RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
STATE BUDGET OFFICE
LANSING

JOHN S. ROBERTS
DIRECTOR

March 3, 2015

MEMORANDUM

TO: Governor Rick Snyder

FROM: John S. Roberts
State Budget Director

SUBJECT: Enrolled House Bill 4110
Education Omnibus Supplemental for Fiscal Year 2015

OVERVIEW

Enrolled House Bill (EHB) 4110 provides education omnibus supplemental appropriations for fiscal year 2015. Overall, total School Aid Fund spending in this recommendation is increased $66.9 million, while General Fund spending is reduced $250.3 million from current law. The provisions in this supplemental bill are consistent with negotiations with the Legislature on the overall plan to bring the budget into balance subsequent to the revenue declines in January.

FISCAL YEAR 2015 CHANGES

	SAF	GF	Gross
K-12	$ (102,165.5)	$ (81,200.0)	$ (183,365.5)
Community Colleges	$ 167,110.8	$ (167,110.8)	$ 0.0
Higher Ed	$ 2,000.0	$ (2,000.0)	$ 0.0
Totals	$ 66,945.3	$ (250,310.8)	$ (183,365.5)

ITEMS CONSISTENT WITH THE EXECUTIVE RECOMMENDATION:

Technical Cost Revisions – This supplemental recognizes $96 million in estimated costs savings in the School Aid budget which reflect revised estimates for the number of pupils, special education costs, property taxable values, and cash flow borrowing costs for fiscal year 2015. These figures are consistent with estimates agreed to for the January 2015 Consensus Revenue Estimating Conference.

MPSERS One-time Liability Payment (Sec. 147d) –This supplemental reduces the funding for this payment from $108 million to $19.6 million, or the amount of funding paid to-date. This payment is over and above the amount needed to fully fund the state's share of the MPSERS UAL payments over the district cap of 20.96%. The GF subsidy in the school aid budget is also reduced by $80 million to recognize this reduced payment.

Health and Nutrition Software Program (Sec. 31g) – Funding of $1.2 million intended for the purchase of a contract for health and nutrition software is eliminated (Gross and GF) from the school aid budget. A contract has not been awarded.

Fund Shifts – General Fund in the amount of $167.1 million in the community colleges budget and $2 million in the higher education budget for MPSERS payments is replaced with School Aid Fund. There is an additional $2.2 million in GF for MPSERS payments to libraries (MDE budget) that is being removed from the MDE budget in the general omnibus supplemental bill (EHB 4112). The funds are then included in the school aid budget with this supplemental.

ITEMS OF DIFFERENCE FROM THE EXECUTIVE RECOMMENDATION:

Public Resource Allocation Study – EHB 4110 does not include an appropriation of $1 million for a study required in PA 555 of 2014. This study was part of the transportation package negotiations in December 2014.

OTHER BOILERPLATE CHANGES:

- The supplemental makes a date change from October 15 to November 1 for districts to submit annual financial reports. This change was not included in the Executive Recommendation, but was inserted by the Legislature to allow districts and their audit firms more time to complete their financial audits.

VETOES

I am recommending no items for your veto consideration.

Attachment

SUMMARY OF MAJOR LEGISLATIVE ISSUES

FY2015 Supplemental (HB 4110)

(Amounts in thousands)

	Executive Recommendation		Enrolled Bill	
	GF/GP	ALL FUNDS	GF/GP	ALL FUNDS
	($250,310.8)	($182,365.5)	($250,310.8)	($183,365.5)
% Change - from Executive Recommendation			0.0%	0.5%

		Letter Number	EXECUTIVE REC. GF/GP	EXECUTIVE REC. ALL FUNDS	ENROLLED BILL GF/GP	ENROLLED BILL ALL FUNDS
KEY ISSUES						
1	**School Aid**: Foundation allowance and other cost revisions agreed to for the Jan '15 CREC	*2015-5*	$0.0	($96,000.0)		
2	**School Aid**: Elimination of nutrition contract software earmark	*2015-5*	($1,200.0)	($1,200.0)		
3	**School Aid**: Reduction of MPSERS one-time liability payment from $108 M to $19.6 M	*2015-5*	($80,000.0)	($88,365.5)		
4	**School Aid**: Increase in MPSERS UAL Rate Cap payment - for payroll correction and shift of libraries payment from MDE budget	*2015-5*	$0.0	$2,200.0		
5	**School Aid**: $1 M for cost of statewide public resource allocation study required in PA 555 of 2014 ***House & Senate***: Funds are not included for the education study.	*2015-5*	$0.0	$1,000.0	**$0.0**	**($1,000.0)**
6	**Higher Ed**: Fund shift of MPSERS UAL payments to universities from GF to SAF.	*2015-5*	($2,000.0)	$0.0		
7	**Community Colleges**: Fund shift of community colleges operations from GF to SAF.	*2015-5*	($167,110.8)	$0.0		
	Subtotal of Changes		($250,310.8)	($182,365.5)	$0.0	($1,000.0)
FY2015 TOTAL			**($250,310.8)**	**($182,365.5)**	**($250,310.8)**	**($183,365.5)**

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