

FISCAL BRIEF



LEGISLATIVE APPROPRIATIONS TRANSFERS

Viola Bay Wild, Senior Fiscal Analyst
April 23, 2019

FAST FACTS

- Legislative transfers are a statutory mechanism that allows the Legislature to shift spending authorization within a specific department.
- Transfers must be approved by both the House and Senate Appropriations Committees and must have identical funding sources and dollar amounts.
- There are two types of legislative transfers: standard transfers and contingency fund transfers.

INTRODUCTION

Legislative appropriations transfers are mid-year budget adjustments that shift existing spending authorization from either a current line-item appropriation or a contingency fund boilerplate appropriation to another line item within a specific department's budget. This transfer authority is authorized by Section 393(2) of the Management and Budget Act (MCL 18.1393).

LEGISLATIVE TRANSFER BASICS

Legislative transfers can only shift spending authority within a single department's budget. Shifting funding between two different departments must be done through a supplemental appropriation bill. In order for a transfer to go into effect, it must be approved by both the House and Senate Appropriations Committees and must have identical funding sources and dollar amounts.

The Management and Budget Act requires that transfers adhere to certain stipulations. Under the Act, transfers:

- May not create a new line-item appropriation or create a new state program that does not already exist.
- Can only be made to or from an already existing appropriation.
- May not add funding to or take funding from any project designated as a work project under section 451a of the Management and Budget Act.
- Cannot be used to transfer spending authority between state governmental funds.

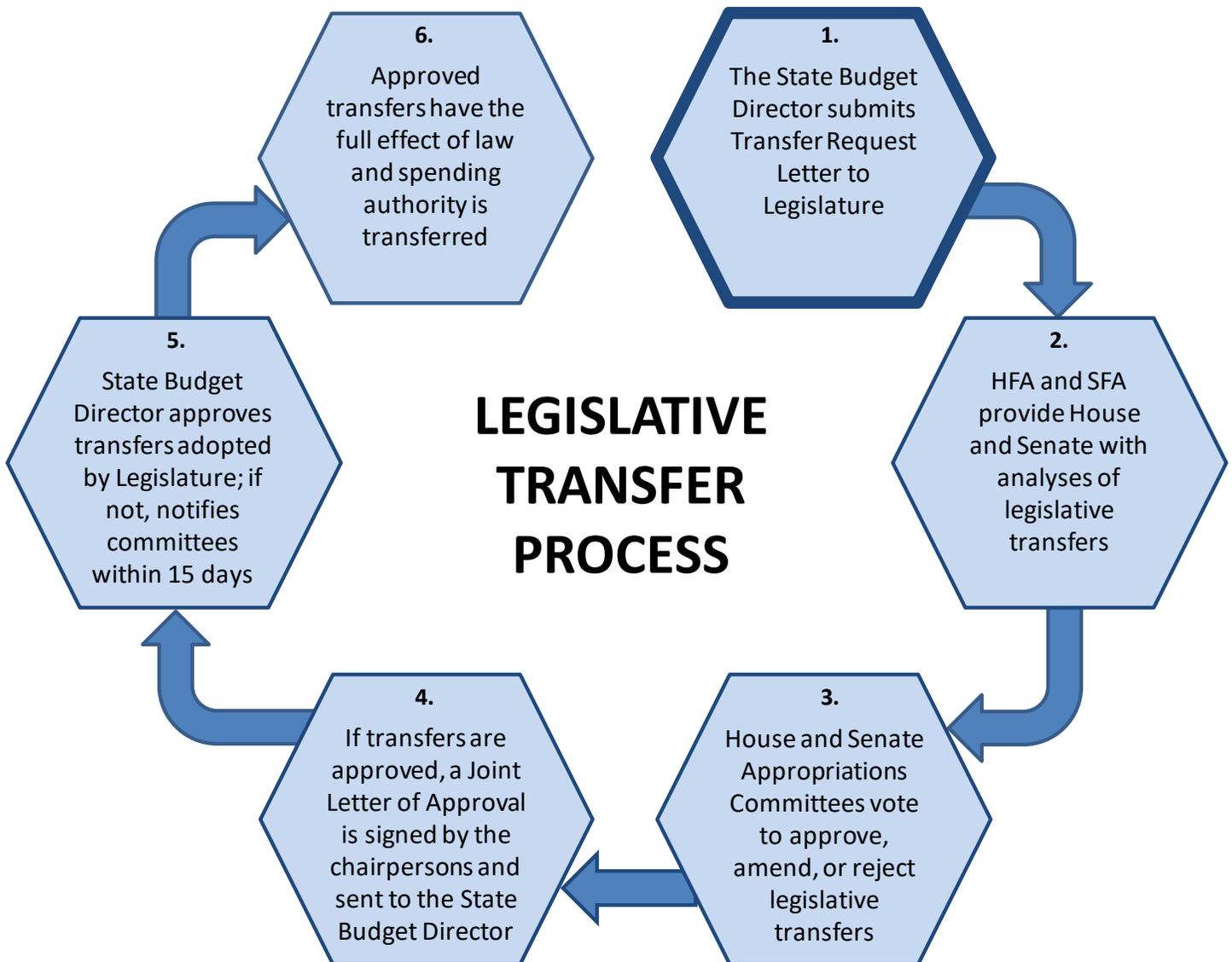
Typically, several legislative transfer packages are reviewed and approved by the appropriations committees during a fiscal year, including year-end and book closing packages that enable departments to align appropriations with final expenditures at the close of the fiscal year.

Without the transfer process, mid-year budget adjustments within a fiscal year would have to be made through other methods – mainly through supplemental appropriation bills. The transfer process can be viewed as simpler than the process for supplemental bills, in that transfers require only the approval of the House and Senate Appropriations Committees and not the approval of the full House and Senate.

LEGISLATIVE TRANSFER PROCESS

Generally, the transfer process begins when the State Budget Director sends a formal Transfer Request Letter to the Legislature. The request letter may include just one transfer or several transfers within a department. Frequently, there are transfer requests from multiple departments in the same letter. [Figure 1](#) outlines the legislative transfer process.

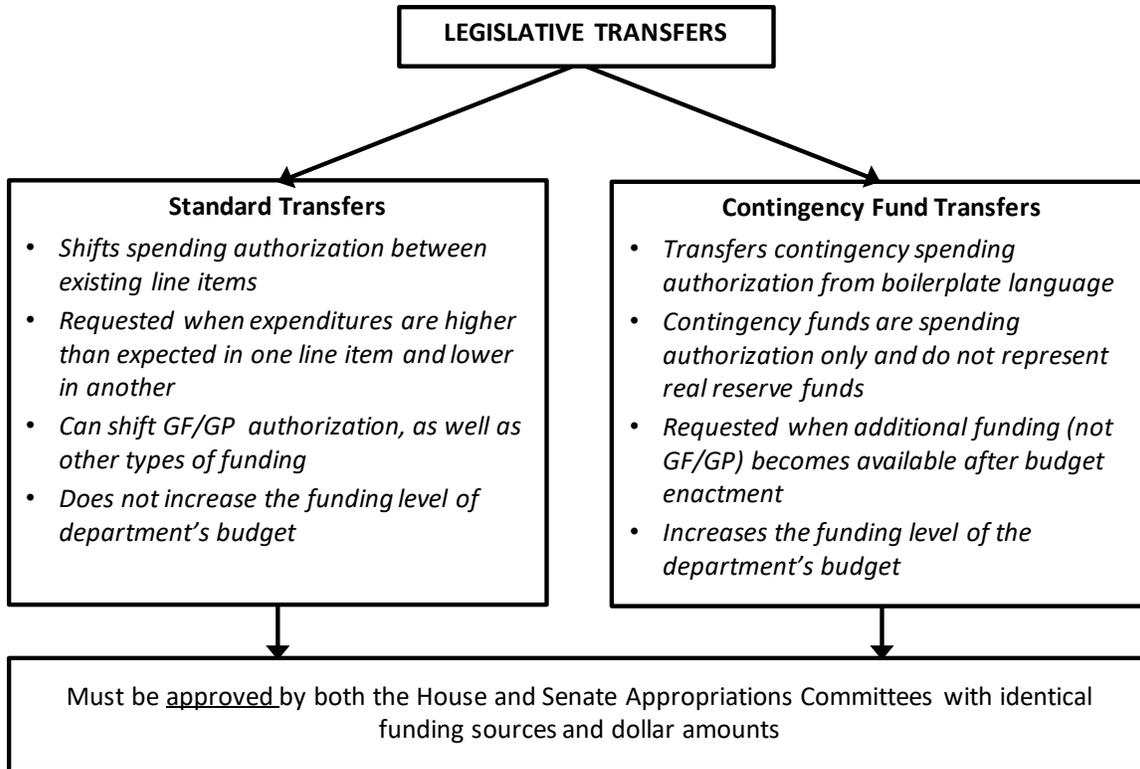
Figure 1



TYPES OF LEGISLATIVE TRANSFERS

There are two different types of legislative transfers: *standard transfers* and *contingency fund transfers*. Both types shift spending authorization within a single department’s budget; however, they have different financial effects on gross appropriations for that budget.

Figure 2



Standard Transfers

Standard transfers shift spending authorization from an existing line-item appropriation to a different existing line-item appropriation within a department’s budget. These changes may be requested for various reasons, such as policy changes or to reflect increased or decreased expenditure levels from the originally enacted budget. Generally, these transfers are requested when expenditures are higher than originally expected in one line item and lower than anticipated in another. Standard transfers can include the shift of GF/GP authorization, as well as other specific fund sources, including federal, state restricted, private, and local funding.

In Example 1, \$400,000 GF/GP authorization was requested to be transferred from the Michigan Veterans Affairs Agency Administration line item to the Veterans Homes Operations line item within the Department of Military and Veteran Affairs (DMVA) budget. The transfer was requested because the Veterans Homes Operations line item had higher information technology user fee costs than originally anticipated and needed additional funds to accommodate

Example 1: Standard Transfer DMVA 2018-8 Request Letter		
FROM:	GRAND RAPIDS HOME FOR VETERANS	
	Michigan veterans affairs agency administration	(400,000)
	State general fund/general purpose	(400,000)
TO:	GRAND RAPIDS HOME FOR VETERANS	
	Veterans homes operations	400,000
	State general fund/general purpose	400,000

those costs. There was GF/GP authorization available in the Michigan Veterans Affairs Agency Administration line item as a result of vacant positions.

Since standard transfers merely shift existing spending authorization from one line item to another, there is no additional funding authorization added to the department’s budget, so there is no net change in gross appropriations.

Contingency Fund Transfers

Contingency fund transfers move general spending authority contained in the boilerplate language of a budget act (see Figure 3 on page 5) to a specific existing line item to allow for the expenditure of revenue that becomes available during the budget year from a federal, state restricted, local, or private source. It is important to note that these transfers do not shift existing funding held in reserve for discretionary allocation to the line item. Rather, contingency fund transfers are “contingent” upon additional revenue becoming available after the budget’s enactment and authorize the department to spend the additional revenue. Contingency fund transfers do not include the shift of GF/GP authorization.

In Example 2 below, \$40,000 state restricted fund authorization was requested to be transferred from the contingency fund spending authorization in Section 210 of boilerplate in the DMVA budget to the Veterans Homes Operations line item. The transfer was requested because DMVA received more lease revenue than was originally authorized in the budget act and the Veterans Homes Operations line item needed additional authorization to spend that revenue.

Because contingency fund transfers authorize the expenditure of additional funding that was not included in the originally enacted budget, these transfers increase the department’s budget by the approved gross amount. If the contingency fund transfer mechanism were not available, this type of budgetary increase would have to be made through a supplemental appropriation bill.

Example 2: Contingency Fund Transfer DMVA 2018-8 Request Letter		
FROM: BOILERPLATE APPROPRIATIONS		
Contingency funds		(40,000)
State restricted contingency revenues		(40,000)
TO: GRAND RAPIDS HOME FOR VETERANS		
Veterans homes operations		40,000
Lease revenue		40,000

Contingency Fund Transfer Boilerplate

Each department has a contingency fund boilerplate section in its annual appropriation act that provides capped conditional spending authority in addition to the appropriation line items included in part 1. If funds become available, the section allows the transfer of spending authority from the boilerplate section to a line item through the transfer process, as explained above, in order for the department to be able to spend the funds.¹

The contingency fund transfer language in all departments is substantially similar, and almost all have four separate subsections, one for each of the following revenue categories: federal, state restricted, local, and private. As an example, the DMVA contingency fund boilerplate can be found in Figure 3. However, each department has different

¹ In the FY 2018-19 budget appropriation act (2018 PA 207) contingent fund language appears in Section 210 of each article except for General Government (Article VIII). Contingency fund boilerplate language for the general government departments are in the following boilerplate sections: Attorney General – Sec. 301, Civil Rights – Sec. 401, State – Sec. 701, DTMB – Sec. 801, Treasury – Sec. 901, Talent and Economic Development – Sec. 980.

annual caps on the possible dollar amounts that can be added through contingency fund transfers which are based on the estimated need.

To provide an example of how the annual contingency fund caps function, in the DMVA contingency fund transfer in Example 2 above, an additional \$40,000 in state restricted funding authorization was requested. Because the annual cap for state restricted contingency fund transfers in the DMVA budget is \$3.0 million, once this transfer was approved, DMVA was left with \$2,960,000 in state restricted contingency fund authorization from which to request transfers for the remainder of the fiscal year.

**Figure 3: DMVA Contingency Fund Transfer Boilerplate Language,
PA 207 of 2018**

Sec. 210. (1) In addition to the funds appropriated in part 1, there is appropriated an amount not to exceed \$12,000,000.00 for federal contingency funds. These funds are not available for expenditure until they have been transferred to another line item in part 1 under section 393(2) of the management and budget act, 1984 PA 431, MCL 18.1393.

(2) In addition to the funds appropriated in part 1, there is appropriated an amount not to exceed \$3,000,000.00 for state restricted contingency funds. These funds are not available for expenditure until they have been transferred to another line item in part 1 under section 393(2) of the management and budget act, 1984 PA 431, MCL 18.1393.

(3) In addition to the funds appropriated in part 1, there is appropriated an amount not to exceed \$500,000.00 for local contingency funds. These funds are not available for expenditure until they have been transferred to another line item in part 1 under section 393(2) of the management and budget act, 1984 PA 431, MCL 18.1393.

(4) In addition to the funds appropriated in part 1, there is appropriated an amount not to exceed \$100,000.00 for private contingency funds. These funds are not available for expenditure until they have been transferred to another line item in part 1 under section 393(2) of the management and budget act, 1984 PA 431, MCL 18.1393.

HISTORY

Table 1 below presents a five-year history of approved legislative transfers. As Table 1 shows, standard transfers are used much more frequently in the appropriation process than contingency fund transfers. During fiscal years 2013-14 through 2017-18, the Legislature approved transfers totaling \$2.6 billion. Of this amount, \$2.0 billion (77.3%) were standard legislative transfers and \$596.9 million (22.7%) were contingency fund transfers.

Table 1: Five-Year Legislative Transfers Appropriation History			
Fiscal Year	Standard Transfers	Contingency Transfers	Total
2013-14	\$241,116,000	\$37,782,500	\$278,898,500
2014-15	589,241,800	187,597,400	776,839,200
2015-16	424,249,564	91,146,500	515,396,064
2016-17	260,110,518	120,511,200	380,621,718
2017-18	515,582,810	159,825,400	675,408,210
TOTAL	\$2,030,300,692	\$596,863,000	\$2,627,163,692