

OVERVIEW OF GOVERNOR WHITMER'S FY 2019-20 BUDGET



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APPROPRIATIONS 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 is also 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, 2020, to October 1, 2021. 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 collect \$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 increase in the School Aid budget for the foundation allowance and other categoricals, and the increase in spending for the Department of Transportation. Tables 2-4 compare the Governor's FY 2019-20 recommendation for Gross, State Spending from State Resources, and GF/GP appropriations with the FY 2018-19 year-to-date appropriations. Table 5 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 6 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 7 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 8 and 9 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 10 shows that the \$237.8 million GF/GP increase consists of \$1.9 million of GF/GP funding for new programs, \$459.3 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. Table 11-15 provide the details for these changes.

The FY 2019-20 School Aid Fund budget changes proposed by the Governor are outlined in Table 16. As the table indicates, the net change in SAF appropriations is an increase of \$526.6 million.

Tables 17-28 outline background information regarding major budget areas and other general appropriation issues, and Tables 29-38 provide recent State appropriation history. Figure E illustrates the recent history of GF/GP revenue collection and the statutory changes that have diverted money for specified purposes, which otherwise would have been available for the General Fund.

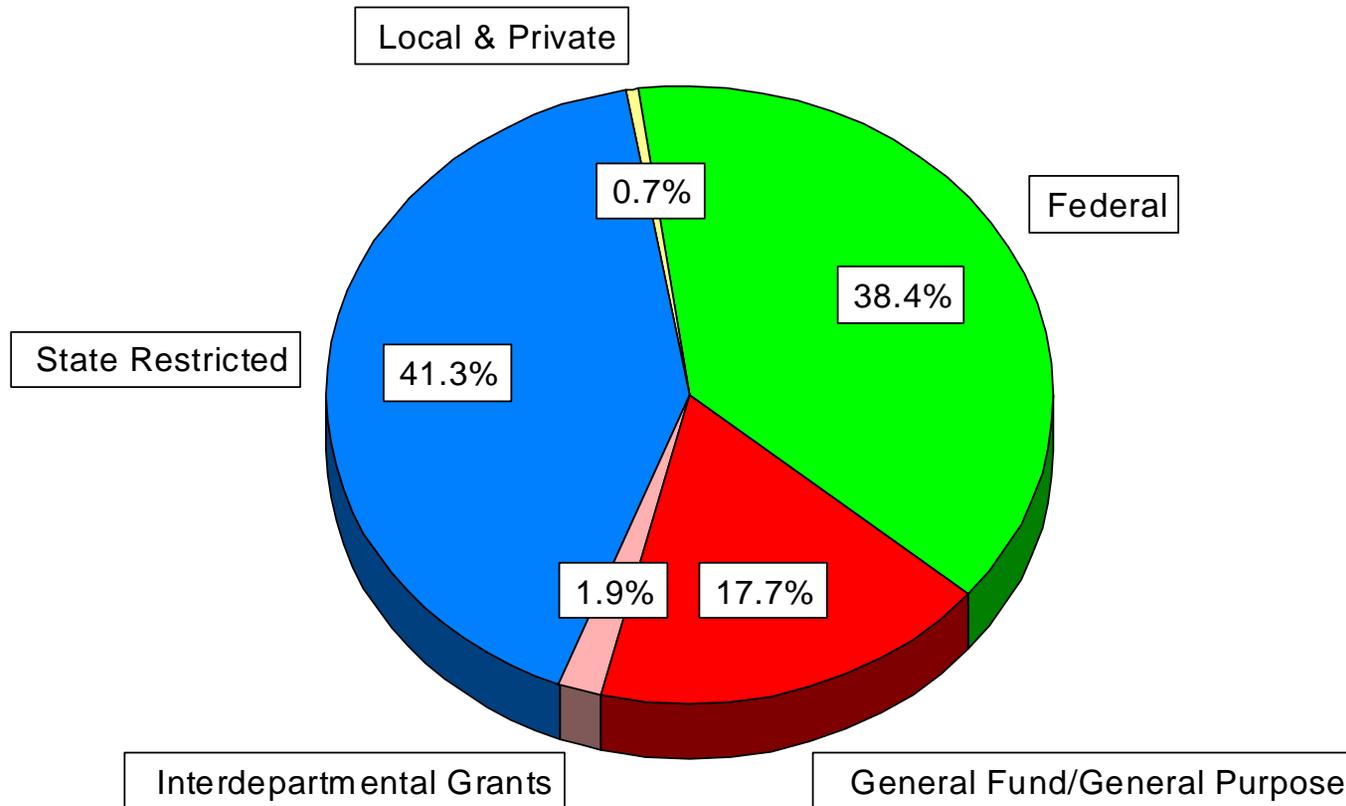
On an overall basis, the Governor's FY 2019-20 budget proposal increases Gross appropriations by 3.5% and State Spending from State Resources by 4.6%, and GF/GP by 2.3%. The primary reason for these increases is because the Governor is recommending increases in revenue to support roads, shift School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

Figure A

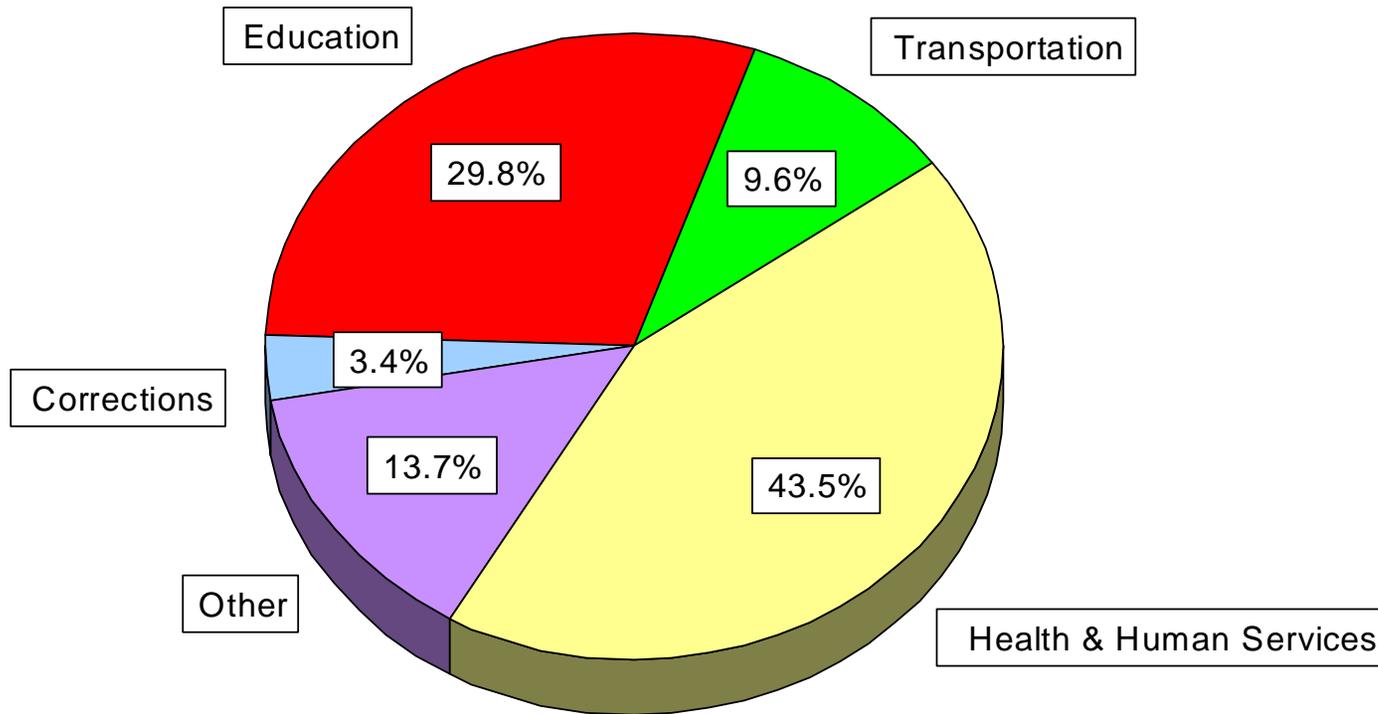
Appropriations by Source of Funds FY 2019-20 Governor's Recommendation Gross



Total = \$ 60,203,856,400

Figure B

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



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	25,527,390,900	26,178,757,500	651,366,600	2.6
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	527,212,200	572,612,500	45,400,300	8.6
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%

Table 3

**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	7,198,544,000	7,644,288,300	445,744,300	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	412,141,700	427,394,000	15,252,300	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%

Table 4

**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	4,439,789,400	4,779,342,000	339,552,600	7.6
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	135,670,300	124,268,100	(11,402,200)	(8.4)
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%

Table 5

**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	15,941.7	16,001.0	59.3	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	2,322.3	2,347.3	25.0	1.1
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.

Table 6

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
Higher Education Total.....	\$1,575,000	\$0	\$1,575,000
Licensing & Regulatory Affairs			
Refugee services database.....	\$520,000	\$0	\$520,000
Legislature 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

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 7

**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%

Table 8

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
Ongoing Revenue:			
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
Non-ongoing Revenue:			
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:			
Ongoing Appropriations:			
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
One-Time and Other Appropriations:			
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 9

**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)	\$13550.5	\$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

**FY 2019-20 Gross and
GF/GP
Budget Changes**

Table 10

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.....	\$26,532,800	\$1,900,000
Program Increases	3,672,391,800	459,297,000
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 11

FY 2019-20 GOVERNOR'S APPROPRIATION RECOMMENDATION NEW PROGRAMS		
<u>Budget Area/Program</u>	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
State Police		
Implement recreational marihuana investigative services	3,000,000	0
TOTAL NEW PROGRAMS	\$26,532,800	\$1,900,000

Table 12

FY 2019-20 GOVERNOR'S APPROPRIATION RECOMMENDATION FUNDING INCREASES		
<u>Budget Area/Program</u>	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

**FY 2019-20 GOVERNOR'S APPROPRIATION RECOMMENDATION
FUNDING INCREASES**

Budget Area/Program	Gross	GF/GP
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)
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 for 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

**FY 2019-20 GOVERNOR'S APPROPRIATION RECOMMENDATION
FUNDING INCREASES**

Budget Area/Program	Gross	GF/GP
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
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 and 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. Jacobettii 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/desk top 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
Identify where pipelines cross waterways (one-time)	1,350,000	1,350,000
Local boating infrastructure maintenance and improvements (capital outlay) ...	1,270,500	0

**FY 2019-20 GOVERNOR'S APPROPRIATION RECOMMENDATION
FUNDING INCREASES**

Budget Area/Program	Gross	GF/GP
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
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

**FY 2019-20 GOVERNOR'S APPROPRIATION RECOMMENDATION
FUNDING INCREASES**

Budget Area/Program	Gross	GF/GP
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
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
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	\$3,672,391,800	\$459,297,000

Table 13

**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

**FY 2019-20 GOVERNOR'S APPROPRIATION RECOMMENDATION
FUNDING ELIMINATIONS/REDUCTIONS**

Budget Area/Program	Gross	GF/GP
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)
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)

**FY 2019-20 GOVERNOR'S APPROPRIATION RECOMMENDATION
FUNDING ELIMINATIONS/REDUCTIONS**

Budget Area/Program	Gross	GF/GP
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)
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 of the bone marrow registry grant.....	(250,000)	(250,000)
Eliminate of the adoptive family support network contract.....	(250,000)	(250,000)
Community services and outreach administration funding realignment.....	(233,000)	60,000
Remove refugee assistance grant (one-time).....	(175,000)	(175,000)
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)
MPSERS 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)

**FY 2019-20 GOVERNOR'S APPROPRIATION RECOMMENDATION
FUNDING ELIMINATIONS/REDUCTIONS**

Budget Area/Program	Gross	GF/GP
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)
Current services base technical adjustments	(221,800)	0
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)	
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)
MPSERS 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)

**FY 2019-20 GOVERNOR'S APPROPRIATION RECOMMENDATION
FUNDING ELIMINATIONS/REDUCTIONS**

Budget Area/Program	Gross	GF/GP
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
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)

**FY 2019-20 GOVERNOR'S APPROPRIATION RECOMMENDATION
FUNDING ELIMINATIONS/REDUCTIONS**

Budget Area/Program	Gross	GF/GP
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)
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)

Table 14

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 checkoff	100,000
Licensing and Regulatory Affairs	
Fund source shift for marijuana 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

Table 15

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

FY 2019-20
School Aid
Budget Changes

School Aid

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. 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 Michigan Public School Employees' Retirement System (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 16

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.....	\$526.7
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

**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	\$526.7

Revenue and Fee 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 Public Act (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 \$27.0 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 17.

Table 17

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

Major Budget Areas Appropriation Summaries

Capital Outlay, Community Colleges, and Higher Education

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 [Table 18](#).

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.

Higher Education funding details are included in [Table 19](#).

Table 18

**FY 2019-20 COMMUNITY COLLEGE APPROPRIATIONS:
GOVERNOR'S RECOMMENDATION**

College	FY 2018-19 Year-To- Date	FY 2019-20 Governor's Recommendation		
		Adjustment s	Appropriatio n	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		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 Offset (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

Table 19: FY 2019-20 HIGHER EDUCATION APPROPRIATIONS: GOVERNOR'S RECOMMENDATION

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%	

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

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 DWRF 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 (SCHIP) 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%
<p>a) Reflects the January 2019 consensus revenue estimate for sales tax revenue.</p> <p>b) Includes both ongoing and one-time appropriations for CVT Revenue Sharing and Supplemental CVT Revenue Sharing.</p> <p>c) Includes County Revenue Sharing, County Incentive Program, and Supplemental County Revenue Sharing.</p> <p>d) Formerly Financially Distressed Cities, Villages, or Townships.</p>				

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

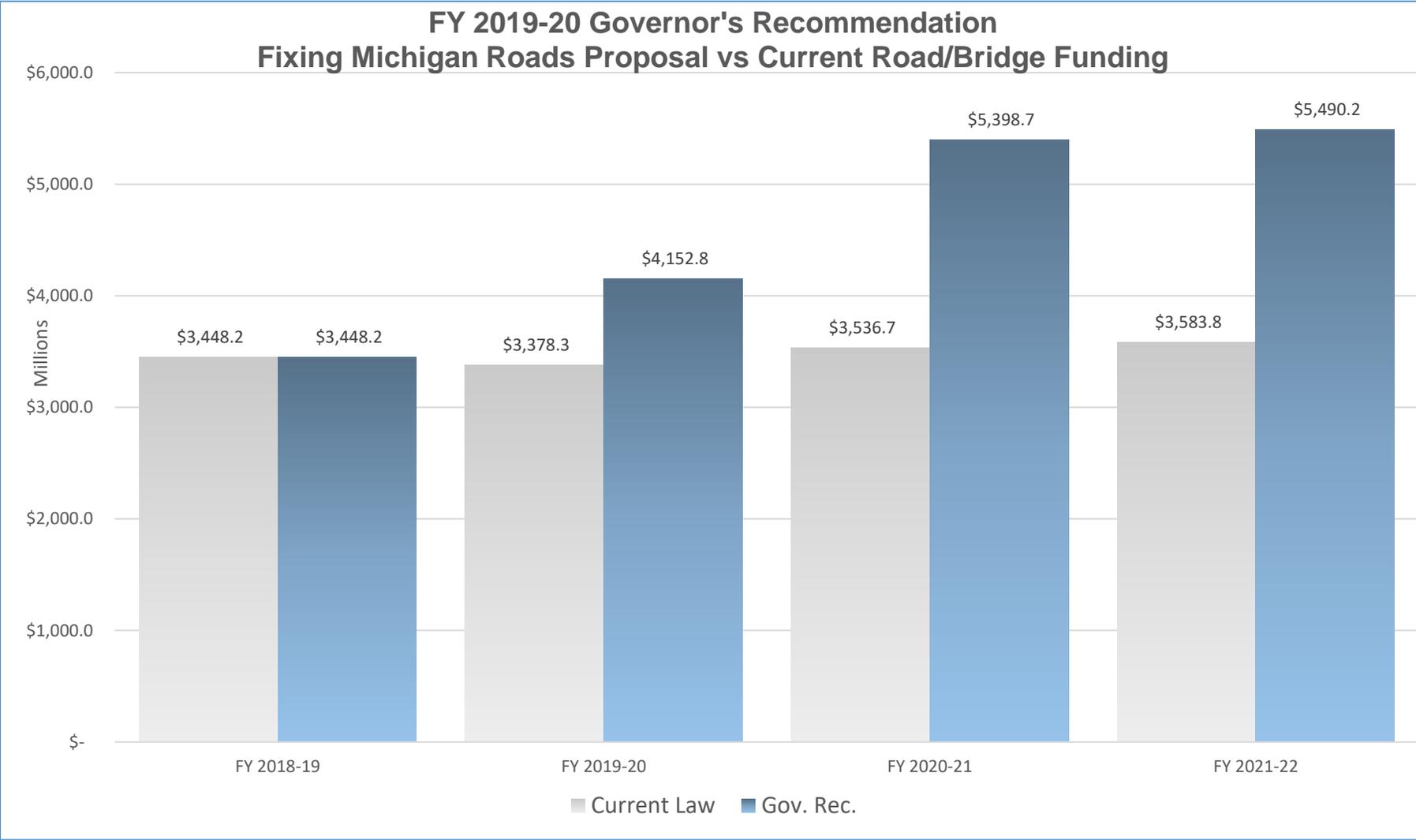
The Governor's recommendation for the Transportation budget for the upcoming two fiscal years, and beyond, adds a new revenue source paired with a new road funding formula to the existing road funding formula currently in place under PA 51 of 1951. The new revenue would be generated by raising the existing 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 for mostly 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 amongst 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.

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.

For a comparison of road and bridge funding under the 2015 road funding package, see [Figure C](#).

Figure C



Summary of Other General Appropriation Issues

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 22 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 22
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 23 and 24, 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 23 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 23

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 24 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 24

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>	39.91%	36.96%	36.44%	33.37%	33.89%	33.37%	39.39%	39.57%
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								
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).								

Source: State Budget Office

Table 25 outlines the FY 2019-20 estimated contributions to SERS and MPERS by the State and local employers, as proposed in the Governor's budget. The total combined cost of the estimated employer (State and local) contributions is approximately \$4.8 billion.

Table 25

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 (MPERS)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 25, 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 26 identifies the estimated legacy costs for pension and for retiree health care, and the total of the two, for each department.

Table 26**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 27 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 (DTMB); various transportation-related bonds in the Department of Transportation; and general obligation bonds in the Department of Treasury. Gross appropriations for debt service on these bonds would total \$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 27

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 28 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 2022-2023, 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 28
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

Budget Stabilization Fund

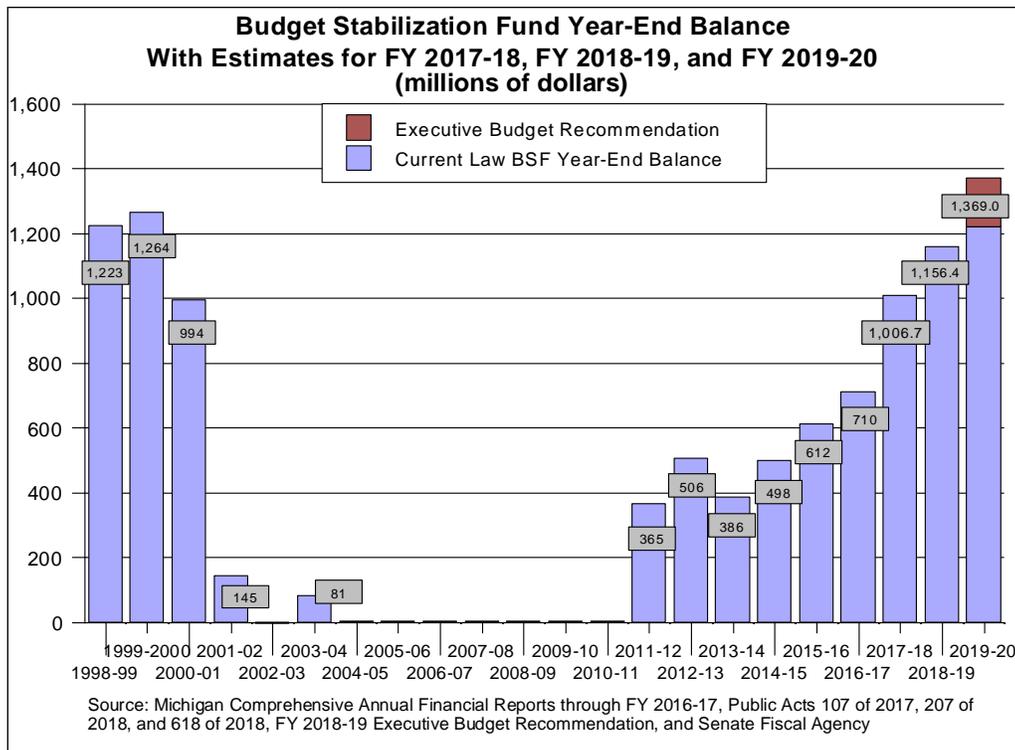
The Budget Stabilization Fund is the State's "Rainy Day" fund or cash reserve. In years of economic growth, deposits may be made to the Fund, and in years of recession, money may be withdrawn to cushion the budgetary impact of declining State revenue or for job creation activities. Statutory formulas 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 D](#).

Figure D



Recent State Appropriation History

Table 29

ADJUSTED GROSS APPROPRIATION HISTORY (millions of dollars)			
Fiscal Year	Appropriations	Dollar Change	Percent Change
2004-05	\$39,908.5	\$793.2	2.0%
2005-06	41,322.7	1,414.2	3.5
2006-07	41,851.8	529.1	1.3
2007-08	43,616.5	1,764.7	4.2
2008-09	47,942.0	4,325.5	9.9
2009-10	45,656.6	(2,285.3)	(4.8)
2010-11	48,089.6	2,433.0	5.3
2011-12	47,598.1	(491.6)	(1.0)
2012-13	47,758.6	160.6	0.3
2013-14	50,199.5	2,440.9	5.1
2014-15	53,247.0	3,047.5	6.1
2015-16	53,540.8	293.8	0.6
2016-17	54,574.3	1,033.5	1.9
2017-18	55,868.7	1,294.4	2.4
2018-19 (YTD)	57,253.8	1,385.1	2.5
2019-20 (Gov's Rec.)	59,081.5	1,827.7	3.2
Change FY 2009-10 to FY 2019-20		\$13,424.9	29.4%
State and Local Gov't Price Deflator 10-Yr % Change			26.4%
Detroit CPI 10-Year Percent Change			17.8%
Note: Does not include Budget Stabilization Fund appropriations of \$362.7 million, \$140.0 million, \$75.0 million, \$94.0 million, \$95.0 million, \$75.0 million, \$150.0 million, and \$100 million for FYs 2011-12, 2012-13, 2013-14, 2014-15, 2015-16, 2016-17, 2017-18, 2018-19, respectively, or 2019-20 recommended deposit; includes \$147.1 million FY 2013-14 appropriation and \$82.9 million FY 2014-15 appropriation from the Roads and Risks Reserve Fund.			

Table 30

STATE SPENDING FROM STATE RESOURCES APPROPRIATION HISTORY (millions of dollars)			
Fiscal Year	Appropriations	Dollar Change	Percent Change
2004-05	\$26,285.3	\$482.8	1.9%
2005-06	27,704.0	1,418.7	5.4
2006-07	27,928.6	224.6	0.8
2007-08	28,441.3	512.7	1.8
2008-09	26,309.9	(2,131.4)	(7.5)
2009-10	25,239.0	(1,070.8)	(4.1)
2010-11	26,266.7	1,027.7	4.1
2011-12	27,346.9	1,080.3	4.1
2012-13	27,847.1	500.2	1.8
2013-14	29,164.7	1,317.6	4.7
2014-15	29,867.7	703.0	2.4
2015-16	30,342.2	474.4	1.6
2016-17	31,223.0	880.8	2.9
2017-18	32,761.9	1,538.9	4.9
2018-19 (YTD)	33,058.2	296.3	0.9
2019-20 (Gov's Rec.)	35,541.0	2,482.8	7.5
Change FY 2009-10 to FY 2019-20		\$10,302.0	40.8%
State and Local Gov't Price Deflator 10-Yr % Change			26.4%
Detroit CPI 10-Year Percent Change			17.8%
Note: Does not include Budget Stabilization Fund appropriations of \$362.7 million, \$140.0 million, \$75.0 million, \$94.0 million, \$95.0 million, \$75.0 million, \$150.0 million, and \$100 million for FYs 2011-12, 2012-13, 2013-14, 2014-15, 2015-16, 2016-17, 2017-18, 2018-19, respectively, or 2019-20 recommended deposit; includes \$147.1 million FY 2013-14 appropriation and \$82.9 million FY 2014-15 appropriation from the Roads and Risks Reserve Fund.			

Table 31

GENERAL FUND/GENERAL PURPOSE APPROPRIATION HISTORY			
(millions of dollars)			
Fiscal Year	Appropriations	Dollar Change	Percent Change
2004-05	\$8,702.8	(\$67.3)	(0.8%)
2005-06	9,106.3	403.5	4.6
2006-07	9,118.7	12.4	0.1
2007-08	9,980.7	862.0	9.5
2008-09	8,568.7	(1,412.0)	(14.1)
2009-10	7,787.4	(781.2)	(9.1)
2010-11	8,424.6	637.2	8.2
2011-12	8,341.1	(83.6)	(1.0)
2012-13	9,024.2	683.2	8.2
2013-14	9,571.3	547.1	6.1
2014-15	9,691.1	119.8	1.3
2015-16	10,157.9	466.8	4.8
2016-17	10,057.5	(100.4)	(1.0)
2017-18	10,231.3	173.8	1.7
2018-19 (YTD)	10,426.9	195.6	1.9
2019-20 (Gov's Rec)	10,664.7	237.8	2.3
Change FY 2009-10 to FY 2019-20		\$2,877.3	36.9%
State and Local Gov't Price Deflator 10-Yr % Change			26.4%
Detroit CPI 10-Year Percent Change			17.8%
Note: Does not include Budget Stabilization Fund appropriations of \$362.7 million, \$140.0 million, \$75.0 million, \$94.0 million, \$95.0 million, \$75.0 million, \$150.0 million, and \$100 million for FYs 2011-12, 2012-13, 2013-14, 2014-15, 2015-16, 2016-17, 2017-18, 2018-19, respectively, or 2019-20 recommended deposit; includes \$147.1 million FY 2013-14 appropriation and \$82.9 million FY 2014-15 appropriation from the Roads and Risks Reserve Fund.			

Table 32

FEDERAL FUNDS APPROPRIATED IN MICHIGAN BUDGET			
(millions of dollars)			
Fiscal Year	Federal Funds	Adjusted Gross Appropriations	Federal as Percent of Total Adjusted Gross
2004-05	12,855.5	39,908.5	32.21
2005-06	13,179.9	41,322.7	31.89
2006-07	13,436.1	41,851.8	32.10
2007-08	14,669.5	43,616.5	33.63
2008-09	21,124.7	47,941.9	44.06
2009-10	19,940.9	45,656.6	43.68
2010-11	21,314.5	48,089.6	44.32
2011-12	19,730.5	47,598.1	41.45
2012-13	19,372.7	47,758.6	40.56
2013-14	20,500.2	50,199.5	40.84
2014-15	22,840.1	53,247.0	42.89
2015-16	22,799.4	53,540.8	42.58
2016-17	22,956.1	54,574.3	42.06
2017-18	22,671.8	55,868.7	40.58
2018-19 (YTD)	22,871.6	57,253.8	39.95
2019-20 (Gov's Rec)	23,125.4	59,081.5	39.14
Change FY 2009-10 to FY 2019-20		16.0%	29.4%

Table 33

APPROPRIATED FULL-TIME EQUATED CLASSIFIED POSITIONS (FTEs) IN MICHIGAN STATE BUDGET			
Fiscal Year	FTEs	Change	Percent Change
2004-05	57,028.3	(782.8)	(1.4%)
2005-06	56,436.4	(591.9)	(1.0)
2006-07	56,760.3	323.9	0.6
2007-08	57,041.7	281.4	0.5
2008-09	56,491.1	(550.6)	(1.0)
2009-10	55,597.2	(893.9)	(1.6)
2010-11	56,089.3	492.1	0.9
2011-12	54,795.5	(1,293.8)	(2.3)
2012-13	53,583.5	(1,212.0)	(2.2)
2013-14	52,797.5	(786.0)	(1.5)
2014-15	52,853.5	56.0	0.1
2015-16	52,702.9	(150.6)	(0.3)
2016-17	52,756.0	53.1	0.1
2017-18	53,010.5	254.5	0.5
2018-19 (YTD)	53,757.5	747.0	1.4
2019-20 (Gov's Rec.)	53,804.2	46.7	0.1
Change FY 2009-10 to FY 2019-20		(1,793.0)	(3.2%)
State and Local Gov't Price Deflator 10-Yr % Change			26.4%
Detroit CPI 10-Year Percent Change			17.8%
Note: Includes exempt positions in Judiciary.			

Table 34

SCHOOL AID K-12 APPROPRIATION HISTORY (millions of dollars)			
Fiscal Year	State-Funded K-12		
	Appropriations	Dollar Change	Percent Change
2004-05	\$11,113.5	\$54.2	0.5%
2005-06	11,308.0	194.5	1.8
2006-07	11,597.0	288.9	2.6
2007-08	11,421.8	(175.2)	(1.5)
2008-09	11,097.8	(324.0)	(2.8)
2009-10	10,675.1	(422.7)	(3.8)
2010-11	10,803.4	128.3	1.2
2011-12	11,088.9	285.5	2.6
2012-13	11,211.0	122.1	1.1
2013-14	11,506.1	295.1	2.6
2014-15	11,865.8	359.7	3.1
2015-16	11,960.5	94.7	0.8
2016-17	12,323.2	362.7	3.0
2017-18	12,955.7	632.5	5.1
2018-19 (YTD)	13,098.6	142.9	1.1
2019-20 (Gov's Rec.)	13,621.7	523.1	4.0
Change FY 2009-10 to FY 2019-20		\$2,946.6	27.6%
State and Local Gov't Price Deflator 10-Yr % Change			26.4%
Detroit CPI 10-Year Percent Change			17.8%

Table 35

PUPIL MEMBERSHIP HISTORY FY 1994-95 to FY 2019-20				
Blend Calculation	Fiscal Year	Local Districts	Charter Schools	Total
50/50	1994-95	1,593,306	0	1,593,306
50/50	1995-96	1,610,130	4,790	1,614,920
50/50	1996-97	1,634,074	11,520	1,645,594
60/40	1997-98	1,651,011	19,202	1,670,213
60/40	1998-99	1,656,186	31,109	1,687,295
75/25	1999-2000	1,651,300	45,290	1,696,590
80/20	2000-01	1,649,085	55,072	1,704,157
80/20	2001-02	1,647,459	62,113	1,709,572
80/20	2002-03	1,647,531	67,336	1,714,867
80/20	2003-04	1,640,929	73,473	1,714,402
75/25	2004-05	1,626,289	81,491	1,707,780
75/25	2005-06	1,607,880	89,654	1,697,534
75/25	2006-07	1,584,435	96,627	1,681,062
75/25	2007-08	1,553,568	98,987	1,652,555
75/25	2008-09	1,517,714	102,030	1,619,744
75/25	2009-10	1,487,297	108,425	1,595,722
75/25	2010-11	1,457,160	112,276	1,569,436
90/10	2011-12	1,432,200	119,900	1,552,100
90/10	2012-13	1,405,599	130,390	1,535,989
90/10 CY	2013-14	1,374,800	147,828	1,522,628
90/10 CY	2014-15	1,356,640	151,368	1,508,008
90/10	2015-16	1,344,369	151,611	1,495,980
90/10	2016-17	1,338,231	152,933	1,491,164
90/10	2017-18	1,337,705	146,488	1,484,193
90/10	2018-19 Est.	1,323,700	146,700	1,470,400
90/10	2019-20 Est.	1,314,200	146,000	1,460,200

Table 36

STATE SPENDING PER PUPIL HISTORY			
Fiscal Year	State-Funded Approps. (millions of dollars)	Pupils (millions)	Appropriations Per Pupil
2004-05	\$11,113.5	1.7078	\$6,507
2005-06	11,308.1	1.6975	6,661
2006-07	11,597.0	1.6811	6,898
2007-08	11,421.8	1.6526	6,911
2008-09	11,097.8	1.6197	6,851
2009-10	10,675.1	1.5957	6,690
2010-11	10,803.4	1.5694	6,884
2011-12	11,088.9	1.5521	7,144
2012-13	11,211.0	1.5360	7,299
2013-14	11,506.1	1.5226	7,557
2014-15	11,865.8	1.5080	7,869
2015-16	11,960.5	1.4960	7,995
2016-17	12,323.2	1.4912	8,264
2017-18	12,955.7	1.4835	8,733
2018-19 (YTD)	13,098.6	1.4704	8,908
2019-20 (Gov's Rec.)	13,621.7	1.4602	9,329

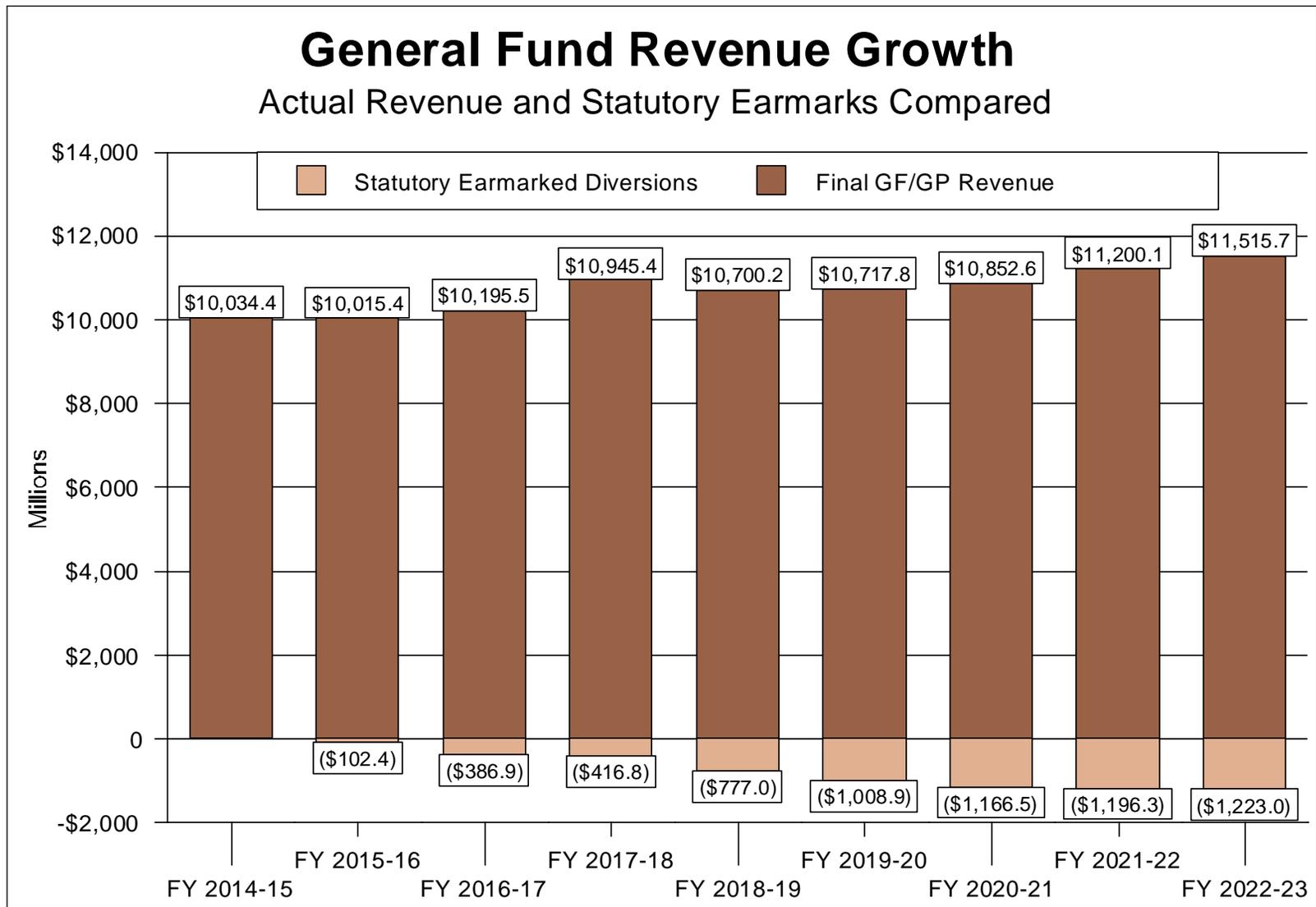
Table 37

K-12 SCHOOLS MINIMUM FOUNDATION ALLOWANCE HISTORY				
Fiscal Year	Enacted Per Pupil	After Reductions	Percent Change	
2004-05	\$6,700	\$6,700	1.1%	
2005-06	6,875	6,875	2.6	
2006-07	7,108	7,108	3.4	
2007-08	7,204	7,204	1.4	
2008-09	7,316	7,316	1.6	
2009-10	7,316	7,151	(2.3)	
2010-11	7,316	7,146	0.0	
2011-12	6,846	6,846	(4.2)	
2012-13	6,966	6,966	1.8	
2013-14	7,076	7,076	1.6	
2014-15	7,251	7,251	2.5	
2015-16	7,391	7,391	1.9	
2016-17	7,511	7,511	1.6	
2017-18	7,631	7,631	1.6	
2018-19 (YTD)	7,871	7,871	3.1	
2019-20 (Gov's Rec.)	8,051	8,051	2.3	
10-Year Change	\$735	\$900		
10-Year % Change	10.0%	12.6%		
State and Local Gov't Price Deflator 10-Yr % Change		26.4%		
Detroit CPI 10-Year % Change		17.8%		

Table 38

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	11,097.8	12,911.2	1,813.4	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	\$25,239.0	\$32,826.7	\$10,275.0	40.7%
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 Data 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.				

Figure E



Source: Senate Fiscal Agency, January 2019 Consensus Revenue Estimates

Note: Diversions exclude annually determined transfers, such as GF appropriations to the School Aid Fund, as well as any tax increases/decreases adopted concurrent with enacted diversions.