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BILL ANALYSIS

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House Bill 4289 (Substitute S-2)
Sponsor: Representative Chuck Moss
House Committee: Appropriations
Senate Committee: Appropriations

Date Completed: 3-28-12

CONTENT

The bill would provide supplemental appropriations for fiscal year (FY) 2011-12 for multiple State departments. These supplemental appropriations encompass portions of four separate State Budget Office (SBO) recommendations that total \$85.4 million in Adjusted Gross appropriations and \$38.2 million in State General Fund/General Purpose (GF/GP) appropriations, as well as an additional \$3.0 million in GF/GP appropriations for Graduate Medical Education that was legislatively initiated. Also legislatively initiated is a fund source shift in the Department of Community Health that would reduce GF/GP revenue by \$106.9 million and replace it with \$106.9 million in Medicaid Benefits Trust Fund revenue; \$106.9 million GF/GP would then be transferred to the State's Budget Stabilization Fund via boilerplate Section 203. In FY 2010-11, \$213.8 million GF/GP was appropriated to the Medicaid Benefits Trust Fund as a reserve for potential Federal disallowances regarding the State's Medicaid program. The appropriation of \$106.9 million from the Medicaid Benefits Trust Fund would reduce this reserve by half, so it could be necessary to tap the Budget Stabilization Fund to pay a portion of the disallowances, if and when they are incurred.

FISCAL IMPACT

The bill would increase FY 2011-12 Adjusted Gross State appropriations by \$72.6 million and State GF/GP appropriations by \$33.5 million, if the GF/GP amount is adjusted to reflect the transfer of \$106.9 million GF/GP to the Budget Stabilization Fund. This compares to the Governor's recommended level of FY 2011-12 supplemental appropriations of \$85.4 million Adjusted Gross and \$38.2 million GF/GP. The Senate Fiscal Agency estimates that the FY 2011-12 State GF/GP balance sheet, when adjusted for the supplemental appropriations included in House Bill 4289 (S-2), would have a projected year-end balance of approximately \$510.0 million, all of which would be carried forward to fund appropriations recommended for FY 2012-13.

The primary difference between the Governor's recommendation and the Senate proposal, other than the transfer of \$106.9 million to the Budget Stabilization Fund, is that portions of the Governor's public safety initiative totaling \$20.0 million in Adjusted Gross and \$7.0 million in GF/GP appropriations are not included in House Bill 4289 (S-2). The \$8.9 million in Adjusted Gross and \$3.0 million in GF/GP appropriations that were added for Graduate Medical Education, coupled with \$1.6 million in Adjusted Gross and \$0.7 million in GF/GP appropriations recommended by the Governor that were not included in House Bill 4289 (S-2), result in an Adjusted Gross appropriation reduction of \$12.7 million and a GF/GP reduction of \$4.7 million from the Governor's recommended level of appropriations. Table 1 compares the Governor's FY 2011-12 Adjusted Gross and GF/GP supplemental recommendations by department to the appropriations recommended by the House and Senate.

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. 203. Transfers \$106.9 million from the State General Fund to the Budget Stabilization Fund.

Sec. 301. Appropriates up to \$10.0 million to the Department of Community Health for special Medicaid reimbursement in order to increase hospital uncompensated care payments. The appropriation would be contingent on the existence of allowable room within the Federal disproportionate share hospital allotment and approval by the Federal Centers for Medicare and Medicaid Services.

Sec. 351. Allows the Department of Education to issue a request for proposals for a statewide license for all school districts to utilize an Internet-based computer adaptive testing service to test students.

Sec. 401. Requires the Department of Human Services to pay administrative rates of not less than \$37 and not less than \$28, for providers of foster care services and general independent living services, respectively. This new section does not include administrative rates for specialized independent living services providers. Enacting section 1 (see below) would repeal the existing administrative rates section, which does include an administrative rate for specialized independent living services.

Sec. 451. Requires the Department of Licensing and Regulatory Affairs to comply with Federal and State rules and regulations for Michigan's centers for independent living, and to provide quarterly reports on outcomes.

Sec. 501. Cancels a Department of State Police lease for the Richmond State Police post, and prohibits any expenditures related to the property 90 days after this bill's effective date.

Sec. 601. Requires the Department of Transportation to use the \$200,000 appropriation for welcome centers 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; and requires any remaining funds to be distributed equally among the State's remaining welcome centers.

Enacting section 1. Repeals Section 546 of the FY 2011-12 Department of Human Services annual appropriation act (Article X of Public Act 63 of 2011), which sets administrative rates for foster care providers (see Sec. 401 above).

Fiscal Analyst: Ellen Jeffries

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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.

Table 1

House Bill 4289 (S-2): FY 2011-12 Supplemental Recommendations

| Department/Budget Area | Governor's Rec | | House | | Senate | |
|---|---------------------|--------------------|---------------------|------------------------|---------------------|------------------------|
| | Adj. Gross | GF/GP | Adj. Gross | GF/GP | Adj. Gross | GF/GP |
| Agriculture & Rural Development | | | | | | |
| Indemnification for animals lost to tuberculosis..... | \$140,000 | \$140,000 | \$0 | \$0 | \$0 | \$0 |
| Total Agriculture & Rural Development..... | \$140,000 | \$140,000 | \$0 | \$0 | \$0 | \$0 |
| Attorney General | | | | | | |
| Public safety initiative | 900,000 | 900,000 | 900,000 | 900,000 | 900,000 | 900,000 |
| Redistricting defense | 350,000 | 350,000 | 0 | 0 | 0 | 0 |
| Health insurance claims assessment..... | 100,000 | 0 | 0 | 0 | 0 | 0 |
| Total Attorney General | \$1,350,000 | \$1,250,000 | \$900,000 | \$900,000 | \$900,000 | \$900,000 |
| Community Health | | | | | | |
| Restore disproportionate share (DSH) payments..... | 9,640,500 | 0 | 9,640,500 | 0 | 9,640,500 | 0 |
| Restore Wayne State psychiatric DSH payment..... | 8,520,900 | 0 | 8,520,900 | 0 | 8,520,900 | 0 |
| Special indigent care agreements | 7,220,400 | 0 | 7,220,400 | 0 | 7,220,400 | 0 |
| Restore Medicaid chiropractic..... | 450,000 | 152,400 | 450,000 | 152,400 | 450,000 | 152,400 |
| Bronson DSH payment..... | 330,200 | 111,800 | 330,200 | 111,800 | 330,200 | 111,800 |
| Brain injury treatment | 200,000 | 100,000 | 200,000 | 100,000 | 200,000 | 100,000 |
| Donated dental services | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 |
| Graduate medical education..... | 0 | 0 | 8,860,000 | 3,000,000 | 8,860,000 | 3,000,000 |
| Medical services fund shift GF to Medicaid Trust..... | 0 | 0 | 0 | (106,900,000) | 0 | (106,900,000) |
| Total Community Health | \$26,387,000 | \$389,200 | \$35,247,000 | (\$103,510,800) | \$35,247,000 | (\$103,510,800) |
| Corrections | | | | | | |
| Public safety initiative | 3,000,000 | 3,000,000 | 3,000,000 | 3,000,000 | 3,000,000 | 3,000,000 |
| Camp Brighton cleanup | 400,000 | 400,000 | 400,000 | 400,000 | 400,000 | 400,000 |
| Total Corrections | \$3,400,000 | \$3,400,000 | \$3,400,000 | \$3,400,000 | \$3,400,000 | \$3,400,000 |
| Education | | | | | | |
| Implement charter cap elimination..... | 125,000 | 125,000 | 125,000 | 125,000 | 125,000 | 125,000 |
| Total Education | \$125,000 | \$125,000 | \$125,000 | \$125,000 | \$125,000 | \$125,000 |
| Environmental Quality | | | | | | |
| Submerged logs permit program (restricted rev.).... | 110,000 | 0 | 0 | 0 | 0 | 0 |
| Total Environmental Quality | \$110,000 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Judiciary | | | | | | |
| Net costs for two Court of Appeals judges | 171,300 | 171,300 | 0 | 0 | 0 | 0 |
| Total Judiciary..... | \$171,300 | \$171,300 | \$0 | \$0 | \$0 | \$0 |

House Bill 4289 (S-2): FY 2011-12 Supplemental Recommendations

| Department/Budget Area | Governor's Rec | | House | | Senate | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | Adj. Gross | GF/GP | Adj. Gross | GF/GP | Adj. Gross | GF/GP |
| Licensing & Regulatory Affairs | | | | | | |
| Centers for independent living..... | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 |
| Tax tribunal backlog | 1,500,000 | 0 | 1,500,000 | 0 | 1,500,000 | 0 |
| Regulation of fireworks' sales..... | 470,000 | 0 | 470,000 | 0 | 470,000 | 0 |
| Total Licensing & Regulatory Affairs | \$3,470,000 | \$1,500,000 | \$3,470,000 | \$1,500,000 | \$3,470,000 | \$1,500,000 |
| Military & Veterans Affairs | | | | | | |
| Capital outlay-water system repairs | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 |
| Total Military & Veterans Affairs | \$300,000 | \$300,000 | \$300,000 | \$300,000 | \$300,000 | \$300,000 |
| Natural Resources | | | | | | |
| At-risk youth employ-Det., Flint, Pontiac, Saginaw .. | 2,000,000 | 2,000,000 | 0 | 0 | 0 | 0 |
| Total Natural Resources | \$2,000,000 | \$2,000,000 | \$0 | \$0 | \$0 | \$0 |
| State | | | | | | |
| Commercial driver's license medical card | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Total State | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 |
| State Police | | | | | | |
| Fleet costs | 1,900,000 | 1,900,000 | 1,900,000 | 1,900,000 | 1,900,000 | 1,900,000 |
| Public safety initiative | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 |
| Collins Road lease | 750,000 | 750,000 | 750,000 | 750,000 | 750,000 | 750,000 |
| Internet Crimes Against Children ARRA funding | 95,000 | 0 | 95,000 | 0 | 95,000 | 0 |
| Trooper recruit school (110.0 FTEs) | 6,789,000 | 6,789,000 | 6,789,000 | 6,789,000 | 6,789,000 | 6,789,000 |
| Total State Police | \$11,034,000 | \$10,939,000 | \$11,034,000 | \$10,939,000 | \$11,034,000 | \$10,939,000 |
| Technology, Management, & Budget | | | | | | |
| Emergency operations center planning grant | 80,000 | 80,000 | 80,000 | 80,000 | 80,000 | 80,000 |
| Total Technology, Management, & Budget | \$80,000 | \$80,000 | \$80,000 | \$80,000 | \$80,000 | \$80,000 |
| Transportation | | | | | | |
| Rural rail infrastructure improvements (CTF) | 1,000,000 | 0 | 1,000,000 | 0 | 1,000,000 | 0 |
| Woodward corridor transit study (CTF) | 750,000 | 0 | 0 | 0 | 0 | 0 |
| Southeast Mich. regional transit authority (CTF) | 250,000 | 0 | 250,000 | 0 | 250,000 | 0 |
| Welcome center operations..... | 200,000 | 0 | 200,000 | 200,000 | 200,000 | 0 |
| Total Transportation..... | \$2,200,000 | \$0 | \$1,450,000 | \$200,000 | \$1,450,000 | \$0 |
| Treasury-Operations | | | | | | |
| Office of fiscal responsibility..... | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 |
| Payments in lieu of taxes (PILT) | 3,679,900 | 1,226,000 | 3,679,900 | 1,226,000 | 3,679,900 | 1,226,000 |
| Health insurance claims assessment..... | 1,257,600 | 0 | 1,257,600 | 0 | 1,257,600 | 0 |
| Total Treasury-Operations..... | \$14,937,500 | \$11,226,000 | \$14,937,500 | \$11,226,000 | \$14,937,500 | \$11,226,000 |

House Bill 4289 (S-2): FY 2011-12 Supplemental Recommendations

| Department/Budget Area | <u>Governor's Rec</u> | | <u>House</u> | | <u>Senate</u> | |
|---|-----------------------|---------------------|---------------------|-----------------------|---------------------|-----------------------|
| | Adj. Gross | GF/GP | Adj. Gross | GF/GP | Adj. Gross | GF/GP |
| Treasury-Revenue Sharing | | | | | | |
| Competitive grants for interlocal efforts | 10,000,000 | 0 | 0 | 0 | 0 | 0 |
| Total Treasury-Revenue Sharing..... | \$10,000,000 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Treasury-Strategic Fund | | | | | | |
| Pre-college engineering | 680,100 | 680,100 | 680,100 | 680,100 | 680,100 | 680,100 |
| Talent fund/job training for structurally unemployed | 5,000,000 | 5,000,000 | 0 | 0 | 0 | 0 |
| Land bank clear tax-reverted property titles | 3,000,000 | 0 | 0 | 0 | 0 | 0 |
| Total Treasury-Strategic Fund | \$8,680,100 | \$5,680,100 | \$680,100 | \$680,100 | \$680,100 | \$680,100 |
| Total Supplemental Appropriations..... | \$85,384,900 | \$38,200,600 | \$72,623,600 | (\$73,160,700) | \$72,623,600 | (\$73,360,700) |