



SCHOOL AID BUDGET STATUS: BUDGET PRIORITIES AND DIFFERENCES

PRESENTATION TO GRAND VALLEY SCHOOL BUSINESS OFFICIALS

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WWW.SENATE.MICHIGAN.GOV/SFA

GOVERNOR, SENATE SUBCOMMITTEE, HOUSE SUBCOMMITTEE



TOTAL STATE SPENDING

The Governor proposed total State K-12 spending of \$12,911,225,300, of which \$60,000,000 was General Fund, General Purpose revenue. The Governor left \$6.9 million School Aid Fund revenue unspent on the balance sheet for FY 2018-19.

In addition, separately, the Governor recommended \$100.0 million for the Marshall Plan for Talent.

TOTAL STATE SPENDING

The Senate subcommittee proposed total State K-12 spending of \$13,007,806,600 (\$96.6 million more than the Governor), of which \$150,500,000 was General Fund, General Purpose revenue.

Essentially, the Senate subcommittee's budget increased GF/GP by \$90.5 million, and also spent \$6.1 million SAF more than the Governor by spending down the balance. The Senate subc. did not include the Marshall Plan at this stage.

TOTAL STATE SPENDING

Excluding the Marshall Plan, the House subcommittee proposed total State K-12 spending of \$13,022,545,400 (\$111.3 million more than the Governor), of which \$45.0 million was GF/GP.

Essentially, the House subcommittee's budget did not include shifting out \$112.0 million of SAF revenue to the GF, reduced GF by \$15.0 million from the Governor, and used \$25.0 million of Marshall revenue for K-12. In addition, funded Marshall Plan at \$75.0 million.

GOVERNOR, SENATE SUBCOMMITTEE, HOUSE SUBCOMMITTEE



FOUNDATION: \$120-\$240 PP

The Governor proposed using the '2x' formula to provide foundation allowance increases ranging between \$120 to \$240 per pupil.

Any districts at the minimum would receive \$240; districts at or above the basic would receive \$120; those in between would receive something between \$120 and \$240 per pupil. The cost of this increase was \$312 million.



FOUNDATION: \$115-\$230 PP

The Senate proposed using the '2x' formula to provide foundation allowance increases ranging between \$115 and \$230 per pupil.

Districts at the minimum would receive a \$230 per-pupil increase; those at or above the basic would receive \$115; and, those in between would receive something between \$115 and \$230 per pupil. The cost of this increase was \$299 million.

Partnership Districts' Discretionary Funding (\$400 million in total) available only if amending partnership agreements and meeting specific criteria.



FOUNDATION: \$120-\$240 PP

The House concurred with the Governor to use the '2x' formula to provide foundation allowance increases ranging between \$120 to \$240 per pupil.

Any districts at the minimum would receive \$240; districts at or above the basic would receive \$120; those in between would receive something between \$120 and \$240 per pupil. The cost of this increase was \$312 million.

GOVERNOR, SENATE SUBCOMMITTEE, HOUSE SUBCOMMITTEE



AT RISK

The Governor kept funding and eligibility as found in current law. However, numerous language changes are proposed for the program.

The Governor replaces the current formula (that will take effect in FY 2018-19) requiring the specific allocation of At Risk funds in the event a district fails demonstrate at least 50% proficiency in ELA by the end of 3rd grade, and improvement in career and college readiness, with a requirement, beginning October 1, 2021, that the district partner with MDE and adopt a mandatory school improvement plan.



AT RISK

The Senate retained current law.



AT RISK

The House retained the current formula that will take effect in FY 2018-19, but added a third accountability metric of 50% of at-risk pupils must be proficient in math by the end of 8th grade, and then revises the formula such that 1/3 of total grant funds would be allocated to each of the three categories if a district failed to meet applicable accountability metrics.

GOVERNOR, SENATE SUBCOMMITTEE, HOUSE SUBCOMMITTEE



MPSERS: ADDITIONAL COSTS

The Governor included \$72 million for required funding in additional rate cap costs, and \$14.5 million in additional required funding for enhanced 401k matching contribution costs in the new plan.

In addition, the Governor continued to hold districts harmless from the increased costs arising from the lowering of the assumed rate of return (AROR) in MPSERS from 8% to 7.75%, at an additional cost of \$39.2 million (for a total of \$88.2 million in optional hold harmless funding).

For FY 2019-20, ANOTHER \$105 million would be needed to continue to hold districts harmless from an increase in normal costs, as the rate is lowered from 7.5% to 7.05% per dedicated gains policy.

The \$ to hold districts harmless for normal cost increases is not mandatory.



MPSERS: ADDITIONAL COSTS

The Senate concurred with the Governor in this funding, and added a further \$5 million for ISDs under Section 147a(1), the MPSERS Cost Offset funding that districts have received since FY 2011-12.

This \$5 million would provide ISDs with approximately 45% of the cost offset benefit that districts receive under this section (it would take \$11 million to 'fully fund' ISDs in the same manner as districts for the cost offset).



MPSERS: ADDITIONAL COSTS

The House concurred with the Governor.

GOVERNOR, SENATE SUBCOMMITTEE, HOUSE SUBCOMMITTEE



SHARED TIME: \$68M CUT

The Governor removed kindergarten pupils from shared-time (\$13 million) and capped total shared-time FTEs at 5% of the district's total FTEs not enrolled in shared time (\$55 million).

Funding for shared-time FTES would be under a new \$64 million categorical, separate from the foundation allowance categoricals.

The estimated cost in FY 2017-18 for shared time is \$132 million; therefore, this is a proposed \$68 million reduction.



SHARED TIME: \$15.6M CUT

The Senate did not remove shared-time FTEs from foundation allowance funding and calculations.

However, the Senate did include a cap on the amount of an individual FTE that may be counted in a shared time program equal of 0.67, saving \$700,000.

In addition, the Senate concurred in the elimination of kindergarten, but restored the \$55 million 5% cap on current enrollments. However, the Senate imposes a new 10% cap going forward for year-over-year growth.

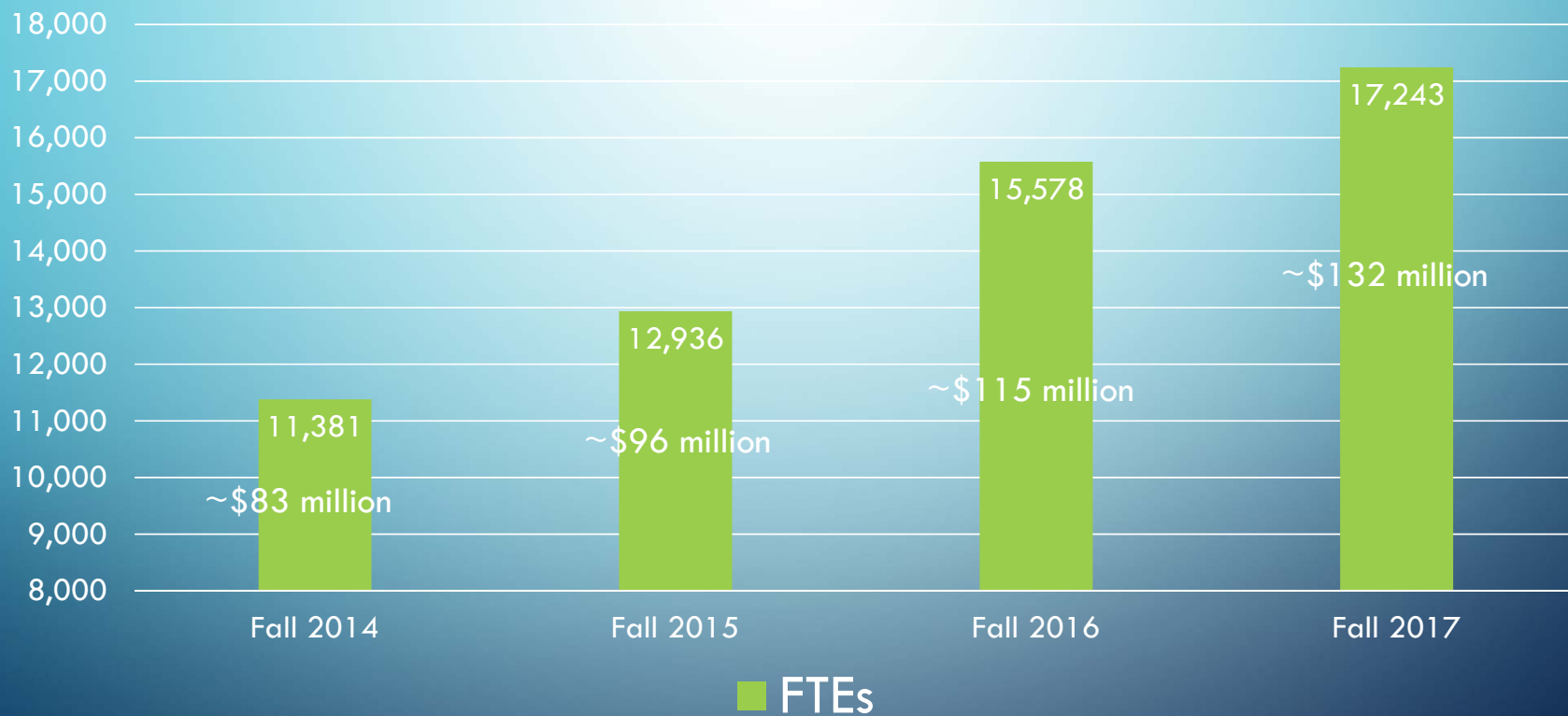
Finally, the Senate pays each shared-time FTE the minimum foundation allowance, saving an estimated \$1.9 million.



SHARED TIME: \$0 CUT

The House did not include any reduction to shared time funding or programming.

SHARED TIME MEMBERSHIP GROWTH



GOVERNOR, SENATE SUBCOMMITTEE, HOUSE SUBCOMMITTEE



CYBER SCHOOLS: 25%
FOUNDATION CUT (\$25M)

The Governor reduced the foundation allowances of cybers 25%, or \$25 million. There are 14 cybers, with just over 12,000 FTEs in the current year.



CYBER SCHOOLS: \$0 CUT

The Senate did not include this reduction, meaning that the Senate added back in \$25 million to restore the cut, compared to the Governor's budget.



CYBER SCHOOLS: \$0 CUT

The House did not include this reduction.

GOVERNOR, SENATE SUBCOMMITTEE, HOUSE SUBCOMMITTEE



OTHER MAJOR ITEMS

- ISD Early on and CTE District Incentives - \$5 million each
- Partnership District Model - \$2 million increase (total of \$8 million)
- \$0 for reimbursing Private Schools for mandated activities
- \$0 for Data Analytics Tools, Computer Adaptive Tests, MI Reading Corps, EVAAS, DAPCEP, Eidex/Munetrix, Algebra Nation, and other grants - \$23.4m total
- Eliminates FY 18 \$200 million one-time additional MPSERS payment



OTHER MAJOR ITEMS

- Concurs with \$5m ISD Early On
- Converts \$5m CTE district incentives to CEPD payments
- No increase for Partnership Model
- \$4.5 million incr ISD special education millage equalization; 1% ISD Sec. 81
- \$3.5 million for Adult Ed (of which \$1 million is for standard programming)
- Retains funding for everything except nonpublic mandates and things expected in Marshall Talent Plan
- Sec. 22d Trans increase \$1m: 7.7 FTEs per square mile (up from 7.3)
- Concurs in not continuing \$200 million additional one-time MPSERS payment



OTHER MAJOR ITEMS

- Concurs with \$5m ISD Early On
- No increase for Partnership Model
- Retains \$1.5 million for year-round schools
- Retains \$2.5 million for nonpublic mandates
- Eliminates \$2.5 million Reading Corps
- Retains Eidex/Munetrix funding
- CTE increase of \$4.8 million under 61a; no CTE district incentive bonus
- Concurs in not continuing \$200 million additional one-time MPSERS⁹ payment

MARSHALL PLAN – FIRST PAGE

| Investment | Program | Governor Total | House Subc. Total |
|---------------------|---|----------------------|----------------------|
| Competency Programs | <i>Competency Grants to Districts (industry mentors, equipment, PD, tests, and staff)</i> | \$ 20,960,000 | \$ 20,960,000 |
| | <i>Administration - MDE</i> | \$ 940,000 | \$ 940,000 |
| | Total | \$ 21,900,000 | \$ 21,900,000 |
| Curriculum Creation | <i>Curriculum Grants to Consortium Members</i> | \$ 4,000,000 | \$ 4,000,000 |
| | <i>Michigan Merit Curriculum / Competency-Based Curriculum Integration Support</i> | \$ 2,000,000 | \$ 2,000,000 |
| | <i>Administration - MDE</i> | \$ 100,000 | \$ 100,000 |
| | Total | \$ 6,100,000 | \$ 6,100,000 |

MARSHALL PLAN – SECOND PAGE

| Investment | Program | Governor Total | House Subc. Total |
|-------------------------|--|----------------------|----------------------|
| Equipment Grants | <i>Equipment Grants</i> | \$ 11,225,000 | \$ 25,000,000 |
| | <i>Administration - TED</i> | \$ 375,000 | \$ - |
| | Total | \$ 11,600,000 | \$ 25,000,000 |
| Competency-Based Pilots | <i>Design and Implementation Grants: Competency-Based Education Programs</i> | \$ 2,500,000 | \$ 2,500,000 |
| | <i>Statewide Supports (Infrastructure, Transcripts, Data)</i> | \$ 450,000 | \$ 450,000 |
| | <i>Administration - MDE</i> | \$ 50,000 | \$ 50,000 |
| | Total | \$ 3,000,000 | \$ 3,000,000 |

MARSHALL PLAN – THIRD OF THREE PAGES

| Investment | Program | Governor Total | House Subc. Total |
|-------------------------|--|---------------------|---------------------|
| University Partnerships | <i>Curriculum , PD, Credentialing, and Instructional Development Grants</i> | \$ 2,000,000 | \$ - |
| | <i>Michigan's Future Talent Council Support / Research and Plan Evaluation</i> | \$ 2,000,000 | \$ - |
| | Total | \$ 4,000,000 | \$ - |
| Cyber Security | <i>Competition Grants</i> | \$ 620,000 | \$ 620,000 |
| | <i>Training and Infrastructure</i> | \$ 1,100,000 | \$ 1,100,000 |
| | <i>Cyber Patriot</i> | \$ 280,000 | \$ 280,000 |
| | Total | \$ 2,000,000 | \$ 2,000,000 |

MARSHALL PLAN – FOURTH PAGE

| Investment | Program | Governor Total | House Subc. Total |
|-------------------|--|----------------------|----------------------|
| Talent Pledge | <i>Credential / Degree Scholarships</i> | \$ 20,000,000 | \$ 10,000,000 |
| | <i>Mentor/Coach Grants</i> | \$ 2,440,000 | \$ - |
| | <i>Incentive Payments to Districts for Student Credentials</i> | \$ 2,300,000 | \$ - |
| | <i>Administration - Treasury</i> | \$ 760,000 | \$ 700,000 |
| | Total | \$ 25,500,000 | \$ 10,700,000 |
| Career Navigators | <i>Career Development Facilitators</i> | \$ 10,000,000 | \$ - |
| | <i>Administration - TED</i> | \$ 100,000 | \$ - |
| | Total | \$ 10,100,000 | \$ - |

MARSHALL PLAN – FIFTH PAGE

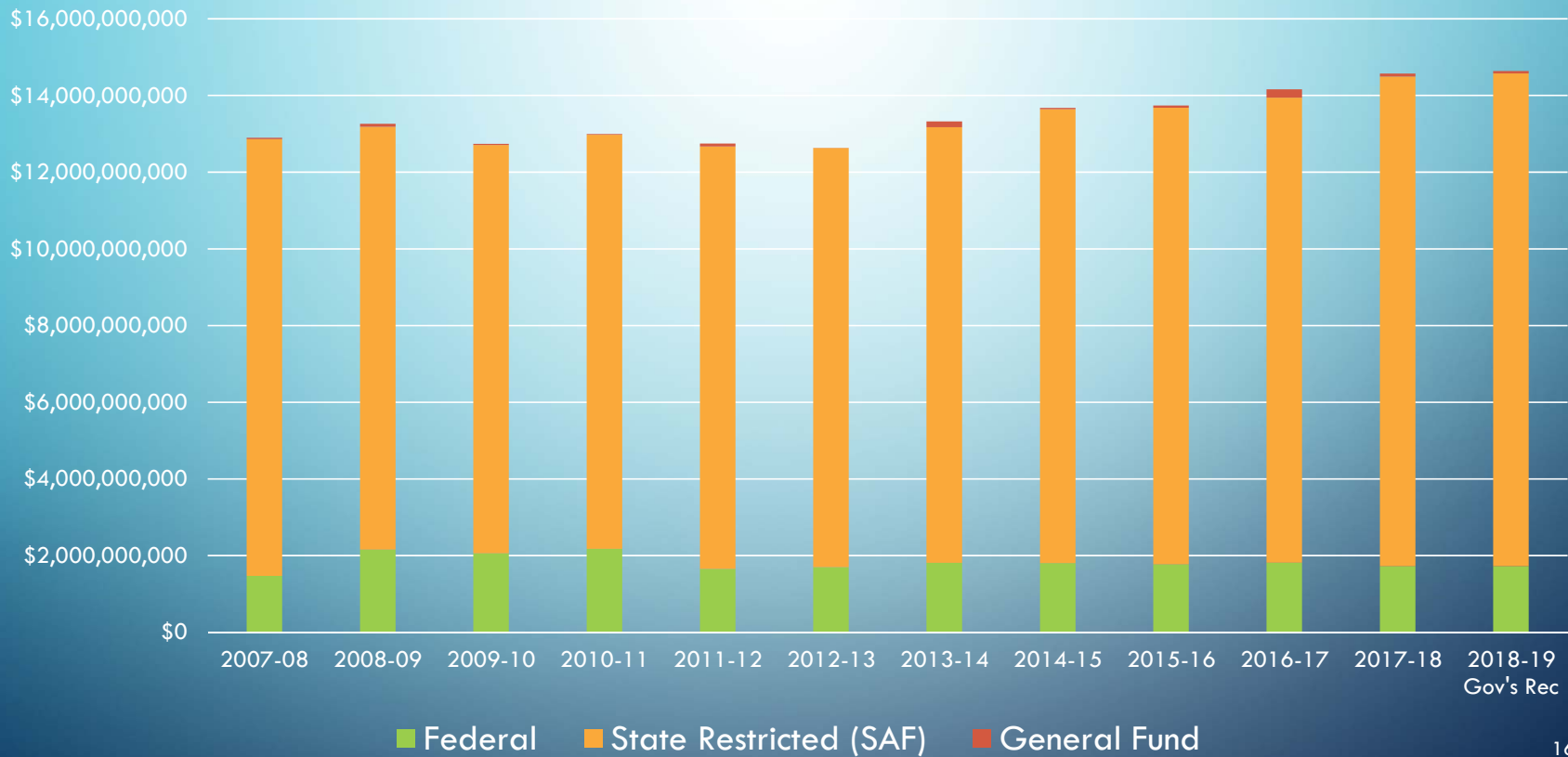
| Investment | Program | Governor Total | House Subc. Total |
|--------------------|---|---------------------|---------------------|
| MI Bright Future | <i>Web-Based Career Preparation Platform</i> | \$ 4,000,000 | \$ 1,500,000 |
| | Total | \$ 4,000,000 | \$ 1,500,000 |
| Awareness Campaign | <i>Talent Attraction Campaign</i> | \$ 3,400,000 | \$ - |
| | <i>Going Pro</i> | \$ 1,000,000 | \$ - |
| | <i>Media Campaign</i> | \$ 600,000 | \$ - |
| | <i>Michigan's Future Talent Council Support</i> | \$ 500,000 | \$ - |
| | Total | \$ 5,500,000 | \$ - |

MARSHALL PLAN – SIXTH PAGE

| Investment | Program | Governor Total | House Subc. Total |
|---------------------------------------|---|-----------------------|----------------------|
| Critical Shortage Certificate Program | <i>Additional Endorsements for Certified Teachers</i> | \$ 1,250,000 | \$ - |
| | <i>Development of Condensed Teaching Certificate</i> | \$ 250,000 | \$ - |
| | Total | \$ 1,500,000 | \$ - |
| Innovative Teacher | <i>Innovating Educator Program</i> | \$ 4,600,000 | \$ 4,600,000 |
| | <i>Administration - MDE</i> | \$ 200,000 | \$ 200,000 |
| | Total | \$ 4,800,000 | \$ 4,800,000 |
| Grand Total | | \$ 100,000,000 | \$ 75,000,000 |

CHARTING FUNDING HISTORY

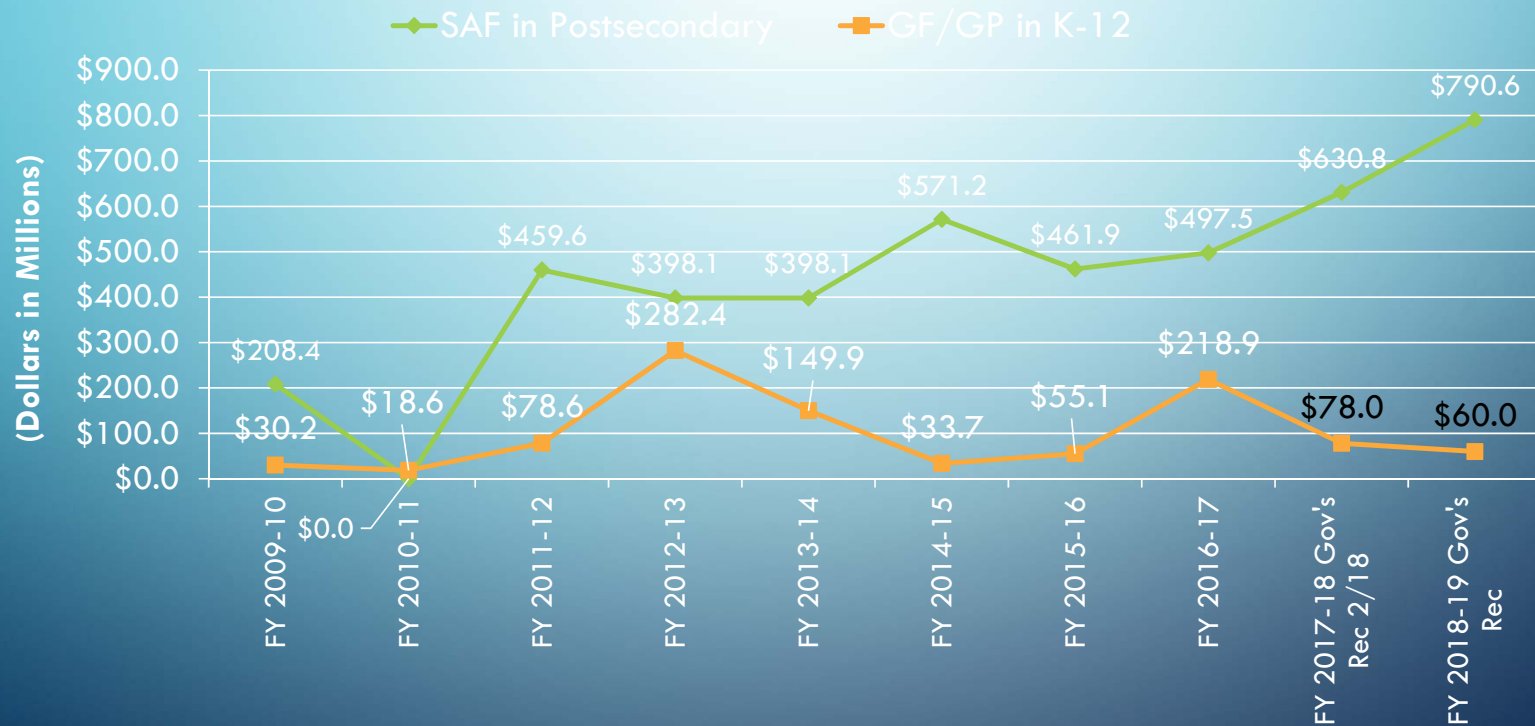
Total K-12 Funding Over the Past 10 Years



Gov's Rec

SCHOOL AID FUND IN POSTSECONDARY (COMMUNITY COLLEGES/UNIVERSITIES) AND GF/GP IN K-12

SAF Revenue Supporting Postsecondary and GF/GP Supporting K-12



REVENUE OUTLOOK

- As of the January 2018 CREC, assuming the Governor's spending plans, the FY 2018-19 budgets would be balanced. The FY 2019-20 budget for School Aid Fund would have a positive ending balance, but the GF/GP budget would have an almost identical negative ending balance; i.e., SAF would need to be used to balance the GF/GP negative ending balance.
- Under the Senate bills, the extra GF/GP spending in K-12 in FY 2018-19 means that the FY 2019-20 budgets would be balanced if assuming lapses. And, the Governor's FY 2019-20 SAF budget did NOT reflect holding districts harmless from the \$105 million increase in normal costs for dedicated gains.
- Next CREC is May 16, 2018 – revenues to date are up by \$180.6 million for the General Fund and \$26.8 million for the School Aid Fund.

LONG-TERM CONSTRAINTS ON GF/GP AND SCHOOL AID FUND

- Roads - \$356 million estimated in FY 2018-19 (\$150m for roads, \$206m for homestead exemption), growing to an estimated \$814 million per year by FY 2021-22 (\$600m for roads, \$214m for homestead exemption)
- Personal Property Tax (PPT) – Estimated Use Tax (i.e., State GF/GP) loss of \$380 million in FY 2016-17, growing to \$572 million by FY 2026-27
- Detroit Public Schools - \$72 million/year from Tobacco Settlement dollars, which otherwise would have been used as part of the State's GF/GP budget
- MPSERS liabilities? – if UAAL goes up, SAF pays the extra cost, meaning that much less available for operational increases