

**SCHOOL AID UPDATE:
THE JANUARY 2017 CONSENSUS REVENUE
ESTIMATING CONFERENCE AND FISCAL
YEAR 2017-18 GOVERNOR'S BUDGET
RECOMMENDATION**

Presented to Grand Valley School Business Officials

February 24, 2017

Kathryn Summers, Associate Director

www.senate.michigan.gov/sfa



SCHOOL AID BALANCES FY 2016-17 AND GOV'S REC FY 2017-18, 2018-19

BASED ON JAN. 2017 CREC	FY 2016-17 (Millions)	FY 2017-18 (Millions)	FY 2018-19 (Millions)
Beginning Balance:	\$168.2	\$143.4	\$7.6
Jan. 17 CREC Ongoing Rev.	\$12,509.6	\$12,783.1	\$13,131.5
GF/GP Grant to K-12	218.9	215.0	145.0
Comm. District Trust Fund	72.0	72.0	72.0
Federal	<u>1,730.7</u>	<u>1,726.9</u>	<u>1,726.9</u>
Total Revenue	\$14,699.4	\$14,940.4	\$15,083.0
Expenditures:			
School Aid	\$14,058.4	\$14,302.1	\$14,302.2
Community Colleges	260.4	395.1	403.4
Higher Education	<u>237.1</u>	<u>235.6</u>	<u>238.5</u>
Total Expenditures	\$14,555.9	\$14,932.8	\$14,944.1
Est. Year-End SAF Balance	\$143.4	\$7.6	\$138.8

GF/GP BALANCES FY 2016-17 AND GOV'S REC FY 2017-18, 2018-19

BASED ON JAN. 2017 CREC	FY 2016-17 (Millions)	FY 2017-18 (Millions)	FY 2018-19 (Millions)
Beginning Balance:	\$604.4	\$366.0	\$7.6
Jan. 17 CREC Ongoing Rev.	\$10,290.1	\$10,552.7	\$10,589.3
Revenue Sharing Payments	(465.3)	(465.9)	(465.9)
HMO Use Tax and Other	<u>121.8</u>	<u>0.7</u>	<u>7.5</u>
Total Revenue	\$10,551.0	\$10,423.5	\$10,138.5
Expenditures:			
Initial Ongoing	\$9,669.0	\$9,967.3	\$10,122.0
Initial One-Time and Supplementals*	<u>516.0</u>	<u>448.6</u>	<u>0</u>
Total Expenditures	\$10,185.0	\$10,415.9	\$10,122.0
Est. Year-End GF/GP Balance	\$366.0	\$7.6	\$16.5

*For FY 18, includes \$175.0 million recommendation for BSF, plus 25% of the \$366.0 FY 17 ending balance (or another \$91.5 million) into the BSF.

OVERALL FUNDING CHANGE PROPOSED FOR SCHOOL AID IN FY 2017-18

Recommended Appropriations for New Programs

- \$27.7 million

Recommended Appropriation Increases for Existing Programs

- \$470.2 million

Recommended Appropriation Decreases or Eliminations

- (\$357.6 million)

Recommended Gross Appropriation Change

- \$140.3 million

FY 2017-18 GOVERNOR'S RECOMMENDATION FOR SCHOOL AID

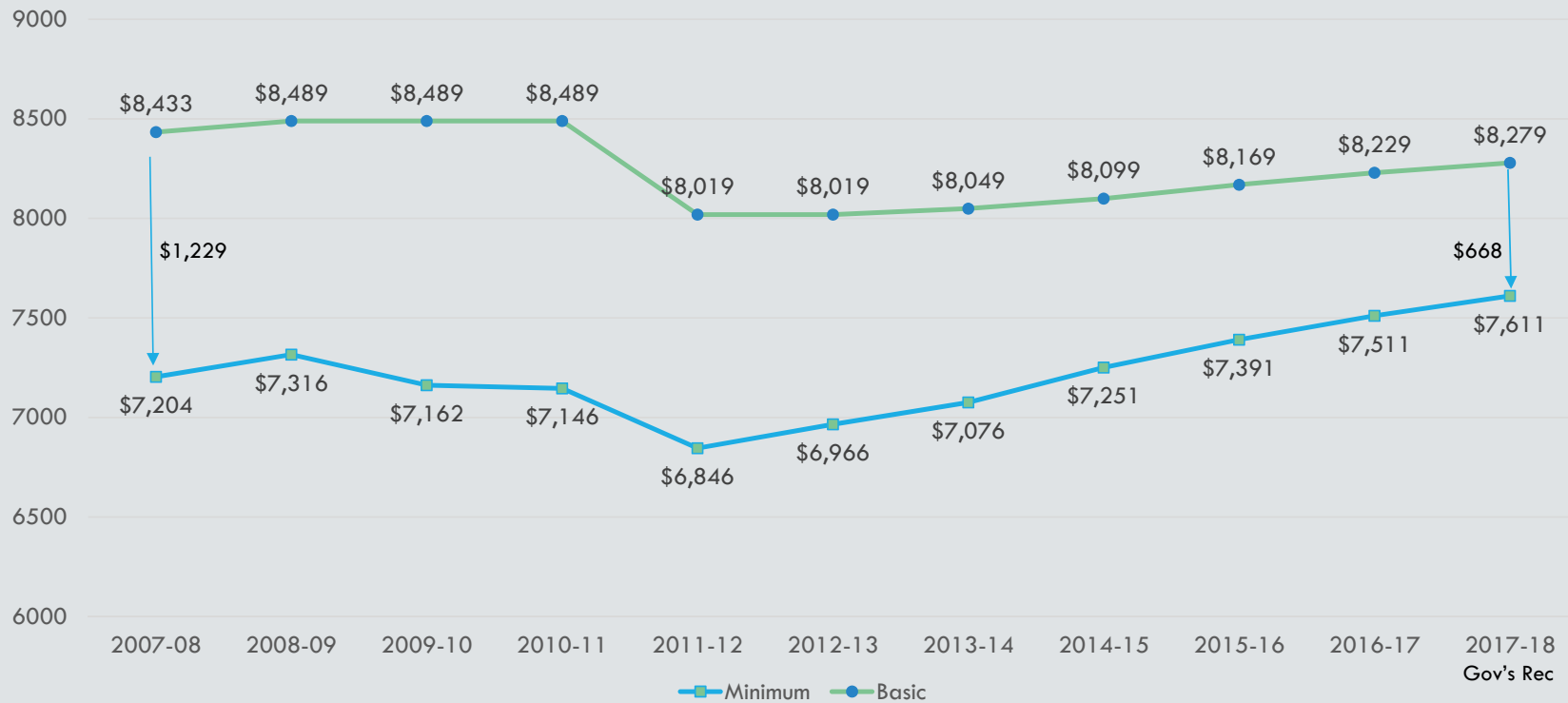
Foundation Allowance

The Governor is recommending an increase ranging from \$50 per pupil for districts with foundation allowances at or above the basic foundation (which is \$8,229 for FY 2016-17), up to \$100 per pupil for districts at the minimum foundation allowance (which is \$7,511 for FY 2016-17). The proposal uses the "2x" formula, which provides double the dollar increase to districts at the minimum compared with the dollar increase for districts at or above the basic, with districts between the minimum and the basic getting something between "1x" and "2x". Under the proposal, the basic would increase to \$8,279 and the minimum to \$7,611. The total cost of the proposal is \$128.0 million.

In addition, the Governor is proposing to reduce the foundation allowance of cyber schools (i.e., those public school academies that were issued a contract under the Revised School Code to operate as a school of excellence that is a cyber school) by 20% if the school is in at least its second year of operation. This proposal would save the State an estimated \$16.0 million.

FOUNDATION ALLOWANCE GAP HISTORY

Effective (Not Statutory) Minimum and Basic Foundation Allowances



Gov's Rec

FY 2017-18 GOVERNOR'S RECOMMENDATION FOR SCHOOL AID (CONT.)

At Risk

The Governor is proposing an increase of 40.0%, or \$150.0 million, for the At Risk program, bringing total funding to \$529.0 million. The At Risk program, when fully funded, is designed to provide 11.5% of a district's foundation allowance for each at-risk pupil, currently defined as pupils eligible for free lunch, to those districts whose per-pupil operational funding is at or below the basic foundation allowance (currently \$8,229 per pupil). The Governor's proposal would expand eligibility to all districts, regardless of their foundation allowance, and make the payment equal to 11.5% of the statewide average foundation allowance. Also, eligibility would be expanded to include children: a) who are eligible for reduced-price lunch, in addition to free lunch; b) whose families receive food or cash assistance; or c) who are homeless, migrant, or in foster care.

- \$67 million of the \$150 million would go to currently-ineligible districts.

- Total pupils reached would increase to 680,000 (compared to 549,000 in FY 17).

- Per-Pupil payment under Exec Rec est at \$778; remaining shortfall of \$78 million.

GRAND VALLEY AT RISK ESTIMATES

		Current Fiscal Year 2016-17				Gov's Proposal: \$150 million \$778 Per Pupil (est.)	
		FY 16	Estimated	Estimated		FY 16	Est. FY 2017-18
		Free Lunch	FY 2016-17	FY 2016-17	Econ-	At Risk under	
<u>County</u>	<u>District Name</u>	<u>Headcount</u>	<u>At Risk Payment</u>	<u>Per-Pupil</u>	<u>Disadv*</u>	<u>Gov's Rec</u>	<u>Gov's Rec</u>
ALLEGAN COUNTY	PLAINWELL COMMUNITY SCHOOLS	778	\$529,966	\$681	960	\$747,126	\$97
ALLEGAN COUNTY	OTSEGO PUBLIC SCHOOLS	635	\$432,556	\$681	756	\$588,362	\$97
ALLEGAN COUNTY	ALLEGAN PUBLIC SCHOOLS	1,044	\$711,163	\$681	1,285	\$1,000,060	\$97
ALLEGAN COUNTY	WAYLAND UNION SCHOOLS	859	\$585,142	\$681	1,156	\$899,665	\$97
ALLEGAN COUNTY	FENNVILLE PUBLIC SCHOOLS	792	\$539,503	\$681	944	\$734,675	\$97
ALLEGAN COUNTY	MARTIN PUBLIC SCHOOLS	209	\$142,369	\$681	266	\$207,016	\$97
ALLEGAN COUNTY	HOPKINS PUBLIC SCHOOLS	420	\$286,100	\$681	589	\$458,393	\$97
ALLEGAN COUNTY	SAUGATUCK PUBLIC SCHOOLS	202	\$153,815	\$761	267	\$207,795	\$17
ALLEGAN COUNTY	HAMILTON COMMUNITY SCHOOLS	431	\$293,593	\$681	654	\$508,980	\$97
ALLEGAN COUNTY	GLENN PUBLIC SCHOOL DISTRICT	8	\$0	\$0	15	\$11,674	\$778
ALLEGAN COUNTY	INNOCADEMY ALLEGAN CAMPUS	49	\$33,378	\$681	63	\$49,030	\$97
ALLEGAN COUNTY	OUTLOOK ACADEMY	38	\$25,885	\$681	38	\$29,573	\$97
BARRY COUNTY	DELTON KELLOGG SCHOOLS	513	\$349,451	\$681	636	\$494,971	\$97
BARRY COUNTY	HASTINGS AREA SCHOOL DISTRICT	998	\$679,828	\$681	1,224	\$952,586	\$97
BARRY COUNTY	THORNAPPLE KELLOGG SCHOOL DISTRICT	649	\$442,092	\$681	921	\$716,775	\$97

GRAND VALLEY AT RISK ESTIMATES

		Current Fiscal Year 2016-17				Gov's Proposal: \$150 million	
		FY 16	Estimated	Estimated	FY 16	Est. FY 2017-18	Change from
		Free Lunch	FY 2016-17	FY 2016-17	Econ-	At Risk under	FY 17 Per-Pupil
<u>County</u>	<u>District Name</u>	Headcount	<u>At Risk Payment</u>	<u>Per-Pupil</u>	<u>Disadv*</u>	<u>Gov's Rec</u>	<u>Gov's Rec</u>
IONIA COUNTY	IONIA PUBLIC SCHOOLS	1,454	\$990,451	\$681	1,676	\$1,304,359	\$97
IONIA COUNTY	BELDING AREA SCHOOL DISTRICT	882	\$600,810	\$681	1,085	\$844,409	\$97
IONIA COUNTY	LAKEWOOD PUBLIC SCHOOLS	588	\$400,540	\$681	802	\$624,162	\$97
IONIA COUNTY	PORTLAND PUBLIC SCHOOLS	432	\$294,274	\$681	571	\$444,384	\$97
IONIA COUNTY	SARANAC COMMUNITY SCHOOLS	292	\$198,908	\$681	396	\$308,190	\$97
IONIA COUNTY	BERLIN TOWNSHIP S/D #3	9	\$6,131	\$681	15	\$11,674	\$97
IONIA COUNTY	EASTON TOWNSHIP S/D #6	7	\$4,768	\$681	13	\$10,117	\$97
IONIA COUNTY	IONIA TOWNSHIP S/D #2	5	\$0	\$0	5	\$3,891	\$778
KENT COUNTY	GRAND RAPIDS PUBLIC SCHOOLS	11,222	\$7,644,316	\$681	11,916	\$9,273,708	\$97
KENT COUNTY	GODWIN HEIGHTS PUBLIC SCHOOLS	1,661	\$1,238,043	\$745	1,876	\$1,460,010	\$33
KENT COUNTY	NORTHVIEW PUBLIC SCHOOLS	1,116	\$760,208	\$681	1,422	\$1,106,681	\$97
KENT COUNTY	WYOMING PUBLIC SCHOOLS	2,802	\$1,908,695	\$681	3,362	\$2,616,500	\$97
KENT COUNTY	BYRON CENTER PUBLIC SCHOOLS	556	\$394,215	\$709	763	\$593,810	\$69
KENT COUNTY	CALEDONIA COMMUNITY SCHOOLS	528	\$401,505	\$760	780	\$607,040	\$18
KENT COUNTY	CEDAR SPRINGS PUBLIC SCHOOLS	1,169	\$796,311	\$681	1,520	\$1,182,951	\$97

GRAND VALLEY AT RISK ESTIMATES

		Current Fiscal Year 2016-17				Gov's Proposal: \$150 million \$778 Per Pupil (est.)	
		FY 16	Estimated	Estimated		FY 16	Est. FY 2017-18
		Free Lunch	FY 2016-17	FY 2016-17	Econ-	At Risk under	
<u>County</u>	<u>District Name</u>	<u>Headcount</u>	<u>At Risk Payment</u>	<u>Per-Pupil</u>	<u>Disadv*</u>	<u>Gov's Rec</u>	<u>Gov's Rec</u>
KENT COUNTY	COMSTOCK PARK PUBLIC SCHOOLS	915	\$623,289	\$681	1,081	\$841,295	\$97
KENT COUNTY	EAST GRAND RAPIDS PUBLIC SCHOOLS	129	\$91,226	\$707	147	\$114,404	\$71
KENT COUNTY	FOREST HILLS PUBLIC SCHOOLS	662	\$505,609	\$764	901	\$701,209	\$14
KENT COUNTY	GODFREY-LEE PUBLIC SCHOOLS	1,708	\$1,163,473	\$681	1,805	\$1,404,753	\$97
KENT COUNTY	GRANDVILLE PUBLIC SCHOOLS	1,250	\$851,488	\$681	1,621	\$1,261,554	\$97
KENT COUNTY	KELLOGGSVILLE PUBLIC SCHOOLS	1,565	\$1,066,063	\$681	1,764	\$1,372,845	\$97
KENT COUNTY	KENOWA HILLS PUBLIC SCHOOLS	1,301	\$887,425	\$682	1,584	\$1,232,759	\$96
KENT COUNTY	KENT CITY COMMUNITY SCHOOLS	633	\$431,193	\$681	762	\$593,032	\$97
KENT COUNTY	KENTWOOD PUBLIC SCHOOLS	4,926	\$3,355,543	\$681	5,788	\$4,504,551	\$97
KENT COUNTY	LOWELL AREA SCHOOLS	781	\$532,010	\$681	1,108	\$862,309	\$97
KENT COUNTY	ROCKFORD PUBLIC SCHOOLS	909	\$619,202	\$681	1,108	\$862,309	\$97
KENT COUNTY	SPARTA AREA SCHOOLS	954	\$649,855	\$681	1,128	\$877,874	\$97
KENT COUNTY	COVENANT HOUSE ACADEMY GRAND RAPIDS	364	\$247,953	\$681	364	\$283,286	\$97
KENT COUNTY	NEW BRANCHES CHARTER ACADEMY	138	\$94,004	\$681	139	\$108,178	\$97
KENT COUNTY	WEST MI ACADEMY OF ENVIRONMENTAL SCIENCE	320	\$217,981	\$681	413	\$321,420	\$97

GRAND VALLEY AT RISK ESTIMATES

		Current Fiscal Year 2016-17				Gov's Proposal: \$150 million \$778 Per Pupil (est.)	
		FY 16	Estimated	Estimated		FY 16	Est. FY 2017-18
		Free Lunch	FY 2016-17	FY 2016-17	Econ-	At Risk under	
<u>County</u>	<u>District Name</u>	<u>Headcount</u>	<u>At Risk Payment</u>	<u>Per-Pupil</u>	<u>Disadv*</u>	<u>Gov's Rec</u>	<u>Gov's Rec</u>
KENT COUNTY	EXCEL CHARTER ACADEMY	219	\$149,181	\$681	341	\$265,386	\$97
KENT COUNTY	BYRON CENTER CHARTER SCHOOL	61	\$41,553	\$681	101	\$78,604	\$97
KENT COUNTY	VISTA CHARTER ACADEMY	606	\$412,801	\$681	700	\$544,780	\$97
KENT COUNTY	VANGUARD CHARTER ACADEMY	264	\$179,834	\$681	351	\$273,169	\$97
KENT COUNTY	KNAPP CHARTER ACADEMY	354	\$241,141	\$681	456	\$354,885	\$97
KENT COUNTY	WALKER CHARTER ACADEMY	231	\$157,355	\$681	316	\$245,929	\$97
KENT COUNTY	CROSS CREEK CHARTER ACADEMY	151	\$102,860	\$681	231	\$179,778	\$97
KENT COUNTY	WILLIAM C. ABNEY ACADEMY	533	\$363,074	\$681	533	\$414,811	\$97
KENT COUNTY	CREATIVE TECHNOLOGIES ACADEMY	62	\$42,234	\$681	62	\$48,252	\$97
KENT COUNTY	RIDGE PARK CHARTER ACADEMY	428	\$291,549	\$681	493	\$383,680	\$97
KENT COUNTY	CHANDLER WOODS CHARTER ACADEMY	125	\$85,149	\$681	179	\$139,308	\$97
KENT COUNTY	GRAND RAPIDS CHILD DISCOVERY CENTER	83	\$56,539	\$681	112	\$87,165	\$97
KENT COUNTY	LIGHTHOUSE ACADEMY	287	\$195,502	\$681	291	\$226,473	\$97
KENT COUNTY	WELLSPRING PREPARATORY HIGH SCHOOL	190	\$129,426	\$681	225	\$175,108	\$97
KENT COUNTY	WEST MICHIGAN AVIATION ACADEMY	174	\$118,527	\$681	195	\$151,760	\$97

GRAND VALLEY AT RISK ESTIMATES

		<u>Current Fiscal Year 2016-17</u>			<u>Gov's Proposal: \$150 million</u>		
						<u>\$778 Per Pupil (est.)</u>	
		FY 16	Estimated	Estimated	FY 16	Est. FY 2017-18	Change from
		Free Lunch	FY 2016-17	FY 2016-17	Econ-	At Risk under	FY 17 Per-Pupil
<u>County</u>	<u>District Name</u>	<u>Headcount</u>	<u>At Risk Payment</u>	<u>Per-Pupil</u>	<u>Disadv*</u>	<u>Gov's Rec</u>	<u>Gov's Rec</u>
KENT COUNTY	MICHIGAN VIRTUAL CHARTER ACADEMY	1,548	\$1,054,482	\$681	1,844	\$1,435,106	\$97
KENT COUNTY	HOPE ACADEMY OF WEST MICHIGAN	269	\$183,240	\$681	278	\$216,355	\$97
KENT COUNTY	GRAND RAPIDS ELLINGTON ACADEMY OF ARTS & TECHNOLOG	171	\$116,484	\$681	171	\$133,082	\$97
KENT COUNTY	RIVER CITY SCHOLARS CHARTER ACADEMY	527	\$358,987	\$681	562	\$437,381	\$97
KENT COUNTY	NEXUS ACADEMY OF GRAND RAPIDS	107	\$72,887	\$681	127	\$98,838	\$97
KENT COUNTY	GRAND RIVER PREPARATORY HIGH SCHOOL	284	\$193,458	\$681	346	\$269,277	\$97
MUSKEGON COUNTY	MUSKEGON, PUBLIC SCHOOLS OF THE CITY OF	3,169	\$2,192,584	\$692	3,381	\$2,631,286	\$86
MUSKEGON COUNTY	MONA SHORES PUBLIC SCHOOL DISTRICT	1,323	\$901,215	\$681	1,627	\$1,266,224	\$97
MUSKEGON COUNTY	OAKRIDGE PUBLIC SCHOOLS	1,110	\$756,121	\$681	1,327	\$1,032,746	\$97
MUSKEGON COUNTY	FRUITPORT COMMUNITY SCHOOLS	1,127	\$767,701	\$681	1,340	\$1,042,865	\$97
MUSKEGON COUNTY	HOLTON PUBLIC SCHOOLS	508	\$346,045	\$681	603	\$469,289	\$97
MUSKEGON COUNTY	MONTAGUE AREA PUBLIC SCHOOLS	562	\$382,829	\$681	703	\$547,114	\$97
MUSKEGON COUNTY	ORCHARD VIEW SCHOOLS	1,558	\$1,061,294	\$681	1,817	\$1,414,093	\$97
MUSKEGON COUNTY	RAVENNA PUBLIC SCHOOLS	402	\$273,838	\$681	535	\$416,367	\$97
MUSKEGON COUNTY	REETHS-PUFFER SCHOOLS	1,480	\$1,008,161	\$681	1,835	\$1,428,101	\$97

GRAND VALLEY AT RISK ESTIMATES

		Current Fiscal Year 2016-17				Gov's Proposal: \$150 million \$778 Per Pupil (est.)	
		FY 16	Estimated	Estimated		FY 16	Est. FY 2017-18
		Free Lunch	FY 2016-17	FY 2016-17	Econ-	At Risk under	
<u>County</u>	<u>District Name</u>	<u>Headcount</u>	<u>At Risk Payment</u>	<u>Per-Pupil</u>	<u>Disadv*</u>	<u>Gov's Rec</u>	<u>Gov's Rec</u>
MUSKEGON COUNTY	NORTH MUSKEGON PUBLIC SCHOOLS	200	\$136,238	\$681	275	\$214,021	\$97
MUSKEGON COUNTY	WHITEHALL DISTRICT SCHOOLS	762	\$519,067	\$681	1,010	\$786,040	\$97
MUSKEGON COUNTY	MUSKEGON MONTESSORI ACADEMY FOR ENVIRONMENTAL CHAN	81	\$55,176	\$681	92	\$71,599	\$97
MUSKEGON COUNTY	TIMBERLAND ACADEMY	666	\$453,673	\$681	698	\$543,223	\$97
MUSKEGON COUNTY	THREE OAKS PUBLIC SCHOOL ACADEMY	403	\$274,520	\$681	403	\$313,637	\$97
MUSKEGON COUNTY	MUSKEGON HEIGHTS PUBLIC SCHOOL ACADEMY SYSTEM	681	\$463,891	\$681	687	\$534,663	\$97
MUSKEGON COUNTY	MUSKEGON COVENANT ACADEMY	163	\$111,034	\$681	166	\$129,191	\$97
NEWAYGO COUNTY	FREMONT PUBLIC SCHOOL DISTRICT	877	\$597,404	\$681	1,077	\$838,183	\$97
NEWAYGO COUNTY	GRANT PUBLIC SCHOOL DISTRICT	897	\$611,028	\$681	1,031	\$802,383	\$97
NEWAYGO COUNTY	HESPERIA COMMUNITY SCHOOLS	585	\$398,496	\$681	637	\$495,749	\$97
NEWAYGO COUNTY	NEWAYGO PUBLIC SCHOOL DISTRICT	896	\$610,346	\$681	1,011	\$786,818	\$97
NEWAYGO COUNTY	WHITE CLOUD PUBLIC SCHOOLS	624	\$425,063	\$681	701	\$545,558	\$97
NEWAYGO COUNTY	BIG JACKSON SCHOOL DISTRICT	15	\$0	\$0	15	\$11,674	\$778
OTTAWA COUNTY	GRAND HAVEN AREA PUBLIC SCHOOLS	1,715	\$1,184,216	\$691	2,140	\$1,665,470	\$87
OTTAWA COUNTY	HOLLAND CITY SCHOOL DISTRICT	2,228	\$1,517,692	\$681	2,537	\$1,974,437	\$97

GRAND VALLEY AT RISK ESTIMATES

		Current Fiscal Year 2016-17				Gov's Proposal: \$150 million \$778 Per Pupil (est.)	
		FY 16	Estimated	Estimated		FY 16	Est. FY 2017-18
		Free Lunch	FY 2016-17	FY 2016-17	Econ-	At Risk under	
County	District Name	Headcount	At Risk Payment	Per-Pupil	Disadv*	Gov's Rec	Gov's Rec
OTTAWA COUNTY	ALLENDALE PUBLIC SCHOOLS	569	\$387,597	\$681	736	\$572,797	\$97
OTTAWA COUNTY	WEST OTTAWA PUBLIC SCHOOL DISTRICT	2,907	\$1,980,220	\$681	3,801	\$2,958,154	\$97
OTTAWA COUNTY	COOPERSVILLE AREA PUBLIC SCHOOL DISTRICT	687	\$467,978	\$681	896	\$697,318	\$97
OTTAWA COUNTY	JENISON PUBLIC SCHOOLS	904	\$615,796	\$681	1,386	\$1,078,664	\$97
OTTAWA COUNTY	HUDSONVILLE PUBLIC SCHOOL DISTRICT	856	\$583,099	\$681	1,267	\$986,051	\$97
OTTAWA COUNTY	SPRING LAKE PUBLIC SCHOOLS	350	\$238,417	\$681	444	\$345,546	\$97
OTTAWA COUNTY	ZEELAND PUBLIC SCHOOLS	831	\$566,069	\$681	1,202	\$935,465	\$97
OTTAWA COUNTY	WALDEN GREEN MONTESSORI	51	\$34,741	\$681	69	\$53,700	\$97
OTTAWA COUNTY	WEST MI ACADEMY OF ARTS AND ACADEMICS	84	\$57,220	\$681	106	\$82,496	\$97
OTTAWA COUNTY	BLACK RIVER PUBLIC SCHOOL	152	\$103,541	\$681	188	\$146,312	\$97
OTTAWA COUNTY	VANDERBILT CHARTER ACADEMY	262	\$178,472	\$681	328	\$255,269	\$97
OTTAWA COUNTY	EAGLE CREST CHARTER ACADEMY	228	\$155,311	\$681	342	\$266,164	\$97
OTTAWA COUNTY	INNOCADEMY	23	\$15,667	\$681	38	\$29,573	\$97
OTTAWA COUNTY	ICADEMY GLOBAL	38	\$25,885	\$681	49	\$38,134	\$97
TOTALS			\$52,061,141		90,461	\$70,401,895	

FY 2017-18 GOVERNOR'S RECOMMENDATION FOR SCHOOL AID (CONT.)

Michigan Public School Employees' Retirement System (MPERS)

The Governor is proposing to lower the assumed rate of return in the closed MPERS plans (and in the other closed State plans) from 8.0% to 7.5%. (The open hybrid plan, established in 2010, assumes a 7.0% rate of return.) In MPERS, this reduction would be funded over two years. The K-12 budget cost for FY 2017-18 would total \$139.9 million. The cost is broken into two parts: \$90.9 million for the increase in cost on the "old" debt, paid for by the State via the MPERS rate cap, plus \$49.0 million for the increase in the "normal" cost for service earned in the future. The normal cost is generally paid by the employer, but the Governor's proposal uses one-time funding to cover the increase in the normal cost for FY 2017-18 and FY 2018-19. There would be a similar cost increase again in FY 2018-19, on top of the inflated FY 2017-18 base. This higher cost base would be continued through the payoff date of FY 2037-38.

FY 2017-18 GOVERNOR'S RECOMMENDATION FOR SCHOOL AID (CONT.)

Other New Programs

The Governor's budget proposal includes \$22.0 million for a new per-pupil payment to districts for the support of their high school students. Payments are estimated at \$50 per high school pupil. In addition, the Governor is proposing \$3.0 million for partnership model districts, designed to address districts that have at least one school receiving an F grade in the accountability system, before being identified by the School Reform Office as chronically failing. Two other new programs proposed are technology regional data hubs (\$2.2 million) and cybersecurity competitions (\$500,000).

FY 2017-18 GOVERNOR'S RECOMMENDATION FOR NEW PROGRAMS IN SCHOOL AID

Recommended Appropriations for New Programs:

High school per-pupil payment of \$50	\$22.0
Partnership model districts	3.0
Technology regional data hubs	2.2
Cybersecurity competitions	0.5
Subtotal Appropriations for New Programs	\$27.7

FY 2017-18 GOVERNOR'S RECOMMENDATION FOR SCHOOL AID (CONT.)

Increases in Existing Programs

Other than the increases mentioned earlier for the foundation allowance and At Risk, the budget proposal includes an increase of \$16.8 million for the purchase of career and technical education equipment, a \$7.0 million appropriation for the second of two years of funding for educator evaluations, an increase of \$4.0 million for the Center for Educational Performance and Information to backfill expiring Federal funds, a \$3.0 million increase for intermediate school district early literacy coaches, an increase of \$2.0 million for science, technology, engineering, and math grants, and some other increases in programs and costs.

The Governor also is proposing a \$7.0 million categorical appropriation to help districts that experienced 5% or more pupil loss in the last two years, with this additional support lasting two years (excluding districts that already get declining enrollment FTE adjustments under Section 6).

FY 2017-18 GOVERNOR'S RECOMMENDATION FOR PROGRAM INCREASES IN SCHOOL AID

Recommended Appropriation Increases in Existing Programs:	
At risk.....	\$150.0
Foundation: \$50 to \$100 per-pupil increase	128.0
MPSERS rate cap on UAL due to lower AROR	90.9
MPSERS normal cost increase due to lower (AROR)	49.0
CTE equipment upgrades	16.8
Educator evaluations.....	7.0
Declining enrollment support	7.0
School drinking water quality program	4.5
CEPI	4.0
Cash flow borrowing costs.....	3.5
ISD literacy coaches	3.0
STEM grants.....	2.0
School breakfast	2.0
Year-round schools/balanced calendar	1.5
Promise zone reimbursement	0.5
(MiBLSi)	0.5
Economics	0.1
Subtotal Increases in Existing Programs.....	\$470.2

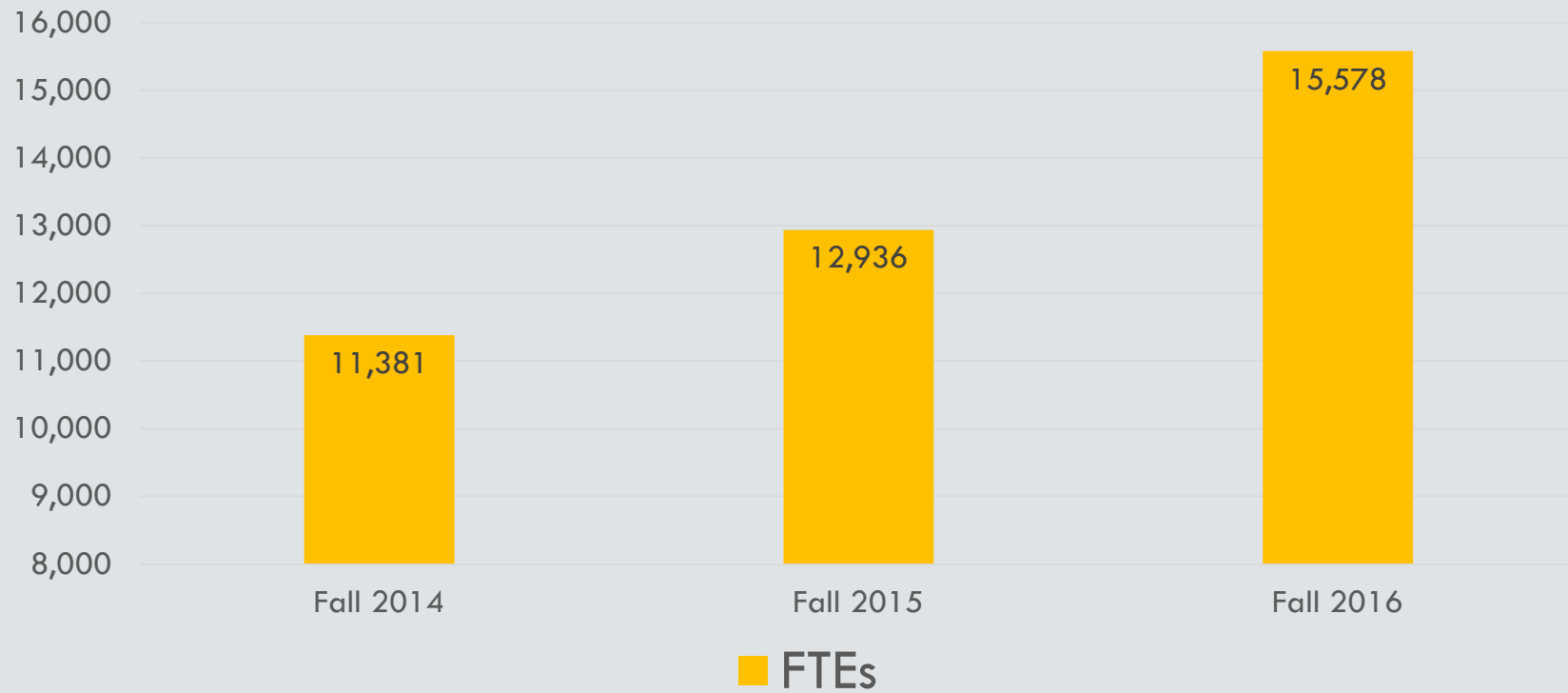
FY 2017-18 GOVERNOR'S RECOMMENDATION FOR SCHOOL AID (CONT.)

Program Reductions or Eliminations

The Governor is proposing to reduce the amount of funding spent in the budget for shared-time programs. In a shared-time program, a nonpublic or home-schooled student participates in one or more non-core public school classes, generating payment for the public school that is able to count that student in membership. The current estimate of the FY 2016-17 State cost of shared-time programs is \$115.0 million; the Governor's budget caps the FY 2017-18 amount available for shared-time programs at \$60.0 million, a reduction of \$55.0 million.

The Governor is proposing to eliminate a number of programs, including funding for computer adaptive tests, gang prevention and intervention programs, consolidation innovation grants, reimbursement to nonpublic schools for mandates, reimbursement for the purchase of financial data analysis tools, an online algebra tool, Michigan Education Corps, strict discipline academies, dropout recovery programs, and a number of smaller grant programs.

SHARED TIME MEMBERSHIP GROWTH



FY 2017-18 GOVERNOR'S RECOMMENDATION FOR PROGRAM DECREASES IN SCHOOL AID

Recommended Appropriation Eliminations or Reductions:

MPSERS rate cap technical cost adjustments (in absence of lowered AROR)	(\$112.8)
Federal grants	(91.7)
Cap shared-time programs (funded at \$60.0 m; total est. cost of \$115.0 m)	(55.0)
Technical foundation allowance cost adjustments (pupils, taxable values)	(45.0)
Reduce cyber schools' foundation allowances 20%	(16.0)
Special education cost adjustments	(9.9)
Eliminate funding for computer adaptive tests	(4.0)
Eliminate funding for gang prevention and intervention programs	(3.0)
Eliminate consolidation innovation grants	(3.0)
Eliminate reimbursement to nonpublic schools for mandates	(2.5)
Technical renaissance zone reimbursement cost adjustment	(2.0)
Eliminate student transition grants in dissolved districts	(1.9)
Eliminate reimbursement for financial data analysis tools	(1.5)
Eliminate funding for an online algebra tool	(1.5)
Reduce Flint declaration of emergency funding	(1.4)

Eliminate Michigan Education Corps/Reading Corps	(1.0)
Reduce school bond loan fund debt service	(1.0)
Eliminate added cost funding for strict discipline academies	(0.8)
Eliminate added cost funding for dropout recovery programs	(0.8)
Eliminate pilot competency-based transcript program	(0.5)
Eliminate Science Olympiad and Van Andel Ed Institute (\$250,000 each)	(0.5)
Eliminate Detroit area precollege engineering program funding	(0.3)
Eliminate Marshall cooperative education grant	(0.3)
Eliminate Van Buren ISD/health department grant.....	(0.3)
Eliminate 10 cents a meal program	(0.3)
Eliminate early learning collaborative funding	(0.2)
Eliminate conductive learning study grant	(0.2)
Eliminate kindergarten readiness assessment funding	(0.2)
Reduce Youth ChalleNGe Academy	(0.1)
Eliminate culinary education (MRA) grant	(0.1)
Reduce college readiness outreach	(0.1)
Subtotal Appropriation Eliminations or Reductions	(\$357.6)

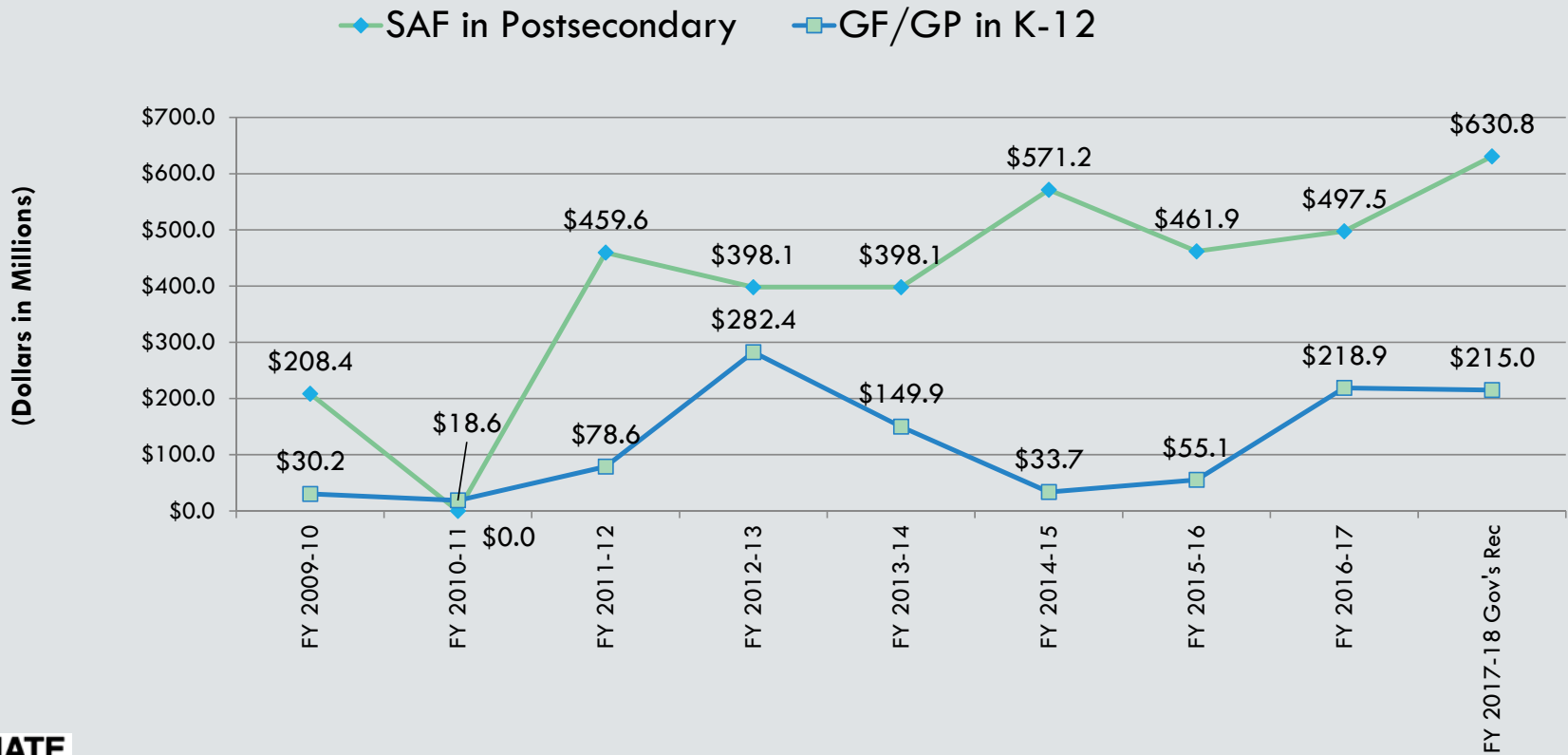
FY 2017-18 GOVERNOR'S RECOMMENDATION FOR SCHOOL AID (CONT.)

Other Items of Note

The budget continues the \$72.0 million from the Community District Trust Fund to support the foundation allowance of the Detroit Public Schools Community District. Funding for Flint is maintained in large part, with funding totaling \$8.7 million for FY 2017-18. The Governor's recommendation for the overall Education omnibus funds the Community Colleges budget entirely out of School Aid Fund revenue (while FY 2016-17 is a split between SAF and GF/GP revenue), for total School Aid Fund support of postsecondary budgets of \$630.8 million (\$395.1 million for Community Colleges and \$235.6 for Higher Education). The MPSERS changes mentioned above for K-12 are carried into the Community Colleges and Higher Education budgets as well.

SCHOOL AID FUND IN POSTSECONDARY

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



PUPILS: RECENT TRENDS

This School Year: Pupils up 6,200 from last estimate in May 2016 (though still down 5,300 from the prior year), costing an additional \$47 million.

Of the 6,200 increase above our earlier estimate, kindergarten came in 4,000 higher than anticipated, and shared time increased another 1,640 in grades 1-12. Of the 4,000 K increase, 1,000 was shared time.

At least some of the 4,000 K increase likely one-time due to changes in GSRP enrollment window and Kindergarten start date.

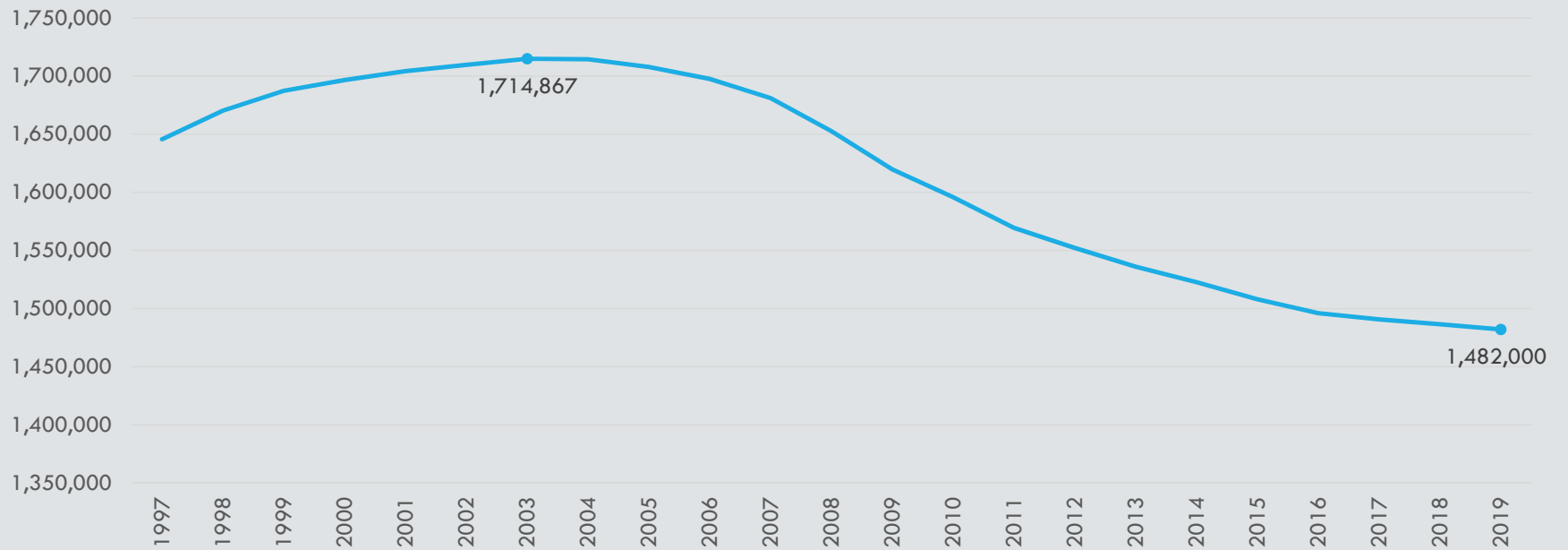
Savings in special education, taxable values, and some adjustments for tax tribunal cases covered the costs from the additional pupils (no mid-year negative supplemental currently necessary)

CREC PUPIL ESTIMATES

	May 2016 Consensus Est.	Change from May Estimate	Proposed Jan 2017 CREC Est.	Change from Prior Year
FY 2016-17				
-- Local Districts	1,331,000	6,700	1,337,700	(6,669)
-- Charters	<u>153,500</u>	<u>(500)</u>	<u>153,000</u>	<u>1,389</u>
TOTAL	1,484,500	6,200	1,490,700	(5,280)
FY 2017-18				
-- Local Districts	1,319,000	17,500	1,336,500	(1,200)
-- Charters	<u>155,500</u>	<u>(5,500)</u>	<u>150,000</u>	<u>(3,000)</u>
TOTAL	1,474,500	12,000	1,486,500	(4,200)
FY 2018-19				
-- Local Districts	N/A	N/A	1,330,000	(6,500)
-- Charters	N/A	N/A	<u>152,000</u>	<u>2,000</u>
TOTAL			1,482,000	(4,500)

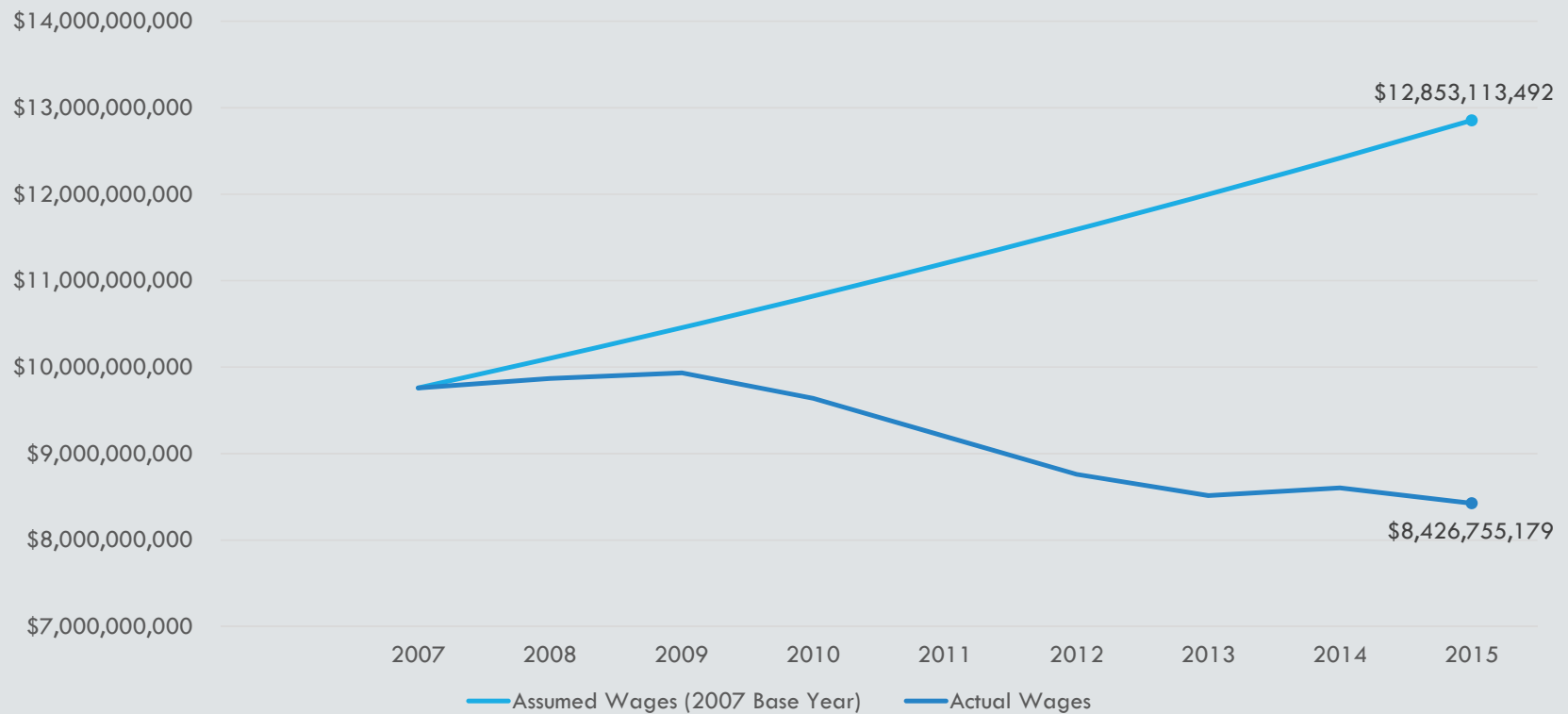
DECLINING ENROLLMENT

Total Membership Pupils: 14% Decline, Equivalent to \$1.8 Billion



MPSERS ACTUAL WAGES VS. ASSUMED

BASED ON 2007 ACTUAL, W/O REVISION



MPSERS APPROPRIATIONS IN K-12

(DOLLARS IN MILLIONS)

	Sec. 147c(1)	Sec. 147c(2)	Sec. 147a	Sec. 147d	K-12
K-12	Rate Cap	Normal Cost	Cost Offset	Add'l Liability	Total by Year
2012	\$ -	\$ -	\$ 155.0	\$ -	\$ 155.0
2013	\$ 160.5	\$ -	\$ 155.0	\$ -	\$ 315.5
2014	\$ 405.5	\$ -	\$ 100.0	\$ -	\$ 505.5
2015	\$ 676.4	\$ -	\$ 100.0	\$ 19.6	\$ 796.0
2016	\$ 892.9	\$ -	\$ 100.0	\$ -	\$ 992.9
2017	\$ 982.2	\$ -	\$ 100.0	\$ -	\$ 1,082.9
2018	\$ 960.1	\$ 48.9	\$ 100.0	\$ -	\$ 1,109.1
2018	\$ 1,023.0	\$ 97.9	\$ 100.0	\$ -	\$ 1,220.9

Another \$81.0 million is appropriated to support MPSERS costs for Community Colleges, Universities, and Libraries.

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

Medicaid Expansion – Net State costs approaching \$90 million by FY 2021-22 IF ACA remains in place; unknown impacts if/when ACA is repealed and/or replaced

Tax Reforms 2011 – Reduction to SAF of roughly \$700 million/year

Flint? \$286 million Gross (\$195m GF/GP) in FY 2015-16 and FY 2016-17

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

LEGISLATIVE AND OTHER PROPOSALS

Legislation to have School Aid Fund pay for a portion of Income Tax refunds – \$450 million/year hit to SAF if enacted (FY 18 figure is actually est. \$459 m)

Income Tax reduction/elimination – both House and Senate looking at bills: SAF gets \$2.8 billion from Income Tax – House panel voted out a bill to eliminate over 40 years - \$680 million hit in FY 18 and \$1.1 billion hit in FY 19

MPSERS Costs – Lowering Assumed Rate of Return in Out Years (costs \$ now)

MPSERS – continued discussion of ‘closing’ the system