

MEMORANDUM



DATE: December 11, 2017
TO: Members of the House Appropriations Committee
FROM: Mary Ann Cleary, Director *MAC*
RE: Legislative Transfer Package 2018-2

Attached are legislative transfers proposed by the State Budget Office in a letter dated December 1, 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, December 13, 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 \$56.98 million, which will shift 0.10% 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.

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: 2018-2 December 1, 2017		
Department	Analyst	Page	Total Transfer
Health and Human Services	Sue Frey Kevin Koorstra Viola Bay Wild	1	\$56,989,000
Total			\$56,989,000

FY 2017-18 Legislative Transfers: Request 2018-2

Budget	Year-to-Date Total Approps	Standard Transfers (Within Existing Budget)						% of Budget Shifted	
		IDG	Federal	Local	Private	Restricted	GF/GP		TOTAL
Health and Human Services	25,500,591,800		43,389,000				13,600,000	56,989,000	0.22%
TOTAL*	\$56,575,549,700	\$0	\$43,389,000	\$0	\$0	\$0	\$13,600,000	\$56,989,000	0.10%

*Includes budget areas not affected by transfers

LEGISLATIVE TRANSFER

BUDGET AREA: **HEALTH AND HUMAN SERVICES**
 FISCAL YEAR: **2017-18**
 TRANSFER AMOUNT: **\$56,989,000**

S.B.O. LETTER: **12/1/17**
 S.B.O. REQUEST: **2018-2**
 ANALYST: **Kevin Koorstra**

TRANSFER ITEMS	Y-T-D AUTH.	Y-T-D EXPEND. & ENCUMB. AS OF 12/5/17	BALANCE AVAILABLE AS OF 12/5/17	GOV'S REC. 12/1/17	HOUSE ACTION	SENATE ACTION 12/6/17
FROM: SEC. 122. MEDICAL SERVICES						
Pharmaceutical services	423,004,600	87,643,632	335,360,968	(56,989,000)		(56,989,000)
Funding sources:						
Total other federal revenues	275,481,400	70,321,800	205,159,600	(43,389,000)		(43,389,000)
State general fund/general purpose	147,523,200	17,321,832	130,201,368	(13,600,000)		(13,600,000)
TO: SEC. 122. MEDICAL SERVICES						
Health plan services	5,036,901,800	628,538,526	4,408,363,274	35,029,200		35,029,200
Funding sources:						
Total other federal revenues	3,367,488,500	413,246,401	2,954,242,099	22,691,900		22,691,900
State general fund/general purpose	204,855,100	30,052,119	174,802,981	12,337,300		12,337,300
Healthy Michigan plan	3,862,759,700	485,897,618	3,376,862,082	21,959,800		21,959,800
Funding sources:						
Total other federal revenues	3,638,166,500	461,637,136	3,176,529,364	20,697,100		20,697,100
State general fund/general purpose	172,986,900	20,191,368	152,795,532	1,262,700		1,262,700

This transfer requests \$57.0 million Gross (\$13.6 million GF/GP) to support a 1.0% increase in the capitated per member per month rates paid to Medicaid physical health plans. The current FY 2017-18 budget included sufficient funding to provide a 0.1% rate increase. Each year, the Department of Health and Human Services' independent actuaries review and adjust these rates to ensure that they meet federal actuarial soundness requirements. Even with these additional funds, the rates would still be within the actuarial soundness rate ranges.

Funding is available through the Pharmaceutical Services line item as recent forecasts indicate this line will lapse an amount similar to the FY 2016-17 lapse of \$70.8 million Gross (\$20.7 million GF/GP).