

FY 2010-11 SUPPLEMENTAL APPROPRIATIONS
Summary: As Reported by the House Appropriations Committee
Senate Bill 138 (H-1)



HFA Director: Mitchell E. Bean
 Supplemental Coordinator: Kyle I. Jen

	Executive*		Senate		House	
Budget Area	Gross	GF/GP	Gross	GF/GP	Gross	GF/GP
Capital Outlay	\$0	\$0	\$0	\$0	\$0	\$0
Community Health	339,916,700	102,336,900	339,916,700	102,336,900	250,250,800	100,162,800
Corrections	0	0	0	0	1,000,000	1,000,000
Human Services	(30,925,900)	(2,019,700)	(30,925,900)	(2,019,700)	(30,925,900)	(2,019,700)
State	0	0	0	0	0	0
State Police	0	0	750,000	750,000	750,000	750,000
Transportation	3,397,000	0	3,397,000	0	3,397,000	0
Treasury	65,047,500	31,917,300	33,130,200	0	52,830,200	19,700,000
TOTAL	\$377,435,300	\$132,234,500	\$346,268,000	\$101,067,200	\$277,302,100	\$119,593,100

*Reflects State Budget Office supplemental requests 2011-7 (letter dated 5/26/11) and 2011-8 (letter dated 6/20/11, excluding redundant IDG portion), Capital Outlay request dated 5/25/11, and funding in Transportation budget originally proposed by Executive as a legislative transfer.

OVERVIEW

In a letter dated May 26, 2011, the State Budget Office (SBO) submitted FY 2010-11 supplemental requests totaling \$342.1 million Gross and \$100.3 million GF/GP. Major funding adjustments included in the request are consensus expenditure estimates for the Departments of Community Health and Human Services, Electronic Health Incentive Program funding in the Community Health budget, and additional restricted fund revenue for both constitutional and statutory Revenue Sharing payments. Proposed boilerplate language would reappropriate unexpended Help America Vote Act funds in the Department of State budget.

In a letter dated June 20, 2011, the State Budget Office (SBO) submitted an FY 2010-11 supplemental request of \$31.7 million GF/GP for implementation costs related to the changes to the state tax structure recently enacted into law.

Senate Bill 138 (H-1) Draft 1 reflects those SBO requests, with the exceptions of reducing requested funding for the Electronic Health Record Incentive Program to reflect only funds anticipated for expenditure in the current budget year and reducing funding for tax implementation costs to an earlier estimate of \$19.7 million GF/GP. Additionally, the bill contains an appropriation of \$1.0 million GF/GP for a Pilot Public Safety Project for the City of Flint and adjustments to boilerplate language applying to funding in the Corrections budget, an appropriation of \$750,000 GF/GP into the state Disaster Contingency Fund (along with language authorizing expenditures from the fund of up to \$250,000 for the recent disaster in Calhoun County), an appropriation of \$3.4 million in federal ARRA funds in the Transportation budget that was originally recommended as a legislative transfer, and boilerplate language increasing cost authorization for the Bay City State Police post capital outlay project (also per SBO recommendation).

Appropriations in the bill total \$277.3 million Gross and \$119.6 million GF/GP.

FY 2010-11 Appropriation Items:

		<u>Executive</u>	<u>Senate</u>	<u>House</u>
COMMUNITY HEALTH				
1. Medicaid Adult Benefits Waiver Program - Substance Abuse	Gross	\$2,929,400	\$2,929,400	\$2,929,400
Includes \$2.9 million in federal funds for the Community Substance Abuse Prevention, Education, and Treatment programs line item to recognize higher than projected spending for the substance abuse services component of the Medicaid Adult Benefits Waiver (ABW) Program. The GF/GP match for the ABW program is provided by coordinating agencies.	Federal	2,929,400	2,929,400	2,929,400
2. Community Water Fluoridation Equipment Program	Gross	\$60,000	\$60,000	\$60,000
Includes \$60,000 authorization for private grant from Delta Dental Foundation to support local grants used to purchase new or replacement fluoridation equipment to initiate or continue community fluoridation.	Private	60,000	60,000	60,000
3. Nurse Family Partnership Programs	Gross	\$857,200	\$857,200	\$857,200
Recognizes \$794,200 of federal Medicaid Title XIX matching funds earned by locally-funded nurse family partnership programs in Berrien, Calhoun, Kalamazoo and Kent Counties; this funding is also included in the Enrolled FY 2011-12 budget. Also provides authorization for a W. K. Kellogg Foundation grant of \$63,000 to continue nurse family partnership programs in targeted communities.	Federal	794,200	794,200	794,200
	Private	63,000	63,000	63,000
4. Infant Mortality Programs	Gross	\$676,700	\$676,700	\$676,700
Provides authorization to spend two infant mortality program grants from the W. K. Kellogg Foundation: \$305,500 to reduce infant mortality rates focusing on disparities of African American women, and \$371,200 (of \$1.3 million award through 2013) to address social determinants of racial disparities in infant mortality.	Private	676,700	676,700	676,700
5. Sustainable Food and Farming Fellowship Grant	Gross	\$7,500	\$7,500	\$7,500
Authorizes remaining funding of a 2-year 2009 W. K. Kellogg Foundation \$60,000 grant to support DCH participation in a Food and Society Policy Fellow program regarding awareness of sustainable food and farming systems, through the Institute for Agriculture and Trade Policy. Previously authorized in FY 2008-09 and FY 2009-10.	Private	7,500	7,500	7,500
6. DCH Consensus Expenditure Adjustments	Gross	\$198,428,000	\$198,428,000	\$198,428,000
Adjusts various appropriation lines by a total of \$198,428,000 Gross (\$98.7 million GF/GP) based on the items below. These costs were identified at the May 2011 Medicaid consensus meeting between the House and Senate Fiscal Agencies and the State Budget Office and presented at the Consensus Revenue Estimating Conference also in May.	Federal	102,867,900	102,867,900	102,867,900
	ARRA	6,751,500	6,751,500	6,751,500
	Restricted	(9,887,500)	(9,887,500)	(9,887,500)
	GF/GP	\$98,696,100	\$98,696,100	\$98,696,100

Medicaid Expenditures: An increase of \$198.4 million Gross (\$59.4 million GF/GP) for Medicaid program expenditures due to changes in projected costs related to caseload, utilization and inflation.

State Restricted Revenue Shortfalls: Reductions of \$7.9 million Medicaid Benefits Trust Fund (MBTF) and \$2.0 million Merit Award Trust Fund are offset by an increase in GF/GP.

ARRA Accrual Cost: \$22.0 million reduction of American Recovery and Reinvestment Act (ARRA) enhanced FMAP revenue is offset by GF/GP anticipating the establishment of the Medicaid accrual.

ABW Program Funding Adjustment: Federal Medicaid authorization is reduced by \$19.7 million and replaced with a like amount of GF/GP due to over enrollment of the Medicaid Adult Benefits Waiver (ABW) program.

SCHIP Bonus: Federal authorization is increased by \$9.2 million of State Children's Health Insurance Program (SCHIP) revenue and replaces a like amount of GF/GP. The SCHIP bonus funds are a result of Michigan's promotion of health care coverage for children. These funds cannot be used as federal match and will be used like GF/GP to address federal neutrality costs in the ABW program.

[Continued on next page]

FY 2010-11 Appropriation Items:**Executive****Senate****House**

MIChoice Program Funding Adjustment: MIChoice program federal Medicaid authorization is reduced by \$6.1 million and replaced with a like amount of GF/GP. This corrects a fund sourcing problem that was corrected in FY 2009-10 but not included in the FY 2010-11 budget development.

State Psychiatric DSH: Federal Medicaid authorization is reduced \$10.7 million and replaced with a like amount of GF/GP due to lower federal special financing earnings generated by the state psychiatric forensic center disproportionate share hospital (DSH) payment.

Pre-Pay July Medicaid HMO Capitated Payments: Federal ARRA enhanced FMAP authorization is increased \$20.0 million saving the same amount of GF/GP as a result of pre-paying the July 2011 Medicaid HMO capitated payments in June 2011. The enhanced ARRA FMAP rate expires the July 1, 2011.

7. Electronic Health Record Incentive Program

The Senate includes the creation of a new appropriation line within the Medical Services Administration unit entitled Electronic Health Record Incentive Program. The appropriated amount of \$137.0 million Gross (\$3.6 million GF/GP) will fund for FY 2010-11 and FY 2011-12 the state's electronic health record (EHR) incentive program which will provide incentive payments to eligible professionals, eligible hospitals and critical access hospitals as they adopt, implement, upgrade or demonstrate meaningful use of certified EHR technology. An EHR is an electronic record of patient health information generated by one or more encounters in any care delivery setting. The EHR incentive program is expected to be active for 11 years. The House reduces the appropriation to \$47.3 million Gross (\$1.5 million GF/GP) based on projected spending for FY 2010-11, with the balance expected to be a FY 2011-12 appropriation.

Gross	\$136,957,900	\$136,957,900	\$47,292,000
Federal	133,317,100	133,317,100	45,825,300
GF/GP	\$3,640,800	\$3,640,800	\$1,466,700

CORRECTIONS**8. Pilot Public Safety Program**

House appropriates \$1.0 million for a Pilot Public Safety Program in the City of Flint.

Gross	--	--	\$1,000,000
GF/GP	--	--	\$1,000,000

HUMAN SERVICES**9. Foster Care Payments**

Decreases appropriation for foster care payments to reflect the caseload consensus agreement between SBO, HFA, and SFA. The FY 2010-11 budget was originally based on a projected foster care caseload of 7,312 at an average annual cost of \$24,051. The consensus agreement decreases the caseload projection by 362 to 6,950 at an average annual cost of \$23,532.

Gross	(\$12,314,600)	(\$12,314,600)	(\$12,314,600)
Federal	(4,737,200)	(4,737,200)	(4,737,200)
Private	(400,000)	(400,000)	(400,000)
Local	(5,018,500)	(5,018,500)	(5,018,500)
GF/GP	(\$2,158,900)	(\$2,158,900)	(\$2,158,900)

10. Child Care Fund

Reduces appropriation for Child Care Fund (CCF) to reflect the caseload consensus agreement between SBO, HFA, and SFA. The FY 2010-11 budget was originally based on a projected CCF expenditure of \$216.0 million. The consensus agreement reduces the caseload projection by \$11.0 million to \$205.0 million. Executive request also reduces the federal fund sourcing to not exceed the maximum allowable amount of TANF in line item and is offset with GF/GP.

Gross	(\$11,032,400)	(\$11,032,400)	(\$11,032,400)
Federal	(16,150,000)	(16,150,000)	(16,150,000)
GF/GP	\$5,117,600	\$5,117,600	\$5,117,600

11. Adoption Subsidies

Reduces appropriation for Adoption Subsidies to reflect the caseload consensus agreement between SBO, HFA, and SFA. The FY 2010-11 budget was originally based on a projected Adoption Subsidy caseload of 28,105 at an average monthly cost of \$655.83. The consensus agreement reduces the caseload projection by 830 cases to 27,275 at an average monthly cost of \$653.04. Executive request also includes a \$3.0 million reduction to the medical subsidy payments based on projected spending.

Gross	(\$10,445,200)	(\$10,445,200)	(\$10,445,200)
Federal	(6,743,800)	(6,743,800)	(6,743,800)
GF/GP	(\$3,701,400)	(\$3,701,400)	(\$3,701,400)

FY 2010-11 Appropriation Items:**12. Family Independence Program**

Reduces appropriation for the Family Independence Program (FIP) to reflect the caseload consensus agreement between SBO, HFA, and SFA. The FY 2010-11 budget was originally based on a projected FIP caseload of 81,461 at an average monthly cost of \$436.33. The consensus agreement reduces the caseload projection by 416 to 81,045 at an average monthly cost of \$433.11.

	<u>Executive</u>	<u>Senate</u>	<u>House</u>
Gross	(\$5,260,100)	(\$5,260,100)	(\$5,260,100)
Federal	(5,260,100)	(5,260,100)	(5,260,100)

13. State Disability Assistance

Reduces appropriation for State Disability Assistance (SDA) to reflect the caseload consensus agreement between SBO, HFA, and SFA. The FY 2010-11 budget was originally based on a projected SDA caseload of 10,165 at an average monthly cost of \$285.01. The consensus agreement increases the caseload projection to 10,250 but decreases the average monthly cost to \$261.40.

Gross	(\$2,612,800)	(\$2,612,800)	(\$2,612,800)
GF/GP	(2,612,800)	(2,612,800)	(2,612,800)

14. SSI State Supplementation

Increases appropriation for SSI State Supplementation (SSI) to reflect the caseload consensus agreement between SBO, HFA, and SFA. The FY 2010-11 budget was originally based on a projected SSI caseload of 245,640 at an average monthly cost of \$19.70. The consensus agreement increases the caseload projection by 6,290 to 251,930 at an average monthly cost of \$19.65.

Gross	\$1,335,800	\$1,335,800	\$1,335,800
GF/GP	\$1,335,800	\$1,335,800	\$1,335,800

15. Licensed and Registered Child Development and Care

Increases appropriation for Licensed and Registered Child Development and Care (CDC) to reflect the caseload consensus agreement between SBO, HFA, and SFA. The FY 2010-11 budget was originally based on a projected CDC caseload of 15,332 at an average monthly cost of \$545.78. The consensus agreement increases the caseload projection by 1,288 to 16,620 at an average monthly cost of \$544.60.

Gross	\$8,198,800	\$8,198,800	\$8,198,800
Federal	8,198,800	8,198,800	8,198,800

16. Enrolled Child Development and Care

Increases appropriation for Enrolled Child Development and Care (CDC) to reflect the caseload consensus agreement between SBO, HFA, and SFA. The FY 2010-11 budget was originally based on a projected CDC caseload of 11,514 at an average monthly cost of \$589.10. The consensus agreement increases the caseload projection by 535 to 12,049 at an average monthly cost of \$571.27.

Gross	\$1,204,600	\$1,204,600	\$1,204,600
Federal	1,204,600	1,204,600	1,204,600

STATE POLICE**17. Disaster Contingency Fund**

Senate includes appropriation of \$750,000 GF/GP into the Disaster Contingency Fund. This fund is established in the Emergency Management Act, with a stated requirement that a fund balance be maintained between \$30,000 and \$750,000. In practice, the Legislature has historically appropriated GF/GP funds on a case-by-case basis, rather than maintaining a balance in the restricted fund. House concurs with appropriation and also includes associated boilerplate language appropriating up to \$250,000 from Disaster Contingency Fund for recent disaster in Battle Creek/Calhoun County. A state-level state of emergency was declared for Battle Creek and Calhoun County due to severe storms on May 29, 2011. Determinations of eligibility for state and/or federal disaster assistance have not yet been made. Under the Emergency Management Act, state disaster assistance grants are limited to \$30,000 per locality; additional state/local funds could be needed as matching funds for any federal assistance that is made available.

Gross	--	\$750,000	\$750,000
GF/GP	--	\$750,000	\$750,000

FY 2010-11 Appropriation Items:**TRANSPORTATION****18. Airport Improvement Program (ARRA)**

Provides \$3.4 million in federal spending authority to recognize additional federal Airport Improvement Program funds made available to Michigan from a redistribution of American Recovery and Reinvestment Act (ARRA) funds from other states. Specifically, these funds would be used for terminal construction activities at the Midland-Bay-Saginaw (MBS) airport. This award would supplement \$12.7 million in ARRA funds awarded to the MBS airport in 2009 as part the initial appropriation of ARRA funds in 2009 PA 38 (House Bill 4308 of the 2009-2010 Legislative Session). The State Budget Office had recommended this item in a transfer request dated 5/20/2011.

	<u>Executive</u>	<u>Senate</u>	<u>House</u>
Gross	\$3,397,000	\$3,397,000	\$3,397,000
Federal	3,397,000	3,397,000	3,397,000

TREASURY**19. Tax Plan Implementation**

Provides \$31.9 million to the Department of Treasury for the information technology costs associated with implementing the corporate income tax and changes to the individual income tax in 2011 PA 38. Costs associated with the implementation of the tax changes include computer system upgrades, hardware, software, costs of storage, project control office, cost of vendors, DTMB hiring staff for augmentation, contracting for services to complete within timeframe, and maintenance. (Request received subsequent to Senate action on bill.) House includes \$19.7 million for implementation costs, based on a previous cost estimate.

Gross	\$31,917,300	--	\$19,700,000
GF/GP	\$31,917,300	--	\$19,700,000

20. Constitutional Revenue Sharing

Provides an additional \$18.8 million to reflect sales tax revenue estimates from the May 2011 Consensus Revenue Estimating Conference. Combined with statutory revenue sharing payments, the additional funding would allow for each local unit's combined payment (constitutional and statutory) to equal its fiscal year 2010 combined payment as provided in section 950 (2) of 191 PA 2010.

Gross	\$18,792,100	\$18,792,100	\$18,792,100
Restricted	18,792,100	18,792,100	18,792,100

21. Statutory Revenue Sharing

Provides an additional \$14.3 million to reflect sales tax revenue estimates from the May 2011 Consensus Revenue Estimating Conference and gains and losses in population due to the 2010 federal decennial census. The additional funding will allow for each local unit's combined payment (constitutional and statutory) to equal its fiscal year 2010 combined payment as provided in section 950 (2) of 191 PA 2010.

Gross	\$14,338,100	\$14,338,100	\$14,338,100
Restricted	14,338,100	14,338,100	14,338,100

FY 2010-11 Boilerplate Items:**GENERAL****1. Boilerplate Appropriation of Additional Funds**

Appropriates any additional ARRA funds awarded to Michigan through recalculation of formulas or under federal redistribution provisions; requires report to the Legislature.

<u>Executive</u>	<u>Senate</u>	<u>House</u>
--	Sec. 203	Sec. 203

2. Carry-Forward Authority

Provides for the carry-forward of unexpended ARRA funds into the succeeding fiscal year in conformance with the Management and Budget Act (work project provisions).

--	Sec. 204	Sec. 204
----	----------	----------

3. Federal Requirements Incorporated by Reference

Requires subrecipients of appropriated ARRA funds to comply with all federal requirements regarding certification, accountability, and transparency.

--	Sec. 205	Sec. 205
----	----------	----------

FY 2010-11 Boilerplate Items:**CAPITAL OUTLAY****4. Bay City State Police Post – Cost Increase**

The project initially was authorized for construction in Public Act 278 of 2008 with an estimated total project cost of \$2.9 million. The total project cost was increased by \$311,000 in Public Act 27 of 2010 bringing the total project cost to \$3.2 million. The cost increase was due to additional project site development costs for excavation, utility connections, drainage, asphalt paving, and perimeter fencing. This boilerplate section authorizes the total project cost to be increased by \$500,000, bringing it to \$3.7 million. This cost increase is due to higher than anticipated construction bids for the project. The higher costs are attributed to increased fuel prices driving up the cost of fabrication and shipping of building materials, and to the impact of recently enacted legislation, Public Act 22 of 2010, which requires a preference of up to 10% of the amount of a contract to be given to a qualified disabled veteran.

Executive**Senate****House**

Included

Sec. 250

Sec. 250

CORRECTIONS**5. State Employees and Competitively Bid Services**

Reinstates section 207(5) of the FY 2010-11 Department of Corrections Budget act which provides that state employees be given the opportunity to bid on contracts that would privatize services currently delivered by state employees. If awarded the contract, those state employees would cease being employed by the state.

--

--

Sec. 271

STATE**6. Help America Vote Act**

Reappropriates to the Department of State work project balances that would otherwise lapse at the end of FY 2010-11 related to appropriations made in FY 2003 (and subsequently reappropriated in 2007) to implement the federal Help America Vote Act (P.L. 107-252). Funds are made available through HAVA for equipment replacement, improving voting access for persons with disabilities and military personnel overseas, and the training of elections workers. Public Act 39 of 2003 appropriated \$16.7 million (Federal) and Public Act 173 of 2003 appropriated \$49.8 million (\$47.6 million Federal and \$2.3 million GF/GP required as the state's 5% match). According to the Department of State, the unexpended balance is \$7.7 million in federal funds.

Included

Sec. 301

Sec. 301

STATE POLICE**7. Disaster Contingency Fund**

Specifies that appropriation into Disaster Contingency Fund is made pursuant to Emergency Management Act. Appropriates up to \$250,000 from fund for purposes under that act specific to recent disaster in Battle Creek/Calhoun County. Requires notification of Legislature when such appropriation is made.

--

--

Sec. 351

TREASURY**8. Tax Plan Implementation**

Directs the funds appropriated for the costs associated with implementing the corporate income tax and changes to the individual income tax to be carried forward from the fiscal year ending September 30, 2011. Indicates that the unexpended funds are considered work project appropriations, with an estimated completion date of September 30, 2012.

Included

--

Sec. 401

REPEALERS**9. Corrections Repealers**

Repeals sections 207, 207a, and 919 of the FY 2010-11 Department of Corrections budget act. Sections 207 and 207a require advance reporting to the Corrections Subcommittees on privatization project plans and cost-benefit analyses before efforts are made to bid out services currently provided by state employees. Section 207a also establishes bonding and disclosure requirements for private contractors. Section 919 places additional reporting requirements and restrictions on bidding out prisoner food services.

--

--

Enacting
Sec. 1