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BILL ANALYSIS

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House Bill 4110 (as enacted) **PUBLIC ACT 5 OF 2015**
Sponsor: Representative Al Pscholka
House Committee: Appropriations
Senate Committee: Appropriations

Date Completed: 3-11-15

CONTENT

House Bill 4110 is a fiscal year (FY) 2014-15 school aid supplemental that includes technical cost adjustments agreed to at the Consensus Revenue Estimating Conference (CREC) in January 2015, as well as reductions and fund shifts proposed as part of the package to eliminate the projected shortfall in the General Fund. Overall, the bill would reduce the General Fund/General Purpose (GF/GP) grant to the School Aid budget by $81.2 million, shift $167.1 million GF/GP supporting Community Colleges to the School Aid Fund (SAF), shift $2.0 million GF/GP in the Higher Education budget for retiree health care costs to the SAF, and also shift $2.2 million GF/GP supporting libraries in the Department of Education budget to the School Aid budget. The supplemental does not include spending for a new study required under Public Act 555 of 2014 that was recommended by the Governor. Table 1 summarizes the items found in the supplemental, with text following. The amount of SAF revenue used to support the projected GF/GP shortfall is $250.3 million.

Table 1

Item	Technical or EO	Gross	Restricted (SAF)	GF/GP
Cash Flow Borrowing	Technical	($1,000,000)	($1,000,000)	$0
Foundation Allowances	Technical	(71,000,000)	(71,000,000)	0
Special Education	Technical	(24,000,000)	(24,000,000)	0
Transfer from Dept. of Ed. Library MPSERS Cap	Exec. Order	2,200,000	2,200,000	0
Fund Shift: Community Colleges Operations	Exec. Order	0	167,110,800	(167,110,800)
Fund Shift: University Retiree Health Care	Exec. Order	0	2,000,000	(2,000,000)
Eliminate Remaining MPSERS Additional Payment toward UAL	Exec. Order	(88,365,500)	(8,365,500)	(80,000,000)
Eliminate Online Nutrition and Health Program	Exec. Order	(1,200,000)	0	(1,200,000)
Total		**($183,365,500)**	**$66,945,300**	**($250,310,800)**

Technical Cost Adjustments

The technical cost adjustments total $96.0 million in savings and come from three areas: $1.0 million savings in cash flow borrowing costs (Sec. 11m); $71.0 million savings in foundation allowance costs, stemming from fewer pupils than estimated and higher taxable values (i.e., higher local revenue) than anticipated (Sections 22a and 22b); and, $24.0 million savings in special education costs due to lower than anticipated actual costs in FY 2013-14 (used to build the FY 2014-15 budget). The $96.0 million in technical cost adjustment savings already was accounted for on balance sheets published in January after the CREC.

Fund Shifts

The supplemental includes several cost shifts using SAF revenue to replace funding for items presently paid for with GF/GP revenue. The items are as follows: $81.2 million in unearmarked GF/GP revenue supporting the foundation allowance would be replaced with SAF revenue (and the GF/GP grant to the budget would be reduced accordingly); $2.2 million GF/GP in the Michigan Department of Education (MDE) budget for the Michigan Public School Employees' Retirement System (MPSERS) rate cap for libraries would be moved to the K-12 budget (Sec. 147c); $167.1 million GF/GP in the Community Colleges budget would be replaced with SAF revenue; and, $2.0 million GF/GP in the Higher Education budget for MPSERS retiree health care cost offset would be replaced with SAF revenue.

Reductions

The supplemental would eliminate future monthly payments from a $108.0 million one-time appropriation that was intended to be an extra payment toward the MPSERS unfunded accrued liabilities. Since the start of the year, $19.6 million has been spent, and the supplemental would reduce the appropriation to that level, which would be an $88.4 million reduction. Of this $88.4 million reduction, $80.0 million would be used to reduce unearmarked GF/GP support of the K-12 budget as mentioned in Fund Shifts above. In addition, a new $1.2 million GF/GP program for health nutrition and education software would be eliminated, and the savings from that elimination, in combination with the $80.0 million savings from the one-time MPSERS payment, would be used to reduce GF/GP support of the foundation allowance in the K-12 budget by $81.2 million.

Other Items

The supplemental as recommended by the Governor proposed $1.0 million for a statewide public resource allocation study required under Section 1281a of the Revised School Code (part of the transportation package). The House-passed supplemental did not include funding for the study. The House included a date change from October 15 to November 1 for districts to submit annual financial reports.

MCL 388.1611 et al.

FISCAL IMPACT

Overall, the supplemental would replace $250.3 million in GF/GP funding with SAF revenue as part of the proposal to eliminate the projected shortfall in the General Fund, as summarized in Table 2. The supplemental also would implement consensus cost savings. Gross reductions total $183.4 million, including net GF/GP reductions totaling $250.3 million.

Table 2

SUMMARY OF FY 2014-15 EDUCATION SUPPLEMENTAL: HOUSE BILL 4110
GENERAL FUND/GENERAL PURPOSE (GF/GP)

Budget Area	FY 2014-15 GF/GP Year-to-Date	MPSERS/ Nutrition Education Reductions	Community Colleges Fund Shift	Universities' MPSERS Fund Shift	Total GF/GP Supp. Changes
Comm. Colleges	$167,110,800	$0	($167,110,800)	$0	($167,110,800)
Higher Education	1,214,902,000	0	0	(2,000,000)	(2,000,000)
School Aid (K-12)	114,900,000	(81,200,000)	0	0	(81,200,000)
Total Educ. Suppl.	**$1,496,912,800**	**($81,200,000)**	**($167,110,800)**	**($2,000,000)**	**($250,310,800)**

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.