

MEMORANDUM



DATE: January 15, 2016
TO: Members of the House Appropriations Committee
FROM: Mary Ann Cleary, Director *MAC*
RE: Legislative Transfer Package 2016-1

Attached are legislative transfers proposed by the State Budget Office in a letter dated January 13, 2016. 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 may be considered by the House Appropriations Committee on Wednesday, January 20, 2016.

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 \$217.7 million, which will shift 0.40% of total appropriations within the existing FY 2015-16 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.

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

FY 2015-16 Legislative Transfers: Request 2016-1

Budget	Year-to-Date Total Approps	Standard Transfers (Within Existing Budget)						% of Budget Shifted	
		IDG	Federal	Local	Private	Restricted	GF/GP		TOTAL
Corrections	\$1,962,226,000						13,865,000	13,865,000	0.71%
Health and Human Services	25,071,487,200		133,934,900				65,514,800	199,449,700	0.80%
Talent and Economic Development	1,153,023,500						4,400,000	4,400,000	0.38%
TOTAL*	\$54,451,777,100	\$0	\$133,934,900	\$0	\$0	\$0	\$83,779,800	\$217,714,700	0.40%

*Includes budget areas not affected by transfers

LEGISLATIVE TRANSFER PACKAGE

 Mary Ann Cleary, Director Viola Bay Wild, Transfer Coordinator Compiled by Tumai Burris, Budget Assistant	Summary Sheet SBO LETTER: 2016-1 January 13, 2016		
Department	Analyst	Page	Total Transfer
Corrections	Robin Risko	1-5	\$13,865,000
Health and Human Services	Sue Frey Kevin Koorstra Viola Bay Wild	6-9	199,449,700
Talent and Economic Development	Ben Gielczyk	10	4,400,000
Total			\$217,714,700

LEGISLATIVE TRANSFER

BUDGET AREA: **CORRECTIONS**
 FISCAL YEAR: **2015-16**
 TRANSFER AMOUNT: **\$13,865,000**

S.B.O. LETTER: **1/13/16**
 S.B.O. REQUEST: **2016-1**
 ANALYST: Robin Risko

TRANSFER ITEMS	Y-T-D AUTH.	Y-T-D EXPEND. & ENCUMB. AS OF 1/9/16	BALANCE AVAILABLE AS OF 1/9/16	GOV'S REC. 1/13/16	HOUSE ACTION	SENATE ACTION
FROM: SEC. 108. CORRECTIONAL FACILITIES						
Alger Correctional Facility - Munising	29,943,600	7,646,732	22,296,868	(359,000)		
Funding source:						
State general fund/general purpose	29,943,600	7,646,732	22,296,868	(359,000)		
Baraga Correctional Facility - Baraga	34,636,600	8,872,260	25,764,340	(355,000)		
Funding source:						
State general fund/general purpose	34,636,600	8,872,260	25,764,340	(355,000)		
Bellamy Creek Correctional Facility - Ionia	42,754,300	10,986,781	31,767,519	(528,000)		
Funding source:						
State general fund/general purpose	42,754,300	10,986,781	31,767,519	(528,000)		
Earnest C. Brooks Correctional Facility - Muskegon	49,684,800	13,184,939	36,499,861	(1,006,000)		
Funding source:						
State general fund/general purpose	49,684,800	13,184,939	36,499,861	(1,006,000)		
Carson City Correctional Facility - Carson City	47,371,800	12,010,839	35,360,961	(2,100,800)		
Funding source:						
State general fund/general purpose	47,371,800	12,010,839	35,360,961	(2,100,800)		
Central Michigan Correctional Facility - St. Louis	45,566,600	11,442,994	34,123,606	(820,000)		
Funding source:						
State general fund/general purpose	45,566,600	11,442,994	34,123,606	(820,000)		

LEGISLATIVE TRANSFER

BUDGET AREA: **CORRECTIONS**
 FISCAL YEAR: **2015-16**
 TRANSFER AMOUNT: **\$13,865,000 (Continued)**

S.B.O. LETTER: **1/13/16**
 S.B.O. REQUEST: **2016-1**
 ANALYST: **Robin Risko**

TRANSFER ITEMS	Y-T-D AUTH.	Y-T-D EXPEND. & ENCUMB. AS OF 1/9/16	BALANCE AVAILABLE AS OF 1/9/16	GOV'S REC. 1/13/16	HOUSE ACTION	SENATE ACTION
FROM: SEC. 108. CORRECTIONAL FACILITIES						
Chippewa Correctional Facility - Kincheloe	49,228,800	13,009,704	36,219,096	(74,000)		
Funding source:						
State general fund/general purpose	49,228,800	13,009,704	36,219,096	(74,000)		
G. Robert Cotton Correctional Facility - Jackson	43,194,100	11,256,512	31,937,588	(581,000)		
Funding source:						
State general fund/general purpose	43,194,100	11,256,512	31,937,588	(581,000)		
Detroit Reentry Center	26,772,500	6,872,275	19,900,225	(125,200)		
Funding source:						
State general fund/general purpose	26,772,500	6,872,275	19,900,225	(125,200)		
Charles E. Egeler Correctional Facility - Jackson	43,926,700	11,049,116	32,877,584	(900,000)		
Funding source:						
State general fund/general purpose	42,914,700	11,049,116	31,865,584	(900,000)		
Richard A. Handlon Correctional Facility - Ionia	29,037,900	7,546,026	21,491,874	(314,000)		
Funding source:						
State general fund/general purpose	29,037,900	7,546,026	21,491,874	(314,000)		
Gus Harrison Correctional Facility - Adrian	48,151,300	12,937,222	35,214,078	(423,000)		
Funding source:						
State general fund/general purpose	48,151,300	12,937,222	35,214,078	(423,000)		

LEGISLATIVE TRANSFER

BUDGET AREA: **CORRECTIONS**
 FISCAL YEAR: **2015-16**
 TRANSFER AMOUNT: **\$13,865,000 (Continued)**

S.B.O. LETTER: **1/13/16**
 S.B.O. REQUEST: **2016-1**
 ANALYST: **Robin Risko**

TRANSFER ITEMS	Y-T-D AUTH.	Y-T-D EXPEND. & ENCUMB. AS OF 1/9/16	BALANCE AVAILABLE AS OF 1/9/16	GOV'S REC. 1/13/16	HOUSE ACTION	SENATE ACTION
FROM: SEC. 108. CORRECTIONAL FACILITIES						
Ionia Correctional Facility - Ionia	32,910,300	8,523,592	24,386,708	(442,000)		
Funding source:						
State general fund/general purpose	32,910,300	8,523,592	24,386,708	(442,000)		
Kinross Correctional Facility - Kincheloe	35,662,100	9,072,355	26,589,745	(1,800,000)		
Funding source:						
State general fund/general purpose	35,662,100	9,072,355	26,589,745	(1,800,000)		
Marquette Branch Prison - Marquette	38,368,400	9,629,550	28,738,850	(1,200,000)		
Funding source:						
State general fund/general purpose	38,368,400	9,629,550	28,738,850	(1,200,000)		
Michigan Reformatory - Ionia	34,564,800	8,635,693	25,929,107	(530,500)		
Funding source:						
State general fund/general purpose	34,564,800	8,635,693	25,929,107	(530,500)		
Newberry Correctional Facility - Newberry	23,800,300	6,111,355	17,688,945	(100,000)		
Funding source:						
State general fund/general purpose	23,800,300	6,111,355	17,688,945	(100,000)		
Oaks Correctional Facility - Eastlake	33,349,500	8,804,844	24,544,656	(440,800)		
Funding source:						
State general fund/general purpose	33,349,500	8,804,844	24,544,656	(440,800)		

LEGISLATIVE TRANSFER

BUDGET AREA: **CORRECTIONS**
 FISCAL YEAR: **2015-16**
 TRANSFER AMOUNT: **\$13,865,000 (Continued)**

S.B.O. LETTER: **1/13/16**
 S.B.O. REQUEST: **2016-1**
 ANALYST: **Robin Risko**

TRANSFER ITEMS	Y-T-D AUTH.	Y-T-D EXPEND. & ENCUMB. AS OF 1/9/16	BALANCE AVAILABLE AS OF 1/9/16	GOV'S REC. 1/13/16	HOUSE ACTION	SENATE ACTION
FROM: SEC. 108. CORRECTIONAL FACILITIES						
Ojibway Correctional Facility - Marenisco	22,938,500	5,841,850	17,096,650	(285,200)		
Funding source:						
State general fund/general purpose	22,938,500	5,841,850	17,096,650	(285,200)		
Pugsley Correctional Facility - Kingsley	24,354,900	6,066,292	18,288,608	(278,400)		
Funding source:						
State general fund/general purpose	24,354,900	6,066,292	18,288,608	(278,400)		
Special alternative incarceration program - Cassidy Lake	13,431,500	3,218,937	10,212,563	(239,100)		
Funding source:						
State general fund/general purpose	13,331,700	3,218,937	10,112,763	(239,100)		
St. Louis Correctional Facility - St. Louis	35,827,900	9,751,032	26,076,868	(156,000)		
Funding source:						
State general fund/general purpose	35,827,900	9,751,032	26,076,868	(156,000)		
Womens Huron Valley Correctional Complex - Ypsilanti	58,003,600	15,274,104	42,729,496	(653,000)		
Funding source:						
State general fund/general purpose	58,003,600	15,274,104	42,729,496	(653,000)		
Woodland Correctional Facility - Whitmore Lake	32,617,900	7,830,875	24,787,025	(154,000)		
Funding source:						
State general fund/general purpose	32,617,900	7,830,875	24,787,025	(154,000)		

LEGISLATIVE TRANSFER

BUDGET AREA: **CORRECTIONS**
 FISCAL YEAR: **2015-16**
 TRANSFER AMOUNT: **\$13,865,000 (Continued)**

S.B.O. LETTER: **1/13/16**
 S.B.O. REQUEST: **2016-1**
 ANALYST: **Robin Risko**

TRANSFER ITEMS	Y-T-D AUTH.	Y-T-D EXPEND. & ENCUMB. AS OF 1/9/16	BALANCE AVAILABLE AS OF 1/9/16	GOV'S REC. 1/13/16	HOUSE ACTION	SENATE ACTION
TO: SEC. 107. HEALTH CARE						
Clinical and mental health services and support	195,566,900	51,834,315	143,732,585	13,865,000		
Funding source:						
State general fund/general purpose	195,314,200	51,835,411	143,478,789	13,865,000		

This transfer is requested to enable the department to expand treatment protocols for Hepatitis C to align with the standard of care recently recommended by the Michigan Pharmacy and Therapeutics Committee for Medicaid recipients. The department is legally required to provide the community standard of care to prisoners (*Estelle v. Gamble*).

In FY 2014, the department began using direct acting antiviral drugs to treat prisoners in F4 stage of Hepatitis C. This treatment protocol was modeled after protocol established by the Federal Bureau of Prisons and guidelines established by the American Association for the Study of Liver Diseases. Federal guidelines call for providing the new treatment protocol for both F3 stage (fibrosis) and F4 stage (cirrhosis) patients, as well as for patients who have been dually diagnosed with Hepatitis C and HIV. The department currently limits use of the new drugs to prisoners with F4 stage, while prisoners in earlier stages, as well as prisoners with dual diagnosis, remain eligible for other forms of treatment. To date, the department has provided direct acting antiviral drug treatment to 97 prisoners.

About 10% of the state's prisoner population has Hepatitis C. Most of the prisoner population that is positive for Hepatitis C does not show any symptoms and does not receive any kind of treatment. Prisoners are eligible for the new direct acting antiviral drug treatment protocol based on their health conditions, which are assessed by medical professionals. The most compromised prisoners, based on liver function, are given priority for treatment. There are roughly 170 prisoners with F4 stage of the disease and 170 prisoners with F3 stage who would meet recommendations for treatment, as suggested by the Pharmaceutical and Therapeutics Committee.

The department currently has 15 treatment slots for treating F4 stage prisoners. Treatment slots typically have a duration of 12 weeks, but may last 24 weeks for prisoners who need a second course of treatment. This means a total of up to 60 prisoners can be treated per year. With approval of this transfer, the department will be able to increase the number of treatment slots from 15 to 40, meaning they will be able to treat up to 160 prisoners annually. This will allow the department to address nearly half of the backlog of F4 cases in FY 2016. The average total cost of this drug treatment protocol is \$94,500 per prisoner and the drugs currently used are Viekira Pak and Harvoni.

Funding will be made available from various correctional facility line items by delaying physical plant infrastructure projects and delaying purchases of equipment in order to support the transfer. Only projects and equipment purchases that can be delayed without impacting security at the facilities will be delayed. This transfer is requested by January 30, 2016.

LEGISLATIVE TRANSFER

BUDGET AREA: **HEALTH AND HUMAN SERVICES**
 FISCAL YEAR: **2015-16**
 TRANSFER AMOUNT: **\$35,547,100**

S.B.O. LETTER: **1/13/16**
 S.B.O. REQUEST: **2016-1**
 ANALYST: **Kevin Koorstra**

TRANSFER ITEMS	Y-T-D AUTH.	Y-T-D EXPEND. & ENCUMB. AS OF 1/9/16	BALANCE AVAILABLE AS OF 1/9/16	GOV'S REC. 1/13/16	HOUSE ACTION	SENATE ACTION
FROM: SEC. 125. MEDICAL SERVICES						
Physician services	334,848,800	101,965,739	232,883,061	(10,000,000)		
Funding source:						
State general fund/general purpose	115,255,700	35,096,834*	80,158,866*	(10,000,000)		
Health plan services	5,011,623,000	1,371,963,046	3,639,659,954	(25,547,100)		
Funding sources:						
Total other federal revenues	3,343,249,800	915,235,480*	2,428,014,320*	(13,828,400)		
State general fund /general purpose	485,284,700	132,849,713*	352,434,987*	(11,718,700)		
TO: SEC. 125. MEDICAL SERVICES						
Pharmaceutical services	300,132,400	74,827,129	225,305,271	7,835,500		
Funding sources:						
Total other federal revenues	195,729,800	48,798,127*	146,931,673*	5,261,800		
State general fund/general purpose	104,402,600	26,029,002*	78,373,598*	2,573,700		
Healthy Michigan plan	3,726,633,700	757,497,623	2,969,136,077	1,556,300		
Funding source:						
Total other federal revenues	3,726,633,700	757,497,623	2,969,136,077	1,556,300		
SEC. 121. CHILDREN'S SPECIAL HEALTH CARE SERVICES						
Medical care and treatment	188,291,400	54,517,354	133,774,046	26,155,300		
Funding sources:						
Total other federal revenues	100,157,900	28,999,432*	71,158,468*	7,010,300		
State general fund/general purpose	84,793,400	24,550,839*	60,242,561*	19,145,000		

This transfer request would provide \$35.5 million Gross (\$21.7 million GF/GP) in the Pharmaceutical Services, Healthy Michigan Plan, and Medical Care and Treatment line items to support new pharmaceutical costs associated with treating Medicaid and Children's Special Health Care Services beneficiaries with Cystic Fibrosis. In December 2015, the Michigan Pharmacy and Therapeutics Committee recommended the use of specialty pharmacy treatments for Cystic Fibrosis. These funds would support half-year treatment costs for the approximately 320 beneficiaries who meet the treatment criteria recommended by the Pharmacy and Therapeutics Committee. The federal Omnibus

Budget Reconciliation Act of 1990 requires state Medicaid programs to cover all pharmaceutical products where the manufacturer has a Medicaid rebate agreement with the federal Centers for Medicare and Medicaid Services. The drug recommended by the Pharmacy and Therapeutics Committee has a federal Medicaid rebate agreement.

The State Budget Office has indicated that funding is available through the Physician Services and Health Plan Services lines due to lower than anticipated Medicaid caseload expenditures and access to higher Federal SCHIP matching funds.

*Year-to-date (YTD) expenditures, encumbrances, and balances by revenue source are estimates.

LEGISLATIVE TRANSFER

BUDGET AREA: **HEALTH AND HUMAN SERVICES**
 FISCAL YEAR: **2015-16**
 TRANSFER AMOUNT: **\$163,902,600**

S.B.O. LETTER: **1/13/16**
 S.B.O. REQUEST: **2016-1**
 ANALYST: **Kevin Koorstra**

TRANSFER ITEMS	Y-T-D AUTH.	Y-T-D EXPEND. & ENCUMB. AS OF 1/9/16	BALANCE AVAILABLE AS OF 1/9/16	GOV'S REC. 1/13/16	HOUSE ACTION	SENATE ACTION
FROM: SEC. 125. MEDICAL SERVICES						
Physician services	334,848,800	101,965,739	232,883,061	(19,069,800)		
Funding source:						
Total other federal revenues	219,593,100	66,868,906*	152,724,194*	(19,069,800)		
Hospital services and therapy	1,139,960,500	175,766,816	964,193,684	(29,069,800)		
Funding sources:						
Total other federal revenues	753,903,300	116,241,907*	637,661,393*	(19,069,800)		
State general fund /general purpose	16,059,800	2,476,209*	13,583,591*	(10,000,000)		
Health plan services	5,011,623,000	1,371,963,046	3,639,659,954	(43,105,700)		
Funding sources:						
Total other federal revenues	3,343,249,800	915,235,480*	2,428,014,320*	(34,300,500)		
State general fund /general purpose	485,284,700	132,849,713*	352,434,987*	(8,805,200)		
Dental services	233,674,300	56,476,982	177,197,318	(14,534,900)		
Funding sources:						
Total other federal revenues	152,685,100	36,902,619*	115,782,481*	(9,534,900)		
State general fund /general purpose	80,989,200	19,574,363*	61,414,837*	(5,000,000)		
Integrated care organizations	454,700,000	56,341,351	398,358,649	(58,122,400)		
Funding sources:						
Total other federal revenues	297,680,500	36,885,246*	260,795,254*	(38,131,500)		
State general fund /general purpose	157,019,500	19,456,105*	137,563,395*	(19,990,900)		
TO: SEC. 125. MEDICAL SERVICES						
Pharmaceutical services	300,132,400	74,827,129	225,305,271	127,323,700		
Funding sources:						
Total other federal revenues	195,729,800	48,798,127*	146,931,673*	83,527,600		
State general fund/general purpose	104,402,600	26,029,002*	78,373,598*	43,796,100		

LEGISLATIVE TRANSFER

BUDGET AREA: **HEALTH AND HUMAN SERVICES**
 FISCAL YEAR: **2015-16**
 TRANSFER AMOUNT: **\$163,902,600 (Continued)**

S.B.O. LETTER: **1/13/16**
 S.B.O. REQUEST: **2016-1**
 ANALYST: **Kevin Koorstra**

TRANSFER ITEMS	Y-T-D AUTH.	Y-T-D EXPEND. & ENCUMB. AS OF 1/9/16	BALANCE AVAILABLE AS OF 1/9/16	GOV'S REC. 1/13/16	HOUSE ACTION	SENATE ACTION
TO: SEC. 125. MEDICAL SERVICES						
Healthy Michigan plan	3,726,633,700	757,497,623	2,969,136,077	36,578,900		
Funding source:						
Total other federal revenues	3,726,633,700	757,497,623	2,969,136,077	36,578,900		

This transfer request would provide \$163.9 million Gross (\$43.8 million GF/GP) in the Pharmaceutical Services and Healthy Michigan Plan line items to support costs associated with coverage for new treatments for Hepatitis C. In December 2015, the Michigan Pharmacy and Therapeutics Committee recommended the use of specialty pharmacy treatments for Hepatitis C. These funds would support treatment costs for 50% of the approximately 7,000 Medicaid beneficiaries known to have Hepatitis C, and who meet the treatment criteria recommended by the Pharmacy and Therapeutics Committee. Recommended treatment criteria include a diagnosed Metavir Score of F3 or F4, the use of a prior authorization process, an attestation that the beneficiary is not engaging in high risk behaviors, and that the beneficiary is committed to medication adherence.

The federal Omnibus Budget Reconciliation Act of 1990 requires state Medicaid programs to cover all pharmaceutical products where the manufacturer has a Medicaid rebate agreement with the federal Centers for Medicare and Medicaid Services. The drug recommended by the Pharmacy and Therapeutics Committee has a federal Medicaid rebate agreement.

The State Budget Office has indicated that funding is available through Medicaid caseload lines due to lower than anticipated Medicaid program caseload expenditures and greater access to higher Federal SCHIP matching funds.

*Year-to-date (YTD) expenditures, encumbrances, and balances by revenue source are estimates.

LEGISLATIVE TRANSFER

BUDGET AREA: **DEPARTMENT OF TALENT AND ECONOMIC DEVELOPMENT**
 FISCAL YEAR: **2015-16**
 TRANSFER AMOUNT: **\$4,400,000**

S.B.O. LETTER: **1/13/16**
 S.B.O. REQUEST: **2016-1**
 ANALYST: **Ben Gielczyk**

TRANSFER ITEMS	Y-T-D AUTH.	Y-T-D EXPEND. & ENCUMB. AS OF 1/9/16	BALANCE AVAILABLE AS OF 1/9/16	GOV'S REC. 1/13/16	HOUSE ACTION	SENATE ACTION
FROM: 109(7) ONE-TIME BASIS ONLY APPROPRIATIONS						
Film incentives	25,000,000	19,290,000	5,710,000	(4,400,000)		
Funding source:						
State general fund/general purpose	25,000,000	19,290,000	5,710,000	(4,400,000)		
TO: 109(7) ONE-TIME BASIS ONLY APPROPRIATIONS						
Special grants	5,150,000	3,575,000	1,575,000	4,400,000		
Funding source:						
State general fund/general purpose	5,150,000	3,575,000	1,575,000	4,400,000		

This request transfers \$4.4 million GF/GP from the one-time Film Incentives appropriation to the one-time Special Grants appropriation to support a portion of Phase I of the Dort Highway Extension project. These funds were previously anticipated to lapse at year-end from the film incentives appropriation. The purpose of this project is to extend Dort Highway from I-75 to Baldwin Road in Genesee County in order to provide access to the western portion of the Genesys Health Park Campus. A Memorandum of Understanding between the Michigan Strategic Fund and the Michigan Department of Transportation (MDOT) will be established granting MDOT oversight of the funds. Following approval of this transfer, a contract between MDOT and the Genesee County Road Commission will be initiated. MDOT awarded \$5.6 million in first-year funding for the project from the Priority Roads Investment Program appropriation in Public Act 356 of 2014.

The \$25.0 million GF/GP Film Incentives appropriation includes \$19,050,000 GF/GP to compensate the Michigan retirement systems for guarantees on debt associated with the Michigan Motion Picture Studios in Pontiac. An additional \$1.0 million GF/GP is dedicated to support Michigan Film Office administration. Approval of this transfer would leave \$550,000 GF/GP unencumbered which would be anticipated to lapse to the General Fund at the close of FY 2015-16 due to the elimination of the film incentive program.