



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
STATE BUDGET OFFICE
LANSING

JOHN J. WALSH
DIRECTOR

June 1, 2018

The Honorable Dave Hildenbrand, Chair
Senate Appropriations Committee
Michigan State Senate
State Capitol
Lansing, Michigan 48909

The Honorable Laura Cox, Chair
House Appropriations Committee
Michigan State House of Representatives
State Capitol
Lansing, Michigan 48909

Dear Legislators:

Public Act 2 of 2007 (MCL 18.1371)¹ requires that the State Budget Director submit a report identifying those agencies that are spending at a rate that would exceed the level of appropriations for the fiscal year.

Based on information received from each Executive Branch agency, one agency has indicated it is spending at a rate that will exceed the appropriated level. The Department of Health and Human Services (DHHS) has identified a General Fund/General Purpose (GF/GP) shortfall of \$15 million in the financing of its information technology spending. This amount of projected overspending in the department's budget as a whole is reduced to \$8.1 million GF/GP by partially offsetting surpluses in other areas of the budget.

The department has already suspended almost all non-essential information technology initiatives in order to contain the size of the shortfall at the current level. It will continue to work aggressively to identify reductions in discretionary spending that can be made to reduce or eliminate the remaining shortfall. My office will monitor these efforts and make recommendations to you in September regarding any budget actions needed to close any shortfall that remains at that time.

Outside of DHHS, no other agency has indicated that it is spending at a rate that will cause it to exceed its spending authorization for the current fiscal year. The only exceptions to this statement would be if supplemental appropriations or legislative transfers that have been transmitted to you were not approved. Lack of approval would create general fund deficits for the applicable agencies.

¹ "Not later than June 1 of each year, the director shall submit to the chairpersons of the appropriations committees and the fiscal agencies a report that provides estimates as to which departments are spending at a rate that would exceed the level of appropriation for the fiscal year. This report shall include recommendations as to actions that need to be taken to ensure that actual expenditures do not exceed the appropriation at the close of the fiscal year."

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All Executive Branch agencies and my office will continue to monitor any unanticipated expenditure needs or declines in restricted revenues that could potentially arise later in the year and alert you to any resulting shortfalls. In particular, we will inform you if it appears that year-end caseloads in the Department of Health and Human Services will exceed the estimates adopted as part of the May 2018 consensus revenue agreement.

As a final note, Fiscal Year 2018 is the first year in which agencies are utilizing the SIGMA financial system, creating expenditure reporting uncertainties in limited areas. The SIGMA staff within the State Budget Office are actively working with affected agencies to resolve all remaining reporting issues and ensure that expenditures are properly reported and accounted for within appropriated levels prior to the close of the fiscal year.

If you have any questions about this report, please contact my office at (517) 373-7560.

Sincerely,



John J. Walsh
State Budget Director

cc: Senate Appropriations Committee
House Appropriations Committee
Senate Fiscal Agency
House Fiscal Agency
Dick Posthumus, Executive Office
Darin Ackerman, Executive Office
Departments
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