

## MEMORANDUM



**DATE:** February 7, 2017  
**TO:** Members of the House of Representatives  
**FROM:** Mary Ann Cleary, Director *MAC*  
**RE:** Flint Drinking Water Emergency Appropriations – UPDATED

### **Background**

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 via Senate Concurrent Resolution 23 of 2016, to coincide with the federal Presidential Emergency Declaration announced on January 16, 2016 and subsequently approved a further extension via Senate Concurrent Resolution 28 of 2016 until August 14, 2016 to coincide with an extension approved on March 25, 2016 of the Presidential Emergency Declaration.

The Legislature has enacted numerous appropriations recommended by the Governor to address this emergency, both as supplementals to and transfers within the FY 2015-16 and FY 2016-17 budgets. This memo summarizes all of the enacted appropriations related to the Flint drinking water emergency for both fiscal years, some of which are designated as work projects through FY 2017-18.

### **Appropriations for FY 2015-16 and FY 2016-17**

To date, the Legislature has passed multiple supplemental appropriations for FY 2015-16, totaling \$200.2 million Gross (\$160.8 million GF/GP), to multiple state departments for various purposes and programs related to the Flint drinking water emergency. In addition to these supplemental appropriations, the Legislature included \$53.1 million Gross (\$34.6 million GF/GP) for one-time appropriations within the budget and supplemental for FY 2016-17 to support the continuation of spending on emergency response activities initiated during FY 2015-16. These appropriations are discussed in further detail below and within the appendices.

### **Reserve Funds**

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 and within the School Aid budget, are anticipated to be sufficient only for partial-year expenditures during FY 2016-17. Accordingly, the Legislature appropriated \$14.1 million in federal funds allocated for emergency needs and designated as work projects to provide for children impacted by the Flint drinking water emergency. In addition, \$28.9 million GF/GP is deposited into the newly created Drinking Water Emergency Reserve Fund, which would be available via transfer or supplemental for future needs. To date, \$2.7 million has transferred out of the Fund for expenditure in the departments of Treasury, Environmental Quality, and Military and Veterans Affairs.

### **Medicaid Waiver**

The Legislature transferred \$4.5 million of available GF/GP within the Health and Human Services budget for FY 2015-16 in order to support a new federal Medicaid waiver targeted to populations residing within the City of Flint exposed to leaded drinking water, specifically expanding Medicaid eligibility for children (up to age 20) and pregnant women served by the Flint water system since April 2014 to include incomes of up to 400% of the federal poverty level and provides these persons with

targeted case management services. This GF/GP transfer qualified the state for federal matching funds of \$16.4 million, which are not included in the amounts described below. State funds and federal matching funds are anticipated to be expended pursuant to the waiver during FY 2016-17. However, the amounts required are still uncertain and are also excluded from the amounts described below.

### **Emergency Operations**

FY 2015-16 Disaster and Emergency Contingency Fund (DECF) fund balance of \$3.8 million was 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 the Federal Emergency Management Agency (FEMA) and other organizations performing and coordinating emergency response and recovery activities and protocols.

An additional appropriation of \$10.0 million GF/GP to the DECF was included in 2016 PA 268, in part to continue supporting the emergency operations related to the Flint drinking water emergency. Total Flint-related DECF expenditures in FY 2015-16 were approximately \$9.7 million. Current fiscal year Flint-related DECF expenditures are approximately \$114,000, to continue the support of personnel costs for the SEOC, contractual costs for warehouse management and the delivery of water resources, and costs for community points of distribution. To date, the remaining balance for the DECF is approximately \$3.7 million.

### **Summary of Flint Drinking Water Emergency Appropriations**

The following lists are intended to offer a brief qualitative description of the enacted appropriations for the Flint drinking water emergency and are not comprehensive or definitive; the amounts appropriated by expenditure category, state department, and fund source are exhibited by appendix A.

#### **Expenditure Categories**

- Physical, Social, and Educational Well-Being: assess and abate residential lead hazards; test and treat children for high blood lead levels; expand child care, development, and education services
- Safe Drinking Water: purchase water filters, cartridges, and bottles; sample and test drinking water; inspect and replace plumbing fixtures and lead service lines; reconnect to former Detroit water system
- Food and Nutrition: provide access to fresh fruits and vegetables, food bank resources, nutritional services and assistance; inspect food establishments
- Water Bill Relief: reimbursement to City of Flint for partial credits against customers' water bills
- Reserves: reservation of federal funds and state General Fund for future Flint-related needs
- Emergency Response Operations: operations of the SEOC and JIC, including the Flint Water Response Team and Flint Water Interagency Coordinating Committee
- Other: legal services provided by the Attorney General and the management office for 'Mission Flint'

#### **State Departments**

- Attorney General: legal services related to the Flint drinking water emergency
- Education: expand childcare services, provide access to fresh fruits and vegetables, support wraparound services and school nurses
- Environmental Quality: reconnect to former Detroit water system, replace lead service lines, test water quality, support water system needs and the Flint Water Response Team
- Health and Human Services: purchase water filters, cartridges, and bottles; abate residential lead hazards; provide healthcare and nutritional services for children exposed to leaded water
- Licensing and Regulatory Affairs: inspect and replace plumbing fixtures in schools, hospitals, etc.
- Military and Veteran Affairs: activation of National Guard

- Natural Resources: summer youth employment program
- School Aid: expand developmental, early intervention, and preschool testing and services; employ additional school nurses and social workers
- State Police: emergency response operations; purchase water filters, cartridges, and bottles
- Technology, Management, and Budget: administer the Drinking Water Emergency Reserve Fund
- Treasury: reimbursement of partial credits on customers' water bills, management of 'Mission Flint'

### **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, Lawsuit Settlement Proceeds Fund, DEQ Settlement Funds, Drinking Water Emergency Reserve Fund
- State GF/GP: the state's primary operating fund; portion of the state's General Fund that does not include restricted revenue

### **Appendices**

Appendix A summarizes the \$253.3 million Gross (\$195.4 million GF/GP) in total enacted appropriations for FYs 2015-16 and 2016-17 by expenditure category, state department, and fund source, while appendices B, C, and D provide more detailed descriptions of appropriations for FY 2015-16 and FY 2016-17 related to the Flint drinking water emergency included within the recently enacted Omnibus and School Aid budgets.

### **Further Information**

Please contact HFA with any further questions about the information presented within this memo or appropriations related to the Flint drinking water emergency.

## Appendix A

### Enacted Appropriations Related to the Flint Drinking Water Emergency

	FY 2015-16	FY 2016-17	Two-Year Total
<b>Appropriations by Category</b>			
Physical, Social, & Educational Well-Being	\$42,202,800	\$28,360,300	\$70,563,100
Safe Drinking Water	60,476,300	7,200,100	67,676,400
Food and Nutrition	12,387,000	4,970,500	17,357,500
Water Bill Relief	42,750,000	0	42,750,000
Emergency Response Operations	6,721,100	0	6,721,100
Reserves	33,000,000	10,000,000	43,000,000
Other	2,680,000	2,600,100	5,280,100
<b>TOTAL</b>	<b>\$200,217,200</b>	<b>\$53,131,000</b>	<b>\$253,348,200</b>
<b>Appropriations by Department</b>			
Attorney General	\$1,300,000	\$2,600,000	\$3,900,000
Education	28,285,000	8,050,100	36,335,100
Environmental Quality	46,913,500	7,200,100	54,113,600
Health & Human Services	36,567,600	15,138,100	51,705,700
Licensing & Regulatory Affairs	2,200,000	0	2,200,000
Military & Veterans Affairs	2,500,000	0	2,500,000
Natural Resources	250,000	0	250,000
School Aid	9,200,000	10,142,600	19,342,600
State Police	9,971,100	0	9,971,100
Technology, Management, & Budget	18,900,000	10,000,000	28,900,000
Treasury	44,130,000	100	44,130,100
<b>TOTAL</b>	<b>\$200,217,200</b>	<b>\$53,131,000</b>	<b>\$253,348,200</b>
<b>Appropriations by Fund Source</b>			
Federal	\$28,545,000	\$13,955,600	\$42,500,600
State Restricted	10,900,100	4,538,700	15,438,800
State GF/GP	160,772,100	34,636,700	195,408,800
<b>TOTAL</b>	<b>\$200,217,200</b>	<b>\$53,131,000</b>	<b>\$253,348,200</b>

NOTES: 1) Portions of the appropriations for the Departments of Education and Health & Human Services and the School Aid budget are expected to be sufficient only for partial-year expenditures and are anticipated to be supplemented with appropriated federal and state reserves. 2) The table includes \$4.5 million from the state's General Fund, but excludes the federal matching funds transferred via LTR 2016-5 pursuant to the federal Medicaid waiver, in addition to excluding both federal funds and revenue from the state's General Fund anticipated to be expended pursuant to the Medicaid waiver during FY 2016-17. 3) The table excludes federal matching funds expended by FEMA (not appropriated through the state budget) for the purchase and distribution of water filters, filter cartridges, and bottled water to the residents of Flint pursuant to the Presidential Emergency Declaration issued on 1/16/16 and extended through 8/14/16. 4) The table excludes \$10.0 million GF/GP appropriated to the Disaster and Emergency Contingency Fund via supplemental, in part to support emergency operations related to the Flint water emergency undertaken by the Michigan State Police.

## Appendix B

<b><u>FY 2015-16 Supplemental Appropriation Items – PAs 249 and 268 of 2016</u></b>		<b>Enacted Appropriation</b>
<b>1. Attorney General</b>		
Spending authorization for legal services related to the Flint drinking water declaration of emergency provided by the Department of Attorney General.		<b>Gross</b> <b>\$1,300,000</b> Restricted     1,300,000
<b>2. Education (Department)</b>		
Spending authorization for:		<b>Gross</b> <b>\$25,600,000</b>
<ul style="list-style-type: none"> <li>• \$8.0 million to subsidize partial-year half-day child care services for 0-3 children in Flint households making less than 300% of the federal poverty level.</li> <li>• \$100,000 for information to childcare providers on identification and intervention services for children demonstrating developmental delays.</li> <li>• \$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.</li> <li>• \$8.0 million reserved for future childcare services for children impacted by the Flint drinking water emergency, designated as a work project through FY 2017-18.</li> </ul>		Federal     19,600,000 GF/GP     \$6,000,000
<b>3. Environmental Quality</b>		
Spending and staff authorization for:		FTE     4.0 <b>Gross</b> <b>\$33,350,000</b>
<ul style="list-style-type: none"> <li>• \$25.0 million for a grant awarded to the City of Flint for the replacement of lead service lines for high-risk, high-hazard homes in Flint.</li> <li>• \$4.5 million for expenses related to the declaration of emergency which may include Flint water system needs or Flint Water Response Team efforts.</li> <li>• \$3.9 million to the Great Lakes Water Authority (fmr. Detroit Water and Sewer Department) for service from July 2016 through September 2016.</li> </ul>		GF/GP     \$33,350,000
<b>4. Health and Human Services</b>		
Spending authorization for:		<b>Gross</b> <b>\$14,790,000</b>
<ul style="list-style-type: none"> <li>• \$8.7 million for needs related to the City of Flint water and lead exposure crisis; including \$3.0 million for a contract with Wayne State University to assess linkage between Legionella and lead-contaminated drinking water, \$1.5 million for cognitive behavioral therapy and outreach for children through community mental health agencies including case management, \$1.3 million for nutritional programs, \$1.3 million for a statewide childhood lead poisoning prevention program, \$500,000 for child and adolescent health center funding, \$500,000 for interpretation services for the deaf and hard of hearing and bilingual support for Arabic and Spanish speakers, \$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 parenting skills and identify developmental delays in children.</li> <li>• \$6.1 million in TANF funds allocated for future services for children impacted by the Flint drinking water emergency, designated as a work project through FY 2017-18.</li> </ul> <p>Additionally, boilerplate requires the department to compensate licensed private child welfare agencies under contract to provide foster care, independent living, and residential treatment services in the water catchment area within Flint for the increased level of required care and supervision mandated by the department between 1/11/16 and 5/31/16 via a \$321,000 lump-sum payment.</p>		Federal     6,100,000 GF/GP     \$8,690,000
<b>5. Natural Resources</b>		
Spending authorization for a seasonal employment program for youth to provide services for those affected by the Flint drinking water emergency, including distribution of bottled water and filters.		<b>Gross</b> <b>\$250,000</b> GF/GP     \$250,000

**FY 2015-16 Supplemental Appropriation Items – PAs 249 and 268 of 2016**

**Enacted  
Appropriation**

**6. State Police**

Spending authorization for the purchase and distribution of water filters, filter cartridges, and bottled water in addition to other related expenses; money for similar purposes was appropriated to the Department of Health and Human Services (\$1.0 million GF/GP for water filters under 2015 PA 143 and \$4.6 million GF/GP for bottled water and water filters under 2016 PA 3), which continues to be expended to qualify for federal matching funds (25.0% state / 75.0% federal) provided via the Federal Emergency Management Agency through August 14, 2016, at which time the state is anticipated to become responsible for supporting all expenses of purchasing and distributing water filters and cartridges.

**Gross \$6,000,000**  
GF/GP \$6,000,000

**7. Technology, Management, and Budget**

Appropriates GF/GP to the Drinking Water Emergency Reserve Fund, which could only be expended upon appropriation or legislative transfer and would remain within the Fund at the close of the fiscal year.

**Gross \$18,900,000**  
GF/GP \$18,900,000

**8. Treasury**

Spending authorization for:

- \$12.8 million for reimbursement of the City of Flint's Water Enterprise Fund for credits to equal to 65.0% for residential customers and 20.0% for other customers of the amount billed for water, beginning with the billing period containing April 30, 2014 through the billing period containing the date upon which the declaration of emergency expires; unexpended funds would lapse to the General Fund after December 31, 2016. This spending authorization is in addition to the \$30.0 million appropriated by 2016 PA 24 for similar reimbursements, the entire balance of which has been encumbered and the unexpended balance of which lapses to the General Fund after September 30, 2016.
- \$1.4 million for expenses incurred by the program management office of Mission Flint and other purposes related to the Flint drinking water emergency.

**Gross \$14,130,000**  
GF/GP \$14,130,000

**9. School Aid**

Spending authorization for the Genesee Intermediate School District to conduct universal Early On testing to identify and provide Early On services, provide early intervention services, and provide summer Great Start Readiness preschool programs to children less than five years of age and residing the City of Flint with potential developmental delays due to lead exposure.

**Gross \$9,200,000**  
GF/GP \$9,200,000

## Appendix C

<b><u>FY 2016-17 One-Time Appropriation Items – PA 268 of 2016</u></b>	<b>Enacted Appropriation</b>
<b>1. Attorney General</b>	<b>Gross \$2,600,000</b>
Spending authorization for legal services related to the Flint drinking water declaration of emergency provided by the Department of Attorney General.	Restricted 2,600,000
<b>2. Education (Department)</b>	<b>Gross \$8,050,100</b>
Spending authorization to subsidize partial-year half-day child care services for 0-3 children in Flint households making less than 300% of the federal poverty level 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 Drinking Water Emergency Reserve Fund into the placeholder appropriation.	Federal 8,050,000 Restricted 100
<b>3. Environmental Quality</b>	<b>Gross \$5,400,100</b>
Spending authorization for:	Restricted 100
<ul style="list-style-type: none"> <li>• \$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.</li> <li>• \$3.9 million GF/GP for service payments for water connection to Great Lakes Water Authority from October 2016 through December 2016.</li> </ul>	GF/GP \$5,400,000
Additional funding potentially available via a transfer from the Drinking Water Emergency Reserve Fund into the placeholder appropriation.	
<b>4. Health and Human Services</b>	<b>Gross \$15,138,100</b>
Spending authorization for:	Federal 5,570,000
<ul style="list-style-type: none"> <li>• \$6.9 million (\$5.0 million GF/GP) for behavioral health care for children with elevated blood lead levels.</li> <li>• \$4.8 million (\$1.3 million GF/GP) for nutritional assistance, education, resources, and services.</li> <li>• \$2.3 million (\$1.9 million GF/GP) for analysis, assessment, evaluation, investigation, mitigation, outreach, and education services related to lead exposure and hazards.</li> <li>• \$1.1 million (\$950,000 GF/GP) for primary medical and support services for children and adolescents.</li> </ul>	Restricted 473,900 GF/GP \$9,094,200
Additional funding potentially available via the FY 2015-16 work project of federal funds or a transfer from the Drinking Water Emergency Reserve Fund into the placeholder appropriation.	
<b>5. Treasury</b>	<b>Gross \$100</b>
Funding potentially available via a transfer from the Drinking Water Emergency Reserve Fund into the placeholder appropriation.	Restricted 100
<b>6. School Aid</b>	<b>Gross \$10,142,600</b>
Spending authorization for:	Restricted 100
<ul style="list-style-type: none"> <li>• \$6.2 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.</li> <li>• \$1.5 million GF/GP for partial-year expansion of eligibility for Great Start Readiness Program.</li> <li>• \$1.3 million GF/GP for partial-year employment of school nurses and social workers.</li> <li>• \$1.2 million GF/GP for partial-year Early On, early literacy, and nutritional services for children in Flint.</li> </ul>	GF/GP \$10,142,500
Additional funding potentially available via a transfer from the Drinking Water Emergency Reserve Fund into the placeholder appropriation.	

## Appendix D

<b><u>FY 2015-16 and FY 2016-17 Supplemental Appropriations – PA 240 of 2016</u></b>	<b>Enacted Appropriation</b>
<b>1. Environmental Quality</b>	FTE 1.0
Spending authorization for:	<b>Gross \$2,617,000</b>
<ul style="list-style-type: none"> <li>• \$817,000 Gross (\$340,000 GF/GP) for water distribution optimization analysis and training to operational staff. \$477,000 in additional funding via transfer from the Drinking Water Emergency Reserve Fund. (FY 2015-16)</li> <li>• \$0 Gross re-appropriation of line item funding in order to amend boilerplate related to extending the lead pipe replacement completion date to September 30, 2019, and final audit date to January 1, 2020. (FY 2015-16)</li> <li>• \$1.8 million Gross of which \$1.5 million from the Drinking Water Emergency Reserve fund; \$335,600 federal funding will be used for infrastructure upgrades and technical assistance. (FY 2016-17)</li> </ul>	Federal 335,600 Restricted 1,941,400 GF/GP \$340,000
<b>2. Licensing and Regulatory Affairs</b>	<b>Gross (\$340,000)</b>
Transfer of funds from the Department of Licensing and Regulatory Affairs (LARA) to the Department of Environmental Quality (DEQ) in order to support a water distribution optimization analysis in DEQ. (FY 2015-16)	Restricted (340,000)
<b>3. Military and Veterans Affairs</b>	<b>Gross \$500,000</b>
\$500,000 to cover the costs incurred by the activation of the Michigan National Guard to support Flint water emergency relief efforts. Funds available via transfer from the Drinking Water Emergency Reserve Fund. (FY 2015-16)	Restricted 500,000
<b>4. Technology, Management, and Budget</b>	<b>Gross \$10,000,000</b>
\$10.0 million appropriation into the Drinking Water Emergency Reserve Fund for various potential yet undetermined costs. Funds can only be expended upon appropriation or legislative transfer and will remain in the fund at the close of FY 2016-17. (FY 2016-17)	Restricted 10,000,000
<b>5. Treasury</b>	<b>Gross \$0</b>
Boilerplate language amended to extend water bill reimbursement credit date and the date funds lapse to the General Fund from December 31, 2016 to March 31, 2017. (FY 2015-16)	GF/GP \$0