

MEMORANDUM



DATE: May 1, 2017
TO: Members of the House Appropriations Committee
FROM: Mary Ann Cleary, Director *MAC*
RE: Legislative Transfer Package 2017-5

Attached are legislative transfers proposed by the State Budget Office in a letter dated April 14, 2017. Pursuant to section 393 of the Management and Budget Act, a legislative transfer must be approved by a majority of both the House and Senate Appropriations Committees, with identical funding sources and dollar amounts, in order to become effective. This transfer package is scheduled to be considered by the House Appropriations Committee on Wednesday, May 3, 2017.

There are two basic types of legislative transfers, which have different effects on the overall level of appropriations in the state budget.

A **standard legislative transfer** shifts existing spending authorization between line items in a particular budget area, with no net change in total appropriations. Generally, such transfers are proposed when expenditures are higher than originally anticipated in one line item and lower than anticipated in another. These transfers can represent a shift of GF/GP funding between two line items, or merely a shift of spending authorization from same broad category of funding (federal, restricted, etc.) between the line items.

As shown in the attached table, standard transfers in this package total \$389,100, which will shift 0.00% of total appropriations within the existing FY 2016-17 year-to-date state budget.


A **contingency fund transfer** increases total line item appropriations in a budget area by moving contingency spending authorization from the boilerplate section of a budget act to a specific line item in order to recognize additional federal, private, local, or state restricted revenue that has become available since the original enactment of the budget. Absent the contingency fund transfer mechanism, this type of budget adjustment would be made through a supplemental appropriation bill.

As shown in the attached table, contingency fund transfers in this package total \$4.887 million, which will increase the FY 2016-17 year-to-date state budget by 0.01%.

If you have questions about the transfers generally, please contact me. If you have questions about an individual transfer, please contact the HFA analyst assigned to that budget area. We can be reached at 373-8080.

Attachment

LEGISLATIVE TRANSFER PACKAGE

 Mary Ann Cleary, Director Viola Bay Wild, Transfer Coordinator Compiled by Tumai Burris, Budget Assistant	Summary Sheet SBO LETTER: 2017-5 April 14, 2017		
Department	Analyst	Page	Total Transfer
School Aid	Bethany Wicksall Samuel Christensen	1-2	\$2,876,600
Treasury	Ben Gielczyk	3	2,400,000
Total			\$5,276,600

FY 2016-17 Legislative Transfers: Request 2017-5

Budget	Year-to-Date Total Approps	Standard Transfers (Within Existing Budget)						TOTAL	% of Budget Shifted
		IDG	Federal	Local	Private	Restricted	GF/GP		
School Aid	\$14,161,842,100						389,100	389,100	0.00%
TOTAL*	\$55,087,265,300						\$389,100	\$389,100	0.00%

*Includes budget areas not affected by transfers

Budget	Year-to-Date Total Approps	Contingency Fund Transfers (Increases Budget)						TOTAL	% Budget Increased
		IDG	Federal	Local	Private	Restricted	GF/GP		
School Aid	14,161,842,100					2,487,500		2,487,500	0.02%
Treasury - Operations	522,473,200					2,400,000		2,400,000	0.46%
TOTAL*	\$55,087,265,300					\$4,887,500		\$4,887,500	0.01%

*Includes budget areas not affected by transfers

LEGISLATIVE TRANSFER

BUDGET AREA: **SCHOOL AID**
 FISCAL YEAR: **2016-17**
 TRANSFER AMOUNT: **\$2,487,500**

S.B.O. LETTER: **4/14/17**
 S.B.O. REQUEST: **2017-5**
 ANALYST: **Bethany Wicksall and Sam Christensen**

TRANSFER ITEMS	Y-T-D AUTH.	Y-T-D EXPEND. & ENCUMB. AS OF 4/14/17	BALANCE AVAILABLE AS OF 4/14/17	GOV'S REC. 4/14/17	SENATE ACTION 4/26/17	HOUSE ACTION
FROM: SEC. 11s(6) CONTINGENCY FUNDS	15,000,000	NA	NA	(2,487,500)	(2,487,500)	
Funding source:						
State restricted contingency funds	15,000,000	NA	NA	(2,487,500)	(2,487,500)	
TO: SEC. 11s(1) FLINT DECLARATION OF EMERGENCY	10,142,600	5,195,390	4,947,210	2,487,500	2,487,500	
Funding source:						
Water emergency reserve fund	100	0	100	2,487,500	2,487,500	

This transfer request would transfer \$2,487,500 in state restricted contingency fund authorization in accordance with PA 249 of 2016 (Article 1, Section 11s(6)) to the appropriation under Section 11s of this article for services to children in Flint. Of this total, \$1,292,500 would be used to continue to employ school nurses and school social workers within Flint Community Schools. The remaining balance totaling \$1,195,000 would be used to fund staff at Genesee Intermediate School District to continue early intervention and early literacy services, as well as nutritional services. The FY 2016-17 budget included half-year funding for these items, and this transfer would provide funding for the remainder of the fiscal year. Spending authority is available from the Drinking Water Declaration of Emergency Reserve Fund, which has a balance of \$26,158,600. According to the State Budget Office, this transfer is necessary by May 1, 2017 to continue delivery of services.

LEGISLATIVE TRANSFER

BUDGET AREA: **SCHOOL AID**
 FISCAL YEAR: **2016-17**
 TRANSFER AMOUNT: **\$389,100**

S.B.O. LETTER: **4/14/17**
 S.B.O. REQUEST: **2017-5**
 ANALYST: **Bethany Wicksall and Sam Christensen**

TRANSFER ITEMS	Y-T-D AUTH.	Y-T-D EXPEND. & ENCUMB. AS OF 4/14/17	BALANCE AVAILABLE AS OF 4/14/17	GOV'S REC. 4/14/17	SENATE ACTION 4/26/17	HOUSE ACTION
FROM: SEC. 26a. RENAISSANCE ZONE REIMBURSEMENTS	20,000,000	8,488,842	11,511,158	(389,100)	(389,100)	
Funding source:						
School aid fund	20,000,000	8,488,842	11,511,158	(389,100)	(389,100)	
SEC. 22b. DISCRETIONARY PAYMENT	3,900,000,000	2,463,123,602	1,436,876,398	(389,100)	(389,100)	
Funding source:						
General fund/general purpose	172,402,800	120,681,960	51,720,840	(389,100)	(389,100)	
TO: SEC. 22b. DISCRETIONARY PAYMENT	3,900,000,000	2,463,123,602	1,436,876,398	389,100	389,100	
Funding source:						
School aid fund	3,655,597,200	2,299,245,760	1,356,351,440	389,100	389,100	
SEC. 94. ADVANCED PLACEMENT INCENTIVE PROGRAM	250,000	16,823	233,177	389,100	389,100	
Funding source:						
General fund/general purpose	250,000	16,823	233,177	389,100	389,100	

The appropriation in the Advanced Placement (AP) Incentive Program line to subsidize AP Testing fees for low-income students is insufficient due to changes in the federal grants that help offset these costs. The department estimates that 14,700 low-income students will take AP tests in May, at a total cost of approximately \$700,000. After applying the existing state appropriation and the remaining federal funding, an additional \$389,100 would be necessary to fully cover the costs (other than the required student share of \$5 per test). Spending authority is available from the Renaissance Zone Reimbursements line, which is expected to lapse funds. However, the available funding in that line is School Aid Fund, so a second transfer is necessary to swap the available School Aid Fund revenues with General Fund revenues in the Foundation Allowance Discretionary Payment line, because payments for AP tests must be made with General Fund revenues. According to the State Budget Office this transfer is necessary by April 30, 2017.

LEGISLATIVE TRANSFER

BUDGET AREA: **TREASURY**
 FISCAL YEAR: **2016-17**
 TRANSFER AMOUNT: **\$2,400,000**

S.B.O. LETTER: **4/14/17**
 S.B.O. REQUEST: **2017-5**
 ANALYST: **Ben Gielczyk**

TRANSFER ITEMS	Y-T-D AUTH.	Y-T-D EXPEND. & ENCUMB. AS OF 4/14/17	BALANCE AVAILABLE AS OF 4/14/17	GOV'S REC. 4/14/17	SENATE ACTION 4/26/17	HOUSE ACTION
FROM: PUBLIC ACT 268 OF 2016, ARTICLE VIII SEC. 901(2)						
Contingency funds	9,700,000	NA	NA	(2,400,000)	(2,400,000)	
Funding source:						
Total state restricted revenues	9,700,000	NA	NA	(2,400,000)	(2,400,000)	
TO: SEC. 108(17) ONE-TIME BASIS ONLY APPROPRIATIONS						
Drinking water declaration of emergency	300,100	0	300,100	2,400,000	2,400,000	
Funding source:						
Drinking water declaration of emergency reserve fund	300,100	0	300,100	2,400,000	2,400,000	

PA 268 of 2016 created the Drinking Water Declaration of Emergency Reserve Fund and this transfer will move \$2,400,000 from the fund to Treasury to support continued bottled water purchases by the Michigan State Police. The current balance of the Drinking Water Declaration of Emergency Reserve Fund is \$26,158,600. Under the terms of the recently announced settlement, distribution of bottled water will continue through September 1, 2017. This amount represents estimated costs through June 30, 2017. At this time, it is unknown how much funding will be needed for the final quarter of the fiscal year. A separate transfer request will be submitted for the final quarter of the fiscal year once a more accurate estimate is available. Funds are available from the drinking water declaration of emergency reserve fund in accordance with PA 268 of 2016, Article VIII, section 901(2). This transfer is needed by May 1, 2017.