

MEMORANDUM



DATE: March 7, 2016 (REVISED 4/29/16)
TO: Members of the House of Representatives
FROM: Mary Ann Cleary, Director *MAC*
RE: Flint Water Emergency Appropriations - REVISED

On January 5, 2016, Governor Snyder proclaimed a state of emergency within the City of Flint due to the leaching of lead into the city's water supply, posing a threat to public health and safety (especially elevated blood lead levels of children and pregnant women). The Legislature approved an extension of the state of emergency until April 14, 2016, to coincide with the federal Presidential Emergency Declaration announced on January 16, 2016 at the request of Governor Snyder.

The Legislature has already enacted some appropriations to address this emergency, and additional appropriations were requested by the Governor in conjunction with the release of the FY 2016-17 budget recommendation. This memo summarizes both enacted and requested appropriations related to the Flint water emergency.

FY 2015-16 Supplemental Appropriations

To date, the State Budget Office (SBO) has submitted four requests for supplemental appropriations to the FY 2015-16 budget related to the Flint water emergency, totaling \$194.1 million Gross (\$160.7 million GF/GP).

- The Legislature, has enacted, with some adjustments, two of these requests and a portion of a third, totaling \$67.4 million Gross (\$59.8 million GF/GP).
- The remaining requests, totaling \$126.7 million Gross (\$101.0 million GF/GP), are currently under consideration.

Given the uncertainties inherent in budgeting for emergency response activities, several of these supplemental appropriations, specifically portions of those for the Departments of Education and Health & Human Services, are anticipated to be sufficient only for partial-year expenditures. Accordingly, SBO has requested the appropriation of \$64.1 million in reserves: \$14.1 million in federal funds designated as a work project to provide childcare and other necessary services for children and \$50.0 million GF/GP deposited into the newly created Flint Emergency Reserve Fund. The GF/GP funds deposited into the reserve fund would be available via transfer or supplemental for the future needs of children and families within Flint.

In addition to the amounts above, the \$3.9 million fund balance of the Disaster and Emergency Contingency Fund is anticipated to be expended under statutory and boilerplate authorization to support the operations of the State Emergency Operations Center (SEOC) and Joint Information Center (JIC), including overtime and incidental expenses for the Flint Water Response Team. The SEOC and JIC are staffed by personnel from the Michigan State Police and multiple state agencies as well as FEMA and other organizations performing and coordinating emergency response and recovery activities and protocols.

FY 2016-17 Recommended Appropriations

In addition to the request for supplemental appropriations for FY 2015-16, the Executive Recommendation for the FY 2016-17 state budget includes \$38.7 million (\$24.6 million GF/GP) in one-

time appropriations for expenditures related to the Flint water emergency. Many of these expenditures would support the continuation of spending on activities initiated during FY 2015-16. However, similar to the supplemental requests for FY 2015-16, several of the one-time appropriations for FY 2016-17 are anticipated to be insufficient for full-year expenditures and could be supplemented via the work project of federal funds or a transfer from the Flint Emergency Reserve Fund.

Summary of Total Flint Water Emergency Appropriations

Appendix A summarizes the \$236.7 million Gross (\$186.8 million GF/GP) in total enacted and requested appropriations for FYs 2015-16 and 2016-17 by expenditure category, state department, and fund source. The following lists are intended to offer a brief description of the appropriations requested and enacted for the Flint water emergency and are not comprehensive or definitive.

Expenditure Categories

- Safe Drinking Water: purchase bottled water and filters, sample and test drinking water, inspect and replace plumbing fixtures and lead service lines, reconnect to Detroit water system
- Physical, Social, and Educational Well-Being: assess and abate residential lead hazards, test and treat children for high blood lead levels, expand childcare, developmental, and preschool services
- Food and Nutrition: provide access to fresh fruits and vegetables, food bank resources, nutritional services and assistance, inspect food establishments
- Water Bill Relief: provide reimbursement for partial credits against water bills
- Reserves: establish reserve of state General Fund and federal funds for future Flint-related needs
- Emergency Response Operations: support operations of the SEOC and JIC, including the Flint Water Response Team and Flint Water Interagency Coordinating Committee

State Departments

- Education: expand childcare services, provide access to fresh fruits and vegetables, support wraparound services and school nurses
- Environmental Quality: reconnect to Detroit water, replace lead service lines, test water quality, support water system needs and the Flint Water Response Team
- Health and Human Services: purchase bottled water and filters, abate residential lead hazards, provide healthcare and nutritional services for children
- Licensing and Regulatory Affairs: inspect and replace plumbing fixtures
- Military and Veteran Affairs: support activation of National Guard
- Natural Resources: provide summer youth employment
- School Aid: expand developmental and preschool testing and services, employ school nurses and social workers
- State Police: support operations of the SEOC, JOC, and Flint Water Interagency Coordinating Committee
- Technology, Management, and Budget: administer the Flint Emergency Reserve Fund
- Treasury: implement reimbursements for partial credits against water bills

Fund Sources

- Federal: Child Care and Development Fund, Maternal and Child Health Block Grant, Medicaid, Supplemental Nutrition Assistance Program, Temporary Assistance for Needy Families, and Women, Infants, and Children
- State Restricted: Construction Code Fund, Disaster and Emergency Contingency Fund, Healthy Michigan Fund, DEQ Settlement Funds, Flint Emergency Reserve Fund
- State GF/GP: General Fund/General Purpose revenue

Appendices B and C provide more detailed descriptions of requested appropriation amounts for the Flint water emergency, beyond those already enacted, for FY 2015-16 and FY 2016-17.

Medicaid Waiver

In addition to the appropriation items described in this memo, funding requests are anticipated to implement the waiver recently approved by the federal government to make all children (up to age 20) that have been exposed to the Flint water system eligible for the state's Medicaid program.

Further Information

The information in this memo was compiled by Paul B.A. Holland, Senior Fiscal Analyst. Please contact HFA with any further questions about the information presented within this memo or appropriations related to the Flint water emergency.

Appendix A

SUMMARY: Enacted and Requested Appropriations Related to the Flint Water Emergency

	FY 2015-16			FY 2016-17 Requested	TWO-YEAR TOTAL
	Enacted	Requested	TOTAL		
Appropriations by Category					
Safe Drinking Water	\$22,899,300	\$31,100,000	\$53,999,300	\$5,400,100	\$59,399,400
Physical, Social, & Educational Well-Being	13,222,200	19,310,000	32,532,200	28,395,800	60,928,000
Food and Nutrition	1,157,000	9,930,000	11,087,000	4,935,000	16,022,000
Water Bill Relief	30,000,000	0	30,000,000	0	30,000,000
Emergency Response Operations	3,971,100	2,250,000	6,221,100	0	6,221,100
Reserves	0	64,100,000	64,100,000	0	64,100,000
TOTAL	\$71,249,600	\$126,690,000	\$197,939,600	\$38,730,900	\$236,670,500
Appropriations by Department					
Education	\$2,685,000	\$25,600,000	\$28,285,000	\$8,050,100	\$36,335,100
Environmental Quality	13,086,500	33,350,000	46,436,500	5,400,100	51,836,600
Health & Human Services	17,307,000	8,290,000	25,597,000	15,138,100	40,735,100
Licensing & Regulatory Affairs	2,200,000	0	2,200,000	0	2,200,000
Military & Veterans Affairs	2,000,000	0	2,000,000	0	2,000,000
Natural Resources	0	250,000	250,000	0	250,000
School Aid	0	9,200,000	9,200,000	10,142,600	19,342,600
State Police	3,971,100	0	3,971,100	0	3,971,100
Technology, Management, & Budget	0	50,000,000	50,000,000	0	50,000,000
Treasury	30,000,000	0	30,000,000	0	30,000,000
TOTAL	\$71,249,600	\$126,690,000	\$197,939,600	\$38,730,900	\$236,670,500
Appropriations by Fund Source					
Federal	\$2,845,000	\$25,700,000	\$28,545,000	\$13,620,000	\$42,165,000
State Restricted	8,623,100	0	8,623,100	474,200	9,097,300
State GF/GP	59,781,500	100,990,000	160,771,500	24,636,700	185,408,200
TOTAL	\$71,249,600	\$126,690,000	\$197,939,600	\$38,730,900	\$236,670,500

NOTE: Portions of the appropriations for the Departments of Education and Health & Human Services and the School Aid budget are anticipated to be sufficient only for partial-year expenditures and would be supplemented with appropriated reserves, which include \$14.1 million in federal funds designated as a work project and \$50.0 million GF/GP deposited into the newly created Flint Emergency Reserve Fund.

Appendix B

FY 2015-16 Supplemental Appropriation Items

	Requested Appropriation
1. Education (Department)	Gross \$25,600,000
Provides spending authorization for:	Federal 19,600,000
<ul style="list-style-type: none"> • \$8.0 million to subsidize partial-year childcare to all 0-3 children in Flint for half-day services. • \$100,000 for information to childcare providers on identification and intervention services for children demonstrating developmental delays. • \$9.5 million (\$6.0 million GF/GP) to expand provisions for reimbursement, vouchers, and/or delivery of programs providing fruits and vegetables to children and families. • \$8.0 million reserved via boilerplate for future childcare services for children impacted by the Flint water emergency, designated as a work project through FY 2017-18. 	GF/GP \$6,000,000
2. Environmental Quality	Gross \$33,350,000
Provides spending authorization for:	GF/GP \$33,350,000
<ul style="list-style-type: none"> • \$25.0 million GF/GP for the replacement of lead service lines for high-risk, high-hazard homes in Flint. • \$4.5 million GF/GP for expenses related to the declaration of emergency which may include Flint water system needs or Flint Water Response Team efforts. • \$3.9 million GF/GP to the Great Lakes Water Authority (fmr. Detroit Sewer and Water Department) for service from July 2016 through September 2016. 	
3. Health and Human Services	Gross \$8,290,000
Provides spending authorization for:	Federal 6,100,000
<ul style="list-style-type: none"> • \$2.2 million GF/GP to address needs related to the City of Flint water and lead exposure crisis, including \$430,000 for mobile food bank and additional food bank resources for nutrition services to mitigate lead exposure, \$260,000 for evidence-based home visiting programs to promote better parenting skills and ability to identify developmental delays in children, and \$1.5 million for intensive cognitive behavioral therapy and outreach for children through community mental health agencies including case management. • \$6.1 million reserved via boilerplate for future services for children impacted by the Flint water emergency, designated as a work project through FY 2017-18. 	GF/GP \$2,190,000
4. Natural Resources	Gross \$250,000
Provides GF/GP spending authorization for a seasonal employment program for up to 100 local 16- to 19-year-olds who would provide residential services for those affected by the Flint water crisis, including distribution of bottled water and filters.	GF/GP \$250,000
5. Technology, Management, and Budget	Gross \$50,000,000
Appropriates GF/GP to the Flint Emergency Reserve Fund via boilerplate, which would support expenditures addressing the future needs of children and families residing in Flint in response to the Emergency Declaration made on January 5, 2016.	GF/GP \$50,000,000
6. School Aid	Gross \$9,200,000
Provides GF/GP funding for the Genesee Intermediate School District to conduct universal Early On testing to identify and provide Early On services to children less than five years of age and residing the City of Flint with potential developmental delays due to lead exposure.	GF/GP \$9,200,000

Appendix C

<u>FY 2016-17 One-Time Appropriation Items</u>	<u>Requested Appropriation</u>	
1. Education (Department)		
Provides spending authorization to subsidize partial-year childcare to all 0-3 children in Flint for half-day services and offer relevant information to childcare providers. (Additional funding potentially available via the FY 2015-16 work project of federal funds or a transfer from the Flint Emergency Reserve Fund into the placeholder appropriation.)	Gross	\$8,050,100
	Federal	8,050,000
	Restricted	100
2. Environmental Quality		
Provides spending authorization for:	Gross	\$5,400,100
<ul style="list-style-type: none"> • \$1.5 million GF/GP for staff, laboratory, and contract expenses for corrosion control activities and water quality testing and monitoring in high-risk locations. • \$3.9 million GF/GP for service payments for water connection to Great Lakes Water Authority from October 2016 through December 2016. (Additional funding potentially available via a transfer from the Flint Emergency Reserve Fund into the placeholder appropriation.)	Restricted	100
	GF/GP	\$5,400,000
3. Health and Human Services		
Provides spending authorization for:	Gross	\$15,138,100
<ul style="list-style-type: none"> • \$6.9 million (\$5.0 million GF/GP) for behavioral health care for children with elevated blood lead levels. • \$4.8 million (\$1.3 million GF/GP) for nutritional assistance, education, resources, and services. • \$2.3 million (\$1.9 million GF/GP) for analysis, assessment, evaluation, investigation, mitigation, outreach, and education services related to lead exposure and hazards. • \$1.1 million (\$950,000 GF/GP) for primary medical and support services for children and adolescents. (Additional funding potentially available via the FY 2015-16 work project of federal funds or a transfer from the Flint Emergency Reserve Fund into the placeholder appropriation.)	Federal	5,570,000
	Restricted	473,900
	GF/GP	\$9,094,200
4. School Aid		
Provides spending authorization for:	Gross	\$10,142,600
<ul style="list-style-type: none"> • \$6.4 million GF/GP for partial-year for the Genesee Intermediate School District to conduct universal Early On testing to identify and provide Early On services to children less than four years of age with potential developmental delays due to lead exposure. • \$1.5 million GF/GP for partial-year expansion of eligibility for Great Start Readiness Program. • \$1.3 million GF/GP for partial-year employment of school nurses and social workers. • \$950,000 GF/GP for partial-year Early On, early literacy, and nutritional services for children in Flint. (Additional funding potentially available via a transfer from the Flint Emergency Reserve Fund into the placeholder appropriation.)	Restricted	100
	GF/GP	\$10,142,500