

Senate Fiscal Agency  
P.O. Box 30036  
Lansing, Michigan 48909-7536Telephone: (517) 373-5383  
Fax: (517) 373-1986House Bill 5265 (as enacted)  
Sponsor: Representative Shane Hernandez  
Senate Committee: Appropriations  
House Committee: Appropriations**PUBLIC ACT 144 of 2020**

Date Completed: 8-3-20

**CONTENT**

The bill is part of the proposed fiscal year (FY) 2019-20 budget agreement, which includes an Executive Order reducing spending, work project lapses, and proposed budget implementation bills that would lapse certain Restricted funds. The supplemental would reduce General Fund/General Purpose (GF/GP) spending by \$538.7 million in Part 1 with a further \$6.9 million reduction in boilerplate while increasing Gross spending by \$1,008.7 million. Table 1 summarizes the appropriations in the supplemental.

**Table 1**

<b>FY 2019-20 Supplemental Appropriations</b>		
<b>Budget Area</b>	<b>Gross</b>	<b>GF/GP</b>
Attorney General	\$0	(\$459,600)
Corrections	0	(2,000,000)
Education	(3,000,000)	(1,865,500)
Health & Human Services	1,008,937,900	(426,649,400)
Judiciary	(3,120,000)	(2,550,000)
Labor and Economic Opportunity	(3,000,000)	0
Licensing & Regulatory Affairs	0	(1,500,000)
Military and Veterans Affairs	420,000	(147,600)
State	0	(200,000)
State Police	0	(2,693,400)
Technology, Management, and Budget	(100,000,000)	(102,582,700)
Treasury	108,453,200	1,975,000
<b>TOTAL</b>	<b>\$1,008,691,100</b>	<b>(\$538,673,200)</b>

**FISCAL IMPACT**

The bill would make a number of changes to FY 2019-20 appropriations. The largest changes would be in the Department of Health and Human Services (DHHS). These proposed changes include a \$523.6 million GF/GP savings tied to the enhanced Federal Medicaid match rate, which increased from 64.06% to 70.26%, effective retroactive to January 1, 2020. The DHHS portion of the bill recognizes \$600.0 million in Federal funds to cover projected Food Assistance Program costs. The bill includes a net increase of \$190.1 million GF/GP to cover DHHS base and caseload costs agreed to at the May 2020 Consensus Revenue Estimating Conference. The bill reflects \$125.0 million GF/GP savings in the DHHS and the Department of Technology, Management, and Budget due to the Federal decision to waive State match requirements for Federal Emergency Management Agency (FEMA) funding. The bill also includes \$47.0 million GF/GP in savings due to fund source swaps through which available excess Restricted revenues would be used to reduce GF/GP costs. Part 1 of the bill reduces GF/GP spending by \$538.7 million, but the bill also includes two boilerplate lapses of Restricted funds (Sections 501 and 701) that would further reduce GF/GP costs by a total of

\$6.9 million, so the total GF/GP impact of the bill is a reduction in GF/GP spending of \$545.6 million. Table 2 includes a more detailed listing of Part 1 appropriations in the bill.

## **FY 2019-20 BOILERPLATE LANGUAGE SECTIONS-PART 2**

**Sec. 201. General.** Records amount of total State spending and payments to local units of government.

**Sec. 202. General.** Subjects appropriations and expenditures in the article to the provisions of the Management and Budget Act.

**Sec. 203. General.** Directs that, if the State Administrative Board transfers funds appropriated in the Act, the Legislature may, by concurrent resolution requiring a majority vote in each chamber, transfer funds within a particular department, board, commission, officer, or institution.

**Sec. 204. General.** Directs that appropriated funds are subject to Federal audit and reporting requirements. Requires prompt action if instances of noncompliance are identified and directs the State Budget Director to rectify any noncompliance issues and to inform the Appropriations Committees and fiscal agencies in the case of noncompliance. Requires all subrecipients receiving funds to comply with Federal receipt provisions requirements in the Coronavirus Aid, Relief, and Economic Security (CARES) Act and permits State departments administering Federal funds to require documentation necessary to ensure compliance. Directs that any funding to a subrecipient that does not adhere to CARES Act provisions be returned to the State and requires the State Budget Director to withhold payment of State funds to any subrecipient that does not spend funds consistent with the CARES Act or Federal regulations.

**Sec. 205. General.** Requires the State Budget Director to report monthly on all coronavirus relief effort funds to the Appropriations Committees and the fiscal agencies.

**Sec. 206. General.** Directs that Federal Coronavirus Relief Fund (CRF) dollars in part 1 of the bill that are appropriated in this bill supersede and replace CRF dollars that were authorized under authority granted to the Governor for 90 days under Public Act 67 of 2020.

**Sec. 401. Health and Human Services.** Creates a two-way risk corridor for FY 2019-20 for existing contracts with Medicaid health plans. This risk corridor would be designed to help recapture reduced costs and resultant net revenues accruing to Medicaid health plans during the COVID-19 pandemic when many medical procedures were delayed. The risk corridor would allow for the first portion of any net costs or savings to accrue to the Medicaid health plans, with the next portion of any net costs or savings being split 50-50 between the Medicaid health plans and the State. The final portion of any net costs or savings would be 100% at the State's risk.

**Sec. 402. Health and Human Services.** Sets conditions on funding appropriated in the bill to the West Michigan Partnership for Children Consortium in Kent County. The language creates a restructured payment methodology using a global capitated payment model based on historical averages of children in foster care and their average cost. The Consortium would be required to manage the cost of the population served and the capitated payment amount would be reviewed and adjusted on a periodic basis. The language also requires that the Consortium maintain a risk reserve of at least \$1.5 million and requires the Consortium to submit a plan on how they will manage expenses.

**Sec. 501. Labor and Economic Opportunity.** Directs that the State Budget Director effectuate a transfer of \$1.4 million from Restricted funds within the Michigan Strategic Fund to the General Fund.

**Sec. 502. Labor and Economic Opportunity.** Rewrites the Small Business Restart Grant language (Sec. 503 of Public Act 123 of 2020) to change the cap of \$20,000 to allow a business that received a grant under the Michigan Small Business Relief Program to receive a grant for up to the amount between what they received and \$20,000.

**Sec. 601. Legislature.** States intent of the Legislature that \$9,418,300 in State GF/GP work project authorization funds will lapse from the Legislature's budget in FY 2019-20.

**Sec. 701. Transportation.** Directs the State Budget Director to take actions necessary to lapse remaining revenue from the Roads and Risks Reserve Fund.

**Sec. 801. Treasury.** Rewrites the First Responder Hazard Pay Premiums language (Sec. 601 of Public Act 123 of 2020) to expand the definition of applicant to include a local government authority, intergovernmental agency, or organization that employs local public safety or local public health personnel that was established by a municipality or group of municipalities for the primary purpose of providing public safety or public health services.

**Sec. 802. Treasury.** Language governing the teacher COVID-19 grants appropriated in part 1. Directs that equal payments be made to eligible K-12 classroom teachers who teach in a public school or nonprofit nonpublic school. Directs that grants be up to \$500 per full-time equated teacher. Permits the Department of Treasury to retain up to 0.5% of the funding for administrative costs.

**Sec. 803. Treasury.** Rewrites the Local Units of Government grants language (Sec. 604 of Public Act 123 of 2020) to extend the submission date from July 17, 2020, to one week after the effective date of the bill. Expands the entities eligible to receive funding to include local government authorities, intergovernmental agencies, or organizations that employ local public safety or local public health personnel. Directs that counties or cities that received direct Federal allocations are only eligible to the extent that they reimbursed, with non-Federal funds, contracting local units of government, local government authorities, or intergovernmental agencies for costs of contracted non-Federal payroll for the eligible period.

**Sec. 804. Treasury.** Directs the Department of Treasury to reduce city, village, and township revenue sharing, county revenue sharing, and the county incentive program by amounts equivalent to each local unit's August revenue sharing payment.

**Sec. 805. Treasury.** Directs that the Coronavirus Relief Grants in part 1 be distributed to cities, villages, townships, and counties that would have received revenue sharing payments in August, proportionate to the size of the reduction. Directs that recipient entities spend received funds in compliance with the provisions of the Federal CARES Act, and requires any funds not spent in an appropriate manner to be returned to the State.

**Sec. 806. Treasury.** Directs that State funds to local units of government for the remainder of the fiscal year be appropriated only if the revenue is necessary to satisfy debt service obligations through an intercept agreement between the local unit and the state treasurer before July 1, 2020, and the amount of revenue does not exceed the amount of revenue sharing revenue the local unit was scheduled to receive in August 2020, with the local unit agreeing to return the full amount of the appropriation from any legally available funds. If a local unit is unable to return the revenue, the Department of Treasury must establish a receivable and recoup the amount from revenue sharing payments in FY 2020-21.

**Enacting Section 1.** Repealers. Repeals provisions in Public Acts 66 and 67 of 2020 governing the Coronavirus Public Health Emergency and Coronavirus Response Fund as those two lines would be zeroed out in this bill. Enacting Section 1 also repeals boilerplate from Public Act 123 of 2020 that would be rewritten and replaced by Sections 502, 801, and 803 of the bill.

**Table 2**

**FY 2019-20 Supplemental Appropriations**

<b>Department/Program</b>	<b>Gross</b>	<b>Federal</b>	<b>Other</b>	<b>GF/GP</b>
<b>Attorney General</b>				
Operations Fund	\$0	\$0	\$459,600	(\$459,600)
<b>Total Attorney General</b>	<b>\$0</b>	<b>\$0</b>	<b>\$459,600</b>	<b>(\$459,600)</b>
<b>Corrections</b>				
Parole and Probation oversight fees	\$0	\$0	\$2,000,000	(\$2,000,000)
<b>Total Corrections</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,000,000</b>	<b>(\$2,000,000)</b>
<b>Education</b>				
Certification fees fund shift	\$0	\$0	\$1,865,500	(\$1,865,500)
Child development & care caseload consensus	(3,000,000)	(3,000,000)	0	0
<b>Total Education</b>	<b>(\$3,000,000)</b>	<b>\$3,000,000</b>	<b>\$1,865,500</b>	<b>(\$1,865,500)</b>
<b>Health and Human Services</b>				
Child welfare base and caseload consensus	\$23,039,100	(\$5,173,500)	\$2,501,100	\$25,711,500
Public assistance base and caseload consensus	33,591,800	5,000,000	(2,131,300)	30,723,100
Food assistance expenditure adjustment	600,000,000	600,000,000	0	0
Behavioral health services base consensus	82,506,500	65,382,200	(2,028,100)	19,152,400
Medical services base and caseload consensus	425,584,900	289,167,800	21,934,200	114,482,900
Remove GF/GP for FEMA match	(25,000,000)	0	0	(25,000,000)
West Michigan Partnership for Children base	10,650,000	2,695,000	0	7,955,000
Federal and local grant adjustments	20,792,700	9,750,000	11,042,700	0
Fund source savings from GME shift	0	2,746,000	0	(2,746,000)
Recognition of Health Plan savings	(162,227,100)	(127,227,100)	0	(35,000,000)
Recognize additional AIDS drug rebate revenue	30,000,000	0	30,000,000	0
Medicaid Benefits Trust Fund revenue	0	0	10,000,000	(10,000,000)
Recognize add'l newborn screening revenue	0	0	1,000,000	(1,000,000)
Recognition of TANF savings from LEO	0	3,000,000	0	(3,000,000)
1st/3rd party revenue to support State facilities	0	0	13,100,000	(13,100,000)
Impact of enhanced Federal Medicaid match rate	(30,000,000)	493,328,300	0	(523,328,300)
Recognition of additional Merit Award revenue	0	0	11,500,000	(11,500,000)
<b>Total Health and Human Services</b>	<b>\$1,008,937,900</b>	<b>\$1,338,668,700</b>	<b>\$96,918,600</b>	<b>(\$426,649,400)</b>
<b>Judiciary</b>				
Discretionary spending reductions	(\$3,120,000)	\$0	(\$570,000)	(\$2,550,000)
<b>Total Judiciary</b>	<b>(\$3,120,000)</b>	<b>\$0</b>	<b>(\$570,000)</b>	<b>(\$2,550,000)</b>
<b>Labor and Economic Opportunity</b>				
Boilerplate lapse of prior year restricted funds	\$0	\$0	\$0	\$0
Small business restart grants pos/neg (\$100M)	0	0	0	0
Workforce development TANF lapse	(3,000,000)	(3,000,000)	0	0
<b>Total Labor and Economic Opportunity</b>	<b>(\$3,000,000)</b>	<b>(\$3,000,000)</b>	<b>\$0</b>	<b>\$0</b>
<b>Licensing and Regulatory Affairs</b>				
Fire service fees fund shift	\$0	\$0	\$1,400,000	\$1,400,000
Construction codes fund shift	0	0	100,000	100,000
<b>Total Licensing and Regulatory Affairs</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,500,000</b>	<b>\$1,500,000</b>
<b>Military and Veterans Affairs</b>				
Youth ChalleNGe grants fund source	\$0	\$0	\$567,600	(\$567,600)
National guard	420,000	0	0	420,000
<b>Total Military and Veterans Affairs</b>	<b>\$420,000</b>	<b>\$0</b>	<b>\$567,600</b>	<b>(\$147,600)</b>
<b>State</b>				
Transportation admin collection fund fund shift	\$0	\$0	\$200,000	(\$200,000)
<b>Total State</b>	<b>\$0</b>	<b>\$0</b>	<b>\$200,000</b>	<b>(\$200,000)</b>
<b>State Police</b>				
Narcotics-related forfeiture revenue	\$0	\$0	\$2,693,400	(\$2,693,400)
<b>Total State Police</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,693,400</b>	<b>(\$2,693,400)</b>

<b>Technology, Management, and Budget</b>				
Procurement services fund shift	\$0	\$0	\$2,582,700	(\$2,582,700)
Remove GF/GP for FEMA match	(100,000,000)	0	0	(100,000,000)
<b>Total Technology, Management, and Budget</b>	<b>(\$100,000,000)</b>	<b>\$0</b>	<b>\$2,582,700</b>	<b>(\$102,582,700)</b>
<b>Treasury</b>				
Discretionary spending savings	(\$2,025,000)	\$0	\$0	(\$2,025,000)
Reduction to revenue sharing	(96,521,900)	0	(96,521,900)	0
1st responder hazard pay positive/negative (\$100M)	0	0	0	0
Local units positive/negative (\$200M)	0	0	0	0
Coronavirus relief local government payments	150,000,000	150,000,000	0	0
Non-teacher school employee COVID-19 grants	100	100	0	0
Teacher COVID-19 grants	53,000,000	53,000,000	0	0
Presidential primary	4,000,000	0	0	4,000,000
<b>Total Treasury</b>	<b>\$108,453,200</b>	<b>\$203,000,100</b>	<b>(\$96,521,900)</b>	<b>\$1,975,000</b>
<b>Total FY 2019-20 Supplemental Appropriations</b>	<b>\$1,008,691,100</b>	<b>\$1,535,668,800</b>	<b>\$11,695,500</b>	<b>(\$538,673,200)</b>

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