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House Bill 4112 (Substitute H-1 as passed by the House)
Sponsor: Representative Al Pscholka
House Committee: Appropriations
Senate Committee: Appropriations

Date Completed: 2-24-15

CONTENT

The bill would provide supplemental appropriations for fiscal year (FY) 2014-15 as part of the Governor's proposal to balance the FY 2014-15 budget. The bill includes negative Gross appropriations of \$120.2 million and negative General Fund/General Purpose (GF/GP) appropriations of \$169.4 million. The bill reflects caseload and cost adjustments of a negative \$90.8 million GF/GP in the Departments of Community Health and Human Services, \$93.1 million of GF/GP reductions in various departments, and \$14.5 million of GF/GP increases for the Departments of Military and Veterans Affairs (\$3.3 million), State (\$0.2 million), and Treasury (\$11.0 million). The bill also includes a \$20.0 million State restricted revenue appropriation for community mental health non-Medicaid services, as well as other Federal and State restricted appropriations recommended by the State Budget Office (SBO) in request 2015-3. Table 1 summarizes the appropriations in the bill.

Table 1
FY 2014-15 Supplemental Appropriations

Department	Gross	Federal	Private/Local/ Restricted	GF/GP
Community Health	(\$148,416,900)	(\$95,034,300)	\$81,062,000	(\$134,444,600)
Corrections	0	0	2,900,000	(2,900,000)
Education	9,216,600	11,805,700	0	(2,589,100)
Environmental Quality	20,000,000	(118,000)	20,118,000	0
Human Services	(9,172,500)	(2,499,100)	(7,869,100)	1,195,700
Judiciary	0	0	0	0
Licensing/Reg. Affairs	0	0	112,500	(112,500)
Military/Vets Affairs	1,500,000	0	(1,800,000)	3,300,000
Natural Resources	8,300,000	3,150,000	5,650,000	(500,000)
State	1,200,000	0	1,000,000	200,000
State Police	0	0	0	0
Tech/Mgmt/Budget	(17,800,000)	0	0	(17,800,000)
Transportation	25,544,000	17,778,000	7,766,000	0
Treasury-Operations	11,400,000	0	5,150,000	6,250,000
Treasury-Strat Fund	(22,000,000)	0	0	(22,000,000)
Total	(\$120,228,800)	(\$64,917,700)	\$114,089,400	(\$169,400,500)

FISCAL IMPACT

The bill would decrease FY 2014-15 Gross State appropriations by \$120.2 million and decrease GF/GP appropriations by \$169.4 million. This \$169.4 million GF/GP funding reduction is part of the actions proposed to balance the FY 2014-15 GF/GP budget which, under current law, faces a projected year-end balance of a negative \$532.4 million. Executive Order 2015-5, which reduced GF/GP appropriations by \$106.4 million, was approved by both the House and

Senate Appropriations Committees on February 12, 2015. That action, along with the \$169.4 million of reductions contained in this bill, the \$250.3 million of GF/GP reductions and fund shifts included in House Bill 4110, and \$6.6 million of prior year work project lapses that are recommended by the State Budget Director, would result in total GF/GP reductions of \$532.7 million and a projected FY 2014-15 year-end balance of \$0.3 million. Table 2 outlines the Governor's proposal to balance the FY 2014-15 GF/GP budget.

Table 2 Governor's Proposal to Balance FY 2014-15 General Fund/General Purpose Budget (Millions of Dollars)	
	February 2015 Proposal
Projected Current Law Year-End GF/GP Balance	(\$532.4)
<u>Appropriation Reductions:</u>	
Executive Order 2015-5.....	(\$106.4)
Negative Education Supplemental Appropriation Items (HB 4110)	(250.3)
Negative General Supplemental Appropriation Items (HB 4112)	(93.1)
DCH Caseload and Cost Adjustments (HB 4112)	(100.0)
Prior Year Work Project Lapses	(6.6)
Subtotal	(\$556.4)
<u>Appropriation Increases (HB 4112):</u>	
DHS Caseload and Cost Adjustments.....	\$9.2
Restricted Revenue Shortfall at Veterans Homes	3.3
May Ballot Proposal IT Costs for Department of State.....	0.2
May Ballot Proposal Election/IT Costs for Department of Treasury.....	11.0
Subtotal	\$23.7
Total Recommended Adjustments	(\$532.7)
Adjusted Year-End GF/GP Balance	\$0.3

Table 3 summarizes the details of the appropriations included in this bill.

BOILERPLATE LANGUAGE SECTIONS

Sec. 201. General. Records amount of total State spending and payments to local units of government.

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

Sec. 301. Capital Outlay. Increases scope and cost to construct Lake Superior State University's school of business building from \$12.0 million to \$13.5 million; provides for entire cost increase to be paid by the university.

Sec. 401. Environmental Quality. Establishes a work project account for any unspent funds from the \$20.0 million appropriation for the underground storage tank cleanup program.

Sec. 501. Military and Veterans Affairs. Creates a revolving billeting fund account under the control of the department; requires all fees and other revenue generated from the operation of the chargeable transient quarters program to be deposited in the account; requires that appropriations from the account be used for operations and maintenance of the

chargeable transient quarters program; and requires the department to submit an annual report regarding the account, to the House and Senate Appropriations Committees and the fiscal agencies.

Sec. 601. Department of State. Appropriates \$1.0 million (in addition to the funds appropriated in part 1 of this bill) from the Michigan Transportation Fund, for technology costs, contingent on voter approval of House Joint Resolution UU (the transportation funding package).

Sec. 701. Treasury. Appropriates \$1.0 million (in addition to the funds appropriated in part 1 of this bill) from the Michigan Transportation Fund, for technology costs, contingent on voter approval of House Joint Resolution UU (the transportation funding package).

Sec. 702. Treasury. Authorizes the appropriation of revenue from the Tobacco Products Tax Act to counties with a 2000 population of more than 2.0 million (Wayne County), and requires its distribution pursuant to law.

Fiscal Analyst: Ellen Jeffries, Steve Angelotti

Table 3

House Bill 4112: FY 2014-15 Supplemental Recommendations				
Department/Program	SBO Recommendation		House-Passed	
	Gross	GF/GP	Gross	GF/GP
Community Health				
Healthy Michigan Plan base and caseload adjustments	\$360,118,400	\$0	\$0	\$0
Federal match earned from the publicly affiliated clinics	70,300,000	0	70,300,000	0
State psychiatric disproportionate share payment increase	24,062,600	(15,770,600)	24,062,600	(15,770,600)
Community mental health non-Medicaid services (RRR Fund)	20,000,000	0	20,000,000	0
Federal grant for State health care innovation plan	20,000,000	0	20,000,000	0
Federal grant for dual eligible waiver support	7,412,000	0	7,412,000	0
Medicaid base and caseload adjustment	(290,191,500)	(100,000,000)	(290,191,500)	(100,000,000)
Health insurance claims assessment revenue increase-offset GF	0	(6,474,000)	0	(6,474,000)
Medicaid certified public expenditures increase-offset GF	0	(5,900,000)	0	(5,900,000)
Fund shift from GF to autism fund for university autism programs	0	(3,000,000)	0	(3,000,000)
Replace GF with remaining roads and risks reserve fund revenue	0	(2,000,000)	0	(2,000,000)
Fund shift GF to crime victim rights fund for statewide trauma system	0	(1,300,000)	0	(1,300,000)
Total Community Health	\$211,701,500	(\$134,444,600)	(\$148,416,900)	(\$134,444,600)
Corrections				
Replace GF with parole and probation oversight fee revenue	\$0	(\$2,900,000)	\$0	(\$2,900,000)
Total Corrections	\$0	(\$2,900,000)	\$0	(\$2,900,000)
Education				
Federal funds for the child development and care program	\$11,805,700	\$0	\$11,805,700	\$0
Transfer MPSERS library payments to school aid budget	(2,200,000)	(2,200,000)	(2,200,000)	(2,200,000)
Financial independence team funding reduction	(389,100)	(389,100)	(389,100)	(389,100)
Total Education	\$9,216,600	(\$2,589,100)	\$9,216,600	(\$2,589,100)
Environmental Quality				
Underground storage tank cleanup program (restricted revenue)	\$20,000,000	\$0	\$20,000,000	\$0
Replace Federal funds for aquatic nuisance control with restricted	0	0	0	0
Total Environmental Quality	\$20,000,000	\$0	\$20,000,000	\$0
Human Services				
State disability assistance caseload and cost adjustments	\$1,291,800	\$6,685,800	\$1,291,800	\$6,685,800
Food assistance program caseload and cost adjustments	93,900	0	93,900	0
Supplemental security income caseload and cost adjustments	29,600	29,600	29,600	29,600
Fund shift from GF to TANF for adoption subsidies	0	(7,000,000)	0	(7,000,000)
Fund shift from GF to Federal for disability determination services	0	(206,400)	0	(206,400)

House Bill 4112: FY 2014-15 Supplemental Recommendations				
Department/Program	SBO Recommendation		House-Passed	
	Gross	GF/GP	Gross	GF/GP
Human Services (continued)				
Family independence program caseload and cost adjustments	(5,068,400)	(1,850,500)	(5,068,400)	(1,850,500)
Foster care caseload and cost adjustments	(4,157,300)	4,338,100	(4,157,300)	4,338,100
Remove 10.0 peer coaches FTE positions	(517,900)	(315,900)	(517,900)	(315,900)
Remove 9.0 PATH coordinator FTE positions	(501,200)	(275,600)	(501,200)	(275,600)
Reduce travel expenditures	(300,000)	(153,000)	(300,000)	(153,000)
Fund shift for office of inspector general from GF to Federal	0	(40,500)	0	(40,500)
Eliminate executive laptops but retain tablets	(43,000)	(15,900)	(43,000)	(15,900)
Total Human Services	(\$9,172,500)	\$1,195,700	(\$9,172,500)	\$1,195,700
Judiciary				
Authorization of 2.0 FTEs for Michigan indigent defense commission	\$0	\$0	\$0	\$0
Total Judiciary	\$0	\$0	\$0	\$0
Licensing and Regulatory Affairs				
Fund shift from GF to corporate fees for workers comp administration	\$0	(\$112,500)	\$0	(\$112,500)
Total Licensing and Regulatory Affairs	\$0	(\$112,500)	\$0	(\$112,500)
Military and Veterans Affairs				
Maintain visitor housing at Fort Custer/Camp Grayling (restricted rev.)	\$1,500,000	\$0	\$1,500,000	\$0
Fund shift from restricted revenue to GF for veterans homes	0	3,300,000	0	3,300,000
Total Military and Veterans Affairs	\$1,500,000	\$3,300,000	\$1,500,000	\$3,300,000
Natural Resources				
Forest management technology/cultivation equipment (restricted rev.)	\$4,000,000	\$0	\$4,000,000	\$0
Federal funds for wildlife management	2,150,000	0	2,150,000	0
Federal funds for shooting ranges	1,000,000	0	1,000,000	0
Belle Isle infrastructure improvements (State park improvement fund)	1,000,000	0	1,000,000	0
Deer habitat improvements/maintenance (Game/fish protection fund)	150,000	0	150,000	0
Fund shift from GF to forest development fund for wildfire protection	0	(500,000)	0	(500,000)
Total Natural Resources	\$8,300,000	(\$500,000)	\$8,300,000	(\$500,000)
State				
Ignition interlock device administrative costs (driver responsibility fees)	\$1,000,000	\$0	\$1,000,000	\$0
Proposal 1 special election IT costs	200,000	200,000	200,000	200,000
Total State	\$1,200,000	\$200,000	\$1,200,000	\$200,000

House Bill 4112: FY 2014-15 Supplemental Recommendations				
Department/Program	SBO Recommendation		House-Passed	
	Gross	GF/GP	Gross	GF/GP
State Police				
Transfer \$3 million from disaster assistance to disaster contingency fund	\$0	\$0	\$0	\$0
Total State Police	\$0	\$0	\$0	\$0
Technology, Management, and Budget				
State building authority anticipated rent lapse	(\$17,800,000)	(\$17,800,000)	(\$17,800,000)	(\$17,800,000)
Total Technology, Management, and Budget	(\$17,800,000)	(\$17,800,000)	(\$17,800,000)	(\$17,800,000)
Transportation				
Federal/private funds for Detroit M-1 railway project	\$25,544,000	\$0	\$25,544,000	\$0
Total Transportation	\$25,544,000	\$0	\$25,544,000	\$0
Treasury-Operations				
Proposal 1 special election precinct and IT costs	\$11,000,000	\$11,000,000	\$11,000,000	\$11,000,000
Casino gaming IT upgrades (casino gaming fund/State service fees)	3,000,000	0	3,000,000	0
Income tax fraud prevention services (delinquent tax collection revenue)	1,600,000	0	1,600,000	0
Community service administrative costs (driver responsibility fees)	550,000	0	550,000	0
Financially distressed school districts' review team 50% reduction	(2,250,000)	(2,250,000)	(2,250,000)	(2,250,000)
Supervision of general property tax law funding reduction	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
Tax compliance reviews funding reduction	(500,000)	(500,000)	(500,000)	(500,000)
Total Treasury-Operations	\$11,400,000	\$6,250,000	\$11,400,000	\$6,250,000
Treasury-Strategic Fund				
Michigan film incentive program funding reduction	(\$12,000,000)	(\$12,000,000)	(\$12,000,000)	(\$12,000,000)
Entrepreneurship reduction/jobs trust fund shift to business attraction	(7,800,000)	0	(7,800,000)	0
Business attraction reduction/jobs trust fund shift from entrepreneurship	(2,200,000)	(10,000,000)	(2,200,000)	(10,000,000)
Total Treasury-Strategic Fund	(\$22,000,000)	(\$22,000,000)	(\$22,000,000)	(\$22,000,000)
Total Supplemental Appropriations	\$239,889,600	(\$169,400,500)	(\$120,228,800)	(\$169,400,500)

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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.