

PRELIMINARY REVIEW

of the

FY 2019-20

**Executive Budget
Recommendation**



Mary Ann Cleary, Director
March 7, 2019

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**OVERVIEW OF
FY 2019-20 EXECUTIVE BUDGET RECOMMENDATION**
Mary Ann Cleary, Director, and Kevin Koorstra, Deputy Director

The FY 2019-20 Executive budget recommendation incorporates the January 2019 Consensus Revenue Estimating Conference (CREC) revenue estimates for General Fund/General Purpose (GF/GP) of \$10,717.8 million and School Aid Fund (SAF) of \$13,926.7 million. In addition to the CREC estimates, the recommendation assumes beginning balances of \$237.5 million GF/GP and \$39.4 million SAF. The budget proposal includes additional income tax revenue from the elimination of the earmark for roads of \$468.0 million and \$202.5 million from a new 6% tax on pass-through income on non-C corporations (S corporations, LLCs, partnerships, etc.). In addition, the budget proposal includes reductions in income tax revenues of \$258.8 million from changes to pension and retirement income and \$76.0 million for an increase in the earned income tax credit.

The Executive budget recommendation includes a 45-cent increase in motor fuels, from 26.3 cents per gallon to 71.3 cents, to be phased in over 12 months in three 15-cent increments. The increase is estimated to generate \$2.5 billion in funding for roads.

The FY 2019-20 budget recommendation includes \$59,081.5 million in adjusted gross appropriations, an increase of \$1,851.5 million or 3.2%. The table below compares current year appropriations to the Executive proposal.

	FY 2018-19 Year-to-Date as of 3/5/19	FY 2019-20 Executive	Difference: FY 2019-20 Vs. FY 2018-19	
			Amount	%
Adjusted Gross	\$57,230.0	\$59,081.5	\$1,851.5	3.2%
Federal	\$22,871.6	\$23,125.4	\$253.8	1.1%
Local/Private	\$393.5	\$415.1	\$21.7	5.5%
Restricted	\$23,538.0	\$24,876.3	\$1,338.3	5.7%
GF/GP	\$10,426.9	\$10,664.7	\$237.8	2.3%

Of the \$35,541.0 million in state resources recommended for appropriation in FY 2019-20, \$19,746.8 million (55.6% of the total) is designated for payments to local units of government. Article IX, Section 30 of Michigan's Constitution requires that at least 48.97% of spending from state resources must be paid to local governments.

The Executive proposal includes two recommended supplementals totaling \$474.7 million Gross (\$175.2 million GF/GP) for FY 2018-19:

- School Aid appropriation increase of \$120.7 million Gross (\$50.0 million GF/GP), which includes a baseline cost reduction of \$50.8 million, one-time funding of \$61.5 million SAF for hydration stations, and \$110.0 million for Michigan Reconnect grant program. (Request 2019-3)
- Departmental appropriation adjustment requests of \$354.0 million Gross (\$125.2 million GF/GP). (Request 2019-4)

Major GF/GP program reductions proposed in the Executive recommendation compared to FY 2018-19 levels include:

- \$27.3 million Gross (\$10.0 million GF/GP) medical services reductions. (DHHS)
- \$21.6 million Gross (\$4.9 million GF/GP) savings from enhanced auditing capacity in the Office of the Inspector General. (DHHS)
- \$19.9 million Gross (\$5.0 million GF/GP) reduction to Medicaid HMO administrative rate tied to pharmacy benefit. (DHHS)
- \$15.3 million Gross (\$5.5 million GF/GP) reduction to nursing facility variable cost reimbursement. (DHHS).
- \$5.0 million reduction to Pure Michigan funding. (MSF)

The Executive proposal includes a Budget Stabilization Fund deposit totaling \$150.0 million and 25% of unassigned GF/GP fund balance (lapses) for FY 2018-19.

Major FY 2019-20 GF/GP program increases proposed include:

- \$14.9 million increase (including \$5.9 million in one-time funding) for upgrades and maintenance for the Michigan Public Safety communications system. (DTMB)
- \$13.9 million increase for environmental and public health hazards response. (DHHS)
- \$10.0 million increase to support Healthy Michigan Plan work requirements implementation. (DHHS)
- \$8.6 million (including \$4.7 million in one-time costs) for a State Police trooper school. (MSP)
- \$5.9 million for a foster care supportive visitation program. (DHHS)
- \$5.0 million to support a licensing agreement with the Microsoft Corporation for its 365 Government G5 product. (DTMB)
- \$4.6 million to implement the redistricting commission as approved by voters in Ballot Proposal 2. (State)

Major one-time allocations of GF/GP funding for FY 2019-20 include:

- \$50.0 million for federal Affordable Care Act (ACA) health insurer fee set-aside. (DHHS)
- \$47.0 million Gross (\$11.0 million GF/GP) for partial continuation of FY 2018-19 IT supplemental funding. (DHHS)
- \$10.5 million to train additional correction officers to meet projected attrition needs. (MDOC)
- \$7.0 million to continue support of the state health innovation model. (DHHS)
- \$5.0 million for special maintenance projects at state-owned facilities. (DTMB)

The Executive budget recommendation includes additional GF/SAF fund shifts for FY 2019-20:

- \$500.2 million SAF reduction in Higher Education budget backfilled with GF/GP.

Major proposed changes for FY 2019-20 for School Aid and Higher Education funding include:

- \$235.0 million SAF for increases to district foundation allowances ranging from \$120 to \$180 per pupil based on 1.5x formula (percentages range from 1.4% to 2.3%).
- \$120.0 million SAF to increase reimbursement for districts' special education costs by 4.0%.
- \$102.0 million SAF increase for academically at-risk and economically disadvantaged students.
- \$85.0 million SAF increase to the Great Start Readiness Program (GRSP) for school readiness preschool programs.
- \$55.0 million SAF increase to districts for students participating in career and technical education (CTE) programs.
- \$24.5 million SAF increase (for a total of \$31.5 million) to increase the number of literacy coaches.
- \$22.0 million SAF reduction to reduce cyber school foundation allowances to 80% of the minimum foundation allowance.
- \$43.7 million GF/GP for a 3.0% increase in public university operations.
- \$9.7 million GF/GP for a 3.0% increase in community college operations.

MPSERS retirement changes included in the Executive recommendation for FY 2019-20 include:

- \$83.9 million increase in state share of MPSERS UAAL payments to pay for increases in normal costs associated with dedicated gains policy.
- \$40.0 million deposit into the MPSERS Retirement Obligation Reform Reserve Fund in anticipation of future cost increases related to the retirement experience study.

The Executive recommendations for local revenue sharing programs include:

- \$27.2 million (3.2%) increase to constitutional revenue sharing based on January 2019 CREC estimates for FY 2018-19 and FY 2019-20.
- \$7.7 million for a 3.0% increase for city, village, and township revenue sharing.
- \$6.6 million for a 3.0% increase for county revenue sharing.
- \$2.5 million increase (for a total of \$5.0 million) to community opportunities for renewal program.

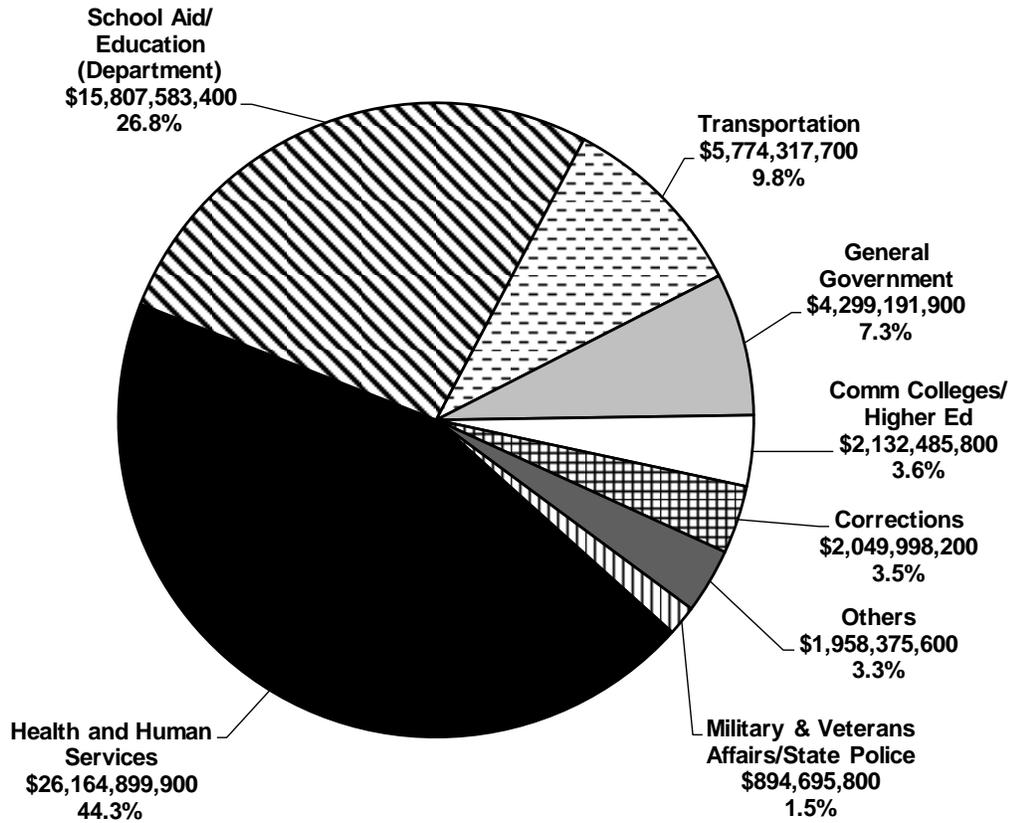
FY 2019-20 budget assumes the elimination of sunsets on various fees in the following budget areas; Department of Agriculture and Rural Development, Department of Environmental Quality, Department of Health and Human Services, Department of Licensing and Regulatory Affairs, Department of State, and Michigan State Police.

A more detailed summary of major budget changes by individual budget area begins on page 19.

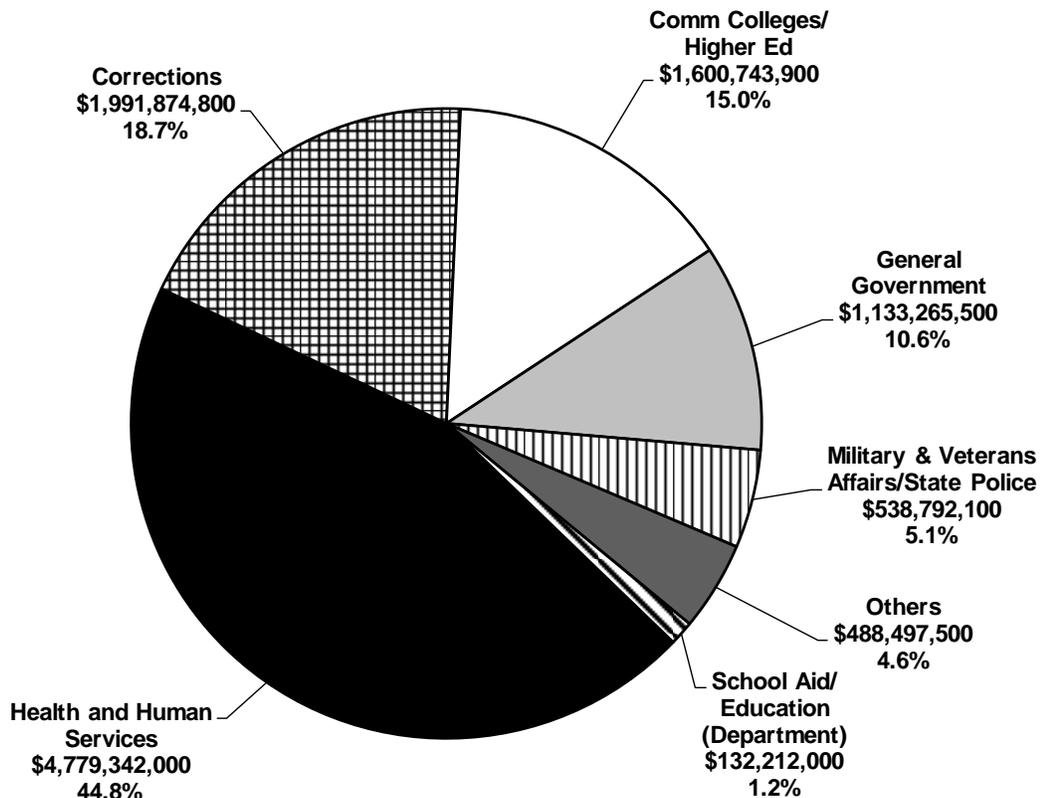
This preliminary review provides a brief summary of the Executive Recommendation for FY 2019-20. The House Fiscal Agency's full Review and Analysis of the FY 2019-20 Executive Budget Recommendation will be available within two weeks and will contain a more detailed review of major budget and boilerplate changes by budget area.

A list of House Fiscal Agency staff by area of responsibility is included at the end of this document. Please do not hesitate to contact us if you have questions regarding this information.

**FY 2019-20 Executive Recommendation
Adjusted Gross = \$59,081,548,300**



**FY 2019-20 Executive Recommendation
General Fund/General Purpose (GF/GP) = \$10,664,727,800**



CHANGE IN ADJUSTED GROSS APPROPRIATIONS FY 2019-20 and FY 2020-21 Executive Recommendation

The Executive Budget Recommendation for FY 2019-20 increases adjusted gross appropriations by \$1,851.5 million (3.2%) from FY 2018-19 year-to-date amounts:

- GF/GP appropriations are increased by \$237.8 million (2.3%).
- State restricted appropriations are increased by \$1,338.3 million (5.7%).
- Federal appropriations are increased by \$253.8 million (1.1%).
- Local and private appropriations are increased by \$21.7 million (5.5%).

Total state spending from state sources (GF/GP plus state restricted) in the FY 2019-20 Executive Budget Recommendation is increased by \$1,576.1 million (4.6%) from FY 2018-19 year-to-date amounts.

Projected appropriation amounts for FY 2020-21 under the Executive Budget (which are presented only for planning purposes) reflect a 0.6% decrease in GF/GP appropriations, a 5.8% increase in total state spending from state sources, and a 1.9% increase in adjusted gross appropriations.

**FY 2019-20 and FY 2020-21
Executive Budget Appropriation Changes
Millions of Dollars**

	Year-to-Date	Executive	<u>Change Amounts</u>		Executive	<u>Change Amounts</u>	
	<u>FY 2018-19</u>	<u>Recommendation FY 2019-20</u>			<u>Recommendation FY 2020-21</u>		
General Fund/General Purpose	\$10,426.9	\$10,664.7	\$237.8	2.3%	\$10,597.0	(\$67.8)	(0.6%)
State Restricted	<u>23,538.0</u>	<u>24,876.3</u>	<u>1,338.3</u>	5.7%	<u>26,322.1</u>	<u>1,445.8</u>	5.8%
Total State-Source Appropriations	\$33,964.9	\$35,541.0	\$1,576.1	4.6%	\$36,919.0	\$1,378.0	3.9%
Federal	\$22,871.6	\$23,125.4	\$253.8	1.1%	\$22,899.6	(\$225.8)	(1.0%)
Local	216.4	251.9	35.5	16.4%	249.1	(2.8)	(1.1%)
Private	177.0	163.2	(13.8)	(7.8%)	163.1	(0.1)	(0.1%)
Total Adjusted Gross	\$57,230.0	\$59,081.5	\$1,851.5	3.2%	\$60,230.9	\$1,149.3	1.9%

General Fund/General Purpose (GF/GP): Unrestricted General Fund revenue available for basic state programs and other purposes determined by the Legislature.

State Restricted: State revenue restricted by State Constitution, state statute, or outside restriction that is available only for specific purposes. Includes most fee revenue. Largest such fund is the School Aid Fund.

State-Source Appropriations: Appropriations from state-level revenue sources: State Restricted plus GF/GP.

Federal Funds: Federal grant or match revenue; generally dedicated to specific programs or purposes.

Local/Private Funds: Revenue received from local units of government and private, non-governmental entities for specific services or purposes.

Adjusted Gross: Total state appropriations from all fund sources. Excludes funds appropriated twice in state budget through interdepartmental grants (IDGs) or intradepartmental transfers (IDTs).

Notes:

- (1) FY 2018-19 year-to-date figures include mid-year budget adjustments through March 5, 2019.
- (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as one-time.
- (3) Numbers may not add due to rounding.

RESOURCES USED IN THE EXECUTIVE BUDGET RECOMMENDATION

Resources used to fund General Fund/General Purpose, School Aid Fund, and Tobacco Settlement / Merit Award Trust Fund expenditures in the Executive Budget Recommendation are reported below.

FY 2018-19 Through FY 2020-21 Executive Recommendation			
General Fund/General Purpose (GF/GP)			
Millions of Dollars			
	FY 2018-19	FY 2019-20	FY 2020-21
<u>Resources</u>			
Beginning Balance	\$715.2	\$237.5	\$8.3
Consensus Revenue Estimates: January 2019	10,700.2	10,717.8	10,852.6
Eliminate Income Tax Earmark for Roads		468.0	600.0
Repeal Retirement/Pension Tax		(200.7)	(275.6)
Pass-Through Entity Tax		157.0	217.2
Earned Income Tax Credit Expansion		(76.0)	(114.0)
Miscellaneous Other Revenue	(6.3)	15.2	
Revenue Sharing: Ongoing	(466.0)	(495.9)	(495.9)
Revenue Sharing: One-time	(13.1)	0.0	0.0
Total Resources	\$10,214.8	\$10,585.4	\$10,784.3
<u>Expenditures</u>			
Enacted Appropriations: Ongoing	\$9,569.7	\$10,493.7	\$10,729.8
Enacted Appropriations: One-time	391.8	125.9	0.0
GF to School Aid	87.9	45.0	45.0
Deposit to Budget Stabilization Fund	100.0	150.0 *	0.0
Enacted Supplementals	377.6	0.0	0.0
Supplemental Request 2019-4	175.2	0.0	0.0
Estimated Book Closing Lapses and Adjustments	(9.6)	0.0	0.0
Total Expenditures	\$10,692.5	\$10,814.6	\$10,774.8
Projected Ending Balance / (Shortfall)	\$237.5	\$8.3	\$17.8

* FY 2019-20 - 25% of unassigned GF/GP fund balance for FY 2018-19 shall be deposited in the BSF.

**FY 2018-19 Through FY 2020-21 Executive Recommendation
School Aid Fund (SAF)
Millions of Dollars**

	FY 2018-19	FY 2019-20	FY 2020-21
<u>Resources</u>			
Beginning Balance	\$316.7	\$39.4	\$2.4
Consensus Revenue Estimates: January 2019	13,550.5	13,926.7	14,264.4
Repeal Retirement/Pension Tax		(58.1)	(79.8)
Pass-Through Entity Tax	0.0	45.5	62.9
Marihuana Sales Tax Adjustments from CREC		1.7	5.3
GF/GP Grant	87.9	45.0	45.0
Detroit Public Schools Trust Fund	72.0	72.0	72.0
School Mental Health and Support Services Fund	30.0	0.0	0.0
Federal Aid	<u>1,745.9</u>	<u>1,749.6</u>	<u>1,749.6</u>
Total Resources	\$15,486.3	\$15,782.4	\$16,119.4
<u>Expenditures</u>			
School Aid	\$14,855.3	\$15,371.2	\$15,495.5
SAF Deposit into MPSERS Reserve	0.0	40.0	0.0
Community College	408.2	408.2	419.7
Higher Education	<u>500.1</u>	<u>0.0</u>	<u>0.0</u>
Total Expenditures	\$15,763.6	\$15,819.4	\$15,915.2
Projected Ending Balance / (Shortfall)	\$39.4	\$2.4	\$206.6

FY 2019-20 and FY 2020-21 Executive Recommendation Tobacco Settlement / Merit Award Trust Fund Millions of Dollars		
	FY 2019-20	FY 2020-21
<u>Resources</u>		
Beginning Balance	\$7.1	\$0.2
Tobacco Settlement MSA payment	276.8	276.3
Debt Service on 2006 / 2007 Securitization Bonds (13.34% / 10.77%)	(66.7)	(66.6)
Deposit to 21st Century Jobs Trust Fund	(75.0)	(75.0)
BSF Repayment	(17.5)	(17.5)
Detroit Public Schools Trust Fund	(72.0)	(72.0)
Interest	<u>(0.2)</u>	<u>0.0</u>
Total Resources	\$45.4	\$45.2
<u>Expenditures</u>		
Attorney General: Operations	\$0.5	\$0.5
DHHS: Aging Respite Care	4.1	4.1
DHHS: Medicaid Long Term Care	45.7	45.7
State Police: Criminal Investigations / IT	0.9	0.8
Treasury: Student Financial Services Programs	<u>1.2</u>	<u>1.2</u>
Total Expenditures	\$52.3	\$52.3
Estimated Ending Balance	\$0.2	(\$7.0)

REVENUE CHANGES IN THE EXECUTIVE BUDGET RECOMMENDATION

Income Tax Changes

- Return to the tax treatment for years prior to 2012 for pensions and other forms of retirement income. Restoring the broader exemptions for retirement income is expected to reduce income tax revenue by about \$350.0 million on a full fiscal year basis. The current treatment of retirement income will remain as a hold-harmless provision for taxpayers who would see an income tax increase by virtue of reverting back to the 2011 rules.
- Implement a new 6% tax on non-C corporations (S corporations, LLCs, partnerships, etc.), and provide a 4.25% income tax credit to the recipients of flow-through income from those entities. All entities will receive a \$50,000 exemption. Any remaining income will be subject to the 6% tax. By providing a 4.25% credit to the recipients, the income of the entity is not taxed twice at the state level. In addition, state income taxes are fully deductible on an entity's federal corporate income tax return. The 6% tax net of the 4.25% credit is expected to generate about \$280.0 million on a full fiscal year basis, although much of the 6% state tax is offset by federal deductibility. After factoring in the federal deductibility, the net impact on businesses is expected to be about \$100.0 million.
- The Earned Income Tax Credit (EITC) will be doubled from 6% of the federal EITC to 12% of the federal EITC. The credit will increase to 10% of the federal EITC in 2019 and 12% of the federal EITC in 2020. Expanding the EITC will reduce income tax revenue by about \$115.0 million when fully phased in.
- The existing income tax transfers to the Michigan Transportation Fund (MTF) will be eliminated, thus increasing General Fund revenue. The statutory earmarks are \$468.0 million in FY 2019-20 and \$600.0 million in subsequent years.

Motor Fuel Tax Changes

- Taxes on motor fuels (gasoline, diesel, and alternative fuels) will increase by 45 cents per gallon in three 15-cent steps. Motor fuel taxes will increase from the current level of 26.3 cents per gallon to 41.3 cents per gallon on October 1, 2019, to 56.3 cents per gallon on April 1, 2020, and 71.3 cents per gallon on October 1, 2020. When fully implemented, the increases are expected to generate about \$2.5 billion for roads, \$325.0 million of which will replace part of the existing income tax earmarks to the Michigan Transportation Fund. The remaining \$2.18 billion will accrue to a new "Fix Michigan Roads Fund."

BUDGET SUMMARY TABLES

The following pages include seven tables summarizing the Executive Budget Recommendation by budget area.

The following should be noted regarding the appropriation amounts in the following tables and throughout the report:

- FY 2018-19 year-to-date figures include adjustments through March 5, 2019.
- Some appropriation items in the FY 2018-19 budget are designated as one-time, indicating intent that those items will not be funded in the subsequent budget year in order to maintain a structurally balanced budget. The FY 2019-20 Executive Budget continues this practice.
- The tables in this document show total appropriation amounts by budget area, including both ongoing items and the items designated as one-time, in order to provide an accurate representation of resources available for expenditure in each budget year by state departments, local units of government, and other entities receiving funds through the state budget.

**TABLE 1
FY 2019-20 EXECUTIVE BUDGET RECOMMENDATION BY SOURCE OF FUNDS**

Department/Budget Area	Gross	IDG/IDT	Adjusted Gross	Federal	Local	Private	State Restricted	GF/GP
Agriculture & Rural Development	\$109,830,500	\$318,400	\$109,512,100	\$11,836,400	\$0	\$101,800	\$39,653,700	\$57,920,200
Attorney General	106,517,800	34,908,000	71,609,800	9,713,700	0	0	20,159,800	41,736,300
Capital Outlay	0	0	0	0	0	0	0	0
Civil Rights	16,388,300	298,500	16,089,800	2,816,900	0	18,700	58,500	13,195,700
Community Colleges	421,164,000	0	421,164,000	0	0	0	408,215,500	12,948,500
Corrections	2,049,998,200	0	2,049,998,200	5,323,700	11,687,200	0	41,112,500	1,991,874,800
Education	436,344,500	0	436,344,500	332,152,900	5,893,400	2,036,200	9,050,000	87,212,000
Environmental Quality	478,273,300	3,176,600	475,096,700	160,895,300	0	1,061,800	259,346,600	53,793,000
Executive Office	7,114,300	0	7,114,300	0	0	0	0	7,114,300
Health and Human Services	26,178,757,500	13,857,600	26,164,899,900	18,221,270,400	155,806,100	143,535,100	2,864,946,300	4,779,342,000
Higher Education	1,711,321,800	0	1,711,321,800	123,526,400	0	0	0	1,587,795,400
Insurance & Financial Services	68,889,800	723,100	68,166,700	1,017,600	0	0	66,999,100	150,000
Judiciary	309,341,000	1,551,700	307,789,300	6,028,400	6,579,500	994,300	93,044,900	201,142,200
Legislative Auditor General	24,938,000	5,823,400	19,114,600	0	0	0	2,008,800	17,105,800
Legislature	167,762,500	0	167,762,500	0	0	400,000	4,394,300	162,968,200
Licensing & Regulatory Affairs	572,612,500	49,014,200	523,598,300	95,852,500	100,000	251,800	303,125,900	124,268,100
Military & Veterans Affairs	201,102,500	101,800	201,000,700	106,177,200	0	630,000	23,908,600	70,284,900
Natural Resources	474,444,700	232,200	474,212,500	86,011,600	0	7,431,600	329,545,300	51,224,000
School Aid	15,371,238,900	0	15,371,238,900	1,749,578,500	0	0	13,576,660,400	45,000,000
State	255,209,600	20,000,000	235,209,600	1,460,000	0	50,100	210,732,000	22,967,500
State Police	718,629,000	24,933,900	693,695,100	75,728,500	4,766,200	35,000	144,658,200	468,507,200
Talent and Economic Devel. (MSF)	1,088,257,000	0	1,088,257,000	762,145,800	500,000	5,628,300	175,074,600	144,908,300
Tech., Mgmt. & Budget: Operations	1,333,698,300	950,488,800	383,209,500	4,968,400	2,321,200	131,100	117,916,800	257,872,000
Tech., Mgmt. & Budget: SBA Rent	246,570,600	0	246,570,600	0	0	0	0	246,570,600
Transportation	5,778,292,000	3,974,300	5,774,317,700	1,341,650,100	51,032,000	900,000	4,380,735,600	0
Treasury: Operations	590,416,900	12,905,600	577,511,300	27,242,500	13,215,800	27,500	422,533,700	114,491,800
Treasury: Debt Service	104,335,000	0	104,335,000	0	0	0	0	104,335,000
Treasury: Revenue Sharing	1,382,407,900	0	1,382,407,900	0	0	0	1,382,407,900	0
TOTAL APPROPRIATIONS	\$60,203,856,400	\$1,122,308,100	\$59,081,548,300	\$23,125,396,800	\$251,901,400	\$163,233,300	\$24,876,289,000	\$10,664,727,800

Note: Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as one-time.

TABLE 2
ADJUSTED GROSS APPROPRIATIONS
FY 2019-20 and FY 2020-21 Executive Recommendation Compared with FY 2018-19 Year-to-Date

<u>Department/Budget Area</u>	<u>Year-To-Date FY 2018-19</u>	<u>Exec. Rec. FY 2019-20</u>	<u>Difference FY 2019-20 vs. FY 2018-19</u>		<u>Exec. Rec. FY 2020-21</u>	<u>Difference FY 2020-21 vs. FY 2019-20</u>	
Agriculture & Rural Development	\$109,884,200	\$109,512,100	(\$372,100)	(0.3%)	\$106,870,300	(\$2,641,800)	(2.4%)
Attorney General	73,641,300	71,609,800	(2,031,500)	(2.8%)	71,019,700	(590,100)	(0.8%)
Capital Outlay	15,000,900	0	(15,000,900)	(100.0%)	0	0	--
Civil Rights	15,902,000	16,089,800	187,800	1.2%	15,950,200	(139,600)	(0.9%)
Community Colleges	408,215,500	421,164,000	12,948,500	3.2%	432,625,000	11,461,000	2.7%
Corrections	2,019,056,200	2,049,998,200	30,942,000	1.5%	2,018,009,500	(31,988,700)	(1.6%)
Education	406,134,900	436,344,500	30,209,600	7.4%	436,344,500	0	0.0%
Environmental Quality	498,158,900	475,096,700	(23,062,200)	(4.6%)	469,472,900	(5,623,800)	(1.2%)
Executive Office	6,980,100	7,114,300	134,200	1.9%	7,114,300	0	0.0%
Health and Human Services	25,488,432,700	26,164,899,900	676,467,200	2.7%	25,915,031,000	(249,868,900)	(1.0%)
Higher Education	1,669,732,600	1,711,321,800	41,589,200	2.5%	1,712,334,800	1,013,000	0.1%
Insurance & Financial Services	67,258,100	68,166,700	908,600	1.4%	67,689,200	(477,500)	(0.7%)
Judiciary	302,527,800	307,789,300	5,261,500	1.7%	305,502,600	(2,286,700)	(0.7%)
Legislative Auditor General	19,114,600	19,114,600	0	0.0%	19,114,600	0	0.0%
Legislature	186,512,500	167,762,500	(18,750,000)	(10.1%)	167,762,500	0	0.0%
Licensing & Regulatory Affairs	503,942,400	523,598,300	19,655,900	3.9%	520,537,300	(3,061,000)	(0.6%)
Military & Veterans Affairs	199,537,500	201,000,700	1,463,200	0.7%	200,120,100	(880,600)	(0.4%)
Natural Resources	484,198,700	474,212,500	(9,986,200)	(2.1%)	489,540,900	15,328,400	3.2%
School Aid	14,844,588,800	15,371,238,900	526,650,100	3.5%	15,495,456,900	124,218,000	0.8%
State	227,062,800	235,209,600	8,146,800	3.6%	233,822,400	(1,387,200)	(0.6%)
State Police	753,188,100	693,695,100	(59,493,000)	(7.9%)	688,407,800	(5,287,300)	(0.8%)
Talent and Economic Devel. (MSF)	1,260,746,100	1,088,257,000	(172,489,100)	(13.7%)	1,086,655,900	(1,601,100)	(0.1%)
Tech., Mgmt. & Budget: Operations	435,096,000	383,209,500	(51,886,500)	(11.9%)	385,004,500	1,795,000	0.5%
Tech., Mgmt. & Budget: SBA Rent	246,570,600	246,570,600	0	0.0%	260,787,000	14,216,400	5.8%
Transportation	5,009,788,300	5,774,317,700	764,529,400	15.3%	7,029,442,000	1,255,124,300	21.7%
Treasury: Operations	557,261,200	577,511,300	20,250,100	3.6%	582,016,300	4,505,000	0.8%
Treasury: Debt Service	107,080,000	104,335,000	(2,745,000)	(2.6%)	104,335,000	0	0.0%
Treasury: Revenue Sharing	1,314,405,300	1,382,407,900	68,002,600	5.2%	1,409,921,100	27,513,200	2.0%
TOTAL	\$57,230,018,100	\$59,081,548,300	\$1,851,530,200	3.2%	\$60,230,888,300	\$1,149,340,000	1.9%

TABLE 3
GENERAL FUND/GENERAL PURPOSE APPROPRIATIONS
FY 2019-20 and FY 2020-21 Executive Recommendation Compared with FY 2018-19 Year-to-Date

<u>Department/Budget Area</u>	<u>Year-To-Date FY 2018-19</u>	<u>Exec. Rec. FY 2019-20</u>	<u>Difference FY 2019-20 vs. FY 2018-19</u>		<u>Exec. Rec. FY 2020-21</u>	<u>Difference FY 2020-21 vs. FY 2019-20</u>	
Agriculture & Rural Development	\$60,835,200	\$57,920,200	(\$2,915,000)	(4.8%)	\$55,477,000	(\$2,443,200)	(4.2%)
Attorney General	41,206,800	41,736,300	529,500	1.3%	41,361,100	(375,200)	(0.9%)
Capital Outlay	15,000,900	0	(15,000,900)	(100.0%)	0	0	--
Civil Rights	13,022,100	13,195,700	173,600	1.3%	13,068,300	(127,400)	(1.0%)
Community Colleges	0	12,948,500	12,948,500	--	12,948,500	0	0.0%
Corrections	1,963,841,300	1,991,874,800	28,033,500	1.4%	1,962,629,900	(29,244,900)	(1.5%)
Education	91,503,600	87,212,000	(4,291,600)	(4.7%)	87,212,000	0	0.0%
Environmental Quality	58,546,500	53,793,000	(4,753,500)	(8.1%)	49,430,800	(4,362,200)	(8.1%)
Executive Office	6,980,100	7,114,300	134,200	1.9%	7,114,300	0	0.0%
Health and Human Services	4,439,614,400	4,779,342,000	339,727,600	7.7%	4,751,933,800	(27,408,200)	(0.6%)
Higher Education	1,046,017,900	1,587,795,400	541,777,500	51.8%	1,588,808,400	1,013,000	0.1%
Insurance & Financial Services	550,000	150,000	(400,000)	(72.7%)	150,000	0	0.0%
Judiciary	196,079,500	201,142,200	5,062,700	2.6%	198,980,200	(2,162,000)	(1.1%)
Legislative Auditor General	17,105,800	17,105,800	0	0.0%	17,105,800	0	0.0%
Legislature	181,718,200	162,968,200	(18,750,000)	(10.3%)	162,968,200	0	0.0%
Licensing & Regulatory Affairs	135,845,300	124,268,100	(11,577,200)	(8.5%)	123,942,400	(325,700)	(0.3%)
Military & Veterans Affairs	75,912,400	70,284,900	(5,627,500)	(7.4%)	70,009,400	(275,500)	(0.4%)
Natural Resources	77,241,800	51,224,000	(26,017,800)	(33.7%)	47,605,400	(3,618,600)	(7.1%)
School Aid	87,920,000	45,000,000	(42,920,000)	(48.8%)	45,000,000	0	0.0%
State	18,466,300	22,967,500	4,501,200	24.4%	22,840,500	(127,000)	(0.6%)
State Police	493,173,800	468,507,200	(24,666,600)	(5.0%)	463,999,300	(4,507,900)	(1.0%)
Talent and Economic Devel. (MSF)	286,546,300	144,908,300	(141,638,000)	(49.4%)	144,745,900	(162,400)	(0.1%)
Tech., Mgmt. & Budget: Operations	305,473,900	257,872,000	(47,601,900)	(15.6%)	260,479,700	2,607,700	1.0%
Tech., Mgmt. & Budget: SBA Rent	246,570,600	246,570,600	0	0.0%	260,787,000	14,216,400	5.8%
Transportation	356,790,900	0	(356,790,900)	(100.0%)	0	0	--
Treasury: Operations	103,881,300	114,491,800	10,610,500	10.2%	104,027,000	(10,464,800)	(9.1%)
Treasury: Debt Service	107,080,000	104,335,000	(2,745,000)	(2.6%)	104,335,000	0	0.0%
Treasury: Revenue Sharing	0	0	0	--	0	0	--
TOTAL	\$10,426,924,900	\$10,664,727,800	\$237,802,900	2.3%	\$10,596,959,900	(\$67,767,900)	(0.6%)

**TABLE 4
GF/GP APPROPRIATIONS DESIGNATED AS ONE-TIME ONLY**

<u>Department/Budget Area</u>	<u>Exec. Rec. FY 2019-20 GF/GP</u>
Agriculture & Rural Development	\$2,000,000
Corrections	15,383,900
Environmental Quality	4,000,000
Health and Human Services	71,628,500
Judiciary	1,575,000
Natural Resources	3,350,000
School Aid	15,000,000
State Police	7,037,600
Tech., Mgmt. & Budget: Operations	10,878,900
Treasury: Operations	10,000,000
TOTAL: ONE-TIME APPROPRIATIONS	\$140,853,900
Budget Stabilization Fund Deposit	150,000,000
TOTAL: ONE-TIME APPROPRIATION AND DEPOSITS	\$290,853,900

TABLE 5
FULL-TIME EQUATED (FTE) POSITIONS*
FY 2019-20 Executive Recommendation Compared with FY 2018-19 Year-to-Date

<u>Department/Budget Area</u>	<u>Year-To-Date FY 2018-19</u>	<u>Executive Recommendation FY 2019-20</u>	<u>Difference FY 2019-20 vs. FY 2018-19</u>	
Agriculture & Rural Development	508.5	509.5	1.0	0.2%
Attorney General	537.0	545.0	8.0	1.5%
Capital Outlay	0.0	0.0	0.0	--
Civil Rights	116.0	116.0	0.0	0.0%
Community Colleges	0.0	0.0	0.0	--
Corrections	13,979.2	13,809.8	(169.4)	(1.2%)
Education	620.5	620.5	0.0	0.0%
Environmental Quality	1,263.0	1,287.0	24.0	1.9%
Executive Office	89.2	89.2	0.0	0.0%
Health and Human Services	15,942.7	16,007.0	64.3	0.4%
Higher Education	0.0	0.0	0.0	--
Insurance & Financial Services	342.5	352.5	10.0	2.9%
Judiciary	502.0	503.0	1.0	0.2%
Legislative Auditor General	0.0	0.0	0.0	--
Legislature	0.0	0.0	0.0	--
Licensing & Regulatory Affairs	2,384.8	2,404.8	20.0	0.8%
Military & Veterans Affairs	921.5	933.5	12.0	1.3%
Natural Resources	2,340.3	2,366.1	25.8	1.1%
School Aid	0.0	0.0	0.0	--
State	1,592.0	1,592.0	0.0	0.0%
State Police	3,521.0	3,544.0	23.0	0.7%
Talent and Economic Devel. (MSF)	1,456.0	1,456.0	0.0	0.0%
Tech., Mgmt. & Budget: Operations	3,122.0	3,141.0	19.0	0.6%
Tech., Mgmt. & Budget: SBA Rent	0.0	0.0	0.0	--
Transportation	2,824.3	2,824.3	0.0	0.0%
Treasury: Operations	1,872.5	1,880.5	8.0	0.4%
Treasury: Debt Service	0.0	0.0	0.0	--
Treasury: Revenue Sharing	0.0	0.0	0.0	--
TOTAL FTE APPROPRIATIONS	53,935.0	53,981.7	46.7	0.1%

**Includes classified, unclassified, and nonlegislative exempt positions.*

**TABLE 6
STATE SPENDING FROM STATE SOURCES PAID TO LOCAL GOVERNMENTS**

FY 2019-20 Executive Recommendation

<u>Department/Budget Area</u>	<u>Spending from State Sources</u>	<u>State Spending to Local Government Units</u>	<u>% of State Spending from State Sources as Payment to Locals</u>
Agriculture & Rural Development	\$97,573,900	\$8,450,000	8.7%
Attorney General	61,896,100	0	0.0%
Capital Outlay	0	0	--
Civil Rights	13,254,200	0	0.0%
Community Colleges	421,164,000	421,164,000	100.0%
Corrections	2,032,987,300	123,385,700	6.1%
Education	96,262,000	14,267,700	14.8%
Environmental Quality	313,139,600	23,346,000	7.5%
Executive Office	7,114,300	0	0.0%
Health and Human Services	7,644,288,300	1,554,203,600	20.3%
Higher Education	1,587,795,400	0	0.0%
Insurance & Financial Services	67,149,100	0	0.0%
Judiciary	294,187,100	144,425,200	49.1%
Legislative Auditor General	19,114,600	0	0.0%
Legislature	167,362,500	0	0.0%
Licensing & Regulatory Affairs	427,394,000	101,999,600	23.9%
Military & Veterans Affairs	94,193,500	2,415,000	2.6%
Natural Resources	380,769,300	17,921,400	4.7%
School Aid	13,621,660,400	13,406,340,600	98.4%
State	233,699,500	1,127,500	0.5%
State Police	613,165,400	14,078,600	2.3%
Talent and Economic Devel. (MSF)	319,982,900	37,598,800	11.8%
Tech., Mgmt. & Budget: Operations	375,788,800	0	0.0%
Tech., Mgmt. & Budget: SBA Rent	246,570,600	0	0.0%
Transportation	4,380,735,600	2,302,463,700	52.6%
Treasury: Operations	537,025,500	191,229,200	35.6%
Treasury: Debt Service	104,335,000	0	0.0%
Treasury: Revenue Sharing	1,382,407,900	1,382,407,900	100.0%
TOTALS APPROPRIATED	\$35,541,016,800	\$19,746,824,500	55.6%

FY 2019-20 EXECUTIVE BUDGET HIGHLIGHTS
Major Changes Proposed

Agriculture and Rural Development

Analyst: William E. Hamilton

	FY 2018-19 Year-to-Date as of 3/5/19	FY 2019-20 Executive	Difference: FY 2019-20 Vs. FY 2018-19	
			Amount	%
IDG/IDT	\$313,900	\$318,400	\$4,500	1.4
Federal	11,775,200	11,836,400	61,200	0.5
Local	0	0	0	--
Private	101,800	101,800	0	0.0
Restricted	37,172,000	39,653,700	2,481,700	6.7
GF/GP	60,835,200	57,920,200	(2,915,000)	(4.8)
Gross	\$110,198,100	\$109,830,500	(\$367,600)	(0.3)
FTEs	508.5	509.5	1.0	0.2

Notes: (1) FY 2018-19 year-to-date figures include mid-year budget adjustments through March 5, 2019. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Major Budget Changes From FY 2018-19 Year-to-Date (YTD) Appropriations

Double-Up Food Bucks

Provides \$4.0 million GF/GP to expand this program to all 83 Michigan counties. The Double-Up Food Buck program increases purchasing power of Michigan residents who receive Supplemental Nutritional Assistance Program (SNAP) benefits by providing a dollar-for-dollar match of up to \$20 per day to buy fresh fruits and vegetables at participating grocery stores and farmer's markets. The program, which was initiated by the non-profit Fair Food Network in 2009 in Detroit, has since expanded to 65 Michigan counties and is a model for similar programs in other states.

Agriculture Preservation Easement Grants

Includes \$2.0 million from the state restricted Agriculture Preservation Fund to provide grants to local units of government for the purchase of agricultural conservation easements, as authorized under Part 362 of the Natural Resources and Environmental Protection Act. Agricultural conservation easements are legal agreements under which a property owner relinquishes property development rights. These agreements are used to preserve critical farmland from development. There is a sufficient balance in the Agriculture Preservation Fund to provide these grants.

County Fairs, Shows, and Expositions Grants

Provides \$200,000 GF/GP for grants to county fairs, shows, and expositions.

Food and Agriculture Investment Grant Program

The proposed budget reduces funding by \$2.6 million GF/GP leaving \$2.5 million GF/GP available for the program in FY 2019-20. The program provides grants in support of projects that help expand food and agriculture processing.

Elimination of One-Time Funding Items

Reduces the budget by \$3.9 million GF/GP to reflect removal of one-time funding included in the FY 2018-19 budget. One-time items not retained in the proposed FY 2019-20 budget include ACRE Ag Incubator, Agriculture Industry Research and Development, Animal Agriculture Initiative, Dairy Industry Assistance Program, and ODC Network.

Economic Adjustments

Reflects increased costs of \$1.0 million Gross (\$740,000 GF/GP) for negotiated salary and wage increases (2.0% ongoing, 2.0% lump sum), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.

Community Colleges

Analyst: Perry Zielak

	FY 2018-19 Year-to-Date as of 3/5/19	FY 2019-20 Executive	Difference: FY 2019-20 Vs. FY 2018-19	
			Amount	%
IDG/IDT	\$0	\$0	\$0	--
Federal	0	0	0	--
Local	0	0	0	--
Private	0	0	0	--
Restricted	408,215,500	408,215,500	0	0.0
GF/GP	0	12,948,500	12,948,500	--
Gross	\$408,215,500	\$421,164,000	\$12,948,500	3.2

Notes: (1) FY 2018-19 year-to-date figures include mid-year budget adjustments through March 5, 2019. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Major Budget Changes From FY 2018-19 Year-to-Date (YTD) Appropriations

Community Colleges Operations Increase

Includes \$9.7 million GF/GP to increase operations grants to community colleges by 3%, which would be distributed through the performance formula. Projected increases for individual community colleges range from 2.5% to 3.9%. Total funding for operations will be \$331.9 million (\$9.7 million GF/GP).

Michigan Public School Employee Retirement System (MPERS) Normal Cost Offset

Increases funding by \$5.8 million Gross (\$3.3 million GF/GP) for the community colleges' normal cost portion, which would cover the cost to lower the assumed rate of return for MPERS from 7.5% to 7.05%, and incorporates \$6.4 million SAF into the base from previous one-time funding that lowered the assumed rate of return from 8% to 7.5%. Total funding for the MPERS Normal Cost Offset will be \$12.2 million (\$3.3 million GF/GP).

MPERS State Share of UAL Stabilization Payment

Reduces funding by \$2.2 million SAF for the state's share of community colleges' unfunded liability to MPERS. The state's share is the difference between the calculated unfunded accrued liability contribution to the system and the employer contribution cap of 20.96% of payroll set by the Public School Employees Retirement Act (MCL 38.1341). Total funding for the state share of MPERS will be \$73.1 million SAF.

Renaissance Zone Reimbursement Costs

Reduces funding for Renaissance Zone reimbursements to community colleges by \$300,000 SAF. Estimated reimbursement payments required by statute have decreased due to recent Personal Property Tax reforms. Total funding for reimbursements will be \$2.2 million SAF.

Corrections

Analyst: Robin R. Risko

	FY 2018-19 Year-to-Date as of 3/5/19	FY 2019-20 Executive	Difference: FY 2019-20 Vs. FY 2018-19	
			Amount	%
IDG/IDT	\$0	\$0	\$0	--
Federal	5,315,200	5,323,700	8,500	0.2
Local	8,960,100	11,687,200	2,727,100	30.4
Private	0	0	0	--
Restricted	40,939,600	41,112,500	172,900	0.4
GF/GP	1,963,841,300	1,991,874,800	28,033,500	1.4
Gross	\$2,019,056,200	\$2,049,998,200	\$30,942,000	1.5
FTEs	13,979.2	13,809.8	(169.4)	(1.2)

Notes: (1) FY 2018-19 year-to-date figures include mid-year budget adjustments through March 5, 2019. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Major Budget Changes From FY 2018-19 Year-to-Date (YTD) Appropriations

One-Time Funding for Training of New Custody Staff

Includes a one-time appropriation of \$10.5 million GF/GP to train an additional 408 corrections officers to meet projected attrition needs. Funding supports salary and payroll costs of new officers while they participate in training, as well as costs for uniforms, training materials, certifications, food, travel, and lodging. (Travel and lodging is paid during training if participants live away from the facilities to which they are assigned.) Between 50 and 55 custody staff are projected to retire each month in the next year. With the additional funding added to the FY 2018-19 base of \$9.5 million, the department will be able to train roughly 779 new officers in FY 2019-20.

Hepatitis C Treatment

Includes \$7.0 million GF/GP for the department to continue treatment of roughly 780 prisoners per year. Settlement of a recent lawsuit requires Medicaid to cover Hepatitis C treatment for patients with metavir scores of F1, which began on October 1, 2018, and to cover treatment for patients with metavir scores of F0 beginning October 1, 2019. Medicaid is seen as the standard of care for the department, so the department is expanding treatment to prisoners identified with metavir scores of F1 and F0.

Savings from Closure of Ojibway Correctional Facility

Reflects a savings of \$6.8 million GF/GP resulting from closure of the Ojibway Correctional Facility. Partial year savings of \$19.2 million GF/GP was taken in the FY 2018-19 budget. The \$6.8 million represents the remaining balance of full year savings.

Corizon Health Care Contract Adjustment

Includes \$5.4 million GF/GP to cover costs of required inflationary adjustments. The contract requires an annual increase in the base per prisoner per month cost for physical and mental health care services, including pharmaceuticals.

Program Eliminations

Reflects a savings of \$4.7 million GF/GP due to the following program eliminations:

- Goodwill Flip the Script Program (\$1.5 million) – funding was first included in the FY 2014-15 budget for Goodwill Industries of Greater Detroit in Wayne County to provide education, job training, and mentoring to troubled 16-39 year-olds, who have entered into the criminal justice system for the first or second time, in an effort to keep them out of prison.
- Substance Abuse Parole Certain Sanction Program (\$1.4 million) – funding was first included in the FY 2015-16 budget for distribution to accredited rehabilitation organizations offering services to parole violators.
- Supervising Region Incentive Program (\$1.0 million) – funding was first included in the FY 2016-17 budget to provide incentives to field operations administration regions that implement supervision practices, procedures, and sanctions directed at parole and probation revocation reduction.
- Online High School Equivalency Pilot Program (\$500,000) – funding was first included in the FY 2017-18 budget to serve up to 400 prisoners through a regionally accredited public or private school district that offers career-based online high school diplomas.
- Federally Qualified Health Center Pilot Program (\$250,000) – funding was first included in the FY 2017-18 budget for the department to work with the organization that represents federally qualified health centers to implement a pilot project to ensure that behavioral and physical health needs of parolees and probationers are met.

- Kitchen Inspections (\$50,000) – funding was first included in the FY 2018-19 budget for the department to pay for annual kitchen inspections at all correctional facilities.

One-Time Funding for Replacing Electronic Tether Equipment

Includes a one-time appropriation of \$4.6 million GF/GP for the department to purchase 6,619 GPS devices. The department’s current contract utilizes Verizon’s 3G network, which will be deactivated by December 31, 2019. Deactivation will force the department to switch to LTE or 4G devices in order to maintain coverage for electronic tether units.

Managing the Older Prison Population

Includes authorization for 15.5 FTE positions and \$2.1 million GF/GP (\$350,000 one-time, \$1.8 million ongoing) for the department to convert a 240-bed housing unit at the Thumb Correctional Facility to specifically house elderly prisoners that have intense treatment needs. The \$350,000 in one-time funding will be used to cover costs of physical plant changes and medical equipment. The ongoing \$1.8 million will be used to cover ongoing staffing costs.

Removal of Current Year One-Time Funding

Reduces the budget by \$11.6 million GF/GP to reflect removal of one-time funding included in the FY 2018-19 budget. Funding removed includes: \$9.2 million for new custody staff training and \$2.4 million for higher custody level programming.

Economic Adjustments

Reflects increased costs of \$23.4 million Gross (\$23.1 million GF/GP) for negotiated salary and wage increases (2.0% ongoing, 2.0% lump sum), actuarially required retirement contributions, worker’s compensation, building occupancy charges, and other economic adjustments.

Education (Department)

Analyst: Samuel Christensen

	FY 2018-19 Year-to-Date as of 3/5/19	FY 2019-20 Executive	Difference: FY 2019-20 Vs. FY 2018-19	
			Amount	%
IDG/IDT	\$0	\$0	\$0	--
Federal	298,074,500	332,152,900	34,078,400	11.4
Local	5,852,800	5,893,400	40,600	0.7
Private	2,035,800	2,036,200	400	0.0
Restricted	8,668,200	9,050,000	381,800	4.4
GF/GP	91,503,600	87,212,000	(4,291,600)	(4.7)
Gross	\$406,134,900	\$436,344,500	\$30,209,600	7.4
FTEs	620.5	620.5	0.0	0.0

Notes: (1) FY 2018-19 year-to-date figures include mid-year budget adjustments through March 5, 2019. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as “one-time.”

Major Budget Changes From FY 2018-19 Year-to-Date (YTD) Appropriations

Child Development and Care (CDC) – Provider Reimbursement Rate Increase

Provides \$16.4 million in federal funding to increase reimbursement rates for childcare providers delivering services through the CDC program beginning January 1, 2020. This represents three quarters of the estimated annual cost of \$21.9 million. The stated purpose of the increase is to better retain and incentivize providers to join the program, and to increase the quality of care that Michigan’s children receive in the program.

CDC – Entrance Eligibility Threshold Increase

Provides \$13.6 million in federal funding to increase the entrance eligibility threshold from 130% of the federal poverty level (FPL) to 140% of the FPL beginning January 1, 2020. This represents three quarters of the estimated annual cost of \$18.1 million. Currently, Michigan has set the entrance threshold at 130% of FPL and serves families with an annual income below \$26,556 for a family size of three. The Executive Recommendation increases the entrance threshold to 140% of FPL, which would serve families with an annual income up to \$29,092 for a family size of three.

CDC – Infant/Toddler and Quality

Provides \$3.6 million in federal funding to ensure continued compliance with federal requirements on infant/toddler and program quality spending for the CDC program beginning January 1, 2020. This represents three quarters of the estimated annual cost of \$4.8 million.

CDC – State Matching Fund Increase

Increases by \$599,400 GF/GP to an estimated total of \$27.9 million for the state portion of the CDC program’s matching funds. The reduction of the federal medical assistance percentage (FMAP) rate from 64.45% in FY 2018-19 to 64.06% in FY 2019-20 necessitates an increase in the state match portion to draw down the estimated full federal match amount of \$48.7 million. This represents an estimate because the federal allocation for Michigan has not been appropriated at the federal level. However, it is known that the decrease in the FMAP rate will necessitate an increase in state GF/GP.

Renaissance Zone Adjustment

Reduces funding for Renaissance Zone reimbursements to libraries by \$300,000 GF/GP. Estimated reimbursement payments required by statute have decreased due to recent Personal Property Tax reform.

MDE Reorganization

Reallocates funding and FTE positions to continue implementing a departmental reorganization that began in 2016 to reduce the duplication of service and oversight of the K-12 system and to create coordination between offices by specific function. The changes net to zero for both funding and FTE positions.

Economic Adjustments

Reflects increased costs of \$1.6 million Gross (\$409,000 GF/GP) for negotiated salary and wage increases (2.0% ongoing, 2.0% lump sum), actuarially required retirement contributions, worker’s compensation, building occupancy charges, and other economic adjustments.

Supplemental Recommendations for FY 2018-19 Appropriations

CDC – State Matching Fund Increase

Replaces \$254,200 federal funds with a corresponding amount of GF/GP for the CDC program’s matching funds to increase the state share as a result of the reduction of the FMAP rate from 64.78% in FY 2017-18 to 64.45% in FY 2018-19. This rate reduction necessitates an increase in the state match portion to \$27.1 million GF/GP to draw down the full federal match amount of \$48.7 million.

Environmental Quality

Analyst: Austin Scott

	FY 2018-19 Year-to-Date as of 3/5/19	FY 2019-20 Executive	Difference: FY 2019-20 Vs. FY 2018-19	
			Amount	%
IDG/IDT	\$3,143,700	\$3,176,600	\$32,900	1.0
Federal	160,225,400	160,895,300	669,900	0.4
Local	0	0	0	--
Private	1,061,700	1,061,800	100	0.0
Restricted	278,325,300	259,346,600	(18,978,700)	(6.8)
GF/GP	58,546,500	53,793,000	(4,753,500)	(8.1)
Gross	\$501,302,600	\$478,273,300	(\$23,029,300)	(4.6)
FTEs	1,263.0	1,287.0	24.0	1.9

Notes: (1) FY 2018-19 year-to-date figures include mid-year budget adjustments through March 5, 2019. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as “one-time.”

Major Budget Changes From FY 2018-19 Year-to-Date (YTD) Appropriations

Drinking Water Compliance Assistance

Includes authorization for 10.0 FTE positions and \$1.9 million GF/GP to establish a new Drinking Water Compliance Assistance Unit intended to provide technical expertise related to the lead and copper rule requirements.

Refined Petroleum Product Cleanup Program staffing

Adds 14.0 FTE positions to the Refined Petroleum Product Cleanup program. This program provides for the remediation of petroleum contaminated sites, including leaking underground storage tanks.

Solid Waste Management – Coal Ash Care Fund

Adds \$260,000 from the Coal Ash Care Fund to the Solid Waste Management program in accordance with 2018 PA 640 which provides for the regulation of coal ash landfills with revenue collected from landfill owners and operators.

Vapor Intrusion

Removes \$1.7 million GF/GP for vapor intrusion remediation. The Renewing Michigan’s Environment program provides for the remediation of emerging contaminants including vapor intrusion.

Recycling Initiative

Reduces the recycling initiative by \$1.0 million GF/GP. The Renewing Michigan’s Environment program provides for the continuation of recycling grants to local communities.

Lead Remediation Grants

Eliminates funding for lead remediation grants (\$2.0 million Gross, \$1.0 million GF/GP). Restricted funding is transferred to the Emergency Cleanup Actions program.

Economic Adjustments

Reflects increased costs of \$3.1 million Gross (\$676,700 GF/GP) for negotiated salary and wage increases (2.0% ongoing, 2.0% lump sum), actuarially required retirement contributions, worker’s compensation, building occupancy charges, and other economic adjustments.

Supplemental Recommendations for FY 2018-19 Appropriations

Drinking Water Protection and Innovation Initiatives

Includes authorization for 3.0 FTE positions and \$120.0 million GF/GP for the following:

- Not less than \$40.0 million for grants to Drinking Water Revolving Loan Fund applicants; grants may not exceed \$5.0 million each.
- Not less than \$37.5 million for implementation of the current lead and copper rule, including water service line replacement and local education initiatives by Water Supply Advisory Councils.
- Not less than \$30.0 million for remediation of emerging contaminants and for investment in remediation technology.
- Not more than \$7.5 million for grants for enhanced asset management plans, sustainable water rate plans, and watershed plans.
- Not more than \$5.0 million for optimized corrosion control treatments, improved distribution systems, and enhanced data building capacities of water systems.

All General Government

Analysts: Ben Gielczyk and Michael Crossen

	FY 2018-19 Year-to-Date as of 3/5/19	FY 2019-20 Executive	Difference: FY 2019-20 Vs. FY 2018-19	
			Amount	%
IDG/IDT	\$821,066,200	\$1,024,424,300	\$203,358,100	24.8
Federal	809,077,500	808,347,300	(730,200)	(0.1)
Local	15,977,300	16,037,000	59,700	0.4
Private	6,247,400	6,255,700	8,300	0.1
Restricted	2,291,018,900	2,335,286,400	44,267,500	1.9
GF/GP	1,328,051,400	1,133,265,500	(194,785,900)	(14.7)
Gross	\$5,271,438,700	\$5,323,616,200	\$52,177,500	1.0
FTEs	8,784.7	8,819.7	35.0	0.4

Notes: (1) FY 2018-19 year-to-date figures include mid-year budget adjustments through March 5, 2019. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as “one-time.”

Summary pages for individual department/agency budgets contained within the current FY 2018-19 General Government appropriations bill follow this page.

Attorney General

Analyst: Michael Crossen

	FY 2018-19 Year-to-Date as of 3/5/19	FY 2019-20 Executive	Difference: FY 2019-20 Vs. FY 2018-19	
			Amount	%
IDG/IDT	\$30,386,400	\$34,908,000	\$4,521,600	14.9
Federal	10,007,300	9,713,700	(293,600)	(2.9)
Local	0	0	0	--
Private	0	0	0	--
Restricted	22,427,200	20,159,800	(2,267,400)	(10.1)
GF/GP	41,206,800	41,736,300	529,500	1.3
Gross	\$104,027,700	\$106,517,800	\$2,490,100	2.4
FTEs	537.0	545.0	8.0	1.5

Notes: (1) FY 2018-19 year-to-date figures include mid-year budget adjustments through March 5, 2019. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Major Budget Changes From FY 2018-19 Year-to-Date (YTD) Appropriations

Child Abuse and Neglect Cases in Wayne County

Includes authorization for 2.0 FTE positions and \$340,000 in IDGs from the Department of Health and Human Services to represent child abuse and neglect cases in Wayne County for two new judicial dockets added in the Third Circuit Family Court.

Legal Services for Marihuana Regulation

Authorizes \$935,400 in IDGs from the Department of Licensing and Regulatory Affairs to provide legal services to the new Bureau of Marihuana Regulation for enforcement of medical and recreational marihuana regulations.

DTMB Legal Services

Includes authorization for 4.0 FTE positions and \$670,000 in IDGs from the Department of Technology, Management, and Budget to provide additional legal services to the department.

MSDHA Legal Services

Includes authorization for 2.0 FTE positions and \$335,500 in IDGs from the Michigan State Housing Development Authority to provide legal services for the Michigan State Housing Development Authority.

Economic Adjustments

Reflects increased costs of \$1.4 million Gross (\$629,500 GF/GP) for negotiated salary and wage increases (2.0% ongoing, 2.0% lump sum), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.

Supplemental Recommendations for FY 2018-19 Appropriations

Catholic Church Investigation

Provides \$2.0 million from the Lawsuit Settlement Proceeds Fund to support investigation into alleged sexual assault and abuse of children within Michigan Catholic Dioceses.

DEQ PFAS Related Legal Services

Authorizes \$700,000 in IDGs from the Department of Environmental Quality for investigation and enforcement regarding environmental contaminants, including perfluoroalkyl and polyfluoroalkyl substances.

Civil Rights

Analyst: Michael Crossen

	FY 2018-19 Year-to-Date as of 3/5/19	FY 2019-20 Executive	Difference: FY 2019-20 Vs. FY 2018-19	
			Amount	%
IDG/IDT	\$299,100	\$298,500	(\$600)	(0.2)
Federal	2,802,700	2,816,900	14,200	0.5
Local	0	0	0	--
Private	18,700	18,700	0	0
Restricted	58,500	58,500	0	0
GF/GP	13,022,100	13,195,700	173,600	1.3
Gross	\$16,201,100	\$16,388,300	\$187,200	1.2
FTEs	116.0	116.0	0.0	0.0

Notes: (1) FY 2018-19 year-to-date figures include mid-year budget adjustments through March 5, 2019. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Major Budget Changes From FY 2018-19 Year-to-Date (YTD) Appropriations

Economic Adjustments

Reflects increased costs of \$187,200 Gross (\$173,600 GF/GP) for negotiated salary and wage increases (2.0% ongoing, 2.0% lump sum), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.

Executive Office

Analyst: Ben Gielczyk

	FY 2018-19 Year-to-Date as of 3/5/19	FY 2019-20 Executive	Difference: FY 2019-20 Vs. FY 2018-19	
			Amount	%
IDG/IDT	\$0	\$0	\$0	--
Federal	0	0	0	--
Local	0	0	0	--
Private	0	0	0	--
Restricted	0	0	0	--
GF/GP	6,980,100	7,114,300	134,200	1.9
Gross	\$6,980,100	\$7,114,300	\$134,200	1.9
FTEs	89.2	89.2	0.0	0.0

Notes: (1) FY 2018-19 year-to-date figures include mid-year budget adjustments through March 5, 2019. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Major Budget Changes From FY 2018-19 Year-to-Date (YTD) Appropriations

Operational Adjustments

Reflects increased costs of \$134,200 GF/GP related to Executive Office staff and other operations.

Legislature

Analyst: Ben Gielczyk

	FY 2018-19 Year-to-Date as of 3/5/19	FY 2019-20 Executive	Difference: FY 2019-20 Vs. FY 2018-19	
			Amount	%
IDG/IDT	\$0	\$0	\$0	--
Federal	0	0	0	--
Local	0	0	0	--
Private	400,000	400,000	0	0.0
Restricted	4,394,300	4,394,300	0	0.0
GF/GP	181,718,200	162,968,200	(18,750,000)	(10.3)
Gross	\$186,512,500	\$167,762,500	(\$18,750,000)	(10.1)

Notes: (1) FY 2018-19 year-to-date figures include mid-year budget adjustments through March 5, 2019. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Major Budget Changes From FY 2018-19 Year-to-Date (YTD) Appropriations

Senate Parking Facility

Removes one-time appropriation of \$18.0 million GF/GP included in the FY 2018-19 budget for costs associated with purchasing the parking ramp adjacent to the Binsfeld Senate Office Building from the City of Lansing.

Legislative IT Systems Design Project

Removes one-time appropriation of \$750,000 GF/GP included in the FY 2018-19 budget for implementation and operational costs associated with the Legislative IT System Design Project.

Legislative Auditor General

Analyst: Ben Gielczyk

	FY 2018-19 Year-to-Date as of 3/5/19	FY 2019-20 Executive	Difference: FY 2019-20 Vs. FY 2018-19	
			Amount	%
IDG/IDT	\$5,823,400	\$5,823,400	\$0	0.0
Federal	0	0	0	--
Local	0	0	0	--
Private	0	0	0	--
Restricted	2,008,800	2,008,800	0	0.0
GF/GP	17,105,800	17,105,800	0	0.0
Gross	\$24,938,000	\$24,938,000	\$0	0.0

Notes: (1) FY 2018-19 year-to-date figures include mid-year budget adjustments through March 5, 2019. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Major Budget Changes From FY 2018-19 Year-to-Date (YTD) Appropriations

There were no adjustments to the Legislative Auditor General appropriations for FY 2019-20.

State (Department)

Analyst: Michael Cnossen

	FY 2018-19 Year-to-Date as of 3/5/19	FY 2019-20 Executive	Difference: FY 2019-20 Vs. FY 2018-19	
			Amount	%
IDG/IDT	\$20,000,000	\$20,000,000	\$0	0.0
Federal	1,460,000	1,460,000	0	0.0
Local	0	0	0	--
Private	50,100	50,100	0	0.0
Restricted	207,086,400	210,732,000	3,645,600	1.8
GF/GP	18,466,300	22,967,500	4,501,200	24.4
Gross	\$247,062,800	\$255,209,600	\$8,146,800	3.3
FTEs	1,592.0	1,592.0	0.0	0.0

Notes: (1) FY 2018-19 year-to-date figures include mid-year budget adjustments through March 5, 2019. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Major Budget Changes From FY 2018-19 Year-to-Date (YTD) Appropriations

Proposal 2 Redistricting Commission

Provides \$4.6 million GF/GP to implement the redistricting commission as approved by voters in Ballot Proposal 2 of 2018. Funding amount is set by the Constitution at 25% of the department's total GF/GP appropriation. Funding will support the Independent Redistricting Commission, including compensation for members and its operations and activities.

Branch Offices Rate Increases

Provides \$830,000 in state restricted funding to support contract rate increases for services at Secretary of State branch offices. (\$500,000 will be used for janitorial, security guard, and telecommunications services; \$330,000 for maintenance cost increases.)

Elections Compliance Core Systems Contract Increase

Provides \$200,000 GF/GP to cover increased contract costs of providing maintenance and support of the election system that covers the core applications of the Bureau of Elections.

Look Twice – Save a Life Motorcycle Safety Program

Authorizes \$300,000 of state restricted funding from the Motorcycle Safety and Education Awareness Fund to be used to develop and maintain the "Look Twice - Save a Life" program that promotes motorcycle awareness, safety, and education.

Economic Adjustments

Reflects increased costs of \$2.6 million Gross (\$423,300 GF/GP) for negotiated salary and wage increases (2.0% ongoing, 2.0% lump sum), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.

Supplemental Recommendations for FY 2018-19 Appropriations

Implementation of 2018 Ballot Proposals 2 and 3 Election Initiatives

Provides \$5.0 million GF/GP to establish the Independent Citizens Redistricting Commission, as required by Ballot Proposal 2, and to support education, training, and absentee voter equipment to implement the voting rights provisions as required by Ballot Proposal 3. Funds would be available from a corresponding work project lapse directive from the State Budget Director that would lapse the \$5.0 million appropriated in 2015 PA 268 for the elimination of straight ticket voting.

Talent and Economic Development

Analyst: Ben Gielczyk

	FY 2018-19 Year-to-Date as of 3/5/19	FY 2019-20 Executive	Difference: FY 2019-20 Vs. FY 2018-19	
			Amount	%
IDG/IDT	\$0	\$0	\$0	--
Federal	762,645,800	762,145,800	(500,000)	(0.1)
Local	500,000	500,000	0	0.0
Private	5,621,700	5,628,300	6,600	0.1
Restricted	205,432,300	175,074,600	(30,357,700)	(14.8)
GF/GP	286,546,300	144,908,300	(141,638,000)	(49.4)
Gross	\$1,260,746,100	\$1,088,257,000	(\$172,489,100)	(13.7)
FTEs	1,456.0	1,456.0	0.0	0.0

Notes: (1) FY 2018-19 year-to-date figures include mid-year budget adjustments through March 5, 2019. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Major Budget Changes From FY 2018-19 Year-to-Date (YTD) Appropriations

Pure Michigan

Reduces program funding by \$5.0 million Gross (\$1.0 million GF/GP). This includes a shift of \$4.0 million in state restricted 21st Century Jobs Trust Fund to Business Attraction and Community Revitalization to realize GF/GP savings.

Going Pro

Reduces program funding by \$10.0 million Gross. Replaces \$25.9 million state restricted Contingent Fund, Penalty and Interest Account funding with a corresponding amount of GF/GP for a total Going Pro appropriation of \$27.9 million GF/GP.

Community Ventures

Eliminates Community Ventures program totaling \$4.0 million from the state restricted Contingent Fund, Penalty and Interest Account.

Jobs for Michigan Graduates

Eliminates program grant totaling \$3.0 million from the state restricted Contingent Fund, Penalty and Interest Account.

Land Bank Fast Track Authority

Replaces \$1.5 million GF/GP with a corresponding amount of state restricted Land Bank Fast Track Fund revenues for a net change of \$0. Improved revenue generation from land bank operations has resulted in an increasing Land Bank Fast Track Fund balance.

Removal of One-Time Appropriations

Removes FY 2018-19 one-time appropriations totaling \$153.3 million GF/GP. One-time appropriations supported the following items: Michigan Enhancement Grants (\$115.5 million GF/GP); Business Attraction and Community Revitalization (\$20.0 million GF/GP); Northern MI Tourism and Sports Fund (\$10.0 million GF/GP); Entrepreneurship Eco-System (\$2.5 million GF/GP); Workforce Development GEAR UP grants replacement (\$2.0 million); Arts and Cultural Grants (\$1.0 million GF/GP); Project Rising Tide (\$1.0 million GF/GP); Van Andel Institute (\$1.0 million GF/GP); and the Rural Blight Elimination Program (\$350,000 GF/GP).

Economic Adjustments

Reflects increased costs of \$2.7 million Gross (\$243,700 GF/GP) for negotiated salary and wage increases (2.0% ongoing, 2.0% lump sum), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.

Technology, Management, and Budget

Analyst: Michael Cnossen

	FY 2018-19 Year-to-Date as of 3/5/19	FY 2019-20 Executive	Difference: FY 2019-20 Vs. FY 2018-19	
			Amount	%
IDG/IDT	\$751,777,000	\$950,488,800	\$198,711,800	26.4
Federal	5,033,700	4,968,400	(65,300)	(1.3)
Local	2,341,600	2,321,200	(20,400)	(0.9)
Private	129,400	131,100	1,700	1.3
Restricted	122,117,400	117,916,800	(4,200,600)	(3.4)
GF/GP	552,044,500	504,442,600	(47,601,900)	(8.6)
Gross	\$1,433,443,600	\$1,580,268,900	\$146,825,300	10.2
FTEs	3,122.0	3,135.0	13.0	0.4

Notes: (1) FY 2018-19 year-to-date figures include mid-year budget adjustments through March 5, 2019. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Major Budget Changes From FY 2018-19 Year-to-Date (YTD) Appropriations

Michigan Public Safety Communications System (MPSCS) Upgrades and Maintenance

Includes authorization for 10.0 FTE positions and \$14.1 million GF/GP (\$8.2 million ongoing, \$5.9 million one-time) for software upgrades, additional technical staff, increased coverage, and radio tower site maintenance for the MPSCS interoperable communications network used by state, federal, local, private, and tribal security officers and first responders across the state.

Enterprisewide Maintenance of State Facilities

Provides an additional \$5.0 million GF/GP for various general maintenance and demolition projects on state-owned facilities across the state.

Microsoft License Agreement

Provides \$5.0 million GF/GP to support a licensing agreement with the Microsoft Corporation for its 365 Government G5 product bundle which includes basic software applications for state agencies as well as additional enterprise security and compliance functionality.

MiLogin Single Sign-On Integration of State Applications

Includes authorization for 5.0 FTE positions and \$3.3 million GF/GP to support the integration of additional state software applications into the MiLogin enterprisewide IT initiative which provides single sign-on capabilities for accessing State of Michigan internet and mobile sites. Approximately half of all state applications remain to be integrated.

Elimination of Regional Prosperity Grants

Removes \$4.0 million GF/GP for the regional prosperity grant program, which offers economic, infrastructure, and workforce development planning grants to eligible regional planning organizations working in collaboration with local governmental, non-profit, business, and educational community partners.

Economic Adjustments

Reflects increased costs of \$7.3 million Gross (\$1.3 million GF/GP) for negotiated salary and wage increases (2.0% ongoing, 2.0% lump sum), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.

Supplemental Recommendations for FY 2018-19 Appropriations

Drinking Water Declaration of Emergency Reserve Fund

Deposits \$15.0 million GF/GP into the Drinking Water Declaration of Emergency Reserve Fund for needs related to the drinking water declaration of emergency in Flint as they become known.

Economic Incentives Evaluations

Provides \$2.0 million GF/GP in one-time funding for compliance with 2018 PA 540 which requires DTMB to contract with a vendor to periodically evaluate certain economic development incentives.

Treasury

Analyst: Ben Gielczyk

	FY 2018-19 Year-to-Date as of 3/5/19	FY 2019-20 Executive	Difference: FY 2019-20 Vs. FY 2018-19	
			Amount	%
IDG/IDT	\$12,780,300	\$12,905,600	\$125,300	1.0
Federal	27,128,000	27,242,500	114,500	0.4
Local	13,135,700	13,215,800	80,100	0.6
Private	27,500	27,500	0	0.0
Restricted	1,727,494,000	1,804,941,600	77,447,600	4.5
GF/GP	210,961,300	218,826,800	7,865,500	3.7
Gross	\$1,991,526,800	\$2,077,159,800	\$85,633,000	4.3
FTEs	1,872.5	1,880.5	8.0	0.4

Notes: (1) FY 2018-19 year-to-date figures include mid-year budget adjustments through March 5, 2019. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Major Budget Changes From FY 2018-19 Year-to-Date (YTD) Appropriations

Revenue Sharing

- Increases Constitutional revenue sharing by \$51.2 million in sales tax revenue relative to the FY 2018-19 budget act appropriated amount (\$27.5 million (3.2%) increase over FY 2018-19 January CREC estimates).
- Increases CVT revenue sharing by \$7.7 million (3.0%) in sales tax revenue. FY 2018-19 one-time funds totaling \$12.1 million in sales tax revenue would be maintained and transferred to the ongoing CVT revenue sharing line item. A CVT would be eligible to receive a payment equal to 103% of its FY 2018-19 combined eligible payment under CVT and Supplemental CVT revenue sharing.
- Includes \$6.6 million in sales tax revenue to increase county revenue sharing/county incentive program by 3.0%. Eligible counties would qualify for 105.277% of statutory full funding. County Incentive Program funding equals 20% of the estimated FY 2019-20 full funding amount.
- Includes \$5.0 million for newly named Community Opportunities for Renewal program that would replace the Financially Distressed CVTs program. This represents a \$2.5 million increase over the FY 2018-19 appropriation for the Financially Distressed CVTs program. The newly named program would retain the basic framework of the Financially Distressed CVTs program.

Recreational Marijuana Programming and Grants for Locals

Includes \$3.6 million from the Marijuana Regulation Fund (created under Proposal 1) to support the processing, collection, and auditing of new revenues. Includes \$20.3 million from the Marijuana Regulation Fund to provide statutorily required grants to local units of government. Removes \$10.9 million Medical Marijuana Excise Fund appropriations due to removal of the 3% excise tax in Proposal 1.

Debt Service

Provides a net reduction of \$2.7 million GF/GP for general obligation bond debt service. The estimated baseline reduction in debt service is partially offset with projected debt service increases associated with planned new issuances for Clean Michigan Initiative and Great Lakes Water Quality Bonds.

Information Technology Cost Increases

Includes \$1.5 million GF/GP to support increased costs related to the Unisys mainframe and servers utilized by the Department of Treasury for critical information technology systems. Other departments have ceased to use the Unisys mainframe and servers, thereby increasing the department's share of the overall costs.

Business Pass-Through Tax Administration

Includes authorization for 11.0 FTE positions and \$2.0 million GF/GP to support administration and staffing related to proposed business pass-through tax changes.

Wrongful Imprisonment Compensation Fund

Includes a one-time appropriation of \$10.0 million GF/GP to support projected payments for FY 2019-20 under provisions of the Wrongful Imprisonment Compensation Act, 2016 PA 343.

Economic Adjustments

Reflects increased costs of \$3.3 million Gross (\$610,600 GF/GP) for negotiated salary and wage increases (2.0% ongoing, 2.0% lump sum), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.

Supplemental Recommendations for FY 2018-19 Appropriations

Wrongful Imprisonment Compensation Fund

Includes one-time appropriation of \$10.0 million GF/GP to support projected payments for FY 2018-19 under provisions of the Wrongful Imprisonment Compensation Act, 2016 PA 343.

Business Pass-Through Tax Administration and Information Technology Upgrades

Includes authorization for 2.0 FTE positions and \$10.0 million GF/GP (\$1.0 million ongoing, \$9.0 million one-time) to support information technology system upgrades and staffing needed to implement the proposed business pass-through tax changes.

Health and Human Services

Analysts: Kent Dell, Susan Frey, Kevin Koorstra, and Viola Wild

	FY 2018-19 Year-to-Date as of 3/5/19	FY 2019-20 Executive	Difference: FY 2019-20 Vs. FY 2018-19	
			Amount	%
IDG/IDT	\$13,813,700	\$13,857,600	\$43,900	0.3
Federal	18,016,041,200	18,221,270,400	205,229,200	1.1
Local	121,612,600	155,806,100	34,193,500	28.1
Private	152,409,900	143,535,100	(8,874,800)	(5.8)
Restricted	2,758,754,600	2,864,946,300	106,191,700	3.8
GF/GP	4,439,614,400	4,779,342,000	339,727,600	7.7
Gross	\$25,502,246,400	\$26,178,757,500	\$676,511,100	2.7
FTEs	15,942.7	16,007.0	64.3	0.4

Notes: (1) FY 2018-19 year-to-date figures include mid-year budget adjustments through March 5, 2019. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Major Budget Changes From FY 2018-19 Year-to-Date (YTD) Appropriations

MEDICAID AND BEHAVIORAL HEALTH

Traditional Medicaid Cost Adjustments

Provides increase of \$383.0 million Gross (\$207.6 million GF/GP) for traditional Medicaid program caseload/utilization/inflation, financing, and actuarial soundness adjustments. Total includes \$70.5 million GF/GP to offset decline in federal match rate from 64.45% to 64.06%. Compared to FY 2017-18 expenditures, State Budget Office forecasts an average annual increase of 3.8%.

Healthy Michigan Plan Cost Adjustments

Provides reduction of \$22.4 million Gross (increase of \$73.0 million GF/GP) for Healthy Michigan Plan caseload/utilization/inflation, financing, and actuarial soundness adjustments, of which a reduction of \$50 million Gross (\$4.6 million GF/GP) is attributable to work requirement disenrollments. Total includes \$75.1 million GF/GP to offset decline in federal match rate from 93.25% to 90.75%. Compared to FY 2017-18 expenditures, State Budget Office forecasts an average annual increase of 3.8%.

Annualize Direct Care Wage Increase

Includes \$16.0 million Gross (\$5.3 million GF/GP) to annualize the \$0.25 direct care behavioral health worker wage increase included in 2018 PA 618 (Senate Bill 601).

Federal Opioid Grant

Includes \$31.9 million from the new federal state opioid response grant.

Michigan CARES Hotline

Eliminates \$3.0 million GF/GP added in 2018 PA 618 (Senate Bill 601) to pilot a Michigan CARES behavioral health hotline.

Annualize Caro Staffing Increase

Includes \$3.0 million GF/GP to annualize the 68.0 FTE position increase for Caro added in 2018 PA 618 (Senate Bill 601).

Forensic Evaluations

Includes 12.0 FTE positions and \$2.2 million GF/GP to increase the number of forensic evaluations provided for persons who may be incompetent to stand trial (IST) through the Center for Forensic Psychiatry.

Healthy Michigan Plan Work Requirement Implementation

Increases \$36.2 million Gross (\$23.1 million GF/GP) to support HMP work requirement implementation costs and additional employment and training support services.

Medicaid Home Help Minimum Wage Cost Increase

Increases \$28.2 million Gross (\$10.1 million GF/GP) for minimum wage costs for home help services, including \$16.6 million Gross (\$6.0 million GF/GP) to support an increase to wages provided through home help agencies.

Medicaid Audit Enhancement – Office of the Inspector General

Includes 30.0 FTE positions and recognizes net savings of \$21.6 million Gross (\$4.9 million GF/GP) related to recoupment of inappropriate and fraudulent payments from Medicaid Health Plans to providers. The OIG previously conducted informal reviews of payments by health plans to providers, but a change in contract language allows the OIG to conduct formal reviews in order to recoup funds.

Medicaid Nursing Facility Variable Cost Reimbursement

Reduces \$15.3 million Gross (\$5.5 million GF/GP) from changing the cap of cost reimbursements for nursing facilities from the 80th percentile to the 70th percentile. Nursing facilities currently at or below the 70th percentile of cost will not be impacted.

Medicaid Managed Care Pharmaceutical Administration

Reduces \$19.9 million Gross (\$5.0 million GF/GP) from reducing the Medicaid health plan administrative calculation related to pharmaceutical services.

Medical Services Reductions

Includes medical services reductions of \$27.3 million Gross (\$10.0 million GF/GP), including reduction to MiDocs \$3.7 million GF/GP, elimination of hospice room and board \$3.3 million GF/GP, elimination of Beaumont graduate medical education (GME) for psychiatric residents \$3.0 million GF/GP.

Federal Affordable Care Act (ACA) Health Insurer Fee – One-Time Funding

Includes \$180.5 million Gross (\$50.0 million GF/GP) under the assumption that the federal ACA health insurer fee moratorium will expire, as is current federal law.

PUBLIC HEALTH**Flint Drinking Water and Lead Exposure Emergency**

Increases funding for assistance to residents exposed to lead in the City of Flint by \$3.4 million Gross (\$3.8 million GF/GP); funding for health care, nutrition and other services is moved to the ongoing budget totaling \$5.2 million GF/GP, and one-time funding is reduced by \$1.8 million Gross (\$1.4 million GF/GP) for transportation, senior assistance, and lead abatement investigations and contracts; total funding proposed is \$8.1 million.

PFAS and Environmental Contamination Response

Increases \$13.9 million GF/GP to improve monitoring and response to public health hazards and threats from environmental contamination, and to expand laboratory capacity for testing and analysis; \$5.5 million of the increase is directed to PFAS drinking water contamination public health response.

State Innovation Model Project Support – One-Time Funding

Provides one-time funding of \$7.0 million GF/GP to continue support for 5 community health innovation regions initially developed under the 4-year \$70 million federal state innovation model (SIM) grant which is near completion; funding allows continuation of the regions as the SIM evaluation is completed and recommendations are considered.

HUMAN SERVICES

Child Welfare Caseload Adjustments

Provides net increase of \$21.0 million Gross (\$13.4 million GF/GP) for child welfare caseload adjustments. Amount includes increasing funding for foster care by \$15.6 million Gross (\$5.5 million GF/GP) and increases Child Care Fund by \$12.3 million Gross (\$10.1 million GF/GP). Amount also includes reducing funding for adoption subsidies by \$6.3 million Gross (\$1.8 million GF/GP) and guardian assistance program by \$583,100 Gross (\$418,600 GF/GP).

Food Assistance Program – Caseload Adjustment

Recognizes a \$170.9 million reduction in federal Supplemental Nutrition Assistance Program revenues due to declining caseloads.

Public Assistance Programs – Caseload Adjustment

Recognizes a \$12.1 million Gross (\$2.8 million GF/GP) reduction in expected public assistance program expenditures (excluding food assistance) due to declining caseloads. Reductions include:

- Family Independence Program: \$9.4 million Gross (\$168,300 GF/GP)
- State Disability Assistance: \$1.5 million GF/GP
- State Supplementation: \$1.2 million GF/GP

Implementation of State Pays First Policy

Increases funding by \$19.0 million Gross (reduces GF/GP by \$4.1 million) to implement 2018 PA 22, which requires the state be the first payer of costs for children placed in the child welfare system under DHHS' care and that counties be the first payer for those that are not. The increased appropriation authorizes DHHS to receive an estimated \$22.8 million in local funding to reimburse for state-funded services. This funding did not pass through the state budget before the implementation of the state pays first model.

Foster Care Supportive Visitation Program

Provides \$5.9 million GF/GP to expand to all 83 counties the Foster Care Supportive Visitation program, which is designed to help reunify children who are in foster care due to abuse and neglect with their parents. Funding will also support local contracts for the new Parent-Child Visit Assistance program.

Relative Foster Care Provider Licensing Incentive Payments

Provides \$1.8 million GF/GP to support new \$1,000 one-time incentive payments for relative foster care providers who become licensed foster parents within 180 days of the initial placement.

Crime Victim Justice Assistance Grant Increase

Includes authorization for 4.0 FTE positions and \$40.0 million in federal funding to recognize additional Victims of Crime Act – Victim Assistance grant funding.

DEPARTMENTAL ADMINISTRATION

Economic Adjustments

Reflects increased costs of \$28.8 million Gross (\$19.1 million GF/GP) for negotiated salary and wage increases (2.0% ongoing, 2.0% lump sum), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.

Supplemental Recommendations for FY 2018-19 Appropriations

Traditional Medicaid and Healthy Michigan Plan Cost Adjustments

Reduces \$72.4 million Gross (\$17.3 million GF/GP) based on caseload and utilization adjustments for the Medicaid program.

Traditional Medicaid and Healthy Michigan Plan Non-Caseload Adjustments

Increases \$327.8 million Gross (reduces \$35.6 million GF/GP) based on changes in non-caseload related Medicaid program adjustments. Amount includes \$25.0 million GF/GP savings related to increased state psychiatric DSH payments and \$9.1 million GF/GP savings from increasing the Outpatient DSH pool.

Child Welfare Caseload Adjustments

Increases \$18.2 million Gross (\$10.3 million GF/GP) for caseload adjustments.

Public Assistance Caseload Adjustments

Reduces \$118.4 million Gross (\$1.8 million GF/GP) due to expected declines in public assistance program expenditures resulting from declining caseloads.

Higher Education

Analyst: Perry Zielak

	FY 2018-19	FY 2019-20	Difference: FY 2019-20	
	Year-to-Date as of 3/5/19		Executive	Vs. FY 2018-19
			Amount	%
IDG/IDT	\$0	\$0	\$0	--
Federal	123,526,400	123,526,400	0	0.0
Local	0	0	0	--
Private	0	0	0	--
Restricted	500,188,300	0	(500,188,300)	(100.0)
GF/GP	1,046,017,900	1,587,795,400	541,777,500	51.8
Gross	\$1,669,732,600	\$1,711,321,800	\$41,589,200	2.5

Notes: (1) FY 2018-19 year-to-date figures include mid-year budget adjustments through March 5, 2019. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Major Budget Changes From FY 2018-19 Year-to-Date (YTD) Appropriations

University Operations Funding

Increases university operations funding by \$43.7 million GF/GP, a 3.0% increase. The increase is distributed across-the-board, so that each university receives a 3.0% increase. Attainment of the additional student affordability funding would be conditioned on restraining resident undergraduate tuition and fee increases to 3.2% or \$427 (set at 3.8% or \$490 in the current year). Replaces \$494.3 million School Aid Fund (SAF) with a corresponding amount of GF/GP. Total funding for operations will be \$1.5 billion GF/GP.

Michigan State University Extension and AgBioResearch Programs

Increases funding for Michigan State's AgBioResearch program by \$1.0 million GF/GP and Extension program by \$895,100 GF/GP, a 3.0% increase for both programs.

Tuition Incentive Program

Reduces funding for Tuition Incentive Program by \$4.5 million in federal Temporary Assistance for Needy Families (TANF) funds, a 7.0% decrease, which pays for Medicaid-eligible students' tuition costs for associate's degrees. Implements program reimbursement rate cap of 3x the average community college in-district tuition rate. Total funding for TIP will be \$59.8 million.

Michigan Competitive Scholarships Fund Swap

Maintains current funding levels for Michigan Competitive Scholarships, but replaces \$2.1 million GF/GP with a corresponding amount of TANF funding.

Tuition Grant Program Fund Swap

Maintains current funding levels for the Tuition Grant Program, but replaces \$2.4 million GF/GP with a corresponding amount of TANF funding.

Children of Veterans and Officer's Survivor Tuition Grant Program

Maintains current funding levels for the Children of Veterans and Officer's Survivor Tuition Grant Program, but replaces \$100,000 in restricted funding with a corresponding amount of GF/GP.

Michigan Public School Employee Retirement System (MPERS) Normal Cost Offset

Increases funding by \$565,000 GF/GP to reimburse universities for the normal cost increase required to reduce the assumed rate of return for MPERS from 7.5% to 7.05% and incorporates \$669,000 into the base from previous one-time funding that lowered the assumed rate of return from 8% to 7.5%. Total funding for the MPERS Normal Cost Offset will be \$1.2 million GF/GP.

MPERS State Share of UAL Stabilization Payment

Reduces funding by \$116,000 GF/GP for the state's share of the universities' unfunded liability contribution to MPERS. The state's share is the difference between the calculated unfunded accrued liability contribution to the system and the employer contribution cap of 25.73% of payroll for the seven universities with MPERS employees (Central, Eastern, Ferris, Lake Superior State, Michigan Tech, Northern, and Western). Replaces \$5.0 million SAF with a corresponding amount of GF/GP. Total funding for the state share of MPERS will be \$5.0 million GF/GP.

Supplemental Recommendations for FY 2018-19 Appropriations

Michigan Reconnect Grant Program

Increases funding by \$50.0 million GF/GP to the Talent Investment Fund for the Michigan Reconnect Grant Program. The program will provide tuition assistance for eligible recipients for an associate degree or an industrial certificate at eligible community colleges, technical programs and community-based organizations. Total funding will be \$110.0 million and will be available through FY 2019-20 as a work project.

Insurance and Financial Services

Analyst: Marcus Coffin

	FY 2018-19 Year-to-Date as of 3/5/19	FY 2019-20 Executive	Difference: FY 2019-20 Vs. FY 2018-19	
			Amount	%
IDG/IDT	\$713,800	\$723,100	\$9,300	1.3
Federal	2,017,300	1,017,600	(999,700)	(49.6)
Local	0	0	0	--
Private	0	0	0	--
Restricted	64,690,800	66,999,100	2,308,300	3.6
GF/GP	550,000	150,000	(400,000)	(72.7)
Gross	\$67,971,900	\$68,889,800	\$917,900	1.4
FTEs	342.5	352.5	10.0	2.9

Notes: (1) FY 2018-19 year-to-date figures include mid-year budget adjustments through March 5, 2019. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Major Budget Changes From FY 2018-19 Year-to-Date (YTD) Appropriations

Anti-Fraud Unit

Includes authorization for 6.0 FTE positions and \$499,300 Gross (\$0 GF/GP) for the Anti-Fraud Unit, created under Executive Order 2018-9. The unit will enhance the Department's ability to conduct background checks and to investigate instances of fraudulent activity in Michigan's financial services and insurance industries.

Removal of One-Time Funding

Eliminates \$400,000 GF/GP of one-time funding for the Section 1332 State Innovation Waiver Study.

Economic Adjustments

Reflects increased costs of \$818,600 (\$0 GF/GP) for negotiated salary and wage increases (2.0% ongoing, 2.0% lump sum), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.

Judiciary

Analyst: Robin R. Risko

	FY 2018-19 Year-to-Date as of 3/5/19	FY 2019-20 Executive	Difference: FY 2019-20 Vs. FY 2018-19	
			Amount	%
IDG/IDT	\$1,551,300	\$1,551,700	\$400	0.0
Federal	5,987,400	6,028,400	41,000	0.7
Local	6,499,800	6,579,500	79,700	1.2
Private	981,600	994,300	12,700	1.3
Restricted	92,979,500	93,044,900	65,400	0.1
GF/GP	196,079,500	201,142,200	5,062,700	2.6
Gross	\$304,079,100	\$309,341,000	\$5,261,900	1.7
FTEs	502.0	503.0	1.0	0.2

Notes: (1) FY 2018-19 year-to-date figures include mid-year budget adjustments through March 5, 2019. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Major Budget Changes From FY 2018-19 Year-to-Date (YTD) Appropriations

Cybersecurity for Supreme Court Website

Includes authorization for 2.0 FTE positions and \$1.9 million GF/GP (\$1.5 million one-time, \$454,100 ongoing) for redesigning and updating the Supreme Court website and extranet. Funding will be used to support new staff, purchase software, and provide for cloud-hosting and software licenses.

Removal of Current Year One-Time Funding

Reduces the budget by \$1.8 million GF/GP to reflect removal of one-time funding included in the FY 2018-19 budget. Funding removed includes: \$700,000 for the State Appellate Defender Office (SADO) to ensure compliance with the U.S. Supreme Court ruling on the *Montgomery v. Louisiana* case, \$750,000 for expansion of problem solving courts, \$305,700 for pretrial risk assessment, and \$75,000 for the Youthful Sex Offender Treatment pilot program.

Compliance with U.S. Supreme Court Decision Regarding Juvenile Lifers

Includes authorization for 7.0 FTE positions and \$841,900 GF/GP for SADO to ensure compliance with the U.S. Supreme Court ruling on the *Montgomery v. Louisiana* case. SADO provides post-conviction representation of juvenile lifers. Currently, there are 98 clients awaiting new sentencing hearings.

SADO Caseload Increase

Includes authorization for 4.0 FTE positions and \$457,200 GF/GP for SADO's public defense division to cover an increase in the number of clients appealing convictions they received after trial.

Online Dispute Resolution Services

Includes \$450,000 GF/GP for expanding availability of online dispute resolution for small claims and landlord/tenant cases. Funding also will be used to pilot the use of online dispute resolution services to resolve certain domestic relations and youth-related issues and to prevent rental eviction.

Pretrial Risk Assessment

Includes \$325,700 GF/GP for development of a pretrial risk assessment tool in an effort to provide relevant information to judges so they can make evidence-based bond decisions.

Judicial Tenure Commission (JTC)

Includes \$200,000 GF/GP (\$100,000 one-time, \$100,000 ongoing) for additional staff resources to enhance ability of the JTC to investigate judicial misconduct and hold judges accountable.

Economic Adjustments

Reflects increased costs of \$3.3 million Gross (\$3.1 million GF/GP) for negotiated salary and wage increases (2.0% ongoing, 2.0% lump sum), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.

Licensing and Regulatory Affairs

Analyst: Marcus Coffin

	FY 2018-19 Year-to-Date as of 3/5/19	FY 2019-20 Executive	Difference: FY 2019-20 Vs. FY 2018-19	
			Amount	%
IDG/IDT	\$48,414,300	\$49,014,200	\$599,900	1.2
Federal	91,213,900	95,852,500	4,638,600	5.1
Local	300,000	100,000	(200,000)	(66.7)
Private	111,800	251,800	140,000	125.2
Restricted	276,471,400	303,125,900	26,654,500	9.6
GF/GP	135,845,300	124,268,100	(11,577,200)	(8.5)
Gross	\$552,356,700	\$572,612,500	\$20,255,800	3.7
FTEs	2,384.8	2,404.8	20.0	0.8

Notes: (1) FY 2018-19 year-to-date figures include mid-year budget adjustments through March 5, 2019. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Major Budget Changes From FY 2018-19 Year-to-Date (YTD) Appropriations

Marihuana Treatment Research

Includes \$20 million from the Marihuana Regulation Fund to support clinical trials (approved by the FDA and sponsored by a non-profit organization or researcher within an academic institution) researching the efficacy of marihuana for treating medical conditions afflicting veterans and preventing veteran suicide, in accordance with 2018 Initiated Law 1.

Recreational Marihuana Licensing and Regulation

Includes authorization for 30.0 FTE positions and \$6.0 million in restricted funding for licensing and regulatory activities related to the recreational marihuana industry.

Michigan Indigent Defense Commission Grants

Reduces funding for MIDC grants by \$5.9 million GF/GP to reflect one-time costs contained in FY 2018-19 grant awards for compliance with MIDC standards 1-4.

First Responder Presumed Coverage Fund

Eliminates restricted funding of \$5.4 million, since the designated ongoing funding source for the program (30% portion of the 3% excise tax on medical marihuana provisioning center sales) was eliminated with the passage of 2018 Initiated Law 1.

Unaccompanied Refugee Minors

Includes \$3.8 million in federal funding for the Michigan Office for New Americans to support provider services for the assistance of unaccompanied refugee minors in Michigan.

Medical Marihuana Right-Size

Includes \$900,000 in restricted funding and eliminates 13.0 FTE positions in order to align ongoing departmental activities with revenues and license volumes.

Economic Adjustments

Reflects increased costs of \$5.1 million Gross (\$443,000 GF/GP) for negotiated salary and wage increases (2.0% ongoing, 2.0% lump sum), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.

Supplemental Recommendations for FY 2018-19 Appropriations

Implementation of 2018 Initiated Law 1

Includes \$5 million GF/GP for implementation of 2018 Initiated Law 1 (recreational marijuana). Funding will be used by LARA, in coordination with other affected state departments, and will be reimbursed to the General Fund with excise tax collections from recreational marijuana sales.

Military and Veterans Affairs

Analyst: Michael Crossen

	FY 2018-19 Year-to-Date as of 3/5/19	FY 2019-20 Executive	Difference: FY 2019-20 Vs. FY 2018-19	
			Amount	%
IDG/IDT	\$101,800	\$101,800	\$0	0.0
Federal	98,170,200	106,177,200	8,007,000	8.2
Local	1,545,400	0	(1,545,400)	(100.0)
Private	630,000	630,000	0	0.0
Restricted	23,279,500	23,908,600	629,100	2.7
GF/GP	75,912,400	70,284,900	(5,627,500)	(7.4)
Gross	\$199,639,300	\$201,102,500	\$1,463,200	0.7
FTEs	921.5	933.5	12.0	1.3

Notes: (1) FY 2018-19 year-to-date figures include mid-year budget adjustments through March 5, 2019. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Major Budget Changes From FY 2018-19 Year-to-Date (YTD) Appropriations

Michigan Youth Challenge Academy

Includes \$700,000 GF/GP to support a 25% state match requirement for receiving a federal grant for the Michigan Job Challenge Program. The program provides secondary education completion, vocational training, and job placement for at-risk youth. The program was 100% federally funded from grants issued by the U.S. Department of Labor as part of a three-year pilot which has concluded. Program grants will now be issued by the U.S. Department of Defense and will require a 25% state general fund contribution.

Transfer and Reduction of Retirement Costs

Provides a net increase of \$1.0 million GF/GP to support military retirement provisions. A reduction of \$4.2 million GF/GP was applied to reflect updated actuarial assumptions following the lump-sum retirement pre-funding provided in the supplemental budget act, 2018 PA 618, and \$5.2 GF/GP was transferred to the department from DTMB.

CMS Certification Revenue Adjustment

Provides an increase of \$900,000 in federal funds and a reduction of \$900,000 GF/GP to reflect an additional \$1.8 million in federal revenue following CMS certification of facilities at the D.J. Jacobetti Home for Veterans.

Michigan Youth Challenge Academy GF Fund Shift

Provides \$1.6 million GF/GP to offset a reduction of \$1.6 million state restricted from the School Aid Fund for a \$0.0 net change.

Selfridge Air Base

Includes authorization for 12.0 FTE positions and \$400,000 GF/GP required to receive federal match funding of 75% for maintenance personnel at Selfridge Air National Guard Base.

Economic Adjustments

Reflects increased costs of \$1.3 million Gross (\$384,700 GF/GP) for negotiated salary and wage increases (2.0% ongoing, 2.0% lump sum), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.

Natural Resources

Analyst: Austin Scott

	FY 2018-19 Year-to-Date as of 3/5/19	FY 2019-20 Executive	Difference: FY 2019-20 Vs. FY 2018-19	
			Amount	%
IDG/IDT	\$232,200	\$232,200	\$0	0.0
Federal	85,339,700	86,011,600	671,900	0.8
Local	0	0	0	--
Private	12,431,400	7,431,600	(4,999,800)	(40.2)
Restricted	309,185,800	329,545,300	20,359,500	6.6
GF/GP	77,241,800	51,224,000	(26,017,800)	(33.7)
Gross	\$484,430,900	\$474,444,700	(\$9,986,200)	(2.1)
FTEs	2,340.3	2,366.1	25.8	1.1

Notes: (1) FY 2018-19 year-to-date figures include mid-year budget adjustments through March 5, 2019. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Major Budget Changes From FY 2018-19 Year-to-Date (YTD) Appropriations

Wildlife Management – Chronic Wasting Disease

Provides \$2.3 million GF/GP for Chronic Wasting Disease research costs (\$2.0 million ongoing) and increased laboratory costs associated with the rising number of deer tested (\$300,000 one-time).

Minerals Management

Includes 3.0 FTE positions and one-time appropriation of \$1.4 million GF/GP for an inventory of hazardous materials pipelines that cross waterways to prioritize which crossings need attention.

Recreation Infrastructure Improvement Projects

Provides \$21.4 million in restricted funding for improvements to public recreation infrastructure and facilities. This additional revenue is projected from the proposed gas tax increase; the DNR receives 2% of gas tax in accordance with constitutional revenue distribution.

Parks and Recreation Division

Adds \$1.6 million in restricted funding to the Parks and Recreation Division to support the following programs: Forest Recreation and Trails (\$1.2 million and 6.1 FTE positions), Recreational Boating (\$218,500 and 0.9 FTE position), and State Parks (\$200,000 and 11.8 FTE positions).

Economic Adjustments

Reflects increased costs of \$3.7 million Gross (\$591,500 GF/GP) for negotiated salary and wage increases (2.0% ongoing, 2.0% lump sum), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.

Supplemental Recommendations for FY 2018-19 Appropriations

State Parks Repair and Maintenance – Capital Outlay

Adds \$8.5 million in restricted funding for construction, demolition, maintenance, repair, and renovation projects at state park facilities.

Shooting Range Improvements – Capital Outlay

Provides \$1.7 million in federal funding for shooting range projects in Allegan, Lapeer, and Marquette counties. Funds are available from a federal excise tax on the sale of firearms and ammunition.

Snowmobile Trail Improvement Fund Revenue Increase

Adds \$6.0 million from the Snowmobile Trail Improvement Fund for snowmobile grants (\$3.7 million) and for capital projects across Michigan's snowmobile trail system including erosion mitigation, infrastructure repair, and trail maintenance (\$2.3 million).

Off-road Vehicle Trail Improvement Fund Revenue Increase

Authorizes funding from the ORV trail improvement fund to be used for the following: capital projects across Michigan's ORV trail system (\$1.4 million); ORV grants (\$764,500); law enforcement (\$716,800); Finance and Operations (\$44,300); Executive Direction (\$36,000); and Marketing and Outreach (\$13,400).

School Aid

Analysts: Samuel Christensen and Jacqueline Mullen

	FY 2018-19	FY 2019-20	Difference: FY 2019-20	
	Year-to-Date as of 3/5/19		Executive	Vs. FY 2018-19
			Amount	%
IDG/IDT	\$0	\$0	\$0	--
Federal	1,745,943,500	1,749,578,500	3,635,000	0.2
Local	0	0	0	--
Private	0	0	0	--
Restricted	13,010,725,300	13,576,660,400	565,935,100	4.3
GF/GP	87,920,000	45,000,000	(42,920,000)	(48.8)
Gross	\$14,844,588,800	\$15,371,238,900	\$526,650,100	3.5

Notes: (1) FY 2018-19 year-to-date figures include mid-year budget adjustments through March 5, 2019. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Major Budget Changes From FY 2018-19 Year-to-Date (YTD) Appropriations

Foundation Allowance

Increases by \$235.0 million to provide increases ranging from \$120 to \$180 per pupil using a 1.5x formula. The minimum foundation allowance will increase from \$7,871 to \$8,051 (2.3%) and the state guaranteed foundation allowance will increase from \$8,409 to \$8,529 (1.4%).

Weighted Model: Special Education

Provides \$120.0 million School Aid Fund (SAF) to increase reimbursements for districts' special education costs by 4.0 percentage points. Currently, districts are reimbursed for 28.6138% of total approved costs of special education as mandated by the Durant court case.

Weighted Model: Academically At-Risk and Economically Disadvantaged

Rolls in current at-risk funding of \$517.0 million SAF and adds \$102.0 million SAF. Revises payment formula from 11.5% of the statewide average foundation allowance per economically disadvantaged pupil to 11.0% of the proposed minimum foundation allowance. In FY 2018-19, the prorated payment is estimated to equal 78.1%; under the new formula in FY 2019-20, payments are expected to be fully funded. Revises allocation to a hold harmless district from 30% to 50% of the amount for which it would otherwise be eligible.

Weighted Model: Career and Technical Education (CTE)

Provides \$55.0 million SAF for an estimated weight of 6.0% of the proposed minimum foundation allowance, to districts for students participating in Career and Technical Education (CTE) programs. The existing \$5.0 million CTE Incentive Payment categorical (Sec. 61d) is eliminated and rolled into this section.

Cyber Schools Foundation Allowance Reduction

Reduces cyber school foundation allowances to 80.0% of the minimum foundation allowance at an estimated savings of \$22.0 million. For FY 2019-20, the cyber school foundation allowance will be \$6,441.

Great Start Readiness Program (GSRP)

Increases by \$85.0 million SAF for a total of \$328.9 million Gross (\$300,000 GF/GP) for school readiness preschool programs for four-year-old children in low-income families. Increases the family income eligibility threshold from 250% to 300% of the federal poverty level (FPL) and increases the allocation per child from \$7,250 to \$8,500 for a full-day program and from \$3,625 to \$4,250 for a part-day program.

MPSERS

Increases by \$83.9 million Gross (\$35,000 GF/GP) to a total of \$172.1 million Gross (\$83,000 GF/GP) for reimbursements for employer normal cost increases resulting from a reduced assumed rate of return (AROR) from 7.5% to 7.05% due to a dedicated gains policy (Sec. 147a(2)). Increases by \$5.0 million to a total of \$42.6 million SAF for the higher defined contribution and hybrid plan costs required under 2017 PA 92 (Sec. 147e). Reduces payments for the state's share of MPSERS unfunded actuarial accrued liability (UAAL) by \$1.8 million Gross (\$200,000 GF/GP) (Sec. 147c). Deposits \$40.0 million SAF into the MPSERS Retirement Obligation Reform Reserve Fund. Total state support for K-12 MPSERS costs equals \$1.3 billion.

Early Literacy Teacher Coaches

Provides \$24.5 million SAF for a total of \$31.5 million to increase the number of literacy coaches from 93 to 279. Eliminates requirement that ISDs provide 50% matching funds and increases state funding per coach from \$75,000 to \$112,500.

School Mental Health and Support Services

Eliminates \$8.0 million in state restricted funding for a behavioral health team pilot program that began in FY 2018-19. Maintains remaining \$23.3 million Gross (\$1.3 million GF/GP), but shifts the \$22.0 million currently funded by the School Mental Health and Support Services Fund to SAF.

Promise Zone Funding

Increases by \$5.4 million SAF to districts and ISDs with an approved Promise Zone development plan.

Flint Declaration of Emergency

Increases by \$4.8 million SAF for a total of \$8.1 million, including a \$200,000 reduction in the allocation for school nurses, classroom aides, and school social workers; a \$4.0 million allocation for early intervention services for children between 3-5 years of age; a \$1.0 million allocation to enroll children in GSRP; and a \$45,000 increase in the allocation for nutritional services. Shifts fund source for current appropriation of \$3.2 million from GF/GP to SAF.

ISD General Operations Support

Increases by \$2.4 million SAF payments to ISDs for general operations. Each ISD will receive 103.5% of its FY 2018-19 funding.

MiSTEAM Network

Maintains state funding of \$7.6 million SAF and \$300,000 GF/GP, but reflects a reduction in available federal funds from \$3.5 million to \$235,000. Re-brands the MiSTEM Network to MiSTEAM to account for an additional focus on arts. Permits MiSTEAM Network to receive private funds.

Eliminated Categorical Grants

Reduces by \$37.4 million (\$13.9 GF/GP) by eliminating 27 categorical grant programs and contracts, 5 of which are above \$2.0 million: Computer Adaptive Tests (\$9.2 million), CTE Incentive Payments (\$5.0 million), Imagine Learning (\$3.0 million), Statewide Evaluation Tool (\$2.5 million), and CTE Equipment (\$2.5 million).

Economic Adjustments

Reflects increased costs of \$118,500 Gross (\$100,500 GF/GP) for negotiated salary and wage increases (2.0% ongoing, 2.0% lump sum), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.

Supplemental Recommendations for FY 2018-19 Appropriations**Hydration Stations**

Includes one-time appropriation of \$61.5 million SAF to install a hydration station for every 100 students per school building statewide. Hydration stations are combined water fountains and bottle filling stations with the capacity to filter water.

MPSERS

Reduces MPSERS transition costs by \$7.6 million for a total of \$30.0 million and funds fully through SAF. Currently, the fund source for the \$37.5 million is split between the MPSERS Retirement Obligation Reform Reserve Fund (\$31.9 million) and SAF (\$5.7 million).

State Police

Analyst: Marcus Coffin

	FY 2018-19 Year-to-Date as of 3/5/19	FY 2019-20 Executive	Difference: FY 2019-20 Vs. FY 2018-19	
			Amount	%
IDG/IDT	\$24,748,300	\$24,933,900	\$185,600	0.7
Federal	100,648,800	75,728,500	(24,920,300)	(24.8)
Local	5,146,800	4,766,200	(380,600)	(7.4)
Private	115,000	35,000	(80,000)	(69.6)
Restricted	154,103,700	144,658,200	(9,445,500)	(6.1)
GF/GP	493,173,800	468,507,200	(24,666,600)	(5.0)
Gross	\$777,936,400	\$718,629,000	(\$59,307,400)	(7.6)
FTEs	3,521.0	3,544.0	23.0	0.7

Notes: (1) FY 2018-19 year-to-date figures include mid-year budget adjustments through March 5, 2019. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Major Budget Changes From FY 2018-19 Year-to-Date (YTD) Appropriations

Removal of One-Time Funding

Reduces the budget by \$40.0 million GF/GP to reflect removal of one-time funding included in the FY 2018-19 budget for Michigan International Speedway Traffic Control, School Safety Grants, Trooper Recruit School, and the Disaster and Emergency Contingency Fund.

Medical Marihuana Authorization

Includes a reduction of 32.0 FTE positions and \$9.0 million in state restricted funding to reflect anticipated revenues and department activity levels with respect to medical marihuana operations.

FY 2018-19 Trooper School Annualization

Includes \$8.1 million GF/GP to support salaries, benefits, and administrative costs (IT, fleet, etc.) associated with 75 troopers expected to graduate in FY 2018-19 Trooper Recruit Schools.

Trooper Recruit School

Includes \$8.6 million GF/GP (\$3.9 million ongoing, \$4.7 million one-time) to train, equip, and support 50 new troopers via a recruit school expected to begin in January 2020.

Recreational Marihuana Implementation

Includes authorization for 9.0 FTE positions and \$3.0 million in state restricted funding to support the implementation of necessary functionality with the legalization of recreational marihuana under 2018 Initiated Law 1.

In-Car Video Streaming

Includes \$2.3 million GF/GP to cover hardware and contract costs related to real-time vehicle video streaming for MSP patrol vehicles.

Patrol Vehicles Fleet Reduction

Reduces funding by \$2.0 million GF/GP due to the elimination of 275 vehicles from the MSP patrol fleet during a true-up of the MSP fleet size.

Medical Marihuana Excise Fund Removal

Eliminates \$1.8 million in Medical Marihuana Excise Fund funding, due to the elimination of the 3% excise tax on medical marihuana provisioning center sales with the passage of 2018 Initiated Law 1.

Credit Card Fees

Includes \$578,700 Gross (\$4,200 GF/GP) to pay credit card transaction fees associated with credit card payments processed by the department.

Economic Adjustments

Reflects increased costs of \$3.4 million Gross (\$2.2 million GF/GP) for negotiated salary and wage increases (2.0% ongoing, 2.0% lump sum), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.

Transportation

Analyst: William E. Hamilton

	FY 2018-19	FY 2019-20	Difference: FY 2019-20	
	Year-to-Date as of 3/5/19		Executive	Amount
IDG/IDT	\$4,092,500	\$3,974,300	(\$118,200)	(2.9)
Federal	1,318,271,700	1,341,650,100	23,378,400	1.8
Local	50,532,000	51,032,000	500,000	1.0
Private	900,000	900,000	0	0.0
Restricted	3,283,293,700	4,380,735,600	1,097,441,900	33.4
GF/GP	356,790,900	0	(356,790,900)	(100.0)
Gross	\$5,013,880,800	\$5,778,292,000	\$764,411,200	15.2
FTEs	2,824.3	2,824.3	0.0	0.0

Notes: (1) FY 2018-19 year-to-date figures include mid-year budget adjustments through March 5, 2019. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Major Budget Changes From FY 2018-19 Year-to-Date (YTD) Appropriations

Transportation Revenue Increases

The budget includes a net \$917.5 million increase in baseline restricted transportation revenue. This increase reflects the Governor's proposed increase in motor fuel tax rates on gasoline, diesel motor fuel, and alternative fuels used to propel motor vehicles on public roads. Specifically, the proposal would increase the current 26.3 cent-per gallon motor fuel tax rate by 45 cents per gallon in three steps: to 41.3 cents-per-gallon on October 1, 2019; to 56.3 cents per gallon on April 1, 2020; and to 71.3 cents per gallon on October 1, 2020.

The proposed motor fuel tax increases would generate an estimated \$1.3 billion in new revenue in FY 2019-20.

This increase would be partially offset in the Transportation budget by the Governor's proposal to eliminate the earmarking of Income Tax Act revenue for road programs. In the current fiscal year, the Income Tax Act earmark is \$264.0 million and will be \$325.0 million in FY 2019-20 under current law. In addition, of the gross increase from the motor fuel tax on gasoline, \$21.2 million will be credited to the Recreation Improvement Fund in the DNR budget to reflect non-road uses of gasoline.

Fixing Michigan Roads Plan Distribution

The budget reflects the Governor's proposal with respect to distribution of the \$917.5 million in new revenue. While baseline revenue from motor fuel and vehicle registration taxes would continue to be distributed according to the current provisions of Section 10 of 1951 PA 51, the \$917.5 million in new money will be governed by a proposed new distribution formula. Of the \$917.5 million in new money, \$890.0 million will be distributed for road programs based primarily on the functional classification of the road. Functional classification refers to the classification of roads established by the Federal Highway Administration based on the service characteristics of the road. In addition, \$27.5 million will be made available for public transportation programs.

Elimination of One-Time Items

The budget reflects the elimination of \$356.7 million GF/GP in current year one-time appropriations: \$300.0 million GF/GP distributed for road programs (\$65.4 million to cities and villages; \$117.3 million to county road commissions; and \$117.3 million for state trunkline preservation); \$52.0 million GF/GP for the construction of a new lock at the Soo Locks; and \$4.5 million related to the construction of a utility tunnel at the Straights of Mackinac.

Economic Adjustments

Reflects increased costs of \$6.1 million Gross (\$0 GF/GP) for negotiated salary and wage increases (2.0% ongoing, 2.0% lump sum), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.



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