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Senate Bill 237 (as enacted)
Sponsor: Senator Roger Kahn, M.D.
Senate Committee: Appropriations
House Committee: Appropriations

PUBLIC ACT 157 OF 2011

Date Completed: 9-30-11

CONTENT

The bill would provide supplemental appropriations for fiscal year (FY) 2010-11 for six State departments as well as a capital outlay construction authorization for Montcalm Community College. The bill includes an appropriation from State General Fund/General Purpose (GF/GP) revenue to the Medicaid Benefits Trust Fund in the Department of Community Health; the elimination of the JET-Plus Program in the Department of Human Services; a GF/GP appropriation to the Department of Licensing and Regulatory Affairs for an interest payment on Federal unemployment loans; payment to the Department of Military and Veterans Affairs for costs incurred for the Mrs. Betty Ford memorial; a fund shift from State GF/GP to Federal revenue in the Department of State Police; and the appropriation of Federal, local, private, and State restricted revenue in the Department of Transportation for various rail passenger service projects. Table 1 summarizes the Adjusted Gross and GF/GP appropriations for each department.

Table 1

FY 2010-11 Supplemental Appropriations Senate Bill 237		
Department/Budget Area	Adjusted Gross	GF/GP
Capital Outlay	\$100	\$100
Community Health (Boilerplate Sec. 301)	213,800,000	213,800,000
Human Services	(8,500,000)	0
Licensing and Regulatory Affairs	38,250,000	38,250,000
Military and Veterans Affairs	100,000	100,000
State Police	0	(922,000)
Transportation	398,112,000	0
Total Supplemental Appropriations	\$641,762,100	\$251,228,100

FISCAL IMPACT

The bill would increase FY 2010-11 Adjusted Gross State appropriations by \$641.8 million and State GF/GP appropriations by \$251.2 million. The GF/GP balance sheet established during the budget target-setting process includes \$229.0 million for potential funding risks, which would be \$22.2 million less than required to cover these additional appropriations. The bill would provide funding for the following budget areas:

Capital Outlay: Public Act 278 of 2008 authorized planning for 18 college and university capital outlay projects which subsequently required construction authorization. The construction authorization for Montcalm Community College is the last of these 18 construction authorizations to come before the Legislature. The \$100 construction authorization allows for the construction of a new Advanced Technology Center building (\$5.3 million) and renovation of the existing M-TEC building (\$163,000).

Community Health: During budget target-setting discussions for FY 2010-11 and FY 2011-12, \$229.0 million was reserved on the GF/GP balance sheet for potential funding risks, including possible Federal disallowances on Medicaid funding for the Huron Valley Center, and a settlement regarding special pharmaceutical services. The State Budget Office now estimates that \$213.8 million may be needed to resolve these issues with the U.S. Centers for Medicare and Medicaid Services.

Human Services: The \$8.5 million JET-Plus Program would be eliminated, and \$8.5 million in Federal funding for the Family Independence Program would be replaced with \$8.5 million in Federal American Recovery and Reinvestment Act (ARRA) revenue. JET-Plus was initiated in FY 2007-08 as a pilot program for basic employment/career preparation in six counties and there has not been sufficient funding to move it beyond the pilot phase. There is no appropriation for JET-Plus in FY 2011-12.

Licensing and Regulatory Affairs: The Michigan Unemployment Insurance (UI) Agency received an invoice for \$106.0 million to pay for interest costs incurred when the State borrowed from the Federal government to pay for unemployment benefits during the recession. The highest balance of these Federal loans was \$3.9 billion. The UI Solvency Fund and the UI Penalty and Interest Account will pay for \$67.8 million of the \$106.0 million owed, and a State GF/GP appropriation would pay the remaining \$38.25 million balance. It is reasonable to expect that Michigan will be repaying this debt for the next four to eight years.

Military and Veterans Affairs: A GF/GP amount of \$100,000 would be appropriated for the costs incurred for Mrs. Betty Ford's memorial services.

State Police: The State Fiscal Stabilization Fund was created under the 2009 Federal ARRA legislation and consisted of two components: the Education Stabilization Fund and the Government Services Fund. The Government Services Fund provided much flexibility to the states and dollars could be used for public safety and other government services. Michigan received \$289.8 million from the Government Services Fund and appropriated the revenue for the Departments of Corrections and State Police, and for the Economic Recovery Office. Approximately \$922,000 has not been spent by the Economic Recovery Office and will lapse if not used; those dollars would be appropriated to replace GF/GP revenue in the At-Post Troopers line item.

Transportation: Michigan has been awarded \$358.9 million in competitive Federal grants for its Accelerated Rail Program. The funding for these grants comes from the Federal Railroad Administration's High-Speed Intercity Passenger Rail Program (\$158.1 million), the Federal Transit Administration (\$1.5 million), and redistributed ARRA dollars (\$199.3 million). A combination of \$39.2 million in local, private, and State Restricted Comprehensive Transportation Fund revenue would be appropriated as matching funds, for a total appropriation of \$398.1 million. Among the specific projects are the rehabilitation of track between Kalamazoo and Dearborn, the West Detroit Connection Track and Bridge Project, and construction of new rail passenger stations in Ann Arbor and Grand Rapids.

Boilerplate Language Sections

Sec. 201. Records amount of Total State Spending and payments to local units of government included in the bill.

Sec. 202. Subjects appropriations and expenditures in the bill to the provisions of the Management and Budget Act.

Sec. 203. Subjects appropriations in the bill to Federal ARRA reporting requirements.

Sec. 205. Subjects recipients of Federal ARRA funds to Federal ARRA reporting requirements.

Sec. 301. Appropriates \$213,800,000 from the State General Fund to the Medicaid Benefits Trust Fund as a reserve for potential Federal disallowances on Medicaid funding in prior fiscal years. In order to move these dollars from the Trust Fund, a separate appropriation would be required.

Sec. 401. Allows carryforward of Federal ARRA funds in the Department of Transportation.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.