

FY 2015-16 Executive Budget Overview

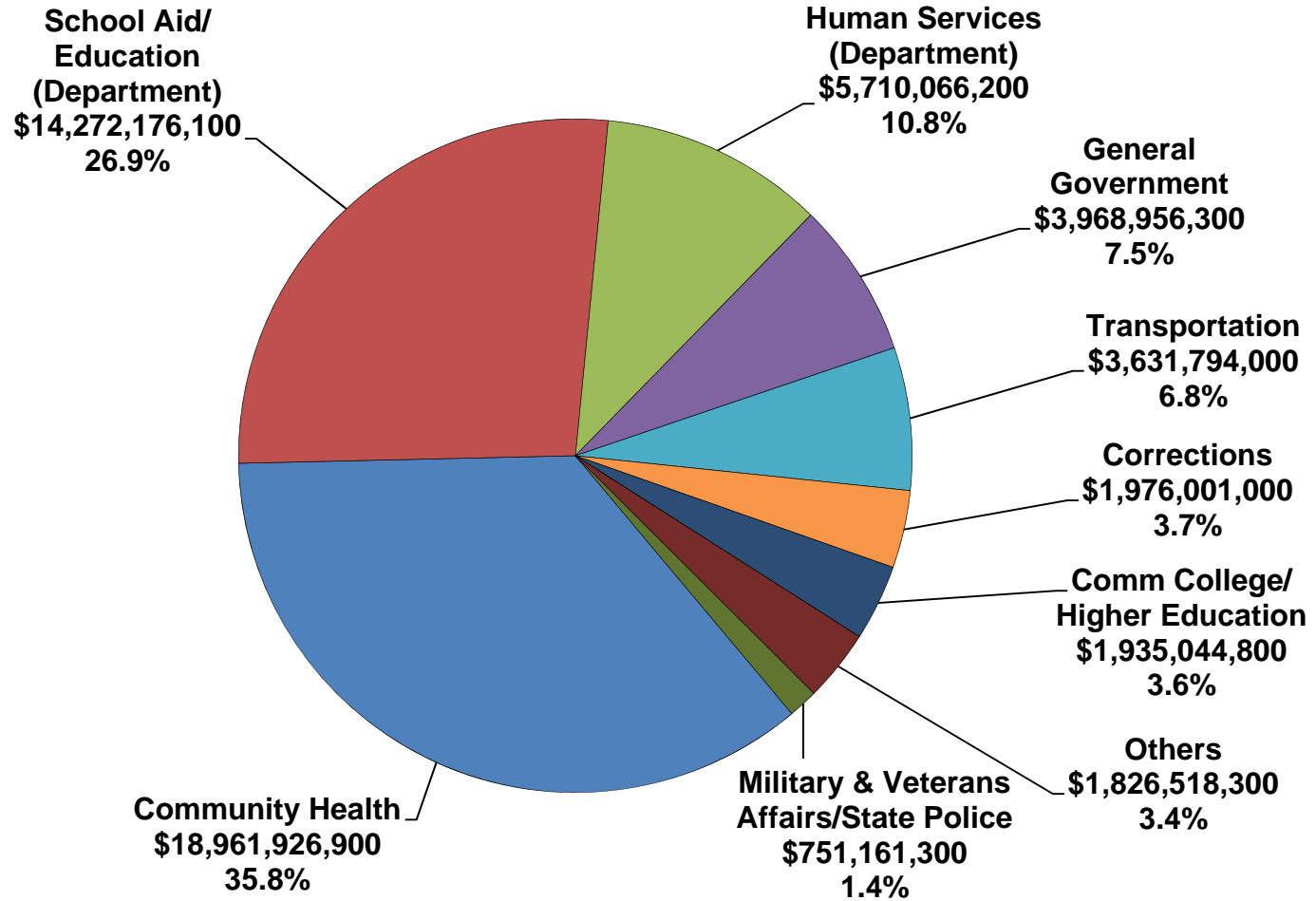
**Bethany Wicksall, Associate Director
House Fiscal Agency**

**MASA_MASB
March 3, 2015**



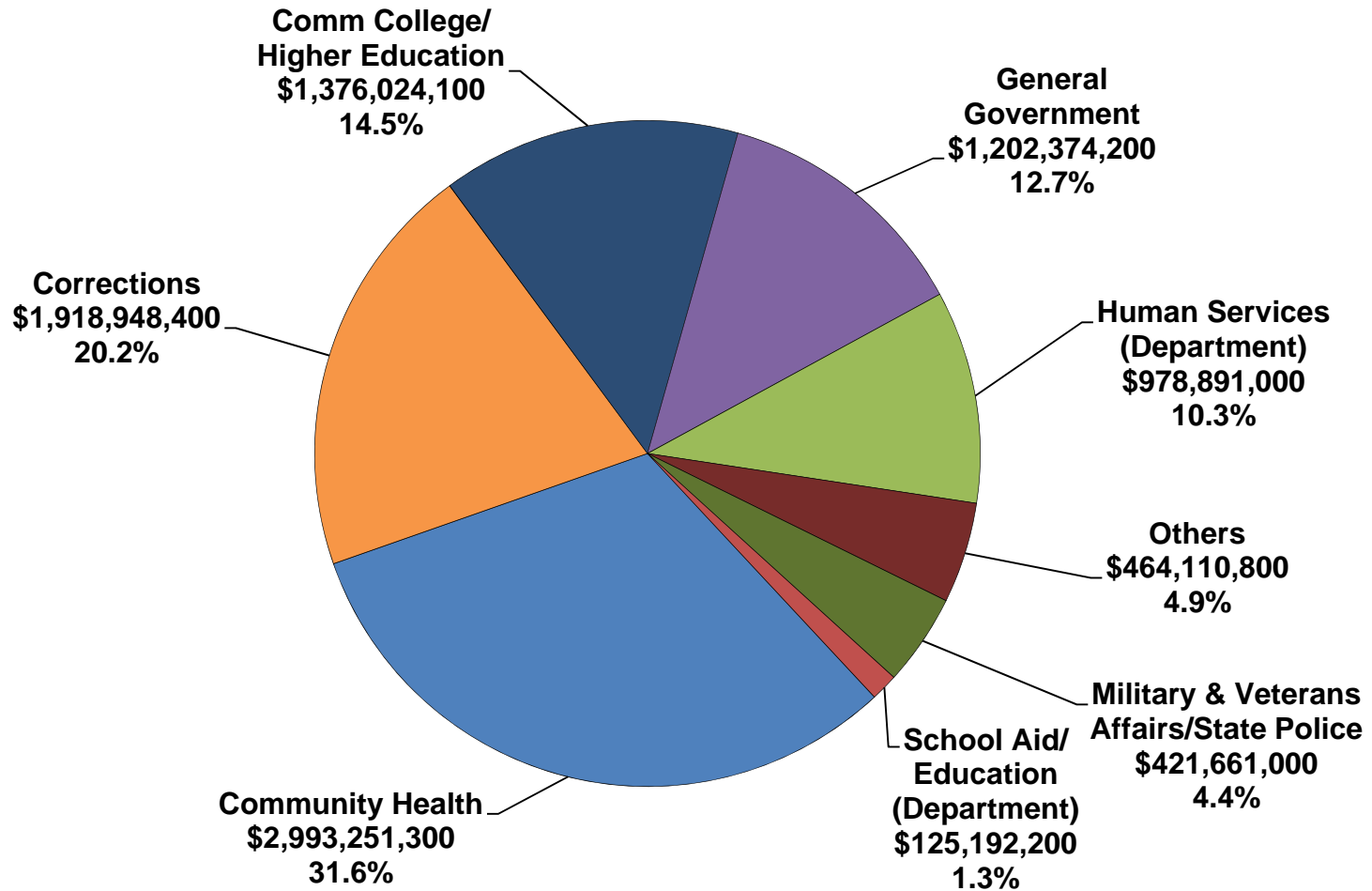
FY 2015-16 Executive Recommendation

Adjusted Gross = \$53,033,644,900



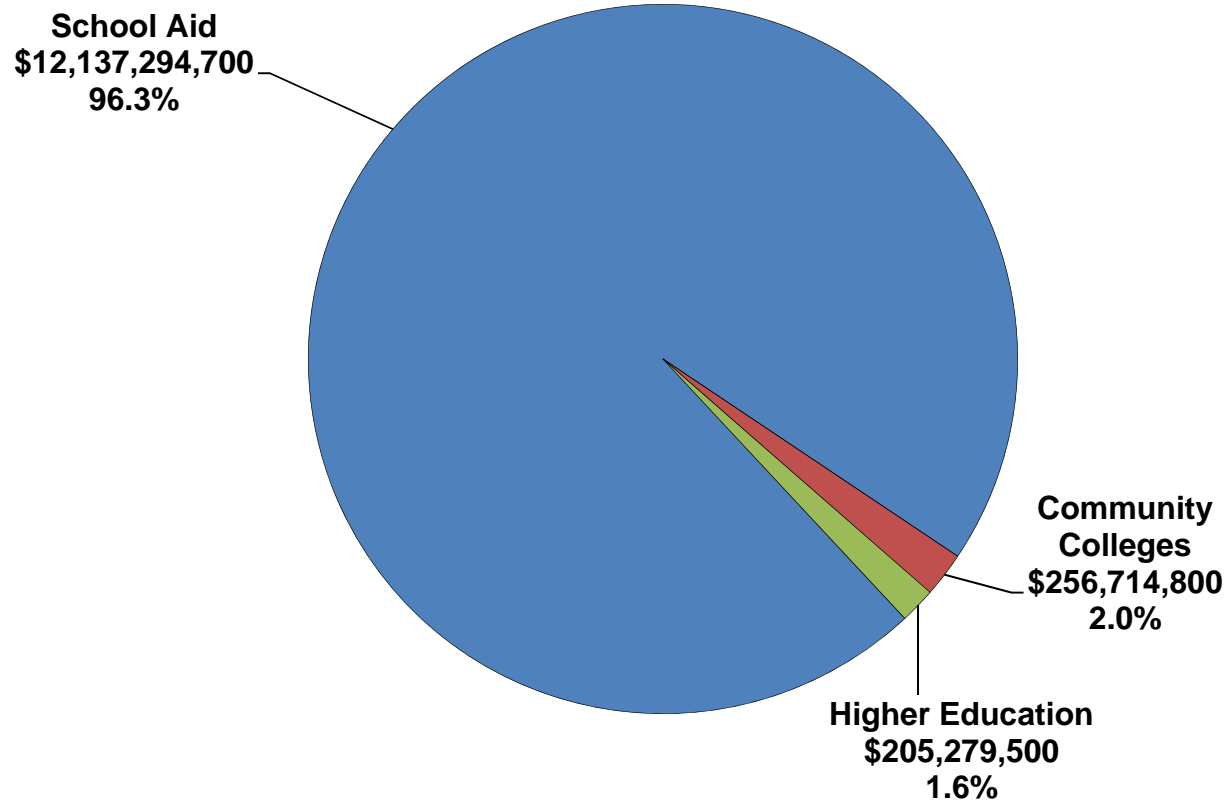
FY 2015-16 Executive Recommendation

General Fund/General Purpose (GF/GP) = \$9,480,453,000



FY 2015-16 Executive Recommendation

School Aid Fund (SAF) = \$12,599,189,000



School Aid

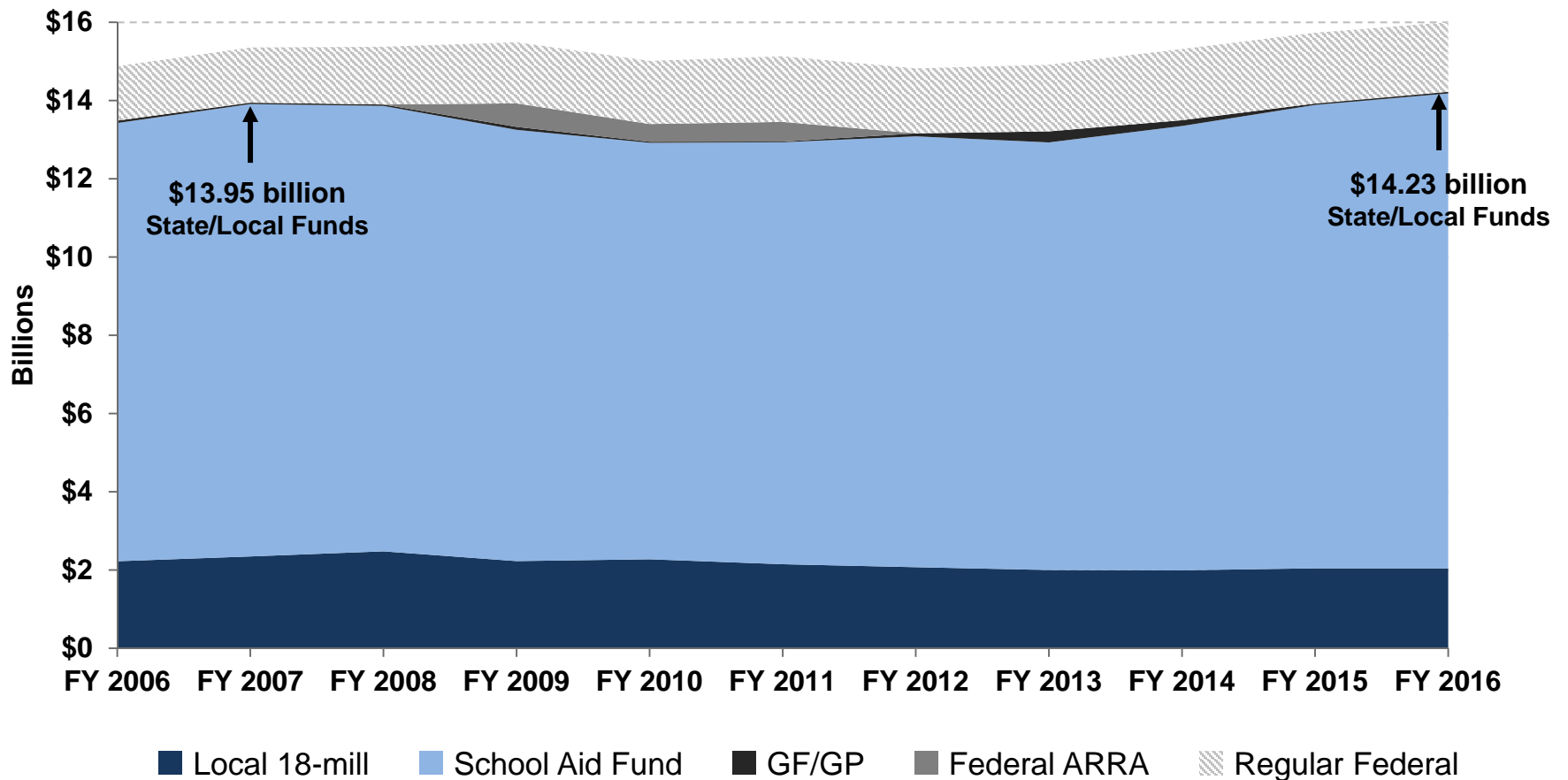
FY 15 School Aid Supplemental (HB 4110)

- **The School Aid Fund is being used to solve \$250.3 million of the projected state General Fund shortfall of approximately \$456.1 million :**
 - Reduces \$81.2 million GF/GP in the School Aid budget, primarily through the reduction in the one-time MPSERS extra unfunded liability payment.
 - Replaces \$167.1 million of GF/GP with SAF in the Community Colleges budget, thus wholly funding it with SAF at \$364.7 million.
 - Replaces \$2.0 million GF/GP with SAF in the Higher Ed (Universities) budget, bringing the total SAF to \$206.5 million.

School Aid Funding

Local 18-mill Levy and State Appropriations

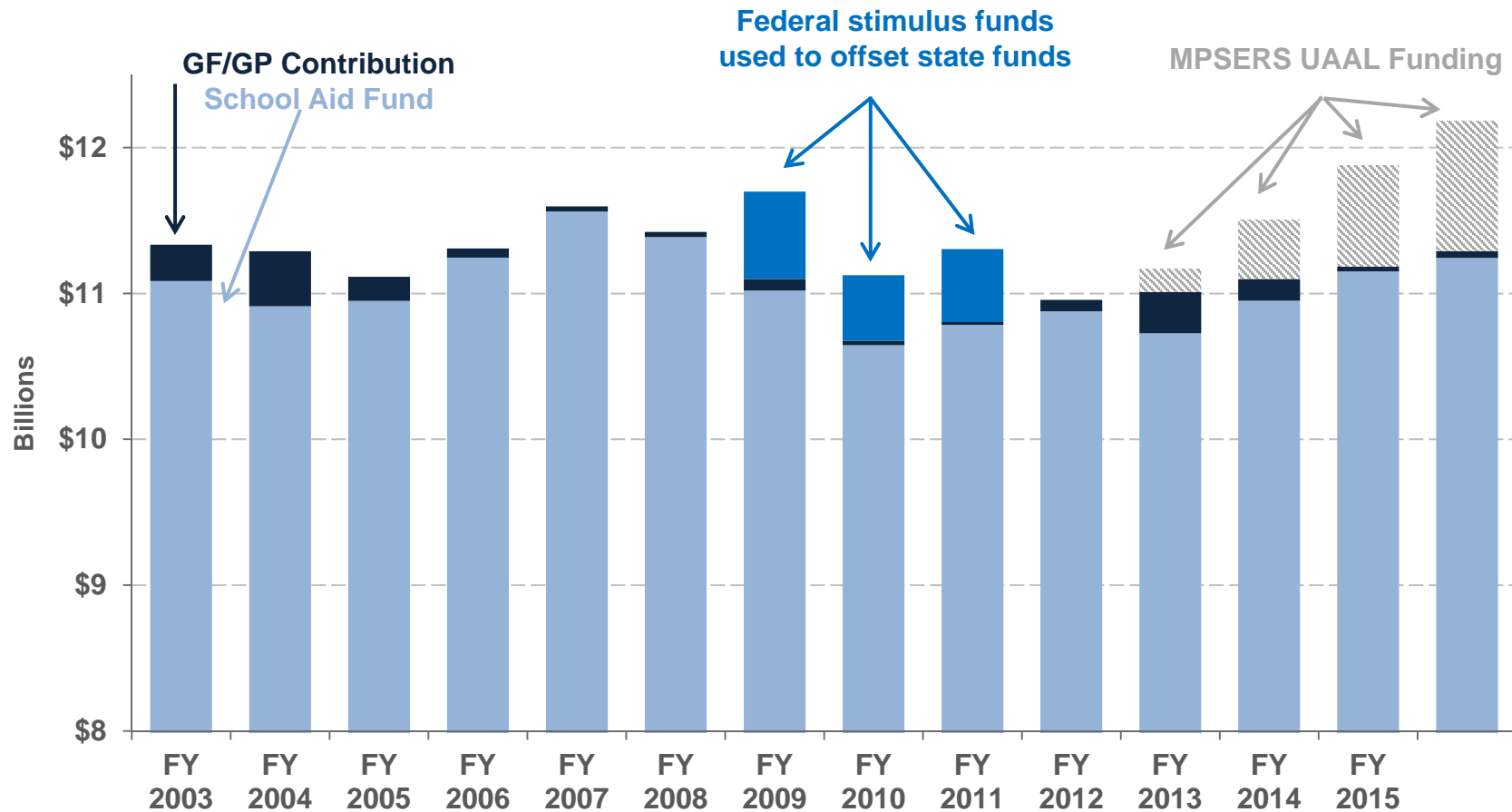
Excluding federal funds, total Exec Rec FY 2016 funding for schools is now slightly above (2.0%) the previous FY 2007 peak (not adjusted for inflation). Recent increases have included significant funding for retirement costs and other categoricals.



ARRA: Federal American Recovery and Reinvestment Act of 2009

School Aid Appropriations

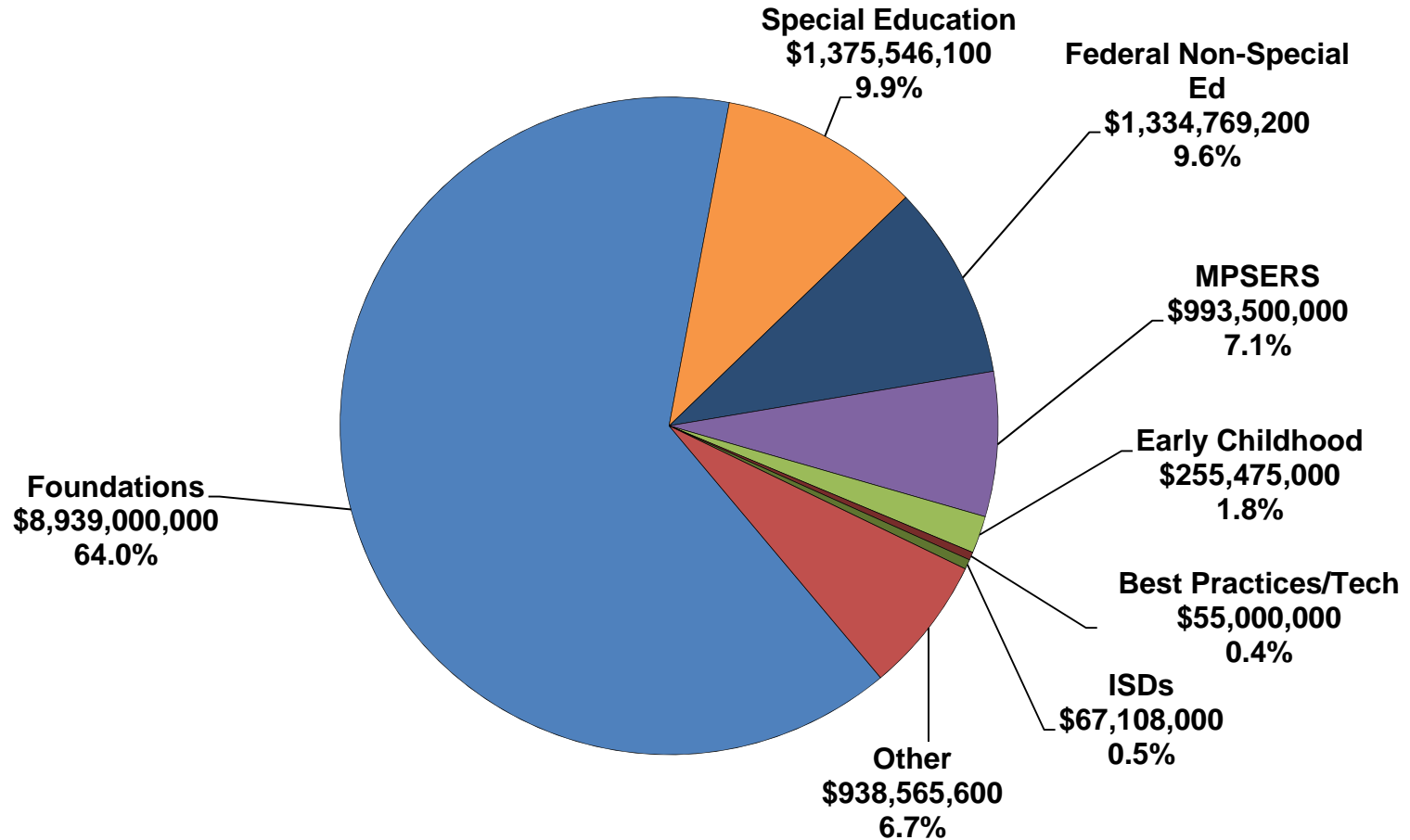
\$893.5 million has been added to hold districts harmless from increasing retirement liability costs. Total funding for foundation allowances and other operational costs is still below previous peaks.



NOTES: 1) Beginning in FY 2009, state funds increased by about \$350 million to replace local revenue due to personal property tax reductions.
 2) FYs 2012 and 2013 appropriations do not include funding set aside for future MPSERS payments, which was re-appropriated for MPSERS payments in FYs 2014 and 2015.

FY 2015-16 Executive Recommendation

School Aid = \$13,958,963,900



School Aid Fund Allocations

Major School Aid and Community Colleges funding changes proposed in the Executive Recommendation compared to adjusted FY 2014-15 levels include:

- \$108.0 million for a \$75 across-the-board increase to district foundation allowances.
- \$100.0 million in increased funding for the At-Risk Program.
- A \$75.0 million deposit into the Distressed Districts Rehabilitation Fund.
- \$20.0 million for an early literacy (3rd grade reading) initiative.
- \$17.8 million to expand career and technical education middle college programs statewide.
- \$112.6 million in reductions to major categoricals in school aid
 - Best Practice Grants (\$45.0 million)
 - Technology Grants (16.5 million)
 - District Performance Grants (\$51.1 million)

School Aid Fund Allocations

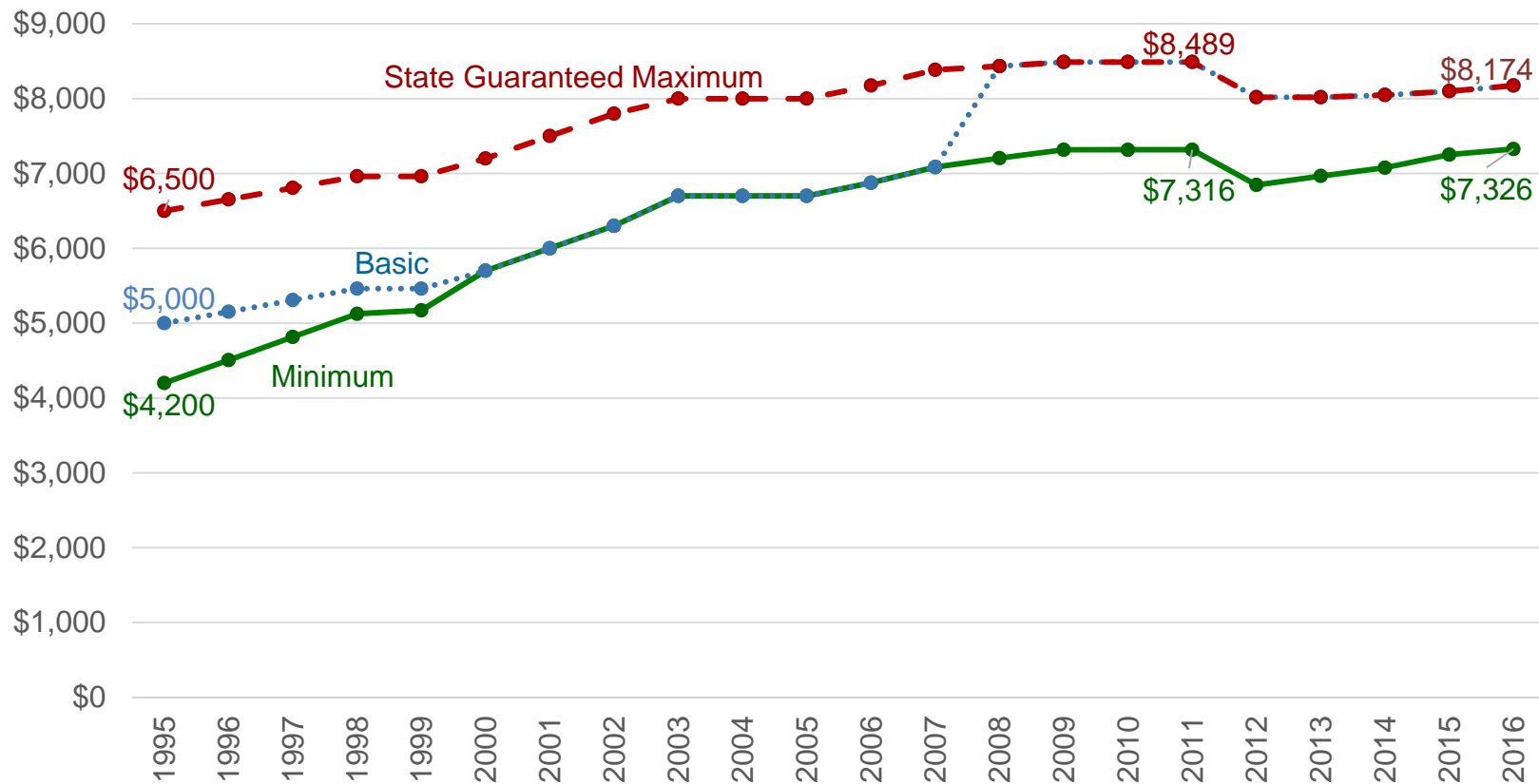
(continued)

- A \$216.6 million increase for state-level MPERS unfunded accrued liability costs in the School Aid budget and a \$17.2 million increase for Community Colleges budget.
- \$4.3 million for a 1.4% increase in funding for Community College operations.
- A continued \$30.0 million SAF shift from GF/GP in the Community Colleges budget compared to the original FY 2014-15 budget (i.e., reverses \$137.1 million of GF/GP fund shift in HB 4110 (H-1)).

Foundation Allowance History

Growth Since Proposal A

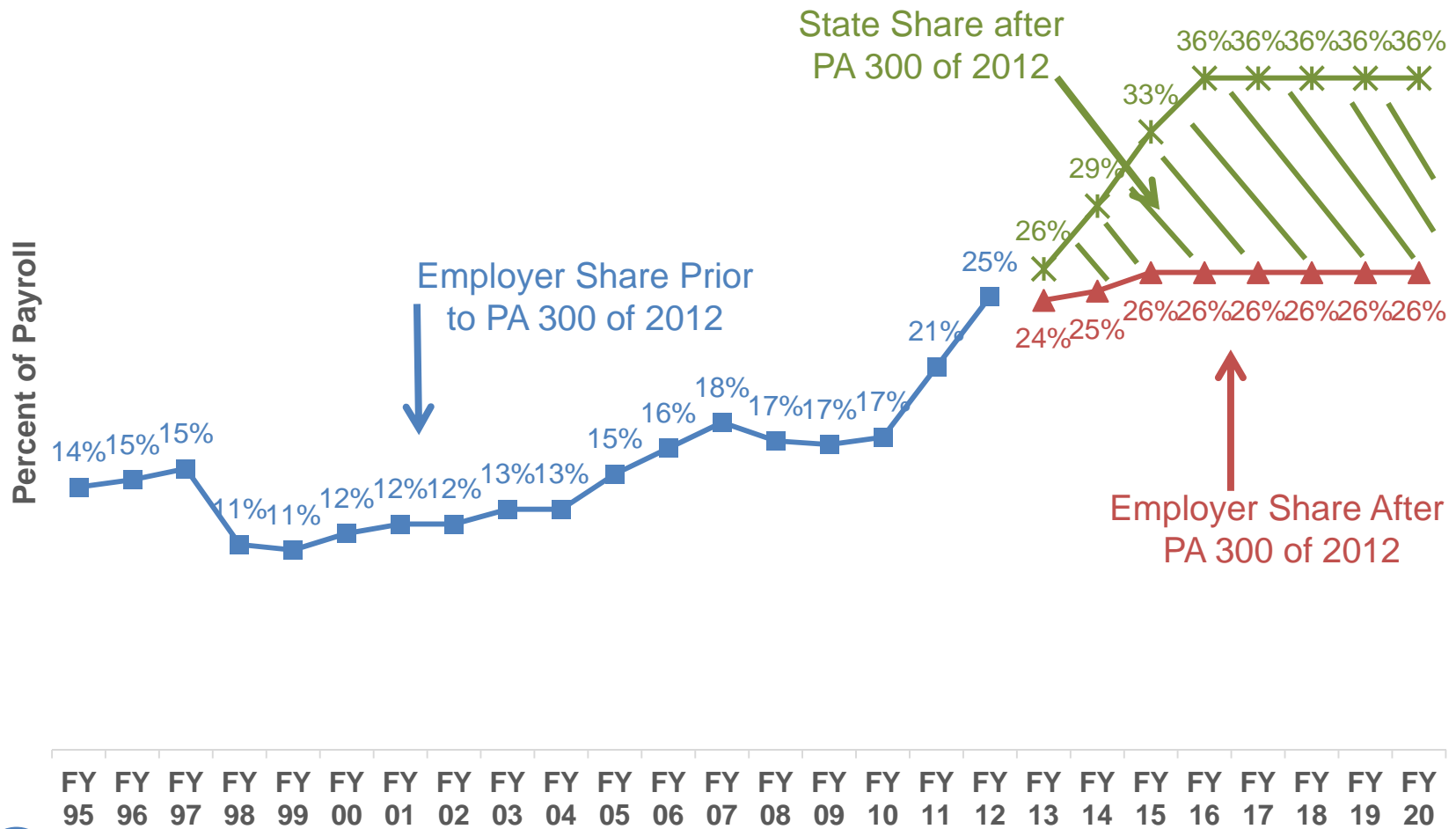
In the FY 2015-16 Executive Recommendation, an across-the-board increase of \$75 per pupil will bring the Minimum foundation allowance up to \$7,326 and the State Max up to \$8,174, maintaining the gap of \$848.



*Does not include the foundation allowances of 37 hold harmless districts that are allowed to collect additional local millage revenue to maintain statutory foundation allowances above the State Guaranteed Maximum.

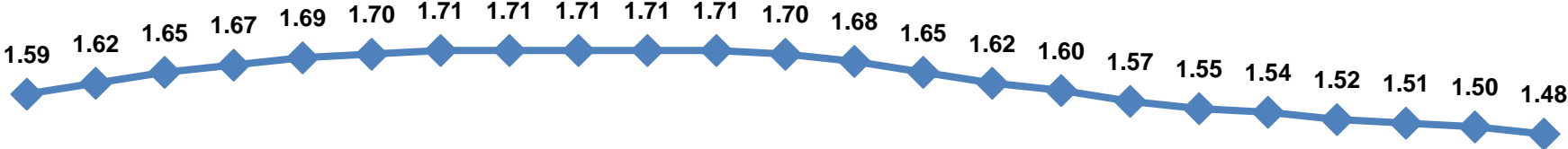
MPERS Employer Contribution Rates History and Future Projections

The state portion of the MPERS contribution rate is \$677 million in FY 2014-15 and is increasing to \$894 million in FY 2015-16. The employer contribution rate is capped at 20.96% for the unfunded liability plus the normal costs for retirement benefits newly earned each year.



Declining Enrollment Total Pupil Membership Counts

Fewer pupils means a loss of revenue to schools. Over 2/3 of all traditional (non-PSA) districts and over 1/3 of PSAs experienced declining enrollment from FY 2013-14 to FY 2014-15.



Pupil Blend (% current fall/% prior Feb)

50/50 FYs 95–97

60/40 FYs 98–99

75/25 FY 00

80/20 FYs 01–04

75/25 FYs 05–11

90/10 FY 12–13

90/10 current Feb FY 14–16

FY 95	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15*	FY 16*	FY 17*
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** FYs 15, 16 and 17 figures are from Jan 2015 consensus estimates*

Executive Recommendation School Aid Balance Sheet

(Dollars in Millions)

	<u>FY 2016</u>	<u>Baseline FY 2017</u>
Beginning Balance	\$120.9	\$6.4
REVENUE		
School Aid Fund (SAF) Revenue	\$12,263.7	\$12,640.9
Use Tax on Medicaid MCO's (SAF Portion)	188.9	48.8
Venture Michigan Fund	(11.9)	(9.5)
Online Sales Tax Legislation	44.0	45.3
General Fund/General Purpose (GF/GP)	45.9	57.0
<u>Federal Funds</u>	<u>1,775.8</u>	<u>1,775.8</u>
<u>TOTAL REVENUE</u>	<u>\$14,306.4</u>	<u>\$14,558.3</u>
EXPENDITURES		
Ongoing Baseline	\$13,844.3	\$13,839.3
Expenditures Funded with One-Time Revenue	114.7	0.0
Postsecondary Expenditures	<u>461.9</u>	<u>469.0</u>
<u>TOTAL EXPENDITURES</u>	<u>\$14,420.9</u>	<u>\$14,308.3</u>
 Change in Current Year Balance	 (\$114.5)	 \$250.0
ESTIMATED ENDING BALANCE / (SHORTFALL)	\$6.4	\$256.4



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