

A large, stylized black silhouette of the state of Michigan is centered within a white circle. The letters 'sfa' are overlaid on the silhouette in a large, bold, black font.

sfa



SAC School Aid and Higher Education Discussion

June 12, 2025

Senate Fiscal Agency

Kathryn R. Summers, Director

Josh Sefton, Deputy Director

Ryan Bergan, Senior Fiscal Analyst

Topics



School Aid

Basic Overview (Current Law)

Discretionary and Mandatory

One-Time and Ongoing

Senate-Passed Budget

House-Passed Budget

Higher Education

Senate-Passed Budget

House Budget as Reported from House Appropriations Committee

Michigan Achievement Scholarship Changes Under HB 4580

Basic Overview and Current Law (PreK12)



PreK-12 Budget Basics

- Schools are paid a per-pupil amount for each pupil in membership (currently \$9,608, or \$9,150 for cyber schools) – relatively unrestricted
- Schools also receive ‘categorical’ spending – i.e., spending that is restricted for specific categories
- Some categorical spending is mandatory; most is discretionary

Overall FY 2024-25 YTD (Excluding Federal Funds)

Total budget
(state) =
\$18.5 billion

Of that,
mandatory =
\$5.7 billion

Discretionary
ongoing =
\$11.5 billion

Discretionary
one time =
\$1.3 billion

Basic Overview and Current Law (PreK12)



PreK-12 Budget Basics

- Mandatory Spending
 - 1994-95 level of foundation allowance - \$4.0 billion
 - Some special education funding – 28% of program cost, 70% transportation - \$1.49 billion
 - Property tax exemptions - \$68.2 million
 - Data costs - \$41.0 million
 - School lunch – 6%, \$29.6 million
 - Debt service - \$24.0 million
 - **Total Mandatory:** \$5.7 billion (or 30.5%)

Basic Overview and Current Law (PreK12)



PreK-12 Budget Basics

- Discretionary Spending
 - Foundation allowance growth since 1994-95 - \$6.3 billion
 - Remaining special education funding – \$581.8 million
 - Remaining school meals – \$170.0 million
 - MPSERS state cost - \$2.1 billion (with a change in statute, the state could pay less, which would mean schools would pay more)
 - At Risk - \$1.1 billion
 - Great Start Readiness Program (GSRP) - \$610.1 million
 - Other Ongoing Discretionary \$705.3 million
 - One-Time Discretionary \$1.3 billion
 - Total Discretionary Spending - \$12.8 billion, of which \$11.5 billion is ongoing and \$1.3 billion is one-time

Basic Overview and Current Law (PreK12)



One-Time and Ongoing

- In FY 2024-25, \$1.3 billion is one-time and \$17.2 billion is ongoing
- Traditionally, increases in the foundation allowance are considered ‘ongoing’

Senate FY 2025-26 PreK-12 Budget Highlights



Senate Plan

- Foundation: \$10,008 (ongoing cost increase of \$400 per pupil, or \$517.0 million)
- Increase in ongoing categoricals (special ed, at risk, GSRP, others): \$422.2 million
- One-time spending: \$1.5 billion

House School Aid Plan



House Bill 4577 – June 2025

- Foundation allowance increase of \$417 per pupil (to \$10,025) - \$558 million
- Rolls up 37 categoricals and redistributes via an equal per-pupil payment
- Rolled-up categorical funding plus other funding would provide an estimated \$1,975 per pupil for districts, \$228 per pupil for ISDs, and \$40.8 million to nonpublics on a per-pupil basis
- Except for MPSERS and GSRP, all other categoricals are funded at current levels

House School Aid Plan



House Bill 4577 – June 2025

- Some of the largest of the 37 existing categoricals that were rolled up include:
 - Universal school lunch and breakfast
 - School mental health and support services, and per-pupil mental health/safety grants
 - Early literacy
 - Special education millage equalization and special education millage incentive
 - English language learner grants
 - Out-of-school time
 - Career and technical education
 - Adult education
 - Assessments

House School Aid Plan



Per-Pupil Payments

- Increasing the foundation allowance \$417 plus \$1,975 per-pupil payment plus hold harmless: costs \$3.7 billion
 - \$1.1 billion ongoing available from balance sheet
 - \$913 million in redirected categoricals
 - \$600 million MPSERS cost shift
 - \$1.1 billion in one-time funds

House School Aid Plan



One-Time Revenue

- \$1.2 billion is available for FY 2025-26 (this is the starting balance from end of FY 2024-25)
- In addition, the House bill closes several SAF subaccounts (school meals, transportation, educator fellowships, enrollment stabilization) - \$739m; uses \$266m of SAF rainy day fund; uses \$147m MPSERS reserve fund; and would force lapse student loan work project (\$203m) – total of \$1.4 billion
- Results in \$2.6 billion one-time available - \$1.5 billion is used in Higher Education; \$1.1 billion is used in School Aid budget

Higher Education – Current Law



Higher Education – Major Programs and Fund Sources

- **University Operations:** \$1.76 billion (\$1.74 billion ongoing; \$17.0 million one-time)
- **Michigan Achievement Scholarship:** \$330.0 million (\$300.0 million ongoing; \$30.0 million one-time)
- **Tuition Incentive Program:** \$93.8 million ongoing
- **MI Reconnect:** \$52.0 million ongoing
- **Other Scholarship Programs:** \$66.7 million ongoing

Gross Appropriations:

\$2.32 billion (\$2.26B ongoing; \$60.0M one-time)

Fund Sources:

\$1.86 billion GF/GP (\$1.81B ongoing; \$50.0M one-time)

\$461.7 million SAF (\$451.7M ongoing; \$10.0M one-time)

Higher Education – SB 167



Higher Education – Major Programs and Fund Sources

- **University Operations & ITEMS grants:** \$1.83 billion (\$1.79 billion ongoing; \$33.4 million one-time)
- **Michigan Achievement Scholarship:** \$345.0 million ongoing
- **Tuition Incentive Program:** \$122.3 million ongoing
- **MI Reconnect:** \$52.0 million ongoing
- **Other Scholarship Programs:** \$32.7 million ongoing

Gross Appropriations:

\$2.41 billion (\$2.35B ongoing; \$55.9M one-time)

Fund Sources:

\$1.81 billion GF/GP (\$1.79B ongoing; \$20.0M one-time)

\$602.2 million SAF (\$566.3M ongoing; \$35.9M one-time)

Higher Education – HB 4580



Higher Education – Major Programs and Fund Sources

- **Campus Investment Funds/MPERS Support:** \$928.5 million (\$528.5 million ongoing; \$400.0 million one-time)
- **Michigan Achievement Scholarship:** \$1.29 billion one-time
- **Tuition Incentive Program:** \$122.3 million ongoing
- **MI Reconnect:** \$52.0 million ongoing
- **Other Scholarship Programs:** \$5.2 million ongoing

Gross Appropriations:

\$2.40 billion (\$712.5M ongoing; \$1.69B one-time)

Fund Sources:

\$461.4 million GF/GP (\$290.8M ongoing; \$170.5M one-time)

\$1.94 billion SAF (\$421.7M ongoing; \$1.51B one-time)

Higher Education – Michigan Achievement Scholarship



HB 4580 Changes to MAS - Eligibility

Criteria	Current Law	HB 4580
<i>Year of high school graduation or equivalency</i>	2023 or after, from a Michigan high school	No restriction on year; Michigan HS or maintain Michigan residency while attending out-of-state HS
<i>Enrollment status</i>	Full-time as determined by institution, within 15 months of HS graduation or equivalency	15 credits per semester or 30 credits per year, no restriction on when a student initially enrolls
<i>Financial need requirement</i>	Community/tribal colleges: no need requirement 4-year public/private colleges and universities: FAFSA SAI of \$30,000 or less	No need requirement for any institution type
<i>Maximum length of scholarship</i>	3 years for community/tribal colleges; 5 years for 4-year public/private colleges and Us	2 years for community/tribal colleges; 4 years for 4-year public/private colleges and Us

Higher Education – Michigan Achievement Scholarship



HB 4580 Changes to MAS – Annual Awards

Institution Type	Current Law	HB 4580
Community/Tribal College	\$1,000 minimum award for Pell-eligible students; Maximum of full in-district tuition	Full tuition up to \$2,750
4-Year Public/Private Colleges and Universities	\$2,500 minimum \$3,000 last-dollar	\$2,500 minimum \$3,000 last-dollar
MAS Skills Scholarship	\$2,000/yr up to 5 years	\$5,500/yr up to 4 years

All awards, other than minimum awards, under current law or HB 4580 are applied on a 'last-dollar' basis, up to a student's calculated cost of attendance.

SAF Balance Sheet for House School Aid, Higher Ed, Comm Colleges



Millions	FY 2025-26	FY 2026-27
Starting Balance	\$1,240.2	\$25.1
Ongoing Revenue	21,412.3	21,856.7
One-Time Revenue	<u>1,669.2</u>	<u>0.0</u>
<i>Total Revenue</i>	24,321.7	21,881.8
Baseline Spending	19,340.0	21,559.8
K-12 Ongoing Investments	2,249.2	0.0
University Ongoing	421.7	421.7
Comm Colleges	456.7	456.7
K-12 One-Time	314.5	0.0
University One-Time	<u>1,514.5</u>	<u>0.0</u>
<i>Total Spending</i>	24,296.6	22,438.2
Balance	\$25.1	\$(536.4)
Ongoing Balance	(1,055.3)	(561.5)
One-Time Balance	1,080.4	25.1

Contact Information



Sfa.Senate.Michigan.gov

517-373-2768

Kathryn Summers, Director
ksummers@senate.Michigan.gov