

OVERVIEW OF GOVERNOR WHITMER'S FY 2020-21 BUDGET



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Table of Contents

APPROPRIATIONS OVERVIEW

	Pages
Summary	1
FY 2020-21 Gross and GF/GP Budget Changes	16
FY 2020-21 School Aid Budget Changes	29
Major Budget Areas Appropriation Summaries	33
Capital Outlay, Community Colleges, and Higher Education	33
Agricultural and Environmental Issues	36
Department of Health and Human Services	37
Revenue Sharing Payments	40
Summary of Other General Appropriation Issues	42
Recent State Appropriation History	52

APPROPRIATIONS OVERVIEW

Summary

On February 6, 2020, Governor Gretchen Whitmer presented her Executive Budget recommendations for fiscal year (FY) 2020-21 and budget projections for FY 2021-22. Public Act (PA) 389 of 2018, requires the Governor to propose a budget for the upcoming fiscal year and the following fiscal year. Pursuant to an Attorney General's letter opinion issued on February 9, 2011, the Governor is allowed to propose a two-year budget and the Legislature can enact a two-year budget but the second year would only be an expression of an "intent to appropriate", not binding or legally enforceable. Beginning with FY 2020-21, the Governor also produced a five-year strategic plan for the State in addition to submitting the budget recommendation to the Legislature. This overview will focus on Governor Whitmer's FY 2020-21 appropriation recommendation.

The FY 2020-21 budget recommendation from the Governor is based on the consensus revenue estimates agreed to on January 10, 2020. The FY 2020-21 General Fund/General Purpose (GF/GP) consensus revenue estimate is \$11.2 billion. This represents a 1.7% increase from the consensus estimates for FY 2019-20. The FY 2020-21 School Aid Fund (SAF) consensus revenue estimate is \$14.3 billion, a 2.8% increase from the consensus estimates for FY 2019-20. The Governor's proposal also assumes a change to current income tax statute directing \$173.2 million in FY 2019-20 and \$179.4 million in FY 2020-21 from the General Fund to the School Aid Fund, pursuant to the FY 2019-20 budget agreement. The Governor's FY 2020-21 recommendation proposes to purchase tax vouchers issued by the Venture Michigan Fund, beginning in FY 2019-20, which would affect both revenue and expenditures and is projected to result in savings to the General Fund. There are no additional revenue adjustments recommended by the Governor.

The Governor's proposal for the School Aid Fund recommends additional SAF in FY 2020-21 for an increase in the foundation allowance (\$290.0 million SAF), increased support for special education students (\$60.0 million SAF), additional funding to support academically at-risk students (\$60.0 million SAF), and additional funding for educating English language learners (ELLs) (\$5.0 million SAF). The Governor also is recommending an additional \$35.5 million SAF for an expansion of the Great Start Readiness Program (GSRP) and \$42.0 million SAF to expand early childhood education to children living in high-poverty areas. In total, the Governor proposes an additional \$745.8 million in K-12 appropriations compared to FY 2019-20.

The Governor is proposing to maintain the SAF appropriation to the public universities and community colleges at the level appropriated in FY 2019-20 with increases to accommodate Michigan Public School Employees' Retirement System (MPERS) costs (\$11.0 million and \$6.7 million respectively). Additionally, the Governor recommends a 2.5% increase in funding to both universities and community colleges. The recommended increase for community colleges operations of \$8.1 million would be supported with SAF while the \$35.5 million operations increase recommended for public universities would be financed with GF/GP.

The Governor recommends FY 2020-21 Gross appropriations of \$61.9 billion and Adjusted Gross appropriations of \$60.7 billion. Included in this appropriation total are \$23.9 billion of Federal funds, \$463.1 million of local and private funds, \$25.4 billion of State Restricted revenue, and \$11.0 billion of GF/GP revenue. Table 1 outlines the sources of funding for each department and budget area included in the Governor's recommendation. Figures A and B illustrate the total funding by source and major spending category. Compared with FY 2019-20 year-to-date

appropriations, the Governor's FY 2020-21 budget includes a Gross appropriation increase of \$2.3 billion, or 3.9%, an increase in State Spending from State Resources appropriations of \$1.7 billion, or 4.9%, and an increase in GF/GP appropriations of \$604.3 million, or 5.8%.

The principal reasons for the increase in State Spending from State Resources appropriations are costs associated with caseloads and 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 program increases recommended in State departments. Tables 2-4 compare the Governor's FY 2020-21 recommendation for Gross, State Spending from State Resources, and GF/GP appropriations with the FY 2019-20 year-to-date appropriations. Table 5 compares the FY 2020-21 recommended number of 54,233.6 full-time equated (FTE) positions to the FY 2019-20 level of 53,940.6 FTEs, an increase of 293.0 positions, or 0.5%.

The FY 2020-21 recommendation includes appropriations that the Governor has designated as either "ongoing" or "one-time". Table 6 outlines the proposed FY 2020-21 one-time appropriations by fund source, with a Gross total for all budget areas of \$405.5 million. The Governor's budget does not include a recommended appropriation for the Budget Stabilization Fund (BSF) for FY 2020-21.

Table 7 lists the estimated State payments to local units of government for FYs 2019-20 and 2020-21, of \$19.4 billion and \$20.5 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 reflect positive ending balances for all three years.

The total Gross and GF/GP dollar changes from FY 2019-20 to FY 2020-21 are an increase of \$2.3 billion Gross and an increase of \$604.3 million GF/GP. Table 10 shows that the \$604.3 million GF/GP increase consists of \$296.3 million of GF/GP funding for new programs, \$507.3 million of GF/GP funding increases, \$146.6 million reduction from GF/GP program eliminations, \$253.2 million of GF/GP program reductions, a \$92.1 million GF/GP increase due to fund shifts, \$575,000 of GF/GP reductions from program transfers and an increase of \$109.0 million due to economic and unclassified salaries' adjustments. Tables 11-16 provide the details for these changes.

The FY 2020-21 School Aid Fund budget changes proposed by the Governor are outlined in Table 17. As the table indicates, the net change in K-12 appropriations is an increase of \$745.8 million.

Tables 18-28 outline background information regarding major budget areas and other general appropriation issues, and Tables 29-38 provide recent State appropriation history. Figure D 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 2020-21 budget proposal increases Gross appropriations by 3.9% and State Spending from State Resources by 4.9%, and GF/GP by 5.8%. The primary reason for these increases is because of baseline increases related to the DHHS, recommended increases in department programs and School Aid Fund appropriations, increases to public universities and community colleges, and local units of government.

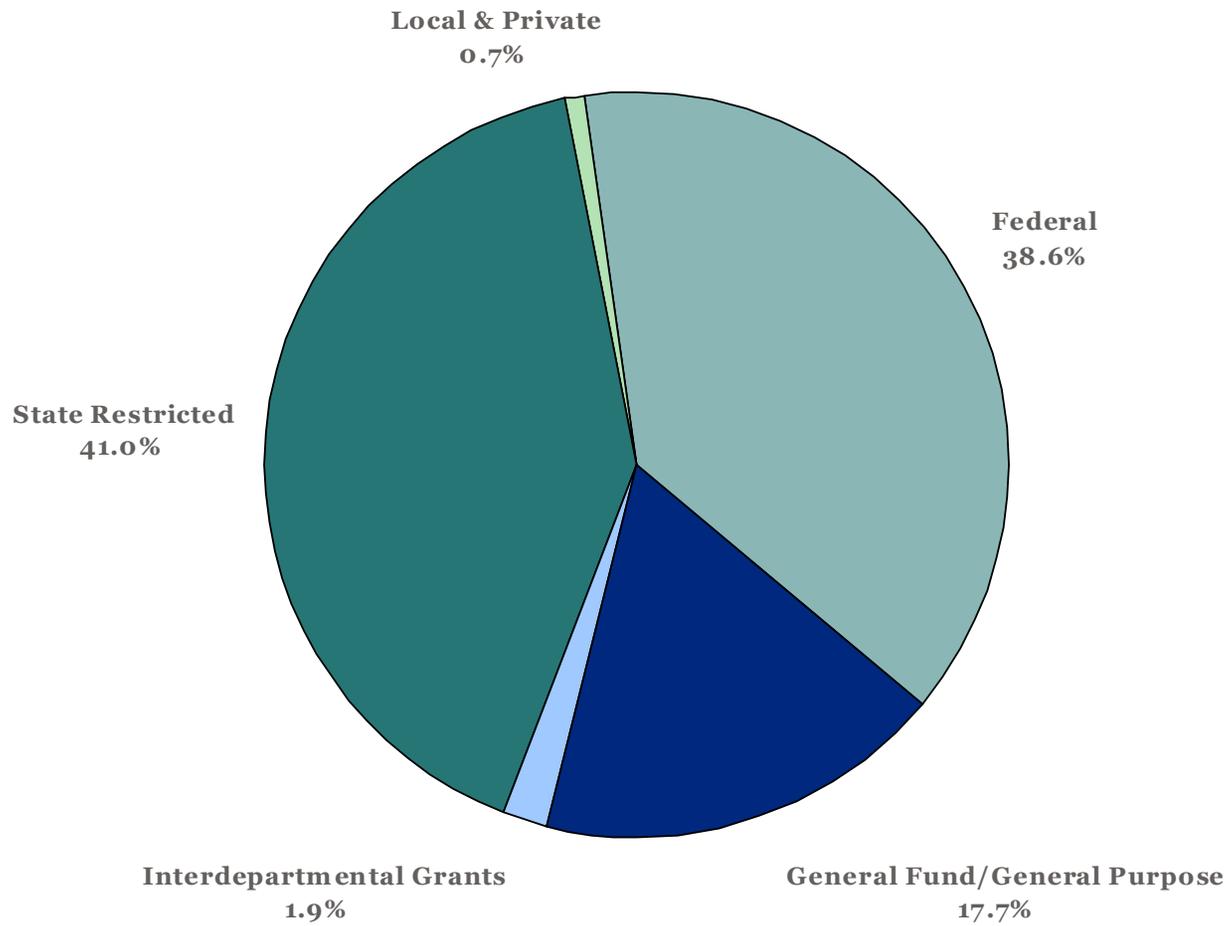
Table 1**FY 2020-21 GOVERNOR'S RECOMMENDATION
BY SOURCE OF FUNDS**

Department/Budget Area	Gross	IDGs	Adjusted Gross	Federal	Local & Private	State Restricted	General Fund/ General Purpose
Agriculture & Rural Development	\$120,349,400	\$324,400	\$120,025,000	\$13,129,500	\$71,300	\$43,353,000	\$63,471,200
Attorney General	106,976,600	35,285,800	71,690,800	9,906,100	0	20,136,300	41,648,400
Capital Outlay	0	0	0	0	0	0	0
Civil Rights	16,787,400	299,800	16,487,600	2,868,200	18,700	58,500	13,542,200
Community Colleges	433,792,400	0	433,792,400	0	0	433,792,400	0
Corrections	2,081,251,700	0	2,081,251,700	5,370,900	9,680,600	45,478,500	2,020,721,700
Education	452,178,600	0	452,178,600	344,804,700	8,111,400	9,815,400	89,447,100
Environment, Great Lakes, & Energy	523,049,200	3,337,700	519,711,500	171,973,000	1,412,800	272,191,800	74,133,900
Executive	7,276,500	0	7,276,500	0	0	0	7,276,500
Health & Human Services	27,148,828,900	13,829,900	27,134,999,000	18,688,919,000	341,995,600	3,015,718,000	5,088,366,400
Higher Education	1,743,845,600	0	1,743,845,600	116,026,400	0	356,063,300	1,271,755,900
Insurance & Financial Services	73,315,700	728,600	72,587,100	1,017,100	0	71,570,000	0
Judiciary	314,761,800	1,552,800	313,209,000	5,826,000	8,671,100	94,877,600	203,834,300
Labor & Economic Opportunity	1,385,441,600	0	1,385,441,600	953,506,000	12,217,800	232,848,300	186,869,500
Legislature	207,165,400	6,250,400	200,915,000	0	400,000	6,776,800	193,738,200
Licensing & Regulatory Affairs	487,589,600	46,664,600	440,925,000	28,823,700	0	258,945,700	153,155,600
Military & Veterans Affairs	224,342,500	101,800	224,240,700	123,626,100	630,000	20,313,400	79,671,200
Natural Resources	468,258,900	203,100	468,055,800	88,453,700	7,439,200	322,800,800	49,362,100
Natural Resources (Trust Fund)	0	0	0	0	0	0	0
School Aid	15,923,137,100	0	15,923,137,100	1,806,878,500	0	14,036,258,600	80,000,000
State	256,087,500	20,000,000	236,087,500	1,460,000	50,100	215,490,200	19,087,200
State Police	735,585,500	24,649,000	710,936,500	78,682,000	4,876,200	143,001,700	484,376,600
Technology, Mgt., & Budget	1,743,750,000	1,019,720,900	724,029,100	5,139,300	2,472,300	122,296,400	594,121,100
Transportation	5,259,273,100	4,063,100	5,255,210,000	1,392,546,100	51,932,000	3,810,731,900	0
Treasury (Debt Service)	113,735,000	0	113,735,000	0	0	0	113,735,000
Treasury (Operations)	666,177,900	13,112,800	653,065,100	27,421,800	13,087,000	460,455,000	152,101,300
Treasury (Revenue Sharing)	1,404,870,900	0	1,404,870,900	0	0	1,404,870,900	0
TOTAL APPROPRIATIONS	\$61,897,828,800	\$1,190,124,700	\$60,707,704,100	\$23,866,378,100	\$463,066,100	\$25,397,844,500	\$10,980,415,400

Figure A

Gross Appropriations by Source of Funds

FY 2020-21 Governor's Recommendation

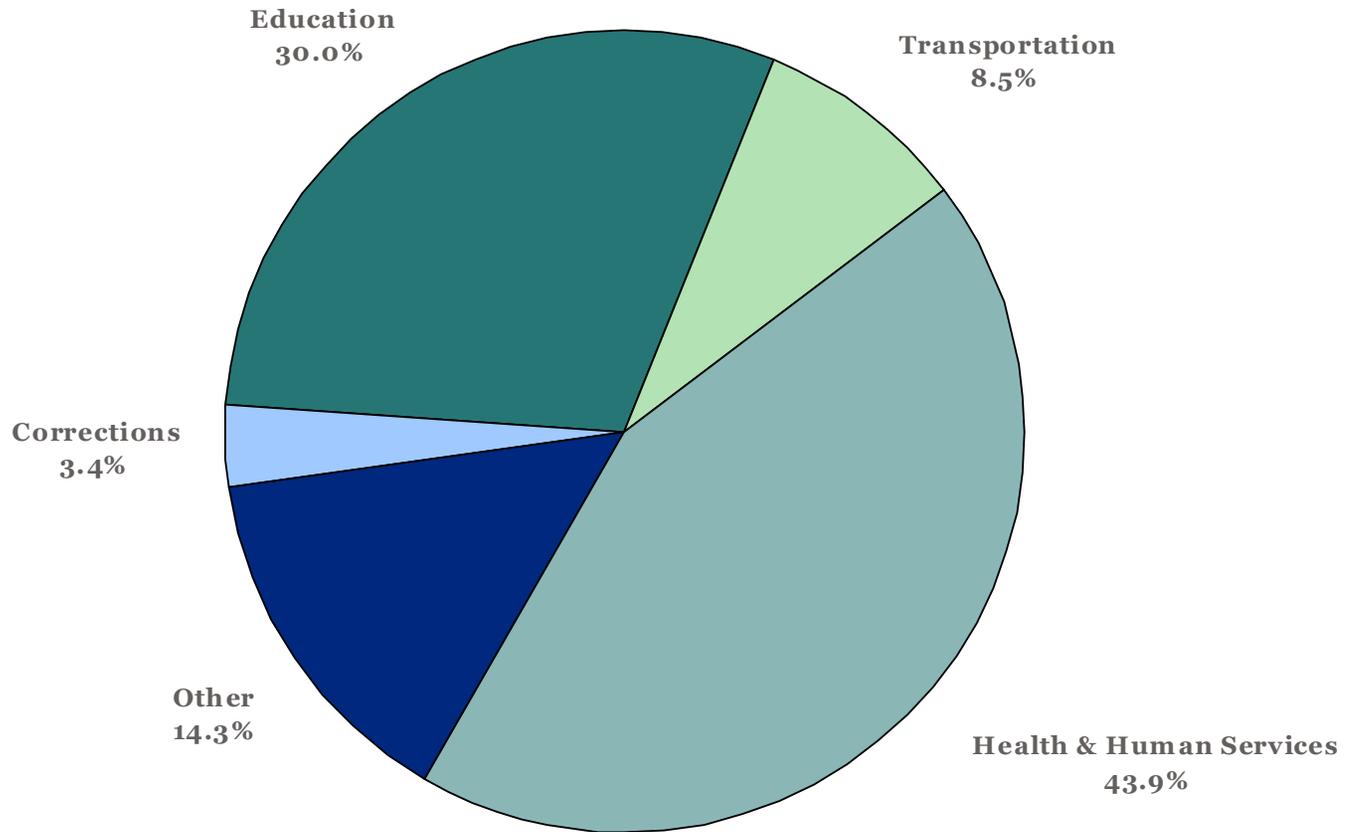


Total = \$ 61,897,828,800

Figure B

Gross Appropriations by Major Category

FY 2020-21 Governor's Recommendation



Total = \$ 61,897,828,800

Table 2

**GROSS APPROPRIATIONS
FY 2019-20 YEAR-TO-DATE VERSUS FY 2020-21 GOVERNOR'S RECOMMENDATION**

Department/Budget Area	FY 2019-20 Year-to-Date Appropriations	FY 2020-21 Governor's Recommendation	Dollar Difference	Percent Change
Agriculture & Rural Development.....	\$111,417,500	\$120,349,400	\$8,931,900	8.0%
Attorney General	105,982,800	106,976,600	993,800	0.9
Capital Outlay	0	0	0	0.0
Civil Rights	16,388,300	16,787,400	399,100	2.4
Community Colleges	414,719,000	433,792,400	19,073,400	4.6
Corrections	2,042,261,300	2,081,251,700	38,990,400	1.9
Education	419,783,700	452,178,600	32,394,900	7.7
Environment, Great Lakes, & Energy	614,665,800	523,049,200	(91,616,600)	(14.9)
Executive	7,114,300	7,276,500	162,200	2.3
Health & Human Services	26,358,046,300	27,148,828,900	790,782,600	3.0
Higher Education.....	1,691,395,000	1,743,845,600	52,450,600	3.1
Insurance & Financial Services.....	72,062,800	73,315,700	1,252,900	1.7
Judiciary	311,113,500	314,761,800	3,648,300	1.2
Labor & Economic Opportunity	1,307,357,100	1,385,441,600	78,084,500	6.0
Legislature.....	201,425,900	207,165,400	5,739,500	2.8
Licensing & Regulatory Affairs	435,285,600	487,589,600	52,304,000	12.0
Military & Veterans Affairs.....	204,065,100	224,342,500	20,277,400	9.9
Natural Resources	438,685,400	468,258,900	29,573,500	6.7
Natural Resources (Trust Fund).....	0	0	0	0.0
School Aid	15,177,263,600	15,923,137,100	745,873,500	4.9
State	250,393,000	256,087,500	5,694,500	2.3
State Police	753,559,000	735,585,500	(17,973,500)	(2.4)
Technology, Management, & Budget.....	1,569,400,500	1,743,750,000	174,349,500	11.1
Transportation	5,021,408,000	5,259,273,100	237,865,100	4.7
Treasury (Debt Service)	104,335,000	113,735,000	9,400,000	9.0
Treasury (Operations)	590,066,900	666,177,900	76,111,000	12.9
Treasury (Revenue Sharing).....	1,376,191,700	1,404,870,900	28,679,200	2.1
TOTAL APPROPRIATIONS.....	\$59,594,387,100	\$61,897,828,800	\$2,303,441,700	3.9%

Table 3

**STATE SPENDING FROM STATE RESOURCES APPROPRIATIONS
FY 2019-20 YEAR-TO-DATE VERSUS FY 2020-21 GOVERNOR'S RECOMMENDATION**

Department/Budget Area	FY 2019-20 Year-to-Date Appropriations	FY 2020-21 Governor's Recommendation	Dollar Difference	Percent Change
Agriculture & Rural Development.....	\$97,363,600	\$106,824,200	\$9,460,600	9.7%
Attorney General	61,896,100	61,784,700	(111,400)	(0.2)
Capital Outlay	0	0	0	0.0
Civil Rights	13,254,200	13,600,700	346,500	2.6
Community Colleges	414,719,000	433,792,400	19,073,400	4.6
Corrections	2,025,250,400	2,066,200,200	40,949,800	2.0
Education	96,512,000	99,262,500	2,750,500	2.8
Environment, Great Lakes, & Energy	435,017,500	346,325,700	(88,691,800)	(20.4)
Executive	7,114,300	7,276,500	162,200	2.3
Health & Human Services	7,748,062,600	8,104,084,400	356,021,800	4.6
Higher Education.....	1,557,368,600	1,627,819,200	70,450,600	4.5
Insurance & Financial Services.....	70,322,100	71,570,000	1,247,900	1.8
Judiciary	296,239,600	298,711,900	2,472,300	0.8
Labor & Economic Opportunity	338,382,100	419,717,800	81,335,700	24.0
Legislature.....	194,957,500	200,515,000	5,557,500	2.9
Licensing & Regulatory Affairs	362,934,700	412,101,300	49,166,600	13.5
Military & Veterans Affairs.....	97,156,100	99,984,600	2,828,500	2.9
Natural Resources	355,555,400	372,162,900	16,607,500	4.7
Natural Resources (Trust Fund).....	0	0	0	0.0
School Aid	13,427,685,100	14,116,258,600	688,573,500	5.1
State	228,882,900	234,577,400	5,694,500	2.5
State Police	623,859,900	627,378,300	3,518,400	0.6
Technology, Management, & Budget.....	611,491,000	716,417,500	104,926,500	17.2
Transportation	3,613,151,600	3,810,731,900	197,580,300	5.5
Treasury (Debt Service)	104,335,000	113,735,000	9,400,000	9.0
Treasury (Operations)	536,675,500	612,556,300	75,880,800	14.1
Treasury (Revenue Sharing).....	1,376,191,700	1,404,870,900	28,679,200	2.1
TOTAL APPROPRIATIONS.....	\$34,694,378,500	\$36,378,259,900	\$1,683,881,400	4.9%

Table 4

**GENERAL FUND/GENERAL PURPOSE APPROPRIATIONS
FY 2019-20 YEAR-TO-DATE VERSUS FY 2020-21 GOVERNOR'S RECOMMENDATION**

Department/Budget Area	FY 2019-20 Year-to-Date Appropriations	FY 2020-21 Governor's Recommendation	Dollar Difference	Percent Change
Agriculture & Rural Development.....	\$55,979,900	\$63,471,200	\$7,491,300	13.4%
Attorney General	41,736,300	41,648,400	(87,900)	(0.2)
Capital Outlay	0	0	0	0.0
Civil Rights	13,195,700	13,542,200	346,500	2.6
Community Colleges	0	0	0	0.0
Corrections	1,980,137,900	2,020,721,700	40,583,800	2.0
Education	87,212,000	89,447,100	2,235,100	2.6
Environment, Great Lakes, & Energy	168,577,400	74,133,900	(94,443,500)	(56.0)
Executive	7,114,300	7,276,500	162,200	2.3
Health & Human Services	4,769,278,700	5,088,366,400	319,087,700	6.7
Higher Education.....	1,207,949,300	1,271,755,900	63,806,600	5.3
Insurance & Financial Services.....	150,000	0	(150,000)	(100.0)
Judiciary	201,443,600	203,834,300	2,390,700	1.2
Labor & Economic Opportunity	142,308,300	186,869,500	44,561,200	31.3
Legislature.....	188,366,300	193,738,200	5,371,900	2.9
Licensing & Regulatory Affairs	111,606,400	153,155,600	41,549,200	37.2
Military & Veterans Affairs.....	73,247,500	79,671,200	6,423,700	8.8
Natural Resources	46,985,000	49,362,100	2,377,100	5.1
Natural Resources (Trust Fund).....	0	0	0	0.0
School Aid	62,620,000	80,000,000	17,380,000	27.8
State	13,451,200	19,087,200	5,636,000	41.9
State Police	475,701,700	484,376,600	8,674,900	1.8
Technology, Management, & Budget.....	493,574,200	594,121,100	100,546,900	20.4
Transportation	25,000,000	0	(25,000,000)	(100.0)
Treasury (Debt Service)	104,335,000	113,735,000	9,400,000	9.0
Treasury (Operations)	106,141,800	152,101,300	45,959,500	43.3
Treasury (Revenue Sharing).....	0	0	0	0.0
TOTAL APPROPRIATIONS.....	\$10,376,112,500	\$10,980,415,400	\$604,302,900	5.8%

Table 5

**FULL-TIME EQUATED CLASSIFIED POSITIONS
FY 2019-20 YEAR-TO-DATE VERSUS FY 2020-21 GOVERNOR'S RECOMMENDATION**

Department/Budget Area	FY 2019-20 Year-to-Date Appropriations	FY 2020-21 Governor's Recommendation	Position Change	Percent Change
Agriculture & Rural Development	508.0	514.0	6.0	1.2%
Attorney General	536.4	534.4	(2.0)	(0.4)
Civil Rights	110.0	110.0	0.0	0.0
Corrections	13,778.3	13,686.8	(91.5)	(0.7)
Education	614.5	615.0	0.5	0.1
Environment, Great Lakes, & Energy	1,416.0	1,416.0	0.0	0.0
Executive	79.2	79.2	0.0	0.0
Health & Human Services	15,432.0	15,598.0	166.0	1.1
Insurance & Financial Services	362.5	382.5	20.0	5.5
Judiciary	509.0	512.0	3.0	0.6
Labor & Economic Opportunity	2,558.9	2,533.4	(25.5)	(1.0)
Licensing & Regulatory Affairs	1,792.4	1,827.9	35.5	2.0
Military & Veterans Affairs	924.5	1,052.5	128.0	13.8
Natural Resources	2,334.1	2,346.1	12.0	0.5
State	1,586.0	1,596.0	10.0	0.6
State Police	3,580.0	3,546.0	(34.0)	(0.9)
Technology, Management, & Budget	3,126.0	3,133.0	7.0	0.2
Transportation	2,818.3	2,826.3	8.0	0.3
Treasury (Operations)	1,874.5	1,924.5	50.0	2.7
TOTAL POSITIONS	53,940.6	54,233.6	293.0	0.5%

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

Table 6

FY 2020-21 GOVERNOR'S RECOMMENDATION ONE-TIME APPROPRIATIONS			
Budget Area/Program	Gross	State Restricted	GF/GP
Agriculture & Rural Development			
Conservation Reserve Enhancement Program	\$10,000,000	\$0	\$10,000,000
Agriculture & Rural Development Total	\$10,000,000	\$0	\$10,000,000
Education			
PBS early childhood initiative.....	\$1,800,000	\$0	\$1,800,000
Education Total	\$1,800,000	\$0	\$1,800,000
Environment, Great Lakes, and Energy			
Environmental contamination response.....	\$20,000,000	\$0	\$20,000,000
Environment, Great Lakes, and Energy Total	\$20,000,000	\$0	\$20,000,000
Health and Human Services			
MiDocs program.....	\$86,520,000	\$21,630,000	\$21,630,000
Comprehensive child welfare information system (24.0 FTEs)	15,961,700	0	8,300,100
Opioid crisis response services	12,250,000	0	10,000,000
Lead poisoning prevention fund.....	10,000,000	0	10,000,000
First responder and public safety mental health	2,500,000	0	2,500,000
Autism navigator	1,025,000	0	1,025,000
Health and Human Services Total	\$128,256,700	\$21,630,000	\$53,455,100
Higher Education			
Michigan Student Loan Refinancing Program	\$10,000,000	\$0	\$10,000,000
Higher Education Total	\$10,000,000	\$0	\$10,000,000
Labor and Economic Opportunity			
Nature, science, and culture experience grant	\$10,000,000	\$0	\$10,000,000
Postsecondary best practice grants	1,000,000	0	1,000,000
Focus: HOPE	1,000,000	0	1,000,000
Labor and Economic Opportunity Total	\$12,000,000	\$0	\$12,000,000
Licensing & Regulatory Affairs			
Michigan Saves green bank reserve fund and credit.....	\$5,000,000	\$0	\$5,000,000
Licensing and Regulatory Affairs Total	\$5,000,000	\$0	\$5,000,000
Military and Veterans Affairs			
Grand Rapids Home Transition Costs - Moved from Ongoing to One-Time ...	\$13,233,000	\$0	\$13,233,000
Military and Veterans Affairs Total	\$13,233,000	\$0	\$13,233,000

FY 2020-21 GOVERNOR'S RECOMMENDATION ONE-TIME APPROPRIATIONS

Budget Area/Program	Gross	State Restricted	GF/GP
Natural Resources			
Shooting range development, enhancement, and restoration	\$4,400,000	\$0	\$0
Milliken visitor center	2,500,000	0	2,500,000
Repair and replace aging wildfire equipment	1,000,000	1,000,000	0
Improve sustainability of cedar forests	500,000	500,000	0
Natural Resources Total	\$8,400,000	\$1,500,000	\$2,500,000
School Aid			
School infrastructure grants	\$40,000,000	\$0	\$40,000,000
Teacher supplies reimbursement	25,000,000	25,000,000	0
Professional development	5,000,000	5,000,000	0
Reorganization and cooperative activities grants	5,000,000	5,000,000	0
School meal debt forgiveness	1,000,000	1,000,000	0
School Aid Total	\$76,000,000	\$36,000,000	\$40,000,000
State Police			
Jail and Pretrial Incarceration training	\$7,200,000	\$0	\$7,200,000
Trooper recruit school one-time cost	2,509,100	0	2,509,100
State Police Total	\$9,709,100	\$0	\$9,709,100
Technology, Management, and Budget			
State psychiatric hospitals special maintenance	\$30,000,000	\$0	\$30,000,000
Advanced persistent cyber threats	20,000,000	0	20,000,000
Paid parental leave	10,000,000	0	10,000,000
Green revolving fund	5,000,000	0	5,000,000
Retirement services customer relationship management	2,100,000	2,100,000	0
Technology, Management, and Budget Total	\$67,100,000	\$2,100,000	\$65,000,000
Treasury-Operations			
Local climate resilient infrastructure grants	\$40,000,000	\$0	\$40,000,000
Michigan gaming control board IT upgrade	4,025,000	4,025,000	0
Treasury-Operations Total	\$44,025,000	\$4,025,000	\$40,000,000
TOTAL ONE-TIME BUDGET AREA APPROPRIATIONS	\$405,523,800	\$65,255,000	\$282,697,200

Table 7

STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT				
FY 2019-20 YEAR-TO-DATE VERSUS FY 2020-21 GOVERNOR'S RECOMMENDATION				
Department/Budget Area	FY 2019-20 Year-to-Date Appropriations	FY 2020-21 Governor's Recommendation	Dollar Difference	Percent Change
Agriculture & Rural Development.....	\$9,650,000	\$8,800,000	(\$850,000)	(8.8%)
Attorney General	0	0	0	0.0
Capital Outlay.....	0	0	0	0.0
Civil Rights	0	0	0	0.0
Community Colleges	414,719,000	433,792,400	19,073,400	4.6
Corrections	122,635,700	123,880,800	1,245,100	1.0
Education	14,517,700	14,267,700	(250,000)	(1.7)
Environment, Great Lakes, & Energy	19,646,000	37,200,600	17,554,600	89.4
Executive.....	0	0	0	0.0
Health & Human Services.....	1,566,525,200	1,671,291,600	104,766,400	6.7
Higher Education.....	0	0	0	0.0
Insurance & Financial Services.....	0	0	0	0.0
Judiciary	146,351,300	146,684,400	333,100	0.2
Labor & Economic Opportunity	37,598,800	37,863,300	264,500	0.7
Legislature.....	0	0	0	0.0
Licensing & Regulatory Affairs	102,451,400	137,967,400	35,516,000	34.7
Military & Veterans Affairs.....	4,315,000	2,136,500	(2,178,500)	(50.5)
Natural Resources	8,122,200	8,659,300	537,100	6.6
Natural Resources (Trust Fund).....	0	0	0	0.0
School Aid	13,221,615,300	13,908,147,100	686,531,800	5.2
State	1,127,500	1,041,800	(85,700)	(7.6)
State Police	16,078,600	13,899,900	(2,178,700)	(13.6)
Technology, Management, & Budget.....	0	0	0	0.0
Transportation	2,135,605,800	2,257,897,700	122,291,900	5.7
Treasury (Debt Service)	0	0	0	0.0
Treasury (Operations)	191,229,200	277,911,200	86,682,000	45.3
Treasury (Revenue Sharing).....	1,376,191,700	1,404,870,900	28,679,200	2.1
TOTAL APPROPRIATIONS.....	\$19,388,380,400	\$20,486,312,600	\$1,097,932,200	5.7%

Table 8

**FEBRUARY 2020 GOVERNOR'S RECOMMENDATION GENERAL FUND/GENERAL PURPOSE (GF/GP)
REVENUE, EXPENDITURES, AND YEAR-END BALANCE
(millions of dollars)**

	FY 2018-19 Preliminary Final	FY 2019-20 YTD Adjusted for Exec Rec	FY 2020-21 Exec Rec
Revenue:			
Beginning Balance.....	\$788.3	\$899.5	\$524.5
<u>Ongoing Revenue:</u>			
Consensus Revenue Estimate (January 2020)	\$11,108.0	\$11,012.1	\$11,194.5
Other Revenue Adjustments			
Revenue Sharing Payments.....	(466.0)	(490.1)	(502.3)
Treasury Bookclosing Revenue Adjustments	186.2	0.0	0.0
Adjust Income Tax Earmark (HB 4125)	0.0	(173.2)	(179.4)
Shift VMF II to Voucher proposal.....	<u>0.0</u>	<u>22.9</u>	<u>67.6</u>
Subtotal Ongoing Revenue.....	\$10,828.2	\$10,371.7	\$10,580.4
<u>Non-ongoing Revenue:</u>			
One-Time Appropriation for Revenue Sharing.....	(\$13.1)	\$0.0	\$0.0
Use tax 4% - Medicaid HMO	4.9	0.0	0.0
Reimbursement for Implementation of Recreational Marihuana	0.0	10.0	0.0
Revenue from Sale of Farnum Building.....	4.5	0.0	0.0
Lawsuit Settlement	17.9	5.2	0.0
Redirection of Restricted Revenue	<u>(6.3)</u>	<u>(7.6)</u>	<u>0.0</u>
Subtotal Non-Ongoing Revenue	\$7.9	\$2.4	\$0.0
Total Estimated GF/GP Revenue	\$ 11,624.4	\$ 11,273.6	\$ 11,104.9
Expenditures:			
<u>Ongoing Appropriations:</u>			
Initial Ongoing Appropriations	\$9,614.6	\$9,946.5	\$9,946.5
Exec Rec Department Investments	0.0	0.0	217.6
Exec Rec Department Reductions.....	<u>0.0</u>	<u>0.0</u>	<u>(200.3)</u>
Subtotal Ongoing Appropriations	\$9,614.6	\$9,946.5	\$9,963.8
<u>One-Time and Other Appropriations:</u>			
Initial One-Time Appropriations	\$406.8	\$168.6	\$282.7
Appropriation to Budget Stabilization Fund.....	100.0	0.0	0.0
Enacted Supplementals	538.1	0.0	0.0
Enacted FY 2020 Supplementals (PA 154 and 169 of 2019).....	0.0	261.0	152.8
FY 2020 Supplemental Requests (2020-1 and 2020-2).....	0.0	45.9	56.3
Defined Calculations	0.0	0.0	108.6
Estimated DHHS Adjustments.....	0.0	127.1	358.8
Reimbursement of Federal Disallowed Psych DSH costs	0.0	62.8	59.2
Reserve for Audit, Legal, Statutory & Other Costs.....	0.0	137.2	63.8
Michigan Indigent Defense Grants	0.0	0.0	36.5
Tuition Incentive Program Cost Increase.....	<u>0.0</u>	<u>0.0</u>	9.0
GF Backfill of Tuition Grants.....	<u>0.0</u>	<u>0.0</u>	12.0
Treasury Prior Year Tax Accounting Adjustments from Bookclosing	199.0	0.0	0.0
Estimated Lapses.....	<u>(133.6)</u>	<u>0.0</u>	<u>0.0</u>
Subtotal One-Time and Other Appropriations	\$1,110.3	\$802.6	\$1,139.7
Total Estimated GF/GP Expenditures	\$10,724.9	\$10,749.1	\$11,103.5
PROJECTED YEAR-END GF/GP BALANCE.....	\$899.5	\$524.5	\$1.4

Table 9

**FEBRUARY 2020 GOVERNOR'S RECOMMENDATION SCHOOL AID FUND
REVENUE, EXPENDITURES, AND YEAR-END BALANCE
(millions of dollars)**

	FY 2018-19 Preliminary Final	FY 2019-20 YTD Adjusted for Exec Rec	FY 2020-21 Exec Rec
Revenue:			
Beginning Balance	\$320.5	\$212.4	\$263.0
<u>Ongoing Revenue:</u>			
Consensus Revenue Estimate (January 2020)	\$13,560.0	\$13,925.5	\$14,317.5
General Fund/General Purpose Grant	87.9	62.6	80.0
Community District Trust Fund	72.2	75.8	78.4
Federal Ongoing Aid.....	1,745.9	1,759.6	1,806.9
Adjust Income Tax Earmark (HB 4125)	<u>0.0</u>	<u>173.2</u>	<u>179.4</u>
Subtotal Ongoing Revenue	\$15,466.0	\$15,996.7	\$16,462.2
<u>Non-ongoing Revenue:</u>			
Reserve Fund for MPSERS	\$30.0	\$1.9	\$0.0
Mental Health Services and Support Fund	<u>30.0</u>	<u>0.0</u>	<u>0.0</u>
Subtotal Non-Ongoing Revenue	\$60.0	\$1.9	\$0.0
Total Estimated School Aid Fund Revenue	\$15,846.5	\$16,211.0	\$16,725.2
Expenditures:			
<u>Ongoing Appropriations:</u>			
Initial Ongoing K-12 Appropriations.....	\$14,686.6	\$15,106.8	\$15,847.1
Cost Adjustments (January 2020)	(56.4)	6.6	0.0
Enacted Supplementals.....	0.5	59.9	0.0
Additional Cash Flow Borrowing Costs	14.0	0.0	0.0
Partially Fund Higher Education with School Aid Fund	499.4	349.4	356.1
Fund Community Colleges with School Aid Fund	<u>401.8</u>	<u>414.7</u>	<u>433.8</u>
Subtotal Ongoing Appropriations	\$15,545.9	\$15,937.4	\$16,637.0
<u>One-Time and Other Appropriations:</u>			
Enacted One-Time K-12 Appropriations	\$120.8	\$0.0	\$76.0
Enacted Supplementals.....	45.7	10.7	0.0
One-Time Community College Appropriations	6.4	0.0	0.0
One-Time Higher Education Appropriations.....	0.7	0.0	0.0
Estimated Lapses/Year End Change	<u>(85.4)</u>	<u>0.0</u>	<u>0.0</u>
Subtotal One-Time and Other Appropriations.....	\$88.2	10.7	76.0
Total Estimated School Aid Fund Expenditures	\$15,634.1	\$15,948.0	\$16,713.0
PROJECTED YEAR-END SCHOOL AID FUND BALANCE	\$212.4	\$263.0	\$12.3

FY 2020-21 Gross and
GF/GP
Budget Changes

Table 10

FY 2020-21 GOVERNOR'S APPROPRIATION RECOMMENDATION SUMMARY OF CHANGES FROM FY 2019-20 YEAR-TO-DATE GROSS AND GENERAL FUND/GENERAL PURPOSE APPROPRIATIONS		
	Gross	GF/GP
FY 2019-20 Year-To-Date Appropriation¹	\$59,594,387,100	\$10,376,112,500
Changes for FY 2020-21:		
New Programs.....	\$427,177,800	\$296,299,700
Program Increases	2,868,471,600	507,285,600
Program Eliminations	(177,682,400)	(146,599,900)
Program Reductions.....	(1,009,721,600)	(253,174,500)
Major Fund Shifts Affecting GF/GP.....	0	92,050,900
Program Transfers	(530,100)	(575,000)
Economic Adjustments.....	195,609,300	108,965,400
Unclassified Salaries	117,100	50,700
Total Changes.....	\$2,303,441,700	\$604,302,900
FY 2020-21 Governor's Recommendation	\$61,897,828,800	\$10,980,415,400

¹ Appropriation as of February 6, 2020.

Table 11

FY 2020-21 GOVERNOR'S APPROPRIATION RECOMMENDATION NEW PROGRAMS		
Budget Area/Program	Gross	GF/GP
Agriculture and Rural Development		
Conservation Reserve Enhancement Program - One-Time	\$10,000,000	\$10,000,000
Conservation Reserve Enhancement Program - Ongoing.....	600,000	600,000
Total Agriculture and Rural Development	\$10,600,000	\$10,600,000
Attorney General		
Elder Abuse Task Force.....	\$387,500	\$387,500
Total Attorney General.....	\$387,500	\$387,500
Education		
PBS Early Childhood Initiative	\$1,800,000	\$1,800,000
Poet laureate (0.5 FTE).....	100,000	100,000
Total Education	\$1,900,000	\$1,900,000
Environment, Great Lakes, and Energy		
Efficiency and renewable energy revolving loan fund.....	\$250,000	\$0
Total Environment, Great Lakes, and Energy	\$250,000	\$0
Health and Human Services		
Healthy Moms, Healthy Babies	\$37,519,600	\$17,591,500
Long Term Care (LTC) Services and Supports Options Counseling (4.0 FTEs)....	20,250,000	8,500,000
Building a Statewide Infrastructure to Address Social Determinants of Health (SDoH) (4.0 FTEs)	11,650,000	7,100,000
Better Value in Medicaid - Medicaid Transformation Office.....	5,000,000	2,500,000
First Responder and Public Safety Staff Mental Health	2,500,000	2,500,000
Dental Screenings and Oral Health Assessment Program	2,000,000	2,000,000
Total Health and Human Services	\$78,919,600	\$40,191,500
Higher Education		
Michigan student loan refinance program - one-time.....	\$10,000,000	\$10,000,000
Total Higher Education	\$10,000,000	\$10,000,000
Labor and Economic Opportunity		
Going Pro program restoration.....	\$27,920,700	\$27,920,700
Pure Michigan program restoration.....	15,000,000	15,000,000

Nature, science, and culture experience grant.....	10,000,000	10,000,000
Postsecondary best practice grants	1,000,000	1,000,000
Total Labor and Economic Opportunity	\$53,920,700	\$53,920,700
Licensing and Regulatory Affairs		
Michigan Saves Green Bank Reserve Fund and Credit Enhancement.....	\$5,000,000	\$5,000,000
Total Licensing and Regulatory Affairs	\$5,000,000	\$5,000,000
Natural Resources		
Michigan Conservation Corps restoration	\$1,000,000	\$1,000,000
Total Natural Resources	\$1,000,000	\$1,000,000
School Aid		
Expanded preschool access program	\$42,000,000	\$0
School infrastructure grants	40,000,000	40,000,000
Teacher supplies reimbursement.....	25,000,000	0
Three-year average pupil count for eligible districts	6,000,000	0
Reorganization and cooperative activities grants	5,000,000	0
Professional development.....	5,000,000	0
Michigan Reading Corps.....	2,000,000	2,000,000
Teacher cadet program	1,500,000	0
10 Cents a Meal	1,000,000	0
School meal debt forgiveness	1,000,000	0
Total School Aid	\$128,500,000	\$42,000,000
Technology, Management, and Budget		
Venture Michigan Fund II voucher purchase	\$56,300,000	\$56,300,000
Advanced persistent cyber threats	20,000,000	20,000,000
Paid parental leave.....	10,000,000	10,000,000
Green revolving fund.....	5,000,000	5,000,000
Total Technology, Management, and Budget.....	\$91,300,000	\$91,300,000
Transportation		
Bond management office (8.0 FTEs)	\$3,000,000	\$0
Traffic signal program.....	2,400,000	0
Total Transportation	\$5,400,000	\$0
Treasury - Operations		
Local climate resilient infrastructure grants.....	\$40,000,000	\$40,000,000
Total Treasury - Operations	\$40,000,000	\$40,000,000
TOTAL NEW PROGRAMS.....	\$427,177,800	\$296,299,700

Table 12

FY 2020-21 GOVERNOR'S APPROPRIATION RECOMMENDATION		
FUNDING INCREASES		
Budget Area/Program	Gross	GF/GP
Agriculture and Rural Development		
Industrial hemp - pesticide and plant pest management (3.0 FTEs)	\$602,900	\$0
Feed and Fertilizer Compliance Audit Program (4.0 FTEs)	504,000	0
Industrial hemp laboratory and licensing (2.5 FTEs).....	469,000	0
Technical adjustment to align authorization with revenues.....	350,000	0
Licensing and inspection IT upgrade maintenance and hosting costs.....	225,000	210,000
Cervid program certification for breeding herds (1.0 FTE).....	76,900	76,900
Total Agriculture and Rural Development	\$2,227,800	\$286,900
Community Colleges		
MPSERS UAL stabilization payment	\$10,800,000	\$0
Community college operations increase	8,091,400	0
MPSERS normal cost offset.....	182,000	0
Total Community Colleges	\$19,073,400	\$0

**FY 2020-21 GOVERNOR'S APPROPRIATION RECOMMENDATION
FUNDING INCREASES**

Budget Area/Program	Gross	GF/GP
Corrections		
New custody staff training	\$8,465,800	\$8,465,800
Corizon Health Care contract adjustment	4,239,500	4,239,500
Water rate increase	575,500	575,500
Employee wellness enhancements	\$500,000	\$500,000
Total Corrections	\$13,780,800	\$13,780,800
Education		
Child development and care eligibility increase	\$25,725,000	\$0
Child development and care background check payments	1,300,000	0
Camp Tuhsmehta maintenance and facility upkeep	202,000	0
MOECS IT system maintenance	200,000	0
Educator Excellence	180,000	180,000
Michigan School for the Deaf increase of restricted authorization	112,800	0
Total Education	\$27,719,800	\$180,000
Environment, Great Lakes, and Energy		
Environmental contamination response	\$20,000,000	\$20,000,000
Oil and gas program restoration	4,000,000	4,000,000
Environmental investigations transfer and cost allocation	3,086,800	649,900
Remediation and redevelopment authorization alignment	3,387,800	0
Renew Michigan restoration	500,000	0
Increase MAHS IDG authorization	500,000	129,000
Increase workshops and conferences authorization	335,900	0
Total Environment, Great Lakes, and Energy	\$31,810,500	\$24,778,900
Executive Office		
Operations increase	\$162,200	\$162,200
Total Executive Office	\$162,200	\$162,200
Health and Human Services		
Medicaid - physical health FY20 & 21 caseload	\$405,046,400	104,083,100
Hospital outpatient Medicaid rate adjustment and HRA retainer	352,646,000	(16,708,100)
MIDocs: rebalancing and one-time funding	83,520,000	20,130,000
Medicaid - HMO: actuarial soundness	77,725,000	27,918,800
Medicaid behavioral health - PIHP: actuarial soundness	48,234,000	17,325,700
Healthy Michigan Plan - physical health: actuarial soundness	43,757,000	4,375,700
Healthy Michigan Plan - behavioral health FY20 & 21 caseload	42,157,000	4,215,700
Autism FY20 & 21 caseload	35,835,800	12,872,200
HIV/AIDS Federal authorization increase	32,750,000	0
Replacement for MiSACWIS: CCWIS (24.0 FTEs)	20,623,600	12,216,100
County Child Care Fund FY20 caseload	20,060,900	29,555,600
Behavioral Health - PIHP FY20 & 21 caseload	19,602,100	7,041,100
Tribal Pharmacy: implement and recognize Fed. reimbursement increase (2.0 FTEs)	17,150,000	75,000
Foster care Child Caring Institution (CCI) rate increase	14,400,000	9,347,900
Foster Care payments FY20 & 21 caseload	12,482,600	10,464,300
One-Time: opioid crisis response services	12,250,000	10,000,000
Medicaid Behavioral Health - autism: actuarial soundness	11,491,000	4,127,600
Food Assistance Program (FAP) reinvestment (6.0 FTEs)	10,466,000	10,466,000
Lead poisoning prevention - initial deposit for revolving fund	10,000,000	10,000,000
Medicaid private duty nursing rate increase	8,656,300	3,109,300
Recognize local funding from school aid budget	8,442,700	0
Behavioral health - substance use disorder FY20 & 21 caseload	7,401,500	2,658,600
Federal funding technical adjustments	6,942,900	0
Medicaid - home and community based waiver: actuarial soundness	6,933,000	2,490,300

**FY 2020-21 GOVERNOR'S APPROPRIATION RECOMMENDATION
FUNDING INCREASES**

Budget Area/Program	Gross	GF/GP
Healthy Michigan Plan - behavioral health: actuarial soundness.....	6,515,000	651,500
County Child Care Fund FY21 caseload.....	6,008,700	6,008,700
Assessments for foster care Qualified Residential Treatment Program (QRTP) requirements	5,165,700	3,786,500
CMH non-Medicaid services increase and rollback of local phaseout.....	5,096,000	900
Staffing for behavioral health system redesign (16.0 FTEs)	5,000,000	3,000,000
State psych hospitals - direct care staffing (60.0 FTEs)	5,000,000	5,000,000
Medicaid - integrated care organizations: actuarial soundness	4,781,000	1,717,300
Medicaid - dental services: actuarial soundness.....	4,760,000	1,709,800
Medicaid and Healthy Michigan Plan special financing adjustments.....	4,589,400	(1,334,400)
Children's Protective Services (CPS) legal representation program	4,263,300	0
Rate Increase West Michigan Partnership for Children (WMPC)	3,200,000	2,240,000
Civil monetary penalties	2,600,000	0
Medicaid - PACE: actuarial soundness.....	2,342,000	841,200
Nursing home PAS/ARR-OBRA cost increase	1,631,100	407,700
Newborn screening fees revenue adjustments.....	1,516,200	0
Medicaid Behavioral Health -substance use disorder: actuarial soundness.....	1,275,000	458,000
CSHCS FY20 & 21 caseload	1,128,400	(4,328,800)
Compulsive gaming prevention revenue adjustment	1,000,000	0
Non-State-owned building lease increase adjustment	866,300	671,400
Electronic visit verification staffing and administrative costs.....	814,000	407,000
Private authorization: adjustment - Health Endowment Fund.....	750,000	0
State psych hospitals pharmacy inflation costs.....	515,000	446,800
Private authorization: increase for aging and adult services administration	500,000	0
Attorney General-Wayne County contracts increase	352,500	257,200
Private authorization: Kresge Foundation - One Day Project	250,000	0
Private funding in cancer prevention program	200,000	0
Raise The Age staffing (1.0 FTE).....	139,800	103,000
State disability assistance FY20 & 21 caseload.....	119,900	1,563,100
Marihuana revenue increase.....	78,700	0
Medicaid: State psychiatric hospital DSH adjustments.....	100	0
Total Health and Human Services	\$1,379,031,900	\$309,371,800
Higher Education		
University operations increase	\$36,521,800	\$36,521,800
Tuition incentive program increase	9,000,000	9,000,000
MPSERS UAL stabilization payment	6,678,000	0
MSU AgBioResearch operations increase	873,400	873,400
MSU Extension operations increase	753,400	753,400
Total Higher Education	\$53,826,600	\$47,148,600
Judiciary		
Direct trial court automation support revenue increase	\$920,500	\$0
Montgomery v. Louisiana compliance funding	39,200	39,200
Total Judiciary	\$959,700	\$39,200
Labor and Economic Opportunity		
Business attraction and community revitalization	\$20,620,100	\$0
First responders presumed coverage claims	3,750,000	(250,000)
Executive Order 2019-13 technical adjustments.....	2,570,100	118,200
Centers for independent living.....	2,000,000	2,000,000
Focus: HOPE.....	0	0
Total Labor and Economic Opportunity	\$28,940,200	\$1,868,200
Legislature		
Independent Citizens Redistricting Commission.....	\$1,409,000	\$1,409,000

**FY 2020-21 GOVERNOR'S APPROPRIATION RECOMMENDATION
FUNDING INCREASES**

Budget Area/Program	Gross	GF/GP
House 2% increase	1,393,600	1,393,600
Senate 2% increase	988,500	988,500
Auditor General 3% increase	778,100	533,700
Property management 2% increase	416,000	416,000
Legislative Council 2% increase.....	366,300	366,300
State Capitol Historic Site 2% increase.....	239,900	141,200
Legislative Retirement System 2% increase.....	148,100	123,600
Total Legislature.....	\$5,739,500	\$5,371,900
Licensing and Regulatory Affairs		
MIDC grants increase	\$36,467,800	\$36,467,800
Childcare licensing background checks costs	1,300,000	0
Marijuana Regulatory Agency staffing (8.0 FTEs)	1,116,800	0
Corporations, Securities, and Commercial Licensing alignment	925,100	0
Marihuana regulation fund alignment - recreational	302,000	0
Marihuana regulatory fund adjustment - medical.....	280,000	0
Adult-use marijuana IT funding.....	250,000	0
Fireworks safety fund authorization	200,000	0
Bureau of Professional Licensing authorization.....	80,000	0
MIDC grant management IT costs.....	72,000	72,000
Total Licensing and Regulatory Affairs.....	\$40,993,700	\$36,539,800
Military and Veterans Affairs		
New armory at Grayling Army Airfield.....	\$18,905,000	\$0
Job ChalleNGe Program (18.0 FTEs).....	2,011,000	0
New veterans homes cost adjustment.....	1,160,800	7,649,000
Total Military and Veterans Affairs.....	\$22,076,800	\$7,649,000
Natural Resources		
Increase good neighbor authorization (7.0 FTEs).....	\$8,143,400	\$0
Newberry mass timber building	5,000,000	0
Shooting range development, enhancement, and restoration	4,400,000	0
Fish hatchery infrastructure investment	2,500,000	0
Milliken visitor center	2,500,000	2,500,000
Repair and replace aging wildfire equipment (1.0 FTE).....	1,375,000	0
Wetland restoration, enhancement, and acquisition	1,000,000	0
Improve state park employee retention (4.0 FTEs).....	567,800	0
Improve sustainability of cedar forests.....	500,000	0
Local boating infrastructure maintenance and improvements	472,500	0
Minimum wage increase.....	277,500	0
Increase Belle Isle authorization	200,000	0
Increase Sportsmen Against Hunger authorization.....	173,600	0
State boating infrastructure maintenance	27,500	0
State park improvement bond debt service.....	3,800	0
Total Natural Resources	\$27,141,100	\$2,500,000
School Aid		
Foundation allowance 1.5x: \$150-\$225 per pupil increase.....	\$290,000,000	\$0
Michigan Public School Employees' Retirement System (MPERS)	205,866,000	(13,000)
At risk.....	60,000,000	0
Special education - additional cost reimbursements (from 2% to 4%).....	60,000,000	0
Federal grants	57,300,000	0
Special education technical cost adjustments.....	39,900,000	0
Great start readiness program per-child increase.....	35,500,000	0
Bilingual education	5,000,000	0
Literacy essentials.....	3,000,000	0

**FY 2020-21 GOVERNOR'S APPROPRIATION RECOMMENDATION
FUNDING INCREASES**

Budget Area/Program	Gross	GF/GP
Intermediate school district (ISD) operations - 3% increase	2,074,200	0
Promise zone reimbursement	1,300,000	0
Total School Aid	\$759,940,200	(\$13,000)
State		
Branch Security Pilot Program (10.0 FTEs)	\$790,000	\$790,000
Total State	\$790,000	\$790,000
State Police		
Jail and pretrial incarceration training - one-time	\$7,200,000	\$7,200,000
Trooper recruit school one-time cost	2,509,100	2,509,100
Annualization of FY 2019-20 trooper school grads cost	2,012,200	2,012,200
Total State Police	\$11,721,300	\$11,721,300
Technology, Management, and Budget		
IT IDG baseline adjustments	\$59,425,400	\$0
State psychiatric hospitals special maintenance	30,000,000	30,000,000
Rate changes	962,600	0
Retirement services customer relationship management	400,000	0
MiDeal operations to DTMB budget	400,000	0
Retirement services accounting activities	400,000	0
Retirement services customer relationship management	2,100,000	0
Comprehensive risk and information subscription report	110,000	0
Michigan supplier summit	75,000	0
Total Technology, Management, and Budget	\$93,873,000	\$30,000,000
Transportation		
County road commissions - road and bridge adjustments	\$76,171,300	\$0
State trunkline - road and bridge adjustments	74,894,100	0
City/village - road and bridge adjustments	42,468,900	0
Airport improvement program grants	28,206,500	0
Local federal aid - road and bridge adjustments	12,187,500	0
Rail track and bridge improvements and rail freight projects	12,000,000	0
Maintenance materials cost increase	7,625,600	0
Transit capital service and safety	7,164,000	0
Downpayment for replacement ferries	5,000,000	0
IT upgrades to service initiatives	3,886,000	0
Bus facility improvements	2,000,000	0
Detroit airport revenue increase	1,820,000	0
Interdepartmental grant increases	872,800	0
Defined calculations restore	207,300	0
Reporting requirement veto restoration	122,000	0
Movable bridge statutory increase	106,800	0
Total Transportation	\$274,732,800	\$0
Treasury-Debt Service		
Great Lakes water quality bond	\$8,828,000	\$8,828,000
Clean Michigan initiative	487,000	487,000
Quality of life bond	85,000	85,000
Total Treasury - Debt Service	\$9,400,000	\$9,400,000
Treasury-Operations		
Marihuana grants	\$16,650,000	\$0
Internet and sports betting implementation (23.0 FTEs)	5,450,000	0
Michigan gaming control board IT upgrade	4,025,000	0
Supervision of the general property tax law	2,600,000	2,600,000
Convention facility development fund adjustment	2,531,600	0
Collection system upgrade	2,000,000	2,000,000

FY 2020-21 GOVERNOR'S APPROPRIATION RECOMMENDATION FUNDING INCREASES		
<u>Budget Area/Program</u>	<u>Gross</u>	<u>GF/GP</u>
Michigan infrastructure council (3.0 FTEs)	860,000	610,000
Marihuana administration (5.0 FTEs).....	725,800	0
State lottery administration (4.0 FTEs).....	508,700	0
Senior citizen cooperative housing.....	500,000	500,000
Total Treasury - Operations	\$35,851,100	\$5,710,000
Treasury-Revenue Sharing		
Constitutional state general revenue sharing grants increase	\$16,469,100	\$0
City, village, and township revenue sharing increase of 2.5%.....	6,525,600	0
County revenue sharing increase of 2.5%	5,680,400	0
County incentive program partial-year payment to Leelanau county.....	4,100	0
Total Treasury - Revenue Sharing	\$28,679,200	\$0
TOTAL FUNDING INCREASES	\$2,868,471,600	\$507,285,600

Table 13

FY 2020-21 GOVERNOR'S APPROPRIATION RECOMMENDATION FUNDING ELIMINATIONS		
<u>Budget Area/Program</u>	<u>Gross</u>	<u>GF/GP</u>
Agriculture and Rural Development		
Food and agriculture investment program	(\$4,000,000)	(\$4,000,000)
Industrial hemp program - one-time (4.5 FTEs).....	(360,000)	(150,000)
Total Agriculture and Rural Development	(\$4,360,000)	(\$4,150,000)
Environment, Great Lakes, and Energy		
Water infrastructure funding - one-time.....	(\$120,000,100)	\$120,000,000
Total Environment, Great Lakes, and Energy	(\$120,000,100)	\$120,000,000
Health and Human Services		
Eliminate Autism Train-the-Trainer Program	(100,000)	(100,000)
Total Health and Human Services	(\$100,000)	(\$100,000)
Natural Resources		
Remove Michigan heritage publications fund authorization.....	(22,300)	0
Total Natural Resources	(\$22,300)	\$0
School Aid		
School safety grants.....	(\$10,000,000)	\$0
Summer school reading program.....	(5,000,000)	0
Strict discipline academies.....	(1,600,000)	0
Dropout recovery programs	(750,000)	0
PLAY project - autism intervention.....	(350,000)	(350,000)
Multisensory education.....	(300,000)	0
Total School Aid	(\$18,000,000)	(\$350,000)
Technology, Management, and Budget		
2020 census funding - one-time.....	(\$10,000,000)	(\$10,000,000)
Public Private Partnership line item	(1,500,000)	0
Total Technology, Management, and Budget	(\$11,500,000)	(\$10,000,000)
Transportation		
Removal of one-time projects	(\$23,700,000)	(\$11,999,900)
Total Transportation	(\$23,700,000)	(\$11,999,900)
TOTAL FUNDING ELIMINATIONS	(\$177,682,400)	(\$146,599,900)

Table 14

**FY 2020-21 GOVERNOR'S APPROPRIATION RECOMMENDATION
FUNDING REDUCTIONS**

Budget Area/Program	Gross	GF/GP
Agriculture and Rural Development		
Technical adjustment to align authorization with revenues.....	(848,600)	0
Farm Stress Program - one-time.....	(500,000)	(500,000)
Total Agriculture and Rural Development	(\$1,348,600)	(\$500,000)
Attorney General		
Public safety initiative.....	(\$521,100)	(\$521,100)
Elimination of \$100 line items	(4,300)	(500)
Total Attorney General.....	(\$525,400)	(\$521,600)
Corrections		
Removal of FY 2019-20 one-time funding	(\$15,033,900)	(\$15,033,900)
Relocation of special alternative to incarceration program	(10,046,700)	(10,046,700)
Local revenue adjustment for Detroit Detention Center.....	(2,287,700)	0
Total Corrections.....	(\$27,368,300)	(\$25,080,600)
Education		
Placeholder removal.....	(\$300)	\$0
Total Education	(\$300)	\$0
Environment, Great Lakes, and Energy		
Align oil and gas authorization	(\$3,900,000)	\$0
Environmental investigations transfer and cost allocation	(3,086,800)	(580,500)
Remediation and redevelopment authorization alignment - Great Lakes restoration initiative reduction	(2,643,900)	0
Remediation and redevelopment authorization alignment - Office of the Great Lakes reduction	(500,000)	0
Total Environment, Great Lakes, and Energy	(\$10,130,700)	(\$580,500)
Health and Human Services		
Single preferred drug list savings and independent pharmacy rate increase	(\$182,900,000)	(\$45,774,800)
Federal health insurance fee.....	(180,500,000)	(50,019,800)
Food Assistance Program base and caseload adjustments	(174,652,700)	0
Nursing facility rate redesign.....	(84,354,100)	(30,300,000)
TPL and HMO collaboration savings.....	(49,721,600)	(17,860,000)
Foster care and congregate care entry reduction	(7,619,800)	(2,333,200)
McLaren Behavioral Health Pilot one-time funding.....	(4,000,000)	(4,000,000)
Child support operations reduction	(3,900,000)	(1,326,000)
One-time lead exposure response and abatement funding.....	(3,434,500)	(3,434,500)
Adoption subsidies program base and caseload adjustments.....	(3,374,800)	(681,300)
Family Independence Program base and caseload adjustments	(3,023,100)	(2,227,600)
Removal of one-time SIM continuation funding	(3,000,000)	(3,000,000)
One-time property management projects.....	(2,460,700)	(1,400,100)
Eliminate agency relative licensure incentive funds.....	(2,250,000)	(800,000)
Annualize Executive Order 2019-13 program transfer to LEO	(2,015,600)	200,200
Removal of one-time Sexual Assault Comprehensive Services Grant.....	(2,000,000)	(2,000,000)
Non-Emergency Medical Transportation (NEMT) savings.....	(1,774,900)	(637,500)
Eliminate vacant OIG positions	(1,303,100)	(671,900)
Eliminate State Opioid Recovery Grants.....	(1,200,000)	(1,200,000)
Eliminate FY2020 Increase for Michigan Essential Health Provider Program...	(1,000,000)	(1,000,000)
Outstate dental clinic reduction	(1,000,000)	(1,000,000)
Eliminate Strong Beginnings funding	(1,000,000)	(1,000,000)
State supplementation payments program base and caseload adjustments.....	(857,400)	(857,400)
Removal of one-time Andy's Angels Funding	(750,000)	(750,000)
Removal of one-time Statewide Health Exchange Projects	(500,100)	(500,100)
Removal of one-time Senior Citizen Program Grants.....	(500,000)	(500,000)

**FY 2020-21 GOVERNOR'S APPROPRIATION RECOMMENDATION
FUNDING REDUCTIONS**

Budget Area/Program	Gross	GF/GP
Family support subsidy base and caseload adjustments.....	(487,300)	0
Food Bank Council one-time funding	(470,000)	(470,000)
Removal of one-time Alzheimer's Pilot Project	(400,000)	(400,000)
Healthy Communities one-time grant.....	(300,100)	(300,100)
Juvenile justice facility projects	(300,000)	(300,000)
STD control program administrative costs	(250,000)	(250,000)
Homelessness elimination one-time funding	(250,000)	(250,000)
Removal of one-time suicide prevention commission funding.....	(250,000)	(250,000)
Eliminate vacant Child and Adolescent Health Section manager position	(150,000)	(150,000)
Eliminate vacant tribal and FQHC liaison position	(110,000)	(110,000)
Critical access hospital funding pool technical correction.....	(74,300)	43,100
Removal of one-time Project ECHO funding	(40,000)	(40,000)
Guardianship Assistance Program base and caseload adjustments.....	(5,400)	(181,300)
Court appointed guardian reimbursement technical adjustment.....	(1,100)	(1,100)
Cercarial Dermatitis funding.....	(100)	(100)
Child advocacy centers technical adjustment	(100)	(100)
Court appointed special advocates technical adjustment.....	(100)	(100)
Shift of Flint drinking funding and technical adjustment.....	(100)	(100)
Human trafficking survivors' assistance technical adjustment.....	(100)	0
WMU Unified Clinics funding technical adjustment.....	(100)	(100)
Total Health and Human Services	(\$722,181,200)	\$175,733,900)
Higher Education		
Michigan tuition grants projected cost alignment	(\$6,000,000)	\$0
Tuition incentive program tuition cap savings	(5,342,000)	(5,342,000)
MPERS normal cost offset.....	(34,000)	0
Total Higher Education	(\$11,376,000)	(\$5,342,000)
Insurance and Financial Services		
Discontinuation of Health Michigan Plan report	(\$150,000)	(\$150,000)
Total Insurance and Financial Services.....	(\$150,000)	(\$150,000)
Judiciary		
Website upgrade - one-time	(\$1,475,000)	(\$1,475,000)
Problem-solving courts expansion - one-time	(400,000)	(400,000)
Total Judiciary	(\$1,875,000)	(\$1,875,000)
Labor and Economic Opportunity		
Technical adjustment to align Federal funds	(\$7,753,900)	\$0
Grant removal.....	(1,250,100)	(1,250,100)
Elimination of \$100 line items	(600)	(200)
Total Labor and Economic Opportunity	(\$9,004,600)	(\$1,250,300)
Licensing and Regulatory Affairs		
Technical adjustments related to LARA and LEO reorganization.....	(\$1,096,700)	(\$141,500)
Urban search and rescue	(600,100)	(600,000)
Refugee services database funding - one-time	(520,000)	0
Property management restricted fund reduction	(410,300)	0
Technical adjustments.....	(207,300)	0
Marijuana educational materials funding - one-time	(10,000)	0
Total Licensing and Regulatory Affairs	(\$2,844,400)	(\$741,500)

**FY 2020-21 GOVERNOR'S APPROPRIATION RECOMMENDATION
FUNDING REDUCTIONS**

Budget Area/Program	Gross	GF/GP
Military and Veterans Affairs		
Technical adjustment to align authorization with revenues.....	(\$5,737,700)	\$0
County Veterans Service Fund	(2,000,000)	(2,000,000)
Eliminate board of managers authorization	(400,000)	0
Michigan veterans facility authority - efficiencies	(250,000)	(250,000)
Armory Maintenance - one-time.....	(65,100)	(65,100)
Total Military and Veterans Affairs	(\$8,452,800)	(\$2,315,100)
Natural Resources		
Wildlife management - one-time	(\$2,000,000)	(\$2,000,000)
State parks repair and maintenance adjustment	(1,975,000)	0
Forest development infrastructure adjustment.....	(1,650,000)	0
Wildlife and fisheries health study - one-time	(200,000)	(200,000)
State parks operations fund shift.....	(100,000)	0
Recognize conservation officer travel savings	(91,700)	(91,700)
Total Natural Resources	(\$6,016,700)	(\$2,291,700)
School Aid		
Foundation allowance technical cost adjustments.....	(\$101,000,000)	\$0
Cyber school foundation allowance reduction 20%	(24,000,000)	0
Total School Aid	(\$125,000,000)	\$0
State Police		
Disaster and Emergency Assistance - boilerplate appropriations	(\$25,235,500)	\$0
FY 2019-20 trooper school - one-time	(5,321,600)	(5,321,600)
In-Car camera video streaming network - one-time	(2,766,500)	(2,766,500)
Secondary Road Patrol Grant Program	(2,000,000)	(2,000,000)
Technical adjustment to align authorization with revenues.....	(489,300)	0
First Responder Communications Network - one-time	(100)	(100)
Total State Police	(\$35,813,000)	(\$10,088,200)
Technology, Management, and Budget		
Enterprisewide special maintenance for state facilities - one-time	(\$5,000,000)	(\$5,000,000)
Michigan public safety communications system upgrades - one-time.....	(4,948,100)	(4,948,100)
Proposal 2 implementation - one-time	(2,000,000)	(2,000,000)
Administrative efficiencies within Administrative Services unit	(500,000)	(500,000)
Michigan State Police Retirement System supplemental payments.....	(5,000)	(5,000)
Elimination of \$100 line items	(\$500)	(\$500)
Drinking water declaration of emergency placeholder - one-time.....	(\$100)	\$0
Total Technology, Management, and Budget	(\$12,453,700)	(\$12,453,600)
Transportation		
Debt service reduction.....	(\$13,559,800)	\$0
Fixing Michigan bridges.....	(13,000,100)	(13,000,100)
Economic development revenue reduction	(1,433,500)	0
Local bridge program reduction	(545,500)	0
Total Transportation	(\$28,538,900)	(\$13,000,100)
Treasury - Operations		
Wrongful imprisonment compensation fund.....	(\$5,000,000)	\$0
Municipal Cost Sharing Grants	(1,250,000)	(1,250,000)
Audit charge revenue	(241,200)	0
Accounting service center revenue	(150,300)	0
Elimination of \$100 placeholders	(500)	(400)
Total Treasury - Operations	(\$6,642,000)	(\$1,250,400)
TOTAL FUNDING REDUCTIONS	(\$1,009,721,600)	(\$253,174,500)

Table 15

FY 2019-20 GOVERNOR'S APPROPRIATION RECOMMENDATION FUND SHIFTS TO INCREASE/(REDUCE) GF/GP	
Budget Area/Program	GF/GP
Education	
Child development and care matching adjustment.....	(\$597,800)
Total Education	(\$597,800)
Environment, Great Lakes, and Energy	
Repurpose state energy program funding - Great Lakes restoration initiative reduction ..	\$0
Increase solid waste program authorization	0
Increase laboratory authorization.....	0
Accounting service center - cost allocation.....	245,200
Administrative hearings officers - cost allocation.....	101,800
Unclassified salaries - cost allocation	(24,100)
Executive direction - cost allocation.....	(771,500)
Environmental support - cost allocation	(1,773,200)
Information technology services and projects - cost allocation.....	1,544,000
Facilities management - cost allocation	238,700
Environmental sustainability and stewardship transfer (10.0) FTEs.....	0
Financial support transfer (15.0) FTEs	218,000
Office of the Great Lakes transfer (8.0) FTEs.....	0
Office of climate and energy transfer (18.0) FTEs.....	0
Property management - cost allocation	159,700
Total Environment, Great Lakes, and Energy	(\$61,400)
Health and Human Services	
Child support incentive payments fund swap	\$105,000
Traditional Medicaid Title XIX FMAP	(2,028,700)
Healthy Michigan Plan FMAP	22,488,300
SCHIP/MiChild/Title XXI FMAP	28,196,500
Effect of FMAP changes on Medicaid special financing payments	(132,300)
Medicaid Benefits Trust Fund	39,000,000
Health Insurance Claims Assessment Fund.....	7,245,400
Michigan Merit Award Trust Fund	16,000,000
Healthy Michigan Fund	4,900,000
State Psychiatric DSH hospital expansion.....	(7,409,200)
Hospital outpatient Medicaid rate adjustment and HRA retainer.....	1,695,700
Fund swap in Information Technology Unit.....	(105,000)
Health Policy Administration Fund shift	0
CSHCS parent participation fees	(500,000)
Total Health and Human Services	\$109,455,700
Higher Education	
Tuition Grant Fund Shift from TANF to GF	\$12,000,000
Total Higher Education.....	\$12,000,000
Labor and Economic Opportunity	
Business attraction and community revitalization	(\$10,379,900)
Total Labor and Economic Opportunity	(\$10,379,900)
Licensing and Regulatory Affairs	
Bureau of Construction Codes shift	(\$100,000)
Total Licensing and Regulatory Affairs	(\$100,000)
Natural Resources	
Real estate services fund shift.	\$0
Michigan historical center statutory fund shift.....	0
State forest management and wildfire protection fund shift.....	0
Total Natural Resources.....	\$0
School Aid	
Flint drinking water declaration of emergency	\$3,075,000
General GF/GP support of budget shifting to SAF	(27,723,700)
Total School Aid.....	(\$24,648,700)

FY 2019-20 GOVERNOR'S APPROPRIATION RECOMMENDATION FUND SHIFTS TO INCREASE/(REDUCE) GF/GP	
State	
Restoration of GF/GP to replace unsustainable TACF fund shift from FY 2019-20 ...	\$4,699,700
General Fund reduction and replaced with increased Enhanced Driver License Revenue	(663,200)
Total State	\$4,036,500
State Police	
State Services Fee Fund to GF/GP	\$2,900,000
Total State Police	\$2,900,000
Technology, Management, and Budget	
Procurement.....	(\$750,000)
Statewide cost allocation adjustments	196,500
Total Technology, Management, and Budget	(\$553,500)
TOTAL GF/GP FUND SHIFTS	\$92,050,900

Table 16

FY 2020-21 GOVERNOR'S APPROPRIATION RECOMMENDATION PROGRAM TRANSFERS		
Budget Area/Program	Gross	GF/GP
<u>OK2SAY</u>		
From: Department of Attorney General (2.0 FTEs)	(1,481,000)	(1,011,400)
To: Michigan State Police (2.0 FTEs)	906,000	436,400
<u>Campus Sexual Assault Prevention and Education</u>		
From: Department of State Police.....	(1,321,000)	(1,321,000)
To: Department of Health and Human Services.....	1,321,000	1,321,000
<u>Jacobetti Home for Veterans Accounting Service Center</u>		
From: Department of Military and Veterans Affairs	0	0
To: Department of Health and Human Services.....	710,000	0
<u>Michigan Cyber Command Center</u>		
From: Department of Technology, Management, and Budget...	(665,100)	(665,100)
To: Department of State Police.....	0	665,100
<u>Green Oaks Training Facility Manager (1.0 FTE)</u>		
From: Department of Health and Human Services.....	(106,700)	(106,700)
To: Department of Corrections.....	109,200	109,200
TOTAL PROGRAM TRANSFERS	(\$530,100)	(\$575,000)

FY 2020-21
School Aid
Budget Changes

School Aid

Overall, for FY 2020-21, the Governor is recommending a Gross appropriation increase of \$745.8 million compared with current law, or a \$739.3 million increase compared with revised projected FY 2019-20 spending. The recommendation would increase GF/GP support of the budget by \$17.4 million, from \$62.6 million in current law to \$80.0 million in FY 2020-21. The FY 2020-21 budget assumes enactment of House Bill 4125 during FY 2019-20, which was assumed as a revenue source during the budget development process last year. The bill would reverse earlier legislation reducing the income tax earmark to the School Aid Fund. If enacted, HB 4125 is estimated to result in an additional \$173.2 million SAF in FY 2019-20, \$179.4 million SAF in FY 2020-21, and continuing on an annual basis going forward.

Proposed Supplemental

The Governor's FY 2019-20 supplemental request (2020-2) would include technical cost adjustments for the foundation allowance (totaling a negative \$3.0 million), reduce promise zone costs by \$1.0 million, add \$600,000 for special education costs, and add \$10.0 million for an anticipated increase in Federal funds.

Foundation Allowance - Additional \$290 Million

The Governor is recommending an increase ranging from \$150 per pupil for districts with foundation allowances at or above the target foundation (which is \$8,529 for FY 2019-20), up to \$225 per pupil for districts at the minimum foundation allowance (which is \$8,111 for FY 2019-20). The proposal uses a "1.5x" formula, which would provide 1.5 times the dollar increase to districts at the minimum compared with the dollar increase for districts at or above the target, with districts between the minimum and the target getting something between "1x" and "1.5x". Under the proposal, the target would increase to \$8,679 and the minimum to \$8,336. The total cost of the proposal is \$290.0 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 \$24.0 million.

At Risk - Additional \$60 Million

The Governor is proposing to increase At Risk funding by \$60.0 million, from \$522.0 million to \$582.0 million. The Governor also is proposing that districts with per-pupil revenue at or above the target get 50% of what districts below the target receive in at risk funds. (Current law provides these districts with 30% of what districts below the target receive.) This proposal would provide an estimated \$830 per economically-disadvantaged pupil, or a weight of roughly 10% (the current weight is roughly 9%).

Special Education - Additional \$60 Million

The Governor is proposing to allocate another \$60.0 million for additional special education payments to districts, increasing the additional reimbursements from an estimated 2% in current law to an estimated 4% of special education costs. (This would be in addition to the constitutionally required payments allocated under Section 51a.)

One-Time School Infrastructure Grants - \$40 Million

The Governor is proposing a one-time appropriation of \$40.0 million for competitive grants for school infrastructure. The grants would assist with air and water filter replacement, lead and asbestos abatement, heating and cooling modifications, and other upgrades.

Great Start Readiness Program (GSRP) - Additional \$35.5 Million

The Governor is proposing to increase the full-day payment from \$7,250 per child in GSRP to \$8,336 per child, which is the same as the proposed minimum foundation allowance for K-12 pupils.

Expanded Preschool Access - New Funding of \$42 Million

The Governor is proposing to expand access to preschool for children living in high-poverty, high-academic need school districts. The program would be full-day and would offer services similar to GSRP to an estimated 5,000 children.

Other New Programs

The Governor is proposing a one-time appropriation of \$25.0 million to reimburse teachers for supplies (up to \$250 per teacher); \$6.0 million for a three-year average pupil count for eligible districts; a one-time appropriation of \$5.0 million for professional development in peer learning networks or connecting to participating universities; a one-time appropriation for reorganization and cooperative activities grants (i.e., consolidation incentives); \$1.5 million for expanding existing teacher cadet programs; and a one-time grant of \$1.0 million to districts that forgive school meal debt. In addition, the Governor is proposing to restore two programs funded in FY 2018-19 but vetoed for FY 2019-20: 10 Cents a Meal (at \$1.0 million) and Michigan Reading Corps (at \$2.0 million).

Other Major Increases

The required payments for the rate cap in the Michigan Public School Employees' Retirement System (MPERS) increase \$188.9 million due to financing updated assumptions from the most recent experience study (primarily longer life expectancy); MPERS hold-harmless payments (due to increasing costs from lowering the assumed rate of return) are expected to increase \$8.1 million; and MPERS defined contribution costs are increasing \$8.8 million. Standard special education cost increases are expected to total \$39.9 million. The Governor is proposing to increase bilingual education by \$5.0 million, literacy essentials by \$3.0 million, and intermediate school district (ISD) operations by 3%, or \$2.1 million.

Program Reductions or Eliminations

The Governor is proposing the elimination of several items. Some of the larger changes include \$10.0 million eliminated for school safety grants, \$5.0 million eliminated for a summer school reading program, \$1.6 million eliminated for strict discipline academies, and \$750,000 eliminated for dropout recovery funding. In addition, technical foundation allowance costs are reduced \$101.0 million due to declining enrollment and growth in local taxable values (which increase the local cost sharing of the foundation allowance and decrease State costs).

Table 17

FY 2020-21 GOVERNOR'S GROSS APPROPRIATION RECOMMENDATION K-12 SCHOOL AID APPROPRIATION CHANGES (millions of dollars)	
FY 2019-20 Year-to-Date Gross Appropriations.....	\$15,177.3
FY 2020-21 Governor's Recommended Gross Appropriations.....	15,923.1
Net Change in School Aid Appropriations.....	\$745.8
Recommended Appropriations for New Programs:	
Expanded preschool access program	42.0
School infrastructure grants.....	40.0
Teacher supplies reimbursement	25.0
Three-year average pupil count for eligible districts	6.0
Reorganization and cooperative activities grants	5.0
Professional development	5.0
Michigan Reading Corps	2.0
Teacher cadet program	1.5
10 Cents a Meal	1.0
School meal debt forgiveness	1.0
Subtotal Appropriation New Programs.....	\$128.5

**FY 2020-21 GOVERNOR'S GROSS APPROPRIATION RECOMMENDATION
K-12 SCHOOL AID APPROPRIATION CHANGES
(millions of dollars)**

Recommended Appropriation Increases in Existing Programs:	
Foundation allowance: \$150 to \$225 (1.5x formula)	290.0
Michigan Public School Employees' Retirement System (MPSERS).....	205.9
Special education (increase additional reimbursements from 2% to 4%)	60.0
At risk (average weight of roughly 10%; increase hold harmless districts to 50%)	60.0
Federal grants	57.3
Special education - technical cost adjustments.....	39.9
Great Start Readiness Program increase in per child funding	35.5
Bilingual education	5.0
Literacy essentials.....	3.0
ISD operations.....	2.1
Promise zones.....	1.3
Economics.....	0.4
Subtotal Appropriation Increases in Existing Programs.....	<u>\$760.4</u>
Recommended Appropriation Eliminations or Reductions:	
Technical foundation allowance cost adjustments (pupils, taxable values)	(101.0)
20% reduction in cyber schools' foundation allowances	(24.0)
School safety grants	(10.0)
Summer school reading program	(5.0)
Strict discipline academies	(1.6)
Dropout recovery program.....	(0.8)
PLAY project - autism intervention	(0.4)
Multisensory education.....	(0.3)
Subtotal Appropriation Eliminations or Reductions.....	<u>(\$143.1)</u>
TOTAL RECOMMENDED APPROPRIATION CHANGES	<u>\$745.8</u>

Major Budget Areas Appropriation Summaries

Capital Outlay, Community Colleges, and Higher Education

Capital Outlay

The Governor's FY 2020-21 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 \$8.1 million, or 2.5% SAF increase for community college operations using the existing performance funding formula. The amounts that were separately identified and appropriated for the reimbursement of costs incurred under the North American Indian Tuition Waiver were maintained at the same level as FY 2019-20. The Governor also proposes a net increase of \$19.1 million for MPSERS-related adjustments, the primary driver of that increase being due to a reduction to the assumed rate of return for MPSERS investments and the adjustment of other assumptions based on the 2018 MPSERS experience study. Finally, the Governor proposes tuition restraint similar to language found in the Higher Education budget. Tuition restraint for community colleges is recommended at 4.25%. Details are included in [Table 18](#).

Higher Education

The Governor's budget recommendation for Higher Education includes a \$38.1 million, or 2.5%, GF/GP increase for university operations, distributed proportionately to FY 2019-20 funding. The amounts that were separately identified and appropriated for the reimbursement of costs incurred under the North American Indian Tuition Waiver were maintained at the same level as FY 2019-20. Tuition restraint for resident undergraduate students is recommended at the greater of a 4.25%, or \$586, increase. Michigan Public School Employees Retirement System reimbursements and hold-harmless payments would be increased by \$6.6 million, from \$6.3 million to \$12.9 million.

The Tuition Incentive Program (TIP) would be decreased by \$5.3 million due to a proposed boilerplate change that would restrict Phase I payments to 2.5 times the average in-district tuition at community colleges. TIP also would receive a \$9.0 million increase to account for anticipated demand for the program. On net, the Governor's proposal for TIP would increase support for the program from \$64.3 to \$68.0 million. The Governor proposed reducing Tuition Grants by \$6.0 million, from \$38.0 million to \$32.0 million.

The Governor proposed the new Michigan Student Loan Refinance Program for FY 2020-21, funded with \$10.0 million GF/GP on a one-time basis. The program would operate as a revolving fund and would allow qualifying student loan borrowers to refinance their Federal and private student loans at favorable rates. Additional Higher Education funding details are included in [Table 19](#).

Michigan Reconnect Program

The Governor's budget recommendation includes a FY 2019-20 supplemental request that would allocate \$35.0 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 Labor and Economic Opportunity. 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.

Table 18

**FY 2020-21 COMMUNITY COLLEGE APPROPRIATIONS:
GOVERNOR'S RECOMMENDATION**

College	FY 2019-20 Year-To-Date	FY 2020-21 Governor's Recommendation		
		Adjustments	Appropriation	Percent Change
Alpena	\$5,772,600	\$181,000	\$5,953,600	3.1%
Bay de Noc	5,740,700	214,600	5,955,300	3.7%
Delta	15,201,400	346,900	15,548,300	2.3%
Glen Oaks	2,652,400	116,000	2,768,400	4.4%
Gogebic	4,933,600	143,700	5,077,300	2.9%
Grand Rapids	19,013,400	486,500	19,499,900	2.6%
Henry Ford	22,574,700	492,500	23,067,200	2.2%
Jackson	12,802,900	262,300	13,065,200	2.0%
Kalamazoo Valley	13,155,900	309,200	13,465,100	2.4%
Kellogg	10,346,500	233,800	10,580,300	2.3%
Kirtland	3,393,000	93,000	3,486,000	2.7%
Lake Michigan	5,714,000	154,000	5,868,000	2.7%
Lansing	33,005,900	669,600	33,675,500	2.0%
Macomb	34,312,100	781,500	35,093,600	2.3%
Mid Michigan	5,324,500	270,800	5,595,300	5.1%
Monroe	4,747,100	122,800	4,869,900	2.6%
Montcalm	3,576,300	141,700	3,718,000	4.0%
Mott	16,453,400	371,100	16,824,500	2.3%
Muskegon	9,366,400	203,400	9,569,800	2.2%
North Central	3,567,200	101,800	3,669,000	2.9%
Northwestern	9,813,800	217,400	10,031,200	2.2%
Oakland	22,235,400	556,900	22,792,300	2.5%
Schoolcraft	13,263,200	356,800	13,620,000	2.7%
Southwestern	7,019,100	137,500	7,156,600	2.0%
St. Clair	7,393,700	194,400	7,588,100	2.6%
Washtenaw	13,886,900	440,700	14,327,600	3.2%
Wayne County	17,601,900	403,900	18,005,800	2.3%
West Shore	2,605,400	87,600	2,693,000	3.4%
Subtotal Operations:	\$325,473,400	\$8,091,400	\$333,564,800	2.5%
MPSERS Normal Cost Offset	\$12,212,000	\$182,000	\$12,394,000	1.5%
MPSERS Retiree Health Care	1,733,600	0	1,733,600	0.0%
MPSERS Reform Costs	73,100,000	10,800,000	83,900,000	14.8%
Renaissance Zone Reimbursements	2,200,000	0	2,200,000	0.0%
Total Appropriations:	\$414,719,000	\$19,073,400	\$433,792,400	4.6%
State School Aid Fund	414,719,000	19,073,400	433,792,400	4.6%
GF/GP	\$0	\$0	\$0	N/A

Table 19: HIGHER EDUCATION APPROPRIATIONS: GOVERNOR'S RECOMMENDATION

University	FY 2019-20 Year-To-Date Operations	FY 2019-20 Year-To-Date ITW Reimb.	FY 2019-20 Year-To-Date Appropriation	Formula Adjustments		Other Changes	FY 2020-21 Gov. Rec.	Dollar Change From FY 2019-20	Percent Change	Appropriation Per FYES
				2.5% Across the Board from FY 2019-20 Operations	Total Formula Distribution					
Central	\$87,629,700	\$1,598,100	\$89,227,800	\$2,190,700	\$2,190,700		\$91,418,500	\$2,190,700	2.5%	\$ 4,887
Eastern	77,253,700	302,300	77,556,000	1,931,300	1,931,300		79,487,300	1,931,300	2.5	\$ 5,242
Ferris	55,025,500	1,007,300	56,032,800	1,375,600	1,375,600		57,408,400	1,375,600	2.5	\$ 5,335
Grand Valley	72,313,500	1,075,000	73,388,500	1,807,800	1,807,800		75,196,300	1,807,800	2.5	\$ 3,351
Lake Superior	13,407,000	954,000	14,361,000	335,200	335,200		14,696,200	335,200	2.3	\$ 8,403
Michigan State	287,331,700	1,467,700	288,799,400	7,183,300	7,183,300		295,982,700	7,183,300	2.5	\$ 6,398
Michigan Tech	50,101,600	466,500	50,568,100	1,252,500	1,252,500		51,820,600	1,252,500	2.5	\$ 7,788
Northern	47,809,100	1,100,000	48,909,100	1,195,200	1,195,200		50,104,300	1,195,200	2.4	\$ 7,403
Oakland	53,147,400	285,100	53,432,500	1,328,700	1,328,700		54,761,200	1,328,700	2.5	\$ 3,156
Saginaw Valley	30,583,800	223,900	30,807,700	764,600	764,600		31,572,300	764,600	2.5	\$ 4,254
UM-Ann Arbor	321,970,100	803,500	322,773,600	8,049,300	8,049,300		330,822,900	8,049,300	2.5	\$ 6,941
UM-Dearborn	26,167,000	160,200	26,327,200	654,200	654,200		26,981,400	654,200	2.5	\$ 3,766
UM-Flint	23,616,200	277,000	23,893,200	590,400	590,400		24,483,600	590,400	2.5	\$ 4,022
Wayne State	202,996,700	417,200	203,413,900	5,074,900	5,074,900		208,488,800	5,074,900	2.5	\$ 9,125
Western	111,522,200	767,900	112,290,100	2,788,100	2,788,100		115,078,200	2,788,100	2.5	\$ 6,039
Subtotal University Operations:	\$1,460,875,200	\$10,905,700	\$1,471,780,900	\$36,521,800	\$36,521,800	\$0	\$1,508,302,700	\$36,521,800	2.5%	\$ 5,859
MPERS Reimbursement			\$5,017,000			6,678,000	\$11,695,000	\$6,678,000	133.1%	
MPERS Normal Cost Offset			1,234,000			(34,000)	1,200,000	(34,000)	(2.8)	
MSU AgBioResearch	34,937,300		34,937,300	873,400	873,400		35,810,700	873,400	2.5	
MSU Extension	30,136,100		30,136,100	753,400	753,400		30,889,500	753,400	2.5	
Higher Education Database			200,000				200,000	0	0.0	
Midwest Higher Ed Compact			115,000				115,000	0	0.0	
King-Chavez-Parks			2,691,500				2,691,500	0	0.0	
Total Universities			\$1,546,111,800	\$38,148,600	\$38,148,600	\$6,644,000	\$1,590,904,400	\$44,792,600	2.9%	
School Aid Fund			349,419,300	0	0	6,644,000	356,063,300	6,644,000	1.9	
State GF/GP			\$1,196,692,500	\$38,148,600	\$38,148,600	\$0	\$1,234,841,100	\$38,148,600	3.2%	
Grants and Financial Aid										
State Competitive Scholarships			\$38,361,700				\$38,361,700	\$0	0.0%	
Tuition Grants			38,021,500			(6,000,000)	32,021,500	(6,000,000)	(15.8)	
Tuition Incentive Program (TIP)			64,300,000			3,658,000	67,958,000	3,658,000	5.7	
Children of Veterans & Officer's Tuition			1,400,000				1,400,000	0	0.0	
Project Gear-Up			3,200,000				3,200,000	0	0.0	
Michigan Student Loan Refinance Program - one time			0			10,000,000	10,000,000	10,000,000	N/A	
Total Grants/Financial Aid			\$145,283,200			\$7,658,000	\$152,941,200	\$7,658,000	5.3%	
Federal Higher Ed Act			3,200,000			0	3,200,000	0	0.0	
Federal TANF			130,826,400			(18,000,000)	112,826,400	(18,000,000)	(13.8)	
State GF/GP			\$11,256,800	\$0	\$0	\$25,658,000	\$36,914,800	\$25,658,000	227.9%	
TOTAL HIGHER EDUCATION										
TOTAL ALL FUNDS			\$1,691,395,000	\$38,148,600	\$38,148,600	\$14,302,000	\$1,743,845,600	\$52,450,600	3.1%	
TOTAL FEDERAL			134,026,400	0	0	(18,000,000)	116,026,400	(18,000,000)	(13.4)	
TOTAL STATE RESTRICTED			349,419,300	0	0	6,644,000	356,063,300	6,644,000	1.9	
TOTAL STATE GF/GP			\$1,207,949,300	\$38,148,600	\$38,148,600	\$25,658,000	\$1,271,755,900	\$63,806,600	5.3%	

Agricultural and Environmental Issues

The Governor's FY 2020-21 Executive Recommendation includes \$70.6 million GF/GP for environmental and agricultural initiatives to address Great Lakes shoreline erosion, agricultural runoff, and environmental contamination across the State. Of the \$70.6 million GF/GP, \$40.0 million is in the Treasury budget to establish a new Local Climate Resilient Infrastructure Grant program, \$20.0 million is in the Environment, Great Lakes, and Energy (EGLE) budget to provide funding for cleanup at contaminated sites, and \$10.6 million is in the Agriculture and Rural Development (MDARD) budget to reestablish the Conservation Reserve Enhancement Program, as shown in Table 20.

Table 20

Environment & Agricultural Initiatives			
Department	Program	Purpose	FY 2020-21 Recommendation
Treasury	Local Climate Resilient Infrastructure Grants	Planning and infrastructure grants to local governments to address high water levels and shoreline erosion	\$40,000,000 GF/GP
Environment, Great Lakes, and Energy	Environmental Contamination Rapid Response	Provide funding for identifying, prioritizing, and abating contaminated properties	\$20,000,000 GF/GP
Agriculture and Rural Development	Conservation Reserve Enhancement Program	Provide funding to farmers to implement conservation practices	\$10,600,000 GF/GP

The Governor recommended \$40.0 million in one-time GF/GP in Treasury to provide infrastructure and planning grants to local governments affected by high water levels and shoreline erosion. Of the \$40.0 million, \$10.0 million would be dedicated to local government climate planning activities and the remaining \$30.0 million would support infrastructure projects that address flooding, coastline erosion, storm water management, and transportation networks. Planning grants would provide up to \$200,000 per award, and infrastructure grants would provide up to \$2.5 million.

The Governor recommended \$20.0 million in one-time GF/GP in EGLE to support the identification, prioritization, and initial abatement of contaminated properties across the State. This appropriation would provide contingency or emergency cleanup actions at sites that are not included on the lists of sites for which appropriations for cleanup have been made.

The Governor recommended \$10.0 million in one-time GF/GP and \$600,000 in ongoing GF/GP in MDARD to reestablish the Conservation Reserve Enhancement Program, a partnership between the State, the Federal government, and MDARD designed to reduce nonpoint source pollution from crop production. The Program, which began in 2000, once affected 76,219 acres, but because of a lack of State matching funds, dwindled to 29,600 acres when the program was suspended in 2016. One-time funds would be used to provide a 50% match required of producers for Federal dollars that would pay the cost of management practices that protect water quality. Federal funds would flow directly to producers to support conservation practices. The Michigan Department of Agriculture and Rural Development would use ongoing funds to administer the Program and to provide education and outreach. The Program's initial goals would be to reduce algal blooms in Lake Erie basin, and pollution in the Saginaw Bay, the Southeast Michigan River Basin, and Lake Macatawa watersheds.

Department of Health and Human Services

Governor Whitmer's proposed FY 2020-2021 budget for the Department of Health and Human Services (DHHS) would increase funding by \$790.8 million Gross and \$319.1 million GF/GP compared to the year-to-date FY 2019-20 DHHS budget (which includes supplemental funding from PA 154 of 2019).

Base, Caseload, and Fund Source Adjustments

The traditional Medicaid match will increase from 64.06% to 64.08% in FY 2020-21, decreasing costs by \$2.0 million GF/GP. In FY 2020-2021 the enhancement of the State Children's Health Insurance Program (SCHIP) match rate will expire, causing the match rate to decrease from 86.34% to 74.86%, for a cost of \$28.2 million GF/GP. The Healthy Michigan Plan (HMP) match rate decreased to 90.0% on January 1, 2020. The Governor's budget recognizes the annualization of the HMP match rate by including \$22.5 million GF/GP to cover the increased costs. The State will realize \$7.4 million GF/GP savings from greater Federal claims tied to State psychiatric disproportionate share hospital (DSH) payments by expanding the calculation to include patients housed at State psychiatric facilities. GF/GP costs will increase by \$67.1 million due to declining Restricted revenues available from the Health Insurance Claims Assessment, the Medicaid Benefits Trust Fund, the Healthy Michigan Fund, and the Merit Award Trust Fund. The total impact of these fund source adjustments is an increase in GF/GP costs of \$108.4 million.

The Governor's budget assumes an increase in base and caseload Medicaid costs of \$511.2 million Gross and \$126.5 million GF/GP. The budget also includes a number of base and caseload adjustments to human services programs, most notably a \$174.7 million Gross, \$0 GF/GP reduction in Food Assistance, an increase in Child Care Fund costs of \$26.1 million Gross and \$35.6 million GF/GP, and an increase in Foster Care costs of \$12.5 million Gross and \$10.5 million GF/GP. The net impact of Human Services base and caseload adjustments is a reduction of \$143.2 million Gross and an increase of \$43.7 million GF/GP.

The budget includes various adjustment to reflect the Federal requirement that Medicaid managed care reimbursement rates be actuarially sound. These include a 2.0% increase for Medicaid behavioral health, a 2.0% increase for Medicaid physical health, a 6.0% increase for Medicaid autism services, and a 2.0% increase in payment rates for the Program for All-Inclusive Care for the Elderly (PACE). The total impact of these changes is an increase of \$207.8 million Gross and \$61.6 million GF/GP.

The total impact of these fund source, base and caseload, and actuarial soundness adjustments is an increase of \$575.8 million Gross and \$340.2 million GF/GP.

Medicaid Outpatient Hospital Reimbursement

The budget reflects a proposed increase in the hospital provider tax that would be used to increase Medicaid outpatient hospital reimbursement by \$352.6 million Gross by 21.37%, with a GF/GP gainsharing savings of \$15.0 million.

Federal Family Prevention Services Act (FFPSA) Implementation

The Governor's budget includes several changes that recognize the implementation of changes in Federal child welfare financing. The first is a 15% residential rate increase for child caring institutions to recognize the fact that the FFPSA imposes new requirements on residential treatment facilities (congregate care), at a cost of \$14.4 million Gross and \$9.3 million GF/GP. The FFPSA also requires that assessments be completed on congregate care settings to ensure proper placements for children; the budget includes \$5.2 million Gross and \$3.8 million GF/GP to conduct these assessments. Lastly, the Governor's budget identifies both costs and savings from the focus of the

FFPSA on providing prevention services to children who may be at risk of being removed from their homes, with a net savings of \$7.6 million Gross and \$2.3 million GF/GP.

Program Enhancements and Other Cost Increases

The budget includes several program enhancements and cost increases. The budget includes \$3.2 million Gross and \$2.2 million GF/GP to increase the prospective performance-based rates paid to the West Michigan Partnership for Children. The budget also includes new funding for the replacement of MiSACWIS child welfare computer system. The new system, referred to as CCWIS, is funded in the Governor's budget at \$20.6 million Gross and \$12.2 million GF/GP.

The Governor's budget includes \$10.5 million Gross and GF/GP for an investment to reduce the error rate for active Food Assistance Program (FAP) cases. To avoid penalties, Michigan must have an error rate that is below 6%; the FY 2018-19 error rate was 12.45%, as reported to the U.S. Department of Agriculture. The budget also reflects the transfer back of the \$1.3 million campus sexual assault program that, for FY 2019-20, was transferred to the Michigan State Police budget.

The budget includes \$37.5 million Gross and \$17.9 million GF/GP to implement the Governor's "Healthy Moms, Healthy Babies" initiative. This initiative would expand Medicaid eligibility for mothers from 60 days to 12 months; fund a Medicaid family planning benefit for individuals up to 200% of the Federal poverty level; and add 1,000 additional home visiting slots to families in select counties.

The Governor proposes \$20.3 million Gross and \$8.5 million GF/GP to implement a long-term care services and supports options counseling program statewide. The budget also includes \$8.7 million Gross and \$3.1 million GF/GP to increase private duty nursing rates for Medicaid beneficiaries under 21 by 25%. The Governor's budget includes \$10.0 million Gross and \$8.0 million GF/GP for 63.0 additional acute psychiatric care staff to be spread across four of the State's psychiatric facilities and an additional 16.0 FTEs to support the policy development of the redesign of the Behavioral Health System proposed by the DHHS in December 2019.

The budget includes \$86.5 million Gross and \$21.6 million GF/GP in one-time funding to support MiDocs residency costs with the intention that the funding would support the MiDocs program for the next five years via a work project. The one-time unit also includes \$10.0 million GF/GP to establish a Lead Poisoning Prevention Fund, which would allow homeowners and landlords to take out low interest loans to remediate lead in their properties.

Finally, the Governor's budget includes \$11.7 million Gross and \$7.1 million GF/GP to continue State Innovation Model (SIM) initiatives and expand the scope of these programs to also address social determinants of health. The funding would be used to build local community health capacity by supporting the five existing Community Health Innovation Regions (CHIRs) and expand the CHIR model to additional parts of the state, and support data investments to create a statewide social determinants of health screening and referral tool.

Program Reductions and Medicaid Cost Containment

The Governor's Budget proposes establishing a single Preferred Drug List across all Medicaid managed care contracts which would result in savings of \$201.2 million Gross and \$50.4 million GF/GP. From these savings \$18.3 million Gross and \$4.6 million GF/GP would be used to increase the managed care dispensing fee for independent pharmacies an average of \$3.00 per script.

The Governor proposes reducing the rates paid to Medicaid health maintenance organizations to incentivize the health maintenance organizations to pursue more proactively the recoupment of

erroneous payments for which a third party should have been liable. This reduction would result in savings of \$49.7 million Gross and \$17.9 million GF/GP.

The budget assumes \$84.4 million Gross and \$30.3 million GF/GP in savings from a redesign of the nursing facility payment methodology. The forthcoming proposal aims to replace the cost-based reimbursement methodology with a patient-driven model.

The Governor's budget includes savings from the elimination of relative licensure incentive payments for foster care children with a savings of \$2.3 million Gross and \$800,000 GF/GP.

Other Issues

The FY 2019-20 budget included the first year of a proposed five-year phase out of the local match requirement for Community Mental Health Services (totaling a \$5.1 million GF/GP increase each year to maintain the current level of Gross funding). In the Governor's Recommendation, the full local match requirement would be reinstated and the \$5.1 million GF/GP would be used to increase funding for Community Mental Health Non-Medicaid Services.

Although there are not any major changes to specific pieces of boilerplate, the Governor's budget would eliminate a significant number of boilerplate sections from the previous year. The reasons stated range from the removal of associated funding, the policy that the boilerplate requires already being current policy, to the removal of burdensome reporting requirements.

Revenue Sharing Payments

The Governor recommends revenue sharing payments of approximately \$1.4 billion in FY 2020-21, an increase of 2.1% or \$28.7 million over FY 2019-20 year-to-date appropriations. This increase is due to an estimated \$16.5 million increase in constitutional revenue sharing for cities, villages, and townships (CVTs), a \$6.5 million increase in funding for CVT "statutory" revenue sharing, and a net increase in payments to counties of \$5.7 million. The Governor's recommendation is shown in Table 21.

Table 21

REVENUE SHARING APPROPRIATION SUMMARY				
Program Name	FY 2019-20 Year-to-Date	FY 2020-21 Governor's Rec.	Dollar Change	Percent Change
Constitutional Revenue Sharing ^{a)}	\$886,159,000	\$902,628,100	\$16,469,100	1.9%
CVT Revenue Sharing	261,024,600	267,550,200	6,525,600	2.5
County Revenue Sharing ^{b)}	226,508,100	232,192,600	5,684,500	2.5
Financially Distressed CVTs	2,500,000	2,500,000	0	0.0
TOTAL	\$1,376,191,700	\$1,404,870,900	\$28,679,200	2.1%
a) Reflects the January 2020 consensus revenue estimate for sales tax revenue. b) Includes County Revenue Sharing and County Incentive Program.				

Constitutional revenue sharing is estimated at \$902,628,100 in FY 2020-21 based on the January 2020 consensus revenue estimates. This would provide CVTs with a 1.9% increase in payments over the revised FY 2019-20 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 \$91.61 per capita in FY 2020-21.

For CVT revenue sharing ("statutory"), the Governor recommends \$267,550,200 in FY 2020-21. All eligible CVTs would receive a 2.5% increase from FY 2019-20 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 2.5% to \$232,192,600. The County Revenue Sharing line would increase by \$5,680,400 to \$188,863,300 and the County Incentive Program would increase by \$4,100 to \$43,329,300. This would include small adjustments to revenue sharing payments to counties to cover the cost of Leelanau County, which will return to State-paid revenue sharing in FY 2020-21 with a partial-year payment, and then a 2.5% increase to all eligible counties from FY 2019-20. The last county (Emmet) is projected to return to State-paid revenue sharing in FY 2022-23, when withdrawals from its revenue sharing reserve fund will be completed.

The FY 2019-20 budget had a requirement that any CVT or county with an underfunded retirement benefit system (as defined in MCL 38.2805) must dedicate any increased funding from FY 2018-19 to that retirement system. The Governor's recommendation removes that requirement.

Finally, the financially distressed cities, villages, or townships grant program would maintain current funding at \$2.5 million. The Governor recommends removing the options for grants to be used to reduce unfunded accrued liabilities or debt obligations. All other requirements would remain the same.

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 11, 2019, approved a two-year agreement for wages and benefits for employees who are exclusively represented by employee unions (AFSCME, MCO, MSEA, SEIU, and UAW) for FY 2020-21 and FY 2021-22. The Commission approved a 2.0% base wage increase to become effective October 1, 2020, and another 1% base wage increase to become effective April 1, 2021, for most represented employees. No lump sum payment will be provided in FY 2020-21. Michigan State Police (MSP) enlisted members have not yet entered into collective bargaining for FY 2020-21. Additionally, all represented employees will continue to pay 20% of their health care premiums.

The Civil Service Commission also adopted a Coordinated Compensation Plan for non-exclusively represented (NERE) State classified employees for FY 2020-21. Effective October 1, 2020, NEREs will receive a 2.0% base wage increase and another 1.0% base wage increase to become effective April 1, 2021. Also, no lump sum payment will be provided in FY 2020-21. They too will continue to pay 20% of their health insurance premium in FY 2020-21. Coordinated Compensation Plans for NEREs are approved by the Civil Service Commission on an annual basis; thus, a compensation plan for FY 2021-22 will not be approved until December 2020.

Total Gross employee wages and salaries in the FY 2020-21 Governor's budget are an estimated \$3.5 billion, while other total Gross employee benefit costs are an estimated \$2.7 billion.

Table 22 provides a summary of the incremental State employee economic cost changes for FY 2020-21 recommended in the Governor's budget, including Gross employee salary increases of \$29.8 million (\$19.9 GF/GP). The State's portion of the cost of longevity payments and employee health insurance is estimated to increase by \$1.5 million (\$0.9 GF/GP) for FY 2020-21. The amount contributed to the State employee retirement systems in FY 2020-21 results in an increase in costs. Retirement contributions, excluding payments for legacy pension costs, will increase \$16.7 million Gross and \$10.6 million GF/GP. Other employee retirement costs (OERC), including legacy pension costs and retiree health care costs, for FY 2020-21 will be substantially more than the costs in FY 2019-20 due to rebased rates based on new actuarial studies. Gross increases for OERC will total \$132.4 million or \$72.0 million GF/GP. The total GF/GP impact of economic adjustments for FY 2020-21 is an increase of \$108.7 million.

Table 22
FY 2020-21 STATE BUDGET RECOMMENDATION
ECONOMIC ADJUSTMENTS INCLUDED IN BUDGET
(millions of dollars)

	Gross	GF/GP
Wages and Salaries	\$29.8	\$19.9
Longevity and Employee Insurance Costs	1.5	0.9
Retirement Contributions	16.7	10.6
Other Employee Retirement Costs (OERC)	132.4	72.0
Workers' Compensation	0.4	0.4
All Other Economics	14.0	4.9
TOTAL ECONOMICS	\$194.8	\$108.7

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 toward 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 2020-21, the State's required payment for the rate cap (across the K-12, community colleges, and higher education budgets) is \$1.3 billion.

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

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). For legacy pensions in MPSERS, the AROR for FY 2020-21 is 6.8%.

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 2020-21 continues the previous years' policy to hold districts harmless from all the costs, normal and legacy, related to lowering the AROR).

In FY 2020-21, the increase in normal costs required to be paid by schools and colleges due to the dedicated gains policy is estimated at \$8.3 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 2020-21 for this hold-harmless payment related to AROR is \$193.8 million.) Starting in FY 2020-21, there are 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 \$38.9 million for FY 2020-21, an increase of \$5.9 million above FY 2019-20 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 \$12.5 million for FY 2020-21, an increase of \$3.0 million compared to the prior year.

FY 2020-21 is the year in which the results from the most recent experience study will be rolled into the base costs of MPSERS and other State systems. The biggest driver of additional costs from this experience study is the extension of life expectancy, meaning pensions will be paid out longer than originally estimated.

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 2018-19	FY 2019-20	FY 2020-21	2020-21 Change
State Employees' Retirement System¹⁾				
Defined Benefit Pension	21.97%	23.82%	23.90%	0.08%
Defined Benefit Health Care	23.81	20.67	23.09	2.42
Total Defined Benefit Costs	45.78%	44.49%	46.99%	2.50%
Defined Contribution Retirement	24.38%	23.69%	25.63% ²⁾	1.94%
Defined Contribution Health Care	23.81 ²⁾	20.67	23.76 ³⁾	3.09
Total Defined Contribution Costs	48.19%	44.38%	49.39%	5.03%
¹⁾ Public Act 264 of 2011 required the unfunded accrued liability to be spread across both DB and DC payroll. Also, FY 2020-21 will be the 10 th year of prefunding retiree health. ²⁾ Assumes mandatory 4% employer contribution plus average of 2.7% matching contribution (maximum is 3%), plus 0.51% administration expenses (applied on all payroll). ³⁾ For DC employees hired after January 1, 2012, cost can be up to 2% higher to pay the 401k health match (since 1/3 of DC hired since 2012, including 1/3 of 2% here in FY 2020-21).				

Table 24 provides a look at the FY 2020-21 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 2020-21 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	6.39%	3.43%	3.43%	0.00%	0.00%	0.00%	6.39%	6.20%
Pension UAL	13.39	13.39	13.39	13.39	13.39	13.39	13.39	13.39
Pension Total Rate	19.78%	16.82%	16.82%	13.39%	13.39%	13.39%	19.78%	19.59%
<u>Health Contributions</u>								
Health Normal Cost	0.86%	0.86%	0.00%	0.00%	0.86%	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	8.43%	8.43%	7.57%	7.57%	8.43%	7.57%	7.57%	7.57%
DB CONTRIBUTION TOTAL	28.21%	25.25%	24.39%	20.96%	21.82%	20.96%	27.35%	27.16%
<u>DC Contributions</u>								
DC Employer Contributions	0.00%	1.00%	1.00%	3.00%	4.00%	4.00%	0.00%	0.00%
Personal Health Care Fund	0.00	0.00	2.00	2.00	0.00	2.00	2.00	2.00
DC CONTRIBUTION TOTAL	0.00%	1.00%	3.00%	5.00%	4.00%	6.00%	2.00%	2.00%
<u>Total Uncapped Rate (w/o DC)</u>								
State Subsidy	42.72%	39.76%	38.9%	35.47%	36.33%	35.47%	41.86%	41.67%
	14.51	14.51	14.51	14.51	14.51	14.51	14.51	14.51
DC = Defined Contribution; MIP = Member Investment Plan; PHF = Personal Health Fund								
Note: The Governor's budget includes \$1.22 billion in the K-12 budget, \$83.9 million in the Community Colleges budget, and \$11.7 million in the Higher Education budget to pay the required State subsidy for the UAL rate cap, and \$38.9 million in the K-12 budget for the increased cost for the enhanced DC matching. The Governor's budget includes \$180.1 million in the K-12 budget, \$12.4 million in the Community Colleges budget, and \$1.2 million in the Higher Education budget to hold the entities harmless from increased pension and health care normal costs due to a lowering in the assumed rate of return. Further, the budget includes \$12.5 million to hold employers harmless from the increase in normal costs associated with the 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 2020-21 estimated contributions to SERS and MPERS by the State and local employers, as proposed in the Governor's budget. The total combined cost of the estimated employer (State and local) contributions is approximately \$5.2 billion.

Table 25

FY 2020-21 ESTIMATED CONTRIBUTIONS TO TWO LARGEST RETIREMENT SYSTEMS (millions of dollars)	
<u>State Employees' Retirement System (SERS)¹⁾</u>	
Defined Benefit Payroll Pension Normal Costs	\$44.1
Defined Contribution Payroll 401k Costs.....	185.4
Legacy Pension Unfunded Accrued Actuarial Liability (UAAL) Costs.....	659.6
Legacy Retiree Health UAAL Costs	699.8
Retiree Health Care and Health Savings Normal Costs	123.5
Subtotal State Employees' Retirement System ²⁾	\$1,712.4
<u>Michigan Public School Employees' Retirement System (MPERS)³⁾</u>	
<u>Local Share</u>	
Defined Benefit Pension	\$1,197.9
Defined Benefit Health Care	605.3
"401k" for Health Care	38.0
Subtotal MPERS (Local).....	\$1,841.2
<u>State Share</u>	
Statutory Cap on Unfunded Accrued Liabilities (Pension and Health).....	\$1,315.4
Statutory Payments Required under PA 92 of 2017.....	51.4
Hold Harmless Payments for Reductions in AROR.....	193.8
Offset Payments	101.7
Subtotal MPERS (State).....	\$1,662.3
Subtotal Michigan Public School Employees' Retirement System	\$3,503.5
TOTAL ESTIMATED RETIREMENT CONTRIBUTIONS.....	\$5,215.9
FY 2020-21 Estimated State Share Subsidy Per K-12 Pupil on Average.	\$1,067
1) Public Act 264 of 2011 requires the unfunded accrued liability to be spread across both Defined Benefit and Defined Contribution (DC) payroll.	
2) Excludes FICA.	
3) Excludes DC contributions for pension plans; includes DC contributions for health.	

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 \$1.7 billion, and of that total, \$1.4 billion is estimated by the State Budget Office for legacy costs (both pension and health), with the remaining \$0.3 billion for normal costs including State DC contributions for SERS and health care savings accounts. 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 2020-21			
SERS 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	\$6,528,200	\$7,077,500	\$13,605,700
Attorney General	9,109,000	9,875,500	18,984,500
Civil Rights	1,337,900	1,450,500	2,788,400
Corrections	156,416,200	169,578,300	325,994,500
Education	7,166,100	7,769,100	14,935,200
Environmental Quality	18,668,000	20,238,900	38,906,900
Health & Human Services	172,398,600	186,905,600	359,304,200
Insurance & Financial Services	4,941,400	5,357,200	10,298,600
Judiciary	7,316,800	7,932,500	15,249,300
Labor and Economic Opportunity	28,272,000	30,651,000	58,923,000
Licensing & Regulatory Affairs	22,721,300	24,633,200	47,354,500
Military & Veterans Affairs	9,768,500	10,590,500	20,359,000
Natural Resources	24,216,200	26,253,900	50,470,100
State	15,923,000	17,262,900	33,185,900
State Police	72,052,800	62,792,200	134,845,000
Technology, Management & Budget	44,974,200	48,758,600	93,732,800
Transportation	35,479,800	38,465,400	73,945,200
Treasury	22,289,000	24,164,600	46,453,600
TOTAL	\$659,579,000	\$699,757,400	\$1,359,336,400

Source: State Budget Office

Debt Service Adjustments

Table 27 provides a summary of recommended debt service appropriations for FY 2020-21. 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 \$684.7 million for FY 2020-21. This represents a \$4.2 million (0.6%) decrease from the \$688.9 million debt service appropriations in FY 2019-20.

Table 27

DEBT SERVICE APPROPRIATIONS FY 2020-21 COMPARED WITH FY 2019-20				
Department/Program	FY 2019-20 Gross Appropriation	FY 2020-21 Governor's Rec.	Dollar Change	Percent Change
Natural Resources				
State Park Improvement Revenue Bonds	\$1,197,500	\$1,201,300	\$3,800	0.3%
Subtotal Natural Resources	\$1,197,500	\$1,201,300	\$3,800	0.3%
School Aid				
School Bond Loan	\$111,000,000	\$111,000,000	\$0	0.0%
Subtotal School Aid	\$111,000,000	\$111,000,000	\$0	0.0%
Labor and Economic Opportunity¹				
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	\$47,024,300	\$65,028,900	\$18,004,600	38.3%
Department of Corrections	20,369,400	0	(20,369,400)	100.0
Universities	144,995,300	145,845,500	850,200	0.6
Community Colleges	34,181,600	35,696,200	1,514,600	4.4
Subtotal Technology, Mgt., & Budget.....	\$246,570,600	\$246,570,600	\$0	0.0%
Transportation				
State Trunkline	\$178,660,600	\$165,094,300	(\$13,566,300)	(7.6%)
Economic Development.....	11,638,000	11,638,000	0	0.0
Local Bridge Fund	2,380,700	2,380,900	20	0.0
Blue Water Bridge Fund	6,886,400	6,888,600	2,200	0.0
Airport Safety and Protection Plan	3,435,800	3,432,000	(3,800)	(0.1)
Comprehensive Transportation	10,896,000	10,903,900	7,900	0.1
Subtotal Transportation	\$213,897,500	\$200,337,700	(\$13,559,800)	(6.3%)
Treasury				
Quality of Life Bond	\$16,536,000	\$16,621,000	\$85,000	0.5%
Clean Michigan Initiative.....	49,027,000	49,514,000	487,000	0.9
Great Lakes Water Initiative	38,772,000	47,600,000	8,828,000	22.8
Subtotal Treasury	\$104,335,000	\$113,735,000	\$9,400,000	9.0%
TOTAL.....	\$688,900,600	\$684,744,600	(\$4,156,000)	(0.6%)

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 2020-21 year-end balance of \$2.9 million in the Merit Award Trust Fund.

Table 28
TOBACCO SETTLEMENT REVENUE AND APPROPRIATIONS
FY 2019-20 COMPARED TO FY 2020-21 GOVERNOR'S RECOMMENDATION
(actual dollars)

	FY 2019-20 Year-To-Date	FY 2020-21 Gov's Rec.	Gov's Rec. Chg. From FY 2019-20
Revenue			
Unreserved Balance From Prior Fiscal Year	\$17,007,000	\$2,911,170	(\$14,095,840)
Total Annual Payments	266,969,900	264,525,600	(2,444,300)
Interest Earnings	140,000	140,000	0
Total Tobacco Settlement Revenue	\$284,116,910	\$267,576,770	(\$16,540,140)
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	(35,613,780)	(35,287,720)	326,060
Payment on 2007 Bond Securitization	(28,752,660)	(28,489,410)	263,250
Total Transfers Out	(\$228,866,440)	(\$228,277,130)	\$589,310
Net Revenue To Merit Award Trust Fund	\$55,250,470	\$39,299,640	(\$15,950,830)
Appropriations			
Attorney General			
Operations	515,600	526,600	11,000
Health and Human Services			
Medicaid Base-Long-term Care	45,700,000	45,700,000	0
Aging-Respite Care	4,068,700	4,068,700	0
Current Services Budget Adjustment	0	(16,000,000)	(16,000,000)
State Police			
Tobacco Tax Enforcement	851,500	854,300	2,800
Department of Treasury			
Student Financial Services Administration	1,203,500	1,220,000	16,500
Total Merit Award Trust Fund Appropriations	\$52,339,300	\$36,369,600	(\$15,969,700)
MERIT AWARD TRUST FUND YEAR-END BALANCE	\$2,911,170	\$2,930,040	(\$14,095,840)

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. 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 \$1,152.7 million at the close of FY 2018-19. One deposit of \$17.5 million has been appropriated for FY 2019-20. 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 2019-20 is estimated at \$1,205.9 million.

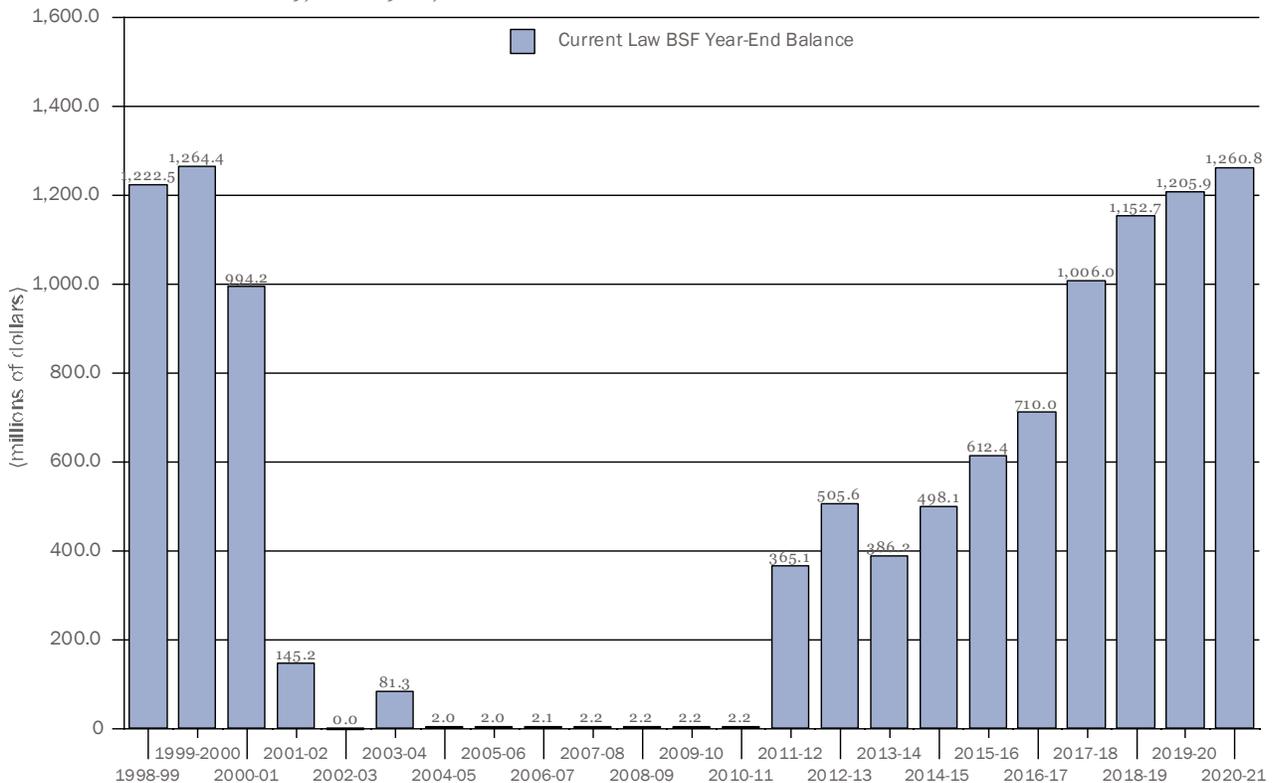
The Michigan Trust Fund Act requires \$17.5 million to be appropriated in FY 2020-21 and the Governor does not recommend an additional deposit.

Based on current appropriations and estimated interest earnings, the BSF balance at the close of FY 2020-21 is estimated at \$1,260.8 million. The history of the BSF year-end balances and the estimate for FY 2020-21 are shown in [Figure C](#).

Figure C

Budget Stabilization Fund Year-End Balance

With Estimates for FY 2018-19, FY 2019-20, and FY 2020-21



Source: Michigan Comprehensive Annual Financial Reports through FY 2017-18, Public Act 618 of 2018, FY 2020-21 Executive Budget Recommendation, and Senate Fiscal Agency

Recent State Appropriation History

Table 29

ADJUSTED GROSS APPROPRIATION HISTORY (millions of dollars)			
Fiscal Year	Appropriations	Dollar Change	Percent Change
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	58,340.7	2,472.0	4.4
2019-20 (YTD)	58,476.2	135.6	0.2
2020-21 (Gov's Rec)	60,707.7	2,231.5	3.8
Change FY 2010-11 to FY 2020-21		\$12,618.1	26.2%
State and Local Gov't Price Deflator 10-Yr % Change			23.4%
Detroit CPI 10-Year Percent Change			15.3%
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; 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
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	32,812.7	1,589.7	5.1
2018-19	34,368.2	1,555.5	4.7
2019-20 (YTD)	34,694.4	326.2	0.9
2020-21 (Gov's Rec)	36,378.3	1,683.9	4.9
Change FY 2010-11 to FY 2020-21		\$10,111.6	38.5%
State and Local Gov't Price Deflator 10-Yr % Change			23.4%
Detroit CPI 10-Year Percent Change			15.3%
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; 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
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	10,559.6	328.3	3.2
2019-20 (YTD)	10,376.1	(183.4)	(1.7)
2020-21 (Gov's Rec)	10,980.4	604.3	5.8
Change FY 2010-11 to FY 2020-21		\$2,555.8	30.3%
State and Local Gov't Price Deflator 10-Yr % Change			23.4%
Detroit CPI 10-Year Percent Change			15.3%
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; 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
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	23,554.9	58,340.7	40.37
2019-20 (YTD)	23,371.0	58,476.2	39.97
2020-21 (Gov's Rec)	23,866.4	60,707.7	39.31
Change FY 2010-11 to FY 2020-21		12.0%	26.2%

Table 33

APPROPRIATED FULL-TIME EQUATED CLASSIFIED POSITIONS (FTEs) IN MICHIGAN STATE BUDGET			
Fiscal Year	FTEs	Change	Percent Change
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	53,789.0	778.5	1.5
2019-20 (YTD)	53,940.6	151.6	0.3
2020-21 (Gov's Rec)	54,233.6	293.0	0.5
Change FY 2010-11 to FY 2020-21		(1,363.6)	(2.4%)
State and Local Gov't Price Deflator 10-Yr % Change			23.4%
Detroit CPI 10-Year Percent Change			15.3%

Note: Includes exempt positions in Judiciary.

Table 34

SCHOOL AID K-12 APPROPRIATION HISTORY (millions of dollars)			
State-Funded K-12			
Fiscal Year	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	13,065.3	109.6	0.8
2019-20 (Y-T-D)	13,427.7	362.4	2.8
2020-21 Gov's Rec	14,116.3	688.6	5.1
Change FY 2010-11 to FY 2020-21		\$3,312.9	30.7%
State and Local Gov't Price Deflator 10-Yr % Change			23.4%
Detroit CPI 10-Year Percent Change			15.3%

Table 35

PUPIL MEMBERSHIP HISTORY FY 1994-95 to FY 2021-22				
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	1,336,720	145,011	1,481,731
90/10	2018-19	1,323,703	145,318	1,469,021
90/10	2019-20	1,313,500	147,400	1,460,900
90/10	2020-21 Est.	1,305,200	148,400	1,453,600
90/10	2021-22 Est.	1,298,000	149,000	1,447,000

Table 36

STATE SPENDING PER PUPIL HISTORY			
Fiscal Year	State-Funded Approps. (millions of dollars)	Pupils (millions)	Appropriations Per Pupil
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	1.4817	8,744
2018-19	13,065.3	1.4690	8,894
2019-20 (Y-T-D)	13,427.7	1.4609	9,191
2020-21 (Gov's Rec)	14,116.3	1.4536	9,711

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	7,871	7,871	3.1	
2019-20 (Y-T-D)	8,111	8,111	3.0	
2020-21 (Gov's Rec)	8,336	8,336	2.8	
10-Year Change	\$1,020	\$1,190		
10-Year % Change	13.9%	16.7%		
State and Local Gov't Price Deflator 10-Yr % Change		23.4%		
Detroit CPI 10-Year % Change		15.3%		

Table 38

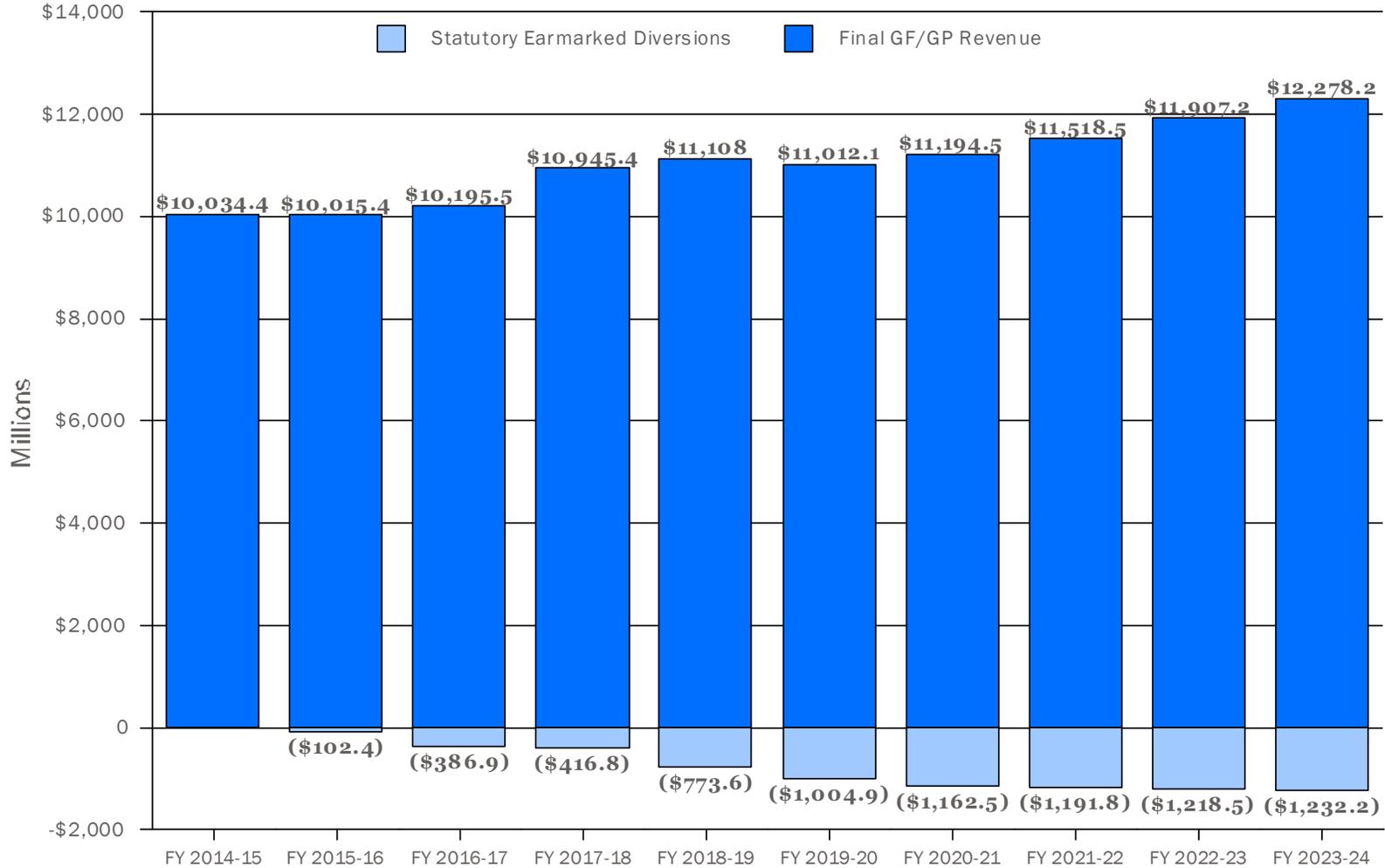
STATE SPENDING FROM STATE RESOURCES APPROPRIATIONS TOTAL COMPARED IN SELECTED BUDGET AREAS (millions of dollars)				
Budget Area	FY 2010-11 Year-to-Date Appropriations	FY 2020-21 Gov's Rec. Appropriations	Dollar Difference	Percent Change
Health and Human Services	\$5,417.2	\$8,104.1	\$2,686.8	49.6%
Corrections	1,980.4	2,066.2	85.8	4.3
K-12 School Aid	10,803.4	14,116.3	3,312.9	30.7
Community Colleges	295.9	433.8	137.9	46.6
Higher Education	1,486.4	1,627.8	141.5	9.5
Revenue Sharing-Constitutional	664.7	902.6	237.9	35.8
Revenue Sharing-Nonconstitutional	426.8	499.7	72.9	17.1
All Other Programs	5,191.8	8,627.7	3,435.9	66.2
Total State Spending	\$26,266.7	\$36,378.3	\$10,111.6	38.5%
Addendum:				
Medicaid Caseload	1,933,951	2,450,812	516,861	26.7
Prison Population	45,478	38,077	(7,401)	(16.3)
K-12 Pupil Count	1,569,436	1,453,600	(115,836)	(7.4)
University Students	264,903	256,090	(8,813)	(3.3)
Community College Students	176,356	116,340	(60,016)	(34.0)
Michigan Personal Income (millions)	\$365,679.8	\$534,689.3	\$169,009.5	46.2%
Detroit Consumer Price Index	210.0	242.2	32.2	15.3

NOTES: Revenue Sharing: Constitutional number is the January 2020 Consensus Revenue Estimating Conference (CREC) estimate. **Medicaid Caseload:** Number for FY 2020-21 includes the estimated 680,000 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 2011 and 2019, respectively. **K-12 Pupils:** FY 2020-2021 pupil count is the January 2020 CREC estimate. **Community College and University Students:** Numbers in FY 2020-21 column reflect the most recent data available, which are FY 2019-20 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 2020-21 numbers are January 2020 CREC estimates.

Figure D

General Fund Revenue Growth

Actual Revenue and Statutory Earmarks Compared



Source: Senate Fiscal Agency, January 2020 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. Assumes the School Aid Fund Individual Income Tax earmark is restored to the level prior to PA 588 of 2018.