RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
STATE BUDGET OFFICE
LANSING

JOHN S. ROBERTS
DIRECTOR

March 3, 2015

MEMORANDUM

TO: Governor Rick Snyder

FROM: John S. Roberts
State Budget Director

SUBJECT: Enrolled House Bill 4112
Fiscal Year 2015 Multiple Department Supplemental Appropriations

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Enrolled House Bill 4112 contains fiscal year 2015 supplemental appropriations for several departments and agencies. The bill totals negative gross appropriations of $120.2 million and negative general fund appropriations of $169.4 million. The majority of the appropriations in the bill are consistent with the State Budget Office recommendations which were negotiated with the Legislature to bring the budget into balance after January revenue estimates declined below those upon which the budget was built. However, the Legislature did not include $361.1 million in federal authorization for caseload growth in the Healthy Michigan Plan program.

A potential problem does exist with section 601, which was revised by the Legislature. Funds appropriated under this provision should have come from the Transportation Administration Collection Fund (TACF) but were instead appropriated from the Michigan Transportation Fund (MTF), and would exceed the $20 million cap on MTF support for Secretary of State specified in Act 51. We believe this revision was unintentional and will need to be fixed in a later bill.

House Bill 4112 has been ordered enrolled and was presented for signature on March 2, 2015 at 11:14 a.m. ***I recommend this bill for signature with no vetoes.***

SUMMARY:

Department	Executive Recommendation	Enrolled	Difference from Executive Rec.
Community Health	$212,701,500	($148,416,900)	($361,118,400)
Corrections	$0	$0	$0
Education	$9,216,600	$9,216,600	$0

Environmental Quality	$20,000,000	$20,000,000	$0
Human Services	($9,172,500)	($9,172,500)	$0
Judiciary	$0	$0	$0
Licensing and Regulatory Affairs	$0	$0	$0
Military and Veterans Affairs	$1,500,000	$1,500,000	$0
Natural Resources	$8,300,000	$8,300,000	$0
State	$11,200,000	$1,200,000	($10,000,000)
State Police	$0	$0	$0
Technology, Management and Budget	($17,800,000)	($17,800,000)	$0
Transportation	$25,544,000	$25,544,000	$0
Treasury	$1,400,000	$11,400,000	$10,000,000
Treasury (Michigan Strategic Fund)	($22,000,000)	($22,000,000)	$0

DEPARTMENT HIGHLIGHTS:

Included in an attachment are the department highlights.

Attachments

DEPARTMENT HIGHLIGHTS:

Community Health – Identifies general fund savings through several fund shifts including recognition of $15.8 million in savings through increased access to State psychiatric disproportionate share hospital (DSH) payments, a shift of $2 million in roads and risk reserve fund, recognition of an additional $6.5 million in health insurance claims assessment (HICA) revenue, a shift of $1.3 million from the crime victim's fund, a shift of $3 million from the autism coverage fund, and recognition of an $5.9 million savings through an increase in certified public expenditure (CPE) revenue.

Removes $100 million in general fund from the medical services unit due to lower than anticipated Medicaid caseload.

Recognizes various non-caseload related items. Specifically, $20 million in state restricted funding for CMH non Medicaid, recognition of $20 million in federal state innovation model implementation grant funding, an adjustment in specialty network access fee (SNAF) authorization $70.3 million Gross / $0 general fund and recognition of $7.4 million in a federal integrated care for dual eligibles grant.

Corrections – Appropriates additional parole and probation oversight fees set-aside funds to offset a general fund reduction to field operations.

Education – Reduces financial independence team operations by 50% and reduces MPSERS payments to libraries by $2.2 million general fund. MPSERS payments to libraries are shifted to the School Aid Fund in Enrolled House Bill 4110.

Includes $764,000 in federal revenue authorization for the child development and care (CDC) program to raise the exit threshold for determining CDC eligibility to 250% of the poverty level; $8.0 million federal revenue authorization for the CDC program to create a 12-month continuous eligibility model for CDC assistance; and $3.1 million in federal revenue authorization for the CDC program to increase provider reimbursement rates for high quality licensed and registered programs as defined by the Great Start to Quality provider rating system. These policy changes are consistent with the policy recommendations in the FY2016 Executive Budget.

Environmental Quality – Appropriates newly established aquatic nuisance control fund into a newly established aquatic nuisance control program (P.A. 253 of 2014). Aquatic nuisance control funds were previously deposited into the land and water permit fee fund and $782,000 will be moved from this fund into the aquatic nuisance control fund. In addition, federal authorization will be reduced as federal funds do not support this new program.

Appropriates newly established underground storage tank cleanup funds into a newly established underground storage tank cleanup program (P.A. 416 of 2014). The first $20 million collected for the environmental protection regulatory fee is deposited into the underground storage tank cleanup fund to be used to pay principal and interest on bonds or notes issued by the finance authority, administrative costs of implementing part 215 and to pay approved claims. Includes associated work project boilerplate language.

Human Services – Recognizes adjustments based on anticipated expenditures in the public assistance and child welfare caseload line items. The caseload adjustments total a reduction of $7.8 million gross and an increase of $9.2 million general fund. General fund increases within the caseload line items are primarily requested to offset federal and state restricted revenues that are projected to be lower than current appropriations.

Recognizes several reductions and associated fund shifts related to Executive Order 2015-5. The adjustments total a reduction of $1.4 million gross and $8.0 million general fund.

Licensing and Regulatory Affairs – Provides for a fund shift in the Workers' Compensation Agency, replacing $112,500 general fund with a like amount of corporation fees.

Military and Veterans Affairs – Provides $3.3 million general fund to offset a projected shortfall in income and assessments supporting the Grand Rapids and D.J. Jacobetti veterans' homes due to the inability of veterans to pay the maximum assessment and declining veteran homes member census.

Re-establishes the Chargeable Transient Quarters billeting program as well as the ability to receive and expend restricted revenue generated from the billeting program at the Fort Custer Educational Training Center and Camp Grayling Joint Maneuvering Training Center.

Natural Resources – Appropriates additional forest development funds to offset a general fund reduction to wildfire protection; federal funds to restore, conserve, manage and enhance wildlife habitat; forest development funds to invest in technology and cultivation equipment; federal funds to enhance shooting ranges; park improvement fund - Belle Isle subaccount funds to maintain and improve Belle Isle Park; and game and fish protection fund – deer habitat reserve fund for grants to local partners for deer range habitat improvement.

State – Appropriates $1 million driver responsibility fees as required in PA 250 of 2014 for the department to address the ignition interlock program and shall be assessed from the updated schedule established in PA 250 of 2014.

Provides $200,000 general fund for preliminary information technology system changes that impact vehicle registrations as required by the transportation package as well as $1 million restricted in boilerplate appropriations if voters approve the amendments to the State Constitution as authorized in House Joint Resolution UU.

State Police – In addition to the anticipated $16 million general fund lapse captured in EO 2015-5, an additional $3 million of anticipated lapse in the disaster assistance appropriation is redirected to replenish the disaster contingency fund for future disaster response use.

Technology, Management and Budget – Reduction in state building authority rent assumes $17.8 million in anticipated lapses.

Transportation – Provides for new federal grant funds in support of rail and fixed guideway transit systems. Specifically, the supplemental provides for $17.2 million in federal funds from

two Federal Transit Administration (FTA) grant programs in support of the M-1 Rail street railway project in Detroit. These include $12.2 million in federal TIGER 2014 grant funding and $5 million in congestion mitigation and air quality (CMAQ) grant funding. Private funds provided by M-1 Rail will provide the matching funds for these grants. This supplemental also provides for $578,000 to MDOT in federal state safety oversight (SSO) grant funding for oversight of rail and fixed guideway transit systems under the jurisdiction of the Federal Transit Administration.

Treasury – Provides $10 million general fund for the upcoming ballot proposal in May associated with the transportation package passed in December.

Reduces general fund support by $4.7 million for supervision of the general property tax law, tax compliance, and the financial independence team.

Provides $1 million general fund for preliminary information technology system changes to support the transportation ballot proposal as well as $1 million restricted in boilerplate appropriations if voters approve the amendments to the State Constitution as authorized in House Joint Resolution UU.

Provides for the use of $1.6 million delinquent tax collection revenue to create a new program designed to reduce fraudulent income tax refund payments and appropriates $550,000 of driver responsibility fees to implement and administer the requirements of the community service program in PA 250 of 2014.

Provides $3.0 million restricted for casino gaming information technology upgrades.

Provides boilerplate authority for Treasury to distribute tobacco products tax collections in accord with standing statute.

Treasury (Michigan Strategic Fund) – Reduces film incentives by $12 million, entrepreneurial eco-system by $7.8 million and business attraction and community revitalization by a net $2.2 million. The reduction in entrepreneurial eco-system will free up 21st Century Jobs Funds which will be shifted to business attraction and community revitalization and allow for a corresponding general fund reduction of $7.8 million.

SUMMARY OF MAJOR LEGISLATIVE ISSUES

FY2015 Supplemental (HB 4112)

(Amounts in thousands)

	Executive Recommendation		Enrolled Bill	
	GF/GP	ALL FUNDS	GF/GP	ALL FUNDS
	($169,400.5)	$240,889.6	($169,400.5)	($120,228.8)
% Change - from Executive Recommendation			0.0%	-149.9%

	Letter Number	EXECUTIVE REC. GF/GP	EXECUTIVE REC. ALL FUNDS	ENROLLED BILL GF/GP	ENROLLED BILL ALL FUNDS
KEY ISSUES					
1 Community Health (5 FTE increase)	*2015-3*	($134,444.6)	$212,701.5		**($361,118.4)**
2 Corrections	*2015-3*	($2,900.0)	$0.0		
3 Education	*2015-3*	($2,589.1)	$9,216.6		
4 Environmental Quality (1 FTE increase)	*2015-3*	$0.0	$20,000.0		
5 Human Services (19 FTE reduction)	*2015-3*	$1,195.7	($9,172.5)		
6 Judiciary (2 FTE increase)	—			**$0.0**	**$0.0**
7 Licensing and Regulatory Affairs	*2015-3*	($112.5)	$0.0		
8 Military & Veterans Affairs	*2015-3*	$3,300.0	$1,500.0		
9 Natural Resources	*2015-3*	($500.0)	$8,300.0		
10 State	*2015-3*	$10,200.0	$11,200.0	**($10,000.0)**	**($10,000.0)**
11 State Police	*2015-3*	$0.0	$0.0		
12 Technology, Management & Budget	*2015-3*	($17,800.0)	($17,800.0)		
13 Transportation	*2015-3*	$0.0	$25,544.0		
14 Treasury	*2015-3*	($25,750.0)	($20,600.0)	**$10,000.0**	**$10,000.0**
Subtotal of Changes		($169,400.5)	$240,889.6	$0.0	($361,118.4)
FY2015 TOTAL		**($169,400.5)**	**$240,889.6**	**($169,400.5)**	**($120,228.8)**

MAJOR BOILERPLATE CHANGES:

Sec. 301 Capital Outlay - scope and cost to construct the Lake Superior State University - school of business building increased by $1.5 million

Sec. 601 State - If the voters approve the amendments to the State Constitution as authorized in House Joint Resolution UU, appropriates $1,000,000 from the Michigan transportation fund for technology costs necessary to implement the statutory changes triggered by an affirmative vote on the ballot proposal

Sec. 701 Treasury - If the voters approve the amendments to the State Constitution as authorized in House Joint Resolution UU, appropriates $1,000,000 from the Michigan transportation fund for technology costs necessary to implement the statutory changes triggered by an affirmative vote on the ballot proposal

Sec. 702 Treasury - Revenue from the tobacco products tax act, 1993 PA 327, MCL 205.421 to 205.436, related to counties with a 2000 population of more than 2,000,000 is appropriated and shall be distributed under section 12(4)(d) of the tobacco products tax act, 1993 PA 327, MCL 205.432.

Last Updated: 2/26/2015
Printed: 3/3/2015 7:46 AM

HB 4112; Supplemental (2015-3)

		Executive Recommendation			Enrolled			Variance		
Agency	Issue	GF	Gross	FTE	GF	Gross	FTE	GF	Gross	FTE
Community Health	DSH	(15,770.6)	24,062.6		(15,770.6)	24,062.6		0.0	0.0	0.0
Community Health	Medicaid Lapse	0.0	0.0		0.0	0.0		0.0	0.0	0.0
Community Health	Roads and Risks	(2,000.0)	0.0		(2,000.0)	0.0		0.0	0.0	0.0
Community Health	HICA	(6,474.0)	0.0		(6,474.0)	0.0		0.0	0.0	0.0
Community Health	Autism	(3,000.0)	0.0		(3,000.0)	0.0		0.0	0.0	0.0
Community Health	Trauma	(1,300.0)	0.0		(1,300.0)	0.0		0.0	0.0	0.0
Community Health	CPE revenues	(5,900.0)	0.0		(5,900.0)	0.0		0.0	0.0	0.0
Community Health	Caseload Adjustments	(100,000.0)	70,926.9		(100,000.0)	(290,191.5)		0.0	(361,118.4)	0.0
Community Health	CMH	0.0	20,000.0		0.0	20,000.0		0.0	0.0	0.0
Community Health	State innovation	0.0	20,000.0		0.0	20,000.0		0.0	0.0	0.0
Community Health	SNAF payment	0.0	70,300.0		0.0	70,300.0		0.0	0.0	0.0
Community Health	Dual eligibles	0.0	7,412.0		0.0	7,412.0	5.0	0.0	0.0	5.0
Corrections	Fund Shift	(2,900.0)	0.0		(2,900.0)	0.0		0.0	0.0	0.0
Education	FIT reduction	(389.1)	(389.1)		(389.1)	(389.1)		0.0	0.0	0.0
Education	shift MPSERS for libraries	(2,200.0)	(2,200.0)		(2,200.0)	(2,200.0)		0.0	0.0	0.0
Education	Child care	0.0	11,805.7		0.0	11,805.7		0.0	0.0	0.0
Environmental Quality	Aquatic nuisance	0.0	0.0		0.0	0.0		0.0	0.0	0.0
Environmental Quality	Underground storage tank	0.0	20,000.0	1.0	0.0	20,000.0	1.0	0.0	0.0	0.0
Human Services	PA Caseload adjustment	4,864.9	(3,653.1)		4,864.9	(3,653.1)		0.0	0.0	0.0
Human Services	Child welfare caseload	4,338.1	(4,157.3)		4,338.1	(4,157.3)		0.0	0.0	0.0
Human Services	Travel	(153.0)	(300.0)		(153.0)	(300.0)		0.0	0.0	0.0
Human Services	Laptops	(15.9)	(43.0)		(15.9)	(43.0)		0.0	0.0	0.0
Human Services	Disability	(206.4)	0.0		(206.4)	0.0		0.0	0.0	0.0
Human Services	PATH	(275.6)	(501.2)	(10.0)	(275.6)	(501.2)	(10.0)	0.0	0.0	0.0
Human Services	Peer Coaches	(315.9)	(517.9)	(9.0)	(315.9)	(517.9)	(9.0)	0.0	0.0	0.0
Human Services	Fund shift	(40.5)	0.0		(40.5)	0.0		0.0	0.0	0.0
Human Services	Fund Shift	(7,000.0)	0.0		(7,000.0)	0.0		0.0	0.0	0.0
Judiciary	Michigan indigent defense commission						2.0	0.0	0.0	2.0
LARA	Workers' compensation	(112.5)	0.0		(112.5)	0.0		0.0	0.0	0.0
Military Affairs	Income & assessments	3,300.0	0.0		3,300.0	0.0		0.0	0.0	0.0
Military Affairs	Billeting	0.0	1,500.0		0.0	1,500.0		0.0	0.0	0.0

HB 4112; Supplemental (2015-3)

		Executive Recommendation			Enrolled			Variance		
Agency	Issue	GF	Gross	FTE	GF	Gross	FTE	GF	Gross	FTE
Natural Resources	Forest management	0.0	4,000.0		0.0	4,000.0		0.0	0.0	0.0
Natural Resources	Fed Wildlife	0.0	2,150.0		0.0	2,150.0		0.0	0.0	0.0
Natural Resources	Shooting Range	0.0	1,000.0		0.0	1,000.0		0.0	0.0	0.0
Natural Resources	Belle Isle	0.0	1,000.0		0.0	1,000.0		0.0	0.0	0.0
Natural Resources	Deer habitat	0.0	150.0		0.0	150.0		0.0	0.0	0.0
Natural Resources	Fund shift	(500.0)	0.0		(500.0)	0.0		0.0	0.0	0.0
State	May election	10,000.0	10,000.0		0.0	0.0		(10,000.0)	(10,000.0)	0.0
State	IT systems	200.0	200.0		200.0	200.0		0.0	0.0	0.0
State	Driver responsibility	0.0	1,000.0		0.0	1,000.0		0.0	0.0	0.0
State Police	Disaster contingency fund shift	0.0	0.0		0.0	0.0		0.0	0.0	0.0
DTMB	SBA rent lapse	(17,800.0)	(17,800.0)		(17,800.0)	(17,800.0)		0.0	0.0	0.0
Transportation	M-1 rail	0.0	25,544.0		0.0	25,544.0		0.0	0.0	0.0
Treasury	Driver responsibility	0.0	550.0		0.0	550.0		0.0	0.0	0.0
Treasury	Fraud detection	0.0	1,600.0		0.0	1,600.0		0.0	0.0	0.0
Treasury -Gaming	IT replacement	0.0	3,000.0		0.0	3,000.0		0.0	0.0	0.0
Treasury - MSF	Film Credits	(12,000.0)	(12,000.0)		(12,000.0)	(12,000.0)		0.0	0.0	0.0
Treasury - MSF	Eco-system	0.0	(7,800.0)		0.0	(7,800.0)		0.0	0.0	0.0
Treasury - MSF	Fund Shift	(7,800.0)	0.0		(7,800.0)	0.0		0.0	0.0	0.0
Treasury - MSF	Business attraction	(2,200.0)	(2,200.0)		(2,200.0)	(2,200.0)		0.0	0.0	0.0
Treasury	Supervision for general property tax law	(2,000.0)	(2,000.0)		(2,000.0)	(2,000.0)		0.0	0.0	0.0
Treasury	May election	0.0	0.0		10,000.0	10,000.0		10,000.0	10,000.0	0.0
Treasury	tax compliance	(500.0)	(500.0)		(500.0)	(500.0)		0.0	0.0	0.0
Treasury	FIT reduction	(2,250.0)	(2,250.0)		(2,250.0)	(2,250.0)		0.0	0.0	0.0
Treasury	IT systems	1,000.0	1,000.0		1,000.0	1,000.0		0.0	0.0	0.0
		(169,400.5)	240,889.6	(18.0)	(169,400.5)	(120,228.8)	(11.0)	0.0	(361,118.4)	7.0