

# How the Legislative Process Affects the Business Office

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CHRIS GLASS

WEST MICHIGAN TALENT TRIANGLE



# Legislative Process – Impact on Business Operations

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- State Budget Timelines/Timing Implications
- School Aid Budget Revenue Overview
- Policy Bill Implications
- Wrap-Up



STATE OF MICHIGAN  
DEPARTMENT OF EDUCATION  
LANSING

RICK SNYDER  
GOVERNOR

BRIAN J. WHISTON  
STATE SUPERINTENDENT

July 9, 2015

**MEMORANDUM**

TO: Local and Intermediate School District Superintendents  
Public School Academy Directors

FROM: Kyle L. Guerrant, Deputy Superintendent *KG*

SUBJECT: Guidance on 2015-16 Budget Transparency (Section 18)


The Michigan Department of Education has revised the Budget Transparency guidance to include changes made to the legislation under PA 85 of 2015. Below is a summary of the legislative changes for 2015-16. For a complete explanation of the changes, please view the revised guidance found on the Department's website by clicking [here](#).

**Legislative Changes**

- A district or intermediate district shall adopt an annual budget in a manner that complies with the uniform budgeting and accounting act,

# State Budget Timelines

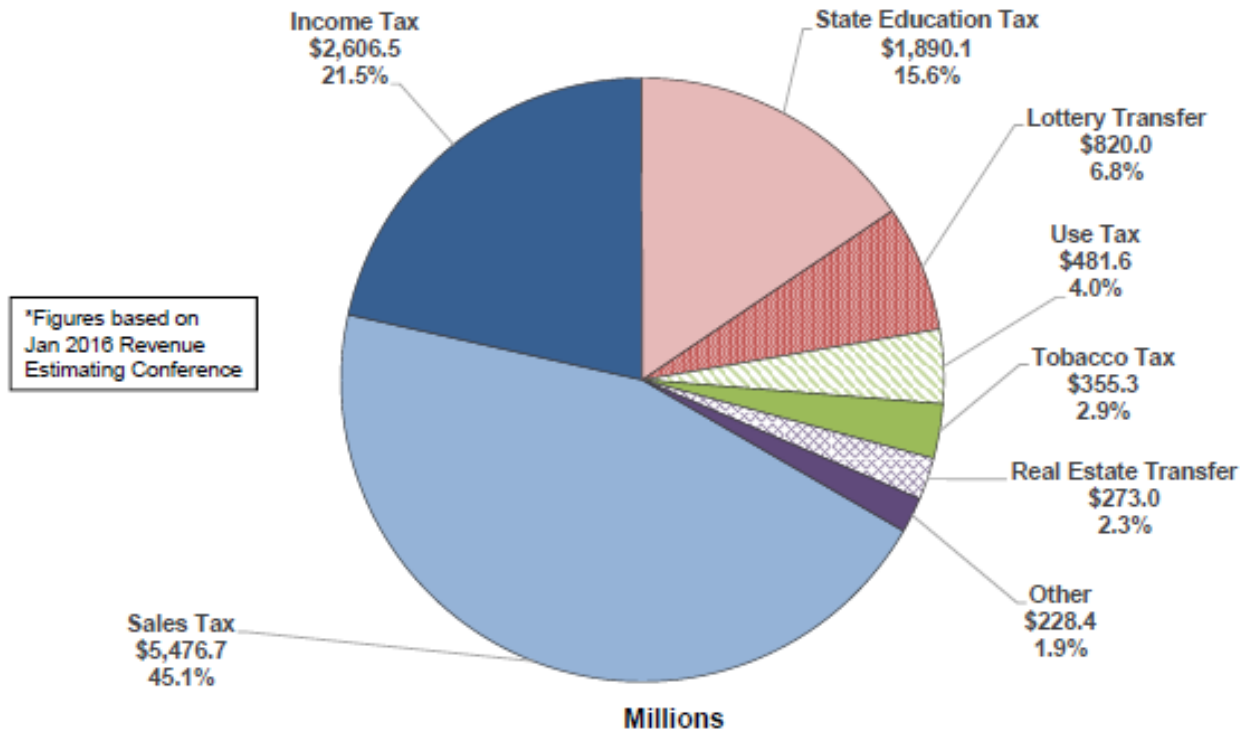
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- January Consensus Revenue Estimating Conference
  - Governor's Budget Proposal/Presentation (early February)
  - Appropriations Process
  - May Consensus Revenue Estimating Conference
  - Conference Committees
  - Legislature Approval/Governor's Signature
  - Supplemental Budgets
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# SAF Revenue Sources

Sales Tax is the largest revenue source, contributing nearly half of total SAF revenue.

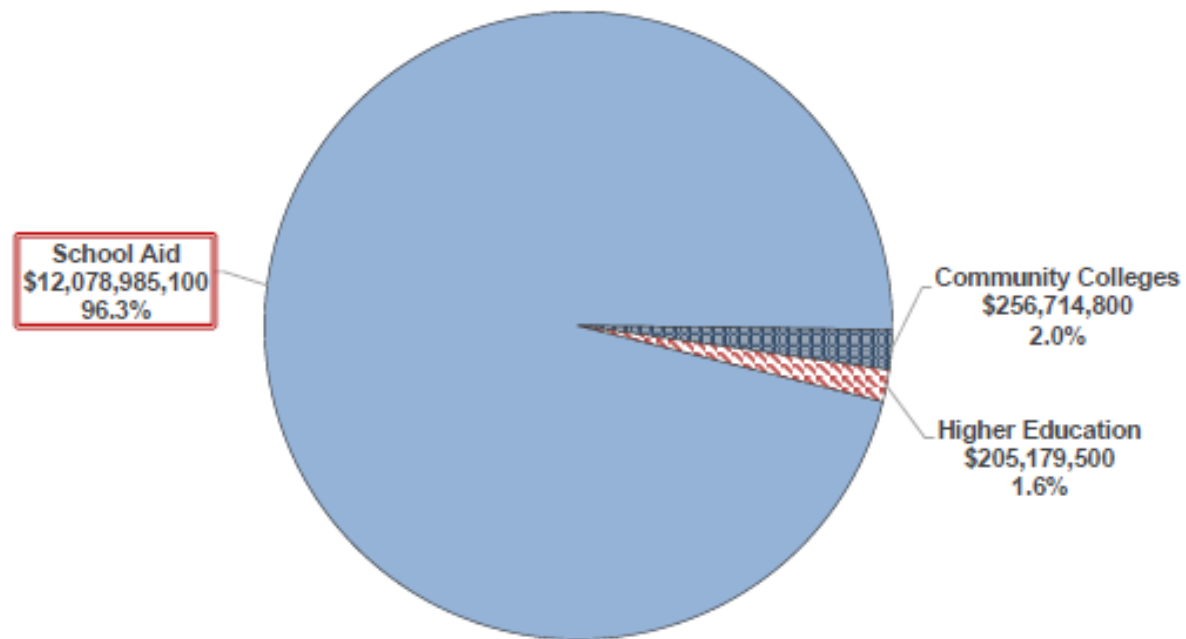
**FY 2015-16 Total = \$12,131.6 Million**



## School Aid Budget Share of School Aid Fund

The School Aid budget receives 96.3% of the total state School Aid Fund (SAF) appropriations.

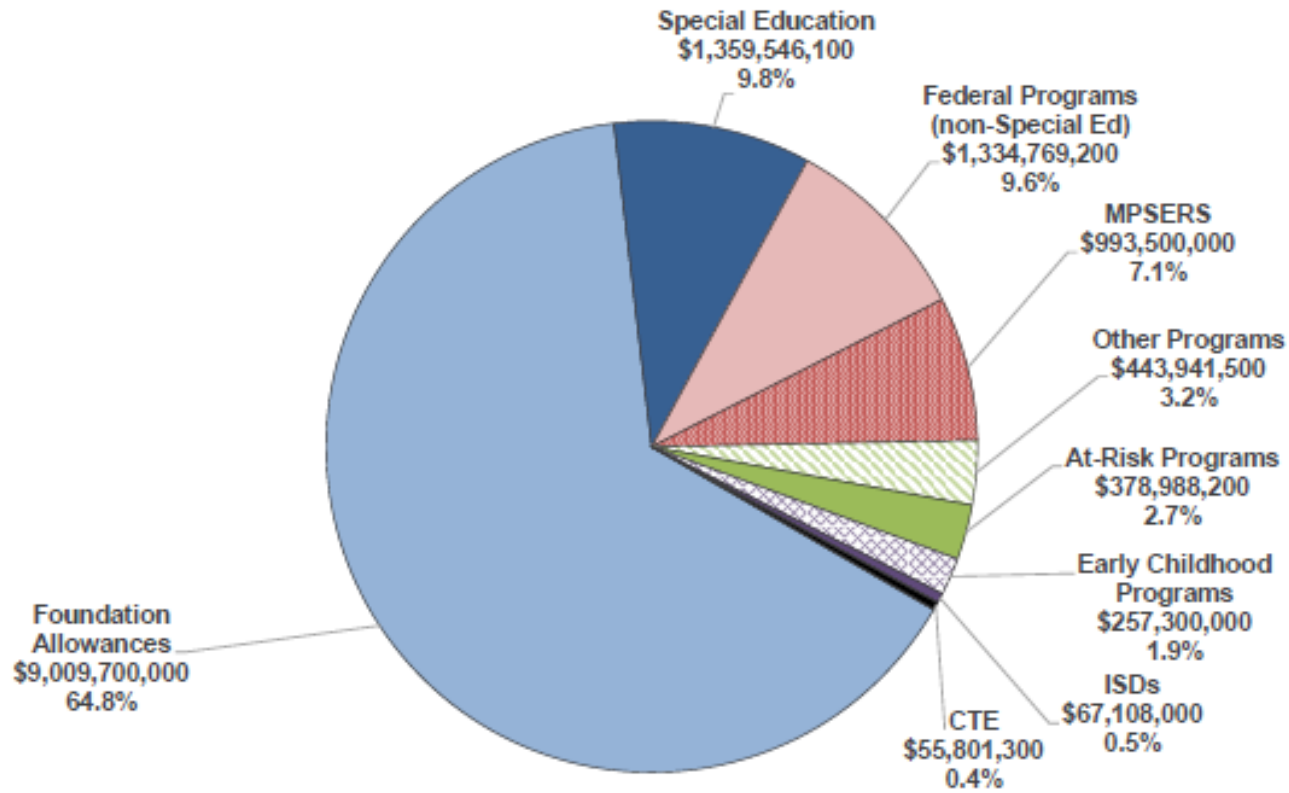
FY 2015-16 SAF Total = \$12,540,879,400



# School Aid Appropriations

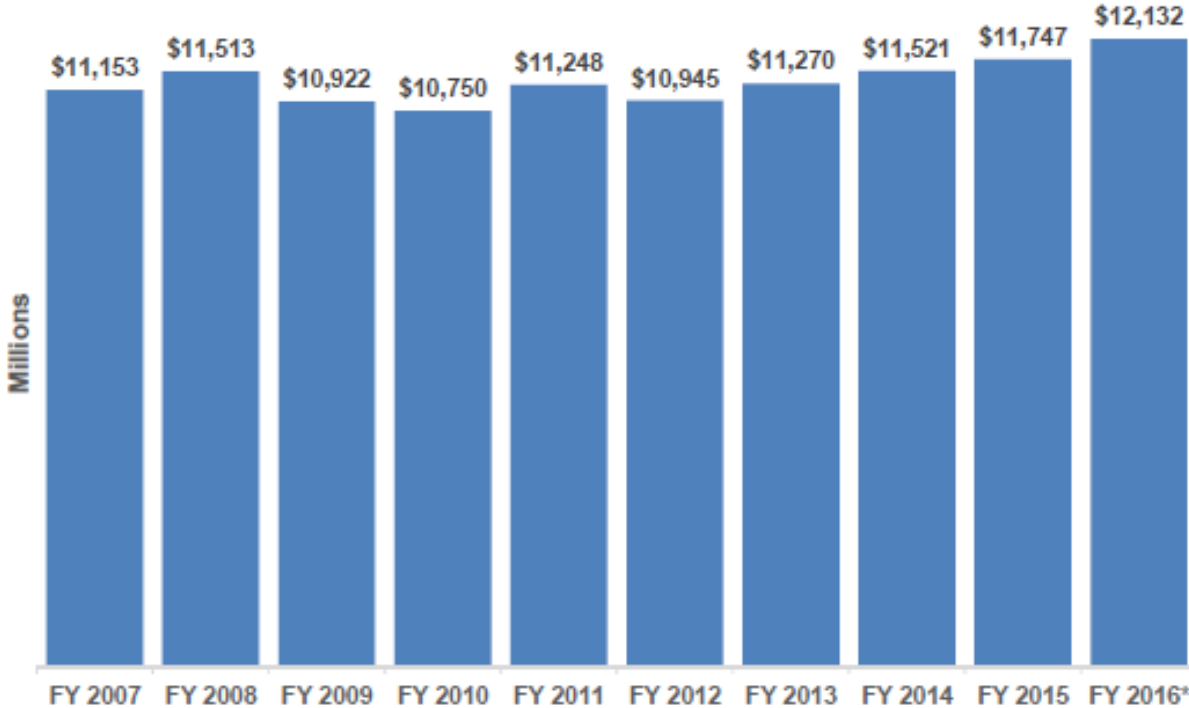
Foundation allowances, used for school operations, absorb almost \$2 out of every \$3 spent.

**FY 2015-16 School Aid Budget = \$13,900,654,300**



# SAF Revenue History

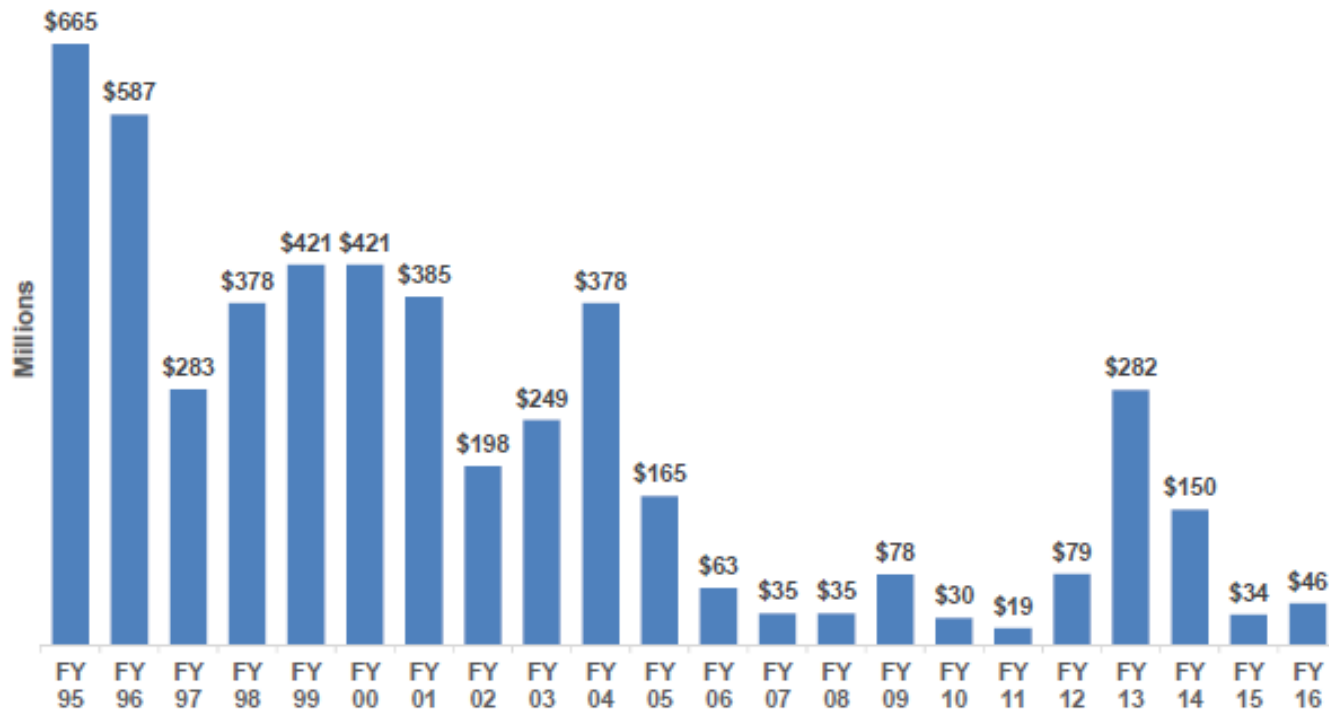
Annual School Aid Fund revenues are estimated to grow by 3.3% and to total \$12.1 billion in FY 2015-16





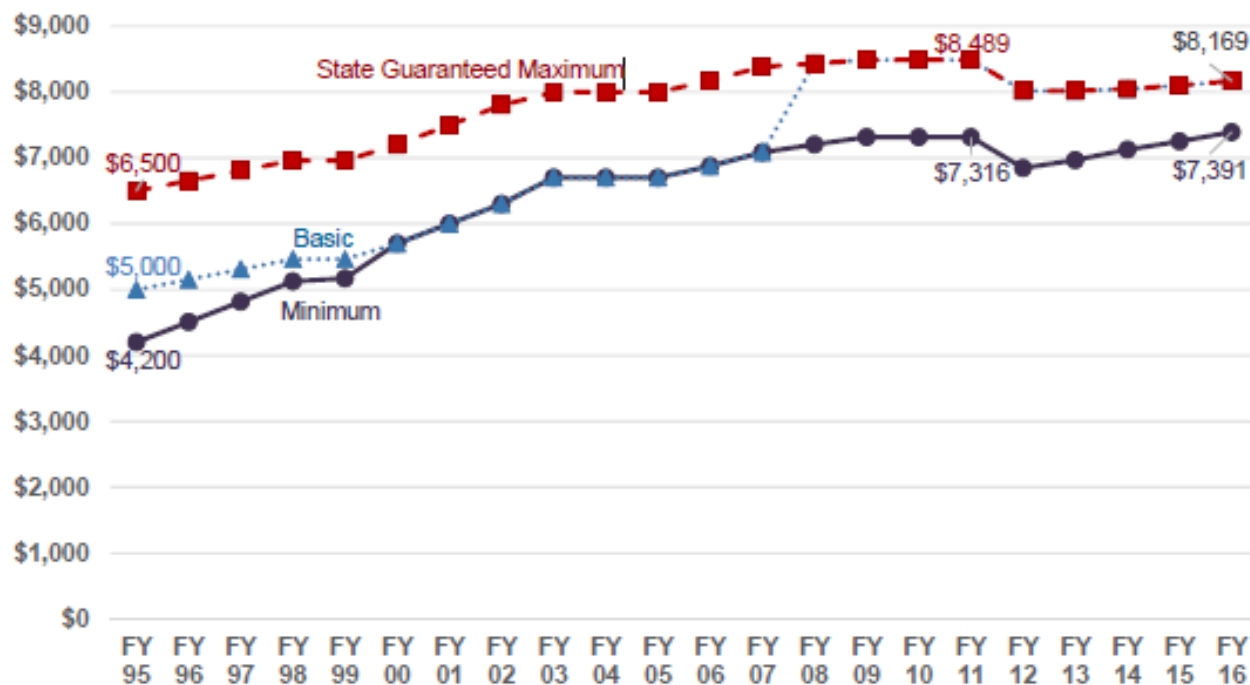
## School Aid Budget: GF/GP as a Fund Source

GF/GP will contribute \$45.9 million to the School Aid Budget in FY 2015-16. Of that total \$30.9 million is reimbursement to the School Aid Fund for the 2014 personal property tax (PPT) reform



## Foundation Allowance History Growth Since Proposal A

The FY 2015-16 foundation allowance for schools at the Minimum level is \$75 above the previous FY 2010-11 peak. For schools at the State Maximum level, it's \$320 below the FY 2010-11 peak. The "equity gap" between the two is down to \$778 per pupil.



*\*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.*

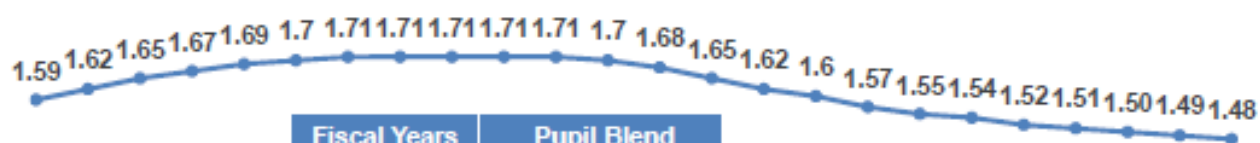
## MPSERS Employer Contribution Rates History and Future Projections

The state portion of the MPSERS contribution rate is \$894 million in FY 2015-16 and is expected to increase to \$984 million in FY 2016-17. 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. Statewide, pupil memberships are 13% lower than their peak in FY 2002-03. Nearly 2/3 of traditional districts experienced declining enrollment from FY 2014-15 to FY 2015-16.

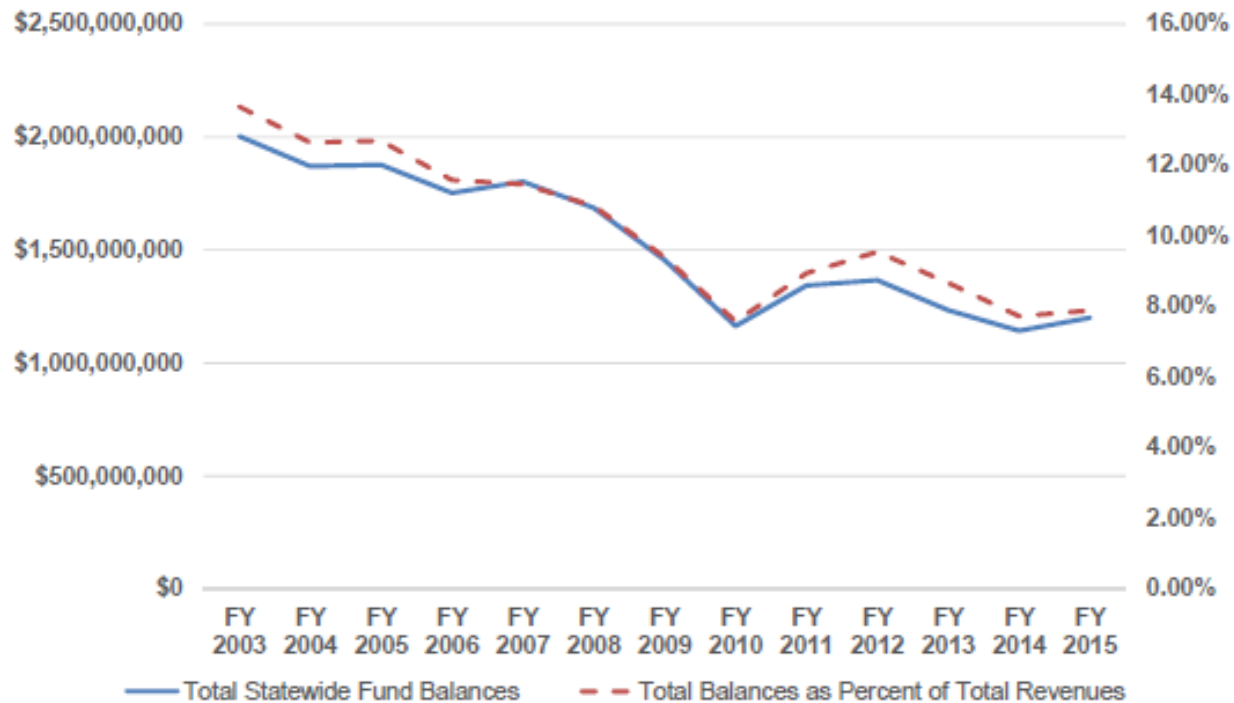


Fiscal Years	Pupil Blend
	% current fall/ % prior Feb
1998 to 1999	60/40
2000	75/25
2001 to 2004	80/20
2005 to 2011	75/25
2012 to 2013	90/10
2014 to 2015	90/10 following Feb
2016	90/10

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\* FY 18\*

## District Fund Balances and Deficits

Total fund balances decreased from a high of \$2.0 billion in FY 2002-03 to \$1.2 billion in FY 2014-15. The average statewide total fund balance as a percent of revenues declined from 13.7% in FY 2002-03 to 7.9% in FY 2014-15. The number of districts with a deficit decreased from 55 in FY 2013-14 to 40 in FY 2014-15.



Legislation passed by the **House Committees** since January 2013 that affect the School Aid Fund or local school property tax revenue (does not include bills that had hearings but no votes, or bills passed by the Senate).

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*Public Acts to date (May 20, 2014): cut at least \$161.7 million annually from the School Aid Fund, this does not include the four bills for which costs are indeterminate.*

**Appropriations:**

**SB893** – HICA and Medicaid Managed Care use tax  
**\$87 Million increase to SAF in 13/14**

**Tax Policy:**

**SB89-90 and HB4234** (Public Acts 160, 234 & 159 of 2013) – eliminate the sales and use taxes on the difference between the value of a trade-in and a new vehicle.  
**\$152 Million loss to SAF**

## **FISCAL IMPACT**

The bill would reduce General Fund and School Aid Fund revenue. Assuming the bill were adopted before September 30, 2011, the reduction in FY 2010-11 would depend on when the bill was enacted, if it were given immediate effect, and whether it was made retroactive. Net revenue from the MBT is estimated to generate approximately \$2.1 billion during FY 2010-11, and \$2.2 billion during FY 2011-12, including \$739.2 million and \$750.2 million in School Aid Fund revenue during the two fiscal years, respectively.

Because the bill would not affect tax payments or refund requests for prior tax years, State revenue would still be affected by late payments and refund requests even after the MBT Act was repealed. Based on the revenue history after the Single Business Tax Act was repealed, the net impact of these prior tax year issues would be negative, meaning that the total impact of the bill would be not only the loss of \$2.2 billion in net revenue during FY 2011-12, but an additional loss of revenue attributable to refunds for prior tax years.



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SCHOOL AID FUND (2015-16)

OTHER REPORTS

- HFA State Budget Overview – August 2015
HFA Revenue – State Source and Distribution - FY 2015-16 as of July 2015

CONFERENCE REPORTS

- HFA - Estimated Balance Sheet based on the Conference Report
FY 2015-16 Education Omnibus Appropriation Bill Text - HB 4115 (HR-1) (CR-1)
SFA Analysis - FY 2015-16 Education Omnibus Appropriation Bill - HB 4115 (HR-1) (CR-1)
HFA Analysis - FY 2015-16 Education Omnibus Appropriation Bill - HB 4115 (HR-1) (CR-1)
Conference Committee 2015-16 School Aid Budget Summary
School Aid Section Side-By-Side
District-By-District Impact
Narrative on Conference Committee's Recommendation for School Aid
School Aid Bill - Full Text

SENATE PROPOSAL

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Revenue Consensus
School Aid Act Rewrite



# Wrap-Up

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