

FY 2013-14 SUPPLEMENTAL APPROPRIATIONS
Summary: Executive Requests
State Budget Office Request 2014-1



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Appropriation Summary

Budget Area		FY 2013-14 Year-to-Date Appropriations	FY 2013-14 Supplemental Change	Percent Change
Community Health	Gross	\$16,934,553,600	(\$455,377,400)	(2.7)
	GF/GP	2,747,583,600	65,260,300	2.4
Corrections	Gross	2,032,434,600	8,070,700	0.4
	GF/GP	1,958,053,600	8,070,700	0.4
Judiciary	Gross	283,414,100	750,000	0.3
	GF/GP	183,441,300	750,000	0.4
State Police	Gross	606,819,000	2,310,000	0.4
	GF/GP	353,474,300	2,310,000	0.7
Technology, Management & Budget: Operations	Gross	931,804,500	(299,100)	(0.0)
	GF/GP	150,216,700	400,000	0.3
Treasury: Operations	Gross	498,233,500	699,100	0.1
	GF/GP	89,803,300	0	0.0
Treasury: Michigan Strategic Fund	Gross	1,008,273,900	1,750,000	0.2
	GF/GP	218,163,900	1,750,000	0.8
TOTAL (All budget areas)	Gross	\$51,050,790,800	(\$442,096,700)	(0.9)
	GF/GP	9,193,226,700	78,541,000	0.9

Overview

State Budget Office (SBO) supplemental request 2014-1 contains recommendations for supplemental appropriation adjustments to the FY 2013-14 state budget for a number of departments. The recommendations would reduce the Gross state budget by \$442.1 million but increase total GF/GP appropriations by \$78.5 million. Several boilerplate sections are also recommended.

The large portion of these adjustments relate to expansion of the state's Medicaid program under the federal Affordable Care Act and Public Act (PA) 107 of 2013 (House Bill 4714 - the Healthy Michigan Plan). Under the expansion, mental health, certain prisoner health care, and various other costs currently funded by state GF/GP funds will instead be funded by federal revenues. Because PA 107 did not receive immediate effect, implementation of the expansion will be delayed by three months, from January 1 to April 1, reducing projected federal revenues by \$515.4 million, state restricted revenues by \$5.2 million, and state GF/GP savings by \$73.3 million from the appropriation amounts included in PA 107. The increase in GF/GP appropriations in the SBO request for the Community Health and Corrections budgets is necessary to fund continuing state costs over the three-month period.

For more information on the original appropriation adjustments made in PA 107, see this HFA analysis:

<http://www.legislature.mi.gov/documents/2013-2014/billanalysis/House/pdf/2013-HLA-4714-D0B38F1F.pdf>

FY 2013-14 Supplemental Appropriation Items

**Executive
Supplemental
Change**

COMMUNITY HEALTH

1. Medicaid Expansion Adjustments

Adjusts the appropriations included in PA 107 of 2013 to reflect the number of months the enacted changes are expected to be in effect. The FY 2013-14 budgetary adjustments in PA 107 were based on an effective date of January 1, 2014, or nine months (January - September). Because the act is not expected to take effect until April 1, 2014, the proposed supplemental appropriations reverse the first three months to reflect an April - September enrollment period. Also increases federal authorization for expansion-related administrative costs by \$40.0 million; PA 107 included \$20.0 million Federal and \$20.0 million GF/GP for administration. The increase is necessary based on (1) an additional review of the work required for changes included in PA 107 and (2) new information about available federal match rates, which, in the aggregate, will be higher than the conventional 50/50 rate for Medicaid administration. An attached table provides a full summary of PA 107 appropriations, proposed supplemental adjustments, and net expansion-related appropriation amounts for both the Departments of Community Health and Corrections.

Gross	(\$455,377,400)
Federal	(515,413,300)
Restricted	(5,224,400)
GF/GP	\$65,260,300

FY 2013-14 Supplemental Appropriation Items

CORRECTIONS

2. Medicaid Expansion Adjustments

Adjusts the appropriation included in PA 107 of 2013 to reflect the number of months the enacted changes are expected to be in effect. The FY 2013-14 budgetary adjustments in PA 107 were based on an effective date of January 1, 2014, or nine months (January - September). Because the act is not expected to take effect until April 1, 2014, the proposed supplemental appropriation reverses the first three months to reflect an April - September enrollment period. An attached table provides a full summary of PA 107 appropriations, proposed supplemental adjustments, and net expansion-related appropriation amounts for both the Departments of Community Health and Corrections.

Gross **\$8,070,700**
GF/GP **\$8,070,700**

JUDICIARY

3. Michigan Indigent Defense Commission

Appropriates initial funding for implementation of the Michigan Indigent Defense Commission (MIDC), which was established under PA 93 of 2013. The MIDC was created as an autonomous entity in the Judicial branch to develop and oversee the implementation, enforcement, and modification of minimum standards, rules, and procedures to ensure that indigent criminal defense services providing effective assistance of counsel are consistently delivered to all indigent adults throughout the state. The MIDC is charged with hiring an executive director and the appropriate number of staff needed to accomplish the purpose of the MIDC. The \$750,000 appropriation will cover salary and benefit costs for 4.0 FTE positions, and costs of rent, travel, and contractual services, supplies, and materials.

FTEs 4.0
Gross **\$750,000**
GF/GP **\$750,000**

STATE POLICE

4. State Emergency Center Operations and Preparedness

Appropriates \$2.3 million GF/GP to provide local units affected by the April-May 2013 flooding with half of the 25% local match required to receive disaster recovery funds from the Federal Emergency Management Agency (FEMA) for damages sustained by public facilities made available after the presidential disaster declaration. Initial estimates for federal Public Assistance funds for the affected local units total \$18.5 million, with a 75%/25% federal/local share. Historically, the state has picked up half of the required local match. State-incurred damage was not significant and can be met within existing resources. Sec. 703(8) of the FY 2013-14 State Police (MSP) budget provides "receive and expend" authority, which allows MSP to receive the matched federal funds for distribution to the affected local units without requiring a specific supplemental appropriation. The 16 affected counties are Allegan, Barry, Baraga, Gogebic, Houghton, Ionia, Kent, Keweenaw, Marquette, Midland, Muskegon, Newaygo, Ontonagon, Osceola, Ottawa, and Saginaw.

Gross **\$2,310,000**
GF/GP **\$2,310,000**

DEPARTMENT OF TECHNOLOGY, MANAGEMENT & BUDGET

5. Adjutant General and Assistant Adjutant Retirement

Provides \$400,000 GF/GP for the costs of PA 99 of 2013, which returned the Adjutant General and Assistant Adjutant General to the defined benefit retirement system and reversed PA 255 of 2010, which had placed those appointees hired after January 1, 2011 into the state's defined contribution plan. The funds would cover the estimated additional FY 2013-14 costs of prefunding those retirements under PA 99 of 2013.

Gross **\$400,000**
GF/GP **\$400,000**

6. Transfer State Building Authority to Treasury

Removes funding for State Building Authority and deletes associated boilerplate from the Department of Technology, Management & Budget (DTMB) budget, consistent with Executive Order 2013-8, which transferred the State Building Authority from DTMB to the Department of Treasury. There is a corresponding change to add the funding and boilerplate to the Treasury budget.

Gross **(\$699,100)**
GF/GP **(\$699,100)**

TREASURY - OPERATIONS

7. State Building Authority

Includes \$699,100 in restricted funding for State Building Authority (SBA) administrative and operating costs. Under Executive Order 2013-8, the SBA was moved from the Department of Technology, Management, and Budget (DTMB) to the Department of Treasury. There is a corresponding negative appropriation adjustment in the DTMB budget.

Gross **\$699,100**
Restricted **699,100**

FY 2013-14 Supplemental Appropriation Items

TREASURY - MICHIGAN STRATEGIC FUND

8. Land Bank Fast Track Authority

Includes \$1.8 million GF/GP to support Land Bank Fast Track Authority operations. The Land Bank Fast Track Fund has not realized sufficient revenues from real estate sales to support operations.

Gross		\$1,750,000
GF/GP		\$1,750,000

FY 2013-14 Supplemental Boilerplate Items

NATURAL RESOURCES

1. Capital Outlay - Grant-In Aid Federal Funding Lapse Authorization

Authorizes the lapse of federal funding that was previously appropriated in PA 41 of 2007 for a grant-in-aid project for a new city marina in Trenton, located in Wayne County. Project was to be funded at \$776,500: \$582,400 in federal funding and a local match of \$194,100. The local match was never raised, so the federal funding could not be received. Statute requires legislative approval for the lapse of grant-in-aid appropriations. This technical language would provide that approval and allow the lapse of the \$582,400 federal funding appropriation in the state's accounting system.

TREASURY - OPERATIONS

2. State Building Authority - General Fund Advances

Authorizes use of GF/GP to meet cash flow requirements of SBA projects for lease and for which bonds or notes have not been issued; requires advances bear an interest cost to SBA; requires SBA to credit General Fund with amount of expenditure plus interest on sale of bonds or notes; requires Treasurer to make advances without interest for projects for which bonds or notes have been issued. (Language moved from DTMB budget.)

3. State Building Authority - Excess Facility Revenue

Requires facility revenue in excess of operation costs to be credited to General Fund to offset rent obligations associated with retirement of bonds. (Language moved from DTMB budget.)

4. State Building Authority - Status of Construction Projects

Requires SBA to provide annual report on status of construction projects associated with SBA bonds. (Language moved from DTMB budget.)

REPEALERS

5. Repealers - DTMB Budget

Repeals sections of DTMB budget act boilerplate that pertain to the State Building Authority.

FY 2013-14 Medicaid Expansion Appropriations
PA 107 Appropriations, Proposed Supplemental Adjustments, and Net Appropriations

	PA 107 Enacted (9-Month Estimate)	Proposed Supplemental (3-Month Delay)	Net Appropriations (6-Month Estimate)
Department of Community Health (DCH)			
Federal - Medical/Mental Health Services	\$1,684,523,500	(\$555,413,300)	\$1,129,110,200
Restricted - Increased HICA Revenue	13,145,000	(5,224,400)	7,920,600
GF/GP - State Savings	(188,552,800)	65,260,300	(123,292,500)
Federal - Administration	20,000,000	40,000,000	60,000,000
GF/GP - Administration	20,000,000	0	20,000,000
DCH Subtotal	\$1,549,115,700	(\$455,377,400)	\$1,093,738,300
Corrections			
GF/GP - State Savings	(\$24,212,200)	\$8,070,700	(\$16,141,500)
Corrections Subtotal	(\$24,212,200)	\$8,070,700	(\$16,141,500)
Summary			
Federal	\$1,704,523,500	(\$515,413,300)	\$1,189,110,200
Restricted	13,145,000	(5,224,400)	7,920,600
GF/GP	(192,765,000)	73,331,000	(119,434,000)
TOTAL	\$1,524,903,500	(\$447,306,700)	\$1,077,596,800