

MEMORANDUM



DATE: November 6, 2017
TO: Members of the House Appropriations Committee
FROM: Mary Ann Cleary, Director *MAC*
RE: Legislative Transfer Package 2018-1

Attached are legislative transfers proposed by the State Budget Office in a letter dated October 31, 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, November 8, 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 \$7.1 million, which will shift 0.01% of total appropriations within the existing FY 2017-18 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 \$9.7 million, which will increase the FY 2017-18 year-to-date state budget by 0.02%.

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: 2018-1 October 31, 2017		
Department	Analyst	Page	Total Transfer
Environmental Quality	Austin Scott	1	\$2,200,000
Health and Human Services	Sue Frey Kevin Koorstra Viola Bay Wild	2-3	14,600,000
Total			\$16,800,000

FY 2017-18 Legislative Transfers: Request 2018-1

Budget	Year-to-Date Total Approps	Standard Transfers (Within Existing Budget)						TOTAL	% of Budget Shifted
		IDG	Federal	Local	Private	Restricted	GF/GP		
Health and Human Services	25,444,884,600		0				7,100,000	7,100,000	0.03%
TOTAL*	\$56,504,157,300	\$0	\$0	\$0	\$0	\$0	\$7,100,000	\$7,100,000	0.01%

*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		
Environmental Quality	508,767,700					2,200,000		2,200,000	0.43%
Health and Human Services	25,444,884,600					7,500,000		7,500,000	0.03%
TOTAL*	\$56,504,157,300	\$0	\$0	\$0	\$0	\$9,700,000	\$0	\$9,700,000	0.02%

*Includes budget areas not affected by transfers

LEGISLATIVE TRANSFER

BUDGET AREA: ENVIRONMENTAL QUALITY
 FISCAL YEAR: 2017-18
 TRANSFER AMOUNT: \$2,200,000

S.B.O. LETTER: 10/31/17
 S.B.O. REQUEST: 2018-1
 ANALYST: Austin Scott

TRANSFER ITEMS	Y-T-D AUTH.	Y-T-D EXPEND. & ENCUMB. AS OF 11/01/17	BALANCE AVAILABLE AS OF 11/01/17	GOV'S REC. 10/31/17	HOUSE ACTION	SENATE ACTION
FROM: PUBLIC ACT 107 OF 2017, ARTICLE VII, SEC. 210(2)						
Contingency funds	5,000,000	NA	NA	(2,200,000)		
Funding source:						
Total state restricted revenues	5,000,000	NA	NA	(2,200,000)		
TO: SEC. 113. ONE-TIME APPROPRIATIONS						
Drinking water declaration of emergency	100	0	100	2,200,000		
Funding source:						
Drinking water declaration of emergency reserve fund	100	0	100	2,200,000		

This request transfers \$2.2 million in contingency fund authorization to the Drinking Water Declaration of Emergency line item, supported by the Drinking Water Declaration of Emergency Reserve Fund, to support efforts in Flint and meet the requirements of the Concerned Pastors for Social Action settlement agreement. The fund currently has an available balance of \$26.9 million. Funding will support residential water testing programs and contractual services of an integrity oversight monitor related to service line replacements. The residential water testing program will include testing and sampling of approximately 30,000 water accounts pursuant to the requirements of the settlement agreement. Previous funding for the integrity monitor risk assessment component was appropriated via transfer 2017-1 and 2017 PA 107. Authorization is available from contingency funds in accordance with 2016 PA 268, Article VII, Section 210. This transfer is requested by November 9, 2017.

LEGISLATIVE TRANSFER

BUDGET AREA: **HEALTH AND HUMAN SERVICES**
 FISCAL YEAR: **2017-18**

S.B.O. LETTER: **10/31/17**
 S.B.O. REQUEST: **2018-1**
 ANALYST: **Sue Frey,**
Kevin Koorstra

TRANSFER AMOUNT: **\$7,100,000**

TRANSFER ITEMS	Y-T-D AUTH.	Y-T-D EXPEND. & ENCUMB. AS OF 11/03/17	BALANCE AVAILABLE AS OF 11/03/17	GOV'S REC.* 11/03/17	HOUSE ACTION	SENATE ACTION
FROM: SEC. 122. MEDICAL SERVICES						
Physician services*	287,642,400	36,090,842	251,551,558	(7,100,000)		
Funding source:						
State general fund/general purpose	98,867,200	12,305,560	86,561,640	(7,100,000)		
TO: SEC. 116. LOCAL HEALTH AND ADMINISTRATIVE SERVICES						
Local health services	1,955,100	51,625	1,903,475	6,795,000		
Funding sources:						
State general fund/general purpose	0	0	0	6,795,000		
Public health administration	1,945,400	152,190	1,793,210	305,000		
Funding sources:						
State general fund/general purpose	1,352,900	139,720	1,213,180	305,000		

This transfer moves GF/GP funds to the Local Public Health Services line item (\$6,795,000) and the Public Health Administration line item (\$305,000), enabling the Department to expend \$7,100,000 GF/GP in excess of the current line item authorizations. The funds will be used to address an escalating public health infectious disease crisis of the Hepatitis A virus. An outbreak began in 5 counties in August 2016 of Hepatitis A which is a highly contagious, vaccine-preventable liver infection. The number of cases escalated in July and August of 2017. On October 31, 2017 DHHS activated its Community Health Emergency Coordination Center to optimize coordination and communication with affected localities and local health departments. The funding will be used to continue and expand the ongoing response by DHHS and twelve local health departments in southeastern and central Michigan, including \$2.5 million for temporary employment of additional staff at affected local health departments and DHHS, \$3.9 million for vaccine supply (150,500 doses), and \$732,000 for expanded outreach, information, immunization registry data, injection supplies, and vaccine storage and transportation.

Sufficient GF/GP balance is currently available from the Physician Services line item for this transfer.

*Reflects State Budget Office informal request – 11/03/17

LEGISLATIVE TRANSFER

BUDGET AREA: **HEALTH AND HUMAN SERVICES**
 FISCAL YEAR: **2017-18**
 TRANSFER AMOUNT: **\$7,500,000**

S.B.O. LETTER: **10/31/17**
 S.B.O. REQUEST: **2018-1**
 ANALYST: **Sue Frey**

TRANSFER ITEMS	Y-T-D AUTH.	Y-T-D EXPEND. & ENCUMB. AS OF 11/03/17	BALANCE AVAILABLE AS OF 11/03/17	GOV'S REC. 10/31/17	HOUSE ACTION	SENATE ACTION
FROM: PUBLIC ACT 107 OF 2017, ARTICLE X, SEC. 210(2)						
Contingency funds	45,000,000	NA	NA	(7,500,000)		
Funding source:						
Total state restricted revenues	45,000,000	NA	NA	(7,500,000)		
TO: SEC. 124. ONE-TIME BASIS ONLY APPROPRIATIONS						
Drinking water declaration of emergency	14,041,700	42,458	13,999,242	7,500,000		
Funding source:						
Total other state restricted revenues	8,861,700	0	8,861,700	7,500,000		

This transfer increases state restricted fund authorization for the Drinking Water Declaration of Emergency line item, enabling the Department of Health and Human Services to expend \$7,500,000 in available state restricted revenues. Funding is available from the Drinking Water Declaration of Emergency Reserve Fund which has a current balance of \$26,863,000. The Reserve Fund was established in FY 2015-16 for the Flint drinking water contamination and lead exposure crisis and recovery. The funds will be used to support the Flint Community Outreach and Education (CORE) door-to-door program and Points of Distribution (POD) program at fixed sites. The programs support temporary jobs for the purpose of distributing bottled water and water filters, educating residents on the use of filters, staffing warehouses (\$6.0 million for the preceding items), and residential water sampling and testing (\$1.5 million). A \$15.0 million National Emergency federal grant primarily funded the CORE and POD programs through FY 2016-17 and is no longer available. This transfer will provide sufficient funding for these programs through March 2018, and assumes planned CORE program downsizing during that period. The Executive indicates that this transfer is needed by November 9, 2017.

A portion of this transfer was previously requested in September for FY 2016-17 for the Department of Talent and Economic Development (TED) using a different source of funds. It was approved by the House Appropriations Committee but was not approved by the Senate Appropriations Committee. Although the program appropriations would otherwise be in the TED and Department of Environmental Quality (DEQ) (CORE for water sampling and testing) budgets, the DHHS line item is being requested to expedite this transfer because DHHS has authorization for expenditures from the Reserve Fund and sufficient state restricted contingency authorization. If approved, memorandums of understanding would be established between the three departments, DHHS, TED and DEQ.

State restricted contingency fund authorization is available for this transfer.