

ALLOW EXPENDITURES FROM MHEAA FUND

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House Bill 6249 (Substitute H-1)

Sponsor: Rep. Kooiman

House Committee: Appropriations

Complete to 6-21-06

A SUMMARY OF HOUSE BILL 6249 (H-1)

Public Act 77 of 1960 creates and establishes the powers of the Michigan Higher Education Assistance Authority (MHEAA). This bill would amend that act to allow the authority to use funds from its operating fund for the following purposes:

- 1) In FY 2005-06, funds could be used for the State Competitive Scholarship Program.
- 2) In FY 2006-07, funds could be used for the State Competitive Scholarship Program or Tuition Incentive Program.

The funds could be used as long as federal law did not prohibit the use of the funds for those purposes.

MCL 390.957a

FISCAL IMPACT:

The FY 2005-06 Higher Education budget includes an appropriation of \$3.0 million from the MHEAA operating fund for the State Competitive Scholarship Program, supplementing GF/GP and federal revenue appropriated for the program. This bill would allow the expenditure of those funds to occur. It would also allow for the expenditure of funds if a similar appropriation were to be included in the FY 2006-07 Higher Education budget for either the State Competitive Scholarship or Tuition Incentive Programs.

Expenditure of funds from the operating fund in either fiscal year would also require a resolution to be adopted by the authority's board approving the expenditure. On June 20, the board defeated a resolution to expend the full \$3.0 million appropriated in FY 2005-06. Instead, the board approved a resolution to expend \$325,000 from the operating fund for the State Competitive Scholarship Program; this amount reflects the projected shortfall in FY 2005-06 appropriation for the program (excluding the appropriated MHEAA funds). The department indicates that late scholarship awards were not made in order to avoid reliance on the full \$3.0 million of appropriated MHEAA funds.

If expenditure of the full \$3.0 million were approved by the authority's board at some point in the future, those funds would have to be expended prior to the expenditure of GF/GP revenue, pursuant to the Management and Budget Act. The net effect of the expenditure of the full \$3.0 million in MHEAA funds in FY 2005-06, then, would be a GF/GP lapse of approximately \$2.7 million.

Fiscal Analyst: Kyle I. Jen

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