



STATE OF MICHIGAN  
STATE BUDGET OFFICE  
LANSING

GRETCHEN WHITMER  
GOVERNOR

CHRIS KOLB  
DIRECTOR

June 1, 2020

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

The Honorable Shane Hernandez, Chair  
House Appropriations Committee  
Michigan House of Representatives  
State Capitol  
Lansing, Michigan 48909

Dear Legislators:

Section 371 of the Management and Budget Act 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.<sup>1</sup> Based on information received from each Executive Branch agency, no agency has indicated it is spending at a rate that will cause it to exceed its spending authorization for the current year. The only exceptions would be if the legislative transfers that will be transmitted between now and fiscal year end are not approved. Lack of approval could generate deficits for the agencies within specific line items.

For your awareness, agencies identified two key issues that they will be closely monitoring through the remaining months of the fiscal year and making adjustments to expenditures as needed:

- The Department of Environment, Great Lakes, and Energy is closely monitoring the Oil and Gas Fee. This fee is based on the gross cash market value of oil and gas that is produced in Michigan. The fee is not to exceed 1% of production. However, due to the Coronavirus-19 public health emergency, the demand and price per barrel for oil and gas is declining.
- The Department of Health and Human Services continues to tighten controls over information technology expenditures and anticipates spending to be within current budget amounts. The corrective action plan from fiscal year 2019 has continued to reduce the information technology expenditures in the current year. The department will closely monitor GF/GP spending over the coming months and anticipates a year-end legislative transfer to align funding within administrative and information technology lines.

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 will alert you to any resulting shortfalls. In particular, we will inform you if it appears that

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<sup>1</sup> "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."

Senator Jim Stamas  
Representative Shane Hernandez  
Page 2  
June 1, 2020

year-end caseloads in DHHS will exceed the estimates adopted by the administration and legislative fiscal agencies as part of the May 2020 consensus revenue agreement.

If you have any questions about this report, please do not hesitate to contact me or Kyle Jen, Deputy State Budget Director.

Sincerely,



Chris Kolb  
State Budget Director

cc: Mike Shirkey, Senate Majority Leader  
Lee Chatfield, Speaker of the House  
Jim Ananich, Senate Minority Leader  
Christine Greig, House Minority Leader  
Senate Appropriations Committee  
House Appropriations Committee  
Senate Fiscal Agency

Departments  
JoAnne Huls, Chief of Staff  
Tricia Foster, Chief Operating Officer  
Jen Flood, Legislative and Public Affairs Director  
Kyle Jen, Deputy State Budget Director  
Internal State Budget Office  
House Fiscal Agency