

State Budget Update

Jacqueline Mullen, Senior Fiscal Analyst
Noel Benson, Fiscal Analyst

House Fiscal Agency

October 10, 2025



FY 2025-26 School Aid Budget Overview

Total Appropriations

	FY 2024-25 Year-to-Date as of 2/5/25	FY 2025-26 Conference	<i>Difference: Conference From FY 2024-25 YTD</i>	
			<i>Amount</i>	<i>%</i>
IDG/IDT	\$0	\$0	\$0	--
Federal	2,272,793,500	2,407,708,500	134,915,000	5.9
Local	0	0	0	--
Private	0	0	0	--
Restricted	18,418,651,300	18,807,972,100	389,320,800	2.1
GF/GP	78,830,600	73,151,100	-5,679,500	-7.2
Gross	\$20,770,275,400	\$21,288,831,700	\$518,556,300	2.5

Major Increases

- Foundation Allowance: \$10,050
 - Increased from \$9,608 per pupil (\$442, or 4.6%)
 - Cyber parity – from \$9,150 to \$10,050
- 25% increases to At-Risk and Bilingual Education
- **NEW** \$203 million one-time for Educator Compensation
 - Payments of ~\$146 per pupil (FY 2024-25)
- **NEW** \$100 million one-time for Infrastructure Grants
 - Plus ~\$180 million remaining in reserve fund if needed
- **NEW** \$70 million one-time for Grow Your Own Programs or Educator Development Programs
 - Three tiers of competitive grant funding; based on how long program has operated in Michigan
- **NEW** \$70 million one-time for Pathways to Success (competitive grants for CTE deserts)

Mental Health & School Safety

- Per-Pupil Payments:
 - SAF: \$200 million one-time
 - Previously was \$125 million one-time and \$25 million ongoing
 - GF/GP (nonpublics): \$14 million one-time
 - Previously was \$1.5 million one-time
 - Adds cell phone free policies as eligible use of funds
- **NEW** Competitive Grants:
 - \$100 million one-time SAF and \$7 million one-time GF/GP over 4 years
 - 50% to hire support staff for student mental health needs
 - 50% for SROs & safety dogs
- Requires all recipients to agree comply with an investigation after a mass casualty event

MPSERS Changes

- Eliminates \$100 million for MPSERS Cost Offset
- Provides \$147.3 million one-time for reimbursing districts for health care premium subsidy benefit costs
 - Previously was \$181.5 million one-time
 - Since this cost is no longer separated out from other normal costs, a district's allocation for FY 2025-26 is proportionate to prior year allocation
- Continues 15.21% UAAL district contribution cap (lowered from 20.96% in FY 2024-25)
- Projected UAAL paid off by 2035 (instead of 2038), potentially earlier
 - Due to funding floor and higher than expected returns

Other Major Budget Changes

- Weighted 4.6% increase (in line with foundation allowance):
 - Rural Districts
 - GSRP
 - CTE Programs, Early/Middle College, and Dual Enrollment
 - ISD Operations
- Ongoing to one-time:
 - \$8.1 million for CTE Incentive Payment (previously \$5.3 million)
 - \$4 million for Literacy Essentials (previously \$6 million; removes Math Essentials)
 - \$1.6 million for MiMTSS Technical Assistance Center
- Ongoing to one-time (provides funding for 3 years):
 - \$6.1 million for Partnership Districts
 - \$75 million for Out of School Time (\$50 million of which was ongoing); intent to increase to \$85 million and \$100 million
 - \$5.6 million for Robotics Programs (previously \$5.3 million)

Eliminations of Ongoing Programs

- \$19.9 million for Early Literacy Added Instructional Time
- \$19.4 million for Early Childhood Block Grants
- \$7.6 million for MiSTEM Grants
- \$3.0 million for Out of Formula Payments
- \$4.5 million for Local Produce in Schools
- Reduction: \$7.6 million for Adult Education (now \$32.9 million)

Retentions

- \$200 million for Universal School Meals
 - Adds \$1.5 million GF/GP to include nonpublic schools
- \$125 million for Transportation Costs
- \$71 million for Declining Enrollment

Major Boilerplate Changes

- **NEW:** Provides intent that districts make permanent increases to educator and staff compensation in years when the foundation is increased (non-binding)
- Virtual Courses: Requires parental consent for a course to meet virtually
 - Previously, consent was only needed if more than 15 virtual days
- GSRP: Revises to be universal (no income threshold) but maintains prioritization for lower income/risk factors

Major Boilerplate Changes (cont.): NEW 5% Penalty

- Requires MDE to withhold 5% of a district's Sec. 22b payment if a district is reported and found to be noncompliant with any the following:
 - Must meet federal requirements for school meals
 - Must require students to complete the federal free and reduced-price meals application
 - Must prohibit student financial incentives for attending on count day
 - Must make survey questions public
 - Must notify parents if not using evidence-based curriculum as determined by MDE
- Also applies to ISDs (penalty is 5% of the ISD's operational funding under Sec. 81)

SAF Balance Sheet

FY 2025-26: School Aid Fund Balance Sheet

	FY 2024-25	FY 2025-26 Conference
BEGINNING BALANCE	\$1,257.6	\$995.1
REVENUE		
School Aid Fund (SAF) Revenue: Jan 2025 CREC	\$18,459.6	\$18,891.5
SAF Revenue: May 2025 CREC Adjustment	\$85.6	\$42.8
General Fund/General Purpose (GF/GP)	\$78.8	\$73.2
Other Restricted Funds	\$874.1	\$525.0
Reserve Fund Deposits	(\$25.0)	(\$456.1)
<u>Federal Funds</u>	<u>\$2,272.8</u>	<u>\$2,407.7</u>
TOTAL REVENUE	\$21,745.9	\$21,484.1
EXPENDITURES		
School Aid (Adj for CREC revisions & lapses)	\$21,084.6	\$21,085.6
Community Colleges	\$461.9	\$493.0
Higher Education	\$462.0	\$850.8
TOTAL EXPENDITURES	\$22,008.5	\$22,429.4
TOTAL ENDING BALANCE	\$995.1	\$49.8

For more information about the School Aid budget:

HFA Resources

<http://www.house.mi.gov/hfa/SchoolAid.asp>

Contact Information

Jacqueline Mullen, Senior Fiscal Analyst

jmullen@house.mi.gov

Noel Benson, Fiscal Analyst

nbenson@house.mi.gov

(517) 373-8080