

FY 2009-10 SUPPLEMENTAL APPROPRIATIONS
Summary: As Reported by the House Appropriations Committee
House Bill 6086 (H-1)



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	Executive*		House		Senate	
Budget Area	Gross	GF/GP	Gross	GF/GP	Gross	GF/GP
Community Colleges	\$0	\$0	\$0	(\$208,400,000)		
Community Health	358,254,900	0	358,254,900	0		
Corrections	27,270,000	28,370,000	27,270,000	28,370,000		
Human Services	15,045,200	0	15,045,200	0		
Nat Resources & Environ	542,000	500,000	542,000	500,000		
State Police	2,500,000	0	2,500,000	0		
Treasury	(8,000,000)	(8,000,000)	(8,000,000)	(8,000,000)		
TOTAL	\$395,612,100	\$20,870,000	\$395,612,100	(\$187,530,000)		

*Reflects various State Budget Office letters; not inclusive of all pending supplemental requests.

OVERVIEW

House Bill 6086 (H-1) contains supplemental appropriations totaling a positive \$395.6 million Gross and a negative \$187.5 million GF/GP. Adjustments in the bill involving GF/GP funds are summarized as follows:

- Implementation of a fund shift to replace \$208.4 million in GF/GP funding for Community College operations with an equal amount of School Aid Fund revenue, as part of efforts to balance the current-year GF/GP budget.
- A number of adjustments in the Community Health budget—including an increase of \$81.9 million for caseload, utilization and inflation adjustment. The net change of zero in GF/GP funds appropriated in the budget is achieved by recognizing savings of \$71.9 million related to the Medicare Part D Prescription Drug Program "clawback" payment.
- Appropriation increases in the Corrections budget totaling \$28.4 million for certain operational costs (attributable in part to delayed facility closures), a restricted revenue shortfall, and increased worker's compensation costs.
- Funding of \$5.6 million for rent, maintenance, and contractual services, supplies, and materials in the Human Services budget, offset by a reduction in GF/GP funding of an equal amount resulting from the use of available TANF carryforward funds.
- An appropriation of \$500,000 in the Natural Resources and Environment budget to cover additional fire suppression expenses related to an above average number of wildfires in this fiscal year, including the Meridian Boundary Fire.
- Savings of \$8.0 million in the Treasury budget (on a one-time basis) to reflect the consolidation of two payments into one fixed payment per year, made in December, for the Senior Citizen Cooperative Housing Tax Exemption Program.

FY 2009-10 Appropriation Items:

COMMUNITY COLLEGES

1. Fund Shift from School Aid Fund

Implements fund shift to replace \$208.4 million in GF/GP funding for Community College operations with an equal amount of School Aid Fund revenue. The fund shift would have no net impact on FY 2009-10 Community College operations appropriations, which total \$292.6 million. (Not formally submitted as supplemental request by SBO)

	<u>Executive</u>	<u>House</u>	<u>Senate</u>
Gross	--	\$0	
Restricted	--	208,400,000	
GF/GP	--	(\$208,400,000)	

FY 2009-10 Appropriation Items:**Executive****House****Senate****DEPARTMENT OF COMMUNITY HEALTH****2. AIDS Prevention, Testing, and Care Programs**

Recognizes an additional \$5.0 million of private funds for AIDS programs received from pharmaceutical manufacturers as rebates on medications used by the HIV/AIDS Drug Assistance Program (ADAP), which serves about 2,200 uninsured and underinsured people living with HIV/AIDS. Rebate revenue continues to increase as new and brand name drug therapies are primarily used in treatment. The current private funds authorization of \$15.9 million includes an increase from the prior fiscal year and a transfer in March 2010. For FY 2010-11, the Executive has requested that the ADAP private funds appropriation be increased to \$22.7 million. (6/2/10 SBO letter)

Gross	\$5,000,000	\$5,000,000
Private	5,000,000	5,000,000

3. Medicare Part D ARRA Enhanced FMAP Adjustment

GF/GP savings of \$71,890,700 are recognized due to a change in federal policy that now allows the application of the enhanced ARRA Medicaid FMAP rate to the calculation of the Medicare Part D Prescription Drug Program phased-down state contribution, also known as the "clawback" payment. It is estimated that the retroactive adjustment of Michigan's clawback payments to October 1, 2008, using the enhanced FMAP rate, would generate \$94.3 million in GF/GP savings available in FY 2009-10. The Executive proposes the use of the \$71.9 million savings to cover all Department of Community Health GF/GP actions within this supplemental appropriation request, an overall net effect of \$0 GF/GP. (6/2/10 SBO letter)

Gross	(\$71,890,700)	(\$71,890,700)
GF/GP	(\$71,890,700)	(\$71,890,700)

4. Caseload, Utilization and Inflation Adjustment

Increases various appropriation lines by a total of \$252,839,000 Gross (\$81,872,500 GF/GP) for the Medicaid and MICHild program expenditures due to higher projected caseload, utilization and inflation costs as determined at the May 2010 consensus meeting between the House and Senate Fiscal Agencies and the State Budget Office. (6/2/10 SBO letter)

Gross	\$252,839,000	\$252,839,000
Federal	145,968,300	145,968,300
ARRA	24,998,200	24,998,200
GF/GP	\$81,872,500	\$81,872,500

5. Additional MBTF & Shortfall In HMF

The Health Plan Services appropriation line is increased by \$9.4 million Medicaid Benefits Trust Fund (MBTF) revenue offset by a like amount of GF/GP savings. The Hospital Services and Therapy appropriation line is reduced by \$1.9 million Healthy Michigan Fund (HMF) revenue which is offset by an increase in GF/GP. These fund shifts reflect available revenue. (6/2/10 SBO letter)

Gross	\$0	\$0
Restricted	7,500,000	7,500,000
GF/GP	(\$7,500,000)	(\$7,500,000)

6. Increase Nursing Home Quality Assurance Assessment Program Level

Increases the Long-Term Care Services appropriation line by \$40,651,200 Gross representing the net effect of increasing Medicaid payment rates to nursing homes through the nursing home quality assurance assessment program (QAAP). Included are nursing home payments in the amount of \$40,651,200 Gross (\$10,866,100 state restricted) and a reduction of \$6,517,800 GF/GP that is offset with nursing home QAAP retained by the State. (6/2/10 SBO letter)

Gross	\$40,651,200	\$40,651,200
Federal	25,687,500	25,687,500
ARRA	4,097,600	4,097,600
Restricted	17,023,900	17,023,900
GF/GP	(\$6,157,800)	(\$6,157,800)

7. Carve-Out Psychotropic Drugs from HMOs to Pharmacy

The Health Plan Services appropriation line is reduced by \$41.5 million and the Pharmaceutical Services line is increased by a like amount which reflects a carve-out of psychotropic drugs from the HMOs. The carve-out corrects the alignment of psychotropic drug expenditures with the receipt of related pharmaceutical rebates. This policy change was required by the federal government and is to be implemented April 1, 2010. The Health Plan Services line is reduced \$2,648,900 Gross (\$708,100 GF/GP) due to reduced payments necessary to hold HMOs harmless from the use tax. (6/2/10 SBO letter)

Gross	(\$2,648,900)	(\$2,648,900)
Federal	(1,673,800)	(1,673,800)
ARRA	(267,000)	(267,000)
GF/GP	(\$708,100)	(\$708,100)

FY 2009-10 Appropriation Items:**8. CSHCS Case Mix GF/GP Increase**

Federal funds in the amount of \$10,269,400 are reduced and offset by an increase of GF/GP to recognize an increase in Title V only Children's Special Health Care Services (CSHCS) beneficiaries. A similar action is included in the FY 2010-11 Executive Recommendation and the House- and Senate-passed Department of Community Health budget bills. (6/2/10 SBO letter)

	<u>Executive</u>	<u>House</u>	<u>Senate</u>
Gross	\$0	\$0	
Federal	(10,269,400)	(10,269,400)	
GF/GP	\$10,269,400	\$10,269,400	

9. Medicaid Consensus Distribution Correction

The Long-Term Care Services and Personal Care Services appropriation lines are reduced by \$11,486,500 and \$2,369,100 respectively and are offset by a \$13,855,600 increase to the Adult Home Help Services line item. These adjustments correct the FY 2009-10 distribution of Medicaid consensus adjustments that were agreed to in July of 2009 by the House and Senate Fiscal Agencies and the State Budget Office. A similar action is included in the FY 2010-11 Executive Recommendation and the House- and Senate-passed Department of Community Health budget bills. (6/2/10 SBO letter)

Gross	\$0	\$0
Federal	0	0
ARRA	0	0
GF/GP	\$0	\$0

10. MICHild Dental Rates

The MICHild Program appropriation line is increased \$884,800 Gross (\$228,000 GF/GP) recognizing a MICHild dental rate increase effective January 1, 2010. The increase is necessary to be in compliance with the dental package requirements stipulated in the federal Children's Health Insurance Program Reauthorization Act (CHIPRA). A similar action is included in the FY 2010-11 Executive Recommendation and the House- and Senate-passed Department of Community Health budget bills. (6/2/10 SBO letter)

Gross	\$884,800	\$884,800
Federal	656,800	656,800
GF/GP	\$228,000	\$228,000

11. Specialty Network Access Fee (SNAF) Payments

The Health Plan Services appropriation line is increased by \$32,714,000 Gross reflecting the net effect of increasing the specialty network access fee (SNAF) payments made through HMOs to contracted practitioner groups using university and local funds to match federal Medicaid funds. Included are the actual SNAF payments increase in the amount of \$30,751,200 Gross and an increase of \$1,962,800 Gross (\$524,600 GF/GP) to hold HMOs harmless from the additional use tax. A similar action is included in the FY 2010-11 Executive Recommendation and the House- and Senate-passed Department of Community Health budget bills. (6/2/10 SBO letter)

Gross	\$32,714,000	\$32,714,000
Federal	21,921,200	21,921,200
ARRA	9,800,000	9,800,000
Local	59,500	59,500
Restricted	408,700	408,700
GF/GP	\$524,600	\$524,600

12. State Psychiatric Hospital DSH Allotment

Increases the disproportionate share hospital (DSH) allotment for the state psychiatric hospital by \$1,440,500 Gross which generates \$910,300 GF/GP savings, the State benefit. (6/2/10 SBO letter)

Gross	\$1,440,500	\$1,440,500
Federal	910,300	910,300
Restricted	1,440,500	1,440,500
GF/GP	(\$910,300)	(\$910,300)

13. Hospital Rate Adjustment (HRA) Payments

The Health Plan Services appropriation line is increased by \$58,118,300 Gross representing the net effect of increasing the hospital rate adjustment (HRA) payments. Included are the actual HRA payments increase in the amount of \$54,631,200 Gross (\$14,602,900 state restricted), an increase of \$3,487,100 Gross (\$932,100 GF/GP) to hold HMOs harmless from the additional use tax, and a reduction of \$8,059,700 GF/GP that is offset with hospital quality assurance assessment program (QAAP) revenue retained by the state. A similar action is included in the FY 2010-11 Executive Recommendation and the House- and Senate-passed Department of Community Health budget bills. (6/2/10 SBO letter)

Gross	\$58,118,300	\$58,118,300
Federal	36,725,000	36,725,000
ARRA	5,858,300	5,858,300
Restricted	22,662,600	22,662,600
GF/GP	(\$7,127,600)	(\$7,127,600)

FY 2009-10 Appropriation Items:**14. Correct EO 2008-21 State Psychiatric DSH Savings**

Correction of a State psychiatric disproportionate share hospital (DSH) payment savings reduction that was duplicated in Executive Order 2008-21 is accomplished by reducing the Health Plan Services line by \$2,322,900 Gross (\$1.4 million GF/GP increase). A similar action is included in the FY 2010-11 Executive Recommendation and the House- and Senate-passed Department of Community Health budget bills. (6/2/10 SBO letter)

	<u>Executive</u>	<u>House</u>	<u>Senate</u>
Gross	(\$2,322,900)	(\$2,322,900)	
Federal	(1,400,000)	(1,400,000)	
Restricted	(2,322,900)	(2,322,900)	
GF/GP	\$1,400,000	\$1,400,000	

15. Correct Hospital QAAP State Retainer Between Hospital and HMO Lines

Reduces the Health Plan Services line by \$3,123,500 Gross and increases the Hospital Services and Therapy line by a like amount to correct where the savings associated with the hospital quality assurance assessment program (QAAP) state retained amount are realized. A similar action is included in the FY 2010-11 Executive Recommendation and the House- and Senate-passed Department of Community Health budget bills. (6/2/10 SBO letter)

Gross	\$0	\$0	
Federal	0	0	
ARRA	0	0	
Restricted	0	0	
GF/GP	\$0	\$0	

16. Correct Hospital Rate Adjustment Payment Fund Sourcing

The Hospital Services and Therapy appropriation line is increased by \$916,900 hospital quality assurance assessment program (QAAP) revenue and replaced with a like amount of federal Medicaid revenue to correct the fund sourcing of FY 2009-10 hospital rate adjustment (HRA) payments. A similar action is included in the FY 2010-11 Executive Recommendation and the House- and Senate-passed Department of Community Health budget bills. (6/2/10 SBO letter)

Gross	\$0	\$0	
Federal	(916,900)	(916,900)	
Restricted	916,900	916,900	
GF/GP	\$0	\$0	

17. School-Based Services

The School-Based Services line is increased by \$43,469,600 in federal authorization due to additional settlements with schools that provide Medicaid services supported with local funds. These federal funds are paid to local school districts for language, speech, hearing, nursing services, counseling, physical and occupational therapy, and health screening services for Medicaid eligible students in school settings. (7/23/10 SBO letter)

Gross	\$43,469,600	\$43,469,600	
Federal	43,469,600	43,469,600	

CORRECTIONS**18. Inmate Housing Fund - Prison Operations Shortfall**

Increases authorization for prison operations costs to recognize an anticipated FY 2009-10 shortfall. The FY 2009-10 budget was reduced by a net \$160.0 million to reflect the closures of three prisons and the remaining five corrections camps, as well as partial-year savings from facilities closed during FY 2008-09. However, the department has not achieved the budgeted savings from these reductions. Up to a dozen prisons are expected to house prisoners at levels that exceed their budgeted population levels. The supplemental adds \$12.6 million to the Inmate Housing Fund line item to cover the anticipated net shortfall across all facilities. (6/2/10 SBO letter)

Gross	\$12,570,000	\$12,570,000	
GF/GP	\$12,570,000	\$12,570,000	

19. Muskegon Correctional Facility

Provides additional appropriation authority to cover costs related to the delayed closure of the Muskegon Correctional Facility. The FY 2009-10 budget act did not include funding for the operation of the facility. However, due to the need for medium-security prison beds, the facility remained open through the end of January 2010. The facility is now re-opened to house prisoners under a contract with the State of Pennsylvania. (6/2/10 SBO letter)

Gross	\$8,100,000	\$8,100,000	
GF/GP	\$8,100,000	\$8,100,000	

20. Standish Correctional Facility

Provides additional appropriation authority to cover costs related to delayed closure of the Standish Correctional Facility and Camp Lehman. The FY 2009-10 budget did not include funding for the operation of the facility. However, due to the need for prison beds, the facility remained open during October 2010. (6/2/10 SBO letter)

Gross	\$4,100,000	\$4,100,000	
GF/GP	\$4,100,000	\$4,100,000	

FY 2009-10 Appropriation Items:**21. Field Operations Restricted Revenue Shortfall**

Shifts \$1.1 million in financing for Field Operations services from restricted revenue to GF/GP revenue to account for current shortfalls in restricted revenues. First, the appropriations from parole/probation oversight fees and tether participant contributions are reduced by \$2.3 million and \$1.7 million, respectively, to better reflect expected revenue in these areas. Actual revenue from oversight fees was just over \$6.1 million and from tether contributions just over \$1.5 million for FY 2009-10. Second, a \$2.9 million carryforward balance from a parole/probation oversight fee set-aside is appropriated to help cover a portion of the shortfall. The remaining \$1.1 million is covered using GF/GP revenue. (6/2/10 SBO letter)

	<u>Executive</u>	<u>House</u>	<u>Senate</u>
Gross	\$0	\$0	
Restricted	(1,100,000)	(1,100,000)	
GF/GP	\$1,100,000	\$1,100,000	

22. Worker's Compensation

Increases appropriation to cover an unanticipated increase in worker's compensation payment costs. (6/2/10 SBO letter)

Gross	\$2,500,000	\$2,500,000	
GF/GP	\$2,500,000	\$2,500,000	

HUMAN SERVICES**23. TANF Carryforward Funds: GF/GP Offset**

Offsets \$5.6 million in GF/GP in local office salaries and wages, payroll taxes and fringe benefit, and family independence program line items with federal funds freed up by appropriating TANF carryforward funds. GF/GP offset will be used elsewhere in the budget to fund rent and Bridges administrative support.

Gross	\$0	\$0	
Federal	5,646,200	5,646,200	
GF/GP	(\$5,646,200)	(\$5,646,200)	

24. Emergency TANF Contingency Funds (ARRA): Rent

Increases rent \$8.0 million to fund additional rent and facility maintenance needs. Request includes \$1.3 million in ETCF funds. (6/2/10 SBO letter)

Gross	\$8,031,700	\$8,031,700	
Federal	2,280,200	2,280,200	
ARRA	1,327,000	1,327,000	
GF/GP	4,424,500	4,424,500	

25. Emergency TANF Contingency Funds (ARRA): Bridges Administrative Support

Increases contractual services, supplies and materials for increased printing and postage costs related to the Bridges. Request includes \$3.3 million in food assistance administration funding available through ARRA. (6/2/10 SBO letter)

Gross	\$7,013,500	\$7,013,500	
Federal	2,480,000	2,480,000	
ARRA	3,311,800	3,311,800	
GF/GP	\$1,221,700	\$1,221,700	

26. Food Assistance Administration (ARRA) Fund Shift

The Executive has informally requested that the name of the federal deduct for \$4.1 million in food assistance administration ARRA funds appropriated in Senate Bill 797 (2010 PA 142) be renamed from "Federal supplemental nutrition assistance revenues (ARRA)" to "Food assistance administration (ARRA)."

Gross	--	\$0	
ARRA	--	0	

NATURAL RESOURCES AND ENVIRONMENT**27. Wildfire Protection**

Appropriates \$500,000 GF/GP funding to cover additional fire suppression expenses related to an above average number of wildfires in this fiscal year, including the Meridian Boundary Fire. (6/16/10 SBO letter)

Gross	\$500,000	\$500,000	
GF/GP	\$500,000	\$500,000	

28. Engineering Design Services

Provides an additional \$42,000 in federal ARRA spending authority to fund engineering design services by DNRE staff for the U.S. Forest Service's rehabilitation of the Ottawa Lake Recreation Area near Iron River. (8/2/10 SBO letter)

Gross	\$42,000	\$42,000	
ARRA	42,000	42,000	

STATE POLICE**29. DNA Forensic Casework Outsourcing**

Provides \$2.5 million in restricted revenue as a one-time plan to outsource DNA forensic casework due to backlogs from the closure of the Detroit crime lab. (2/11/10 SBO letter; previously included in House-passed version of HB 5409)

Gross	\$2,500,000	\$2,500,000	
Restricted	2,500,000	2,500,000	
GF/GP	\$0	\$0	

FY 2009-10 Appropriation Items:**TREASURY**

30. Senior Citizen Cooperative Housing Tax Exemption Program
Adjusts line item appropriation to reflect the consolidation of two payments into one fixed payment per year, made in December. Payments were previously made twice a year, during the summer and winter tax bills. The consolidation will result in one-time general fund savings for FY 2009-10. (6/2/10 SBO letter)

	<u>Executive</u>	<u>House</u>	<u>Senate</u>
Gross	(\$8,000,000)	(\$8,000,000)	
GF/GP	(\$8,000,000)	(\$8,000,000)	

FY 2009-10 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. (8/2/10 SBO letter)

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

2. Carry-Forward Authority

Provides for the carry-forward of unexpended ARRA funds into the succeeding fiscal year in conformance with Section 451a if the Management and Budget Act (work project provisions). (8/2/10 SBO letter)

Included	Sec. 204
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3. Federal Requirements Incorporated by Reference

Requires subrecipients of ARRA funds appropriated to comply with all federal requirements regarding certification, accountability, and transparency. (8/2/10 SBO letter).

Included	Sec. 205
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COMMUNITY COLLEGES**4. Intent to Repay School Aid Fund**

States legislative intent that funds appropriated to community colleges from School Aid Fund be considered a loan and that funds will be repaid from General Fund to School Aid Fund in subsequent fiscal years.

--	Sec. 301
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CORRECTIONS**5. Inmate Housing Fund**

Provides that the inmate housing fund be used for the custody, treatment, clinical, and administrative costs associated with the housing of prisoners other than those specifically budgeted for elsewhere in the bill. Requires funding to be distributed as necessary into separate accounts to identify costs for specific purposes. (6/2/10 SBO letter)

Included	Sec. 401
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