



STATE BUDGET OFFICE

SCHOOL AID HIGHLIGHTS
EXECUTIVE BUDGET
FISCAL YEARS 2014 AND 2015

FEBRUARY 7, 2013

FY2014 K-12 School Aid Executive Budget

K-12 Funding (<i>in millions</i>)	<u>FY2014</u>	<u>FY2015</u>
School Aid Fund Revenue	\$ 11,090.8	\$ 11,393.2
MPERS Reserve Fund	\$ 150.0	\$ 100.0
General Fund	\$ 230.0	\$ 233.0
Federal Funds	<u>\$ 1,764.4</u>	<u>\$ 1,764.4</u>
Total Appropriations	\$ 13,235.2	\$ 13,490.6
Local Revenue	<u>\$ 3,320.0</u>	<u>\$ 3,314.0</u>
Total State/Local/Federal	\$ 16,555.2	\$ 16,804.6

Consensus Pupils:

- FY2013 – 1,537,400
- FY2014 – 1,532,000, a decrease of 5,400 pupils from FY2013
- FY2015 – 1,526,000, a decrease of 6,000 from FY2014

Preschool

- The FY2014 budget includes an **increase of \$65 million for Great Start Readiness Programs (GSRP)**, enough to provide an additional 16,000 half-day placements. Funding will increase from \$109.3 M to \$174.3 M (nearly a 60% increase) in FY2014. The Governor is also proposing an additional **\$65 million in FY15**, providing for \$130 million in increased funding over the next two years.
- Also propose an **increase in the half-day allotment from \$3,400 to \$3,625** (1/2 of the average foundation allowance). A child can either be enrolled in a half-day program, filling one slot, or can be enrolled in a full-day program, filling two slots.

GREAT START READINESS PROGRAM FUNDING			
	FY2013	FY2014	Difference
	PA 200 of 2012	Exec Rec	FY2013 to FY2014
Great Start Readiness Programs (GSRP)			
School-Based and Competitive Programs	\$109,275,000	\$174,275,000	\$65,000,000
Study of Preschool Program Outcomes	<u>\$300,000</u>	<u>\$300,000</u>	
Subtotal, Great Start Readiness Program	\$109,575,000	\$174,575,000	\$65,000,000
Great Start ISD Block Grants (0-3 and early collaboratives)			
	<u>\$10,900,000</u>	<u>\$10,900,000</u>	\$0
Total Preschool Programs	\$120,475,000	\$185,475,000	\$65,000,000
Per Half-Day Allotment	\$3,400	\$3,625	\$225
Est. Number of Half-Day Placements	32,140	48,076	15,936

Basic Operations

- The FY2014 budget includes an **equity payment of up to \$34 per pupil** for districts at or near the minimum foundation allowance, bringing the minimum per-pupil payment to \$7,000 (cost of \$24 M). For all other districts, the per-pupil foundation allowance for FY2014 remains at the FY2013 level.

Per-Pupil Foundation Allowances		
	Minimum	Basic/Maximum
FY2011	\$7,316	\$8,489
FY2012	\$6,846	\$8,019
FY2013	\$6,966	\$8,019
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FY2014	\$6,966	\$8,019
FY2014 Equity	\$ 34	\$ 0
FY2014 Foundation Allowance	\$7,000	\$8,019

- **Small Class Size Supplemental Payments** are maintained at a reduced level of \$9 million (from \$13 million). For districts with a foundation allowance greater than or equal to \$7,500, the small class size payment will be capped at \$50 per pupil, and for districts with a foundation allowance less than \$7,500, the payment is capped at \$100 per pupil.
- **Intermediate School District (ISD) Operations** funding remains at the FY2013 level of \$62.1 million, with an additional \$2 million distributed to ISDs that meet best practices criteria.

State-Funded Relief for MPSERS Retirement Obligations

- Recent MPSERS reforms (PA 300 of 2012) – reduced long-term liabilities, increased employee contributions, and capped the employer rate at 20.96% for UAL.
- Funds are appropriated for FY2013, FY2014 and FY2015 to provide fiscal relief to districts and ISDs for the portion of the UAL over and above the cap. \$403.3 million in FY2014 (average of \$250 per pupil) and \$649.2 million in FY2015. An additional amount of \$32.7 million is appropriated for community colleges (\$31.4 M) and libraries (\$1.3 M) in FY2014.
- These funds are in addition to \$155 million currently in the budget for MPSERS cost offsets (average of \$100 per pupil).
- The FY2014 budget assumes the use of \$150 million of the funds in MPSERS Reserve Fund.

MPSERS Retirement Rates for FY2014							
	Basic MIP w/Prem Subsidy	Pension Plus w/Prem Subsidy	Pension Plus PHF	Pension Plus to DC w/PHF	Basic/MIP To DC w/ Prem Subsidy	Basic/MIP To DC w/PHF	Basic/ MIP w/PHF
Total Rate	29.35%	29.12%	28.19%	25.52%	26.45%	25.52%	28.42%
Employer Rate:							
Pension Normal Cost	2.90%	2.67%	2.67%	0.00%	0.00%	0.00%	2.90%
Pension UAL	14.08%	14.08%	14.08%	14.08%	14.08%	14.08%	14.08%
Retirement Incentive (10-yr. payback)	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%
Pension Total Rate	18.34%	18.11%	18.11%	15.44%	15.44%	15.44%	18.34%
Health Normal Cost	0.93%	0.93%	0.00%	0.00%	0.93%	0.00%	0.00%
Health UAL	5.52%	5.52%	5.52%	5.52%	5.52%	5.52%	5.52%
Retiree Health Total Rate	6.45%	6.45%	5.52%	5.52%	6.45%	5.52%	5.52%
Employer Capped Rate	24.79%	24.56%	23.63%	20.96%	21.89%	20.96%	23.86%

Performance Funding

- Performance funding is maintained at the FY2013 level of \$30 M – up to \$100 per pupil.
- \$30 per pupil for academic growth in grades 3-8 for math
- \$30 per pupil for academic growth in grades 3-8 for reading
- \$40 per pupil for academic growth in all high school tested subjects (reading, writing, math, science, and social studies)

Best Practices

- **Districts** that meet 7 of the following 8 criteria are eligible for \$16 per-pupil - \$25 million:
 1. Districts participate in schools of choice programs.
 2. Districts monitor student growth at least twice annually and report the results to parents.
 3. Districts offer dual enrollment and other opportunities for postsecondary coursework.
 4. Districts offer online learning opportunities.
 5. Districts are the policy holder for health care services benefits.
 6. Districts provide a dashboard to parents and members of the community.
 7. Districts obtain competitive bids for services.
 8. Districts offer physical or health education.
- **Intermediate School Districts (ISDs)** that meet 5 of following 6 criteria - \$2 million:
 1. ISD enters into agreement with the department to develop a service consolidation plan.
 2. ISDs work in a consortium to develop system requirements and detailed specifications for end-to-end IT solutions that could be leveraged statewide for student management systems for general and special education and business services.
 3. ISD agrees to develop a plan in FY2013 to be implemented by constituent districts in FY2014 to integrate technology into the classroom and prepare teachers to use digital technology.
 4. ISDs obtain competitive bids on the provision of pupil transportation, food service, custodial or other noninstructional services provided to constituent districts of at least \$50,000.
 5. ISDs create and host a “citizens” dashboard.
 6. ISD is the policyholder for health care services benefits.

Digital Learning Innovation (NEW) – Funded with \$10 M (\$5 M ongoing, \$5 M one-time)

- Allows pupils to enroll in online learning courses either offered by their own districts or from a statewide catalog of courses maintained by Michigan Virtual University of all vendors. Online course syllabi describing course requirements/expectations will be available on the districts' websites and linked to the MVU statewide catalog.
- The Michigan Virtual Learning Research Institute, located at Michigan Virtual University, will compare the online courses contained in the statewide catalog to nationally-recognized best practices and make that information available to parents/students on their website, which will be linked to each district's website.
- The Institute will also award up to \$2.2 million to consortias of intermediate districts to assist in statewide planning, implementing and evaluating of digital online coursework and providing other technical assistance.
- Provides for a new digital learning teacher endorsement credential and supports higher education faculty members who implement the new endorsement into their higher education institutions' teacher preparation programs.
- Establishes a software platform and user network where educators can create and share student-centric learning tools and resources.

Competitive Student-Centric Grant Program – (NEW)

- The FY2014 budget proposes \$8 million for competitive grants to districts that have aligned instructional delivery with individual student learning styles and pace.

Other Education Instructional Programs

- Funding for the **Technology Infrastructure Program** is continued for the 2nd year of a 2-year grant program, with \$13.5 million. Funds are intended to aid districts with technology improvements in preparation of the planned implementation of online growth assessments in fiscal year 2015.
- The FY2014 budget provides for \$1.4 billion for **special education services**: \$980.6 million in state funds (a decrease of \$15.7 million from FY2013 enacted levels) and \$444 million in federal funds.
- A total of \$35.6 million for **career and vocational education** programs (\$26.6 million) and vocational education millage subsidy payments (\$9 million) is maintained.
- Funding to support **adult education** programs is maintained at \$22 million.
- Education programs in **juvenile justice facilities** are increased by \$31,700 from FY2013 levels to \$2.2 million. Educational programs that serve **wards of the court** are supported with \$8 million. Funding for the **Youth Challenge Program** is maintained at \$1.5 million.

Student Support Services

- The FY2014 budget maintains \$309.0 million in funding for **at-risk** programs. Funding for **adolescent teen health centers** is continued at \$3.6 million. Funding for **hearing and vision screenings** is maintained at \$5.2 million. An additional \$812 million in federal funds

are also available to assist schools in need of support services to improve student achievement and meet federal education standards.

- Funding for **school lunch and breakfast programs** is funded with \$491.3 million: \$28.1 million in state funds and \$463.2 million in federal funds. School breakfast funding is reduced by \$4 million to \$5.6 million to reflect actual prior-year expenditure levels.
- A total of \$7.9 million (\$2.7 million state funds and \$5.2 million federal) supports the state's **math and science centers**.
- **School transportation safety programs** are funded at \$3.3 million: \$1.7 million for school bus inspections provided by Michigan State Police and \$1.6 million for school bus driver safety training. Funding to support **transportation costs in small, isolated districts** is maintained at \$2 million.

Assessment and Accountability

- The FY2014 budget maintains funding to districts at the FY2013 level of \$38 million for **state data collection and reporting costs**.
- The FY2014 budget provides \$34.9 million (\$26.7 million in state and \$8.2 million in federal) for costs associated with **student assessments** required under state and federal law.
- **Center for Educational Performance and Information (CEPI)** funding totals \$9.4 million general fund.

Debt Service and Other Required Payments

- **School Bond Loan Fund Debt Service** is increased by \$11.3 million to \$131.7 million.
- **Debt Service on Non-Durant District Bonds** is increased by \$500,000 to \$39.5 million.
- **Renaissance Zone** reimbursements are maintained at \$26.3 million. Payments to libraries are transferred to the MDE budget to consolidate library payments in one budget.
- **School Aid Fund Borrowing Costs** are increased by \$2.8 million from the FY2013 enacted levels, to \$6 million.
- **PILT Payments** are increased by \$681,500 from FY2013 enacted levels to \$4 million. This increase is the result of recently-enacted legislation (PA 603/PA 604 of 2012).

FY2013 Supplemental

- The FY2013 school aid supplemental recognizes **\$58 million in estimated cost savings** for foundation allowance and special education costs. These technical cost adjustments were agreed to prior to the January 2013 Consensus Revenue Estimating Conference.
- The supplemental also increases the appropriation for **MPSERS reform costs**. The original-enacted school aid budget, adopted prior to MPSERS reforms being enacted (PA 300 of 2012), included an appropriation of \$130 million for reform costs. The state cost of the reforms in FY2013 is \$173 million. This supplemental includes an increase of \$43 million for MPSERS reform costs, bringing the total K-12 cost to \$160 million, \$12.5 million for community colleges, and \$500,000 for libraries.

