



STATE OF MICHIGAN
 STATE BUDGET OFFICE
 LANSING

GRETCHEN WHITMER
 GOVERNOR

CHRISTOPHER M. HARKINS
 DIRECTOR

November 30, 2022

The Honorable Jim Stamas, Chair
 Senate Appropriations Committee
 Michigan State Senate
 State Capitol
 Lansing, Michigan 48909

The Honorable Mary Whiteford, Chair
 House Appropriations Committee
 Michigan House of Representatives
 State Capitol
 Lansing, Michigan 48909

Dear Legislators:

SUBJECT: Supplemental Request 2022-9

Attached please find supplemental recommendations for fiscal year 2022 totaling \$19.4 million Gross (\$0 million General Fund). I am requesting these supplemental recommendations for departments to complete the fiscal year 2022 book close process as recommendations, originally requested in transfer letters 2022-7 and 2022-8, did not receive legislative action. In addition to the items outlined in this letter, there are items included in previous supplemental letters 2022-7 and 2022-8 that are also needed for departments to close their books.

The supplemental recommendations are summarized by department below.

<u>Department</u>	<u>GF/GP</u>	<u>Gross</u>
Corrections	\$0	\$0
Health and Human Services	\$0	\$19,409,000
Military and Veterans Affairs	\$0	\$0
Treasury	\$0	\$0
Total	\$0	\$19,409,000

If you have any questions regarding this request, please contact my office at (517) 335-3420.

Sincerely,

Christopher M. Harkins
 State Budget Director

Attachment

Senator Jim Stamas
Representative Mary Whiteford
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cc: Mike Shirkey, Senate Majority Leader
Jason Wentworth, Speaker of the House
Jim Ananich, Senate Minority Leader
Donna Lasinski, House Minority Leader
Senate Appropriations Committee
House Appropriations Committee
Senate Fiscal Agency
House Fiscal Agency

Departments
JoAnne Huls, Chief of Staff
Tricia Foster, Chief Operating Officer
Jen Flood, Deputy Chief of Staff
Heather Boyd, Office of Financial Management
Internal State Budget Office

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Corrections

Appropriation Summary	Appn/Fund	
GROSS APPROPRIATION		0
Total interdepartmental grants and interdepartmental transfers	IDGT	0
ADJUSTED GROSS APPROPRIATION		0
Total federal revenues	FDRL	0
Total local revenues	LOCL	0
Total private revenues	PRIV	0
Total other state restricted revenues	STRS	0
State general fund/general purpose	GFGP	0
CORRECTIONAL FACILITIES ADMINISTRATION	Appn/Fund	
Transportation	67800	920,000
GROSS APPROPRIATION		920,000
Appropriated from:		
State general fund/general purpose	1000	920,000
HEALTH CARE	Appn/Fund	
Clinical complexes	36140	10,000,000
Prisoner health care services	59250	(10,000,000)
GROSS APPROPRIATION		0
Appropriated from:		
State general fund/general purpose	1000	0

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CORRECTIONAL FACILITIES

Appn/Fund

Alger Correctional Facility - Munising	22100	(258,900)
Baraga Correctional Facility - Baraga	22120	(352,300)
Carson City Correctional Facility - Carson City	22160	(408,500)
Gus Harrison Correctional Facility - Adrian	22340	(422,200)
Kinross Correctional Facility - Kincheloe	22380	(350,200)
Macomb Correctional Facility - New Haven	22420	748,000
Michigan Reformatory - Ionia	22460	(333,900)
Special alternative incarceration program - Jackson	22640	(920,000)
Thumb Correctional Facility - Lapeer	22680	624,000
Woodland Correctional Facility - Whitmore Lake	22720	754,000
GROSS APPROPRIATION		(920,000)
Appropriated from:		
State general fund/general purpose	1000	(920,000)

Explanation

This supplemental will provide funding for higher than budgeted prisoner transportation costs due to staff retention premiums and higher fuel costs. Funding is available due to fewer court sentences to the Special Alternative Incarceration program. This recommendation was originally requested in transfer letter 2022-8.

Additionally, this supplemental request will support the payment of staff retention premiums at the Macomb, Thumb, and Woodland Correctional Facilities. Funding is available to transfer authorization from facilities that had housing unit closures during the fiscal year. This recommendation was originally requested in transfer letter 2022-8.

Finally, this supplemental request will provide for higher than anticipated onsite clinical costs. Funding is available in the Prisoner Health Care Services line due to lower than budgeted offsite health care costs. This recommendation was originally requested in transfer letter 2022-8.

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Health and Human Services

Appropriation Summary		Appn/Fund
GROSS APPROPRIATION		19,409,000
Total interdepartmental grants and interdepartmental transfers	IDGT	0
ADJUSTED GROSS APPROPRIATION		19,409,000
Total federal revenues	FDRL	8,409,000
Total local revenues	LOCL	0
Total private revenues	PRIV	0
Total other state restricted revenues	STRS	11,000,000
State general fund/general purpose	GFGP	0
DEPARTMENTAL ADMINISTRATION AND SUPPORT		Appn/Fund
Office of inspector general	49250	(1,000,000)
GROSS APPROPRIATION		(1,000,000)
Appropriated from:		
State general fund/general purpose	1000	(1,000,000)
CHILDREN'S SERVICES AGENCY - CHILD WELFARE		Appn/Fund
Children's protective services - caseload staff	35554	(8,000,000)
Family preservation programs	42850	(8,000,000)
Raise the age fund	61380	(10,000,000)
GROSS APPROPRIATION		(26,000,000)
Appropriated from:		
State general fund/general purpose	1000	(26,000,000)
PUBLIC ASSISTANCE		Appn/Fund
Family independence program	42750	3,600,000
Indigent burial	48950	(800,000)
State supplementation	65950	800,000
GROSS APPROPRIATION		3,600,000
Appropriated from:		
Social security act, temporary assistance for needy families	3510	1,600,000
State general fund/general purpose	1000	2,000,000

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FIELD OPERATIONS AND SUPPORT SERVICES

Appn/Fund

Contractual services, supplies, and materials	37830	3,000,000
Electronic benefit transfer (EBT)	41050	(1,500,000)
Public assistance field staff	44050	(3,540,000)
GROSS APPROPRIATION		(2,040,000)
Appropriated from:		
Social security act, temporary assistance for needy families	3510	(2,040,000)
State general fund/general purpose	1000	0

BEHAVIORAL HEALTH PROGRAM ADMINISTRATION AND SPECIAL PROJECTS

Appn/Fund

Family support subsidy	42950A	440,000
GROSS APPROPRIATION		440,000
Appropriated from:		
Social security act, temporary assistance for needy families	3510	440,000

BEHAVIORAL HEALTH SERVICES

Appn/Fund

Autism services	31650	(1,100,000)
Certified community behavioral health clinic demonstration	33935	34,000,000
Community mental health non-Medicaid services	37000	(13,000,000)
Federal mental health block grant	43750	2,700,000
Health homes	47100	(2,700,000)
Healthy Michigan plan - behavioral health	47620	6,000,000
Medicaid mental health services	52700	(40,000,000)
Medicaid substance use disorder services	52800	1,100,000
GROSS APPROPRIATION		(13,000,000)
Appropriated from:		
Federal funds	3000	0
State general fund/general purpose	1000	(13,000,000)

STATE PSYCHIATRIC HOSPITALS AND FORENSIC MENTAL HEALTH SERVICES

Appn/Fund

Caro Regional Mental Health Center - psychiatric hospital - adult	33450	1,500,000
Hawthorn Center - psychiatric hospital - children and adolescents	46750	7,000,000
Kalamazoo Psychiatric Hospital - adult	50550	(1,100,000)
Walter P. Reuther Psychiatric Hospital - adult	69250	2,100,000
GROSS APPROPRIATION		9,500,000
Appropriated from:		
Federal funds	3000	4,000,000
Other state restricted revenues	1200	5,500,000

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EPIDEMIOLOGY, EMERGENCY MEDICAL SERVICES, AND LABORATORY	Appn/Fund	
PFAS and environmental contamination response	58520	(4,000,000)
GROSS APPROPRIATION		(4,000,000)
Appropriated from:		
State general fund/general purpose	1000	(4,000,000)
FAMILY HEALTH SERVICES	Appn/Fund	
Prenatal care outreach and service delivery support	58900	(8,000,000)
GROSS APPROPRIATION		(8,000,000)
Appropriated from:		
State general fund/general purpose	1000	(8,000,000)
CHILDREN'S SPECIAL HEALTH CARE SERVICES	Appn/Fund	
Medical care and treatment	52850	(17,900,000)
GROSS APPROPRIATION		(17,900,000)
Appropriated from:		
Federal funds	3000	(14,000,000)
Private funds	5000	200,000
State general fund/general purpose	1000	(4,100,000)
MEDICAL SERVICES ADMINISTRATION	Appn/Fund	
Medical services administration	53000	25,000
GROSS APPROPRIATION		25,000
Appropriated from:		
Other state restricted revenues	1200	25,000
MEDICAL SERVICES	Appn/Fund	
Adult home help services	30400	3,500,000
Ambulance services	31000	3,731,100
Auxiliary medical services	31800	353,100
Dental services	39270	16,300,000
Federal Medicare pharmaceutical program	43700	(12,000,000)
Health plan services	47300	(160,300,900)
Healthy Michigan plan	47600	(47,644,500)
Home health services	48000	729,700
Hospice services	48250	16,355,900
Hospital disproportionate share payments	48300	353,100

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Hospital services and therapy	48350	(9,800,000)
Integrated care organizations	49450	2,000,000
Long-term care services	51950	71,000,000
Medicaid home- and community-based services waiver	52650	3,500,000
Medicare premium payments	53150	12,000,000
Personal care services	58400	706,200
Pharmaceutical services	58550	44,800,000
Physician services	58600	63,262,600
School-based services	63450	30,000,000
Special Medicaid reimbursement	64900	(16,730,600)
Transportation	67805	1,259,300
GROSS APPROPRIATION		23,375,000
Appropriated from:		
Federal funds	3000	14,000,000
Private funds	5000	(200,000)
Other state restricted revenues	1200	(2,780,600)
Quality assurance assessment tax	1902	8,255,600
State general fund/general purpose	1000	4,100,000

ONE-TIME APPROPRIATIONS

Appn/Fund

ARP - health care recruitment, retention, and training	T31240	50,000,000
Family violence prevention and services	T42870	4,409,000
GROSS APPROPRIATION		54,409,000
Appropriated from:		
Federal funds	3000	4,409,000
State general fund/general purpose	1000	50,000,000

Boilerplate

Sec. xxx. (1) From the funds appropriated in part 1 for ARP - health care recruitment, retention, and training, the department shall allocate \$50,000,000 for grants and contracts to support hospital staffing.

(2) The unexpended funds appropriated in part 1 for ARP - health care recruitment, retention, and training are designated as a work project appropriation, and any unencumbered or unallotted funds shall not lapse at the end of the fiscal year and shall be available for expenditures for projects under this section until the projects have been completed. The following is in compliance with section 451a of the management and budget act, 1984 PA 431, MCL 18.1451a:

- (a) The purpose of the project is to provide grants and contracts to support hospital staffing.
- (b) The project will be accomplished by utilizing state employees or contracts.
- (c) The total estimated cost of the project is \$50,000,000.00.
- (d) The tentative completion date is September 30, 2026.

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Explanation

This supplemental includes adjustments necessary to close the books for FY 2022. Most were previously requested in transfer letters 2022-7 and 2022-8. Specifically, they include the following:

Federal, state restricted and general fund authorization adjustments among Medicaid physical health lines to align with the forecasted final FY 2022 expenditures. These adjustments are necessary to account for all payments made to Medicaid providers for services provided in FY 2022.

Private authorization adjustments in CSHCS Medical Care and Treatment to recognize tribal pharmacy funding to cover non-federal costs for non-tribal beneficiaries at Tribal Health Centers.

SNAF revenue adjustments in Medical Services Administration. Each year a portion of SNAF and physician adjustor revenue is provided to the Medical Services Administration line item to cover the cost of processing those payments. A portion of FY 2021 SNAF revenue was not included in the FY 2021 accrual and is therefore available in FY 2022. That increase pushes total available state restricted revenue above authorized amounts.

\$5.5 million in state restricted authority to the Health Plan Services, Healthy Michigan Plan, and Long-Term Care Services appropriations. This authority will be necessary if collected or accrued QAAP tax revenue is higher than anticipated. QAAP tax accruals will not be finalized until early-December.

\$440,000 in Temporary Assistance for Needy Families (TANF) authorization from the Public Assistance Field Staff line to the Family Support Subsidy line. Actual caseloads have been significantly higher than projected, creating the need for this transfer. TANF authorization is available in the Public Assistance Field Staff line due to lower than anticipated expenditures in FY 2022 that qualify for TANF funds per the random moment time study.

State restricted and federal authorization adjustments to align authorization with projected revenues and expenditures within the following state psychiatric hospital lines:

- \$4.0 million in state restricted and \$3.0 million in federal authorization to the Hawthorn Center - psychiatric hospital - children and adolescent line.

- \$1.0 million in federal authorization to the Walter P. Reuther Psychiatric Hospital - adult line.

- \$1.1 million in other state restricted authorization from the Kalamazoo Psychiatric Hospital - adult line to the Walter P. Reuther Psychiatric Hospital - adult line.

- State restricted increase at Caro Hospital to align authorization with anticipated revenue.

A federal authorization increase in the Federal Mental Health Block Grant line to allow expenditure of available revenue on eligible costs in FY 2022. DHHS anticipates a payable of roughly \$5.9M in the FY 2022 accrual. Federal authority from the Health Homes line is available for transfer due to lower than anticipated expenditures in FY 2022.

An increase in the Certified Community Behavioral Health Clinics (CCBHC) line of \$31.0 million Gross / \$12.0 million general fund. The CCBHC demonstration expands behavioral health services to Medicaid and non-Medicaid individuals through supplemental payments. Supplemental payments are being made prospectively based on the anticipated number of eligible participants in each service area and the estimated number of daily visits. Reconciliation will be done annually to the true number of daily visits. An accrual or lapse will be determined from this reconciliation.

This supplemental includes an additional increase of \$3 million in federal authorization in the Certified Community Behavioral Health (CCBHC) line. The increase is needed because settlement costs for the Serious Mental Illness (SMI) population were budgeted to split between the Medicaid Mental Health Services and CCBHC lines. Operationally, they were instead booked entirely in the CCBHC line. This resulted in a shortfall in the CCBHC line and a surplus in the Medicaid Mental Health Services line.

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A shift of federal and general fund between behavioral health Medicaid lines to align with forecasted final expenditures for FY 2022.

\$4.4 million federal for the Family Violence Prevention and Services Act (FVPSA) Rape Crisis Services and Support grant. DHHS has already received authorization for two grants in a FY 2022 supplemental before this third award became known. DHHS is requesting that this funding is added to a one-time line that was established for other FVPSA funding that was received in FY 2022.

\$800,000 in general fund to fully fund the State Supplementation appropriation to account for updated forecasted spending. The increase is necessary to accommodate higher expenditures than anticipated during the May 2022 caseload consensus. General fund is available in the Indigent Burial line due to lower than anticipated expenditures in FY 2022.

\$1.6 million in Temporary Assistance for Needy Families (TANF) authorization to fund anticipated FY 2022 Family Independence Program (FIP) expenditures. The increase is necessary to accommodate higher expenditures than anticipated during the May 2022 caseload consensus. Temporary Assistance for Needy Families authorization is available in the Public Assistance Field Staff line due to lower than anticipated expenditures in FY22 that qualify for TANF funds per the random moment time study.

\$1.5 million in general fund from the Public Assistance Field Staff line and \$1.5 million in general fund from the Electronic Benefits Transfer (EBT) line to the Contractual Services, Supplies and Materials line due to increased employment verification contract costs. The FY 2023 budget authorization for the Contractual Services, Supplies, and Materials line has been increased \$5.3 million for the increased contract costs. General Fund was available to transfer from the Public Assistance Field Staff and Electronic Benefits Transfer lines due to lower than anticipated expenditures in FY 2022.

Additionally, this supplemental shifts \$50 million from various non-caseload lines to the ARP - Health Care Recruitment, Retention, and Training line for grants and contracts to support hospital staffing.

Lastly, this request shifts \$2 million general fund from the Family Preservation Programs line to the Family Independence Program (FIP) line. The increase in FIP is needed due to lower than anticipated child support collections revenue in FY 2022.

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Military and Veterans Affairs

Appropriation Summary	Appn/Fund	
GROSS APPROPRIATION		0
Total interdepartmental grants and interdepartmental transfers	IDGT	0
ADJUSTED GROSS APPROPRIATION		0
Total federal revenues	FDRL	0
Total local revenues	LOCL	0
Total private revenues	PRIV	0
Total other state restricted revenues	STRS	0
State general fund/general purpose	GFGP	0
MICHIGAN VETERANS AFFAIRS AGENCY	Appn/Fund	
Michigan veterans affairs agency administration	54350	62,000
Veterans service grants	68750	(62,000)
GROSS APPROPRIATION		0
Appropriated from:		
State general fund/general purpose	1000	0
MICHIGAN VETERANS' FACILITY AUTHORITY	Appn/Fund	
Chesterfield Township home for veterans	33970	500,000
D.J. Jacobetti home for veterans	38850A	(1,700,000)
Grand Rapids home for veterans	45800A	1,200,000
GROSS APPROPRIATION		0
Appropriated from:		
HHS-HCFA, title XIX, Medicaid	3277	1,800,000
USDVA-VHA	3278	(1,800,000)

Explanation

This supplemental transfers \$62,000 in General Fund authorization from the Veterans Services Grants line to the Michigan Veterans Affairs Agency Administration line to support costs for the development of a grants management system. Spending authority is available in the Veterans Service Grants line due to the grantee not having earned the full amount available. This recommendation was originally requested in transfer letter 2022-8.

Additionally, the request includes a net-zero supplemental needed due to Medicaid revenue coming in higher than originally projected, based on re-pricing from DHHS. Authorization is available in the VHA appropriation as VHA revenues did not come in as high as projected. Increased Medicaid authorization totals \$1.8 million, including \$100,000 for the Jacobetti home, \$1.2 million for the Grand Rapids home, and \$500,000 for the Chesterfield Township home.

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Treasury

Appropriation Summary	Appn/Fund	
GROSS APPROPRIATION		0
Total interdepartmental grants and interdepartmental transfers	IDGT	0
ADJUSTED GROSS APPROPRIATION		0
Total federal revenues	FDRL	0
Total local revenues	LOCL	0
Total private revenues	PRIV	0
Total other state restricted revenues	STRS	0
State general fund/general purpose	GFGP	0
REVENUE SHARING	Appn/Fund	
City, village, and township revenue sharing	23100	(102,875)
Financially distressed cities, villages, or townships	23300	102,875
GROSS APPROPRIATION		0
Appropriated from:		
Sales tax	1411	0

Explanation

This supplemental request will make unexpended City, Village, and Township Revenue Sharing (CVTRS) funds available for expenditure under the program for Financially Distressed Cities, Villages, or Townships (FDCVT), in accordance with boilerplate section 952(5) of 2021 PA 87. There were no funds remaining in the County Incentive Program (CIP) to transfer for fiscal year 2022.

CVTRS funds are available due to eligible units not qualifying for some or all of their payments. The FDCVT grant program supports grant funding to cities, villages, or townships with one or more conditions that indicate probable financial distress to pay for specific projects, services, or strategies that move a local unit toward financial stability. This supplemental is requested as part of fiscal year 2022 book closing. Consistent with prior years, these amounts should not be rounded. This recommendation was originally requested in transfer letter 2022-8.