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**BILL ANALYSIS**

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House Bill 5014 (Substitute S-1 as passed by the Senate)  
Sponsor: Representative Chuck Moss  
House Committee: Appropriations  
Senate Committee: Appropriations

## **CONTENT**

The bill would provide supplemental appropriations for fiscal year (FY) 2011-12 for nine State departments, the Executive Office, and the Legislature. These supplemental appropriations include five separate State Budget Office (SBO) letters that total \$332.1 million in Adjusted Gross appropriations, and \$168.9 million in State General Fund/General Purpose (GF/GP) appropriations, as well as an additional \$34.3 million in Adjusted Gross and \$11.5 million in GF/GP appropriations that are legislatively initiated. Table 1 summarizes the Adjusted Gross and GF/GP appropriations for each budget area, as recommended by the SBO, as passed by the House, and as proposed by the Senate.

**Table 1**

| <b>FY 2011-12 Supplemental Recommendations</b> |                                   |                      |                                     |                        |                                      |                         |
|------------------------------------------------|-----------------------------------|----------------------|-------------------------------------|------------------------|--------------------------------------|-------------------------|
| <b>Department/<br/>Budget Area</b>             | <b>SBO<br/>Adjusted<br/>Gross</b> | <b>SBO<br/>GF/GP</b> | <b>House<br/>Adjusted<br/>Gross</b> | <b>House<br/>GF/GP</b> | <b>Senate<br/>Adjusted<br/>Gross</b> | <b>Senate<br/>GF/GP</b> |
| Ag & Rural Dev.                                | \$0                               | \$0                  | \$0                                 | \$0                    | \$200,000                            | \$0                     |
| Civil Rights                                   | 0                                 | 0                    | 0                                   | 0                      | 206,700                              | 206,700                 |
| Community Health                               | 320,446,100                       | 168,691,100          | 320,446,100                         | 168,691,100            | 348,502,000                          | 175,354,500             |
| Corrections                                    | 0                                 | 0                    | 0                                   | 0                      | 400,000                              | 400,000                 |
| Education                                      | 206,285,800                       | 42,045,100           | 0                                   | 0                      | 206,360,800                          | 42,120,100              |
| Executive Office                               | 200,000                           | 200,000              | 0                                   | 0                      | 200,000                              | 200,000                 |
| Human Services                                 | (206,196,800)                     | (42,045,100)         | 0                                   | 0                      | (206,171,800)                        | (42,045,100)            |
| Legislature                                    | 0                                 | 0                    | 0                                   | 0                      | 523,000                              | 523,000                 |
| Lic. & Reg. Affairs                            | 11,350,000                        | 0                    | 0                                   | 0                      | 12,850,000                           | 1,500,000               |
| Transportation                                 | 0                                 | 0                    | 0                                   | 0                      | 200,000                              | 200,000                 |
| Treasury                                       | 0                                 | 0                    | 0                                   | 0                      | 3,078,900                            | 1,905,700               |
| <b>Total</b>                                   | <b>\$332,085,100</b>              | <b>\$168,891,100</b> | <b>\$320,446,100</b>                | <b>\$168,691,100</b>   | <b>\$366,349,600</b>                 | <b>\$180,364,900</b>    |

## **FISCAL IMPACT**

The bill would increase FY 2011-12 Adjusted Gross State appropriations by \$366.3 million and State GF/GP appropriations by \$180.4 million. The FY 2011-12 GF/GP balance sheet established during the budget target-setting process did not include the \$11.5 million in additional appropriations proposed by the Senate. However, due to the continuation of the use tax on Medicaid health plans for the first two quarters of the fiscal year, the tax generated \$33.8 million in net additional GF/GP revenue, which would offset the additional appropriations.

The bill would provide funding for the following budget areas:

**Agriculture and Rural Development:** The bill includes legislatively initiated State restricted forest development fund appropriations of \$200,000 for the support of forestry on private lands by local conservation districts.

**Civil Rights:** The bill includes a legislatively initiated appropriation of \$206,700 for the Asian Pacific American Affairs Commission which was established by P.A. 536 of 2008 and whose mission is "to advance the full and equal participation of Asian Pacific Americans in the building of a greater Michigan".

**Community Health:** As recommended by the SBO, second-year funding of \$119.4 million is provided for the Medicaid Electronic Health Record Incentive Program, of which \$1.4 million is GF/GP match for Federal funds; first-year funding was included in a supplemental bill for FY 2010-11.

The final negotiations on the health claims assessment were not completed until after the enactment of the FY 2011-12 Department of Community Health (DCH) budget. Due to the continuation of the use tax on Medicaid health plans for the first two quarters of the fiscal year, appropriation adjustments to increase Federal (\$133.0 million) and GF/GP (\$167.3 million) spending, and reduce State restricted revenue (\$99.2 million), are required.

The bill also includes legislatively initiated Adjusted Gross supplemental appropriations for a new uncompensated care pool for hospitals (\$10.0 million), graduate medical education (\$8.9 million), Wayne State University's psychiatric program (\$8.5 million), restoration of Medicaid chiropractic coverage (\$450,000), traumatic brain injury diagnostic programs (\$200,000), and donated dental services (\$25,000). The GF/GP total for these appropriations would be \$6.7 million.

**Corrections:** The bill includes a legislatively initiated appropriation of \$400,000 for the cleanup of Camp Brighton correctional facility property.

**Education:** Executive Order 2011-8 consolidated Michigan's early childhood development programs and funding by creating the Michigan Office of Great Start within the Department of Education (DOE). This SBO supplemental request transfers \$206.2 million Adjusted Gross and \$42.0 million GF/GP from the Department of Human Services (DHS) to the DOE, and adds \$89,000 in private foundation revenue to fund the new position of Great Start Office Director in the DOE. The bill also includes a legislatively initiated appropriation of \$75,000 to update and expand upon a report analyzing fiscal resources for early childhood programs.

**Executive Office:** Public Act 102 of 2011 created the Governor's Council on Educator Effectiveness. One of the charges of this Council is to provide a report by April 30, 2012, regarding a student growth and assessment tool and a State evaluation tool for teachers and school administrators. As recommended by the SBO, funding of \$200,000 GF/GP is included for staffing and support for the Council.

**Human Services:** The bill transfers \$615,000 from the foster care payments line item to create a separate \$615,000 line item for Indian tribal foster care payments, and reinstates boilerplate language (Sec. 301) to allow the DHS to reimburse tribal governments for their costs associated with children under tribal court jurisdiction. As mentioned above, the bill implements Executive Order 2011-8, which consolidated Michigan's early childhood development programs, by transferring \$206.2 million from the DHS to the DOE for the Michigan Office of Great Start.

The bill also includes a legislatively initiated appropriation of \$25,000 (Adjusted Gross and private revenue) for a juvenile justice study, which was vetoed by the Governor for FY 2011-12.

**Legislature:** The bill includes legislatively initiated GF/GP appropriations of \$470,000 for retirement costs for the Legislative Council and the Legislative Service Bureau, and \$53,000 for the annual dues payment for the National Conference of Commissioners on Uniform State Laws (NCCUSL).

**Licensing and Regulatory Affairs:** As recommended by the SBO, \$9.85 million in Federal funding from the U.S. Department of Health and Human Services is appropriated to expand the State's efforts to establish a State-based health benefit exchange, called MIHealth Marketplace. According to the SBO, the Federal grant awards will be announced by November 15, 2011. Another SBO recommendation that is appropriated in the bill is \$1.5 million in State Restricted tax tribunal funds for the Michigan administrative hearing system for costs associated with reducing the backlog of small claims property tax evaluation appeals.

The bill also includes a legislatively initiated appropriation of \$1.5 million (Adjusted Gross and GF/GP) for centers for independent living which connect people with disabilities and their families to resources.

**Transportation:** The bill includes a legislatively initiated appropriation of \$200,000 (Adjusted Gross and GF/GP) and 2.0 FTEs for welcome center operations.

**Treasury:** The bill includes legislatively initiated appropriations of \$680,100 GF/GP for precollege engineering programs that were vetoed by the Governor for FY 2011-12, and \$2.4 million Adjusted Gross, \$1.2 million GF/GP, for payments in lieu of taxes (PILT) to restore PILT funding to the FY 2010-11 level.

### **Boilerplate Language Sections**

**Sec. 201.** Records amount of total State Spending and payments to local units of government included in the bill.

**Sec. 202.** Subjects appropriations and expenditures in the bill to the provisions of the Management and Budget Act.

**Sec. 231.** Requires the Department of Agriculture and Rural Development to use forest development funds for the support of forestry on private lands by conservation districts, and expenditures to be in compliance with the Natural Resources and Environmental Protection Act.

**Sec. 251.** Sets criteria for \$10.0 million DCH appropriation for uncompensated care at hospitals.

**Sec. 252.** Allocates \$8.86 million DCH appropriation for graduate medical education as an across-the-board rate increase.

**Sec. 253.** Directs the DCH to implement the Michigan patient care transformation program only through direct agreements with eligible physicians and physician organizations.

**Sec. 254.** Implements the funding reduction for community substance abuse prevention, education, and treatment line-item as an across-the-board percentage reduction.

**Sec. 255.** Directs the DCH to restore Medicaid chiropractic services, effective January 1, 2012.

**Sec. 256.** Sets criteria for the \$200,000 DCH appropriation for the injury control intervention project.

**Sec. 271.** Requires a report from the DOE regarding early childhood funding.

**Sec. 301.** Requires the DHS to provide 50.0% reimbursement to Indian tribal governments for foster care expenditures.

**Sec. 303.** Requires the DHS to contract with a State university or an outside research entity to conduct a behavioral health study of juvenile justice facilities, and sets parameters for the study.

**Sec. 351.** Legislative intent that acceptance of the level 1 planning grant to support the MIHealth Marketplace project does not commit Michigan to further implementation of the Federal Patient Protection and Affordable Care Act.

**Sec. 371.** Requires the funds appropriated for Department of Transportation welcome centers to be used first to maintain a minimum of eight hours of operation, seven days per week, at the Mackinaw City, St. Ignace, and Sault Ste. Marie welcome centers.

**Sec. 401.** Earmarks \$680,100 to Treasury, Michigan Strategic Fund for precollege engineering programs for Detroit and the Grand Rapids area.

**Sec. 402.** Adjusts the Economic Vitality Incentive Program (EVIP) to allow for full payments to cities, villages, and townships that completed the program requirements under transparency and accountability by October 1, but whose documentation did not reach the Department of Treasury by that date. This would allow 18 local governments to receive full payment under this category. Payments to these local governments under this portion of the program total \$395,725 in FY 2011-12. The bill also would extend the time for local governments to submit documentation and certification on future due dates under this program and clarifies that if required documentation is not submitted by the first day of a payment month, then the payment for that month is forfeited.

**Enacting Section 1:** Repeals Sec. 951 of the FY 2011-12 General Government appropriation act which refers to State revenue sharing for cities, villages, and townships; repeals Sec. 614 of the FY 2011-12 DHS appropriation act which refers to indigent burial, and Secs. 292, 670, 673, and 680 to reflect the transfer of child development funds from DHS to the DOE pursuant to Executive Order 2011-8.

**Enacting Section 2:** Tie-bars this bill to House Bill 4445, an FY 2011-12 School Aid supplemental bill.

Table 2 lists the Adjusted Gross and GF/GP appropriations by budget area and program. Items that are SBO recommendations are noted in parenthesis after the item.

**Table 2**

| <b>Senate-Passed Recommendation</b>                        |                       |                      |
|------------------------------------------------------------|-----------------------|----------------------|
| <b>Department/Budget Area/Program</b>                      | <b>Adjusted Gross</b> | <b>GF/GP</b>         |
| <b>Agriculture and Rural Development</b>                   |                       |                      |
| Forest development.....                                    | \$200,000             | \$0                  |
| <b>Civil Rights</b>                                        |                       |                      |
| Asian Pacific American Affairs Commission.....             | 206,700               | 206,700              |
| <b>Community Health</b>                                    |                       |                      |
| Electronic health record incentive (SBO) .....             | 119,388,800           | 1,398,900            |
| Use tax/claims tax adjustments for PIHPs (SBO) .....       | 70,874,100            | 23,998,000           |
| Use tax/claims tax adjustments for HMOs (SBO) .....        | 130,183,200           | 143,294,200          |
| Positive/negative substance abuse line .....               | 0                     | 0                    |
| New uncompensated care pool .....                          | 10,000,000            | 3,386,000            |
| Graduate medical education.....                            | 8,860,000             | 3,000,000            |
| Wayne State University psychiatric program.....            | 8,520,900             | 0                    |
| Restoration of Medicaid chiropractic .....                 | 450,000               | 152,400              |
| Traumatic brain injury pilots.....                         | 200,000               | 100,000              |
| Donated dental services .....                              | 25,000                | 25,000               |
| <b>Corrections</b>                                         |                       |                      |
| Camp Brighton correctional facility property cleanup ..... | 400,000               | 400,000              |
| <b>Education</b>                                           |                       |                      |
| Creation of Great Start office (SBO).....                  | 210,492,500           | 42,893,400           |
| Transfer of early childhood staff to new office (SBO)..... | (4,295,700)           | (848,300)            |
| Director of Great Start office (SBO).....                  | 89,000                | 0                    |
| Update study on early childhood programs.....              | 75,000                | 75,000               |
| <b>Executive</b>                                           |                       |                      |
| Governor's council on educator effectiveness (SBO).....    | 200,000               | 200,000              |
| <b>Human Services</b>                                      |                       |                      |
| Foster care payments/tribes (neg/pos \$615K) (SBO) .....   | 0                     | 0                    |
| Transfer staff and funding to new DOE office (SBO) .....   | (190,277,200)         | (42,045,100)         |
| Create IDG from new DOE office to DHS (SBO) .....          | (15,919,600)          | 0                    |
| Restore vetoed juvenile justice study funding .....        | 25,000                | 0                    |
| <b>Legislature</b>                                         |                       |                      |
| Legislative Council/Service Bureau retirement costs .....  | 470,000               | 470,000              |
| National association dues.....                             | 53,000                | 53,000               |
| <b>Licensing and Regulatory Affairs</b>                    |                       |                      |
| MIHealth marketplace project (SBO).....                    | 9,850,000             | 0                    |
| Small claims property tax backlog (SBO).....               | 1,500,000             | 0                    |
| Centers for independent living.....                        | 1,500,000             | 1,500,000            |
| <b>Transportation</b>                                      |                       |                      |
| Welcome centers .....                                      | 200,000               | 200,000              |
| <b>Treasury</b>                                            |                       |                      |
| Restore payments in lieu of taxes (PILT) .....             | 2,398,800             | 1,225,600            |
| Precollege engineering programs (Detroit/Grand Rapids) ... | 680,100               | 680,100              |
| State revenue sharing (neg/pos \$215M)                     | 0                     | 0                    |
| <b>Total Supplemental Appropriations .....</b>             | <b>\$366,349,600</b>  | <b>\$180,364,900</b> |

Date Completed: 11-10-11

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.