

**FY 2013-14 and FY 2014-15 SUPPLEMENTAL APPROPRIATIONS
Summary: As Reported by the House Appropriations Committee
Senate Bill 781 (H-1)**



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FY 2013-14 APPROPRIATION SUMMARY

Budget Area	FY 2013-14 Year-to-Date Appropriations	FY 2013-14 Supplemental Change	% Change
Community Health	Gross \$16,849,850,100	(\$393,885,100)	(2.3)
	GF/GP 3,016,982,900	(24,199,900)	(0.8)
Human Services	Gross 6,051,745,700	(56,959,500)	(0.9)
	GF/GP 1,009,950,000	(21,040,600)	(2.1)
Natural Resources	Gross 353,998,900	700,000	0.2
	GF/GP 26,786,600	0	0.0
Transportation	Gross 3,826,145,600	0	0.0
	GF/GP 336,600,000	0	0.0
TOTAL (All budget areas)	Gross \$51,495,340,100	(\$450,144,600)	(0.9)
	GF/GP 9,612,687,600	(45,240,500)	(0.5)

FY 2013-14 Overview

The supplemental appropriation adjustments contained in Senate Bill 781 would reduce the FY 2013-14 state budget by \$450.1 million in total Gross appropriations, of which \$45.2 million would represent GF/GP reductions. These reductions are driven by caseload-related adjustments in the Community Health and Human Services budgets, with additional funding adjustments for the ACA insurer fee in the Community Health budget and foster care payment financing and fringe benefit shortfalls in the Human Services budget.

The contents of the FY 2013-14 section of the bill largely mirror State Budget Office (SBO) supplemental request 2014-9. Some of these requests were initially made in previous SBO letters. Additionally, the bill adjusts boilerplate language related to Priority Roads Investment projects in the Department of Transportation budget.

FY 2013-14 Supplemental Appropriation Items

**House
Appropriation
Change**

COMMUNITY HEALTH

1. Medicaid Cost Adjustments

Adjusts various lines resulting in a net reduction of \$99.9 million Gross (\$42.9 million GF/GP) recognizing lower Medicaid caseload, utilization and inflation cost projections within Medical Services and Mental Health/Substance Abuse. (SBO request 2014-9)

Gross (\$99,944,600)
Federal (57,035,500)
GF/GP (\$42,909,100)

2. Family Support Subsidy Program – Caseload Adjustment

Reduces TANF revenue supporting the Family Support Subsidy Program by \$1.2 million anticipating a projected caseload decrease of (0.3%) over the FY 2013-14 appropriated level and an average caseload of 6,809. (SBO request 2014-9)

Gross (\$1,215,000)
TANF (1,215,000)
GF/GP \$0

3. Remove Excess Federal Authorization – Primary Care Rates

Reduces \$228.7 million Gross (\$0 GF/GP) in federal spending authority for Medicaid primary care rates. The Affordable Care Act included a temporary, federally-funded rate increase for primary care providers. Estimates used for the FY 2013-14 budget overstated the necessary authorization, and this adjustment removes the excess to align the appropriation with anticipated revenue and expenditures. (SBO request 2014-9)

Gross (\$228,666,700)
Federal (228,666,700)
GF/GP \$0

4. Replace Declining School Based Services Revenue

Recognizes lower GF/GP savings from school-based services program claims with a \$19.4 million Gross reduction (increase of \$12.9 million GF/GP). (SBO request 2014-9)

Gross (\$19,400,000)
Federal (32,333,300)
GF/GP \$12,933,300

<u>FY 2013-14 Supplemental Appropriation Items</u>		House Appropriation Change
5. Special Medicaid Financing Alignment		
Includes a reduction of \$61.5 million Gross (\$0 GF/GP) to align special Medicaid payment revenues with anticipated expenditures. (SBO request 2014-9)		Gross (\$61,539,700)
	Federal	(40,167,100)
	Local	(4,940,000)
	Restricted	(16,432,600)
	GF/GP	\$0
6. Dual Eligibles to Managed Care – Restoration of Unrealized Savings		
Restores \$5.3 million Gross (\$1.8 million GF/GP) of unrealized savings related to integration of dual eligibles into managed care. Incorporates related net zero special financing and graduate medical education (GME) payment adjustments between Medicaid line items. (SBO request 2014-9)		Gross \$5,286,800
	Federal	3,506,200
	GF/GP	\$1,780,600
7. Affordable Care Act (ACA) Health Insurer Fee		
Provides \$11.6 million Gross (\$4.0 million GF/GP) to support the cost of the ACA health insurer fee imposed on Medicaid managed care organizations. The FY 2013-14 budget initially allocated \$34.3 million Gross to support these costs. (SBO request 2014-9)		Gross \$11,594,100
	Federal	7,598,800
	GF/GP	\$3,995,300
HUMAN SERVICES		
8. Public Assistance Caseload Adjustments		
Reduces funding for public assistance programs \$57.5 million Gross (\$33.8 million GF/GP) to adjust for May Consensus agreement as follows:		Gross (\$57,514,500)
	Federal	(23,704,700)
	GF/GP	(\$33,809,800)
<ul style="list-style-type: none"> • Family Independence Program (FIP) is reduced \$53.2 million Gross (\$29.5 million GF/GP) from 44,400 cases at \$395 per month to 36,100 cases at \$363 per month. • State Disability Assistance (SDA) is reduced \$3.3 million GF/GP from 7,777 cases at \$223 per month to 6,800 cases at \$215 per month. • State Supplementation is reduced \$991,300 GF/GP from 275,000 cases at \$18.95 per month to 272,800 cases at \$18.80 per month. (SBO request 2014-9) 		
9. Child Welfare Caseload Adjustments		
Increases funding for child welfare programs \$568,200 Gross (\$2.4 million GF/GP) to adjust for May Consensus agreement as follows:		Gross \$568,200
	Federal	(1,940,300)
	Local	97,500
	Private	21,500
	GF/GP	\$2,389,500
<ul style="list-style-type: none"> • Foster care payments are increased \$1.0 million Gross (\$380,900 GF/GP) from 6,250 cases at \$27,655 per year to 6,450 cases at \$26,978 per year. • Adoption subsidies are reduced \$4.4 million Gross (\$1.7 million GF/GP) from 27,150 cases at \$731.80 per month to 26,700 cases at \$730.40 per month. • Child Care Fund is increased \$3.5 million GF/GP. • Guardianship assistance payments are increased \$483,600 Gross (\$283,000 GF/GP) from 650 cases at \$713 per month to 650 cases at \$775 per month. (SBO request 2014-9) 		
10. TANF Offset of Other Federal Revenues		
Provides \$12.7 million in federal TANF funds to the adoption subsidies line item to transfer out a corresponding amount of GF/GP. The GF/GP is transferred to the payroll taxes and fringe benefits, field staff salaries and wages, and child welfare field staff – caseload compliance line items to offset excess other federal revenue authorization. The federal TANF funds are not directly appropriated into the personnel line items in order to avoid exceeding the federal TANF block grant administrative cap of 15%. (SBO request 2014-9)		Gross \$0
	Federal	(12,693,600)
	TANF	12,693,600
	GF/GP	\$0
11. Foster Care Payments Financing		
Provides \$9.4 million in federal TANF funds and \$2.1 million in local funds to offset excess other federal revenues and private revenues in the foster care payments line item. The excess other federal revenues is due in part to an increase in foster care cases that are not eligible for federal IV-E matching funds. Cases that are not eligible for federal IV-E are funded with state and local funds. The federal TANF is appropriated in the FIP line to offset GF/GP, and that GF/GP is transferred to the foster care payments line item. SBO notified the Legislature of this shortfall in the June Certification Letter as required by 2007 PA 2 (MCL 18.1371). (SBO request 2014-9)		Gross \$0
	Federal	(10,375,300)
	TANF	9,414,000
	Local	2,096,700
	Private	(1,135,400)
	GF/GP	\$0

FY 2013-14 Supplemental Appropriation Items

12. Public Assistance and Child Welfare Year-End Caseload and Financial Adjustments	Gross	(\$13,200)
Reduces funding for public assistance and child welfare programs by \$13,200 Gross (increases GF/GP by \$10.4 million) for year-end caseload and financial adjustments as follows:	Federal	(5,972,800)
<ul style="list-style-type: none"> • Adjust foster care payments \$0 Gross (increase of \$3.7 million GF/GP); additional GF/GP funding to be used to offset federal and local revenue reductions. • Family Independence Program funding is reduced by \$1.1 million Gross (increase of \$2.5 million GF/GP); additional GF/GP funding and line item funding reduction to be used to offset \$3.6 million state restricted fund reduction in child support collections fund. • Adoption Subsidy Program is increased \$873,400 Gross (\$4.2 million GF/GP) and Guardianship Assistance Program is increased \$211,100 Gross (decreases GF/GP by \$150,700); additional GF/GP funding for Adoption Subsidies to be used to help offset \$3.4 million reduction in federal revenues. (SBO request 2014-9) 	Local	(1,901,700)
	Private	1,118,200
	Restricted	(3,636,600)
	GF/GP	\$10,379,700

NATURAL RESOURCES

13. Capital Outlay Waterways Boating Program – Harbor Shores Transient Marina	Gross	\$700,000
Provides \$700,000 federal spending authorization for a U.S. Fish and Wildlife boating infrastructure competitive grant for the Harbor Shores Transient Marina development project. Federal grant will fund additional transient broadside slips, slip utilities, a sheet pile wall and promenade, boater services building, and other improvements. The marina and promenade will constitute a segment of a public trail and will complete the connection of other portions of the trail to each other. (SBO request 2014-9)	Federal	700,000
	GF/GP	\$0

TRANSPORTATION

14. Priority Roads Investment Program	Gross	\$0
Unappropriates and reappropriates \$115.0 million GF/GP for Priority Roads Investment Projects to allow for adjustments to related boilerplate language; see section 401 below. (Legislatively initiated)	GF/GP	\$0

FY 2013-14 Supplemental Boilerplate Items

STATE

Sec. 301. Help America Vote Act (HAVA) - Work Project Authorization
 Reauthorizes work project status for implementation of Michigan's state plan under the federal Help America Vote Act of 2002 (HAVA), allowing unexpended funds to be carried forward into future fiscal years. Beginning in FY 2002-03, the Department of State has spent about \$79 million in HAVA funds to replace outdated voting equipment with optical scan voting equipment, educate voters and train election workers regarding optical scan voting equipment, service and maintain purchased optical scan voting equipment, and improve the qualified voter file. This supplemental request redesignates \$6.0 million in HAVA funds (including \$300,700 in state GF/GP match) as a work project appropriation. DOS intends to expend the bulk of these remaining HAVA funds for the replacement of optical scan voting equipment and systems acquired for local units of government with HAVA funds starting in 2003. Estimated completion date is September 30, 2018. (SBO request 2014-9)

TRANSPORTATION

Sec. 401. Priority Roads Investment Program
 Provides for funds appropriated to be expended for priority road investment projects, with \$100,000 also available for the installation of signs, signals, or barriers that alert the public to bridge closures or weight restrictions. (This section effectively republishes existing language, with certain project deadlines deleted.) (Legislatively initiated)

TREASURY

Sec. 501. State Processing of City Income Tax Work Project Appropriation
 Authorizes up to \$2.6 million GF/GP appropriated in 2011 PA 83 to be re-appropriated to implement state processing of city income taxes. Approximately \$4.2 million GF/GP is available from the original appropriation of \$31.9 million in FY 2011 for implementation of the changes to the corporate income tax and individual income tax in 2011 PA 38. State processing of city income taxes is an executive initiative that would allow a city levying an income tax to voluntarily transfer administration of the city income tax to the Department of Treasury as provided in the City Income Tax Act, 1964 PA 284. The Department of Treasury anticipates having the processing of the individual city income tax (first phase) up by the beginning of 2016. Implementation of the business portions (withholding, corporate, partnership, and fiduciary) is expected to be operational January 1, 2017. The \$2.6 million GF/GP re-appropriated for this project would be considered work project appropriations with a tentative completion date of September 30, 2018. (SBO request 2014-9)

FY 2013-14 Supplemental Boilerplate Items

REPEALER

Enacting Section 1. Priority Roads Investment Program

Repeals existing language governing projects, in order to replace with Section 401 above.

FY 2014-15 APPROPRIATION SUMMARY

Budget Area	FY 2014-15 Year-to-Date Appropriations	FY 2014-15 Supplemental Change	% Change
Community Health	Gross \$18,215,375,900	\$10,469,000	0.1
	GF/GP 3,239,701,400	0	0.0
Education	Gross 287,096,100	400,000	0.1
	GF/GP 82,083,000	400,000	0.5
State Police	Gross 639,573,000	32,500,000	5.1
	GF/GP 384,171,000	30,000,000	7.8
TOTAL (All budget areas)	Gross \$53,129,326,300	\$43,369,000	0.1
	GF/GP 10,086,704,100	30,400,000	0.3

FY 2014-15 Overview

The supplemental appropriation adjustments contained in Senate Bill 781 would increase the FY 2014-15 state budget by \$43.4 million in total Gross appropriations, of which \$30.4 million would be funded by GF/GP revenue. The largest appropriation included is \$32.5 million Gross (\$30.0 million GF/GP) for costs associated with the recent flooding disaster in Southeastern Michigan and two other natural disasters.

The contents of the FY 2014-15 section of the bill largely mirror State Budget Office (SBO) supplemental request 2015-1. Additionally, the bill contains boilerplate language revising the scope of a Capital Outlay project at Michigan State University (within existing costs) and language specifying a purchasing preference for biobased products.

FY 2014-15 Supplemental Appropriation Items

**House
Appropriation
Change**

COMMUNITY HEALTH

1. Health Homes

Provides \$10.5 million Gross (\$0 GF/GP) for the Health Homes program. \$8.0 million Gross (\$800,000 Private funds from the Health Endowment Fund) would be provided to Federally Qualified Health Centers designated as Health Homes and \$2.5 million Gross (\$246,900 Local funds from Washtenaw County) would be provided to Community Mental Health Service Programs designated as Health Homes. Health Homes coordinate care services for Medicaid beneficiaries with chronic conditions, including persistent behavioral health conditions, with the goal of reducing hospital admissions/readmissions and emergency room visits. The federal match rate for the Health Home program is 90% for the first two years and is the regular FMAP rate after. (SBO request 2015-1)

Gross	\$10,469,000
Federal	9,422,100
Local	246,900
Private	800,000
GF/GP	\$0

EDUCATION

2. State Aid to Libraries

Provides a \$400,000 increase in GF/GP funds to increase state aid to libraries from \$8.9 million to \$9.3 million. This supplemental represents a general increase to the state aid to libraries. (SBO request 2015-1)

Gross	\$400,000
GF/GP	\$400,000

STATE POLICE

3. Disaster Assistance

Authorizes \$30.0 million in GF/GP and \$2.5 million in state restricted funds to support state disaster assistance to local units of government and state matching funds for federal assistance to individuals and local units of government.

Gross	\$32,500,000
Restricted	2,500,000
GF/GP	\$30,000,000

- Provides approximately \$1.0 million in GF/GP and the entire \$2.5 million balance within the Disaster and Emergency Contingency Fund (DECF) for state disaster assistance related to the deep frost emergency affecting nine counties in Northern Michigan beginning in February 2014 (estimated at \$1.9 million) and the severe flooding disaster affecting eight counties North-Western Lower Michigan beginning in April 2014 (estimated at \$1.5 million). The DECF is established by Section 18 of the Emergency Management Act of 1976 (EMA), which requires that the Legislature annually appropriate sufficient funds to maintain a balance between \$1.0 and \$4.5 million.

3. Disaster Assistance (continued)

- Provides approximately \$29.0 million in GF/GP for state matching funds to secure the substantial portion of a currently estimated \$110.0 million in federal disaster assistance for approximately 92,000 individuals affected by the historic rainfall and flash flooding that occurred in Southeastern Michigan on August 11, 2014 and applicable emergency operation expenses of state agencies. President Obama declared a federal disaster for Macomb, Oakland, and Wayne counties on September 25, 2014 and individuals within these counties may apply for federal assistance until November 24, 2014. The state's matching obligation is 25% of individual and state agency assistance, reimbursed to the Federal Government within 60 days of payment. Conversely, this supplemental does not provide the requisite matching funds for federal disaster assistance to affected local units of government which are the obligation of local units of government, absent Legislative appropriation funding those costs. (SBO request 2015-1)

FY 2014-15 Supplemental Boilerplate Items

GENERAL

Sec. 1203. Biobased Products

Directs departments and agencies to give preference in making purchases, all other things being equal, to biobased products. (Legislatively initiated)

CAPITAL OUTLAY

Sec. 1301. Michigan State University – Bioengineering Facility Scope Change

Authorizes Michigan State University (MSU) to revise the scope of its bioengineering facility capital outlay project to include the build-out of the third and fourth floors of the facility. The project was authorized for construction in 2012 PA 192 and amended with a scope/cost increase in 2013 PA 102 (entirely funded by MSU). Total authorized cost under this scope change is unchanged and remains at \$57.7 million (\$30.0 million state share/\$27.7 million MSU share). Due to anticipated savings of \$5.0 million on the project, MSU requested that the scope of the project be changed to allow for the savings to be invested in the build-out of the third and fourth floors to the extent that the funds authorized for the project allow. According to MSU, the savings are attributable to a favorable bid climate, design efficiencies, alternative material selection, and project oversight and review. The scope change was approved at the September 24, 2014 Joint Capital Outlay Subcommittee meeting. (9/5/14 SBO letter)

LICENSING AND REGULATORY AFFAIRS

Sec. 1401. Workers' Compensation for Former Delphi Employees

Adds boilerplate that would appropriate an amount equal to workers' compensation claims of approximately 350 former employees of Delphi Corporation approved pursuant to recent amendments to the Workers' Disability Compensation Act of 1969 (2014 PA 236) from the Delphi Corporation Workers' Compensation Payment Fund included as a line item supported with \$15.0 million of GF/GP in the FY 2014-15 LARA budget (2014 PA 252) to the Self-Insurers' Security Fund (SISF) for payments pursuant to recent amendments to the Workers' Disability Compensation Act of 1969 (2014 PA 238). The amendments enacted by 2014 PAs 236 and 238 appear to be substantially similar to the stipulations and limitations included within boilerplate Section 1001 of 2014 PA 252; moreover, Section 1001 would remain effective for the \$15.0 million GF/GP appropriation irrespective of transfer to the SISF. LARA indicated that the purpose of this boilerplate section is to facilitate more efficient administration of the payment of claims of former employees of the Delphi Corporation supported by the \$15.0 million in GF/GP. (SBO request 2015-1)