

# **PRELIMINARY REVIEW**

of the

**FY 2018-19**

**Executive Budget  
Recommendation**



**Mary Ann Cleary, Director**  
**February 9, 2018**



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## HFA STAFF LIST



**OVERVIEW OF  
FY 2018-19 EXECUTIVE BUDGET RECOMMENDATION**  
*Mary Ann Cleary, Director, and Bethany Wicksall, Deputy Director*

The FY 2018-19 Executive budget recommendation incorporates the January 2018 Consensus Revenue Estimating Conference (CREC) revenue estimates for General Fund/General Purpose (GF/GP) of \$10,339.6 million and School Aid Fund (SAF) of \$13,464.0 million. In addition to the CREC estimates, the recommendation assumes beginning balances of \$191.7 million GF/GP and \$97.1 million SAF, \$13.0 million redirection of Transportation Economic Development Fund (TEDF) revenue to the general fund, and \$15.5 million GF/GP reduction from the passage of the Administration's driver responsibility fee legislation.

The FY 2018-19 budget recommendation includes \$55,897.4 billion in adjusted gross appropriations, an increase of \$145.2 million or 0.3%. The table below compares current year appropriations to the Executive proposal.

	FY 2017-18 Year-to-Date as of 2/7/18	FY 2018-19 Executive	Difference: FY 2018-19 Vs. FY 2017-18	
			Amount	%
<b>Adjusted Gross</b>	\$55,752.2	\$55,897.4	\$145.2	0.3%
<b>Federal</b>	\$23,153.9	\$22,684.8	(\$469.0)	(2.0%)
<b>Local/Private</b>	\$380.9	\$385.9	\$5.0	1.3%
<b>Restricted</b>	\$22,136.0	\$22,777.4	\$641.5	2.9%
<b>GF/GP</b>	\$10,081.5	\$10,049.3	(\$32.1)	(0.3%)

Of the \$32,826.7 million in state resources recommended for appropriation in FY 2018-19, \$18,477.4 million (56.3% 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 three recommended supplementals totaling a negative \$308.3 million Gross (\$25.4 million GF/GP) for FY 2017-18:

- Michigan Natural Resources Trust Fund projects of \$40.4 million Gross. (Request 2018-4)
- School Aid baseline cost reductions of \$11.2 million Gross and a \$137.0 million GF/GP reduction backfilled with School Aid Fund. (Request 2018-5)
- Departmental appropriation adjustment requests of a negative \$337.4 million Gross and a positive \$162.4 million GF/GP. (Request 2018-2 and 2018-3)

Major GF/GP program reductions proposed in the Executive recommendation compared to FY 2017-18 levels include:

- \$25.0 million GF/GP reduction to Information Technology Investment Fund in Department of Technology, Management and Budget (DTMB).
- \$18.8 million GF/GP savings due to closure of West Shore correctional facility.
- \$8.0 million GF/GP elimination of the county hold-harmless provision to foster care administrative rates.
- \$7.5 million Gross (\$5.3 million GF/GP) reduction for Mental Health and Wellness Commission recommendations.
- \$5.1 million Gross (\$7.1 million GF/GP) reduction in Business Attraction and Community Revitalization grants in the Talent and Economic Development (TED) budget.

The Executive proposal does NOT include a proposed deposit into the Budget Stabilization Fund.

Major FY 2018-19 GF/GP program increases proposed include:

- \$61.3 million Gross (\$46.0 million GF/GP) for Michigan Indigent Defense Commission grants in the Department of Licensing and Regulatory Affairs (LARA).
- \$19.2 million for state building authority (SBA) rent to cover anticipated debt service obligations associated with capital outlay projects authorized for construction.
- \$13.7 million increase in Corrections to change over operation of prison food service from a private provider to state employees.
- \$9.9 million GF/GP (including \$6.1 million in one-time costs) for a State Police trooper school.

Major one-time allocations of GF/GP funding for FY 2018-19 include:

- \$175.0 million for Transportation to accelerate the income tax earmark to roads.
- \$9.2 million for correction officer training academy.

Major proposed changes for FY 2018-19 for School Aid and Higher Education funding include:

- \$312.0 million SAF for increases to district foundation allowances ranging from \$120 to \$240 per pupil based on 2x formula (percentages range from 1.4% to 3.1%).
- \$92.9 million SAF reduction to implement a cap on shared-time pupils and a reduction in cyber school foundation allowances.
- \$28.6 million SAF for a 2.0% increase in public university operations.

The Executive budget recommendation includes additional GF/SAF fund shifts for FY 2018-19:

- \$120.0 million GF/GP reduction in Higher Education budget backfilled with SAF.
- \$33.0 million GF/GP reduction, in addition to the FY 2017-18 shift, in School Aid budget backfilled with SAF.

MPSERS retirement changes included in the Executive recommendation for FY 2018-19 include:

- Eliminates a one-time \$200.0 million additional deposit to accelerate the payoff of the 2010 early retirement incentive.
- Increases the state share of the MPSERS UAAL payments by \$74.8 million.
- Increases state support of higher employer normal costs resulting from the 2<sup>nd</sup> year of phasing in a reduced assumed rate of return from 8.0% to 7.5%, as well as the higher defined contribution and hybrid plan costs required under PA 92 of 2017, by a total of \$56.7 million.

The Executive recommendations for local revenue sharing programs include:

- \$34.3 million increase to Constitutional revenue sharing, a 3.1% increase from January 2018 CREC estimate.
- Removes \$5.8 million in one-time funds to an additional 101 local units (100 townships and 1 city).
- Removes \$6.2 million GF/GP for supplemental city, village, and township revenue sharing.
- Net reduction of \$1.9 million Gross (\$2.2 million GF/GP) for county revenue sharing.

Executive includes a proposal to redistribute Local Community Stabilization Authority (LCSA) Tier 3 payments to first provide a guaranteed total funding of \$15.0 million for Fire Protection Grants (\$8.5 million is estimated from Driver Responsibility Fees in FY 2018-19). Funds remaining would be distributed to local units of government as follows:

- To counties (30%), cities (48%), villages (2%), and townships (5%) on a per capita basis with a calculated minimum of \$4,500 required to receive a distribution.
- 15% to the 28 community colleges using their proportionate share of base state appropriations.

FY 2018-19 budget assumes one fee increase in the Department of Environmental Quality:

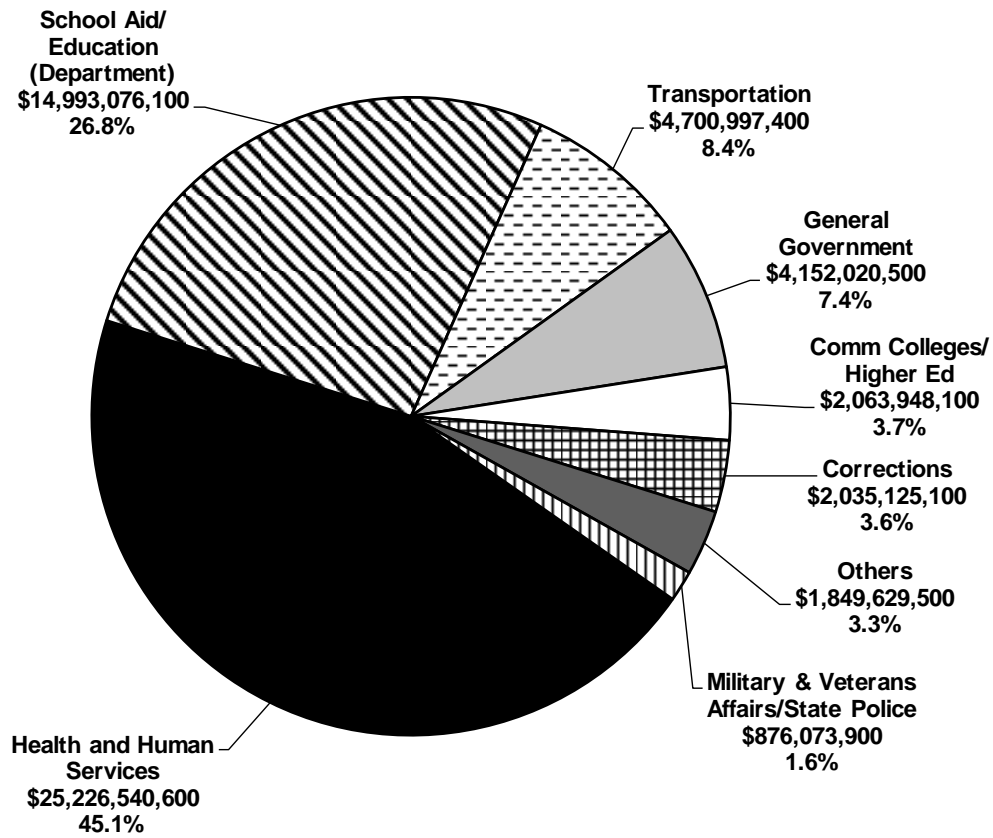
- \$79.0 million additional revenue from an increase (\$0.36/ton to \$4.75/ton) to the solid waste tipping fee to replace expended Clean Michigan Initiative bond funds.

A more detailed summary of major budget changes by individual budget area begins on page 17.

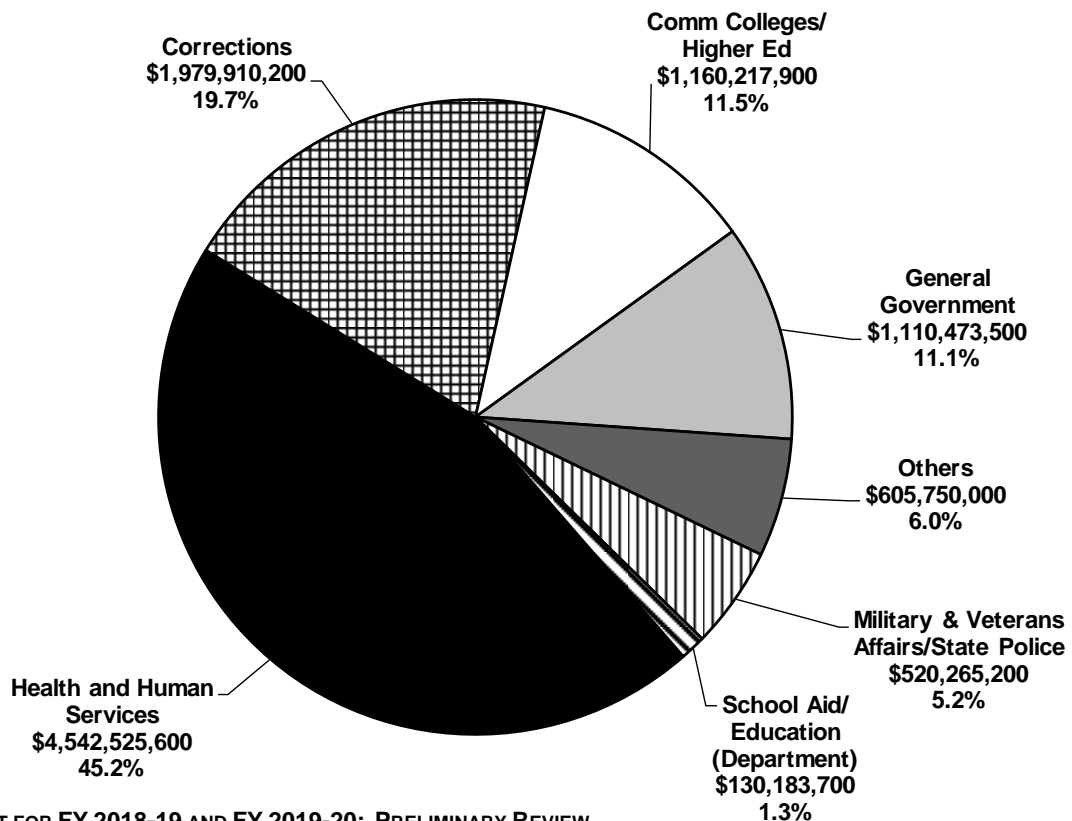
This preliminary review provides a brief summary of the Executive Recommendation for FY 2018-19. The House Fiscal Agency's full Review and Analysis of the FY 2018-19 Executive Budget Recommendation will be available within two weeks, and will contain a more detailed review of major budget and boilerplate 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 2018-19 Executive Recommendation  
Adjusted Gross = \$55,897,411,200**



**FY 2018-19 Executive Recommendation  
General Fund/General Purpose (GF/GP) = \$10,049,326,100**



## **CHANGE IN ADJUSTED GROSS APPROPRIATIONS FY 2018-19 and FY 2019-20 Executive Recommendation**

The Executive Budget Recommendation for FY 2018-19 increases adjusted gross appropriations by \$145.2 million (0.3%) from FY 2017-18 year-to-date amounts:

- GF/GP appropriations are decreased by \$32.1 million (-0.3%).
- State restricted appropriations are increased by \$641.5 million (2.9%).
- Federal appropriations are decreased by \$469.0 million (-2.0%).
- Local and private appropriations are increased by \$5.0 million (1.3%).

Total state spending from state sources (GF/GP plus state restricted) in the FY 2018-19 Executive Budget Recommendation is increased by \$609.3 million (1.9%) from FY 2017-18 year-to-date amounts.

Projected appropriation amounts for FY 2019-20 under the Executive Budget (which are presented only for planning purposes) reflect a 0.9% decrease in GF/GP appropriations, a 0.5% increase in total state spending from state sources, and a 0.1% increase in adjusted gross appropriations.



**FY 2018-19 and FY 2019-20  
Executive Budget Appropriation Changes  
Millions of Dollars**

	<u>Year-to-Date FY 2017-18</u>	<u>Executive Recommendation FY 2018-19</u>	<u>Change Amounts</u>		<u>Executive Recommendation FY 2019-20</u>	<u>Change Amounts</u>	
General Fund/General Purpose	\$10,081.5	\$10,049.3	(\$32.1)	(0.3%)	\$9,958.4	(\$90.9)	(0.9%)
State Restricted	<u>21,136.0</u>	<u>22,777.4</u>	<u>641.5</u>	2.9%	<u>23,033.1</u>	<u>255.7</u>	1.1%
<b>Total State-Source Appropriations</b>	<b>\$32,217.4</b>	<b>\$32,826.7</b>	<b>\$609.3</b>	<b>1.9%</b>	<b>\$32,991.5</b>	<b>\$164.8</b>	<b>0.5%</b>
Federal	\$23,153.9	\$22,684.8	(\$469.0)	(2.0%)	\$22,563.3	(\$121.5)	(0.5%)
Local	212.6	217.8	5.2	2.4%	217.8	0.0	0.0%
Private	168.3	168.0	(0.2)	(0.1%)	168.0	0.0	0.0%
<b>Total Adjusted Gross</b>	<b>\$55,752.2</b>	<b>\$55,897.4</b>	<b>\$145.2</b>	<b>0.3%</b>	<b>\$55,940.7</b>	<b>\$43.3</b>	<b>0.1%</b>

**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 2017-18 year-to-date figures include mid-year budget adjustments through February 7, 2018.

(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.

<b>FY 2017-18 Through FY 2019-20 Executive Recommendation</b>			
<b>General Fund/General Purpose (GF/GP)</b>			
<b>Millions of Dollars</b>			
	<b>FY 2017-18</b>	<b>FY 2018-19</b>	<b>FY 2019-20</b>
<b><u>Resources</u></b>			
Beginning Balance	\$622.5	\$191.7	\$7.3
Consensus Revenue Estimates: January 2018	10,307.7	10,339.6	10,413.5
Sales Tax on the Difference	0.0	(0.3)	(0.7)
TEDF Target Industries – Redirect to GF	0.0	13.0	13.0
Venture Michigan Fund Tax Vouchers	0.0	0.0	(19.2)
Driver Responsibility Fee (Executive Proposal)	(4.5)	(15.5)	(9.0)
Lawsuit Settlement Proceeds Fund	(6.4)	(5.8)	0.0
Revenue Sharing: Ongoing	(465.9)	(466.2)	(466.2)
Revenue Sharing: One-time	<u>(5.8)</u>	<u>0.0</u>	<u>0.0</u>
<b>Total Resources</b>	<b>\$10,447.6</b>	<b>\$10,056.6</b>	<b>\$9,938.7</b>
<b><u>Expenditures</u></b>			
Enacted Appropriations: Ongoing	\$9,746.2	\$9,831.7	\$9,958.4
Enacted Appropriations: One-time (with Vetos)	334.3	217.6	200.0
Deposit to Budget Stabilization Fund	150.0	0.0 *	0.0
Supplemental Request 2018-3 and 2018-5	<u>25.4</u>	<u>0.0</u>	<u>0.0</u>
<b>Total Expenditures</b>	<b>\$10,255.9</b>	<b>\$10,049.3</b>	<b>\$10,158.4</b>
<b>Projected Ending Balance / (Shortfall)</b>	<b>\$191.7</b>	<b>\$7.3</b>	<b>(\$219.7)</b>

\* FY 2018-19 - 25% of unassigned GF/GP fund balance for FY 2017-18 shall be deposited in the BSF.

**FY 2017-18 Through FY 2019-20 Executive Recommendation  
School Aid Fund (SAF)  
Millions of Dollars**

	FY 2017-18	FY 2018-19	FY 2019-20
<b><u>Resources</u></b>			
Beginning Balance	\$377.4	\$97.0	\$6.0
Consensus Revenue Estimates: January 2018	13,084.5	13,464.0	13,822.7
Sales Tax on the Difference (SB 94 / SB 95)	(0.2)	(2.0)	(4.2)
Michigan Venture Fund	0.0	0.0	(6.0)
GF/GP Grant	78.0	45.0	45.0
Detroit Public Schools Trust Fund	72.0	72.0	72.0
MPSERS Retirement Obligation Reform Reserve	23.1	31.9	0.0
Federal Aid	<u>1,726.9</u>	<u>1,724.7</u>	<u>1,719.7</u>
<b>Total Resources</b>	<b>\$15,361.7</b>	<b>\$15,432.6</b>	<b>\$15,655.2</b>
<b><u>Expenditures</u></b>			
School Aid s	\$14,573.1	\$14,636.0	\$14,630.6
SAF Deposit into MPSERS Reserve	55.0	0.0	0.0
Community College	398.3	405.0	407.7
Higher Education	<u>238.3</u>	<u>385.6</u>	<u>386.6</u>
<b>Total Expenditures</b>	<b>\$15,264.7</b>	<b>\$15,426.6</b>	<b>\$15,424.9</b>
<b>Projected Ending Balance / (Shortfall)</b>	<b>\$97.0</b>	<b>\$6.0</b>	<b>\$230.3</b>

<b>FY 2018-19 and FY 2019-20 Executive Recommendation Tobacco Settlement / Merit Award Trust Fund Millions of Dollars</b>		
	<b>FY 2018-19</b>	<b>FY 2019-20</b>
<b><u>Resources</u></b>		
Beginning Balance	\$5.3	\$3.3
Tobacco Settlement MSA payment	285.2	284.0
Debt Service on 2006/2007 Securitization Bonds (24.11%)	(68.8)	(68.5)
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>0.9</u>	<u>1.1</u>
<b>Total Resources</b>	<b>\$58.1</b>	<b>\$55.4</b>
<b><u>Expenditures</u></b>		
Attorney General: Administration	(\$0.5)	(\$0.5)
DHHS: Aging-respite Care	(4.1)	(4.1)
DHHS: Medicaid Base Funding	(48.2)	(48.2)
State Police: Criminal Investigations / IT	(0.8)	(0.8)
Treasury: Student Financial Services Programs	<u>(1.2)</u>	<u>(1.2)</u>
<b>Total Expenditures</b>	<b>(\$54.8)</b>	<b>(\$54.8)</b>
<b>Estimated Ending Balance</b>	<b>\$3.3</b>	<b>\$0.6</b>

## 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 2017-18 year-to-date figures include adjustments through February 7, 2018.
- Some appropriation items in the FY 2017-18 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 2018-19 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 2018-19 EXECUTIVE BUDGET RECOMMENDATION BY SOURCE OF FUNDS**

<b>Department/Budget Area</b>	<b>Gross</b>	<b>IDG/IDT</b>	<b>Adjusted Gross</b>	<b>Federal</b>	<b>Local</b>	<b>Private</b>	<b>State Restricted</b>	<b>GF/GP</b>
Agriculture & Rural Development	\$102,888,100	\$313,900	\$102,574,200	\$11,695,200	\$0	\$101,800	\$37,072,000	\$53,705,200
Attorney General	102,028,900	30,386,400	71,642,500	9,628,500	0	0	21,907,200	40,106,800
Capital Outlay	0	0	0	0	0	0	0	0
Civil Rights	16,201,100	299,100	15,902,000	2,802,700	0	18,700	58,500	13,022,100
Community Colleges	405,015,500	0	405,015,500	0	0	0	405,015,500	0
Corrections	2,035,125,100	0	2,035,125,100	5,315,200	8,960,100	0	40,939,600	1,979,910,200
Education	357,107,300	0	357,107,300	255,366,800	5,852,800	2,035,800	8,668,200	85,183,700
Environmental Quality	494,588,000	3,143,700	491,444,300	160,225,400	0	1,061,700	283,210,700	46,946,500
Executive Office	6,980,100	0	6,980,100	0	0	0	0	6,980,100
Health and Human Services	25,240,354,300	13,813,700	25,226,540,600	17,955,593,700	123,112,900	148,409,900	2,456,898,500	4,542,525,600
Higher Education	1,658,932,600	0	1,658,932,600	113,026,400	0	0	385,688,300	1,160,217,900
Insurance & Financial Services	67,571,900	713,800	66,858,100	2,017,300	0	0	64,690,800	150,000
Judiciary	301,783,300	1,551,300	300,232,000	5,987,400	6,599,800	981,600	92,879,500	193,783,700
Legislative Auditor General	24,938,000	5,823,400	19,114,600	0	0	0	2,008,800	17,105,800
Legislature	157,281,800	0	157,281,800	0	0	400,000	4,394,300	152,487,500
Licensing & Regulatory Affairs	500,462,100	48,414,300	452,047,800	65,744,400	100,000	111,800	297,271,300	88,820,300
Military & Veterans Affairs	189,089,300	101,800	188,987,500	98,170,200	1,545,400	630,000	23,279,500	65,362,400
Natural Resources	436,705,300	232,200	436,473,100	81,731,600	0	7,431,400	299,965,800	47,344,300
School Aid	14,635,968,800	0	14,635,968,800	1,724,743,500	0	0	12,866,225,300	45,000,000
State	254,662,800	20,000,000	234,662,800	1,460,000	0	50,100	214,686,400	18,466,300
State Police	711,814,700	24,728,300	687,086,400	78,223,600	5,146,800	115,000	148,698,200	454,902,800
Talent and Economic Devel. (MSF)	1,118,945,600	0	1,118,945,600	762,645,800	500,000	5,621,700	183,432,300	166,745,800
Tech., Mgmt. & Budget: Operations	1,094,747,900	751,777,000	342,970,900	5,033,700	2,341,600	129,400	114,457,400	221,008,800
Tech., Mgmt. & Budget: SBA Rent	265,757,000	0	265,757,000	0	0	0	0	265,757,000
Transportation	4,705,089,900	4,092,500	4,700,997,400	1,318,271,700	50,532,000	900,000	3,156,293,700	175,000,000
Treasury: Operations	525,354,200	12,780,300	512,573,900	27,128,000	13,135,700	27,500	371,069,400	101,213,300
Treasury: Debt Service	107,580,000	0	107,580,000	0	0	0	0	107,580,000
Treasury: Revenue Sharing	1,298,609,300	0	1,298,609,300	0	0	0	1,298,609,300	0
<b>TOTAL APPROPRIATIONS</b>	<b>\$56,815,582,900</b>	<b>\$918,171,700</b>	<b>\$55,897,411,200</b>	<b>\$22,684,811,100</b>	<b>\$217,827,100</b>	<b>\$168,026,400</b>	<b>\$22,777,420,500</b>	<b>\$10,049,326,100</b>

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

**TABLE 2**  
**ADJUSTED GROSS APPROPRIATIONS**  
**FY 2018-19 and FY 2019-20 Executive Recommendation Compared with FY 2017-18 Year-to-Date**

<u>Department/Budget Area</u>	<u>Year-To-Date FY 2017-18</u>	<u>Exec. Rec. FY 2018-19</u>	<u>Difference FY 2018-19 vs. FY 2017-18</u>		<u>Exec. Rec. FY 2019-20</u>	<u>Difference FY 2019-20 vs. FY 2018-19</u>	
Agriculture & Rural Development	\$114,388,300	\$102,574,200	(\$11,814,100)	(10.3%)	\$102,574,200	\$0	0.0%
Attorney General	71,883,500	71,642,500	(241,000)	(0.3%)	71,642,500	0	0.0%
Capital Outlay	800	0	(800)	(100.0%)	0	0	--
Civil Rights	15,953,000	15,902,000	(51,000)	(0.3%)	15,902,000	0	0.0%
Community Colleges	399,326,500	405,015,500	5,689,000	1.4%	407,715,500	2,700,000	0.7%
Corrections	2,001,919,200	2,035,125,100	33,205,900	1.7%	2,023,497,400	(11,627,700)	(0.6%)
Education	352,181,200	357,107,300	4,926,100	1.4%	357,107,200	(100)	(0.0%)
Environmental Quality	548,404,700	491,444,300	(56,960,400)	(10.4%)	515,147,400	23,703,100	4.8%
Executive Office	6,848,500	6,980,100	131,600	1.9%	6,980,100	0	0.0%
Health and Human Services	25,495,662,900	25,226,540,600	(269,122,300)	(1.1%)	25,217,513,400	(9,027,200)	(0.0%)
Higher Education	1,629,224,400	1,658,932,600	29,708,200	1.8%	1,659,932,600	1,000,000	0.1%
Insurance & Financial Services	66,033,800	66,858,100	824,300	1.2%	66,858,100	0	0.0%
Judiciary	298,492,400	300,232,000	1,739,600	0.6%	300,316,400	84,400	0.0%
Legislative Auditor General	18,577,000	19,114,600	537,600	2.9%	19,114,600	0	0.0%
Legislature	155,274,800	157,281,800	2,007,000	1.3%	156,531,800	(750,000)	(0.5%)
Licensing & Regulatory Affairs	386,836,900	452,047,800	65,210,900	16.9%	452,047,800	0	0.0%
Military & Veterans Affairs	179,402,600	188,987,500	9,584,900	5.3%	188,987,500	0	0.0%
Natural Resources	409,761,300	436,473,100	26,711,800	6.5%	436,235,600	(237,500)	(0.1%)
School Aid	14,584,313,900	14,635,968,800	51,654,900	0.4%	14,630,585,700	(5,383,100)	(0.0%)
State	234,358,500	234,662,800	304,300	0.1%	234,662,800	0	0.0%
State Police	672,725,200	687,086,400	14,361,200	2.1%	690,539,000	3,452,600	0.5%
Talent and Economic Devel. (MSF)	1,179,421,800	1,118,945,600	(60,476,200)	(5.1%)	1,104,445,500	(14,500,100)	(1.3%)
Tech., Mgmt. & Budget: Operations	452,113,600	342,970,900	(109,142,700)	(24.1%)	342,550,800	(420,100)	(0.1%)
Tech., Mgmt. & Budget: SBA Rent	246,570,600	265,757,000	19,186,400	7.8%	265,757,000	0	0.0%
Transportation	4,345,403,700	4,700,997,400	355,593,700	8.2%	4,730,775,700	29,778,300	0.6%
Treasury: Operations	501,316,200	512,573,900	11,257,700	2.2%	512,573,800	(100)	(0.0%)
Treasury: Debt Service	107,580,000	107,580,000	0	0.0%	107,580,000	0	0.0%
Treasury: Revenue Sharing	1,278,215,000	1,298,609,300	20,394,300	1.6%	1,323,124,100	24,514,800	1.9%
<b>TOTAL</b>	<b>\$55,752,190,300</b>	<b>\$55,897,411,200</b>	<b>\$145,220,900</b>	<b>0.3%</b>	<b>\$55,940,698,500</b>	<b>\$43,287,300</b>	<b>0.1%</b>

**TABLE 3**  
**GENERAL FUND/GENERAL PURPOSE APPROPRIATIONS**  
**FY 2018-19 and FY 2019-20 Executive Recommendation Compared with FY 2017-18 Year-to-Date**

<u>Department/Budget Area</u>	<u>Year-To-Date FY 2017-18</u>	<u>Exec. Rec. FY 2018-19</u>	<u>Difference FY 2018-19 vs. FY 2017-18</u>		<u>Exec. Rec. FY 2019-20</u>	<u>Difference FY 2019-20 vs. FY 2018-19</u>	
Agriculture & Rural Development	\$66,251,800	\$53,705,200	(\$12,546,600)	(18.9%)	\$53,705,200	\$0	0.0%
Attorney General	40,248,600	40,106,800	(141,800)	(0.4%)	40,106,800	0	0.0%
Capital Outlay	800	0	(800)	(100.0%)	0	0	--
Civil Rights	13,006,600	13,022,100	15,500	0.1%	13,022,100	0	0.0%
Community Colleges	1,025,000	0	(1,025,000)	(100.0%)	0	0	--
Corrections	1,946,633,600	1,979,910,200	33,276,600	1.7%	1,968,282,500	(11,627,700)	(0.6%)
Education	81,677,400	85,183,700	3,506,300	4.3%	85,183,700	0	0.0%
Environmental Quality	63,081,500	46,946,500	(16,135,000)	(25.6%)	46,946,500	0	0.0%
Executive Office	6,848,500	6,980,100	131,600	1.9%	6,980,100	0	0.0%
Health and Human Services	4,380,531,400	4,542,525,600	161,994,200	3.7%	4,649,998,500	107,472,900	2.4%
Higher Education	1,279,254,500	1,160,217,900	(119,036,600)	(9.3%)	1,160,217,900	0	0.0%
Insurance & Financial Services	150,000	150,000	0	0.0%	150,000	0	0.0%
Judiciary	192,574,400	193,783,700	1,209,300	0.6%	193,863,700	80,000	0.0%
Legislative Auditor General	16,607,600	17,105,800	498,200	3.0%	17,105,800	0	0.0%
Legislature	150,597,100	152,487,500	1,890,400	1.3%	151,737,500	(750,000)	(0.5%)
Licensing & Regulatory Affairs	44,416,600	88,820,300	44,403,700	100.0%	88,820,300	0	0.0%
Military & Veterans Affairs	62,567,500	65,362,400	2,794,900	4.5%	65,362,400	0	0.0%
Natural Resources	57,971,100	47,344,300	(10,626,800)	(18.3%)	47,306,800	(37,500)	(0.1%)
School Aid	215,000,000	45,000,000	(170,000,000)	(79.1%)	45,000,000	0	0.0%
State	24,139,000	18,466,300	(5,672,700)	(23.5%)	18,466,300	0	0.0%
State Police	439,601,700	454,902,800	15,301,100	3.5%	458,355,400	3,452,600	0.8%
Talent and Economic Devel. (MSF)	205,099,400	166,745,800	(38,353,600)	(18.7%)	152,245,800	(14,500,000)	(8.7%)
Tech., Mgmt. & Budget: Operations	333,284,600	221,008,800	(112,275,800)	(33.7%)	221,008,800	0	0.0%
Tech., Mgmt. & Budget: SBA Rent	246,570,600	265,757,000	19,186,400	7.8%	265,757,000	0	0.0%
Transportation	0	175,000,000	175,000,000	--	0	(175,000,000)	(100.0%)
Treasury: Operations	98,368,500	101,213,300	2,844,800	2.9%	101,213,300	0	0.0%
Treasury: Debt Service	107,580,000	107,580,000	0	0.0%	107,580,000	0	0.0%
Treasury: Revenue Sharing	8,379,100	0	(8,379,100)	(100.0%)	0	0	--
<b>TOTAL</b>	<b>\$10,081,466,900</b>	<b>\$10,049,326,100</b>	<b>(\$32,140,800)</b>	<b>(0.3%)</b>	<b>\$9,958,416,400</b>	<b>(\$90,909,700)</b>	<b>(0.9%)</b>



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

<u>Department/Budget Area</u>	<u>Exec. Rec. FY 2018-19 GF/GP</u>
Corrections	\$11,627,700
Health and Human Services	9,027,100
Legislature	750,000
Natural Resources	37,500
State Police	6,670,000
Talent and Economic Devel. (MSF)	14,500,000
Transportation	175,000,000
<b>TOTAL: ONE-TIME APPROPRIATIONS</b>	<b>\$217,612,300</b>
Budget Stabilization Fund Deposit	0
<b>TOTAL: ONE-TIME APPROPRIATION AND DEPOSITS</b>	<b>\$217,612,300</b>

**TABLE 5**  
**FULL-TIME EQUATED (FTE) POSITIONS\***  
**FY 2018-19 Executive Recommendation Compared with FY 2017-18 Year-to-Date**

<u>Department/Budget Area</u>	<u>Year-To-Date FY 2017-18</u>	<u>Executive Recommendation FY 2018-19</u>	<u>Difference FY 2018-19 vs. FY 2017-18</u>	
Agriculture & Rural Development	499.5	506.0	6.5	1.3%
Attorney General	536.0	536.0	0.0	0.0%
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	13,819.9	13,967.2	147.3	1.1%
Education	609.5	620.5	11.0	1.8%
Environmental Quality	1,252.0	1,263.0	11.0	0.9%
Executive Office	89.2	89.2	0.0	0.0%
Health and Human Services	15,626.5	15,618.7	(7.8)	(0.0%)
Higher Education	0.0	0.0	0.0	--
Insurance & Financial Services	342.5	342.5	0.0	0.0%
Judiciary	501.0	490.0	(11.0)	(2.2%)
Legislative Auditor General	0.0	0.0	0.0	--
Legislature	0.0	0.0	0.0	--
Licensing & Regulatory Affairs	2,379.8	2,379.8	0.0	0.0%
Military & Veterans Affairs	913.5	913.5	0.0	0.0%
Natural Resources	2,267.8	2,333.3	65.5	2.9%
School Aid	0.0	0.0	0.0	--
State	1,592.0	1,592.0	0.0	0.0%
State Police	3,441.0	3,493.0	52.0	1.5%
Talent and Economic Devel. (MSF)	1,453.0	1,456.0	3.0	0.2%
Tech., Mgmt. & Budget: Operations	2,943.0	3,122.0	179.0	6.1%
Tech., Mgmt. & Budget: SBA Rent	0.0	0.0	0.0	--
Transportation	2,826.3	2,826.3	0.0	0.0%
Treasury: Operations	1,862.5	1,870.5	8.0	0.4%
Treasury: Debt Service	0.0	0.0	0.0	--
Treasury: Revenue Sharing	0.0	0.0	0.0	--
<b>TOTAL FTE APPROPRIATIONS</b>	<b>53,071.0</b>	<b>53,535.5</b>	<b>464.5</b>	<b>0.9%</b>

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

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

<b>FY 2018-19 Executive Recommendation</b>			
<b>Department/Budget Area</b>	<b>Spending from State Sources</b>	<b>State Spending to Local Government Units</b>	<b>% of State Spending from State Sources as Payment to Locals</b>
Agriculture & Rural Development	\$90,777,200	\$6,350,000	7.0%
Attorney General	62,014,000	0	0.0%
Capital Outlay	0	0	--
Civil Rights	13,080,600	0	0.0%
Community Colleges	405,015,500	405,015,500	100.0%
Corrections	2,020,849,800	115,868,600	5.7%
Education	93,851,900	13,567,700	14.5%
Environmental Quality	330,157,200	24,581,000	7.4%
Executive Office	6,980,100	0	0.0%
Health and Human Services	6,999,424,100	1,466,684,500	21.0%
Higher Education	1,545,906,200	0	0.0%
Insurance & Financial Services	64,840,800	0	0.0%
Judiciary	286,663,200	147,443,700	51.4%
Legislative Auditor General	19,114,600	0	0.0%
Legislature	156,881,800	0	0.0%
Licensing & Regulatory Affairs	386,091,600	87,951,800	22.8%
Military & Veterans Affairs	88,641,900	142,400	0.2%
Natural Resources	347,310,100	7,712,700	2.2%
School Aid	12,911,225,300	12,733,596,100	98.6%
State	233,152,700	1,129,000	0.5%
State Police	603,601,000	14,231,300	2.4%
Talent and Economic Devel. (MSF)	350,178,100	32,400,000	9.3%
Tech., Mgmt. & Budget: Operations	335,466,200	0	0.0%
Tech., Mgmt. & Budget: SBA Rent	265,757,000	0	0.0%
Transportation	3,331,293,700	1,960,123,900	58.8%
Treasury: Operations	472,282,700	161,949,700	34.3%
Treasury: Debt Service	107,580,000	0	0.0%
Treasury: Revenue Sharing	1,298,609,300	1,298,609,300	100.0%
<b>TOTALS APPROPRIATED</b>	<b>\$32,826,746,600</b>	<b>\$18,477,357,200</b>	<b>56.3%</b>

**TABLE 7  
FY 2018-19 Executive Recommendation – Fee Proposal**

<b>Department/Budget Area</b>	<b>Current Fee</b>	<b>Proposed Fee</b>	<b>Current Revenue Collected</b>	<b>Additional Revenue Generated with Fee Increase</b>	<b>Estimated Total Revenue</b>
<b>Environmental Quality</b>					
• <b>Solid Waste Tipping Fee</b>	\$0.36/ton	\$4.75/ton	\$6.0 million	\$73.0 million	\$79.0 million



**FY 2018-19 EXECUTIVE BUDGET HIGHLIGHTS**  
**Major Changes Proposed**

**Agriculture and Rural Development**

Analyst: William E. Hamilton

	FY 2017-18	FY 2018-19	Difference: FY 2018-19	
	Year-to-Date as of 2/7/18		Executive	Vs. FY 2017-18
			Amount	%
<b>IDG/IDT</b>	\$310,300	\$313,900	\$3,600	1.2
<b>Federal</b>	11,373,900	11,695,200	321,300	2.8
<b>Local</b>	0	0	0	--
<b>Private</b>	101,600	101,800	200	0.2
<b>Restricted</b>	36,661,000	37,072,000	411,000	1.1
<b>GF/GP</b>	66,251,800	53,705,200	(12,546,600)	(18.9)
<b>Gross</b>	<b>\$114,698,600</b>	<b>\$102,888,100</b>	<b>(\$11,810,500)</b>	<b>(10.3)</b>
<b>FTEs</b>	499.5	506.0	6.5	1.3

Notes: (1) FY 2017-18 year-to-date figures include mid-year budget adjustments through February 7, 2018. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

**Major Budget Changes From FY 2017-18 Year-to-Date (YTD) Appropriations**

***Dairy Program***

Increases baseline support by \$780,000 GF/GP for dairy licensing and inspection program. This increase is funded through internal GF/GP shifts within MDARD budget. Budget would recognize 35.0 FTE positions, a 5.0 FTE increase from current year. Proposed budget would provide a total of \$5.4 million Gross (\$5.0 million GF/GP) for the program.

***Executive Direction – Office of Organizational Innovation***

Provides \$307,100 GF/GP to support 2.0 data management FTEs within the department's Office of Organizational Innovation. These positions are currently cross-funded through the Information Technology Investment Fund in the DTMB budget.

***Food and Agriculture Investment Grant Program***

Reduces grant program funding from current \$4.7 million GF/GP to \$3.3 million GF/GP – a reduction of \$1.4 million.

***Elimination of One-time Funding***

Eliminates \$11.7 million GF/GP for the following projects or programs identified in the current year budget as one-time: Enhanced Wildlife Risk Management, \$1.0 million; Intercounty drain mapping, \$250,000; Michigan State University/Agriculture Industry Research and Development, \$8.4 million; Food Bank Council of Michigan quick freeze facility, \$2.0 million; Albion campground development grant, \$100,000.

***Economic Adjustments***

Reflects increased costs of \$1.1 million Gross (\$739,400 GF/GP) for negotiated salary and wage increases (2.0% ongoing), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.

## **Capital Outlay**

Analyst: Ben Gielczyk

### **Major Budget Changes From FY 2017-18 Year-to-Date (YTD) Appropriations**

No new projects recommended for planning authorization in FY 2018-19.

### **Supplemental Recommendations for FY 2017-18 Appropriations**

#### ***State Capitol Restoration/Infrastructure Upgrade Project***

Includes \$70.0 million GF/GP to reflect costs associated with the state share (100%) of the project. Appropriation of the funds in FY 2017-18 would prevent the state from needing to bond for the project costs and incurring interest and issuance costs that would otherwise be paid.

#### ***Grand Rapids and Detroit Veterans Home Projects***

Includes \$42.1 million GF/GP to reflect costs associated with the state share of the project. Overall project costs remain at \$112.1 million; state share is \$42.1 million; and federal share is \$66.0 million. Appropriation of the funds in FY 2017-18 would prevent the state from needing to bond for the project costs and incurring interest and issuance costs that would otherwise be paid.

## **Community Colleges**

Analyst: Perry Zielak

	FY 2017-18 Year-to-Date as of 2/7/18	FY 2018-19 Executive	Difference: FY 2018-19 Vs. FY 2017-18	
			Amount	%
IDG/IDT	\$0	\$0	\$0	--
Federal	0	0	0	--
Local	0	0	0	--
Private	0	0	0	--
Restricted	398,301,500	405,015,500	6,714,000	1.7
GF/GP	1,025,000	0	(1,025,000)	(100.0)
<b>Gross</b>	<b>\$399,326,500</b>	<b>\$405,015,500</b>	<b>\$5,689,000</b>	<b>1.4</b>

Notes: (1) FY 2017-18 year-to-date figures include mid-year budget adjustments through February 7, 2018. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

### **Major Budget Changes From FY 2017-18 Year-to-Date (YTD) Appropriations**

#### ***Michigan Public School Employee Retirement System (MPERS) Rate Cap Costs***

Reduces funding by \$3.2 million School Aid Fund (SAF) for the state's share of colleges' unfunded liability to MPERS. The state's share is the difference between the actuarial accrued liability to the system and the employer contribution cap of 20.96% of payroll set by the Public School Employees Retirement Act (MCL 38.1341). When paired with the funding increase for the MPERS assumed rate of return reduction, the total funding for the state share of MPERS would be \$70.8 million SAF.

#### ***MPERS Assumed Rate of Return***

Increases funding by \$7.7 million SAF for the state's share of colleges' unfunded liability to MPERS. The increase will cover the second year of a two-year phase in to lower the assumed rate of return for MPERS from 8% to 7.5%. When paired with the funding decrease for the MPERS rate cap costs, the total funding for the state share of MPERS would be \$70.8 million SAF.

#### ***MPERS Normal Cost Offset***

Increases funding by \$2.8 million SAF to reimburse community colleges for their normal cost portion for the second year of a two-year phase in to reduce the assumed rate of return for MPERS from 8% to 7.5%. The total funding for MPERS normal cost offset would be \$6.4 million.

#### ***Renaissance Zone Reimbursement Costs***

Reduces funding for Renaissance Zone reimbursements to community colleges by \$600,000 SAF. Estimated reimbursement payments required by statute have decreased due to recent Personal Property Tax reforms. Total funding for reimbursements would be \$2.5 million SAF.

#### ***Removal of One-Time Funding***

Eliminates \$1.0 million GF/GP of one-time funding for the Michigan Transfer Network.

## Corrections

Analyst: Robin R. Risko

	FY 2017-18	FY 2018-19	Difference: FY 2018-19	
	Year-to-Date as of 2/7/18		Executive	Vs. FY 2017-18
			Amount	%
IDG/IDT	\$0	\$0	\$0	--
Federal	5,293,800	5,315,200	21,400	0.4
Local	8,842,400	8,960,100	117,700	1.3
Private	0	0	0	--
Restricted	41,149,400	40,939,600	(209,800)	(0.5)
GF/GP	1,946,633,600	1,979,910,200	33,276,600	1.7
<b>Gross</b>	<b>\$2,001,919,200</b>	<b>\$2,035,125,100</b>	<b>\$33,205,900</b>	<b>1.7</b>
FTEs	13,819.9	13,967.2	147.3	1.1

Notes: (1) FY 2017-18 year-to-date figures include mid-year budget adjustments through February 7, 2018. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

### Major Budget Changes From FY 2017-18 Year-to-Date (YTD) Appropriations

#### **West Shoreline Correctional Facility Closure**

Reflects a savings of \$18.9 million Gross (\$18.8 million GF/GP) and a reduction of 212.7 FTE positions due to closure of the West Shoreline Correctional Facility. Net savings will be achieved from a combination of the following: eliminating \$21.3 million in funding used for operation of the facility; reducing funding for education programs by \$501,700; reducing funding for clinical and mental health care by \$1.4 million; reducing funding for prison store operations by \$92,000; and increasing funding by \$4.3 million to cover costs of re-opening closed housing units at various other facilities to accommodate prisoners from West Shoreline.

#### **Prison Food Service**

Includes an additional \$13.7 million GF/GP and authorization for 352.0 FTE positions to change over operation of prison food service from a private provider to state employees.

#### **One-Time Funding for Training of New Custody Staff**

Includes \$9.2 million GF/GP in one-time funding to train an additional 359 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.)

#### **Program Eliminations**

Reflects a savings of \$6.0 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.
- Future Facility and Staff Transition Costs (\$1.0 million) – funding was first included in the FY 2016-17 budget to cover staff transition costs when a new correctional facility came online.
- Online High School Equivalency Pilot Program (\$1.0 million) – 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 (\$75,000) – 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.

#### **Various Contract Adjustments**

Includes \$5.4 million GF/GP to cover various contract funding adjustments:

- Corizon health care contract adjustment (\$2.5 million) – supports required inflationary adjustment.
- Offenders with special needs contract adjustments (\$1.6 million) – supports increased caseload and associated costs for reentry services for high-risk parolees with special needs.
- Offender success community partners contract adjustments (\$1.3 million) – supports increased caseload and increased costs for reentry services (i.e., housing and job placement, health and behavioral health, and social support services) for parolees.

### **Higher Custody Level Programming**

Includes \$4.0 million GF/GP to expand access to programming to higher security level prisoners (i.e., Level IV, Level V, and Administrative Segregation prisoners). Currently, access to programming for these prisoners is very limited. Programming will be aimed at improving attitudes, education, and skill levels.

### **Health Care Recruitment and Retention**

Includes \$3.8 million GF/GP for recruitment and retention of health care professionals, specifically, dentists, registered nurses, and qualified mental health professionals. Civil Service changed classifications and adjusted pay levels for certain medical and psychiatric positions. The department proposes offering signing bonuses to registered nurse candidates, and increasing base pay for dentists pursuant to Civil Service rules.

### **Economic Adjustments**

Reflects increased costs of \$25.7 million Gross (\$25.4 million GF/GP) for negotiated salary and wage increases (2.0% ongoing), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.

## **Education (Department)**

Analyst: Samuel Christensen

	FY 2017-18 Year-to-Date as of 2/7/18	FY 2018-19 Executive	Difference: FY 2018-19 Vs. FY 2017-18	
			Amount	%
IDG/IDT	\$0	\$0	\$0	--
Federal	254,084,700	255,366,800	1,282,100	0.5
Local	5,817,200	5,852,800	35,600	0.6
Private	2,034,300	2,035,800	1,500	0.1
Restricted	8,567,600	8,668,200	100,600	1.2
GF/GP	81,677,400	85,183,700	3,506,300	4.3
Gross	<b>\$352,181,200</b>	<b>\$357,107,300</b>	<b>\$4,926,100</b>	<b>1.4</b>
FTEs	609.5	620.5	11.0	1.8

Notes: (1) FY 2017-18 year-to-date figures include mid-year budget adjustments through February 7, 2018. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

## **Major Budget Changes From FY 2017-18 Year-to-Date (YTD) Appropriations**

### **State Reform Office to MDE**

Provides \$3.4 million GF/GP and 11.0 FTEs to transfer the State Reform Office (SRO) from DTMB to MDE, which technically occurred through Executive Order 2017-5. The SRO's previous responsibilities will be split between two units in MDE with \$497,600 GF/GP and 2.0 FTEs for the State Board of Education/Office of the Superintendent and \$2.9 million GF/GP and 9.0 FTEs for Partnership District Support.

### **Early Literacy Implementation**

Provides \$1.0 million GF/GP to the School Support Services unit for continuing implementation of literacy initiatives funded in Section 35a of the School Aid Act. Previously, these funds were located in Section 35 of the School Aid Act.

### **Project UNIFY**

Provides \$500,000 GF/GP to the School Support Services unit for Project UNIFY, now known as Special Olympics Unified Champion Schools. Currently, MDE oversees the program and is reimbursed by DHHS, but would now be directly funded in their budget.

### **Braille Textbook Production Expansion**

Increases by \$300,000 in restricted funds in the Michigan Schools for the Deaf and Blind unit's Low Incidence Outreach program to a total of \$750,000. The increased appropriation allows for increased production and sale of specialized Braille books, and additional fund revenue provides free books, services, supports, and training for students, teachers, parents, and other related personnel.

### **Renaissance Zones Adjustment**

Reduces funding for Renaissance Zone reimbursements to libraries by \$800,000 GF/GP. Estimated reimbursement payments required by statute have decreased due to recent Personal Property Tax reform.

### **Economic Adjustments**

Reflects increased costs of \$1.5 million Gross (\$455,300 GF/GP) for negotiated salary and wage increases (2.0% ongoing), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.



## Environmental Quality

Analyst: Austin Scott

	FY 2017-18	FY 2018-19	Difference: FY 2018-19	
	Year-to-Date as of 2/7/18		Executive	Vs. FY 2017-18
			Amount	%
<b>IDG/IDT</b>	\$3,100,500	\$3,143,700	\$43,200	1.4
<b>Federal</b>	170,042,600	160,225,400	(9,817,200)	(5.8)
<b>Local</b>	0	0	0	--
<b>Private</b>	555,300	1,061,700	506,400	91.2
<b>Restricted</b>	314,725,300	283,210,700	(31,514,600)	(10.0)
<b>GF/GP</b>	63,081,500	46,946,500	(16,135,000)	(25.6)
<b>Gross</b>	<b>\$551,505,200</b>	<b>\$494,588,000</b>	<b>(\$56,917,200)</b>	<b>(10.3)</b>
<b>FTEs</b>	1,252.0	1,263.0	11.0	0.9

Notes: (1) FY 2017-18 year-to-date figures include mid-year budget adjustments through February 7, 2018. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

### Major Budget Changes From FY 2017-18 Year-to-Date (YTD) Appropriations

#### **Clean Michigan Program**

Intends to use 75.0 FTEs and \$79.0 million in restricted funding, the majority of which would be generated by a proposed increase in Michigan's solid waste tipping fee from \$0.36 per ton to \$4.75 per ton, to partially offset the loss of Clean Michigan Initiative funding. This new program would include support for the remediation and redevelopment of contaminated sites (including vapor intrusion and PFAS), recycling grants, solid waste management, asbestos and landfill gas monitoring, materials management, water quality monitoring grants, and state park infrastructure.

#### **Oil, Gas, and Mineral Services Ongoing GF/GP**

Provides \$4.0 million GF/GP for oil, gas, and mineral services to help offset a reduction in available oil and gas regulatory funding. This funding was included in the FY 2017-18 DEQ budget on a one-time basis.

#### **Solid Waste Management Program**

Eliminates the solid waste management program by transferring 37.0 FTEs and \$5.1 million in restricted funding to the proposed Clean Michigan Program.

#### **Removal of FY 2017-18 Supplemental Funding**

Removes \$40.5 million Gross (\$15.8 million GF/GP) for FY 2017-18 supplemental appropriations included in Public Acts 158 (vapor intrusion) and 201 (PFAS, remediation and redevelopment, water infrastructure) of 2017. The vapor intrusion, PFAS, and remediation and redevelopment programs are continued in FY 2018-19 through the proposed Clean Michigan Program.

#### **Removal of FY 2017-18 One-Time Funding**

Removes \$21.1 million Gross (\$4.0 million GF/GP) for one-time projects including the Refined Petroleum Product Cleanup Program (\$14.9 million); Oil, Gas, and Mineral Services (\$4.0 million); and the Drinking Water Declaration of Emergency (\$2.2 million).

#### **Technical Adjustments**

Decreases DEQ budget by \$76.3 million Gross (\$913,400 GF/GP) to align authorization with available funds and comply with organizational changes. Adjustments include transferring the Office of the Great Lakes from the DEQ to the DNR (Executive Order 2017-9) and eliminating authorization for Strategic Water Quality Initiative grants and loans program which was funded through FY 2017-18.

#### **Economic Adjustments**

Reflects increased costs of \$3.1 million Gross (\$615,900 GF/GP) for negotiated salary and wage increases (2.0% ongoing), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.

### Supplemental Recommendations for FY 2017-18 Appropriations

#### **Drinking Water Declaration of Emergency**

Adds \$29.0 million Gross (\$18.0 million GF/GP and \$11.0 million Drinking Water Declaration of Emergency Fund) for service line replacement related to the drinking water declaration of emergency. This supplemental funding is intended to help meet the requirements of the Concerned Pastors for Social Action settlement agreement.

## All General Government

Analysts: Ben Gielczyk and Michael Crossen

	FY 2017-18 Year-to-Date as of 2/7/18	FY 2018-19 Executive	Difference: FY 2018-19 Vs. FY 2017-18	
			Amount	%
IDG/IDT	\$782,493,800	\$821,066,200	\$38,572,400	4.9
Federal	807,906,500	808,698,700	792,200	0.1
Local	17,332,700	15,977,300	(1,355,400)	(7.8)
Private	6,244,900	6,247,400	2,500	0.0
Restricted	2,185,898,800	2,210,623,600	24,724,800	1.1
GF/GP	1,250,729,600	1,110,473,500	(140,256,100)	(11.2)
<b>Gross</b>	<b>\$5,050,606,300</b>	<b>\$4,973,086,700</b>	<b>(\$77,519,600)</b>	<b>(1.5)</b>
FTEs	8,591.7	8,781.7	190.0	2.2

Notes: (1) FY 2017-18 year-to-date figures include mid-year budget adjustments through February 7, 2018. (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 2017-18 General Government appropriations bill follow this page.

## Attorney General

Analyst: Michael Crossen

	FY 2017-18 Year-to-Date as of 2/7/18	FY 2018-19 Executive	Difference: FY 2018-19 Vs. FY 2017-18	
			Amount	%
IDG/IDT	\$29,915,300	\$30,386,400	\$471,100	1.6
Federal	9,518,000	9,628,500	110,500	1.2
Local	0	0	0	--
Private	0	0	0	--
Restricted	22,116,900	21,907,200	(209,700)	(0.9)
GF/GP	40,248,600	40,106,800	(141,800)	(0.4)
<b>Gross</b>	<b>\$101,798,800</b>	<b>\$102,028,900</b>	<b>\$230,100</b>	<b>0.2</b>
FTEs	536.0	536.0	0.0	0.0

Notes: (1) FY 2017-18 year-to-date figures include mid-year budget adjustments through February 7, 2018. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

## Major Budget Changes From FY 2017-18 Year-to-Date (YTD) Appropriations

### **Medical Marihuana Enforcement**

Provides \$502,000 state restricted for legal support of medical marihuana regulatory oversight as described in Public Acts 281 – 283 of 2016. Legal support services include investigating and prosecuting violations of the acts and rules governing the licensing of medical marihuana facilities. The requested amount is an increase of \$127,000 from FY 2017-18 to reflect the first full year of enforcement operations.

### **Flint Special Counsel Investigation**

Maintains \$2.6 million lawsuit settlement proceeds fund to support the ongoing investigation of activities associated with the Flint Declaration of Emergency due to drinking water and the resulting prosecutions led by an independent special counsel.

### **Economic Adjustments**

Reflects increased costs of \$1.4 million Gross (\$558,200 GF/GP) for negotiated salary and wage increases (2.0% ongoing), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.

## Supplemental Recommendations for FY 2017-18 Appropriations

### ***Investigation into the Handling of Sexual Misconduct at Michigan State University***

Appropriates \$1.0 million GF/GP for the investigation into systemic mishandling of reports of sexual misconduct at Michigan State University. The investigation will be led by an outside Special Prosecutor and supported by departmental personnel. The department anticipates concluding the investigation by September 2018.

### **Civil Rights**

Analyst: Michael Crossen

	FY 2017-18 Year-to-Date as of 2/7/18	FY 2018-19 Executive	Difference: FY 2018-19 Vs. FY 2017-18	
			Amount	%
IDG/IDT	\$296,600	\$299,100	\$2,500	0.8
Federal	2,775,800	2,802,700	26,900	1.0
Local	0	0	0	--
Private	18,700	18,700	0	0.0
Restricted	151,900	58,500	(93,400)	(61.5)
GF/GP	13,006,600	13,022,100	15,500	0.1
<b>Gross</b>	<b>\$16,249,600</b>	<b>\$16,201,100</b>	<b>(\$48,500)</b>	<b>(0.3)</b>
FTEs	116.0	116.0	0.0	0.0

Notes: (1) FY 2017-18 year-to-date figures include mid-year budget adjustments through February 7, 2018. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

## Major Budget Changes From FY 2017-18 Year-to-Date (YTD) Appropriations

### ***Transfer from Division on Deaf, DeafBlind, and Hard of Hearing to LARA***

Transfers \$93,400 state restricted from the Department of Civil Rights to the Department of Licensing and Regulatory Affairs in accordance with Executive Order No. 2017-8 which transferred the responsibilities set forth in the Deaf Persons' Interpreters Act, PA 204 of 1982, and the spending authorization of certification fees from the Division on Deafness Fund.

### ***Economic Adjustments***

Reflects increased costs of \$194,900 Gross (\$165,500 GF/GP) for negotiated salary and wage increases (2.0% ongoing), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.

### **Executive Office**

Analyst: Ben Gielczyk

	FY 2017-18 Year-to-Date as of 2/7/18	FY 2018-19 Executive	Difference: FY 2018-19 Vs. FY 2017-18	
			Amount	%
IDG/IDT	\$0	\$0	\$0	--
Federal	0	0	0	--
Local	0	0	0	--
Private	0	0	0	--
Restricted	0	0	0	--
GF/GP	6,848,500	6,980,100	131,600	1.9
<b>Gross</b>	<b>\$6,848,500</b>	<b>\$6,980,100</b>	<b>\$131,600</b>	<b>1.9</b>
FTEs	89.2	89.2	0.0	0.0

Notes: (1) FY 2017-18 year-to-date figures include mid-year budget adjustments through February 7, 2018. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

## Major Budget Changes From FY 2017-18 Year-to-Date (YTD) Appropriations

### ***Operational Adjustments***

Reflects increased costs of \$131,600 GF/GP related to Executive Office staff and other operations.

## Legislature

Analyst: Ben Gielczyk

	FY 2017-18 Year-to-Date as of 2/7/18	FY 2018-19 Executive	Difference: FY 2018-19 Vs. FY 2017-18	
			Amount	%
IDG/IDT	\$0	\$0	\$0	--
Federal	0	0	0	--
Local	0	0	0	--
Private	400,000	400,000	0	0.0
Restricted	4,277,700	4,394,300	116,600	2.7
GF/GP	150,597,100	152,487,500	1,890,400	1.3
<b>Gross</b>	<b>\$155,274,800</b>	<b>\$157,281,800</b>	<b>\$2,007,000</b>	<b>1.3</b>

Notes: (1) FY 2017-18 year-to-date figures include mid-year budget adjustments through February 7, 2018. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

### Major Budget Changes From FY 2017-18 Year-to-Date (YTD) Appropriations

#### **Legislature Operations**

Reflects increased costs of \$4.3 million Gross (\$4.1 million GF/GP) related to Legislative staff and other operations.

#### **Legislative Information Technology Systems Design Project**

Includes a net reduction of \$2.3 million GF/GP in one-time appropriations related to operational and implementation costs associated with the Legislative IT System Design Project. Replaces \$3.0 million in FY 2017-18 one-time appropriations with \$750,000 GF/GP in FY 2018-19 one-time appropriations.

## Legislative Auditor General

Analyst: Ben Gielczyk

	FY 2017-18 Year-to-Date as of 2/7/18	FY 2018-19 Executive	Difference: FY 2018-19 Vs. FY 2017-18	
			Amount	%
IDG/IDT	\$5,709,200	\$5,823,400	\$114,200	2.0
Federal	0	0	0	--
Local	0	0	0	--
Private	0	0	0	--
Restricted	1,969,400	2,008,800	39,400	2.0
GF/GP	16,607,600	17,105,800	498,200	3.0
<b>Gross</b>	<b>\$24,286,200</b>	<b>\$24,938,000</b>	<b>\$651,800</b>	<b>2.7</b>

Notes: (1) FY 2017-18 year-to-date figures include mid-year budget adjustments through February 7, 2018. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

### Major Budget Changes From FY 2017-18 Year-to-Date (YTD) Appropriations

#### **Auditor General Operations**

Reflects increased costs of \$651,800 Gross (\$498,200 GF/GP) related to Auditor General staff and other operations.

**State (Department)**

Analyst: Michael Crossen

	FY 2017-18 Year-to-Date as of 2/7/18	FY 2018-19 Executive	Difference: FY 2018-19 Vs. FY 2017-18	
			Amount	%
<b>IDG/IDT</b>	\$20,000,000	\$20,000,000	\$0	0.0
<b>Federal</b>	1,460,000	1,460,000	0	0.0
<b>Local</b>	0	0	0	--
<b>Private</b>	50,100	50,100	0	0.0
<b>Restricted</b>	208,709,400	214,686,400	5,977,000	2.9
<b>GF/GP</b>	24,139,000	18,466,300	(5,672,700)	(23.5)
<b>Gross</b>	<b>\$254,358,500</b>	<b>\$254,662,800</b>	<b>\$304,300</b>	<b>0.1</b>
<b>FTEs</b>	1,592.0	1,592.0	0.0	0.0

Notes: (1) FY 2017-18 year-to-date figures include mid-year budget adjustments through February 7, 2018. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

**Major Budget Changes From FY 2017-18 Year-to-Date (YTD) Appropriations**

***Driver License Vendor Contract Extension***

Provides \$925,000 state restricted for a contract extension with the current vendor responsible for producing driver licenses.

***IT Cost Increase***

Provides \$800,000 state restricted to accommodate rate increases for services provided by DTMB as well as to contract for a disaster recovery solution for the Qualified Voter File registry.

***Commercial Driver License Testing Kiosks***

Provides \$500,000 state restricted to offset the anticipated loss of federal funding for kiosks in branch offices used for computerized Commercial Driver License testing.

***Fund Shift GF Reduction***

Replaces \$1.1 million GF/GP with a corresponding amount of state restricted Transportation Administration Collection Fund (TACF) for a net change of \$0 Gross.

***Economic Adjustments***

Reflects increased costs of \$3.1 million Gross (\$475,600 GF/GP) for negotiated salary and wage increases (2.0% ongoing), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.

**Supplemental Recommendations for FY 2017-18 Appropriations**

***HAVA Interest Earnings for Voting Machines***

Appropriates \$4.0 million in federal funds from interest earned on carried forward funds previously appropriated from the Help America Vote Act to complete the purchasing of new statewide voting machines. New voting machines are expected to be in place in time for August 2018 elections.

## Talent and Economic Development

Analyst: Ben Gielczyk

	FY 2017-18 Year-to-Date as of 2/7/18	FY 2018-19 Executive	Difference: FY 2018-19 Vs. FY 2017-18	
			Amount	%
IDG/IDT	\$0	\$0	\$0	--
Federal	762,144,800	762,645,800	501,000	0.1
Local	500,000	500,000	0	0.0
Private	5,620,900	5,621,700	800	0.0
Restricted	206,056,700	183,432,300	(22,624,400)	(11.0)
GF/GP	205,099,400	166,745,800	(38,353,600)	(18.7)
<b>Gross</b>	<b>\$1,179,421,800</b>	<b>\$1,118,945,600</b>	<b>(\$60,476,200)</b>	<b>(5.1)</b>
FTEs	1,453.0	1,456.0	3.0	0.2

Notes: (1) FY 2017-18 year-to-date figures include mid-year budget adjustments through February 7, 2018. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

### Major Budget Changes From FY 2017-18 Year-to-Date (YTD) Appropriations

#### **Business Attraction and Community Revitalization**

Reduces by \$5.1 million Gross (\$7.1 million GF/GP). The GF/GP reduction of \$7.1 million is partially offset by shifting \$2.0 million in 21<sup>st</sup> Century Jobs Trust Fund from Entrepreneurship Eco-System.

#### **Entrepreneurship Eco-System**

Reflects a net reduction of \$500,000 Gross and an increase of \$500,000 GF/GP. Adjustment includes a reduction of \$2.0 million 21<sup>st</sup> Century Jobs Trust Fund which is moved to Business Attraction and Community Revitalization to partially offset GF/GP reduction in that line item and a reduction of \$1.0 million GF/GP in ongoing appropriations. Includes \$2.5 million GF/GP in FY 2018-19 one-time funds to support business accelerators.

#### **Going Pro**

Reflects a net reduction of \$1.0 million Gross and an increase of \$24.0 million GF/GP for a total appropriation of \$49.0 million. Adjustment includes the replacement of \$15.0 million in ongoing restricted Contingent Fund, Penalty and Interest Account funds with an equal amount of GF/GP. Replaces FY 2017-18 one-time appropriation of \$10.0 million Contingent Fund, Penalty and Interest Account with \$9.0 million GF/GP one-time appropriation in FY 2018-19.

#### **Community Ventures**

Reduces by \$4.8 million Gross (\$306,700 GF/GP). Shifts \$1.5 million Contingent Fund, Penalty and Interest Account and 7.0 FTEs to Workforce Program Administration to consolidate Talent Investment Agency (TIA) employees into one appropriation line item. Additional \$3.0 million Contingent Fund, Penalty and Interest Account funds are shifted to Community College Skilled Trades Training Program debt service line item to offset GF/GP funds in that line item.

#### **Community College Skilled Trades Training Program Debt Service**

Replaces \$4.6 million GF/GP with equal amount of Contingent Fund, Penalty and Interest (\$3.0 million of total shifted from Community Ventures) for a net change of \$0 Gross.

#### **Land Bank Fast Track Fund Operations**

Reduces by \$1.0 million GF/GP to reflect reduced costs associated with Land Bank Fast Track Authority operations.

#### **Removal of Other One-Time Appropriations**

Removes a total of \$51.1 million GF/GP in one-time appropriations. Appropriations include Michigan Enhancement Grants (\$35.9 million GF/GP), Arts and Cultural Grants (\$1.0 million GF/GP), DTED – grants (\$2.7 million GF/GP), Protect and Grow (\$1.0 million GF/GP), Talent Marketing (\$5.0 million GF/GP), Dropout Support and Career Training Grants included in the Going Pro line item (\$1.5 million GF/GP), Jobs for Michigan Grads program included in the Going Pro line item (\$3.0 million GF/GP), and a Van Andel Institute grant included in the Entrepreneurship Eco-System line item (\$1.0 million GF/GP).

#### **Economic Adjustments**

Reflects increased costs of \$2.7 million Gross (\$270,200 GF/GP) for negotiated salary and wage increases (2.0% ongoing), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.

## **Technology, Management, and Budget**

Analyst: Michael Crossen

	FY 2017-18 Year-to-Date as of 2/7/18	FY 2018-19 Executive	Difference: FY 2018-19 Vs. FY 2017-18	
			Amount	%
<b>IDG/IDT</b>	\$713,959,000	\$751,777,000	\$37,818,000	5.3
<b>Federal</b>	4,985,300	5,033,700	48,400	1.0
<b>Local</b>	2,316,700	2,341,600	24,900	1.1
<b>Private</b>	127,700	129,400	1,700	1.3
<b>Restricted</b>	111,399,300	114,457,400	3,058,100	2.7
<b>GF/GP</b>	579,855,200	486,765,800	(93,089,400)	(16.1)
<b>Gross</b>	<b>\$1,412,643,200</b>	<b>\$1,360,504,900</b>	<b>(\$52,138,300)</b>	<b>(3.7)</b>
<b>FTEs</b>	2,943.0	3,122.0	179.0	6.1

Notes: (1) FY 2017-18 year-to-date figures include mid-year budget adjustments through February 7, 2018. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

### **Major Budget Changes From FY 2017-18 Year-to-Date (YTD) Appropriations**

#### ***State Building Authority (SBA) Rent Increase***

Adds \$19.2 million GF/GP to cover anticipated debt service obligations associated with capital outlay projects authorized for construction. The increase does not include \$8.5 million GF/GP for debt service associated with two new DMVA veterans' homes and the Capitol Restoration projects due to recommended payoff of those projects in a FY 2017-18 supplemental request (see Capital Outlay).

#### ***EPMO IT Management Services***

Provides \$2.0 million GF/GP and 11.0 FTEs to expand Enterprise Portfolio Management Office (EPMO) IT project management services across the portfolio of enterprise IT projects to establish more standardized IT management processes and controls.

#### ***Regional Prosperity Grants Increase***

Adds \$1.5 million GF/GP and 1.0 FTE to increase grants to designated economic regions defined by the Regional Prosperity Initiative to encourage private, public, and non-profit partners to collaborate on economic visions and efforts to achieve them. This addition would bring the total annual program funding to \$4.0 million GF/GP.

#### ***Information Technology Personnel Retention Incentives***

Provides \$1.5 million GF/GP to offer pay-per-performance incentives to retain talent among the state's IT personnel.

#### ***Procurement Improvement Plan Completion***

Provides \$891,900 state restricted and 6.0 FTEs for ongoing support of improved procurement operations. Funding will cover the costs of permanent supplier relationship management, contract management, and an enterprise-wide professional development certification program for procurement professionals.

#### ***Financial Services Support***

Provides \$559,400 Gross (\$12,900 GF/GP) and 6.0 FTEs to support an increased workload related to procurement of IT hardware and software and to reduce Agency Services billing errors.

#### ***Michigan Cyber Civilian Corps***

Provides \$420,000 in one-time state restricted funding to support the expansion of members in the expert volunteer force as well as updated training. The Cyber Civilian Corps (MiC3) is established to provide emergency responses to cyber security threats upon the request of a municipal, educational, non-profit, or business organization.

#### ***FY 2018-19 Information Technology IDG Baseline Adjustment***

Increases by \$31.0 million IDG to reflect projects and service adjustments in other agency budgets.

#### ***School Reform Office Transfer to MDE***

Transfers \$3.4 million GF/GP and 11.0 FTEs to the Department of Education per Executive Order No. 2017-5.

#### ***Information Technology Investment Fund***

Reduces by \$25.0 million GF/GP to reflect the decreased costs due to the completion of SIGMA.

#### ***Homeland Security Initiatives/Cyber Security***

Reduces by \$1.0 million GF/GP to reflect reduced costs due to the extension of the timeframe for state network improvements.

### ***Economic Adjustments***

Reflects increased costs of \$8.1 million Gross (\$1.8 GF/GP) for negotiated salary and wage increases (2.0% ongoing), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.

### **Supplemental Recommendations for FY 2017-18 Appropriations**

#### ***State Broadband Initiative, MCAN***

Provides \$20.0 million Gross (\$13.6 million GF/GP and \$6.4 million Michigan Infrastructure Fund) to initiate a state strategy to expand broadband access to underserved areas. The investment will support the creation of the Michigan Consortium of Advanced Networks (MCAN), per Executive Order No. 2018-2, as an advisory body charged with developing a strategic roadmap. The investment will also support competitive grants distributed in accordance with the strategic roadmap.

#### ***Enterprisewide Special Maintenance***

Provides \$3.0 million GF/GP to support demolitions of surplus state-owned facilities to include structures at the Caro Center Psychiatric Hospital.

#### ***Gubernatorial Transition Costs***

Provides \$1.75 million GF/GP to support the costs of the upcoming gubernatorial transition. Costs include office space leasing, office equipment and supplies contracts, and outgoing FTE accrued benefits, among others.

#### ***State Education Governance Study***

Provides \$100,000 GF/GP to support a study of state education governance.

### **Treasury**

*Analyst: Ben Gielczyk*

	FY 2017-18 Year-to-Date as of 2/7/18	FY 2018-19 Executive	Difference: FY 2018-19 Vs. FY 2017-18	
			Amount	%
<b>IDG/IDT</b>	\$12,613,700	\$12,780,300	\$166,600	1.3
<b>Federal</b>	27,022,600	27,128,000	105,400	0.4
<b>Local</b>	14,516,000	13,135,700	(1,380,300)	(9.5)
<b>Private</b>	27,500	27,500	0	0.0
<b>Restricted</b>	1,631,217,500	1,669,678,700	38,461,200	2.4
<b>GF/GP</b>	214,327,600	208,793,300	(5,534,300)	(2.6)
<b>Gross</b>	<b>\$1,899,724,900</b>	<b>\$1,931,543,500</b>	<b>\$31,818,600</b>	<b>1.7</b>
<b>FTEs</b>	1,862.5	1,870.5	8.0	0.4

Notes: (1) FY 2017-18 year-to-date figures include mid-year budget adjustments through February 7, 2018. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

### **Major Budget Changes From FY 2017-18 Year-to-Date (YTD) Appropriations**

#### ***Revenue Sharing***

- Increases Constitutional revenue sharing by \$34.3 million in restricted sales tax revenue relative to the FY 2017-18 budget act appropriated amount (3.1% increase from January 2018 CREC estimate for FY 2017-18).
- Removes \$5.8 million in one-time restricted sales tax revenue associated with the additional 101 local units (100 townships and 1 city) that were newly eligible to receive a payment in FY 2014-15. The 101 units initially included in FY 2014-15 would no longer be eligible to receive a payment.
- Removes \$6.2 million GF/GP for Supplemental City, Village, and Township Revenue Sharing.
- Includes a net reduction of \$1.9 million Gross (\$2.2 million GF/GP) for County Revenue Sharing. Adjustment includes increase of \$317,400 in restricted sales tax revenue to accommodate 3 additional counties that are expected to exhaust their revenue sharing reserve funds in FY 2018-19 and a decrease of \$2.2 million GF/GP to reduce County Revenue Sharing payments to an amount 1% above statutory full-funding from an amount 2% above full-funding included in FY 2017-18.
- Includes a plan to augment revenue sharing to cities, villages, townships, and counties through a redistribution of the Local Community Stabilization Authority (LCSA) Tier 3 payments. After guaranteeing a \$15.0 million appropriation for fire protection grants, the remaining funds would be allocated to counties (30%), cities (48%), villages (2%), and townships (5%) on a per capita basis with a calculated minimum of \$4,500 required to receive a distribution. Community colleges would receive the remaining 15%.



**Medical Marihuana Excise Fund**

Increases by \$7.2 million Gross (\$0 GF/GP) to account for full-year costs associated with administrative personnel and grants to municipalities, counties, and county sheriffs to offset the costs associated with medical marihuana regulatory activities.

**Information Technology System Enhancements**

Includes \$5.5 million GF/GP to accommodate costs associated with continued mainframe legacy upgrades (\$2.7 million) and cloud hosting services (\$2.8 million) to enhance data security on mandated projects.

**Removal of One-Time Appropriations and Grants**

Removes \$5.0 million Gross (\$3.5 million GF/GP) in other FY 2017-18 one-time appropriations. Appropriations include Beat the Streets (\$100,000 GF/GP), Urban Search and Rescue (\$900,000 GF/GP), Financial Data Analytic Tool Reimbursement for local government financial health (\$500,000 GF/GP), City income tax administration costs associated with implementation of Detroit sales and flow through withholding collections (\$1.5 million in local funds), and Information Technology implementation costs associated with SAP (\$2.0 million GF/GP).

**Economic Adjustments**

Reflects increased costs of \$4.9 million Gross (\$1.2 million GF/GP) for negotiated salary and wage increases (2.0% ongoing), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.

**Supplemental Recommendations for FY 2017-18 Appropriations****Protecting Local Government Retirement and Benefits Act**

Includes \$250,000 GF/GP to reflect costs associated with implementing and administering 2017 PA 202. Appropriation supports the monitoring, evaluating, and reporting on pension and retirement health benefit plans offered by 1,400 local units of government.

**Trial Court Funding Commission**

Includes \$200,000 GF/GP to reflect costs associated with implementing 2017 PA 65, which established the Trial Court Funding Commission. Appropriation supports the efforts of the commission to review and recommend changes to the trial court funding system after determining how the courts impose and allocate fees and costs.

## Health and Human Services

Analysts: Susan Frey, Kevin Koorstra, and Viola Wild

	FY 2017-18	FY 2018-19 Executive	Difference: FY 2018-19 Vs. FY 2017-18	
	Year-to-Date as of 2/7/18		Amount	%
<b>IDG/IDT</b>	\$13,640,900	\$13,813,700	\$172,800	1.3
<b>Federal</b>	18,406,770,700	17,955,593,700	(451,177,000)	(2.5)
<b>Local</b>	116,545,300	123,112,900	6,567,600	5.6
<b>Private</b>	149,875,700	148,409,900	(1,465,800)	(1.0)
<b>Restricted</b>	2,441,939,800	2,456,898,500	14,958,700	0.6
<b>GF/GP</b>	4,380,531,400	4,542,525,600	161,994,200	3.7
<b>Gross</b>	<b>\$25,509,303,800</b>	<b>\$25,240,354,300</b>	<b>(\$268,949,500)</b>	<b>(1.1)</b>
<b>FTEs</b>	15,626.5	15,618.7	(7.8)	(0.0)

Notes: (1) FY 2017-18 year-to-date figures include mid-year budget adjustments through February 7 2018. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

### Major Budget Changes From FY 2017-18 Year-to-Date (YTD) Appropriations

#### **MEDICAID AND BEHAVIORAL HEALTH**

##### **Traditional Medicaid Cost Adjustments**

Provides increase of \$191.0 million Gross (\$104.7 million GF/GP) for traditional Medicaid program caseload/utilization/inflation, financing, and actuarial soundness adjustments. Total includes \$31.7 million GF/GP to offset decline in federal match rate from 64.78% to 64.45% due to relative growth in state's personal income. Compared to FY 2016-17 expenditures, State Budget Office forecasts an average annual increase of 4.0%.

##### **Healthy Michigan Plan Cost Adjustments**

Provides reduction of \$93.4 million Gross (increase of \$30.7 million GF/GP) for Healthy Michigan Plan caseload/utilization/inflation, financing, and actuarial soundness adjustments. Total includes \$33.0 million GF/GP to offset decline in federal match rate from 94.25% to 93.25%. Compared to FY 2016-17 expenditures, State Budget Office forecasts an average annual increase of 6.0%.

##### **Mental Health and Wellness Commission Recommendations**

Reduces \$7.5 million Gross (\$5.3 million GF/GP) for Mental Health and Wellness Commission recommendations. Program would have \$11.5 million Gross (\$3.8 million GF/GP) in available ongoing funding for the psychiatric transitional unit and children's behavioral action team, in addition to available work project authorization. Reduction includes \$500,000 GF/GP transferred to Department of Education.

##### **State Psychiatrist Salary Increase**

Provides \$1.4 million Gross (\$1.3 million GF/GP) to support a civil service salary increase for psychiatrists at the state psychiatric hospitals.

##### **Special Hospital Payments**

Increases \$111.2 million Gross (reduces \$13.5 million GF/GP) in net special hospital payment adjustments based primarily on changes required to comply with recent changes to federal Medicaid managed care rules that phase out "pass through" payments. The Hospital Rate Adjustment (HRA) is increased by \$190.0 million Gross (reducing \$21.2 million in state GF/GP retainer savings) with distribution tied to direct claims. The other 2 "pass through" payments could not be restructured and instead the \$14.7 million GF/GP is provided to the hospitals without federal Medicaid reimbursement; the loss of \$26.6 million in federal Medicaid reimbursement is partially offset with \$7.0 million in additional GF/GP. The Medicaid Access to Care Initiative (MACI) is also adjusted based on projected allocations.

##### **State Restricted Revenue Adjustments**

Revises restricted revenues based on projected available revenue for a net decrease of \$29.8 million, which is offset with a like amount of GF/GP. Revisions include, reducing Health Insurance Claims Assessment (HICA) fund balance utilization \$60.0 million, increasing Medicaid Benefits Trust Fund \$38.3 million, reducing Healthy Michigan Fund \$10.0 million, and increasing Merit Award Trust Fund \$2.0 million.

##### **Medicaid Pharmacy Savings**

Assumes \$14.1 million Gross (\$5.0 million GF/GP) in Medicaid pharmaceutical savings based on changes in how Medicaid prescribes specialty pharmaceuticals.

##### **Hospice Room and Board**

Removes \$3.3 million GF/GP for hospice room and board payments that are not eligible for federal Medicaid reimbursement.

### ***Other Program Reductions and Eliminations***

Reduces Medicaid guardian and conservator rates (\$1.4 million Gross, \$500,000 GF/GP), removes Healthy Michigan Plan medical literacy demonstration program (\$830,000 Gross, \$415,000 GF/GP), removes genomic opioid marker research (\$700,000 GF/GP), and removes dental registry funding (\$500,000 GF/GP).

## **PUBLIC HEALTH AND AGING & ADULT SERVICES**

### ***Flint Drinking Water and Lead Exposure Emergency***

Reduces funding for assistance to residents exposed to lead in the City of Flint by \$16.9 million Gross (increase of \$2.9 million GF/GP) from year-to-date. One-time funding of \$4.6 million Gross (\$4.6 million GF/GP) is provided for food and nutrition services, health services at child and adolescent health centers and schools, lead abatement and investigation, lead poisoning prevention, and additional supports and services.

### ***PFAS Contamination Response***

Reduces funding by \$368,700 GF/GP to address environmental contamination from perfluoroalkyl and polyfluoroalkyl substances (PFAS), first funded in FY 2017-18 supplemental; proposes funding of \$8.0 million GF/GP and 23.0 FTEs in one new appropriation line item to continue laboratory testing and analysis, local public health department response support, environmental health toxicology and response, and other support services.

### ***Local Health Department Emerging Issues Grants***

Includes new funding of \$4.8 million GF/GP for enhanced support to local public health departments responding to emerging public health issues and threats; intent is that a portion will be allocated for PFAS contamination response, and the other portion allocated as needed to address infectious and vector-borne disease outbreaks and other environmental contamination issues such as vapor intrusion, drinking water contamination, and lead exposure.

### ***Public Health Program Reductions***

Eliminates funding for the bone marrow registry (\$250,000 GF/GP), early primary care pilot program (\$1.0 million GF/GP), outstate dental clinics (\$1.6 million GF/GP), and reduces funding for diabetes programming (\$200,000 GF/GP) and for alternative pregnancy and parenting support program (\$550,000 Gross, increase of \$50,000 GF/GP).

## **HUMAN SERVICES**

### ***Public Assistance Caseload Adjustments***

Reduces the federally funded Food Assistance Program by \$415.1 million Gross (\$0 GF/GP) for caseload adjustments. Food assistance caseloads have been steadily declining since 2014. Reduces other public assistance programs by \$3.0 million Gross (reduction of \$6.9 million GF/GP) for caseload cost changes.

### ***Child Welfare Caseload Adjustments***

Increases funding for foster care by \$37.9 million Gross (\$22.0 million GF/GP) for increased caseloads as well as increased costs per case. Other child welfare programs were increased by \$9.1 million Gross (\$3.8 million GF/GP) and include Adoption Subsidies, Child Care Fund, Guardian Assistance Program, and Family Support Subsidy.

### ***Foster Care Administrative Rate – Elimination of County Hold-Harmless Provision***

Reduces state funding by \$8.0 million GF/GP to recognize the savings to the state of rescinding the county hold-harmless provisions that require DHHS to pay 100% of the foster care administrative rates to private agencies for all new cases beginning October 1, 2013 and 100% of the recent rate increases. Requires counties to pay 50% of all administrative rates for private foster care placing agencies and residential service providers beginning in FY 2018-19.

### ***Foster Care Relative Caregiver Licensure Payments***

Eliminates \$1.0 million GF/GP funding for increased payments to child placing agencies for the completed licensure of relative caregivers. Payments were increased in the FY 2017-18 budget.

### ***Family Independence Program (FIP) Inflationary Adjustment***

Includes additional \$1.0 million federal TANF funding to provide a 1.2% inflationary adjustment in benefits. The increase is based upon the growth in the federal poverty standards and will increase benefits by approximately \$2.00 per person per month.

### ***Heat and Eat Program Continuance***

Eliminates the \$2.5 million GF/GP funding for the Heat and Eat program which provides energy assistance payments of \$20.01 to certain food assistance program (FAP) cases making them potentially eligible for additional FAP benefits. The estimate of eligible cases that were not already receiving the enhanced FAP benefits has been reduced and federal funding is available to support the program without the need for GF/GP funding.

### ***One-Time Multicultural Integration Funding Increase***

Includes \$1.4 million GF/GP one-time funding for various multicultural organizations that provide social services programs to specific populations.

**Identification of Federal Revenues Fund Source**

Rolls the "Capped Federal Revenues" fund source, the "Temporary Aid to Needy Families (TANF)" fund source, and the "Total Other Federal Revenues" fund source into a general "Other Federal Revenues" fund source throughout the bill.

**DEPARTMENTAL ADMINISTRATION****Economic Adjustments**

Reflects increased costs of \$32.8 million Gross (\$16.7 million GF/GP) for negotiated salary and wage increases (2.0% ongoing), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.

**Supplemental Recommendations for FY 2017-18 Appropriations****Traditional Medicaid Cost Adjustments**

Provides reduction of \$136.0 million Gross (\$55.1 million GF/GP) for traditional Medicaid program caseload, utilization, and inflation adjustments. Compared to FY 2016-17 expenditures, State Budget Office forecasts an annual increase of 6%.

**Healthy Michigan Plan Cost Adjustments**

Provides reduction of \$263.5 million Gross (\$15.2 million GF/GP) for Healthy Michigan Plan caseload, utilization, and inflation adjustments. Compared to FY 2016-17 expenditures, State Budget Office forecasts an annual increase of 10%.

**Special Hospital Payments**

Increases \$110.8 million Gross (reduces \$13.7 million GF/GP) in net special hospital payment adjustments based primarily on changes required to comply with recent changes to federal Medicaid managed care rules that phase out "pass through" payments. The Hospital Rate Adjustment (HRA) is increased by \$190.0 million Gross (reducing \$21.5 million in state GF/GP retainer savings) with distribution tied to direct claims. The other 2 "pass through" payments could not be restructured and instead the \$14.7 million GF/GP is provided to the hospitals without federal Medicaid reimbursement; the loss of \$27.0 million in federal Medicaid reimbursement is partially offset with \$7.0 million in additional GF/GP. The Medicaid Access to Care Initiative (MACI) is also adjusted based on projected allocations.

**Affordable Care Act (ACA) Health Insurer Fee**

Adds \$210.0 million Gross (\$52.5 million GF/GP) to support actuarial soundness payments for the one-year reinstatement of the federal Affordable Care Act (ACA) health insurer fee.

**Ambulance Quality Assurance Assessment Program (QAAP) Implementation Delay**

Reduces QAAP-funded supplemental ambulance payments \$27.2 million Gross (\$0 GF/GP) assuming the ambulance QAAP will be implemented by April 1, 2018 rather than at the start of FY 2017-18. The state retainer savings are also adjusted for partial year implementation, requiring an additional \$1.9 million GF/GP.

**Food Assistance Program Caseload Adjustments**

Reduces the federally funded Food Assistance Program by \$441.6 million Gross (\$0 GF/GP) for caseload adjustments. Food assistance caseloads have been steadily declining since 2014.

**Other Public Assistance Caseload Adjustments**

Increases other public assistance programs by \$1.3 million Gross (reduction of \$2.8 million GF/GP) for caseload adjustments.

**Child Welfare Caseload Adjustments**

Increases child welfare programs by \$35.3 million Gross (\$26.3 million GF/GP) for caseload adjustments. Of this increase, \$27.3 million Gross (\$16.5 million GF/GP) is for the foster care program for which both caseloads and costs per case are increasing.

## Higher Education

Analyst: Perry Zielak

	FY 2017-18	FY 2018-19	Difference: FY 2018-19	
	Year-to-Date as of 2/7/18	Executive	Amount	%
IDG/IDT	\$0	\$0	\$0	--
Federal	111,526,400	113,026,400	1,500,000	1.3
Local	0	0	0	--
Private	0	0	0	--
Restricted	238,443,500	385,688,300	147,244,800	61.8
GF/GP	1,279,254,500	1,160,217,900	(119,036,600)	(9.3)
<b>Gross</b>	<b>\$1,629,224,400</b>	<b>\$1,658,932,600</b>	<b>\$29,708,200</b>	<b>1.8</b>

Notes: (1) FY 2017-18 year-to-date figures include mid-year budget adjustments through February 7, 2018. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

### Major Budget Changes From FY 2017-18 Year-to-Date (YTD) Appropriations

#### **University Operations Funding**

Increases university operations funding by \$28.6 million School Aid Fund (SAF), a 2.0% increase. The increase is distributed under the performance funding formula, where 50% is allocated based on each university's share of operational funding appropriated in the baseline year of FY 2010-11, while the remaining increase is distributed based on other formula components (weighted completions, research and development spending, and comparison to Carnegie peers). Attainment of performance funding would be conditioned on restraining resident undergraduate tuition and fee increases to 3.8% or \$490 (set at 3.8% or \$475 in the current year). Projected funding increases for individual universities range from 1.5 to 3.1%. Also includes a fund shift of \$120.0 million from GF/GP to SAF.

#### **Michigan Public School Employee Retirement System (MPERS) Rate Cap Costs**

Reduces funding by \$1.6 million School Aid Fund (SAF) for the state's share of the universities' unfunded liability to MPERS. The state's share is the difference between the unfunded accrued liability 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). Total funding for the state share of MPERS would be \$5.1 million SAF.

#### **Tuition Incentive Program**

Increases funding for Tuition Incentive Program by \$1.5 million in federal Temporary Assistance for Needy Families (TANF) funds, a 2.6% increase, which pays for Medicaid-eligible students' tuition costs for associate's degrees. Total funding for TIP would be \$59.8 million.

#### **MSU Extension and AgBioResearch Programs**

Increases funding for Michigan State's AgBioResearch program by \$678,300 GF/GP and Extension program by \$585,100 GF/GP, a 2.0% increase for both.

#### **MPERS Normal Cost Offset**

Increases funding by \$250,000 SAF to reimburse universities for the normal cost increase for the second year of a two-year phase in to reduce the assumed rate of return for MPERS from 8% to 7.5%. Total funding for the offset would be \$669,000 SAF.

#### **Removal of One-Time Funding**

Eliminates \$300,000 GF/GP of one-time funding for the North American Indian Tuition Waiver Program.

#### **Michigan Competitive Scholarships and Tuition Grant Program Fund Swap**

Reduces funding for the Tuition Grant Program by \$6.0 million TANF and increases funding for Michigan Competitive Scholarships by \$6.0 million TANF. Tuition Grant maximum per-student annual award amounts would increase from \$2,000 to \$2,100. Michigan Competitive Scholarships maximum award amounts would remain at \$1,000.

### Supplemental Recommendations for FY 2017-18 Appropriations

#### **Michigan Competitive Scholarships and Tuition Grant Program Fund Swap**

Reduces funding for the Tuition Grant Program by \$6.0 million TANF and increases funding for Michigan Competitive Scholarships by \$6.0 million TANF.

## Insurance and Financial Services

Analyst: Marcus Coffin

	FY 2017-18 Year-to-Date as of 2/7/18	FY 2018-19 Executive	Difference: FY 2018-19 Vs. FY 2017-18	
			Amount	%
IDG/IDT	\$707,600	\$713,800	\$6,200	0.9
Federal	2,014,700	2,017,300	2,600	0.1
Local	0	0	0	--
Private	0	0	0	--
Restricted	63,869,100	64,690,800	821,700	1.3
GF/GP	150,000	150,000	0	0.0
<b>Gross</b>	<b>\$66,741,400</b>	<b>\$67,571,900</b>	<b>\$830,500</b>	<b>1.2</b>
FTEs	342.5	342.5	0.0	0.0

Notes: (1) FY 2017-18 year-to-date figures include mid-year budget adjustments through February 7, 2018. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

### Major Budget Changes From FY 2017-18 Year-to-Date (YTD) Appropriations

#### **Economic Adjustments**

Reflects increased costs of \$830,500 Gross (\$0 GF/GP) for negotiated salary and wage increases (2.0% ongoing), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.

## Judiciary

Analyst: Robin R. Risko

	FY 2017-18 Year-to-Date as of 2/7/18	FY 2018-19 Executive	Difference: FY 2018-19 Vs. FY 2017-18	
			Amount	%
<b>IDG/IDT</b>	\$1,550,600	\$1,551,300	\$700	0.0
<b>Federal</b>	6,464,100	5,987,400	(476,700)	(7.4)
<b>Local</b>	5,955,300	6,599,800	644,500	10.8
<b>Private</b>	969,600	981,600	12,000	1.2
<b>Restricted</b>	92,529,000	92,879,500	350,500	0.4
<b>GF/GP</b>	192,574,400	193,783,700	1,209,300	0.6
<b>Gross</b>	<b>\$300,043,000</b>	<b>\$301,783,300</b>	<b>\$1,740,300</b>	<b>0.6</b>
<b>FTEs</b>	501.0	490.0	(11.0)	(2.2)

Notes: (1) FY 2017-18 year-to-date figures include mid-year budget adjustments through February 7, 2018. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

### **Major Budget Changes From FY 2017-18 Year-to-Date (YTD) Appropriations**

#### ***Judgeship Changes***

Includes \$255,300 Gross (\$242,200 GF/GP) to fund two new circuit court judgeships. Public Act 56 of 2014 authorizes one additional circuit court judge in Oakland County, and Public Act 57 of 2014 authorizes one additional circuit court judge in Macomb County.

#### ***Swift and Sure Sanctions Program Reduction***

Reduces funding for the Swift and Sure Sanctions Probation Program by \$154,000 GF/GP.

#### ***Removal of One-Time Funding***

Reduces the budget by \$1.2 million GF/GP to reflect the removal of one-time funding that was included in the FY 2017-18 budget. Specifically, \$700,000 was for SADO to ensure compliance with the U.S. Supreme Court ruling on the *Montgomery v. Louisiana* case, \$300,000 was for the development of a pretrial risk assessment tool, and \$219,300 was for expansion of problem solving courts.

#### ***GF/GP Fund Source Shift***

Reduces GF/GP by \$500,000 and replaces it with a like amount of state restricted Court Fee Fund revenue.

#### ***Non-GF/GP Funding Adjustments***

Reflects a net reduction of \$190,900 Gross from adjusting authorization for various federal, local, and state restricted fund sources in order to more accurately reflect available revenue.

#### ***Economic Adjustments***

Reflects increased costs of \$3.0 million Gross (\$2.8 million GF/GP) for negotiated salary and wage increases (2.0% ongoing), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.

## Licensing and Regulatory Affairs

Analyst: Marcus Coffin

	FY 2017-18 Year-to-Date as of 2/7/18	FY 2018-19 Executive	Difference: FY 2018-19 Vs. FY 2017-18	
			Amount	%
<b>IDG/IDT</b>	\$47,835,100	\$48,414,300	\$579,200	1.2
<b>Federal</b>	65,020,900	65,744,400	723,500	1.1
<b>Local</b>	250,000	100,000	(150,000)	(60.0)
<b>Private</b>	111,800	111,800	0	0.0
<b>Restricted</b>	277,037,600	297,271,300	20,233,700	7.3
<b>GF/GP</b>	44,416,600	88,820,300	44,403,700	100.0
<b>Gross</b>	<b>\$434,672,000</b>	<b>\$500,462,100</b>	<b>\$65,790,100</b>	<b>15.1</b>
<b>FTEs</b>	2,379.8	2,379.8	0.0	0.0

Notes: (1) FY 2017-18 year-to-date figures include mid-year budget adjustments through February 7, 2018. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

### Major Budget Changes From FY 2017-18 Year-to-Date (YTD) Appropriations

#### **Michigan Indigent Defense Commission Grants**

Includes \$61.3 million Gross (\$46.0 million GF/GP) to fund grants that are distributed to 134 local indigent defense delivery systems to support compliance plans that have been submitted to the MIDC. Provisions of the plans are intended to bring local systems into compliance with recently established indigent defense standards.

#### **First Responder Presumed Coverage Fund Claims – Annualize Costs**

Provides increase of \$3.5 million (\$0 GF/GP) to annualize revenues to the First Responder Presumed Coverage Claims line-item (from \$1.78 million to \$5.45 million), using funds that are projected to be available from revenues to the Medical Marihuana Excise Fund.

#### **Medical Marihuana Operation and Oversight Grant Elimination**

Eliminates the \$3.0 million Gross (\$0 GF/GP) appropriation for medical marihuana operation and oversight grants that was supported by the Marihuana Registry Fund. The grants were made to county law enforcement agencies and defrayed costs associated with the Michigan medical marihuana program. Pursuant to Public Act 281 of 2016, local units of government now receive grants in amounts determined by statute and supported by appropriations from the Medical Marihuana Excise Fund; these grants are distributed in other areas of the budget.

#### **Liquor Law Enforcement Grants Enhancements**

Provides increase of \$1.2 million Gross (\$0 GF/GP) for grants made to local law enforcement agencies. Per statute, 55% of revenues from retailers' license fees are distributed to the jurisdiction that they were collected in for the purpose of enforcing the Liquor Control Code and associated rules.

#### **Fire Protection Grants**

Eliminates \$773,900 GF/GP in ongoing support from the fire protection grants authorization. The Executive includes a plan to utilize Local Community Stabilization Authority (LCSA) Tier 3 payments for nonessential services to provide an additional \$6.5 million for the grants.

#### **Economic Adjustments**

Reflects increased costs of \$4.6 million Gross (\$577,600 GF/GP) for negotiated salary and wage increases (2.0% ongoing), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.

### Supplemental Recommendations for FY 2017-18 Appropriations

Includes \$600,000 in state restricted funding from the Nurse Aid Registration Fund to implement the new Nurse Aid Training and Registration Program, pursuant to Public Act 172 of 2017.



## Military and Veterans Affairs

Analyst: Kent Dell

	FY 2017-18 Year-to-Date as of 2/7/18	FY 2018-19 Executive	Difference: FY 2018-19 Vs. FY 2017-18	
			Amount	%
IDG/IDT	\$101,800	\$101,800	\$0	0.0
Federal	92,334,100	98,170,200	5,836,100	6.3
Local	1,528,400	1,545,400	17,000	1.1
Private	640,000	630,000	(10,000)	(1.6)
Restricted	22,332,600	23,279,500	946,900	4.2
GF/GP	62,567,500	65,362,400	2,794,900	4.5
<b>Gross</b>	<b>\$179,504,400</b>	<b>\$189,089,300</b>	<b>\$9,584,900</b>	<b>5.3</b>
FTEs	913.5	913.5	0.0	0.0

Notes: (1) FY 2017-18 year-to-date figures include mid-year budget adjustments through February 7, 2018. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

### Major Budget Changes From FY 2017-18 Year-to-Date (YTD) Appropriations

#### **National Guard Armory Sustainment, Restoration, and Modernization**

Includes \$5.0 million federal authorization in order to expend matching funds provided by the U.S. National Guard Bureau in support of ongoing improvements to Michigan National Guard armories. State funds for National Guard armory maintenance are matched at a 50-50 ratio by the U.S. Department of Defense.

#### **National Guard Tuition Assistance Fund Deposit**

Includes \$2.5 million GF/GP to increase the balance of the National Guard Tuition Assistance Fund, which would total \$6.5 million restricted authorization. The department estimates that 1,332 service members will utilize the National Guard Tuition Assistance Program in FY 2018-19, up from 433 participants in FY 2014-15, the first fiscal year in which the program was implemented.

#### **D.J. Jacobetti Home for Veterans – CMS Certification**

Includes \$1.1 million GF/GP to support staffing, and operational changes to assist with obtaining Centers for Medicare and Medicaid Services certification, which will increase access to federal revenues for medical care for resident veterans.

#### **National Guard Land Purchases and Acquisitions**

Includes \$900,000 restricted revenue authorization from the Michigan National Guard Construction Fund, in order to purchase, appraise, and survey land in support of continuing National Guard armory consolidation and improvement.

#### **Camp Grayling – Operation Northern Strike Support**

Includes \$750,000 GF/GP for 16.0 FTEs in support of the annual National Guard training operation, Northern Strike. Includes personnel support range control and operation, site maintenance, and logistics.

#### **Michigan Veterans' Facility Authority – Staffing**

Includes \$500,000 GF/GP to provide for staffing of the Michigan Veterans' Facility Authority as it becomes fully operational.

#### **Economic Adjustments**

Reflects increased costs of \$1.5 million Gross (\$433,200 GF/GP) for negotiated salary and wage increases (2.0% ongoing), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.

### Supplemental Recommendations for FY 2017-18 Appropriations

#### **National Guard Tuition Assistance Fund Deposit**

Includes \$2.5 million GF/GP to increase the balance of the National Guard Tuition Assistance Fund, which would total \$6.5 million restricted authorization in FY 2017-18. The department estimates that 1,332 service members will utilize the National Guard Tuition Assistance Program in FY 2017-18, up from 433 participants in FY 2014-15, the first fiscal year in which the program was implemented.

#### **D.J. Jacobetti Home for Veterans – CMS Certification**

Includes \$1.8 million GF/GP to support staffing, resident safety, and security improvements to assist with obtaining Centers for Medicare and Medicaid Services certification, which will increase access to federal revenues for medical care for resident veterans.

## Natural Resources

Analyst: Austin Scott

	FY 2017-18 Year-to-Date as of 2/7/18	FY 2018-19 Executive	Difference: FY 2018-19 Vs. FY 2017-18	
			Amount	%
<b>IDG/IDT</b>	\$232,200	\$232,200	\$0	0.0
<b>Federal</b>	70,095,700	81,731,600	11,635,900	16.6
<b>Local</b>	0	0	0	--
<b>Private</b>	7,446,000	7,431,400	(14,600)	(0.2)
<b>Restricted</b>	274,248,500	299,965,800	25,717,300	9.4
<b>GF/GP</b>	57,971,100	47,344,300	(10,626,800)	(18.3)
<b>Gross</b>	<b>\$409,993,500</b>	<b>\$436,705,300</b>	<b>\$26,711,800</b>	<b>6.5</b>
<b>FTEs</b>	2,267.8	2,333.3	65.5	2.9

Notes: (1) FY 2017-18 year-to-date figures include mid-year budget adjustments through February 7, 2018. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

### **Major Budget Changes From FY 2017-18 Year-to-Date (YTD) Appropriations**

#### ***Wildlife Management***

Adds 3.0 FTEs and \$2.6 million GF/GP funding to the wildlife management program. New funding will be used for lab technicians, testing costs and supplies, veterinary diagnostic services, and deer population management.

#### ***General Law Enforcement – Conservation Officers***

Provides 10.0 FTEs and \$1.5 million GF/GP funding to support a conservation officer school aimed at graduating 10 new officers.

#### ***Tribal Consent Decree Renegotiation and Implementation***

Provides 1.0 FTE and \$277,500 GF/GP funding (including \$37,500 in one-time GF/GP) to cover legal costs associated with negotiating and implementing a new Great Lakes Consent Decree.

#### ***Historical Facilities System – Mackinac Island State Park***

Adds \$200,000 GF/GP funding to increase support for maintenance costs at Mackinac Island State Park facilities.

#### ***Snowmobile Trail Groomer Pilot One-Time Funding***

Provides \$200,000 from the snowmobile trail improvement fund to pilot a program aimed at developing a new snowmobile trail groomer for state snowmobile trails.

#### ***Increased Camping Fee Revenue and Recreation Passport Sales***

Provides 26.5 FTEs and \$4.1 million in additional restricted funding for departmental marketing and outreach, forest recreation and trails, recreational boating, state parks, and Recreation Passport local grants. Funding comes from increased camping fee revenue and Recreation Passport sales.

#### ***Increased Off-Road Vehicle Fee Revenue***

Provides 2.0 FTEs and \$1.3 million in additional off-road vehicle (ORV) trail improvement funding for departmental administration, law enforcement, and ORV trail improvement grants. Funding comes from increased ORV fee revenue.

#### ***Removal of FY 2017-18 One-Time Funding***

Removes \$17.7 million Gross (\$16.7 million GF/GP) for one-time projects including \$7.0 million for state parks repair and maintenance, \$5.0 million for trail development, and \$2.9 million to update the land ownership tracking system, among others.

#### ***Capital Outlay Project Adjustments***

Makes current services baseline adjustments to capital outlay projects by increasing federal and restricted funding for a net increase of \$17.6 million Gross.

#### ***Technical Adjustments***

Increases DNR budget by \$12.8 million Gross (\$929,600 GF/GP) to align authorization with available funds and comply with organizational changes. Adjustments include transferring the Office of the Great Lakes from the DEQ to the DNR (Executive Order 2017-9) and transferring the Historical Marker program from the Michigan History Foundation.

#### ***Economic Adjustments***

Reflects increased costs of \$3.8 million Gross (\$542,300 GF/GP) for negotiated salary and wage increases (2.0% ongoing), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.

## School Aid

Analysts: Bethany Wicksall and Samuel Christensen

	FY 2017-18 Year-to-Date as of 2/7/18	FY 2018-19 Executive	Difference: FY 2018-19 Vs. FY 2017-18	
			Amount	%
IDG/IDT	\$0	\$0	\$0	--
Federal	1,726,943,500	1,724,743,500	(2,200,000)	(0.1)
Local	0	0	0	--
Private	0	0	0	--
Restricted	12,642,370,400	12,866,225,300	223,854,900	1.8
GF/GP	215,000,000	45,000,000	(170,000,000)	(-79.1)
<b>Gross</b>	<b>14,584,313,900</b>	<b>14,635,968,800</b>	<b>51,654,900</b>	<b>0.4</b>

Notes: (1) FY 2017-18 year-to-date figures include mid-year budget adjustments through February 7, 2018. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

### Major Budget Changes From FY 2017-18 Year-to-Date (YTD) Appropriations

#### **Foundation Allowances**

Increases by \$312.0 million to provide increases ranging from \$120 to \$240 per pupil using the 2x formula. The minimum foundation allowance would increase from \$7,631 to \$7,871 (3.1%), and the state maximum guaranteed foundation allowance would increase from \$8,289 to \$8,409 (1.4%).

#### **MPSERS Payments**

Eliminates a one-time \$200.0 million additional deposit to accelerate the payoff of the 2010 early retirement incentive. Increases the state share of the MPSERS UAAL payments by \$71.9 million. Also increases state support of higher employer normal costs resulting from the 2nd year of phasing in a reduced assumed rate of return from 8.0% to 7.5%, as well as the higher defined contribution and hybrid plan costs required under PA 92 of 2017, by a total of \$53.7 million. Total state support for K-12 MPSERS costs equals \$1.2 billion.

#### **Shared-Time Nonpublic and Home-Schooled Pupils**

Revises state support of shared-time programs, where districts provide nonessential courses to nonpublic and home-schooled students, from a per pupil foundation allowance to a categorical program. Caps the number of pupils for whom a district is eligible for reimbursement at 5% of the district's per pupil membership and limits participation to students in grades 1 to 12, excluding kindergarten. This results in an appropriation of \$64.1 million, which is an estimated reduction of \$68.0 million.

#### **Cyber Schools Foundation Allowance Reduction**

Reduces cyber school foundation allowances to 75% of the minimum foundation allowance at an estimated savings of \$25.0 million. For FY 2018-19 the cyber foundation allowance would be \$5,903.

#### **Career and Technical Education (CTE) Skilled Trades Initiative**

Eliminates \$12.5 million GF/GP including equipment grants career education planning districts (CEPDs) (\$7.0 million), CTE equipment and innovation competitive grants (\$5.0 million), and mechatronics grants (\$500,000).

#### **CTE Per Pupil Incentive Payment**

Provides \$5.0 million SAF to provide \$25 per pupil for pupils in grades 9 to 12 enrolled in CTE programs and an additional \$25 per pupil for those in CTE programs identified as "critical skills" programs.

#### **Flint Declaration of Emergency**

Reduces by \$5.5 million to a total of \$3.2 million to continue to provide additional school nurses and school social workers in Flint Public Schools (\$2.3 million) and nutritional services to children in Flint (\$605,000).

#### **Special Education Task Force: Early On and Mediation and Parental Supports**

Provides \$5.0 million SAF for Early On competitive grants to ISDs to provide early identification and interventions for developmental delays and \$500,000 for mediation and parental supports organizations as recommended by the Special Education Task Force.

#### **Partnership Models**

Increases by \$2.0 million SAF to a total of \$8.0 million to provide funding for interventions in districts identified as needing additional academic supports.

**MiSTEM Centers Reorganization**

Reduces MiSTEM programming by \$1.4 million to a total of \$11.4 million, including a \$1.2 million federal reduction and the elimination of the Van Andel Education Institute grant (\$150,000 GF/GP). Continues the transition of funding 16 regional MiSTEM centers rather than 33 Math and Science Centers. Each MiSTEM regional center receives \$200,000 in base funding and distributes the remaining funds to regional center on an equal per pupil basis based on prior year pupil counts. Also provides \$750,000 total to those MiSTEM network regions able to provide curriculum and professional development support to assist districts implementing the Michigan Merit curriculum components for math and science.

**Eliminated Categorical Grants**

Reduces by \$19.5 million by eliminating 15 relatively small grant programs and statewide contracts.

**At Risk**

Maintains funding of \$499.0 million but revises consequences beginning in FY 2018-19 for districts that are below the statewide average based on the number of economically disadvantaged pupils proficient in either English language arts (ELA) by the end of 3<sup>rd</sup> grade or Mathematics by the end of 8<sup>th</sup> grade or career and college ready by the end of 11<sup>th</sup> grade based on statewide assessments given in FY 2017-18. Requires those districts to meet either the statewide average by FY 2020-21 or see an improvement of at least 10 percentage points in the number of economically disadvantaged pupils who are proficient by FY 2020-21. For a district that fails to meet those goals by FY 2020-21, requires it to conduct an evaluation in coordination with MDE and other stakeholders, adopt a school improvement plan based on recommendations from that evaluation, and spend At Risk funds only in accordance with that plan.

**Economic Adjustments**

Reflects increased costs of \$199,000 million Gross (\$140,700 GF/GP) for negotiated salary and wage increases (2.0% ongoing), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.

**Supplemental Recommendations for FY 2017-18 Appropriations*****GF/GP to School Aid Fund (SAF) Shift***

Includes a fund shift of \$137.0 million between GF/GP and SAF, reducing GF/GP from \$215.0 million to \$78.0 million and replacing it with SAF.

***Cost Adjustments***

Decreases by a total of \$23.1 million to reflect adjustments in consensus cost estimates related to the number of pupils, taxable property values, special education costs, renaissance zone reimbursements, cash flow borrowing interest rates, school breakfast program, and promise zone payments.

## State Police

Analyst: Kent Dell

	FY 2017-18	FY 2018-19 Executive	Difference: FY 2018-19 Vs. FY 2017-18	
	Year-to-Date as of 2/7/18		Amount	%
<b>IDG/IDT</b>	\$26,221,600	\$24,728,300	(\$1,493,300)	(5.7)
<b>Federal</b>	83,686,500	78,223,600	(5,462,900)	(6.5)
<b>Local</b>	5,835,200	5,146,800	(688,400)	(11.8)
<b>Private</b>	178,100	115,000	(63,100)	(35.4)
<b>Restricted</b>	143,423,700	148,698,200	5,274,500	3.7
<b>GF/GP</b>	439,601,700	454,902,800	15,301,100	3.5
<b>Gross</b>	<b>\$698,946,800</b>	<b>\$711,814,700</b>	<b>\$12,867,900</b>	<b>1.8</b>
<b>FTEs</b>	3,441.0	3,493.0	52.0	1.5

Notes: (1) FY 2017-18 year-to-date figures include mid-year budget adjustments through February 7, 2018. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

### Major Budget Changes From FY 2017-18 Year-to-Date (YTD) Appropriations

#### ***FY 2017-18 Trooper Recruit School – Annualization Costs***

Includes \$20.3 million GF/GP to support the salary, benefits, and administrative costs of the 150 Troopers expected to graduate in the FY 2017-18 Trooper Recruit School, which is expected to begin in the summer of 2018.

#### ***Trooper Recruit and Attrition Schools***

Includes \$9.6 million GF/GP (\$3.8 million ongoing; \$6.1 million one-time) to train, equip, and support 50 new Troopers (\$3.8 million ongoing; \$3.1 million one-time), as well as train and equip 80 Troopers (\$3.0 million one-time) that will replace personnel lost due to attrition. Salary, benefits, and administrative costs for the graduates of the attrition school will be supported by existing appropriations. The 50 new Troopers are expected to begin recruit school in January 2019.

#### ***Equipment Lifecycle Replacement***

Includes \$1.3 million GF/GP to support the implementation of a six-year lifecycle replacement schedule for vehicle-mounted cameras.

#### ***Wage Increase – Lieutenants and Laboratory Managers***

Includes \$935,600 gross (\$822,300 GF/GP) to support wage increases for State Police Lieutenants and Laboratory Managers to improve recruitment and retention of personnel in these positions. Wage increases for these positions were recommended by the Office of the State Employer and finalized by the Civil Service Commission in December 2017.

#### ***Sexual Assault Evidence Kit Tracking and Reporting System***

Includes \$158,900 GF/GP and 1.0 FTE to annualize the development and implementation costs of the Sexual Assault Evidence Kit Tracking and Reporting System included in supplemental appropriations 2017 PA 158.

#### ***Economic Adjustments***

Reflects increased costs of \$4.8 million Gross (\$3.4 GF/GP) for negotiated salary and wage increases (2.0% ongoing), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.

### Supplemental Recommendations for FY 2017-18 Appropriations

#### ***Disaster and Emergency Contingency Fund - Deposit***

Includes \$4.5 million GF/GP one-time to increase the balance of the Disaster and Emergency Contingency Fund. The fund balance as of December 2017 is approximately \$4.6 million. Funds may be withdrawn with approval of the State Budget Office in support of disaster or emergency remediation and grants to local units of government.

#### ***Diversity Recruitment***

Includes \$1.0 million GF/GP one-time to support outreach, recruitment, and training towards increased diversity amongst the State Police ranks.

#### ***Public Safety Officers Benefit Program***

Includes \$150,000 GF/GP to support one-time \$25,000 payments to survivors of public safety officers killed or totally and permanently disabled in the line of duty.

## Transportation

Analyst: William E. Hamilton

	FY 2017-18	FY 2018-19	Difference: FY 2018-19	
	Year-to-Date as of 2/7/18		Executive	Vs. FY 2017-18
			Amount	%
<b>IDG/IDT</b>	\$4,039,300	\$4,092,500	\$53,200	1.3
<b>Federal</b>	1,340,301,200	1,318,271,700	(22,029,500)	(1.6)
<b>Local</b>	50,532,000	50,532,000	0	0.0
<b>Private</b>	100,000	900,000	800,000	800.0
<b>Restricted</b>	2,954,470,500	3,156,293,700	201,823,200	6.8
<b>GF/GP</b>	0	175,000,000	175,000,000	--
<b>Gross</b>	<b>\$4,349,443,000</b>	<b>\$4,705,089,900</b>	<b>\$355,646,900</b>	<b>8.2</b>
<b>FTEs</b>	2,826.3	2,826.3	0.0	0.0

Notes: (1) FY 2017-18 year-to-date figures include mid-year budget adjustments through February 7, 2018. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

### Major Budget Changes From FY 2017-18 Year-to-Date (YTD) Appropriations

#### **GF/GP for Road Programs – One-Time**

Includes \$175.0 million GF/GP for distribution to the State Trunkline Fund (STF) and local road agencies according to Public Act 51 of 1951 formula: 39.1% to the STF for roads under jurisdiction of the Michigan Department of Transportation; 39.1% to county road commissions; 28.1% to cities and villages. This effectively accelerates by one year a GF/GP earmark made in the November 2015 Road Funding Package. The amount distributed to local road agencies would total \$106.6 million. The amount distributed to the STF would total \$68.4 million, of which \$20.0 million would be earmarked for Next Generation Technologies and Service Delivery projects including vehicle communications infrastructure improvement projects in four counties.

#### **Earmark of Income Tax Revenue for Road Programs – On-going MTF from Road Funding Package**

Includes \$150.0 million of Income Tax revenue that had been earmarked for road programs in the November 2015 Road Funding Package; shown in the budget as restricted Michigan Transportation Fund (MTF) revenue; to be distributed to the STF and local road agencies according the Act 51 formula.

#### **Estimated MTF Revenue Increase**

In addition to \$150.0 million earmark of Income Tax revenue, budget recognizes \$2,969 million in MTF revenue from motor fuel and vehicle registration taxes; this represents a \$55.6 million increase from FY 2017-18, and an increase of almost \$768.0 million compared to FY 2015-16, the year just prior to the implementation of the November 2016 Road Funding Package.

The increases in on-going MTF revenue from the earmark of Income Tax Revenue, and from increases in baseline MTF revenue, are reflected in increased support for programs funded from MTF revenue distribution, as described further below.

#### **MTF Distribution to Local Road Agencies**

Estimated MTF distribution to local road agencies would total almost \$1.5 billion, an increase of \$121.3 million from current year.

#### **State Trunkline Road and Bridge Construction**

Includes \$80.3 million increase for trunkline capital construction/reconstruction program of which \$54.9 million would come from increases in STF revenue, \$1.1 million from Blue Water Bridge Fund, and \$24.3 million from estimated increase in federal aid.

#### **State Trunkline Maintenance**

Provides \$22.3 million STF increase for state trunkline maintenance program. Of this, \$18.0 million would be targeted for high priority repairs to bridges and culverts; \$4.3 million would fund increased maintenance material costs and state trunkline mileage increase.

#### **Public Transit Programs**

Recommends increases for programs funded from state restricted Comprehensive Transportation Fund (CTF): \$7.2 million for Transit Capital (used to match federal grants); \$1.2 million for Service Initiatives; \$1.0 million for Local bus operating. Reflects anticipated increase in available CTF revenue.

#### **Rail Operations and Infrastructure**

Recommends \$7.2 million CTF increase for program that includes capital and operating support for rail passenger service in Michigan. Reflects anticipated increase in available CTF revenue. Includes \$10.1 million federal funds, a reduction of \$50.1 million from the current year, to better align with anticipated federal grants.

***Transportation Economic Development Fund (TEDF)***

Recommends permanent redirection of \$13.0 million of certain drivers' license fee revenue from the TEDF, Target Industries, to the state General Fund. (Requires statutory change.)

***Debt Service Reductions***

Includes \$228.9 million for debt service, a reduction of \$9.5 million from current year, reflecting anticipated debt service schedules. Total outstanding transportation-related debt at September 30, 2017 was \$1.4 billion.

***Economic Adjustments***

Reflects increased costs of \$5.9 million Gross (\$0 GF/GP) for negotiated salary and wage increases (2.0% ongoing), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.







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