018-19 YEAR-TO-DATE* | FY 2019-20 GOV.'S REC. | CHANGES FROM FY 2018-19 YEAR-TO-DATE | |
|--|-----------------------------|---------------------------|---|------------|
| | | | AMOUNT | PERCENT |
| FTE Positions | 79.2 | 79.2 | 0.0 | 0.0 |
| GROSS | 6,980,100 | 7,114,300 | 134,200 | 1.9 |
| Less: | | | | |
| Interdepartmental Grants Received | 0 | 0 | 0 | 0.0 |
| ADJUSTED GROSS | 6,980,100 | 7,114,300 | 134,200 | 1.9 |
| Less: | | | | |
| Federal Funds | 0 | 0 | 0 | 0.0 |
| Local and Private | 0 | 0 | 0 | 0.0 |
| TOTAL STATE SPENDING | 6,980,100 | 7,114,300 | 134,200 | 1.9 |
| Less: | | | | |
| Other State Restricted Funds | 0 | 0 | 0 | 0.0 |
| GENERAL FUND/GENERAL PURPOSE | 6,980,100 | 7,114,300 | 134,200 | 1.9 |
| PAYMENTS TO LOCALS | 0 | 0 | 0 | 0.0 |

*As of March 5, 2019.

| | Gross | GF/GP |
|--|--------------------|--------------------|
| FY 2018-19 Year-to-Date Appropriation | \$6,980,100 | \$6,980,100 |
| Changes from FY 2018-19 Year-to-Date: | | |
| 1. Executive Office Operations. Governor recommended a 2.0% overall increase for Executive Operations. | 107,500 | 107,500 |
| 2. Unclassified Salaries. Governor increased GF/GP funding by \$26,700 for total funding of \$1,360,200 for FY 2019-20. | 26,700 | 26,700 |
| Total Changes | \$134,200 | \$134,200 |
| FY 2019-20 Governor's Recommendation | \$7,114,300 | \$7,114,300 |

Boilerplate Changes from FY 2018-19 Year-to-Date:

1. There is no boilerplate for the Executive Office.

Date Completed: 3-12-19

Fiscal Analyst: Joe Carrasco, Jr.

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



Senate Fiscal Agency
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BILL ANALYSIS



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Committee: Appropriations

| FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE | FY 2018-19 YEAR-TO-DATE* | FY 2019-20 GOV.'S REC. | CHANGES FROM FY 2018-19 YEAR-TO-DATE | |
|---|--------------------------|------------------------|--------------------------------------|------------|
| | | | AMOUNT | PERCENT |
| FTE Positions | 15,936.7 | 16,001.0 | 64.3 | 0.4 |
| GROSS | 25,502,246,400 | 26,178,757,500 | 676,511,100 | 2.7 |
| Less: | | | | |
| Interdepartmental Grants Received | 13,813,700 | 13,857,600 | 43,900 | 0.3 |
| ADJUSTED GROSS | 25,488,432,700 | 26,164,899,900 | 676,467,200 | 2.7 |
| Less: | | | | |
| Federal Funds | 18,016,041,200 | 18,221,270,400 | 205,229,200 | 1.1 |
| Local and Private | 274,022,500 | 299,341,200 | 25,318,700 | 9.2 |
| TOTAL STATE SPENDING | 7,198,369,000 | 7,644,288,300 | 445,919,300 | 6.2 |
| Less: | | | | |
| Other State Restricted Funds | 2,758,754,600 | 2,864,946,300 | 106,191,700 | 3.8 |
| GENERAL FUND/GENERAL PURPOSE | 4,439,614,400 | 4,779,342,000 | 339,727,600 | 7.7 |
| PAYMENTS TO LOCALS | 1,486,146,300 | 1,554,203,600 | 68,057,300 | 4.6 |

*As of March 5, 2019.

| | Gross | GF/GP |
|--|-------------------------|------------------------|
| FY 2018-19 Year-to-Date Appropriation | \$25,502,246,400 | \$4,439,614,400 |

Changes from FY 2018-19 Year-to-Date:

- | | | |
|--|---------------|--------------|
| 1. Medicaid and Related Match Rates. Traditional Medicaid match dropped to 64.06%, SCHIP match to 86.34%, expansion match to 90.0% effective January 1, 2020. There was also a \$10.0 million decrease in Medicaid Benefits Trust Fund revenue. | 0 | 149,474,800 |
| 2. Changes in Federal Authorization. Budget reflected a net increase in Federal funds, largely crime victims and substance abuse funding. | 81,980,700 | 0 |
| 3. Medicaid Actuarial Soundness Adjustments. Budget included 2.75% for behavioral health, 2.0% for physical health, 5.75% for autism, and decreased funding for PACE. | 211,452,000 | 61,886,700 |
| 4. Special Financing/Quality Assurance Assessment Programs Adjustments. Budget reflected increases in special payments to hospitals, nursing homes, and physicians, with increased State retainer savings. | 282,341,400 | (12,627,700) |
| 5. Food Assistance Program (FAP) Base and Caseload. Budget reflected a continued decline in the FAP caseload. | (170,911,300) | 0 |
| 6. Child Welfare Services Base and Caseload. Budget reflected increases for foster care and Child Care Fund and a decrease for adoption subsidies. | 21,014,400 | 13,363,300 |

| | | |
|--|-------------------------|------------------------|
| 7. Public Assistance Caseloads. Budget reflected minor reductions for Family Independence Program and other public assistance programs. | (12,122,100) | (2,848,400) |
| 8. Traditional Medicaid Base and Caseload. Budget included increased funding to reflect growth in Medicaid costs for physical and behavioral health. | 167,974,800 | 66,289,100 |
| 9. Healthy Michigan Plan (HMP) Base and Caseload. Budget reflected relative flat funding for HMP. | (3,824,100) | (1,164,500) |
| 10. Program Increases. Budget included funding for environmental hazards services (23.0 FTEs), forensic center staff (12.0 FTEs), minimum wage increases for Adult Home Help, and an anticipated increase in eligible population for Medicare Premium Payments. | 90,994,300 | 45,915,800 |
| 11. Program Reductions. Budget included cuts to multiple legislative initiatives, hospice funding, the MiDocs GME consortium, rural hospital funding, the nursing home variable cost limit, and the pharmacy administrative component of HMO rates. The budget also included assumed savings from expanded inspector general efforts to reduce inaccurate payments made by managed care entities. | (99,019,800) | (37,314,800) |
| 12. Insurance Provider Assessment (IPA) Adjustments. Budget reflected updated estimate of the impact of the new IPA. | (49,289,700) | (2,986,600) |
| 13. HMP Work Engagement Legislation. Budget included \$36.2 million Gross, \$23.1 million GF/GP to implement the legislation and assumes savings of \$50.0 million Gross, \$4.6 million GF/GP from caseload reduction. | (13,784,600) | 18,482,700 |
| 14. Removal of FY 2018-19 One-Time Appropriations. Budget reflected removal of one-time appropriations. | (57,820,100) | (39,237,100) |
| 15. FY 2019-20 One-Time Appropriations. Budget included a number of one-time items, including \$180.5 million Gross and \$50.0 million GF/GP to cover HMO costs of the potential reinstatement of the Federal Health Insurer Fee and \$7.0 million for continuation of the State Innovation Model. | 190,358,700 | 59,878,500 |
| 16. Other Changes. Other changes lead to a slight increase in funding. | 8,357,100 | 1,480,400 |
| 17. Economic Adjustments. Includes \$28,809,400 Gross and \$19,135,400 GF/GP for total economic adjustments, of which an estimated negative \$22,581,200 Gross and \$15,603,400 GF/GP is for legacy retirement costs (pension and retiree health). | 28,809,400 | 19,135,400 |
| Total Changes | \$676,511,100 | \$339,727,600 |
| FY 2019-20 Governor's Recommendation | \$26,178,757,500 | \$4,779,342,000 |

Boilerplate Changes from FY 2018-19 Year-to-Date:

1. **Deletions.** Governor eliminated the following sections from current year boilerplate: 264, 299, 450, 460, 517, 520, 527, 528, 531, 532, 537, 559, 590, 596, 625, 650, 721, 851,912, 925, 926, 950, 959, 994, 1060, 1061, 1146, 1147, 1170, 1183, 1228, 1234, 1235, 1303, 1305, 1307, 1507, 1510, 1621, 1646, 1696, 1763, 1792, 1800, 1803, 1810, 1851, 1855, 1856, 1857, 1861, 1866, 1882, 1905, 1907, 1908, 1909, 1912, 1913, 1914, 1916, 1917, 1918, 1919, 1920, 1921, and 1922.
2. **Renumbering.** Governor renumbered the following sections from current year boilerplate: 597 moved to 996, 801 moved to 1158, 802 moved to 1152, 803 moved to 1153, 804 moved to 1154, 805 moved to 1155, 806 moved to 1156, 1223 moved to 1315, 1224 moved to 1316, 1229 moved to 1317, 1230 moved to 1318, and 1904 moved to 598.
3. **Contingency Fund Authorization.** Governor increased the State restricted contingency fund limit from \$45.0 million to \$90.0 million. (Sec. 210)
4. **Legacy Costs.** Governor modified language to specify legacy costs for FY 2019-2020 to include \$170.3 million for pension-related costs and \$180.0 million for retiree health care costs. (Sec. 214)
5. **Information Technology Expenditures.** Governor included new language that requires three reports a year on the year-to-date IT expenditures, planned IT expenditures for the remainder of the fiscal year, and planned IT expenditures for the subsequent fiscal year. (Sec. 250)
6. **Communication with the Legislature.** Governor removed section that prohibits the Department from punishing an employee for communicating with a member of the Legislature or his or her staff. (Sec. 264)
7. **Behavioral Health Integration Pilots.** Governor modified language to make a technical correction to subsection (4) regarding saving reinvestment. Additionally, the Governor deleted subsection (7), which required a report by November 1 on the progress of the pilot project implementation including a summary of all the projects, and any necessary policy changes. (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. **Child Support Incentive Innovation Program.** Governor modified language to allow for excess child support incentives to be used for a child support innovation program for grants to counties or to be used by the State for performance-based projects. (Sec. 401)
10. **School Success Partnership Program.** Governor removed language that allocated \$525,000 grant to the Northeast Michigan Community Service Agency for a prevention program that identifies students at risk for academic failure. (Sec. 450)
11. **Child Protective Service Report.** Governor modified reporting language dealing with certain attributes of child protection cases. (Sec. 514)
12. **Title IV-E Appeals Policy.** Governor removed language that required the Department to retain the same Title IV-E appeals policy that was in place as of September 30, 2017. Conference concurred with Senate. (Sec. 517)
13. **Master Contract Changes Report.** Governor removed language that provided notification when changes to a child welfare master contract template had been made. (Sec. 537)
14. **Legal Services Association of Michigan.** Governor removed language that provided \$250,000 grant to LSAM for providing assistance to current or potential recipients of disability assistance who have applied for or wish to apply for SSI or other federal disability benefits. (Sec. 625)
15. **Heat and Eat Program.** Governor retained 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)
16. **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)
17. **Center for Forensic Psychiatry (CFP) Report.** Governor expanded language requiring a report on wait times and the number of people waiting at CFP to apply to all State psychiatric hospitals, and added the average wait time between being deemed ready for discharge and actual discharge to the report requirements. (Sec. 1059)

18. **State Psychiatric Hospital Staffing Report.** Governor included new language requiring a report on the measures implemented to hire qualified staff, address overtime and turnover, improve retention, and the number of direct care and clinical staff positions that are vacant. (Sec. 1062)
19. **HMP Employment and Training Supports.** Governor included new language appropriating funds for employment and training-related services for HMP beneficiaries. Allows the Department to partner with TED to leverage existing employment-related services and allows the funds to be used to hire additional field staff. (Sec. 1511)
20. **Nursing Home Capital Costs.** Governor included new language that directs the Department to establish that the capital cost component of nursing facility reimbursement be based on a rolling 15-year history of new construction and limits the FY 2020-21 increases in the asset value bed limit to 4.0% of the FY 2019-20 limit. (Sec. 1645)
21. **Obstetrical and Newborn Care Lump Sum Payment.** Governor modified language to specify that \$5.0 million must be used to provide a lump-sum payment to rural hospitals access payment qualifying hospitals providing obstetrical care. Governor included language from Sec. 1866 regarding Rural/Sole Hospital Pool payments. (Sec. 1802).
22. **GME Quality Data Reporting.** Governor removed penalty language requiring 25% of a hospital's graduate medical education payment to be withheld if the hospital does not submit data by January 1. (Sec. 1805)

Date Completed: 3-12-19

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



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Committee: Appropriations

| FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE | FY 2018-19 YEAR-TO-DATE* | FY 2019-20 GOV.'S REC. | CHANGES FROM FY 2018-19 YEAR-TO-DATE | |
|---|--------------------------|------------------------|--------------------------------------|-------------|
| | | | AMOUNT | PERCENT |
| FTE Positions | 0.0 | 0.0 | N/A | N/A |
| GROSS | 1,669,732,600 | 1,711,321,800 | 41,589,200 | 2.5 |
| Less: | | | | |
| Interdepartmental Grants Received | 0 | 0 | 0 | 0.0 |
| ADJUSTED GROSS | 1,669,732,600 | 1,711,321,800 | 41,589,200 | 2.5 |
| Less: | | | | |
| Federal Funds | 123,526,400 | 123,526,400 | 0 | 0.0 |
| Local and Private | 0 | 0 | 0 | 0.0 |
| TOTAL STATE SPENDING | 1,546,206,200 | 1,587,795,400 | 41,589,200 | 2.7 |
| Less: | | | | |
| Other State Restricted Funds | 500,188,300 | 0 | (500,188,300) | (100.0) |
| GENERAL FUND/GENERAL PURPOSE | 1,046,017,900 | 1,587,795,400 | 541,777,500 | 51.8 |
| PAYMENTS TO LOCALS | 0 | 0 | 0 | 0.0 |

*As of March 5, 2019.

| | Gross | GF/GP |
|--|------------------------|------------------------|
| FY 2018-19 Year-to-Date Appropriation | \$1,669,732,600 | \$1,046,017,900 |

Changes from FY 2018-19 Year-to-Date:

- | | | |
|--|-------------|-------------|
| 1. University Operations Increase. The Governor included a 3% across-the-board increase based on each university's FY 2018-19 operations funding. | 43,707,400 | 43,707,400 |
| 2. School Aid Fund Shift. The Governor removed all School Aid Fund revenue in the Higher Education budget and replaced it with GF/GP. Under the Governor's proposal, this fund shift would be made possible through amendments to the Income Tax Act that would remove the \$600.0 million earmark of income tax revenue for transportation. Removal of that earmark would cause that revenue to revert to the State General Fund. Lost transportation funding would then be replaced with revenue from increased fuel taxes. | 0 | 499,419,300 |
| 3. Michigan State University (MSU) AgBioResearch Increase. The Governor included a 3% increase for this program to mirror increases provided for university operations. | 1,037,700 | 1,037,700 |
| 4. MSU Extension Increase. The Governor included a 3% increase for this program to mirror increases provided for university operations. | 895,100 | 895,100 |
| 5. Tuition Incentive Program. The Governor reduced this program to reflect boilerplate that would limit payments to three times the average rate for in-district tuition at community colleges. This reduction would bring total funding for the program to \$59.8 million. | (4,500,000) | (4,500,000) |

| | | |
|---|------------------------|------------------------|
| 6. Michigan Public School Employees' Retirement System (MPERS) Normal Cost Offset. The Governor moved the \$669,000 one-time FY 2018-19 item for this purpose to an ongoing appropriation and increased the amount by an additional \$565,000 for a total normal cost offset of \$1.2 million for the seven universities that are part of MPERS. This amount will support the additional costs associated with bringing the assumed rate of return for MPERS funds from 8% to 7.05%. | 565,000 | 1,234,000 |
| 7. MPERS Unfunded Accrued Liability Stabilization Adjustment. The Governor reduced this item to reflect a reduction in the amount of the State's share of costs above the statutory cap. This reduction would bring total MPERS UAAL payments to \$5.0 million. | (116,000) | (116,000) |
| 8. Children of Veterans Tuition Grant - Supplant Income Tax Checkoff. The Governor replaced \$100,000 in income tax checkoff revenue with GF/GP as this item no longer appears on tax forms. Total appropriations for this program would remain unchanged at \$1.4 million. | 0 | 100,000 |
| Total Changes | \$41,589,200 | \$541,777,500 |
| FY 2019-20 Governor's Recommendation | \$1,711,321,800 | \$1,587,795,400 |

Boilerplate Changes from FY 2018-19 Year-to-Date:

- 1. Receipt of Federal and Private Funds.** Specifies that Federal and private funds received by the State for use by a college or university are appropriated for the purposes for which they are received. The Governor removed a sentence that specifies that the acceptance of funds does not obligate the Legislature to continue the purposes for which the funds are made available. (Sec. 242)
- 2. Transparency Reporting.** The Governor removed language that allows the State Budget Director to withhold monthly payments to universities if they fail to comply with statutory financial transparency requirements. (Sec. 245)
- 3. Tuition Grant Limitation.** The Governor removed a sentence that specifies that the \$4.2 million institutional limit placed on Tuition Grants does not apply to any other student financial aid program or in combination with any other student financial aid program. (Sec. 252)
- 4. Tuition Incentive Program - Limit Payment Size.** The Governor included new language that would limit payments made to universities under this program to a per-credit payment that does not exceed three times the average community college in-district tuition rate. (Sec. 256)
- 5. Tuition Incentive Program - Data Reporting.** The Governor removed language that would require an institution that does not report certain data to the P-20 longitudinal data system to report that data to the Department of Treasury. (Sec. 256)
- 6. University of Michigan Douglas Lake Biological Station.** The Governor removed a section that designates Douglas Lake a special reserve and states the intent of the Legislature that no State programs or policies be developed that would have a deleterious impact on the research value of Douglas Lake. (Sec. 261)
- 7. Tuition Restraint - Lower Threshold.** The Governor reduced the allowable tuition increase under this section from 3.8% or \$490, to 3.2% or \$427. (Sec. 265)
- 8. Tuition Restraint - Exceeding Limit.** The Governor removed language that restricts a university that exceeds the rate cap from receiving a capital outlay planning or construction authorization, as well as language that specifies that the Legislature may adjust the appropriation to any university that exceeds the rate cap. (Sec. 265)
- 9. Performance Funding.** The Governor changed the name of 'performance funding' to 'student affordability funding', and replaced the funding formula with an increase of 3% for all universities based on their FY 2018-19 funding. (Sec. 265a)
- 10. Academic Program Partnerships.** The Governor removed a section requiring the Michigan Community College Association, Michigan Independent Colleges and Universities, and the Michigan Association of State Universities to submit a report on academic partnership programs. (Sec. 265c)
- 11. Indian Tuition Waiver - Remove Intent Language.** The Governor removed language stating the intent of the Legislature that for FY 2018-19 funds be allocated for unfunded North American Indian tuition waiver costs. (Sec. 268)

12. **Discouraged Instruction Activity.** The Governor removed a section stating the intent of the Legislature that public universities not use State funds to offer instructional activities that target companies or groups of companies for unionization or decertification of a union.
13. **Human Embryonic Stem Cell Research.** The Governor removed a section stating the intent of the Legislature that public and private organizations' stem cell research provide certain information to the director of the Department of Health and Human Services. (Sec. 274)
14. **Use and Finance Noncompliance Penalty.** The Governor removed a section that imposes a 1% reduction in State funding to a university for each violation of certain requirement of the Management and Budget Act. (Sec. 275a)
15. **HEIDI Data - Allow Counting of Distance Education and Inmates.** The Governor modified the HEIDI data audit requirements to allow distance learning and inmate programs to count toward university student credit hours. (Sec. 289)

Date Completed: 3-12-19

Fiscal Analyst: Josh Sefton

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

Table 1: FY 2019-20 Higher Education Appropriation Governor's Recommendation Detail

| University | FY 2018-19 Year-To-Date Appropriation | Formula Adjustments | | Other Changes | FY 2019-20 Gov. Rec. | Dollar Change From FY 2018-19 | Percent Change | Appropriation Per FYES |
|---|---|----------------------------------|----------------------------------|----------------------|-------------------------|-------------------------------------|-------------------|---------------------------|
| | | 3% Across the Board from FY19 | Total Formula Distribution | | | | | |
| Central | \$87,415,000 | \$2,622,500 | \$2,622,500 | | \$90,037,500 | \$2,622,500 | 3.0% | \$ 4,606 |
| Eastern | 76,979,300 | 2,309,400 | 2,309,400 | | 79,288,700 | 2,309,400 | 3.0 | \$ 4,921 |
| Ferris | 54,950,700 | 1,648,500 | 1,648,500 | | 56,599,200 | 1,648,500 | 3.0 | \$ 5,031 |
| Grand Valley | 72,056,600 | 2,161,700 | 2,161,700 | | 74,218,300 | 2,161,700 | 3.0 | \$ 3,300 |
| Lake Superior | 13,987,000 | 419,600 | 419,600 | | 14,406,600 | 419,600 | 3.0 | \$ 7,890 |
| Michigan State | 286,274,200 | 8,588,200 | 8,588,200 | | 294,862,400 | 8,588,200 | 3.0 | \$ 6,408 |
| Michigan Tech | 49,949,600 | 1,498,500 | 1,498,500 | | 51,448,100 | 1,498,500 | 3.0 | \$ 7,761 |
| Northern | 47,998,400 | 1,440,000 | 1,440,000 | | 49,438,400 | 1,440,000 | 3.0 | \$ 7,365 |
| Oakland | 52,819,200 | 1,584,600 | 1,584,600 | | 54,403,800 | 1,584,600 | 3.0 | \$ 3,125 |
| Saginaw Valley | 30,528,000 | 915,800 | 915,800 | | 31,443,800 | 915,800 | 3.0 | \$ 4,227 |
| UM-Ann Arbor | 320,782,400 | 9,623,400 | 9,623,400 | | 330,405,800 | 9,623,400 | 3.0 | \$ 7,052 |
| UM-Dearborn | 26,071,800 | 782,200 | 782,200 | | 26,854,000 | 782,200 | 3.0 | \$ 3,811 |
| UM-Flint | 23,585,400 | 707,600 | 707,600 | | 24,293,000 | 707,600 | 3.0 | \$ 3,940 |
| Wayne State | 202,363,200 | 6,070,900 | 6,070,900 | | 208,434,100 | 6,070,900 | 3.0 | \$ 9,222 |
| Western | 111,151,000 | 3,334,500 | 3,334,500 | | 114,485,500 | 3,334,500 | 3.0 | \$ 5,916 |
| Subtotal University Operations: | \$1,456,911,800 | \$43,707,400 | \$43,707,400 | \$0 | \$1,500,619,200 | \$43,707,400 | 3.0% | \$ 5,829 |
| MPSERS Reimbursement | \$5,133,000 | | | (\$116,000) | \$5,017,000 | (\$116,000) | (2.3%) | |
| MPSERS Normal Cost Offset | 0 | | | 1,234,000 | \$1,234,000 | \$1,234,000 | N/A | |
| MSU AgBioResearch | 34,591,400 | | | 1,037,700 | 35,629,100 | 1,037,700 | 3.0 | |
| MSU Extension | 29,837,700 | | | 895,100 | 30,732,800 | 895,100 | 3.0 | |
| 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 | |
| MPSERS Normal Cost Hold Harmless (one-time) | 669,000 | | | (669,000) | 0 | (669,000) | (100.0) | |
| Total Universities | \$1,530,149,400 | \$43,707,400 | \$43,707,400 | \$2,381,800 | \$1,576,238,600 | \$46,089,200 | 3.0% | |
| School Aid Fund | 500,088,300 | | 0 | (500,088,300) | 0 | (500,088,300) | (100.0) | |
| State GF/GP | \$1,030,061,100 | \$43,707,400 | \$43,707,400 | \$502,470,100 | \$1,576,238,600 | \$546,177,500 | 53.0% | |
| Grants and Financial Aid | | | | | | | | |
| State Competitive Scholarships | \$32,361,700 | | | \$0 | \$32,361,700 | \$0 | 0.0% | |
| Tuition Grants | 38,021,500 | | | 0 | 38,021,500 | 0 | 0.0 | |
| Tuition Incentive Program (TIP) | 64,300,000 | | | (4,500,000) | 59,800,000 | (4,500,000) | (7.0) | |
| 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 | | | 0 | 300,000 | 0 | 0.0 | |
| Total Grants/Financial Aid | \$139,583,200 | | | (\$4,500,000) | \$135,083,200 | (\$4,500,000) | (3.2%) | |
| Federal Higher Ed Act | 3,200,000 | | | 0 | 3,200,000 | 0 | 0.0 | |
| Federal TANF | 120,326,400 | | | 0 | 120,326,400 | 0 | 0.0 | |
| Veterans Tax Check-off | 100,000 | | | (100,000) | 0 | (100,000) | (100.0) | |
| State GF/GP | \$15,956,800 | \$0 | \$0 | (\$4,400,000) | \$11,556,800 | (\$4,400,000) | (27.6) | |
| TOTAL HIGHER EDUCATION | | | | | | | | |
| TOTAL ALL FUNDS | \$1,669,732,600 | \$43,707,400 | \$43,707,400 | (\$2,118,200) | \$1,711,321,800 | \$41,589,200 | 2.5% | |
| TOTAL FEDERAL | 123,526,400 | 0 | 0 | 0 | 123,526,400 | 0 | 0.0 | |
| TOTAL STATE RESTRICTED | 500,188,300 | 0 | 0 | (500,188,300) | 0 | (500,188,300) | (100.0) | |
| TOTAL STATE GF/GP | \$1,046,017,900 | \$43,707,400 | \$43,707,400 | \$498,070,100 | \$1,587,795,400 | \$541,777,500 | 51.8% | |



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Committee: Appropriations

| FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE | FY 2018-19 YEAR-TO-DATE* | FY 2019-20 GOV.'S REC. | CHANGES FROM FY 2018-19 YEAR-TO-DATE | |
|---|--------------------------|------------------------|--------------------------------------|---------------|
| | | | AMOUNT | PERCENT |
| FTE Positions | 336.5 | 346.5 | 10.0 | 3.0 |
| GROSS | 67,971,900 | 68,889,800 | 917,900 | 1.4 |
| Less: | | | | |
| Interdepartmental Grants Received | 713,800 | 723,100 | 9,300 | 1.3 |
| ADJUSTED GROSS | 67,258,100 | 68,166,700 | 908,600 | 1.4 |
| Less: | | | | |
| Federal Funds | 2,017,300 | 1,017,600 | (999,700) | (49.6) |
| Local and Private | 0 | 0 | 0 | 0.0 |
| TOTAL STATE SPENDING | 65,240,800 | 67,149,100 | 1,908,300 | 2.9 |
| Less: | | | | |
| Other State Restricted Funds | 64,690,800 | 66,999,100 | 2,308,300 | 3.6 |
| GENERAL FUND/GENERAL PURPOSE | 550,000 | 150,000 | (400,000) | (72.7) |
| PAYMENTS TO LOCALS | 0 | 0 | 0 | 0.0 |

*As of March 5, 2019.

| | Gross | GF/GP |
|--|---------------------|------------------|
| FY 2018-19 Year-to-Date Appropriation | \$67,971,900 | \$550,000 |
| Changes from FY 2018-19 Year-to-Date: | | |
| 1. Anti-Fraud Unit. The Governor included \$499,300 in Restricted funds and 4.0 FTEs for the Anti-Fraud Unit created by Executive Order 2018-9. The Anti-Fraud Unit will investigate fraud and criminal activity in the insurance and financial services sectors. | 499,300 | 0 |
| 2. Removal of One-Time Actuarial Study. The Governor removed a one-time \$400,000 GF/GP appropriation for an evaluation of the State's pursuit of a health care innovation waiver under the Patient Protection and Affordable Care Act. | (400,000) | (400,000) |
| 3. Economic Adjustments. Includes \$818,600 Gross and \$0 GF/GP for total economic adjustments, of which an estimated negative \$575,500 Gross and \$0 GF/GP is for legacy retirement costs (pension and retiree health). | 818,600 | 0 |
| Total Changes | \$917,900 | (\$400,000) |
| FY 2019-20 Governor's Recommendation | \$68,889,800 | \$150,000 |

Boilerplate Changes from FY 2018-19 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 budget bills. The replacement section also removed restrictions on the circumstances for such 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 LARA and DHHS to maintain an accounting structure allowing for identification of expenditures related with the administration of the Healthy Michigan Plan. (Sec. 220)
5. **Healthy Michigan Reporting.** The Governor removed a section that limited GF/GP expenditures for executive director programs to uses necessary to comply with Healthy Michigan reporting requirements. (Sec. 221)
6. **Insurance Bureau Fund Expenditures.** The Governor removed a section noting that funds in the Insurance Bureau Fund may be spent to support legislative participation in insurance activities coordinated by insurance and legislative associations. This use is already permitted by statute. (Sec. 222)
7. **Health Insurance Rate Filings Report.** The Governor removed a section requiring the Department to report annual rate filings to the Legislature. (Sec. 301)
8. **Innovation Waiver Actuarial Study.** The Governor removed language specific to a one-time actuarial study of the State's pursuit of a health care innovation waiver under the Patient Protection and Affordable Care Act. (Sec. 401)

Date Completed: 3-12-19

Fiscal Analyst: Elizabeth Raczkowski

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



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Committee: Appropriations

| FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE | FY 2018-19 YEAR-TO-DATE* | FY 2019-20 GOV.'S REC. | CHANGES FROM FY 2018-19 YEAR-TO-DATE | |
|---|--------------------------|------------------------|--------------------------------------|--------------|
| | | | AMOUNT | PERCENT |
| FTE Positions | 502.0 | 503.0 | 1.0 | 0.2 |
| GROSS | 304,079,100 | 309,341,000 | 5,261,900 | 1.7 |
| Less: | | | | |
| Interdepartmental Grants Received | 1,551,300 | 1,551,700 | 400 | 0.0 |
| ADJUSTED GROSS | 302,527,800 | 307,789,300 | 5,261,500 | 1.7 |
| Less: | | | | |
| Federal Funds | 5,987,400 | 6,028,400 | 41,000 | 0.7 |
| Local and Private | 7,481,400 | 7,573,800 | 92,400 | 1.2 |
| TOTAL STATE SPENDING | 289,059,000 | 294,187,100 | 5,128,100 | 1.8 |
| Less: | | | | |
| Other State Restricted Funds | 92,979,500 | 93,044,900 | 65,400 | 0.1 |
| GENERAL FUND/GENERAL PURPOSE | 196,079,500 | 201,142,200 | 5,062,700 | 2.6 |
| PAYMENTS TO LOCALS | 148,614,500 | 144,425,200 | (4,189,300) | (2.8) |

*As of March 5, 2019.

| | Gross | GF/GP |
|--|----------------------|----------------------|
| FY 2018-19 Year-to-Date Appropriation | \$304,079,100 | \$196,079,500 |

Changes from FY 2018-19 Year-to-Date:

- | | | |
|--|-----------|-----------|
| 1. Cybersecurity for Michigan Supreme Court Website. The Governor included additional funding for cybersecurity for the Supreme Court website, as well as new customer relationship management software. The bulk of the additional funding was included as one-time, \$1,475,000, with the remaining amount, \$454,100, added to the Judicial Information Systems line item. | 1,929,100 | 1,929,100 |
| 2. State Appellate Defender Office Public Defender Caseload Enhancement. The Governor included a 5% increase the Appellate Public Defender program. | 457,200 | 457,200 |
| 3. Expansion of Online Dispute Resolution. The Governor included a 16% increase in Community Dispute Resolution funding for the expansion of online dispute resolution from 17 counties to 83 counties. | 450,000 | 450,000 |
| 4. Judicial Tenure Commission. The Governor included a 17% increase in funding for the Commission to address backlog reduction, ongoing investigations, and salary adjustments. Half of the increase is one-time funding. | 200,000 | 200,000 |
| 5. SADO Funding for <i>Montgomery v. Louisiana</i> Compliance. The Governor included a slight increase in funding for the resentencing of Michigan's juvenile lifers, as required by the Supreme Court. The line for this funding was also moved from the one-time section to the Indigent Defense - Criminal section of the budget. | 141,900 | 141,900 |

| | | |
|--|----------------------|----------------------|
| 6. Pretrial Risk Assessment Tool. The Governor included a slight increase in funding for development of the pretrial risk assessment tool. The funding was moved from one-time for the current fiscal year to the State Court Administrative Office line-item of the ongoing budget. | 20,000 | 20,000 |
| 7. Removal of One-Time Funding for Problem Solving Courts. The Governor removed current year one-time for drug treatment, mental health, and veterans problem solving courts. Despite the reduction, those programs are still funded in the ongoing section of the budget at \$18.2 million. | (750,000) | (750,000) |
| 8. Judicial Position Adjustments. The Governor included the elimination of two Court of Appeals Judge positions in District 3 and District 4, the elimination of two District Court Judge positions in Livingston and Wayne Counties, and the addition of two part-time Circuit Court Judge positions in Oakland and Macomb Counties and one full-time Circuit Court Judge position in Livingston County. | (436,300) | (451,900) |
| 9. Program Elimination. The Governor did not include funding for the current year's pilot program: Youthful Sex Offender Treatment. | (75,000) | (75,000) |
| 10. Economic Adjustments. Includes \$3,325,000 Gross and \$3,141,400 GF/GP for total economic adjustments, of which an estimated negative \$189,800 Gross and \$115,300 GF/GP is for legacy retirement costs (pension and retiree health). | 3,325,000 | 3,141,400 |
| Total Changes | \$5,261,900 | \$5,062,700 |
| FY 2019-20 Governor's Recommendation | \$309,341,000 | \$201,142,200 |

Boilerplate Changes from FY 2018-19 Year-to-Date:

- Definitions.** The Governor removed boilerplate definitions for the following terms: "DOJ", "DOT", "HHS", "SADO", "Title IV D", "Title IV E". (Sec. 203)
- Depressed Communities - New.** The Governor added a section directing the Judicial branch to take reasonable steps to contract or subcontract with businesses in deprived and depressed communities. (Sec. 206)
- Disciplinary Action - Removed.** The Governor removed a section prohibiting the Judicial branch from taking disciplinary action against an employee for communicating with the Legislature. (Sec. 215)
- Foster Parent Input - Removed.** The Governor removed a section requiring judges to publicly request the input of foster parents during foster care hearings. (Sec. 216)
- Explanation of Foster Care Service Plan Changes - Removed.** The Governor removed a section requiring judges to provide an explanation of changes to a foster care family service plan. (Sec. 217)
- Interagency Collaboration for Swift & Sure - Removed.** The Governor removed a requirement that the State Court Administrative Office (SCAO) identify programs available for Swift & Sure participants. (Sec. 218)
- Report Retention - Removed.** The Governor removed a requirement that the Judicial branch retain copies of all reports funded from appropriations. (Sec. 219)
- Reporting on Restitution Payments - Removed.** The Governor removed a SCAO reporting requirement regarding collected and uncollected restitution payments, court fees and applicable judgments. (Sec. 306)
- Reporting on the Parental Rights Restoration Act - Removed.** The Governor removed a report requiring the State Court Administrator to report on the number of petitions filed and granted of minors seeking a waiver of parental consent. (Sec. 312)
- Juvenile Lifers Compliance and Reporting - Removed.** The Governor removed one-time funding and reporting language associated with the State's required compliance with the Supreme Court's *Montgomery v. Louisiana* decision. Funding for compliance in part 1 of the recommendation was moved to ongoing. (Sec. 402)

11. **Youthful Sex Offender Treatment Pilot Program - *Removed*.** The Governor removed language regarding the one-time funding for the pilot program. The program was not funded in part 1 of the budget recommendation. (Sec. 403)
12. **Second Year Appropriations - *Removed*.** The Governor removed language expressing legislative intent to provide appropriations for the upcoming two fiscal years. (Sec. 1201)

Date Completed: 3-12-19

Fiscal Analyst: Michael Siracuse



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Committee: Appropriations

| FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE | FY 2018-19 YEAR-TO-DATE* | FY 2019-20 GOV.'S REC. | CHANGES FROM FY 2018-19 YEAR-TO-DATE | |
|---|--------------------------|------------------------|--------------------------------------|--------------|
| | | | AMOUNT | PERCENT |
| FTE Positions | 0.0 | 0.0 | N/A | N/A |
| GROSS | 211,450,500 | 192,700,500 | (18,750,000) | (8.9) |
| Less: | | | | |
| Interdepartmental Grants Received | 5,823,400 | 5,823,400 | 0 | 0.0 |
| ADJUSTED GROSS | 205,627,100 | 186,877,100 | (18,750,000) | (9.1) |
| Less: | | | | |
| Federal Funds | 0 | 0 | 0 | 0.0 |
| Local and Private | 400,000 | 400,000 | 0 | 0.0 |
| TOTAL STATE SPENDING | 205,227,100 | 186,477,100 | (18,750,000) | (9.1) |
| Less: | | | | |
| Other State Restricted Funds | 6,403,100 | 6,403,100 | 0 | 0.0 |
| GENERAL FUND/GENERAL PURPOSE | 198,824,000 | 180,074,000 | (18,750,000) | (9.4) |
| PAYMENTS TO LOCALS | 0 | 0 | 0 | 0.0 |

*As of March 5, 2019.

| | Gross | GF/GP |
|--|----------------------|----------------------|
| FY 2018-19 Year-to-Date Appropriation | \$211,450,500 | \$198,824,000 |
| Changes from FY 2018-19 Year-to-Date: | | |
| 1. Removal of FY 2018-19 Supplemental Funding. Governor removed supplemental funding totaling \$28.4 million added via P.A. 618 of 2018. Funding included \$4.6 million to each the Senate and the House; \$1.2 million for the Legislative Council; and \$18.0 million for the Senate to purchase the Townsend parking ramp. | (28,400,000) | (28,400,000) |
| 2. Senate Increase. Governor increased funding by \$4.6 million for total FY 2019-20 funding of \$41,810,700. | 4,600,000 | 4,600,000 |
| 3. House Increase. Governor increased funding by \$4.6 million for total FY 2019-20 funding of \$61,666,900. | 4,600,000 | 4,600,000 |
| 4. Legislative Council Increase. Governor increased funding by \$1.2 million for total FY 2019-20 funding of \$13,981,900. | 1,200,000 | 1,200,000 |
| 5. Removal of Legislative Council IT Redesign Funding. Governor removed a total of \$750,000 in GF/GP of one-time funding provided for the completion of the Legislative Council IT redesign project. | (750,000) | (750,000) |
| Total Changes | (\$18,750,000) | (\$18,750,000) |
| FY 2019-20 Governor's Recommendation | \$192,700,500 | \$180,074,000 |

Boilerplate Changes from FY 2018-19 Year-to-Date:

1. **Governor:** Moved boilerplate from the FY 2018-19 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. **Legacy Cost Estimates.** Total legacy costs are estimated at \$29,587,600. Of the total, Pension-related legacy costs are estimated at \$13,640,400 and retiree health care legacy costs are estimated at \$15,947,200 for fiscal year ending September 30, 2019. **Governor:** Provided the following Legacy Costs estimates for FY 2020: Total legacy costs estimated at \$24,415,800. Of that total, \$13,327,500 are for pension-related legacy costs and \$14,088,300 are for retiree health care legacy costs for the fiscal year ending September 30, 2020. (Sec. 615)
3. **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. 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. **Governor:** Deleted section. (Current Law Sec. 616)

Date Completed: 3-12-19

Fiscal Analyst: Joe Carrasco, Jr.



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Committee: Appropriations

| FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE | FY 2018-19 YEAR-TO-DATE* | FY 2019-20 GOV.'S REC. | CHANGES FROM FY 2018-19 YEAR-TO-DATE | |
|---|--------------------------|------------------------|--------------------------------------|--------------|
| | | | AMOUNT | PERCENT |
| FTE Positions | 2,327.3 | 2,347.3 | 20.0 | 0.9 |
| GROSS | 552,356,700 | 572,612,500 | 20,255,800 | 3.7 |
| Less: | | | | |
| Interdepartmental Grants Received | 48,414,300 | 49,014,200 | 599,900 | 1.2 |
| ADJUSTED GROSS | 503,942,400 | 523,598,300 | 19,655,900 | 3.9 |
| Less: | | | | |
| Federal Funds | 91,213,900 | 95,852,500 | 4,638,600 | 5.1 |
| Local and Private | 411,800 | 351,800 | (60,000) | (14.6) |
| TOTAL STATE SPENDING | 412,316,700 | 427,394,000 | 15,077,300 | 3.7 |
| Less: | | | | |
| Other State Restricted Funds | 276,471,400 | 303,125,900 | 26,654,500 | 9.6 |
| GENERAL FUND/GENERAL PURPOSE | 135,845,300 | 124,268,100 | (11,577,200) | (8.5) |
| PAYMENTS TO LOCALS | 105,251,900 | 101,999,600 | (3,252,300) | (3.1) |

*As of March 5, 2019.

| | Gross | GF/GP |
|--|----------------------|----------------------|
| FY 2018-19 Year-to-Date Appropriation | \$552,356,700 | \$135,845,300 |

Changes from FY 2018-19 Year-to-Date:

- | | | |
|---|------------|-------------|
| 1. Marihuana Research. The Governor included \$20.0 million in funding to support research on the use of marihuana to treat veterans' health conditions, as required by Initiated Law (IL) 1 of 2018, the Michigan Regulation and Taxation of Marijuana Act. | 20,000,000 | 0 |
| 2. Recreational Marihuana Regulation. The Governor included an additional \$1.0 million and 30.0 FTEs to support the implementation and administration of IL 1 of 2018 and shifted \$5.0 million in funding from GF/GP to Restricted. | 1,000,000 | (5,000,000) |
| 3. Unaccompanied Refugee Minors. The Governor included \$3.8 million in Federal funds to enable MONA's support of service providers who assist unaccompanied refugee minors. | 3,790,900 | 0 |
| 4. Child Care and Adult Foster Care Revenue. The Governor included \$500,000 in restricted funds to reflect the availability of revenues to be collected from Child Day Care Centers and Homes, and \$410,000 in restricted funds to reflect the availability of revenues to be collected from Adult Foster Care facilities. | 910,000 | 0 |

| | | |
|---|----------------------|-----------------------|
| 5. Medical Marihuana Regulation. The Governor included \$900,000 and eliminated 13.0 FTEs to reflect anticipated costs associated with the Medical Marihuana Facilities Licensing Act (Public Act 281 of 2016). | 900,000 | 0 |
| 6. Bureau of Fire Services. The Governor included \$500,000 to allow for the receipt of Federal funds for firefighter training and fire prevention as well as \$289,900 in State Restricted funds to support new testing requirements for fire services members. | 789,900 | 0 |
| 7. One-Time Refugee Services Database Funding. The Governor included \$520,000 in Federal funds for the development of a database for the Refugee Services Program within the Michigan Office for New Americans. | 520,000 | 0 |
| 8. Marihuana Regulatory Fund Adjustment. The Governor included \$422,000 from the Marihuana Regulatory Fund for administrative functions. | 422,000 | 0 |
| 9. Firefighter Training Grants. The Governor included an additional \$300,000 in restricted funds for Firefighter Training Grants. | 300,000 | 0 |
| 10. Indigent Defense Training Evaluation. The Governor included funding for the Michigan Indigent Defense Commission (MIDC) for the implementation of a system to evaluate indigent defense training. | 205,200 | 205,200 |
| 11. Vehicle Supply Equipment Program. The Governor included private funds to support the Light-Duty Zero Emission Vehicle Supply Equipment Program. This program is pursuant to the Volkswagen Settlement Beneficiary Mitigation Plan agreement. | 140,000 | 0 |
| 12. First Responder Presumed Coverage Fund Revenue. The Governor removed \$5.4 million in restricted funds for the First Responder Presumed Coverage Fund. The enactment of IL 1 of 2018 resulted in the elimination of the Medical Marihuana Excise Tax, the Fund's only ongoing, dedicated revenue stream. | (5,445,000) | 0 |
| 13. MIDC Grants. The Governor removed \$5.9 million in one-time GF/GP costs for FY 2018-19 indigent defense compliance plans but retained \$2.8 million as ongoing funding. This included \$200,000 in local indigent defense reimbursements. | (5,850,400) | (5,850,400) |
| 14. Reversal of FY 2018-19 Adjustments. The Governor removed \$1.2 million one-time supplemental funding for an opioid treatment and community resource locator and adjusted out a \$500,000 Federal fire services grant included in an FY 2018-19 contingency fund transfer. | (1,700,000) | (1,200,000) |
| 15. Refugee Services Transfers. The Governor included an additional \$8,600 in Federal funds for the transfer of refugee services functions to the Michigan Office for New Americans for the Department of Health and Human Services through Executive order 2018-7. The Governor also removed one-time funding of \$175,000 GF/GP for a refugee assistance grant. | (166,400) | (175,000) |
| 16. State Restricted Deducts. The Governor made technical adjustments to align authorization levels to available revenues. | (643,800) | 0 |
| 17. Economic Adjustments. Includes \$5,083,400 Gross and \$443,000 GF/GP for total economic adjustments, of which an estimated negative \$3,443,100 Gross and \$375,600 GF/GP is for legacy retirement costs (pension and retiree health). | 5,083,400 | 443,000 |
| Total Changes | \$20,255,800 | (\$11,577,200) |
| FY 2019-20 Governor's Recommendation | \$572,612,500 | \$124,268,100 |

Boilerplate Changes from FY 2018-19 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 budget bills. The replacement section also removed restrictions on the circumstances for such 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 LARA and DHHS to maintain an accounting structure allowing for identification of expenditures related with the administration of the Healthy Michigan Plan. (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. **Fast Charging Stations Study.** The Governor removed a section requiring the Michigan Agency for Energy to complete a study assessing optimal siting locations for direct current fast charging stations. The study is expected to be complete by September 30, 2019. (Sec. 302)
8. **Medical Marihuana Registry Program Report.** The Governor deleted language specifying information to be included in the Department's annual report to the Legislature regarding the State's medical marihuana program. (Sec. 505)
9. **Child Care and Adult Foster Care Fee Revenue.** The Governor deleted a section requiring the Department to assess, collect, and report fees for the licensing and regulation of certain child care organizations and adult foster care facilities. (Sec. 509)
10. **Department Reporting for Suspended Facilities.** The Governor deleted a section requiring the Department to serve an order of suspension to a licensed adult foster care home, home for the aged, or nursing home and notify legislators representing the district where the facility is located. (Sec. 511)
11. **Bureau of Services for Blind Persons (BSBP).** The Governor removed a requirement that BSBP work with service organizations to identify qualified Federal match dollars. (Sec. 702)
12. **First Responder Presumed Coverage Fund.** The Governor deleted a section appropriating excess funds for first responder presumed coverage claims. The ongoing dedicated revenue source for this Fund was eliminated by the passage of Initiated Law 1 of 2018. (Sec. 704)
13. **MIDC Performance Metrics.** The Governor deleted a section requiring the MIDC to develop and implement performance metrics. This language is included in Public Act 214 of 2018. (Sec. 803)
14. **MIDC Grant Compliance.** The Governor deleted a section stating that an indigent criminal defense system's obligation to comply with MIDC standards is contingent on sufficient State grant funding, as appropriations for funds were addressed by Public Act 214 of 2018. (Sec. 904)

Date Completed: 3-12-19

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Committee: Appropriations

| FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE | FY 2018-19 YEAR-TO-DATE* | FY 2019-20 GOV.'S REC. | CHANGES FROM FY 2018-19 YEAR-TO-DATE | |
|---|--------------------------|------------------------|--------------------------------------|--------------|
| | | | AMOUNT | PERCENT |
| FTE Positions | 912.5 | 924.5 | 12.0 | 1.3 |
| GROSS | 199,639,300 | 201,102,500 | 1,463,200 | 0.7 |
| Less: | | | | |
| Interdepartmental Grants Received | 101,800 | 101,800 | 0 | 0.0 |
| ADJUSTED GROSS | 199,537,500 | 201,000,700 | 1,463,200 | 0.7 |
| Less: | | | | |
| Federal Funds | 98,170,200 | 106,177,200 | 8,007,000 | 8.2 |
| Local and Private | 2,175,400 | 630,000 | (1,545,400) | (71.0) |
| TOTAL STATE SPENDING | 99,191,900 | 94,193,500 | (4,998,400) | (5.0) |
| Less: | | | | |
| Other State Restricted Funds | 23,279,500 | 23,908,600 | 629,100 | 2.7 |
| GENERAL FUND/GENERAL PURPOSE | 75,912,400 | 70,284,900 | (5,627,500) | (7.4) |
| PAYMENTS TO LOCALS | 2,242,400 | 2,415,000 | 172,600 | 7.7 |

*As of March 5, 2019.

| | Gross | GF/GP |
|--|----------------------|---------------------|
| FY 2018-19 Year-to-Date Appropriation | \$199,639,300 | \$75,912,400 |

Changes from FY 2018-19 Year-to-Date:

- | | | |
|---|-----------|-----------|
| 1. D.J. Jacobetti Home for Veterans CMS Certification Revenue Adjustment. Governor recommended a funding adjustment reflecting the impact of CMS certification for the D.J. Jacobetti Home for Veterans, allowing for an increase in \$1.8 million in Federal support and a \$900,000 reduction in required GF/GP support. | 900,000 | (900,000) |
| 2. Selfridge Air National Guard Base Support Increase. Governor recommended appropriating GF/GP matching funds to support 12.0 FTEs for maintenance at Selfridge | 400,000 | 400,000 |
| 3. Land Purchases and Appraisals Increase. Governor recommended authorization of land acquisitions funds from anticipated Armory Construction Fund revenues from land sales. | 400,000 | 0 |
| 4. IT/Desk Top Fee Increases. Governor recommended additional funds to cover impact of new user fee structure. | 105,000 | 105,000 |
| 5. Michigan Youth Challenge Program Fund Shift. Governor recommended the removal of local school aid funds used for a Federal match for the program, to be supplanted by GF/GP. | 0 | 1,557,800 |
| 6. Alignment of Federal/Restricted Authorization with Available Revenues. Governor recommended the alignment of Federal and Restricted funding levels across several budget lines to reflect actual funds received. | 5,527,800 | 0 |

| | | |
|---|----------------------|----------------------|
| 7. Operational Support for Military Training Sites and Support Facilities Reduction. Governor recommended a reduction in appropriated GF/GP support. | (1,500,000) | (1,500,000) |
| 8. Military Retirement Program Transfer from DTMB. Governor recommended transfer of retirement function from DTMB to the DMVA, with actuarial adjustment from \$5,244,800 GF/GP down to \$1.0 million GF/GP for FY 2019-20. | 1,000,000 | 1,000,000 |
| 9. National Guard Tuition Assistance Program Reduction. Governor recommended a reduction in support for program, leaving a total of \$6,509,900 GF/GP recommended for FY 2019-20. | (2,500,000) | (2,500,000) |
| 10. County Veteran Service Fund Reduction. Governor recommended a reduction in support for program, leaving a total of \$2.1 million GF/GP recommended for FY 2019-20. | (2,100,000) | (2,100,000) |
| 11. Armory Maintenance Elimination. Governor recommended the elimination of FY 2018-19 one-time GF/GP appropriations for armory maintenance projects. | (1,000,000) | (1,000,000) |
| 12. Vietnam Veterans Outreach Project Elimination. Governor recommended the elimination of the one-time FY 2018-19 GF/GP appropriations for a veterans outreach project. | (600,000) | (600,000) |
| 13. Targeted Grants Program for County Veterans Service Officers Elimination. Governor recommended elimination. | (200,000) | (200,000) |
| 14. Grand Rapids Veterans Home for Veterans Video Monitoring Pilot Project. Governor recommended elimination of the one-time appropriation. | (275,000) | (275,000) |
| 15. Unclassified Salaries. Governor recommended an increase from \$1,497,700 GF/GP for FY 2018-19 to \$1,558,300 GF/GP for FY 2019-20. | 60,600 | 60,600 |
| 16. Economic Adjustments. Includes \$1,244,800 Gross and \$324,100 GF/GP for total economic adjustments, of which an estimated negative \$1,137,000 Gross and \$397,600 GF/GP is for legacy retirement costs (pension and retiree health). | 1,244,800 | 324,100 |
| Total Changes | \$1,463,200 | (\$5,627,500) |
| FY 2019-20 Governor's Recommendation | \$201,102,500 | \$70,284,900 |

Boilerplate Changes from FY 2018-19 Year-to-Date:

1. **Disciplinary Action.** Governor eliminated Sec. 215, which prohibited action against employees who communicate with the Legislature. (Sec. 215)
2. **Quarterly Reporting to the Legislature.** Governor revised department reporting requirement regarding metrics, finances, from a quarterly to a biannual basis. (Sec. 216)
3. **Unclassified Positions.** Governor struck Sec. 301 which lists the titles of unclassified employees and requires notice if additional unclassified positions are created. (Sec. 301)
4. **National Guard Armories.** Governor revised language concerning the reporting of the status of armories from quarterly to biannually. (Sec. 302)
5. **National Guard Tuition Assistance Program.** Governor revised performance metric for program from increasing program participation to 1,100 during the fifth year of program to "National Guard members who have received a credential or are still enrolled in the program after their initial term of enlistment with a goal of 55% of program participants". (Sec. 307)

6. **Management and Oversight of State Homes for Veterans.** Governor revised language to require homes to release resident member funds within 30 days of departure rather than within three business days and that a full accounting of deceased member's funds be provided with 30 calendar days, rather than 10 business days. Governor also deleted a requirement requiring a report on CMS and Medicaid certification efforts at homes and an earmark appropriation for a Grand Rapids Home for Veterans video monitoring project. (Sec. 402)
7. **Medicaid and Medicare Certification Standards for D.J. Jacobetti Home for Veterans.** Governor eliminated Sec. 403 which directed the department to pursue CMS and Medicaid certification for the completion of certification by October 1, 2018. (Sec. 403)
8. **Homes for Veterans Quality of Care.** Governor eliminated Sec. 404 which required that CMS and Medicaid certification efforts result in higher level of care, including a quarterly report to the Legislature. (Sec.404)
9. **Michigan Veterans Trust Fund.** Governor revised language clarifying expense reporting to the Legislature and combining language concerning the program from current year Sec. 408. (Sec. 405)
10. **Michigan Veterans Affairs Agency (MVAA).** Governor revised language by adding a subsection which requires a report on the percentage of veterans contacted (with a goal of 100%); to coordinate "with" rather than simply coordinate, veteran benefit counselors throughout a region; requiring a report that rather than states the percentage of county counselors requesting training, but the number of percentage trained by the MVAA and the number and percentage received funding form the MVAA to attend training. Governor also struck a subsection outlining guidelines for targeted grants. (Sec. 406)
11. **Veterans Service Organization (VSO) Grant Guidelines.** Governor added language requiring no less than quarterly reports from VSOs, including the number and type of claims in their entity that the VSO submitted to the USDVA, the number and type of claims above which were initiated or begun by an organization other than the one submitting the claim to the USDVA, and specifying that "fully developed claims" are those that are thusly defined by the USDVA. (Sec. 407)
12. **Michigan Veterans Trust Fund.** Governor eliminated Sec. 408, combining FY 2018-19 Sec. 408 guideline language for the fund with FY 2019-20 language in Sec. 405. (Sec. 408)
13. **County Veterans Service Fund.** Governor added a new section requiring GF/GP appropriations for the fund be deposited to the restricted County Veteran Service Fund created under PA 210 of 2018, adding that all funds in the fund are appropriated and available for expenditure to support County Veterans Service Grants. (Sec. 409)
14. **Special Maintenance Appropriations Guidelines.** Governor revised department reporting requirement from a quarterly to a biannual basis. (Sec. 502)
15. **Special Maintenance Appropriations - Armories Guidelines.** Governor revised department reporting requirement from a quarterly to a biannual basis. (Sec. 503)
16. **Armory Maintenance - Onetime Appropriations Guidelines.** Governor eliminated Sec. 601. (Sec. 601)
17. **Vietnam Veterans Outreach - Onetime Appropriations Guidelines.** Governor eliminated Sec. 602. (Sec. 602)
18. **Budget Year Two - General Guidelines.** Governor eliminated Sec. 701. (Sec. 701)
19. **Budget Year Two - Veterans Outreach.** Governor eliminated Sec. 702 and moved requirement that the Department report on the percentage of veterans contacted, with a goal of 100%, to Sec. 406. (Sec. 702)
20. **Budget Year Two - Fully Developed Claims.** Governor eliminated Sec. 703 and moved a requirement that a certain percentage of fully developed claims be obtained to Sec. 407. (Sec. 703)

Date Completed: 3-12-19

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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BILL ANALYSIS



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Committee: Appropriations

| FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE | FY 2018-19 YEAR-TO-DATE* | FY 2019-20 GOV.'S REC. | CHANGES FROM FY 2018-19 YEAR-TO-DATE | |
|---|--------------------------|------------------------|--------------------------------------|---------------|
| | | | AMOUNT | PERCENT |
| FTE Positions | 2,334.3 | 2,360.1 | 25.8 | 1.1 |
| GROSS | 484,430,900 | 474,444,700 | (9,986,200) | (2.1) |
| Less: | | | | |
| Interdepartmental Grants Received | 232,200 | 232,200 | 0 | 0.0 |
| ADJUSTED GROSS | 484,198,700 | 474,212,500 | (9,986,200) | (2.1) |
| Less: | | | | |
| Federal Funds | 85,339,700 | 86,011,600 | 671,900 | 0.8 |
| Local and Private | 12,431,400 | 7,431,600 | (4,999,800) | (40.2) |
| TOTAL STATE SPENDING | 386,427,600 | 380,769,300 | (5,658,300) | (1.5) |
| Less: | | | | |
| Other State Restricted Funds | 309,185,800 | 329,545,300 | 20,359,500 | 6.6 |
| GENERAL FUND/GENERAL PURPOSE | 77,241,800 | 51,224,000 | (26,017,800) | (33.7) |
| PAYMENTS TO LOCALS | 9,725,200 | 17,921,400 | 8,196,200 | 84.3 |

*As of March 5, 2019.

| | Gross | GF/GP |
|--|----------------------|---------------------|
| FY 2018-19 Year-to-Date Appropriation | \$484,430,900 | \$77,241,800 |

Changes from FY 2018-19 Year-to-Date:

- 1. Fix Michigan Roads.** The Governor included a new capital outlay subsection and line item for projects funded by the increased gasoline tax revenues that are statutorily dedicated to the Waterways, Snowmobile Trail Development, and Recreation Improvement Funds from the Recreation Improvement Fund's Constitutional 2% off-the-top gasoline tax revenues. These increased revenues would be the result of the Fix Michigan Roads plan.

21,372,800 0
- 2. Improve State Park Infrastructure and Employee Recruitment and Retention.** The Governor included an alignment in Restricted authorization to reflect available revenue. Funds would be used for repair and maintenance projects throughout the State parks system, boating access sites, State forest campgrounds, and trails, and improvement at Belle Isle Park (12.8 FTEs).

2,452,300 0
- 3. Protect Wildlife and Public Health by Fighting Chronic Wasting Disease.** The Governor included \$300,000 in ongoing funding and \$2,000,000 in one-time funds for laboratory costs associated with the increase in the number of deer tested for the disease and research related to Chronic Wasting Disease.

2,300,000 2,300,000

| | | |
|--|-----------|-----------|
| <p>4. Ensure Healthy and Productive Forests. The Governor included an alignment in Restricted forest development fund authorization to reflect available revenue. Funds would be used for multi-year research projects on regenerating lowland conifers and upland hardwoods impacted by invasive species and to eliminate competing vegetation from red and jack pine timber stands.</p> | 2,200,000 | 0 |
| <p>5. State Boating Infrastructure Maintenance (Capital Outlay). The Governor included an increase in Restricted funding to allow for increased maintenance, repair, and improvement projects at State boating facilities.</p> | 2,122,500 | 0 |
| <p>6. Identify Where Pipelines Cross Waterways. The Governor included one-time GF/GP funds to complete an environmental sensitivity inventory of hazardous materials pipelines that cross waterways in Michigan to determine which priority water crossings need attention.</p> | 1,350,000 | 1,350,000 |
| <p>7. Local Boating Infrastructure Maintenance and Improvements (Capital Outlay). The Governor included an increase in Restricted funding for a grant-in-aid program to allow for increased maintenance, repair, and improvement projects at local boating facilities.</p> | 1,270,500 | 0 |
| <p>8. Improve State Forest Camping & Trail Experiences. The Governor included an alignment in Restricted authorization to reflect available revenues. Funds would be used to maintain State forest campgrounds and trails, provide improved customer service to State forest campground visitors, and equipment to maintain State forest campgrounds and trails (6.0 FTEs).</p> | 1,160,800 | 0 |
| <p>9. Preserve Historical & Cultural Resources. The Governor included an alignment in Federal authorization with available Federal funds.</p> | 850,000 | 0 |
| <p>10. Forest Development Infrastructure. The Governor included an increase in State Restricted funding for use in the construction of roads, bridges, and culverts to maintain and improve access to State forest land.</p> | 650,000 | 0 |
| <p>11. Increase Efficiency by Deploying Mobile Devices. The Governor included an alignment in Restricted forest development fund authorization to reflect available revenue. Funds would be used for mobile devices for all forestry and fire staff including software upgrades and replacement costs.</p> | 550,000 | 0 |
| <p>12. Promote Outdoor Recreation. The Governor included an alignment in recreation passport authorization to reflect available revenue to fund local grants and marketing.</p> | 350,000 | 0 |
| <p>13. Replace Aging Forest Management and Survey Equipment. The Governor included an alignment in forest development fund authorization to reflect available revenue. Funds would be used to replace aging and unreliable forest management and survey equipment.</p> | 250,000 | 0 |
| <p>14. ORV Safety Education. The Governor included an adjustment in Restricted off-road vehicle (ORV) safety education authorization with available revenue. Fund would be used to provide grants for ORV safety education and training courses.</p> | 30,800 | 0 |
| <p>15. Michigan Registered Forester Program. The Governor included the transfer of Restricted authorization to administer the Michigan Registered Forester Program currently housed in LARA.</p> | 30,000 | 0 |

| | | |
|--|----------------------|-----------------------|
| 16. Capital Outlay Project Appropriations. The Governor removed funding for four waterways project appropriations that are no longer needed as the projects are underway, as well as Wetland Restoration/Acquisition line-item funded with Waterfowl Hunt Stamp revenues to align with revenue projections. | (3,536,000) | 0 |
| 17. State Parks Repair and Maintenance (Capital Outlay). The Governor included a funding alignment to reflect estimated Restricted revenues. The \$2.5 million reduction is to Recreation Passport Fees. | (2,500,000) | 0 |
| 18. Dam Management Grants. The Governor reduced GF/GP support for dam management grants by \$150,000, leaving an ongoing appropriation of \$200,000 for dam management grants to be allocated for emergency dam repairs. | (150,000) | (150,000) |
| 19. Nonmotorized Trail Development and Maintenance Grants. The Governor reduced GF/GP support for nonmotorized trail development and maintenance grants by \$150,000 leaving an ongoing appropriation of \$200,000 for nonmotorized trail development and maintenance grants. | (150,000) | (150,000) |
| 20. Other Changes. The Governor included several technical changes including restricted authorization alignments and a fund shift to remove GF/GP funds with available forest development funds. | (498,200) | (574,300) |
| 21. Remove FY 2018-19 Supplemental and One-Time Appropriations. | (43,805,000) | (29,385,000) |
| 22. Economic Adjustments. Includes \$3,713,300 Gross and \$591,500 GF/GP for total economic adjustments, of which an estimated negative \$2,998,400 Gross and \$386,000 GF/GP is for legacy retirement costs (pension and retiree health). | 3,713,300 | 591,500 |
| Total Changes | (\$9,986,200) | (\$26,017,800) |
| FY 2019-20 Governor's Recommendation | \$474,444,700 | \$51,224,000 |

Boilerplate Changes from FY 2018-19 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. Contract Grant Recipients.** The Governor included a new boilerplate section to allow the Department to contract with local units of government, higher education institutions, or nonprofit organizations to support Department activities. (Sec. 221)
- 3. 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)
- 4. 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)
- 5. 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)
- 6. Stream Habitat Improvement Grants.** The Governor removed a requirement directing Stream Habitat Improvement Grants allocations. (Sec. 601)
- 7. 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)
- 8. Cormorant Management.** The Governor removed a report on the use of funding provided for cormorant management. (Sec. 603)
- 9. 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)

10. **Marine Safety Grant Report.** The Governor removed a report on marine safety grants to county law enforcement. (Sec. 902)
11. **Off-road Vehicle Seasonal Law Enforcement.** The Governor removed a section directing how off-road vehicle trail improvement grants should be spent. (Sec. 1002)
12. **Pipeline Inventory.** The Governor included work project language for an environmental sensitivity inventory of hazardous liquid pipelines. (Sec. 1201)
13. **Chronic Wasting Disease Research.** The Governor included work project language for one-time wildlife management funds dedicated to research surrounding Chronic Wasting Disease. (Sec. 1202)
14. **One-Time Sections.** The Governor removed the following sections referencing one-time appropriations in FY 2018-19: Sec. 1201, Sec. 1202, Sec. 1203, Sec. 1204, Sec. 1205, Sec. 1205, Sec. 1206, and Sec. 1207.

Date Completed: 3-12-19

Fiscal Analyst: Abbey Frazier



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Committee: Appropriations

| FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE | FY 2018-19 YEAR-TO-DATE* | FY 2019-20 GOV.'S REC. | CHANGES FROM FY 2018-19 YEAR-TO-DATE | |
|--|-----------------------------|---------------------------|---|---------------|
| | | | AMOUNT | PERCENT |
| FTE Positions | 0.0 | 0.0 | N/A | N/A |
| GROSS | 14,844,588,800 | 15,371,238,900 | 526,650,100 | 3.5 |
| Less: | | | | |
| Interdepartmental Grants Received | 0 | 0 | 0 | 0.0 |
| ADJUSTED GROSS | 14,844,588,800 | 15,371,238,900 | 526,650,100 | 3.5 |
| Less: | | | | |
| Federal Funds | 1,745,943,500 | 1,749,578,500 | 3,635,000 | 0.2 |
| Local and Private | 0 | 0 | 0 | 0.0 |
| TOTAL STATE SPENDING | 13,098,645,300 | 13,621,660,400 | 523,015,100 | 4.0 |
| Less: | | | | |
| Other State Restricted Funds | 13,010,725,300 | 13,576,660,400 | 565,935,100 | 4.3 |
| GENERAL FUND/GENERAL PURPOSE | 87,920,000 | 45,000,000 | (42,920,000) | (48.8) |
| PAYMENTS TO LOCALS | 12,900,901,000 | 13,406,340,600 | 505,439,600 | 3.9 |

*As of March 5, 2019.

| | Gross | GF/GP |
|--|-------------------------|---------------------|
| FY 2018-19 Year-to-Date Appropriation | \$14,844,588,800 | \$87,920,000 |

Changes from FY 2018-19 Year-to-Date:

- | | | |
|--|-------------|---|
| 1. Foundation Allowance. Governor increased foundation allowances between \$120 and \$180 per pupil using a 1.5x formula, which would cost \$235.0 million. | 235,000,000 | 0 |
| 2. Special Education. Governor increased special education reimbursement by an estimated 4% of costs. (The State is required to reimburse 28.6% of the cost of special education programming; this funding would be in addition to the required reimbursement.) | 120,000,000 | 0 |
| 3. At Risk. Governor increased at-risk funding by \$102.0 million and restructured the formula to provide a payment equal to 11% of the minimum foundation allowance for each economically disadvantaged pupil. (For hold harmless districts, the payment would be one-half of this amount.) Total funding for economically disadvantaged students would be \$619.0 million. (An economically disadvantaged pupil is one who is eligible for free or reduced-price meals, in a household receiving supplemental nutrition assistance or temporary assistance for needy families, or who is homeless, migrant, or in foster care.) | 102,000,000 | 0 |
| 4. Great Start Readiness Program (GSRP). Governor increased funding by \$84.0 million for GSRP preschool for at-risk four-year-olds to pay for an increase in eligibility (changing from 250% to 300% of the Federal poverty level) and to increase payment for a full day of programming from \$7,250 to \$8,500. Total funding for this program would be \$328.9 million. | 84,000,000 | 0 |

| | | |
|---|----------------------|---------------------|
| <p>5. Michigan Public School Employees' Retirement System (MPSERS) - Hold Harmless for Changes in Assumed Rate of Return (AROR). Governor increased funding to continue to hold districts harmless from costs arising due to changes in the AROR. Total hold harmless funding related to AROR would be \$172.1 million.</p> | <p>83,930,000</p> | <p>35,000</p> |
| <p>6. Technical Special Education Cost Adjustments. Governor increased standard funding for special education programs to meet constitutionally required reimbursement levels.</p> | <p>62,300,000</p> | <p>0</p> |
| <p>7. Career and Technical Education (CTE). Governor increased CTE funding and changed the formula to pay an estimated 6% of the minimum foundation allowance for each high school student in a CTE program. Total CTE funding would be \$55.0 million. (Current law provides up to \$50 per pupil enrolled in a high-demand CTE program.)</p> | <p>50,000,000</p> | <p>0</p> |
| <p>8. Technical Adjustments - Cash Flow Borrowing, Promise Zones, Renaissance Zones. Governor increased cash flow borrowing \$32.0 million, promise zones \$5.4 million, and renaissance zones \$300,000.</p> | <p>37,700,000</p> | <p>0</p> |
| <p>9. Literacy Coaches. Governor added funding to triple the number of literacy coaches and to eliminate local cost sharing for the coaches. Total funding for literacy coaches would be \$31.5 million.</p> | <p>24,500,000</p> | <p>0</p> |
| <p>10. MPSERS Costs from Public Act 92 of 2017. Governor included funding to reimburse districts for the costs related to PA 92 of 2017 (a new defined contribution option and different pension assumptions for the new defined benefit option). Total costs would be \$42.6 million.</p> | <p>4,971,000</p> | <p>0</p> |
| <p>11. Flint Declaration of Emergency. Governor increased funding for Flint from \$3.2 million to \$8.1 million.</p> | <p>4,845,000</p> | <p>0</p> |
| <p>12. Federal Grants. Governor increased Federal grants based on anticipated funding levels.</p> | <p>3,635,000</p> | <p>0</p> |
| <p>13. Intermediate School District (ISD) Operations. Governor increased operational funding for ISDs by 3.5%, to \$70.8 million.</p> | <p>2,396,000</p> | <p>0</p> |
| <p>14. Technical Foundation Allowance Cost Adjustments. Governor recognized \$240.0 million in savings due to fewer pupils and higher taxable values than estimated for the current year.</p> | <p>(218,000,000)</p> | <p>0</p> |
| <p>15. Program Eliminations. Governor eliminated a number of categoricals: Imagine Learning (\$3.0 million); value-added assessment growth tool (\$2.5 million); CTE equipment upgrades (\$2.5 million); information technology certifications (\$2.3 million); dual enrollment incentive payments (\$1.75 million); strict discipline academies (\$1.6 million); online algebra tool (\$1.5 million); kindergarten readiness assessment (\$1.5 million); financial data analysis tools (\$1.5 million); Shiawassee ISD virtual CTE program (\$1.2 million); CTE counselors and restaurant association culinary grant (\$1.1 million); school bus safety program (\$810,000); year-round schools (\$750,000); dropout recovery (\$750,000); summer reading project (\$500,000); Michigan Fitness Foundation (\$500,000); digital assessment preparation (\$500,000); Detroit Precollege Engineering Program (\$400,000); Teach for America (\$300,000); reimbursement for nonpublic mandates (\$250,000); district and dyslexia center grant (\$250,000); conductive learning center study (\$250,000); Pipeline 2 Promise (\$200,000); early learning collaborative (\$175,000); Grand Rapids dropout prevention program (\$100,000); STEM and entrepreneurship program (\$60,000); St. Clair ISD high demand jobs grant (\$50,000); and, Dana Center (\$25,000).</p> | <p>(26,320,000)</p> | <p>(14,875,000)</p> |
| <p>16. Cyber Schools' Foundation Allowances. Governor reduced cyber schools' foundation allowances by 20%, or \$22.0 million.</p> | <p>(22,000,000)</p> | <p>0</p> |

| | | |
|--|-------------------------|-----------------------|
| 17. Computer Adaptive Tests. Governor eliminated reimbursement to districts for the purchase of computer adaptive tests. | (9,200,000) | 0 |
| 18. School Mental Health - 'Train-the-Trainer'. Governor eliminated funding for the 'train-the-trainer' portion of school mental health grants. | (8,000,000) | 0 |
| 19. Program Reductions. Governor reduced FIRST Robotics \$1.8 million (and removed nonpublic schools from eligibility) and MPSERS rate cap costs by \$1.8 million. | (3,600,000) | (300,000) |
| 20. Youth ChalleNGe. Governor transferred this program to the Department of Military and Veterans Affairs (where it resided before FY 2006-07). | (1,625,400) | 0 |
| 21. Fund Shift. Governor reduced GF/GP support of the budget from \$87.9 million to \$45.0 million, resulting in a fund shift. | 0 | (27,880,500) |
| 22. Economic Adjustments. Includes \$118,500 Gross and \$100,500 GF/GP for total economic adjustments, of which an estimated \$132,500 Gross and \$117,500 GF/GP is for legacy retirement costs (pension and retiree health). | 118,500 | 100,500 |
| Total Changes | \$526,650,100 | (\$42,920,000) |
| FY 2019-20 Governor's Recommendation | \$15,371,238,900 | \$45,000,000 |

Boilerplate Changes from FY 2018-19 Year-to-Date:

- 1. Hardship and Audits.** Governor reduced the timeframe by which overpayments can be repaid, from nine years to four years, and extended the period of time by three years for which the Department may conduct audits. (Sec. 15)
- 2. Removal of Report on Allocations to Associations.** Governor removed a report due October 1 annually that itemizes allocations to any association or consortium of associations. (Sec. 18)
- 3. Reduction for Cyber Schools.** Governor included language reducing cyber schools' foundation allowances by 20%, resulting in State savings of approximately \$22.0 million. (Sec. 20)
- 4. Partnership Districts.** Governor removed language making discretionary payments for partnership districts contingent on compliance with Section 22p, and removed Section 22p, which required partnership districts to amend the partnership agreement to include measurable academic outcomes, and to amend the agreement to include accountability measures to be imposed if specified academic outcomes were not achieved. (Sections 22b and 22p)
- 5. Report on Pupils Moving in and out of the State.** Governor removed intent language that the Center for Educational Performance and Information determine the number of pupils who did not reside in the State on the count day but newly enrolled in a district after the count day and before the supplemental count day, as well as determine the number of pupils who were counted in membership on the count day but left the State after the count day. (Sec. 25e)
- 6. Pupil-Weighted Allocations.** Governor included a new section that includes language to implement a weighted per-pupil education funding model for a per-pupil base amount and weights for additional resources. Language added further specifies that funds allocated must be spent on resources that are shown through research and best practice to improve student learning. The section includes funding, and estimated weights of 4% for special education, 11% (of the minimum foundation allowance) for at risk, and 6% for career and technical education (CTE). (Sec. 28)
- 7. At Risk.** Governor increased the funding to hold harmless districts for at-risk payments, from 30% to 50% of the amount that a nonhold harmless district would receive. In addition, Governor added language requiring districts to use at-risk funds to show progress toward meeting the goals of providing tutors, pupil support, summer school teachers, expanding professional development, and providing additional supports to complete the FAFSA. Governor increased the amount of at-risk funds that can be used for professional development from 5% to 10%. Governor removed the ability for a district to demonstrate proficiency by achieving at least one year's growth as measured by a local benchmark assessment (but retained the State benchmark to demonstrate proficiency). (Sections 28 and 31a)
- 8. Great Start Readiness Program.** Governor increased the Federal poverty level threshold used to determine eligibility from 250% to 300% (and to 350% if all families in an ISD are being served), eliminated a \$2.0 million earmark for professional development, and increased full-day funding from \$7,250 to \$8,000. (Sections 32d and 39)

9. **Literacy Coaches.** Governor increased per-coach funding from \$75,000 to \$112,500 and removed the requirement that intermediate school districts (ISDs) provide at least 50% in matching funds for the grant. (Sec. 35a)
10. **MiSTEM to MiSTEAM.** Governor added Arts to the Michigan Science Technology Engineering and Mathematics Network (MiSTEM) and programs. (Sec. 99s)
11. **Professional Development as Hours of Instruction Guidelines.** Governor added language stating that qualifying professional development exceeding five hours in a single day may be counted as a day of pupil instruction, and eight hours of qualifying professional development counted as hours of pupil instruction must be recommended by a districtwide professional development advisory committee. (Current law allows up to 38 hours of professional development to be counted as hours of pupil instruction.) Governor also changed the definition of "qualifying professional development" to be that which is aligned to the school district improvement plan, is linked to one or more criteria in a teacher evaluation tool, is approved by the Department as continuing education credits, occurs after school starts and before school ends, and where at least 75% of teachers are in attendance. (Sec. 101)
12. **Changes to Kindergarten Entry Observation.** Governor removed the existing pilot kindergarten entry observation tool and assessment and replaced it with a program for the Department to implement, on a sample basis statewide, a Michigan kindergarten entry observation tool. Governor included a requirement for the Department to implement a "train-the-trainer" professional development model on the usage of this observation tool. (Sec. 104)
13. **Michigan Merit Exam.** Governor removed language allowing the scores for the statewide assessment and the graduation rate for consortium pupils to be included with the scores for the school building in the participating district in which the consortium pupil is enrolled or would otherwise attend. (Sec. 104b)
14. **English Language Arts (ELA) and Math Tests for K-2.** Governor removed a requirement for the Department to offer benchmark assessments in the fall and spring to measure ELA and math in each of grades K-2. (Sec. 104c)
15. **Michigan Public School Employees' Retirement System (MPERS) Retirement Obligation Reform Reserve Fund.** Governor included a requirement to deposit \$40.0 million from the School Aid Fund into the MPERS reform reserve fund for 2019-20. (Sec. 147b)

Date Completed: 3-12-19

Fiscal Analyst: Kathryn Summers

FY 2018-19 Year-to-Date and Governor's Recommended Supplemental, and FY 2019-20 Governor's Recommendation

| <u>Line Item Description</u> | <u>FY 2018-19 Year-to- Date</u> | <u>FY 2018-19 Gov's Rec Supp Changes</u> | <u>Gov's Rec FY 2018-19 Budget</u> | <u>FY 2019-20 Gov's Rec Budget</u> | <u>Change from Year-to- Date</u> | <u>Change from Gov's Rec for FY 2018-19</u> |
|--|---|--|--|--|--|---|
| Sec. 11j School Bond Loan Fund Payments - Debt Service | \$125,500.0 | | \$125,500.0 | \$125,500.0 | \$0.0 | \$0.0 |
| Sec. 11m Cash Flow Borrowing Costs | \$24,000.0 | \$19,000.0 | \$43,000.0 | \$56,000.0 | \$32,000.0 | \$13,000.0 |
| Sec. 11s Flint Declaration of Emergency | \$3,230.1 | | \$3,230.1 | \$8,075.1 | \$4,845.0 | \$4,845.0 |
| Sec. 20f Categorical Offset Payments | \$18,000.0 | | \$18,000.0 | \$18,000.0 | \$0.0 | \$0.0 |
| Sec. 21h Partnership Model Districts | \$7,000.0 | | \$7,000.0 | \$7,000.0 | \$0.0 | \$0.0 |
| Sec 22a Proposal A Obligation Payment | \$5,107,000.0 | (\$58,000.0) | \$5,049,000.0 | \$4,953,000.0 | (\$154,000.0) | (\$96,000.0) |
| Sec. 22b Discretionary Payment - State | \$4,324,000.0 | (\$29,000.0) | \$4,295,000.0 | \$4,473,000.0 | \$149,000.0 | \$178,000.0 |
| Sec. 22d Isolated Districts Funding | \$6,000.0 | | \$6,000.0 | \$6,000.0 | \$0.0 | \$0.0 |
| Sec. 22m Technology Regional Data Hubs | \$2,200.0 | | \$2,200.0 | \$2,200.0 | \$0.0 | \$0.0 |
| Sec. 22n High School Per-Pupil Bonus | \$11,000.0 | | \$11,000.0 | \$11,000.0 | \$0.0 | \$0.0 |
| Sec. 24 Court-Placed Pupils | \$7,150.0 | | \$7,150.0 | \$7,150.0 | \$0.0 | \$0.0 |
| Sec. 24a Juvenile Detention Facilities | \$1,355.7 | | \$1,355.7 | \$1,355.7 | \$0.0 | \$0.0 |
| Sec. 24c ChalleNGe Program | \$1,625.4 | | \$1,625.4 | \$0.0 | (\$1,625.4) | (\$1,625.4) |
| Sec. 25f Strict Discipline Academies | \$1,600.0 | | \$1,600.0 | \$0.0 | (\$1,600.0) | (\$1,600.0) |
| Sec. 25g Dropout Recovery | \$750.0 | | \$750.0 | \$0.0 | (\$750.0) | (\$750.0) |
| Sec. 25h Dropout Prevention Program - NEW | \$100.0 | | \$100.0 | \$0.0 | (\$100.0) | (\$100.0) |
| Sec. 26a Renaissance Zone Costs | \$15,000.0 | (\$1,200.0) | \$13,800.0 | \$15,300.0 | \$300.0 | \$1,500.0 |
| Sec. 26b PILT Reimbursement | \$4,405.1 | | \$4,405.1 | \$4,405.1 | \$0.0 | \$0.0 |
| Sec. 26c Promise Zone | \$3,000.0 | \$400.0 | \$3,400.0 | \$8,400.0 | \$5,400.0 | \$5,000.0 |
| Sec. 28(3) Pupil Weighted Allocations - Special Education | \$0.0 | | \$0.0 | \$120,000.0 | \$120,000.0 | \$120,000.0 |
| Sec. 28(4) Pupil Weighted Allocations - Economically Disadvantaged | \$0.0 | | \$0.0 | \$619,000.0 | \$619,000.0 | \$619,000.0 |
| Sec. 28(5) Pupil Weighted Allocations - Career and Technical Education | \$0.0 | | \$0.0 | \$55,000.0 | \$55,000.0 | \$55,000.0 |
| Sec. 31a "At Risk" Pupil Support | \$517,000.0 | | \$517,000.0 | \$0.0 | (\$517,000.0) | (\$517,000.0) |
| Sec. 31a Child and Adolescent Health Centers | \$6,057.3 | | \$6,057.3 | \$6,057.3 | \$0.0 | \$0.0 |
| Sec. 31a Vision/Hearing Screening | \$5,150.0 | | \$5,150.0 | \$5,150.0 | \$0.0 | \$0.0 |
| Sec. 31b Year-Round Schools Grants | \$750.0 | | \$750.0 | \$0.0 | (\$750.0) | (\$750.0) |
| Sec. 31d School Lunch Programs - State Share | \$23,144.0 | | \$23,144.0 | \$23,144.0 | \$0.0 | \$0.0 |
| Sec. 31d School Lunch Programs - Federal Share | \$523,200.0 | | \$523,200.0 | \$537,200.0 | \$14,000.0 | \$14,000.0 |
| Sec. 31f School Breakfast | \$4,500.0 | | \$4,500.0 | \$4,500.0 | \$0.0 | \$0.0 |
| Sec. 31j Support of Local Produce in School Meals | \$575.0 | | \$575.0 | \$575.0 | \$0.0 | \$0.0 |
| Sec. 31n School Mental Health | \$31,300.0 | | \$31,300.0 | \$23,300.0 | (\$8,000.0) | (\$8,000.0) |
| Sec. 31p Hydration Stations - NEW | \$0.0 | \$61,500.0 | \$61,500.0 | \$0.0 | \$0.0 | (\$61,500.0) |
| Sec. 32d Great Start - School Readiness | \$244,900.0 | | \$244,900.0 | \$328,900.0 | \$84,000.0 | \$84,000.0 |
| Sec. 32p Great Start Early Childhood Block Grants | \$13,400.0 | | \$13,400.0 | \$13,400.0 | \$0.0 | \$0.0 |
| Sec. 32q Early learning Cooperative | \$175.0 | | \$175.0 | \$0.0 | (\$175.0) | (\$175.0) |
| Sec. 35a(4) Investment in Literacy Coaches for K-3 Teachers | \$7,000.0 | | \$7,000.0 | \$31,500.0 | \$24,500.0 | \$24,500.0 |
| Sec. 35a(5) Early Literacy District Grants | \$19,900.0 | | \$19,900.0 | \$19,900.0 | \$0.0 | \$0.0 |
| Sec. 35a(6) Michigan Education Corps | \$3,000.0 | | \$3,000.0 | \$3,000.0 | \$0.0 | \$0.0 |
| Sec. 35a(7) Summer Reading Project | \$500.0 | | \$500.0 | \$0.0 | (\$500.0) | (\$500.0) |
| Sec. 35a(9) Literacy Essentials | \$1,000.0 | | \$1,000.0 | \$1,000.0 | \$0.0 | \$0.0 |

FY 2018-19 Year-to-Date and Governor's Recommended Supplemental, and FY 2019-20 Governor's Recommendation

| <u>Line Item Description</u> | <u>FY 2018-19 Year-to- Date</u> | <u>FY 2018-19 Gov's Rec Supp Changes</u> | <u>Gov's Rec FY 2018-19 Budget</u> | <u>FY 2019-20 Gov's Rec Budget</u> | <u>Change from Year-to- Date</u> | <u>Change from Gov's Rec for FY 2018-19</u> |
|---|---|--|--|--|--|---|
| Sec. 35b District and Dyslexia Center Collaboration Grant | \$250.0 | | \$250.0 | \$0.0 | (\$250.0) | (\$250.0) |
| Sec. 39a(1) NCLB Federal DOE Grants | \$730,600.0 | | \$730,600.0 | \$725,600.0 | (\$5,000.0) | (\$5,000.0) |
| Sec 39a(2) Other Non-NCLB Federal DOE Grants | \$51,200.0 | | \$51,200.0 | \$49,100.0 | (\$2,100.0) | (\$2,100.0) |
| Sec. 41 Bilingual Education | \$6,000.0 | | \$6,000.0 | \$6,000.0 | \$0.0 | \$0.0 |
| Sec. 51a Special Education - Federal IDEA | \$370,000.0 | | \$370,000.0 | \$370,000.0 | \$0.0 | \$0.0 |
| Sec. 51a(2) Spec. Ed. Foundations - State Share | \$273,100.0 | \$13,700.0 | \$286,800.0 | \$297,800.0 | \$24,700.0 | \$11,000.0 |
| Sec. 51a(3) Spec. Ed. Hold Harmless to ISDs - State Share | \$1,300.0 | (\$100.0) | \$1,200.0 | \$1,000.0 | (\$300.0) | (\$200.0) |
| Sec. 51a(6) Spec. Ed. Rules Change - State Share | \$2,200.0 | | \$2,200.0 | \$2,200.0 | \$0.0 | \$0.0 |
| Sec. 51a(11) Spec. Ed. Non Sec. 52 to ISDs - State Share | \$3,400.0 | (\$500.0) | \$2,900.0 | \$2,800.0 | (\$600.0) | (\$100.0) |
| Sec. 51a(16) Spec. Ed. ISD Compliance Reimbursement - State Share | \$500.0 | | \$500.0 | \$500.0 | \$0.0 | \$0.0 |
| Sec. 51c Special Education Headlee - State Share | \$651,000.0 | \$12,500.0 | \$663,500.0 | \$689,500.0 | \$38,500.0 | \$26,000.0 |
| Sec. 51d Special Education - Other Federal | \$61,000.0 | | \$61,000.0 | \$61,000.0 | \$0.0 | \$0.0 |
| Sec. 53a Court-Placed Spec. Ed. FTEs - State Share | \$10,500.0 | | \$10,500.0 | \$10,500.0 | \$0.0 | \$0.0 |
| Sec. 54 MI School for Deaf and Blind - State Share | \$1,688.0 | | \$1,688.0 | \$1,688.0 | \$0.0 | \$0.0 |
| Sec. 54b Integrated Behavior and Learning Support (MiBLSi) | \$1,600.0 | | \$1,600.0 | \$1,600.0 | \$0.0 | \$0.0 |
| Sec. 54d Special Ed Taskforce - Early On - NEW | \$5,000.0 | | \$5,000.0 | \$5,000.0 | \$0.0 | \$0.0 |
| Sec. 55 Conductive Learning Center Study | \$250.0 | | \$250.0 | \$0.0 | (\$250.0) | (\$250.0) |
| Sec. 56 Spec. Ed. Millage Equalization - State Share | \$40,008.1 | | \$40,008.1 | \$40,008.1 | \$0.0 | \$0.0 |
| Sec. 61a Vocational Education | \$37,711.3 | | \$37,711.3 | \$36,611.3 | (\$1,100.0) | (\$1,100.0) |
| Sec. 61b Career and Technical Education/Dual Enrollment | \$8,000.0 | | \$8,000.0 | \$8,000.0 | \$0.0 | \$0.0 |
| Sec. 61c Career and Technical Education Equipment Upgrades | \$2,500.0 | | \$2,500.0 | \$0.0 | (\$2,500.0) | (\$2,500.0) |
| Sec. 61d CTE Incentive Payments - NEW | \$5,000.0 | | \$5,000.0 | \$0.0 | (\$5,000.0) | (\$5,000.0) |
| Sec. 61f Pipeline 2 Promise | \$200.0 | | \$200.0 | \$0.0 | (\$200.0) | (\$200.0) |
| Sec. 61g St Clair RESA High Demand Jobs Startup Costs | \$50.0 | | \$50.0 | \$0.0 | (\$50.0) | (\$50.0) |
| Sec. 61h Shiawassee ISD Virtual CTE Program | \$1,200.0 | | \$1,200.0 | \$0.0 | (\$1,200.0) | (\$1,200.0) |
| Sec. 62 ISD Vocational Ed Millage Equalization | \$9,190.0 | | \$9,190.0 | \$9,190.0 | \$0.0 | \$0.0 |
| Sec. 64b Dual Enrollment Incentive Payments | \$1,750.0 | | \$1,750.0 | \$0.0 | (\$1,750.0) | (\$1,750.0) |
| Sec. 64d Information Technology Certifications | \$2,300.0 | | \$2,300.0 | \$0.0 | (\$2,300.0) | (\$2,300.0) |
| Sec. 65 Detroit Precollege Engineering | \$400.0 | | \$400.0 | \$0.0 | (\$400.0) | (\$400.0) |
| Sec. 67 College and Career Readiness Tools | \$3,000.0 | | \$3,000.0 | \$3,000.0 | \$0.0 | \$0.0 |
| Sec. 74 Bus Driver Safety Instruction | \$2,025.0 | | \$2,025.0 | \$2,025.0 | \$0.0 | \$0.0 |
| Sec. 74 School Bus Inspections | \$1,729.9 | | \$1,729.9 | \$1,747.9 | \$18.0 | \$18.0 |
| Sec. 74a Statewide School Bus Driver Safety Program - ALICE | \$810.0 | | \$810.0 | \$0.0 | (\$810.0) | (\$810.0) |
| Sec. 81 ISD General Operations Support | \$68,453.0 | | \$68,453.0 | \$70,849.0 | \$2,396.0 | \$2,396.0 |
| Sec. 94 Advanced Placement (AP) Incentive Program | \$1,000.0 | | \$1,000.0 | \$1,000.0 | \$0.0 | \$0.0 |
| Sec. 94a Center for Educ. Perf. and Information - State Share | \$16,356.7 | | \$16,356.7 | \$16,457.2 | \$100.5 | \$100.5 |
| Sec. 94a Center for Educ. Perf. and Information - Federal | \$193.5 | | \$193.5 | \$193.5 | \$0.0 | \$0.0 |
| Sec. 95b Value-Added Growth and Projection Analytics System | \$2,500.0 | | \$2,500.0 | \$0.0 | (\$2,500.0) | (\$2,500.0) |
| Sec. 98 Michigan Virtual High School - State | \$7,387.5 | | \$7,387.5 | \$7,387.5 | \$0.0 | \$0.0 |
| Sec. 99h FIRST Robotics | \$4,800.0 | | \$4,800.0 | \$3,000.0 | (\$1,800.0) | (\$1,800.0) |

FY 2018-19 Year-to-Date and Governor's Recommended Supplemental, and FY 2019-20 Governor's Recommendation

| <u>Line Item Description</u> | FY 2018-19 Year-to- Date | FY 2018-19 Gov's Rec Supp Changes | Gov's Rec FY 2018-19 Budget | FY 2019-20 Gov's Rec Budget | Change from Year-to- Date | Change from Gov's Rec for FY 2018-19 |
|--|--------------------------------|---|-----------------------------------|-----------------------------------|---------------------------------|--|
| Sec. 99s(2) Comprehensive STEM Initiative (Administration) | \$300.0 | | \$300.0 | \$300.0 | \$0.0 | \$0.0 |
| Sec. 99s(3) Comprehensive STEM Grants | \$3,050.0 | | \$3,050.0 | \$3,050.0 | \$0.0 | \$0.0 |
| Sec. 99s(4) Math/Science Centers - Federal | \$3,500.0 | | \$3,500.0 | \$235.0 | (\$3,265.0) | (\$3,265.0) |
| Sec. 99s(4) MiSTEM Network Regions | \$3,834.3 | | \$3,834.3 | \$3,834.3 | \$0.0 | \$0.0 |
| Sec. 99s(6) MiSTEM Professional Development and Curriculum | \$750.0 | | \$750.0 | \$750.0 | \$0.0 | \$0.0 |
| Sec. 99t Online Algebra Tool | \$1,500.0 | | \$1,500.0 | \$0.0 | (\$1,500.0) | (\$1,500.0) |
| Sec. 99u Imagine Learning - math, Espanol, literacy | \$3,000.0 | | \$3,000.0 | \$0.0 | (\$3,000.0) | (\$3,000.0) |
| Sec. 99v Dana Center | \$25.0 | | \$25.0 | \$0.0 | (\$25.0) | (\$25.0) |
| Sec. 99w Michigan Fitness Foundation | \$500.0 | | \$500.0 | \$0.0 | (\$500.0) | (\$500.0) |
| Sec. 99x Teach for America | \$300.0 | | \$300.0 | \$0.0 | (\$300.0) | (\$300.0) |
| Sec. 99y STEM and Entrepreneurship Program | \$60.0 | | \$60.0 | \$0.0 | (\$60.0) | (\$60.0) |
| Sec. 102d Reimbursement for Purchase of Financial Data Analysis Tool(s) | \$1,500.0 | | \$1,500.0 | \$0.0 | (\$1,500.0) | (\$1,500.0) |
| Sec. 104 MEAP Testing - State Share | \$32,509.4 | | \$32,509.4 | \$31,009.4 | (\$1,500.0) | (\$1,500.0) |
| Sec. 104 MEAP Testing - Federal Share | \$6,250.0 | | \$6,250.0 | \$6,250.0 | \$0.0 | \$0.0 |
| Sec. 104d Computer Adaptive Test | \$9,200.0 | | \$9,200.0 | \$0.0 | (\$9,200.0) | (\$9,200.0) |
| Sec. 104e Digital Assessment Preparation | \$500.0 | | \$500.0 | \$0.0 | (\$500.0) | (\$500.0) |
| Sec. 107 Adult Education - State | \$30,500.0 | | \$30,500.0 | \$30,500.0 | \$0.0 | \$0.0 |
| Sec. 147a(1) MPSERS District Reimbursement | \$100,000.0 | | \$100,000.0 | \$100,000.0 | \$0.0 | \$0.0 |
| Sec. 147a(2) MPSERS Normal Cost Reimbursement for Lower AROR/Dedicated Gains | \$88,139.0 | | \$88,139.0 | \$172,069.0 | \$83,930.0 | \$83,930.0 |
| Sec. 147c(1) MPSERS Rate Cap (Section 41 of MPSERS Act) | \$1,032,700.0 | | \$1,032,700.0 | \$1,030,900.0 | (\$1,800.0) | (\$1,800.0) |
| Sec. 147e MPSERS Additional Normal/DC Costs for PA 92 of 2017 | \$37,600.0 | | \$30,000.0 | \$42,571.0 | \$4,971.0 | \$12,571.0 |
| Sec. 152a <i>Adair v State of Michigan</i> | \$38,000.5 | | \$38,000.5 | \$38,000.5 | \$0.0 | \$0.0 |
| Sec. 152b Reimbursement for Nonpublic Mandates | \$250.0 | | \$250.0 | \$0.0 | (\$250.0) | (\$250.0) |
| TOTAL SCHOOL AID APPROPRIATIONS | \$14,844,588.8 | \$10,700.0 | \$14,855,288.8 | \$15,371,238.9 | \$526,650.1 | \$515,950.1 |

| TOTAL REVENUE | | | | | | |
|--|-----------------------|-------------------|-----------------------|-----------------------|--------------------|--------------------|
| Federal Aid | \$1,745,943.5 | | \$1,745,943.5 | \$1,749,578.5 | \$3,635.0 | \$3,635.0 |
| School Aid Fund (SAF) | \$12,876,825.2 | \$42,600.0 | \$12,919,425.2 | \$13,504,660.3 | \$627,835.1 | \$585,235.1 |
| School Mental Health Services Fund | \$30,000.0 | | \$30,000.0 | \$0.0 | (\$30,000.0) | (\$30,000.0) |
| MPSERS Reforms Fund | \$31,900.0 | (\$31,900.0) | \$0.0 | \$0.0 | (\$31,900.0) | \$0.0 |
| General Fund/General Purpose | \$87,920.0 | | \$87,920.0 | \$45,000.0 | (\$42,920.0) | (\$42,920.0) |
| Community District Education Trust Fund (\$72.0 m)/Other (\$100 Flint Reserve) | \$72,000.1 | | \$72,000.1 | \$72,000.1 | \$0.0 | \$0.0 |
| TOTAL REVENUE | \$14,844,588.8 | \$10,700.0 | \$14,855,288.8 | \$15,371,238.9 | \$526,650.1 | \$515,950.1 |



Senate Fiscal Agency
 P.O. Box 30036
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Committee: Appropriations

| FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE | FY 2018-19 YEAR-TO-DATE* | FY 2019-20 GOV.'S REC. | CHANGES FROM FY 2018-19 YEAR-TO-DATE | |
|---|--------------------------|------------------------|--------------------------------------|--------------|
| | | | AMOUNT | PERCENT |
| FTE Positions | 1,586.0 | 1,586.0 | 0.0 | 0.0 |
| GROSS | 247,062,800 | 255,209,600 | 8,146,800 | 3.3 |
| Less: | | | | |
| Interdepartmental Grants Received | 20,000,000 | 20,000,000 | 0 | 0.0 |
| ADJUSTED GROSS | 227,062,800 | 235,209,600 | 8,146,800 | 3.6 |
| 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 | 225,552,700 | 233,699,500 | 8,146,800 | 3.6 |
| Less: | | | | |
| Other State Restricted Funds | 207,086,400 | 210,732,000 | 3,645,600 | 1.8 |
| GENERAL FUND/GENERAL PURPOSE | 18,466,300 | 22,967,500 | 4,501,200 | 24.4 |
| PAYMENTS TO LOCALS | 1,129,000 | 1,127,500 | (1,500) | (0.1) |

*As of March 5, 2019.

| | Gross | GF/GP |
|--|----------------------|---------------------|
| FY 2018-19 Year-to-Date Appropriation | \$247,062,800 | \$18,466,300 |

Changes from FY 2018-19 Year-to-Date:

- | | | |
|---|-----------|-----------|
| 1. Removal of FY 2018-19 Supplemental Funding. Governor removed supplemental funding provided for the administration of the motorcycle safety education program via PA 618 of 2018. | (400,000) | 0 |
| 2. Redistricting Commission. Governor provided funding for the creation of the commission as well as the compensation for commission members as required by the implementation of Proposal 2 as adopted by Michigan voters in November 2018. | 4,616,600 | 4,616,600 |
| 3. Branch Office Economics. Governor increased funding totaling \$830,000 due to contract rate increases and general maintenance. Contract rates for janitorial, security, and telecommunications increased by a total of \$500,000 while the remaining \$330,000 is appropriated for maintenance cost increases for branch offices. | 830,000 | 0 |
| 4. Motorcycle Safety. Governor increased funding to create and maintain the "Look Twice Save a Life" program to increase motorcycle rider safety. | 300,000 | 0 |
| 5. Elections Compliance. Increases funding to provide maintenance and support of the election system that ensure compliance core applications systems for the Bureau of Elections. | 200,000 | 200,000 |

| | | |
|--|----------------------|---------------------|
| 6. General Fund Reduction. Governor reduced GF/GP expenditures by 4% as a budgetary savings measure and replaced funding with restricted Transportation Administration Collection Fund (TACF) dollars. | 0 | (738,700) |
| 7. Economic Adjustments. Includes \$2,600,200 Gross and \$423,300 GF/GP for total economic adjustments, of which an estimated negative \$1,864,800 Gross and \$153,800 GF/GP is for legacy retirement costs (pension and retiree health). | 2,600,200 | 423,300 |
| Total Changes | \$8,146,800 | \$4,501,200 |
| FY 2019-20 Governor's Recommendation | \$255,209,600 | \$22,967,500 |

Boilerplate Changes from FY 2018-19 Year-to-Date:

1. **Governor:** Moved boilerplate from the FY 2018-19 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. **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)
3. **Post-Election Audits.** Requires the Department of State to develop a plan to enhance post-election audit procedures to ensure machine-tabulated vote accounts are counted and reported accurately. **Governor:** Eliminated section as the recommended plan will be completed by July 2019. (Current Law Sec. 720)
4. **Legacy Cost Estimates.** Total legacy costs are estimated at \$30,655,900. Of the total, pension-related legacy costs are estimated at \$14,132,900 and retiree health care legacy costs are estimated at \$16,523,000 for fiscal year ending September 30, 2019. **Governor:** Provided the following Legacy Costs estimates for FY 2020: Total legacy costs estimated at \$29,065,400. Of that total, \$14,129,400 are for pension-related legacy costs and \$14,936,000 are for retiree health care legacy costs for the fiscal year ending September 30, 2020. (Sec. 725)

Date Completed: 3-12-19

Fiscal Analyst: Joe Carrasco, Jr.



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Committee: Appropriations

| FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE | FY 2018-19 YEAR-TO-DATE* | FY 2019-20 GOV.'S REC. | CHANGES FROM FY 2018-19 YEAR-TO-DATE | |
|---|--------------------------|------------------------|--------------------------------------|---------------|
| | | | AMOUNT | PERCENT |
| FTE Positions | 3,518.0 | 3,541.0 | 23.0 | 0.7 |
| GROSS | 777,936,400 | 718,629,000 | (59,307,400) | (7.6) |
| Less: | | | | |
| Interdepartmental Grants Received | 24,748,300 | 24,933,900 | 185,600 | 0.7 |
| ADJUSTED GROSS | 753,188,100 | 693,695,100 | (59,493,000) | (7.9) |
| Less: | | | | |
| Federal Funds | 100,648,800 | 75,728,500 | (24,920,300) | (24.8) |
| Local and Private | 5,261,800 | 4,801,200 | (460,600) | (8.8) |
| TOTAL STATE SPENDING | 647,277,500 | 613,165,400 | (34,112,100) | (5.3) |
| Less: | | | | |
| Other State Restricted Funds | 154,103,700 | 144,658,200 | (9,445,500) | (6.1) |
| GENERAL FUND/GENERAL PURPOSE | 493,173,800 | 468,507,200 | (24,666,600) | (5.0) |
| PAYMENTS TO LOCALS | 19,231,300 | 14,078,600 | (5,152,700) | (26.8) |

*As of March 5, 2019.

| | Gross | GF/GP |
|--|----------------------|----------------------|
| FY 2018-19 Year-to-Date Appropriation | \$777,936,400 | \$493,173,800 |

Changes from FY 2018-19 Year-to-Date:

- | | | |
|---|-----------|-----------|
| 1. Recreational Marihuana Law Implementation. Governor recommended \$3.0 million in Marijuana Regulatory Funds and 9.0 FTEs for investigative functions associated with the legalization of recreational marihuana. | 3,000,000 | 0 |
| 2. Annualize FY 2018-19 Trooper School Costs. Governor recommended full year costs of 75 troopers graduating from FY 2018-19 trooper recruit schools. | 8,098,300 | 8,098,300 |
| 3. Trooper School for FY 2019-20. Governor recommended ongoing (\$3,907,300) and one-time (\$4,737,600) costs to conduct a trooper recruit school to begin January 2020, with a target of 50 graduates. A second FY 2019-20 school, with a target graduation of 70, is proposed, to be funded through existing base appropriations made available by enlisted attrition. The two schools would result in a net year-to-year gain of approximately 15 enlisted personnel. | 8,644,900 | 8,644,900 |
| 4. In-Car Camera Video Streaming Network. Governor recommended one-time funding to create a realtime in-car streaming network for MSP patrol vehicles. | 2,300,000 | 2,300,000 |
| 5. Automated Biometrics Identification System. Governor recommended funding for cost increases associated with maintenance of the Automated Biometrics Identification System. | 510,200 | 510,200 |

| | | |
|---|--------------|--------------|
| 6. Breath Alcohol Testing Devices Cost Increase. Governor recommended funding for inflationary contract increases and maintenance of portable breath alcohol testing devices. | 300,100 | 300,100 |
| 7. Ammunition Increased Costs. Governor recommended funding for increased department costs of Department ammunition. | 258,600 | 258,600 |
| 8. Accounting Service Center Increased Costs. Governor recommended funding for increased costs associated with Accounting Service Center operations. | 179,100 | 179,100 |
| 9. eWarrent System Increased Costs. Governor recommended funding for increased costs associated with hosting and maintenance of the statewide eWarrent system. | 130,000 | 130,000 |
| 10. Ongoing Costs for Combined Strategic Support Module. Governor recommended funding for ongoing support for licensing and server costs for geo-mapping/computer. | 123,000 | 123,000 |
| 11. Credit Card Fee Payments. Governor recommended funding for authorization necessary to pay fees associated with credit card transactions processed by the Department. | 578,700 | 4,200 |
| 12. Marihuana Funding Authorization. Governor recommended the adjustment of (reducing by 32.0 FTEs and \$8,988,700 Restricted) of anticipated revenues following the legalization of recreational marihuana. Includes the removal of \$1,815,000 Restricted from Medical Marihuana Excise Fund, as revenue is no longer collected. | (10,803,700) | 0 |
| 13. Fleet Leasing Reduction - Patrol and Administrative Vehicles. Governor recommended reducing ("right-sizing") Department's fleet of vehicles, both patrol (275 vehicles for a savings of \$2.0 million) and administrative (50 vehicles for a savings of \$300,000). | (2,300,000) | (2,300,000) |
| 14. Special Operations Reduction. Governor recommended reduction of funding due to savings from lower anticipated special protection costs. | (677,600) | (677,600) |
| 15. Operating Supplies and Materials Savings. Governor recommended a reduction of support for miscellaneous operating supplies and material from eight of the department's major operating appropriations. | (450,000) | (450,000) |
| 16. Grants & Community Services Reduction in Outreach and Education. Governor recommended a reduction in funding for outreach and awareness initiatives. | (255,400) | (255,400) |
| 17. Discretionary Overtime Reduction. Governor recommended a reduction in budgeted overtime for eight of the Department's major payroll appropriations, with post operations being held harmless. | (100,000) | (100,000) |
| 18. Emergency Management and Homeland Security Training Center Reduction. Governor recommended a technical adjustment reducing GF support for center. | (29,600) | (29,600) |
| 19. Secondary Road Patrol Grant Program - Elimination of FY 2018-19 GF/GP Support. Governor recommended the removal of FY 2018-19 GF/GP support of \$2.0 million for grant program, leaving \$11,074,300 in Restricted funding for FY 2019-20. | (2,000,000) | (2,000,000) |
| 20. School Safety Grants Elimination. Governor recommended the elimination of a one-time FY 2018-19 \$25.0 million GF/GP grant program for public and private schools. | (25,000,000) | (25,000,000) |
| 21. Roadside Saliva Testing Project Elimination. Governor recommended the elimination of statewide roadside testing project. | (626,000) | (626,000) |

| | | |
|---|-----------------------|-----------------------|
| 22. Michigan International Speedway (MIS) Grant Elimination. Governor recommended the elimination of one-time Traffic Control Support for MIS. | (725,000) | (725,000) |
| 23. OK2SAY One-Time Information Technology Update Elimination (placeholder). Governor recommended elimination. | (100) | (100) |
| 24. Trooper School FY 2018-19 One-Time Cost Elimination. Governor recommended elimination. | (7,751,300) | (7,751,300) |
| 25. Disaster and Emergency Contingency Fund One-Time Deposit Elimination. Governor recommended elimination. | (7,500,000) | (7,500,000) |
| 26. Civil Air Patrol One-Time Grant Elimination. Governor recommended elimination. | (20,000) | (20,000) |
| 27. Align Federal and Restricted Authorization with Available Revenue. Governor recommended alignment of Federal and Restricted funding amounts across several budget lines to reflect actual funds received. | (1,243,600) | 0 |
| 28. Adjustment for FY 2018-19 Boilerplate Receive and Expend Authority for Disaster and Emergency Support from Federal and Restricted Funds. | (27,350,900) | 0 |
| 29. Unclassified Salaries. Governor recommended an increase from \$598,000 for FY 2018-19 to \$621,700 for FY 2019-20. | 23,700 | 11,500 |
| 30. Economic Adjustments. Includes \$3,379,200 Gross and \$2,208,500 GF/GP for total economic adjustments, of which an estimated negative \$7,406,900 Gross and \$5,758,300 GF/GP is for legacy retirement costs (pension and retiree health). | 3,379,200 | 2,208,500 |
| Total Changes | (\$59,307,400) | (\$24,666,600) |
| FY 2019-20 Governor's Recommendation | \$718,629,000 | \$468,507,200 |

Boilerplate Changes from FY 2018-19 Year-to-Date:

- Contingency Funds.** Governor decreased the authorization for the transfer of Federal contingency funds from a maximum of \$10.0 million allowed to a maximum of \$8.5 million and increased the maximum allowed for transfer from Restricted revenues from \$3.5 million to \$5.0 million. (Sec. 210)
- Disciplinary Action.** Governor eliminated language prohibiting action against an employee for communicating with legislative staff. (Sec. 215)
- Quarterly Reporting to Legislature.** Governor revised department reporting requirement regarding metrics, finances, from a quarterly to a biannual basis. (Sec. 216)
- Privatization Notification.** Governor eliminated Sec. 220 which required the submission of a privatization plan to the Legislature at least 90 days prior to beginning efforts to privatize. (Sec. 220)
- Capitol Complex Security.** Governor eliminated Sec. 301 and moved language which outlined security services at the Capitol and other buildings to Sec. 702. (Sec. 301)
- Concealed Weapons Licensing Financial Report.** Governor removed a subsection which required a report to the Legislature on concealed weapons licensing, including the actual revenue received from licensing applications and the cost of administrating the licensing program. (Sec. 402)
- Grants and Community Service Programs.** Governor updated responsibilities for the program, removed a reference to oversight and administration of 9-1-1 operations statewide and adding administration of school safety grants. (Sec. 406)
- School Safety Report.** Governor eliminated Sec. 407, which required a report to the Legislature on the status of school safety grants, reports of school violence reported to police, reports of OK2SAY-based incidences, and recommendations on best practices to ensure school safety. (Sec. 407)

9. **Traffic Safety.** Governor removed a traffic patrol metric requiring a minimum of 2,000 hours of patrol be committed to Belle Isle. (Sec. 601)
10. **School Safety Grants.** Governor eliminated Sec. 701 from PA 618 of 2018, which provided guidelines for the appropriation of \$25.0 million GF/GP in school safety grants for FY 2018-19. (Sec. 701 of PA 618 of 2018)
11. **Specialized Services.** Governor removed a requirement that a study of drone laws be made and added language from Sec. 301, outlining the duties and metrics of Capitol complex security operations. (Sec. 702)
12. **Emergency Management.** Governor removed a requirement of a quarterly report on the status of infrastructure vulnerabilities in the State and a provision that, upon declaration of a State emergency and approval of the State Budget Director and legislative notification, the Department Director may expend funds from any source to any line item for necessary expenses incurred in response to an emergency or disaster. (Sec. 704)
13. **Sexual Assault Prevention and Education Grants.** Governor eliminated Sec. 901 which provided guidelines for the administration of one-time sexual assault prevention and education grants, which by FY 2018-19 supplemental appropriation PA 618 of 2018, was transferred to the DHHS budget and repealed this boilerplate section. (Sec. 901)
14. **Budget Year Two - General Guidelines.** Governor eliminated Sec. 1001. (Sec. 1001)

Date Completed: 3-12-19

Fiscal Analyst: Bruce R. Baker



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Committee: Appropriations

| FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE | FY 2018-19 YEAR-TO-DATE* | FY 2019-20 GOV.'S REC. | CHANGES FROM FY 2018-19 YEAR-TO-DATE | |
|---|--------------------------|------------------------|--------------------------------------|---------------|
| | | | AMOUNT | PERCENT |
| FTE Positions | 1,450.0 | 1,450.0 | 0.0 | 0.0 |
| GROSS | 1,260,746,100 | 1,088,257,000 | (172,489,100) | (13.7) |
| Less: | | | | |
| Interdepartmental Grants Received | 0 | 0 | 0 | 0.0 |
| ADJUSTED GROSS | 1,260,746,100 | 1,088,257,000 | (172,489,100) | (13.7) |
| Less: | | | | |
| Federal Funds | 762,645,800 | 762,145,800 | (500,000) | (0.1) |
| Local and Private | 6,121,700 | 6,128,300 | 6,600 | 0.1 |
| TOTAL STATE SPENDING | 491,978,600 | 319,982,900 | (171,995,700) | (35.0) |
| Less: | | | | |
| Other State Restricted Funds | 205,432,300 | 175,074,600 | (30,357,700) | (14.8) |
| GENERAL FUND/GENERAL PURPOSE | 286,546,300 | 144,908,300 | (141,638,000) | (49.4) |
| PAYMENTS TO LOCALS | 31,400,000 | 37,598,800 | 6,198,800 | 19.7 |

*As of March 5, 2019.

| | Gross | GF/GP |
|--|------------------------|----------------------|
| FY 2018-19 Year-to-Date Appropriation | \$1,260,746,100 | \$286,546,300 |

Changes from FY 2018-19 Year-to-Date:

- | | | |
|---|---------------|---------------|
| 1. Michigan State Housing Development Authority Legal Fees. The Governor increased appropriations to reflect increased legal fees charged by the Attorney General. The increase was supported by MSHDA restricted revenue. | 335,500 | 0 |
| 2. Land Bank Fund Shift. The Governor shifted \$1.5 million from GF/GP to Land Bank Fast Track funds. | 0 | (1,500,000) |
| 3. Supplemental Appropriations Removal. The Governor removed FY 2018-19 supplemental appropriations, which included: Michigan Enhancement Grants (\$113,450,500), Business Attraction and Community Revitalization (\$20.0 million), Northern Michigan Tourism and Sports fund (\$10.0 million), and GEAR-UP reappropriations (\$2.0 million). | (145,450,500) | (145,450,500) |
| 4. Going Pro. The Governor eliminated Going Pro one-time appropriations, reducing the total program by \$10.0 million, and shifted \$25.9 million from Penalties and Interest revenue to GF/GP. | (10,000,000) | 15,918,800 |
| 5. One-Time Appropriations Removal. The Governor eliminated several FY 2018-19 one-time appropriations, which included: Arts and Culture grants (\$1.0 million), Entrepreneurship Eco-System (\$2.5 million), Project Rising Tide (\$1.0 million), and special grants (\$1,350,000). | (5,850,100) | (5,850,000) |

| | | |
|--|------------------------|------------------------|
| 6. Pure Michigan. The Governor reduced Pure Michigan \$5.0 million Gross (\$4.0 million 21 st Century Jobs Trust Fund dollars and \$1.0 million GF/GP) and shifted the \$4.0 million of 21 st Century Jobs Trust fund revenue to Business Attraction and Community Revitalization, thereby freeing up \$4.0 million GF/GP in that line. | (5,000,000) | (5,000,000) |
| 7. Community Ventures. The Governor removed this line item, which was entirely supported by penalties and interest revenue. | (4,000,000) | 0 |
| 8. At Risk Youth Grants. The Governor removed this line item, which was entirely supported by penalties and interest revenue. | (3,000,000) | 0 |
| 9. Defined Calculation Technical Adjustment. The Governor removed economic adjustments to line items and fund sources that do not allow for economic adjustments. | (1,747,400) | 0 |
| 10. Talent Investment Agency Federal Fund Adjustment. The Governor reduced Federal fund appropriations to align with current projections. | (485,600) | 0 |
| 11. Going Pro. The Governor did not include FY 2018-19 supplemental changes that split Going Pro appropriations with the deposit to the Going Pro Fund. | 0 | 0 |
| 12. Economic Adjustments. Includes \$2,709,000 Gross and \$243,700 GF/GP for total economic adjustments, of which an estimated decrease of \$910,600 Gross and \$88,500 GF/GP is for legacy retirement costs (pension and retiree health). | 2,709,000 | 243,700 |
| Total Changes | (\$172,489,100) | (\$141,638,000) |
| FY 2019-20 Governor's Recommendation | \$1,088,257,000 | \$144,908,300 |

Boilerplate Changes from FY 2018-19 Year-to-Date:

- Deleted Reports.** The Governor deleted a number of sections related to reporting/notification requirements, which include: 216 (retention of all reports), 221 (policy implementation report), 990 (MSHDA production goal report), 1004 (MSF statutory reports), 1006 (award amendment report), 1033 (Michigan Film Office activity report), 1035 (one-time Arts and Culture Grant metric report), 1081 (TIA implementation report for statewide systems for data integration), 1082 (sustainable employment pilot program report), and 1084 (one-time Going Pro metric report).
- Other Deleted Sections.** The Governor deleted a number of other sections, which include: 217 (fund expenditure prioritization), 218 (protects employees who testify to the Legislature), 983 (MSF/MSHDA restriction on issuing bonds related to broadband), 984 (SIGMA requirement), 1041 (restriction from expending more than 60% of Business Attraction and Community Revitalization funding before April 1), 1047 (one-time special grants), 1052 (one-time Project Rising Tide), 1070 (Graduation Alliance grant), 1071 (Jobs for Michigan Graduates grant), 1074 (TANF requirements with DHHS), and 1080 (Community Ventures matching funds).
- Technical Changes.** The Governor made a number of technical modifications that include date changes, changes in Part 1 appropriations, legacy costs, name changes, and various other changes due to removing the Department of Talent and Economic Development budget from the General Government budget bill. (Sec. 201, 203, 206, 207, 210, 211, 212, 214, 980, 981, 982, 1050, 1061)

Date Completed: 3-12-19

Fiscal Analyst: Cory Savino

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



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Committee: Appropriations

| FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE | FY 2018-19 YEAR-TO-DATE* | FY 2019-20 GOV.'S REC. | CHANGES FROM FY 2018-19 YEAR-TO-DATE | |
|---|--------------------------|------------------------|--------------------------------------|--------------|
| | | | AMOUNT | PERCENT |
| FTE Positions | 3,116.0 | 3,135.0 | 19.0 | 0.6 |
| GROSS | 1,433,443,600 | 1,580,268,900 | 146,825,300 | 10.2 |
| Less: | | | | |
| Interdepartmental Grants Received | 751,777,000 | 950,488,800 | 198,711,800 | 26.4 |
| ADJUSTED GROSS | 681,666,600 | 629,780,100 | (51,886,500) | (7.6) |
| Less: | | | | |
| Federal Funds | 5,033,700 | 4,968,400 | (65,300) | (1.3) |
| Local and Private | 2,471,000 | 2,452,300 | (18,700) | (0.8) |
| TOTAL STATE SPENDING | 674,161,900 | 622,359,400 | (51,802,500) | (7.7) |
| Less: | | | | |
| Other State Restricted Funds | 122,117,400 | 117,916,800 | (4,200,600) | (3.4) |
| GENERAL FUND/GENERAL PURPOSE | 552,044,500 | 504,442,600 | (47,601,900) | (8.6) |
| PAYMENTS TO LOCALS | 0 | 0 | 0 | 0.0 |

*As of March 5, 2019.

| | Gross | GF/GP |
|--|------------------------|----------------------|
| FY 2018-19 Year-to-Date Appropriation | \$1,433,443,600 | \$552,044,500 |

Changes from FY 2018-19 Year-to-Date:

- | | | |
|--|--------------|--------------|
| 1. Removal of FY 2018-19 Supplemental Funding. Governor removed supplemental funding totaling \$73.1 million provided via PA 618 of 2018. Funding was provided for a variety of items, the three largest being \$43.1 million for military and judicial retirement system funding; \$20.0 million for statewide broadband; and \$8.2 million for the Inkster School District debt payments. | (86,335,000) | (78,255,000) |
| 2. Removal of FY 2018-19 One-Time Funding. The Governor did not include one-time funding appropriated in FY 2018-19 for the drinking water declaration of emergency, census-related services, and Office Retirement Services actuarial analyses. | (10,200) | (10,100) |
| 3. Technical Adjustments for IT. Governor included alignment of funding of the IDGs with department and agency actual current year appropriations, which increased restricted funding by \$191.9 million and 15.0 FTEs. Of this increase, \$179.9 million is for DHHS which includes moving \$100.0 million from its operations line item to the IT line item as well as funding for child protective services. | 191,899,900 | 0 |
| 4. MPSCS Upgrades and Maintenance. The Governor included \$5.9 million in one-time and \$8.2 million in ongoing GF/GP for upgrades, staffing, and maintenance costs for the Michigan Public Safety Communications System. | 14,093,700 | 14,093,700 |

| | | |
|--|-------------|-------------|
| 5. Demolition Costs. Governor included funding in the enterprise special maintenance line item for demolition costs associated with maintenance of state-owned buildings. | 5,000,000 | 5,000,000 |
| 6. IT Investment Fund (ITIF) Increase. Governor included a General Fund increase of \$5.0 million to the ITIF line item. This line item supports statewide IT projects. | 5,000,000 | 5,000,000 |
| 7. Microsoft Enterprise License Agreement. The Governor included \$5.0 million to support a licensing agreement for the Microsoft 365 G5 product bundle for use by State agencies. | 5,000,000 | 5,000,000 |
| 8. Special Maintenance Projects. The Governor included one-time funding for special maintenance projects at State-owned facilities. | 5,000,000 | 5,000,000 |
| 9. MiLogin Support. The Governor included funding for additional MiLogin integrations and the continued migration of this technology to allow for a single sign-on connectivity to State-run platforms. | 3,299,000 | 3,299,000 |
| 10. SIGMA Support. Governor included additional funding to support the ongoing support for the SIGMA system. | 1,700,000 | 0 |
| 11. Motor Vehicle Fleet Increase. The Governor included a \$1.5 million increase and 4.0 FTEs to align appropriations with an increase in vehicle miles traveled and an anticipated increase in fuel costs. | 1,500,000 | 0 |
| 12. CGI Contract and Staffing. The Governor included funding to cover contract costs for higher data storage capacity and additional accounting staff. | 1,200,000 | 1,200,000 |
| 13. Attorney General Legal Counsel. The Governor recommended \$670,000 in State Restricted funds to align funding for Attorney General legal services. | 670,000 | 0 |
| 14. Michigan State Police (MSP) Accounting Service Center Adjustment. Governor included increased IDG funding from the MSP to align actual costs with the accounting service center activities on behalf of the MSP. | 374,900 | 0 |
| 15. Michigan Team to End Drug Addiction. The Governor included \$300,000 GF/GP to support the Michigan Team to End Drug Addiction, a multi-agency effort to address substance use disorder issues. | 300,000 | 300,000 |
| 16. Professional Development Funds. Governor included funding for professional development funds for Michigan Public Employees, SEIU Scientific and engineering unit, and AFSCME represented employees per bargaining agreements with the Office of the State Employer. | 200,000 | 0 |
| 17. MSP Retirement System Payments. The Governor included \$10,000 GF/GP to support supplemental payments to the Michigan State Police Retirement System as required by PA 168 of 2015. | 10,000 | 10,000 |
| 18. Drinking Water Declaration of Emergency Placeholder. The Governor included a placeholder for a potential drinking water declaration of emergency transfer. | 100 | 0 |
| 19. Transfer of Military Retirement to DMVA. Governor transferred the Military Retirement System to the Department of Military and Veterans Affairs to align obligations with the employer. | (5,244,800) | (5,244,800) |
| 20. Regional Prosperity Grants. The Governor eliminated funding for the Regional Prosperity Initiative. | (4,000,000) | (4,000,000) |
| 21. Revenue Alignments and Reduction of Overstated Deducts. The Governor made technical adjustments to align authorization levels to available revenue. | (115,400) | |

| | | |
|--|------------------------|----------------------|
| 22. Business Support Services Fund Shift. Governor included a net-zero gross fund shift between GF/GP and Restricted contract revenue for the business support services line item that resulted in a loss in GF/GP revenue. | 0 | (138,400) |
| 23. Statewide Cost Allocation (SWCAP) Adjustments. Governor included the annual adjustments for DTMB central functions related to the SWCAP. State Restricted and General Fund charges are adjusted annually as part of the budget development process based on the most recent SWCAP data. Changes net to a zero gross change but result in a decrease in GF/GP revenue. | 0 | (131,300) |
| 24. Annual Adjustment of Indirect Charges and Fund Sources. Governor included a net-zero gross annual adjustment of the DTMB indirect charges and fund sources based on the most recent SWCAP data. Adjustment results in a loss in GF/GP revenue. | 0 | (35,800) |
| 25. Economic Adjustments. Includes \$7,283,100 Gross and \$1,310,800 GF/GP for total economic adjustments, of which an estimated negative \$5,318,100 Gross and \$1,037,000 GF/GP is for legacy retirement costs (pension and retiree health). | 7,283,100 | 1,310,800 |
| Total Changes | \$146,825,300 | (\$47,601,900) |
| FY 2019-20 Governor's Recommendation | \$1,580,268,900 | \$504,442,600 |

Boilerplate Changes from FY 2018-19 Year-to-Date:

- 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**.
- State Surplus Proceeds.** Allows the use of Federal surplus proceeds to offset costs of surplus property program. **Governor:** Modifies to allow for use of proceeds regardless of whether property sold was State or Federal. (Sec. 802).
- Related Federal and State Restricted Funds for Special Maintenance. Governor:** Adds new language stating that in addition to the GF/GP appropriation in Part 1 for special maintenance and remodeling, related Federal and State restricted funds will be appropriated up to the amounts that will be earned based upon the initiatives undertaken with the funds in Part 1. (**NEW** Sec. 815)
- Unclassified Salaries Report.** Requires the Department to compile a report by January 1 pertaining to the salaries of unclassified employees and gubernatorial appointees. **Governor:** Eliminates section. (Sec. 822)
- DTMB Fees and Rates.** 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. (Sec. 822d)
- Regional Prosperity Grants.** Describes the use of funds appropriated for the regional prosperity initiative. **Governor:** Eliminates section due to removal of these grants in the Executive Recommendation. (Sec. 822f)
- Placement of all Contract Proposals on Department Website.** Requires the Department to establish a publicly accessible portal on the Department's website that displays all contract proposals for all State departments and agencies. **Governor:** Eliminates section. (Sec. 822h)
- School Reform Office Coordination with Department of Education.** 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; Office was transferred to MDE as part of E.O. 2017-5. (Sec. 822o)
- 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)

10. **Carryforward of MPSCS Funds.** Requires funds appropriated for the Michigan Public Safety Communications System to be spent according to a plan approved by the State Budget Director. Requires the Department to assess reasonable fees for deposit into the fund and requires this revenue to be used for the support and maintenance of the MPSCS system. **Governor:** Added language allowing for the carryforward of funds. (Sec. 827)
11. **MPSCS and Local Payments.** One-time language for FY 2018-19 stating requirements for the use of funds appropriated for the Michigan Public Safety Communications System. **Governor:** Eliminates section. (Sec. 827a)
12. **Report on IT Services and Projects.** Requires the Department to submit a report to the legislative appropriations subcommittees on General Government stating the total funding appropriated for IT services and projects by funding source for all principal executive departments and agencies as well as a listing of all expenditures from these amounts. **Governor:** Eliminates section. (Sec. 828)
13. **Report on Recommendations for IT Hardware and Software.** Requires the Department to provide a report to the appropriations subcommittees on General Government that analyzes and makes recommendations on the life cycle of IT technology hardware and software. **Governor:** Eliminates section. (Sec. 829)
14. **Report on IT Projects.** Requires the Enterprise Portfolio Management Office to provide a quarterly report on executive branch department and enterprise information technology projects. **Governor:** Eliminates section. (Sec. 830)
15. **ORS Actuarial Analyses.** One-time language stating that funds appropriated for retirement services for actuarial analysis must be used to conduct an analysis to determine the costs incurred by the state employees retirement system as a result of implementing provisions of HB 5411 of the 99th Legislature, contingent on that bill's passage. **Governor:** Eliminates section. (Sec. 831)
16. **Report on Federal Child Support Enforcement System Penalties.** Requires the Department to inform the legislative appropriations subcommittees on General Government of any potential or actual penalties assessed by the federal government for the failure of the Michigan Child Support Enforcement System to achieve certification. **Governor:** Eliminates section. (Sec. 832)
17. **Census-Related Funds for Necessary Expenses.** States that the funds collected by the Department for supplying census-related information and technical services, estimates, and studies are appropriated for all expenses necessary to provide these services. Requires the Department to submit a report by March 1 providing the amount of revenue collected via the authorization of this section. **Governor:** Deletes reporting requirement. (Sec. 835)
18. **Census-Related One-Time Funding.** Requires the funds provided as one-time funding for census-related services be provided to the Michigan Nonprofit Association to mobilize nonprofits across the State to achieve a fair and accurate count in the 2020 census. States that any funds remaining at the end of the fiscal year are to be placed in a work project account to be used at such time that the actual census takes place. **Governor:** Eliminates section. (Sec. 835a)
19. **Modernization of State IT Systems and Integration.** Requires the Department to provide for the modernization of State IT systems and integrate State system interfaces to improve customer service using funds appropriated for the Information Technology Investment Fund. **Governor:** Eliminates section. (Sec. 836)
20. **Related Federal and State Restricted Funds for Enterprisewide IT Investments.** **Governor:** Adds new language stating that in addition to the GF/GP appropriation in Part 1 enterprisewide information technology investments, related Federal and State restricted funds will be appropriated up to the amounts that will be earned based upon the initiatives undertaken with the funds in Part 1. (**NEW** Sec. 837)
21. **EPMO Metrics.** States that the Department shall identify specific outcomes and performance measures from the funds appropriated for enterprise portfolio management. **Governor:** Eliminates section. (Sec. 840)
22. **Reports on Capital Outlay Projects.** Requires that the Department provide reports as considered necessary relative to the status of each planning or construction project financed by the state building authority. Describes details required to be included in the report. **Governor:** Eliminates section. (Sec. 862)

Date Completed: 3-12-19

Fiscal Analyst: Elizabeth Raczkowski

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



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Committee: Appropriations

| FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE | FY 2018-19 YEAR-TO-DATE* | FY 2019-20 GOV.'S REC. | CHANGES FROM FY 2018-19 YEAR-TO-DATE | |
|---|--------------------------|------------------------|--------------------------------------|----------------|
| | | | AMOUNT | PERCENT |
| FTE Positions | 2,818.3 | 2,818.3 | 0.0 | 0.0 |
| GROSS | 5,013,880,800 | 5,778,292,000 | 764,411,200 | 15.2 |
| Less: | | | | |
| Interdepartmental Grants Received | 4,092,500 | 3,974,300 | (118,200) | (2.9) |
| ADJUSTED GROSS | 5,009,788,300 | 5,774,317,700 | 764,529,400 | 15.3 |
| Less: | | | | |
| Federal Funds | 1,318,271,700 | 1,341,650,100 | 23,378,400 | 1.8 |
| Local and Private | 51,432,000 | 51,932,000 | 500,000 | 1.0 |
| TOTAL STATE SPENDING | 3,640,084,600 | 4,380,735,600 | 740,651,000 | 20.3 |
| Less: | | | | |
| Other State Restricted Funds | 3,283,293,700 | 4,380,735,600 | 1,097,441,900 | 33.4 |
| GENERAL FUND/GENERAL PURPOSE | 356,790,900 | 0 | (356,790,900) | (100.0) |
| PAYMENTS TO LOCALS | 2,106,336,600 | 2,302,463,700 | 196,127,100 | 9.3 |

*As of March 5, 2019.

| | Gross | GF/GP |
|--|------------------------|----------------------|
| FY 2018-19 Year-to-Date Appropriation | \$5,013,880,800 | \$356,790,900 |

Changes from FY 2018-19 Year-to-Date:

- | | | |
|---|-------------|---|
| <p>1. Fixing Michigan Roads Program. The Governor included increased funding from new gas taxes; 15 cent increases scheduled for October 1, 2019, April 1, 2020, and October 1, 2020. For FY 2019-20, the new program would not replace scheduled distributions of Michigan Transportation Fund (MTF) money to the State or local jurisdictions. Of the new revenue generated for FY 2019-20, \$834.9 million would go to roads, the majority of which would go to the trunkline, \$36.7 million to local bridges, \$27.5 million to transit and rail projects, and \$18.4 million to economic development in rural areas.</p> | 917,524,800 | 0 |
| <p>2. Road and Bridge Revenue Adjustments. The Governor distributed increased revenue to the trunkline: \$50.4 million; counties: \$99.3 million; cities/villages: \$55.4 million; local bridges: \$677,000; and movable bridges: \$114,900.</p> | 205,966,000 | 0 |
| <p>3. Maintenance and Maintenance Materials Increases. The Governor included additional money for nonwinter maintenance, including pothole repair, labor, vegetation control, and increased materials costs.</p> | 58,534,000 | 0 |

| | | |
|--|------------------------|------------------------|
| 4. Comprehensive Transportation Revenue Adjustments. The Governor distributed increased revenue to Comprehensive Transportation Fund (CTF) programs, including rail operations and infrastructure: \$14.8 million; service initiatives: \$6.0 million; local bus operating: \$6.0 million; marine passenger: \$5.5 million; intercity services: \$2.5 million; specialized services: \$1.5 million; and transit capital: \$1.3 million. | 37,596,700 | 0 |
| 5. Federal Inspection Compliance. The Governor included funding to support the cost of Federally-mandated inspections of trunkline signage, retaining walls, communications towers, and other ancillary structures. | 10,000,000 | 0 |
| 6. IT Modernization. The Governor included additional funding for the development of intelligent transportation systems and to address a backlog of small IT projects. | 3,000,000 | 0 |
| 7. Other Revenue Adjustments. The Governor distributed increased revenue to the airport safety, protection, and improvement program: \$664,100; the Detroit metropolitan Wayne County airport: \$325,000; and the transportation economic development program (TEDF): \$909,800. | 1,898,900 | 0 |
| 8. Local Signal Energy Billing Process Improvement. The Governor included additional funding to improve billing processes for energy costs for traffic signals within local jurisdictions. | 600,000 | 0 |
| 9. Detroit/Wayne County Port Authority. The Governor restored baseline funding to the Port Authority to the pre-FY 2017-18 level. | 50,000 | 0 |
| 10. One-Time Road Funding Removal. The Governor removed one-time funding for FY 2018-19. | (300,000,000) | (300,000,000) |
| 11. Debt Service. The Governor reflected a 2.5% decrease in the annual debt service payment. | (5,539,600) | 0 |
| 12. Interdepartmental Grants. The Governor reduced spending on interdepartmental grants, chiefly due to a \$399,600 reduction in the State Trunkline Fund (STF) grant to the Attorney General. | (317,600) | 0 |
| 13. Transfer of Services. The Governor transferred certain accounting services to the Department of Agriculture and Rural Development. | (168,700) | 0 |
| 14. Other Changes. The Governor did not continue supplemental funding from PA 618 of 2018 for the current year, including \$114.0 million restricted funding for road and bridge; \$52.0 million GF/GP for the Soo Locks expansion; \$4.5 million GF/GP for the Mackinac Straits Infrastructure project; and \$250,000 GF/GP for a rail study. | (170,790,900) | (56,790,900) |
| 15. Economic Adjustments. Includes \$6,057,600 Gross and \$0.0 GF/GP for total economic adjustments, of which an estimated negative \$1,839,000 Gross and \$0.0 GF/GP is for legacy retirement costs (pension and retiree health). | 6,057,600 | 0 |
| Total Changes | \$764,411,200 | (\$356,790,900) |
| FY 2019-20 Governor's Recommendation | \$5,778,292,000 | \$0 |

Boilerplate Changes from FY 2018-19 Year-to-Date:

1. **Disciplinary Action - Removed.** The Governor removed a section that prohibited the Department from taking disciplinary action against an employee for communicating with the Legislature. (Sec. 215)
2. **Federal Rule Change Notification - Removed.** The Governor removed a section requiring the Department to notify, in advance, the legislative leaders, applicable committees, and fiscal agencies about proposed Federal rule changes. (Sec. 217)

3. **Remanufactured Parts for Vehicle Fleet - Removed.** The Governor removed a section stating legislative intent for the Department to prioritize the use of remanufactured parts for maintenance and repair of the Department's vehicle fleet. (Sec. 270)
4. **Commercial Lease of Department Property - Removed.** The Governor removed a section granting the Department permission to lease Department space at a competitive rate. (Sec. 305)
5. **Infrastructure Bank Reporting.** The Governor removed a subsection requiring the Department to report to the Legislature on the balance, loan amounts, and outstanding loans from the State infrastructure bank. (Sec. 313)
6. **Rest Area Signage - Removed.** The Governor removed a section requiring the Department to post signs at rest areas that include a number to call for unsafe or unclean conditions at those rest areas. (Sec. 319)
7. **Prompt Payment of Contractors - Removed.** The Governor removed a section requiring the prompt payment of prime contractors. (Sec. 353)
8. **Deadline for Federal Aid Project Review - Removed.** The Governor removed a section requiring the Department to complete the review process for Federal Aid Project submittals within 120 days after receiving the request. (Sec. 357)
9. **Groundbreaking Ceremonies - Removed.** The Governor removed a section prohibiting the reimbursement of contractors or consultants for the costs of groundbreaking procedures. (Sec. 375)
10. **Signage Study Ban - Removed.** The Governor removed a section prohibiting the Department from spending appropriations to study the effects of outdoor advertising on driver safety. (Sec. 376)
11. **E-Verify Requirement - Removed.** The governor removed a section that required contractor and subcontractors use Homeland Security's E-Verify system to verify that all persons hired for construction, maintenance or engineering services be legally present and authorized to work within the United States. (Sec. 381)
12. **Local Billing Deadline - Removed.** The Governor removed a section requiring the Department to send cost sharing bills to local units within two years of the Department's final contract payment. (Sec. 382)
13. **Toll Credit Reporting - Removed.** The Governor removed a section requiring an annual report to the State budget director and the Legislature on the toll credit program. (Sec. 386)
14. **Traffic Study Availability - Removed.** The Governor removed a section requiring the Department to post on its website within 60 days the results of any formal traffic study. (Sec. 386)
15. **Long-term Contract Notification - Removed.** The Governor removed a section requiring the Department to notify the Legislature of the details of long-term contracts within 30 days of the agreement. (Sec. 389)
16. **Fund Balance Reporting - Removed.** The Governor removed a section requiring the Department to report to the State Budget Director and the Legislature the prior fiscal year balances for a number of funds it manages. (Sec. 390)
17. **Ban on Motor Fuel Testing - Removed.** The Governor removed a funding restriction on motor fuel quality testing by the Department. (Sec. 391)
18. **Best Practices - Removed.** The Governor removed a section requiring the Department to promote certain best practices related mostly to transit services and costs. (Sec. 393)
19. **Road Preservation Prioritization - Removed.** The Governor removed a section requiring the Department and local jurisdictions to make the preservation of existing road networks a funding priority. (Sec. 394)
20. **Contract Eligibility Assurance - Removed.** The Governor removed a section requiring the Department to obtain assurances from contractors for non-construction contracts that they have requisite experience, labor, and financial capability to perform the contracts. (Sec. 396)
21. **Community Service Infrastructure Fund.** The Governor removed language from the section that expressed legislative intent for the fund to be appropriated a specified sum annually. (Sec. 399)
22. **Available Funds for Transit Buses - Removed.** The Governor removed a section requiring the Department to apply for Federal aid for replacement buses after meeting existing needs for 5310 program recipients. (Sec. 403)
23. **Recreation Improvement Fund Distribution - New.** The Governor added a section directing how funds from the fixing Michigan roads fund are distributed to the Recreation Improvement Fund under the Natural Resources and Environmental Protection Act, PA 451 of 1994. (Sec. 550)

24. **Flooding Mitigation - Removed.** The Governor removed a section directing the Department to address and report on flooding mitigation in southeast Michigan for FY 2018-19. (Sec. 605)
25. **I-94 Modernization Project - Removed.** The Governor removed a section regarding engineering and design work for a rebuilding and modernization project on I-94 between M-60 and Sargent Road. (Sec. 606)
26. **Dead Deer Removal - Removed.** The Governor removed a section directing the Department to prioritize the removal of dead deer. (Sec. 610)
27. **Contract Incentives & Disincentives - Removed.** The Governor removed a section directing the Department to establish and report on contract incentives and disincentives for trunkline projects. (Sec. 612)
28. **Project Reporting - Removed.** The Governor removed a section requiring a report on several aspects of all capital Federal aid participating construction projects. (Sec. 613)
29. **Alternative Road Surface Materials - Removed.** The Governor removed a section directing the Department to report on the use of alternative road surface materials. (Sec. 660)
30. **Winter Maintenance Truck Refurbishment - Removed.** The Governor removed a section directing the Department to investigate and report on the costs and benefits of refurbishing winter maintenance trucks scheduled for sale or retirement. (Sec. 670)
31. **Rail Line Abandonment - Removed.** The Governor removed a section requiring the Department to report to the Legislature when a railroad company has filed to abandon a line. (Sec. 703)
32. **Rail Operations and Infrastructure Report - Removed.** The Governor removed a section requiring the Department to report on rail operations and infrastructure programs. (Sec. 704)
33. **Amtrak Report - Removed.** The Governor removed a section requiring the Department to report on rail passenger service provided by Amtrak. (Sec. 711)
34. **Freight Economic Development Requirement - Removed.** The Governor removed a section requiring the Department to spend at least \$2.5 million on freight economic development from the comprehensive transportation fund. (Sec. 750)
35. **Rail Line Earmark - Removed.** The Governor removed a section earmarking \$2.0 million for improvements to a rail line between Walton Junction and Traverse City. (Sec. 751)
36. **Meetings with the Rail Industry Trade Associations - Removed.** The Governor removed a section requiring the Department to meet with representatives of the rail industry twice a year. (Sec. 752)
37. **Department Airports - Removed.** The Governor removed a section encouraging the Department to find private or local public agencies to assume ownership and operating responsibility for airports currently owned by the Department. (Sec. 802)
38. **Aircraft Limitation - Removed.** The Governor removed a section prohibiting the Department from spending funds appropriated for air fleet operations and maintenance if the Department owns more than five aircraft. (Sec. 804)
39. **Airport Improvement Program Requirements.** The Governor updated a section to reflect Federal match requirements. (Sec. 901)
40. **One-Time General Fund Distribution for FY 2018-19 - Removed.** The Governor removed a one-time section directing the distribution of FY 2018-19 one-time funding for roads. (Sec. 1001)

Date Completed: 3-12-19

Fiscal Analyst: Michael Siracuse

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



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BILL ANALYSIS



Telephone: (517) 373-2768
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Committee: Appropriations

| FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE | FY 2018-19 YEAR-TO-DATE* | FY 2019-20 GOV.'S REC. | CHANGES FROM FY 2018-19 YEAR-TO-DATE | |
|---|--------------------------|------------------------|--------------------------------------|--------------|
| | | | AMOUNT | PERCENT |
| FTE Positions | 0.0 | 0.0 | N/A | N/A |
| GROSS | 107,080,000 | 104,335,000 | (2,745,000) | (2.6) |
| Less: | | | | |
| Interdepartmental Grants Received | 0 | 0 | 0 | 0.0 |
| ADJUSTED GROSS | 107,080,000 | 104,335,000 | (2,745,000) | (2.6) |
| Less: | | | | |
| Federal Funds | 0 | 0 | 0 | 0.0 |
| Local and Private | 0 | 0 | 0 | 0.0 |
| TOTAL STATE SPENDING | 107,080,000 | 104,335,000 | (2,745,000) | (2.6) |
| Less: | | | | |
| Other State Restricted Funds | 0 | 0 | 0 | 0.0 |
| GENERAL FUND/GENERAL PURPOSE | 107,080,000 | 104,335,000 | (2,745,000) | (2.6) |
| PAYMENTS TO LOCALS | 0 | 0 | 0 | 0.0 |

*As of March 5, 2019.

| | Gross | GF/GP |
|--|----------------------|----------------------|
| FY 2018-19 Year-to-Date Appropriation | \$107,080,000 | \$107,080,000 |
| Changes from FY 2018-19 Year-to-Date: | | |
| 1. Great Lakes Water Quality Bond. The Governor increased debt service payments for this bond. Of the total, \$10.4 million is due to changes to existing debt payments and \$5.5 million is due to projected new bond issues for FY 2019-20. These would increase total debt service payments to \$38,772,000. | 15,907,000 | 15,907,000 |
| 2. Clean Michigan Initiative. The Governor reduced payments to this bond. Of the total, there is a \$16.7 million reduction for existing bond payments and a \$3.5 million increase due to projected new bond issues for FY 2019-20. These would reduce total debt service payments to \$49,027,000. | (13,224,000) | (13,224,000) |
| 3. Quality of Life Bond. The Governor reduced debt service payments to this bond due to reductions to existing bond payments. This would reduce total debt service payments to \$16,536,000. | (5,428,000) | (5,428,000) |
| Total Changes | (\$2,745,000) | (\$2,745,000) |
| FY 2019-20 Governor's Recommendation | \$104,335,000 | \$104,335,000 |

Boilerplate Changes from FY 2018-19 Year-to-Date: None

Date Completed: 3-12-19

Fiscal Analyst: Cory Savino

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Committee: Appropriations

| FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE | FY 2018-19 YEAR-TO-DATE* | FY 2019-20 GOV.'S REC. | CHANGES FROM FY 2018-19 YEAR-TO-DATE | |
|---|--------------------------|------------------------|--------------------------------------|---------------|
| | | | AMOUNT | PERCENT |
| FTE Positions | 1,862.5 | 1,870.5 | 8.0 | 0.4 |
| GROSS | 570,041,500 | 590,416,900 | 20,375,400 | 3.6 |
| Less: | | | | |
| Interdepartmental Grants Received | 12,780,300 | 12,905,600 | 125,300 | 1.0 |
| ADJUSTED GROSS | 557,261,200 | 577,511,300 | 20,250,100 | 3.6 |
| Less: | | | | |
| Federal Funds | 27,128,000 | 27,242,500 | 114,500 | 0.4 |
| Local and Private | 13,163,200 | 13,243,300 | 80,100 | 0.6 |
| TOTAL STATE SPENDING | 516,970,000 | 537,025,500 | 20,055,500 | 3.9 |
| Less: | | | | |
| Other State Restricted Funds | 413,088,700 | 422,533,700 | 9,445,000 | 2.3 |
| GENERAL FUND/GENERAL PURPOSE | 103,881,300 | 114,491,800 | 10,610,500 | 10.2 |
| PAYMENTS TO LOCALS | 219,653,600 | 191,229,200 | (28,424,400) | (12.9) |

*As of March 5, 2019.

| | Gross | GF/GP |
|--|----------------------|----------------------|
| FY 2018-19 Year-to-Date Appropriation | \$570,041,500 | \$103,881,300 |

Changes from FY 2018-19 Year-to-Date:

- | | | |
|--|------------|-----------|
| 1. Marihuana Proposal 1 Changes. The Governor removed 3.0 FTEs and replaced the Medical Marihuana administration (\$601,400) and excise fund grants (\$10,890,000) with recreational marihuana programming (\$3,632,200) and grants to qualify counties and cities (\$20,250,000) to account for passage of Proposal 1. | 12,390,800 | 0 |
| 2. Wrongful Imprisonment Compensation Fund. The Governor increased the deposit to the Wrongful Imprisonment Compensation Fund to reflect claims that may be paid out in FY 2019-20. This would bring the total deposit to \$10.0 million Gross and GF/GP. | 8,500,000 | 8,500,000 |
| 3. Business Pass-Through Administration. The Governor included additional funding and 11.0 FTEs for ongoing administration of the proposed pass-through entity tax. | 2,000,000 | 2,000,000 |
| 4. Information Technology. The Governor increased appropriations to information technology to reflect additional charges associated with the use of the Unisys mainframe and servers. | 1,450,000 | 1,450,000 |
| 5. Michigan Finance Authority. The Governor increased appropriations to the Michigan Finance Authority using restricted revenue to align with increased costs from information technology legacy systems replacement and Attorney General charges. | 300,000 | 0 |

| | | |
|--|----------------------|----------------------|
| 6. Senior Citizen Cooperative Housing. The Governor increased appropriations to provide full funding for the inclusion of two new facilities in Ingham and Saginaw counties that became eligible for the program. | 250,000 | 250,000 |
| 7. Contingency Fund Transfer Removal. The Governor removed funding from Contingency Fund Transfer 2019-1 associated with the Drinking Water Declaration of Emergency. | (5,613,000) | 0 |
| 8. One-Time Appropriations Removal. The Governor removed several FY 2018-19 one-time appropriations, which include: Beat the Streets (\$100,000), Courageous Cadets (\$50,000), Financial Data Analytic Tool Reimbursement (\$500,000), Urban Search and Rescue (\$900,000), and a Forensic Science Commission placeholder (\$100). | (1,550,100) | (1,550,100) |
| 9. Administrative Efficiencies. The Governor decreased appropriations due to administrative efficiencies in the following line items: Executive Direction (\$100,000), Supervision of the General Property Tax Law (\$100,000), Tax Administration (\$100,000), Tax Compliance (\$250,000), and Department Services (\$100,000). | (650,000) | (650,000) |
| 10. Drinking Water Declaration of Emergency. The Governor maintained the placeholder in one-time appropriations. | 0 | 0 |
| 11. Internal FTE and Fund Transfers. The Governor transferred numerous FTEs and funding throughout the Department that net to zero. | 0 | 0 |
| 12. Economic Adjustments. Includes \$3,297,700 Gross and \$610,600 GF/GP for total economic adjustments, of which an estimated decrease of \$1,396,300 Gross and \$312,800 GF/GP is for legacy retirement costs (pension and retiree health). | 3,297,700 | 610,600 |
| Total Changes | \$20,375,400 | \$10,610,500 |
| FY 2019-20 Governor's Recommendation | \$590,416,900 | \$114,491,800 |

Boilerplate Changes from FY 2018-19 Year-to-Date:

- Deleted Reports.** The Governor deleted a number of sections related to reporting/notification requirements, which include: 902a (notification of bond refinancing), 927 (personality property tax audit Report), and 934 (Michigan Finance Authority report on additional appropriations).
- Other Deleted Sections.** The Governor deleted a number of other sections, which include: 936 (Financial Data Analytic Tool reimbursement), 940 (feasibility study on homeowners filing principal residency exemptions directly with the Department of Treasury), 943 (closed-loop payment system), 949g (Urban Search and Rescue), and 949/ (request for proposals for data analytics).
- Collections Contract.** The Governor modified the language regarding collections contracts by removing language requiring that second place collection services issue a separate RFP in the event that an RFP is issued for primary collection services. (Sec. 903)
- Personal Property Tax Report.** The Governor modified the language for the personal property tax report, by changing the date from September 30 to June 30, and removed language requiring that the Department of Treasury and local community stabilization authority notify all municipalities that adjustments could be made to future payments based on changes in estimates. (Sec. 920)
- Technical Changes.** The Governor made a number of technical modifications that include date changes, changes in Part 1 appropriations, and legacy costs adjustments. (Secs. 201, 926, and 948)

Date Completed: 3-12-19

Fiscal Analyst: Cory Savino

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BILL ANALYSIS



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Committee: Appropriations

| FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE | FY 2018-19 YEAR-TO-DATE* | FY 2019-20 GOV.'S REC. | CHANGES FROM FY 2018-19 YEAR-TO-DATE | |
|--|-----------------------------|---------------------------|---|------------|
| | | | AMOUNT | PERCENT |
| FTE Positions | 0.0 | 0.0 | N/A | N/A |
| GROSS | 1,338,142,700 | 1,382,407,900 | 44,265,200 | 3.3 |
| Less: | | | | |
| Interdepartmental Grants Received | 0 | 0 | 0 | 0.0 |
| ADJUSTED GROSS | 1,338,142,700 | 1,382,407,900 | 44,265,200 | 3.3 |
| Less: | | | | |
| Federal Funds | 0 | 0 | 0 | 0.0 |
| Local and Private | 0 | 0 | 0 | 0.0 |
| TOTAL STATE SPENDING | 1,338,142,700 | 1,382,407,900 | 44,265,200 | 3.3 |
| Less: | | | | |
| Other State Restricted Funds | 1,338,142,700 | 1,382,407,900 | 44,265,200 | 3.3 |
| GENERAL FUND/GENERAL PURPOSE | 0 | 0 | 0 | 0.0 |
| PAYMENTS TO LOCALS | 1,338,142,700 | 1,382,407,900 | 44,265,200 | 3.3 |

*As of March 5, 2019.

| | Gross | GF/GP |
|--|------------------------|------------|
| FY 2018-19 Year-to-Date Appropriation | \$1,338,142,700 | \$0 |

Changes from FY 2018-19 Year-to-Date:

- 1. Constitutional Revenue Sharing.** Governor recommended \$886,539,200 for constitutional revenue sharing for FY 2019-20, an increase of 3.2% from the January 2019 consensus revenue estimate for FY 2018-19. 27,468,000 0
- 2. City, Village, and Township (CVT) Revenue Sharing.** Governor recommended \$262,810,700 in FY 2019-20 for nonconstitutional or "statutory" payments to cities, villages, and townships, a 3% increase in total payments from FY 2018-19. Governor removed one-time funding for per-capita payments under CVT Revenue Sharing and Supplemental CVT Revenue Sharing and moved funding into the ongoing line. All CVTs would then receive 103% of their total statutory FY 2018-19 funding level. 19,770,700 0
- 3. County Revenue Sharing and County Incentive Program.** Governor recommended \$228,058,000 for total payments to counties. This would be paid through two line items: \$184,732,800 for County Revenue Sharing and \$43,325,200 for the County Incentive Program. Governor recommended increases of \$443,500 for County Revenue Sharing and \$106,400 for the County Incentive Program to cover the first full-year cost of three counties (Antrim, Keweenaw, and Mackinac) that re-entered State-paid revenue sharing in 2019. Governor also removed one-time funding for Supplemental County Revenue Sharing and rolled funding into County Revenue Sharing. In total, all counties would receive 105.3% of full funding in FY 2019-20, up from 102.5% in FY 2018-19. 7,642,500 0

| | | |
|--|------------------------|------------|
| 4. Community Opportunities for Renewal. Governor created a grant program to assist cities, villages, and townships to pay for projects or services to move the local unit toward financial stability. Grants must be used for infrastructure and equipment repair or replacement, public safety enhancements, blight removal, or for other community revitalization projects (a broad term to include other projects that meet the goals of the program). | 5,000,000 | 0 |
| 5. Supplemental County Revenue Sharing. Governor eliminated the program and added funding to ongoing county revenue sharing. Funding under this program must be used to pay down pension, debt, or other post-employment benefit (OPEB) obligations if the county has any. | (1,000,000) | 0 |
| 6. Financially Distressed Cities, Villages, or Townships. Governor replaced this grants program with Community Opportunities for Renewal. The financially distressed CVTs program provides grants to make payments toward unfunded accrued liabilities, infrastructure and equipment repair or replacement, reduce debt obligations, costs associated with a transition to shared services with another jurisdiction, or other projects to move a CVT toward financial stability. | (2,500,000) | 0 |
| 7. CVT Revenue Sharing (One-Time). Governor eliminated the program and added funding to ongoing CVT revenue sharing. Funding is used for alternative per-capita payments to certain CVTs and also allows CVTs with less than \$4,500 in payments in FY 2009-10 to receive statutory payments. | (5,916,000) | 0 |
| 8. Supplemental City, Village, and Township Revenue Sharing. Governor eliminated the program and added funding to ongoing CVT revenue sharing. The program is a per-capita distribution and funding must be used to pay down pension, debt, or OPEB obligations if the CVT has any. | (6,200,000) | 0 |
| Total Changes | \$44,265,200 | \$0 |
| FY 2019-20 Governor's Recommendation | \$1,382,407,900 | \$0 |

Boilerplate Changes from FY 2018-19 Year-to-Date:

1. **CVT Revenue Sharing.** Governor set the amount that an eligible local government can receive at 103.0% of their payment under Sec. 901(1) of PA 618 of 2018 and Sec. 957(1) of PA 207 of 2018. (Sec. 952(1))
2. **County Revenue Sharing.** Governor recommended that payments in FY 2019-20 be 105.277% of the payments for which counties are eligible under the Glen Steil State Revenue Sharing Act, increased from of 102.0% in FY 2018-19. (Sec. 955(1))
3. **Community Opportunities for Renewal.** Governor replaced the Financially Distressed Cities, Villages, or Townships program with Community Opportunities for renewal, and added language to include the following as eligible projects: public safety, blight removal, and other community revitalization projects (a broad term to include other projects that meet the goals of the program). Also removed language that would allow grants to make payments to reduce unfunded accrued liability, to reduce debt obligations, for costs associated with a transition to shared services with another jurisdiction, or for other projects that move the city, village, or township toward financial stability. (Sec. 956)
4. **Supplemental Revenue Sharing.** Governor removed supplemental CVT revenue sharing (Sec. 957) and supplemental county revenue sharing. (Sec. 958)

Date Completed: 3-12-19

Fiscal Analyst: Ryan M. Bergan

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