

Fiscal Year 2016 Issue Papers
February 11, 2015

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STATE BUDGET OFFICE

February 11, 2015

School Aid, Community Colleges, Licensing and Regulatory Affairs (LARA) and the Michigan Strategic Fund (MSF)

Career and Technology Education and Skilled Trades Initiatives

The Fiscal Year 2016 Executive Recommendation includes new investments of nearly \$36 million dollars for enhanced educational opportunities, college and career planning, and skilled trades training. Combined with existing programs, the Executive Budget recommends over \$83 million for career and technology education and skilled trades initiatives.

The future economic vitality of Michigan is dependent upon building a talented workforce, which starts with a quality education, includes career and college planning, and continues with life-long learning so workers can match their skills to those needed by Michigan businesses. The governor's career and technology education and skilled trades initiatives are focused on three main goals:

Increase Opportunities for Students to Pursue Career Choices

- The Career and Technical Education (CTE) early/middle college initiative is a five-year high school program designed to provide students with the opportunity to earn a high school diploma and either an associate's degree, technical certification, transferable college credits or participation in a registered apprenticeship by taking college-level and skilled trades courses along with high school curriculum.
- Talent district career councils in each of the ten prosperity regions, consisting of educational, employer, labor and parent representatives, will develop strategic plans that rank career clusters and occupations based on 10-year job opening projections in the region and median wages. Eligible programs will be those identified in the most in-demand five career clusters identified in any of the ten regional plans. (School Aid: \$17.8 million)
- Other enhancements include adding community college courses to the statewide online course catalog maintained by Michigan Virtual University to increase dual enrollment opportunities; incorporating registration, payment services and transcript functionality to the catalog to streamline enrollment and record-keeping; and establishing a statewide network of on-site student mentors to support online learning. (School Aid: \$600,000)
- An at-risk youth initiative that will focus on dropout prevention and recovery programs. (LARA: \$2.1 million)

Improve Access to Planning Tools and Information about Career Planning

- Existing career planning tools will be updated and enhanced to allow students to make more informed decisions about careers. (School Aid: \$500,000)
- Increased funding to the Michigan College Access Network will be used as matching funds to hire more recently-graduated college advisors to assist high school counselors. Grants of up to \$5,000 will be available to districts that want to establish college access teams within their high schools to create a college-going culture. (School Aid: \$1 million)
- A pilot statewide awareness campaign is proposed to increase information about career and technical education and opportunities to earn college credit in advance of graduation. (School Aid: \$100,000)
- In addition, changes to the community college funding formula further emphasize skilled trades degrees and credentials and require community colleges to actively participate in the Michigan Transfer Wizard, a website that allows students to see how classes at each institution will transfer to another institution.

Provide Opportunities to Improve Existing Skills and Learn New In-Demand Skills to Secure Employment

- The Skilled Trades Training Program enables employers to design training for potential employees. Funding is used to partner with businesses to develop customized training that ensures talent demands can be met, strengthening Michigan businesses, while also improving the skillset of the Michigan workforce. This investment doubles the existing Skilled Trades Training Program from \$10 million to \$20 million. (LARA: \$10 million)
- The Michigan Advanced Technical Training (MAT2) initiative calls for advanced technical training in systems-based manufacturing and information technologies consistent with the needs of new global economy. (LARA: \$1.8 million)
- Enhanced re-employment opportunities will focus on expanded apprenticeship opportunities for workers at high risk of exhausting unemployment benefits. (LARA: \$1.5 million)
- Support is provided for the re-tooling of credentials received by new Americans in their country of origin, so they can more easily transition to employment with Michigan businesses. (LARA: \$200,000)

Total New Investments = \$35.6 million

In addition to the new investments, existing programs supporting career and technology education and skilled trades include the following:

MSF: Skilled Trades Training Program	\$10 million
School Aid: Vocational Tech Centers Added Cost Formula	\$26.6 million
School Aid: Vocational Education Local Millage Equalization	\$9.2 million
School Aid: Dual Enrollment Reimbursement	\$1.75 million

Grand Total All Investments = \$83.2 million



STATE BUDGET OFFICE February 11, 2015

Community Colleges FY 2016 Executive Budget Highlights

Overview: The governor proposes an FY2016 budget for community colleges of \$393.8 million, an increase of 8 percent in total funding over FY 2015. Operations funding receives a 1.4 percent increase (\$4.3 million) to a total of \$311.5 million. Since fiscal year 2011, combined operations and retirement funding for community colleges has increased by \$86.8 million, an increase of almost 30 percent.

Operations: An inflationary increase of \$4.3 million for performance-based funding is proposed, furthering the Governor's efforts to have 60 percent of citizens hold a high-quality degree or other credential by 2025. This new funding is distributed through a modification of the enacted FY 2015 formula. In keeping with the governor's goal of increasing the number of Michigan citizens employed in the skilled trades, funding previously used for local strategic value is used to increase the importance of the weighted degree and certificate metric, which rewards colleges for skilled trades graduates. The metrics are as follows:

- Across the board distribution. 50 percent of the formula.
- The two-year average number of weighted associate degree and certificate completions. 32.5 percent of the formula, up from 17.5 percent last year.
- The two-year average number of contact hour equated students. 10 percent of the formula.
- The two-year average of the percentage of institutional expenditures spent on administration. 7.5 percent of the formula.

As a prerequisite for new funding, community colleges will be required to actively participate in the Michigan Transfer Network, similar to universities, which allows students to know how their credits will transfer in and out to other Michigan postsecondary education institutions.

Student Financial Aid: Funding for the Independent Part-Time Student Grant is restored for the first time since FY 2009, totaling \$6 million. This need-based student financial aid program targets part-time adult students at community colleges. The governor encourages community colleges to use this funding to re-enroll former students who may have dropped out without earning a degree or other credential.

Retirement Reform Payments: As part of recent reforms in the Michigan Public School Employees Retirement System (MPERS), the community college contribution rate for unfunded accrued liabilities was capped at the FY 2012 level of 20.96%. The state pays the amount over the cap. The budget increases the state's payments for retirement liabilities by \$17.2 million, bringing the total state support for the

community colleges' MPSERS obligations to \$71.2 million in FY 2016. The FY 2017 budget assumes an additional increase of \$6.9 million, for a total of \$78.1 million.

Renaissance Zone Reimbursements: The budget increases funding for Renaissance Zone reimbursements by \$1.6 million to a total of \$5.1 million to continue making statutorily-required payments at the full amount.

Best Practices: For greater transparency, community colleges are asked to continue their transparency and performance dashboard websites.

State Building Authority Rent: Included in the bill is a schedule of estimated payments the state makes to support debt service for recently constructed community college building projects. This \$29.5 million in general fund, although appropriated in another budget, represents additional state support for community colleges.



STATE BUDGET OFFICE

EDUCATION OMNIBUS BUDGET EXECUTIVE BUDGET FISCAL YEARS 2016 AND 2017

Presented February 11, 2015

The Executive Budget for fiscal year 2016 contains one budget bill for all government agencies and one for education. The education omnibus budget bill supports the state's education system at all levels from preschool to higher education. The Executive Budget for education totals \$15.9 billion - \$14 billion for public schools, \$393.8 million for community colleges and slightly over \$1.5 billion for higher education.

Highlights of the Education Omnibus Budget Bill

- Despite the challenging state revenue situation, the education omnibus bill is still increased by a total of \$142.5 million, or 0.9%, from fiscal year 2015 enacted levels. In comparison to the proposed fiscal year 2015 revised budget, education spending is up \$324.8 million, or 2.1%.

FY 2016 Education Omnibus Budget Summary of Appropriations (in millions)

Revenue Sources	School Aid	Community Colleges	Higher Education	Total
School Aid Fund Revenues	\$12,137.3	\$256.7	\$205.2	\$12,599.2
General Fund	\$45.9	\$137.1	\$1,238.9	\$1,421.9
Other State Restricted	\$0.0	\$0.0	\$0.1	\$0.1
Federal Funds	\$1,775.8	\$0.0	\$97.0	\$1,872.8
Total Appropriations	\$13,959.0	\$393.8	\$1,541.2	\$15,894.0

- Over \$960 million of the education budget supports MPSERS unfunded accrued liability (UAL) costs. As part of recent MPSERS reforms, a cap of 20.96% of salary and wages was placed on the share of retirement UAL costs that school districts, community colleges and libraries are obligated to pay. The state is required to pay the rest, estimated at \$963 million in fiscal year 2016. The governor proposes expanding on reforms by applying a similar payroll cap of 25.73% to the seven participating universities, at an estimated cost of \$5.2 million in fiscal year 2016, bringing total MPSERS UAL costs to \$968.2 million. In addition, the budget provides for \$101.7 million to offset normal retirement costs, bringing total MPSERS spending to \$1.07 billion.

**FY 2016 Education Omnibus Budget
 MPSERS Appropriations
 (in millions)**

	State share over UAL cap	Other costs	Total
Community Colleges	\$69.5	\$1.7	\$71.2
Higher Education	\$5.2	\$0.0	\$5.2
School Aid	\$892.9	\$100.0	\$992.9
District Libraries	<u>\$0.6</u>	<u>\$0.0</u>	<u>\$0.6</u>
Total Appropriations	\$968.2	\$101.7	\$1,069.9



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February 11, 2015

Fiscal Year 2016 Executive Recommendation

Health Insurance Claims Assessment Adjustments

Proposal:

The Fiscal Year (FY) 2016 Executive Recommendation assumes additional revenue generated through changes in the Health Insurance Claims Assessment (HICA). These changes will provide an additional \$180.1 million in revenue to support Michigan's Medicaid program.

Background Information:

Public Act 162 of 2014 established the current HICA rate at .75% of paid health claims made by eligible third-party administrators, health insurance carriers and self-insured entities. The legislation authorized the .75% HICA rate also amended Michigan's Use Tax Act makes health claims paid by Michigan's Medicaid HMOs subject to Michigan's Use Tax. Michigan law currently caps revenue generated between HICA and the Use Tax at \$450.0 million. Revenue generated in excess of this cap must be refunded to HICA taxpayers the following year.

The FY 2016 Executive Recommendation assumes two changes in HICA going forward.

- 1. Change in HICA Rate:** The Executive proposes an increase in the HICA rate from .75% to 1.3%. This will generate an additional \$162.8 million in revenue in FY 2016.
- 2. Elimination of the HICA / Use Tax Revenue Cap:** The Executive further proposes elimination of the current statutory cap imposed upon revenue generated through HICA and Michigan's Medicaid HMO Use Tax. This would result in an additional \$17.3 million in HICA revenue.

The HICA revenue changes detailed above will increase the stability of funding used to support Michigan's Medicaid program, a health insurance program that serves nearly 2.3 million low-income and disabled Michigan residents.



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February 11, 2015

Fiscal Year 2016 Executive Recommendation

HEALTHY KIDS DENTAL & ADULT MEDICAID DENTAL SERVICES

HEALTHY KIDS DENTAL

Proposal:

The Fiscal Year 2016 Executive Recommendation expands the Healthy Kids Dental (HKD) Program to Kent, Oakland, and Wayne counties for children aged 0 through 8. Financed with \$21.8 million Gross, \$3.9 million GF, this expansion will provide coverage to an additional 100,000 children. The remaining children in these counties will be phased-in over the next several years.

Background Information:

The Department of Community Health contracts with Delta Dental to administer the HKD program, which provides access to dentists in the Delta Dental service network and is available in 80 of Michigan's 83 counties. Due to enhanced reimbursement rates, children in the program have significantly better access to dental services than those who are served through Michigan's Medicaid fee-for-service program.

With HKD expansion, enrollment will grow from 612,000 to 822,000. Health indicators show that access to quality oral health services leads to better overall health.

ADULT MEDICAID DENTAL SERVICES

Proposal:

To address access issues and low reimbursement rates that limit use of Michigan's Adult Dental Medicaid benefit, the FY 2016 Executive Recommendation allocates \$23 million Gross and \$7.9 million GF to convert Michigan's fee-for-service dental program to one managed through a private health maintenance organization (HMO). Enhancing adult dental reimbursement rates will increase dental services available to existing adult Medicaid recipients and directly lead to improvements in oral health.

Background Information:

Michigan's Medicaid fee-for-service rates for dental services are among the lowest in the nation, averaging around 25-30% of commercial dental fees, which limit available dental care for beneficiaries. This managed care service arrangement to provide Adult Dental Medicaid coverage will improve access to care, provide adequate provider reimbursements, and leverage innovative managed care delivery models.



STATE BUDGET OFFICE February 11, 2015

Higher Education FY 2016 Executive Budget Highlights

Overview: The governor proposes investing an additional 2 percent, or \$28 million, in state university operations, all general fund. This is the largest ongoing general fund investment recommended by the governor for fiscal year 2016 and brings total operations funding to \$1.4 billion. Total funding for higher education is over \$1.5 billion.

Operations: A total of \$26.8 million in general fund for performance-based funding is proposed, furthering the Governor's efforts to have 60 percent of citizens hold a high-quality degree or other credential by 2025.

All of last year's performance-based metrics are continued in this Executive Budget, providing stability in state appropriations to universities, and allowing for better long-range institutional planning. The metrics are as follows:

- The two year average number of undergraduate degree and certificate completions in critical skills areas.
- Research and development expenditures for only those universities that are ranked as research universities under Carnegie Classifications.
- Several metrics that are scored by comparison with national Carnegie Classification peers, and then weighted by undergraduate FYES. Scoring is done using the enacted FY 2015 values (3 points for Top 20 percentile performance, and 2 points for performance above the national median or improved performance).
 - Six year graduation rate.
 - Total degree completions.
 - Administrative costs as a percentage of total core expenditures.
 - The percentage of students receiving a Pell Grant, a change from the absolute number of students used in the FY 2015 budget.

Michigan State University AgBioResearch and Extension also each receive a 2 percent increase, a combined \$1.2 million in general fund.

The prerequisites for funding are those enacted in FY 2015, and include:

- Active participation in the MACRAO Michigan Transfer Network, including timely updates.
- Reverse transfer agreements with at least 3 community colleges.
- Counting dual enrollment credits that have been utilized for high school

graduation when deciding to award university credit for these classes.

- Limiting tuition increases to 2.8 percent or less in order to receive new performance funding provided in this recommendation. This cap represents double the level of expected inflation.

MPERS Reform: Governor Snyder proposes capping unfunded accrued liability (UAL) payments for universities that are participating members of the Michigan Public School Employees Retirement System. Under his proposal, member universities would have their UAL payments capped at 25.73 percent of payroll, similar to actions taken for public school districts, district libraries, and community colleges in 2012. Under the proposal, the state will make payments for amounts exceeding the cap. The proposal requires \$2.7 million in new funding and total ongoing FY 2016 funds of \$5.2 million. State payments are projected to increase every year until reaching a maximum final payment of \$10.3 million in FY 2036, when the liability is expected to be paid off.

Student Financial Aid: A total of \$105 million is recommended for student financial aid. In addition, \$6 million is recommended in the community colleges budget for Independent Part-Time Student Grants.

Best Practices: For greater transparency, public universities are asked to continue their transparency and performance dashboard websites. These public sites report on various financial and academic indicators.

Private colleges and universities are asked to comply with best practices to remain eligible to receive Tuition Grant funding. These practices include reporting the following: P-20 longitudinal data, the number of students that received a Tuition Grant and completed a program and/or required remedial education, and the number of students that received a Pell Grant and completed a program.

State Building Authority Rent: Included in the bill is a schedule of estimated payments the state makes to support debt service for recently constructed university building projects. This \$136 million in general fund, although appropriated in another budget, represents additional state support for higher education.

Other Adjustments:

- The dues for the Midwest Higher Education Consortium, a regional higher education consortium of states, have increased by \$20,000 to a total of \$115,000, paid by general fund. MHEC provides policy coordination, group purchasing discounts, and tuition reciprocity agreements. Michigan participates as provided for in statute.
- Funding for the Michigan College Access Network totaling \$2 million in general fund is transferred to the School Aid budget.
- The \$500,000 appropriated for the Indian Tuition Waiver in FY 2015 is rolled into university operations line items proportional to the percentage of each university's enrollment that qualifies for a waiver.



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February 11, 2015

School Aid

3rd Grade Reading Initiative

Proficiency in 3rd grade reading is an early indicator of having a skilled workforce that is imperative to Michigan's future economic vitality. Poor 3rd grade reading scores are now considered a leading indicator of high school dropout rates. Michigan ranked 38th on the 2013 4th grade NAEP reading tests, with only 30.5% of 4th graders reading proficiently or better. Michigan is one of only five states to lose ground from 2003 to 2013 on the 4th grade NAEP reading test (change of -1.4%).

Proposal

The fiscal year 2016 Executive Recommendation includes proposed investments totaling \$48.6 million (\$25 million state; \$23.6 million federal) for purposes of implementing a statewide, comprehensive strategy to ensure children are reading at grade level by the end of 3rd grade. The proposals in the Executive Budget are intended as a framework from which to begin a dialogue. The Governor is calling on a workgroup that includes legislators to further refine the 3rd grade reading initiative prior to finalizing the fiscal year 2016 budget.

Supports for Families

Research shows parents have the greatest influence on their child's language and literacy development. This proposal supports families by:

- Piloting parent education programs for families with children less than 4 years of age. Classes would provide parents with information about the physical, cognitive, social and emotional development of children, provide structured learning activities for parents and their children, as well as promote positive interaction between children and their peers. The proposed program would be open to families regardless of income, with fees based on a sliding scale (\$1 million).
- Expanding ISD home visits to at-risk families to encourage early literacy activities and to identify children who have disabilities and developmental delays for further early intervention services (\$5 million).
- Improving early child care services by extending eligibility for currently eligible children to maintain continuity of services for low-income families and increasing provider rates for higher quality programs (\$23.6 million, federal).

Supports for Students and Teachers

The proposal uses a multi-tiered system of supports (MTSS) framework of investments in schools to improve literacy instruction for all students in kindergarten through 3rd grade and to target additional resources to those students in need of extra intervention. The proposal includes:

- Ensuring teachers are adequately trained in teaching literacy by requiring new elementary teachers to pass an assessment of reading instruction capabilities as part of their certification, and by providing research-based professional development for existing teachers tied to the current state reading standards (\$1.45 million).
- Investing in evidence-based literacy diagnostic tools and training teachers and administrators in their use and data interpretation to identify students in need of intervention (\$1.45 million).
- For those students identified as needing additional assistance, providing funding for additional instruction time (\$10 million).
- Investing in literacy coaches for K-3 teachers to assist teachers in developing and implementing research-based instructional strategies (\$3 million).

Accountability

The proposal also includes several accountability measures:

- An oversight commission outside of state government to oversee implementation and monitor long-term progress towards improving 3rd grade reading proficiency.
- A kindergarten entry assessment to gauge the effectiveness of the state's early childhood investments and kindergarten through 2nd grade reading and math assessments to serve as benchmarks for measuring student academic progress (\$2.6 million).
- A state research clearinghouse that identifies and shares research-based best practices with school districts in early and elementary reading strategies (\$500.0).

Other Related Investments

The fiscal year 2016 Executive Recommendation includes several other investments related to the 3rd grade reading initiative:

- **At-Risk:** An increase of \$100 million in funds appropriated to assist academically at-risk students. At-risk funding is focused on improving 3rd grade reading proficiency and graduating students that are career and college ready (\$409 million in total).
- **Best practices** include payments to districts that administer kindergarten entry assessments and diagnostic tools to identify students who need additional reading interventions in kindergarten through grade 3 (\$30 million in total).
- **Technology Readiness Infrastructure Grants** will be used, in part, to ensure data systems can quickly return data from literacy diagnostic tools to teachers to identify students in need of extra assistance (\$25 million in total).
- **Library state aid** is increased by \$1 million to expand early literacy programs in local communities (\$10 million in total).
- **Pathways to Potential:** Encourages state departments to prioritize assigning Pathways to Potential success coaches to academically at-risk elementary schools.
- **Implementation:** Funding is provided to pay for administrative costs related to implementing the final agreed-to package (\$1 million in total).



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SCHOOL AID HIGHLIGHTS
EXECUTIVE BUDGET
FISCAL YEARS 2016 AND 2017

FEBRUARY 11, 2015

FY2016 K-12 School Aid Executive Budget

K-12 Funding (in millions)	<u>FY2016</u>	<u>FY2017 Est.</u>
School Aid Fund Revenue	\$ 12,137.3	\$ 12,006.5
General Fund	\$ 45.9	\$ 57.0
Federal Funds	<u>\$ 1,775.8</u>	<u>\$ 1,775.8</u>
Total Appropriations	\$ 13,959.0	\$ 13,839.3
Local Revenue	<u>\$ 3,430.0</u>	<u>\$ 3,520.0</u>
Total State/Local/Federal	\$ 17,389.0	\$ 17,359.3

Consensus Pupils:

FY2015 – 1,508,000

FY2016 – 1,495,000, a decrease of 13,000 pupils from FY2015

FY2017 – 1,481,000, a decrease of 14,000 from FY2016

School Operations Funding

- The FY2016 budget provides for a **\$75 per-pupil increase in the foundation allowance** for all districts, at a cost of \$108 million. The minimum foundation allowance will increase to \$7,326 per pupil; the basic foundation allowance will increase to \$8,174 per pupil.

Per-Pupil Foundation Allowances		
	Minimum	Basic/Maximum
FY2015 (includes Equity)	\$7,251	\$8,099
Increase	<u>\$ 75</u>	<u>\$ 75</u>
FY2016 Foundation	\$7,326	\$8,174

- State funding for **MPSERS UAL retirement contributions** over the statutory cap of 20.96% (PA 300 of 2012) totals \$893.5 million in FY2016 for districts, ISDs and district libraries, an increase of \$218.8 million over the FY2015 current-law level. This equates to an average of \$600 per pupil, with a range of between \$4 and \$2,300.
- The FY2016 budget recommends a **30% increase in funding for At-risk programs at \$100 million, bringing the total** to over \$409 million. This categorical has not been increased since 2002; funds are intended for the purpose of ensuring pupils are proficient in reading by the end of grade 3 and that high school graduates are career and college ready.

- A total of **\$30 million (\$20 per pupil) in best practices funding** will be paid to districts that meet at least 2 of 3 best practices in each of two categories - financial and academic. Criteria are as follows:

Financial (2 of 3):

1. The district maintains a citizen's dashboard. (Existing)
2. The local school board members receive department-approved training if the district has an ending fund balance of less than 5% of operating expenditures. (New)
3. The district maintained an ending fund balance greater than 5 percent of operating expenditures for the prior fiscal year. (New)

Academic (2 of 3) – all New:

1. The district administers a department-approved kindergarten entry assessment that assesses English language arts and mathematics skills of all first-time kindergartens.
 2. The district administers department-approved diagnostic tools to monitor the development of early reading skills and supports research-based professional development for educators.
 3. The district assesses the effectiveness of current college and career advising programs within the district and develops a plan to address deficiencies according to standards recommended by the Michigan College Access Network.
- Funding for the **Technology Readiness Infrastructure Grant Program** is continued at \$25 million. Funds are intended to aid districts with technology improvements in preparation of online growth assessments and to accommodate data needed to monitor the progress of student proficiency in early grades.
 - **Intermediate School District (ISD) Operations** funding remains at the FY2015 level of \$65.1 million, with an additional \$2 million for ISDs that meet best practices criteria.

Improving Early Learning Literacy

- After significant investments of \$130 million over the last two years in the **Great Start Readiness Program**, the budget includes funding of nearly \$240 million. This amount will provide over 63,000 half-day preschool opportunities to 4-year-olds across the state.
- The governor's budget builds on the investments in preschool, and focuses efforts to improve Michigan's ranking in national comparisons of 4th-grade reading proficiency levels. The budget includes \$25 million for **reforms to increase reading proficiency by the end of a child's third grade**.
- The reforms being proposed will be implemented using multi-tiered systems of support at the district level, and include providing high-quality instruction in the classroom, regular diagnostic screenings of students and feedback for educators, targeted interventions for students identified as falling behind, supports for families of young children and enhanced professional development in literacy education.
- The budget proposal is intended to be a framework from which to begin a dialogue. The governor is recommending the formation of a workgroup that includes legislators to finalize the proposal prior to final passage of the FY2016 budget.

- The governor is also proposing an **oversight commission** outside of government to oversee implementation and monitor long-term progress towards implementing goals. Also, a state **research clearinghouse** to share research-based best practices in early reading strategies will be available to districts.
- A total of \$2.6 million is also dedicated for the **Kindergarten Entry Assessment (KEA) and new assessments** for pupils in grades 1 and 2 for purposes of gauging the proficiency of pupils prior to 3rd grade.

Expanding College and Career Readiness Programs

- As part of nearly \$36 million in investments related to the governor's **talent initiative**, the budget recommends \$17.8 million to expand **career and technical education early/middle college programs** that are aligned with the ten prosperity regions and are intended to provide students with the opportunity to earn an associate's degree, technical certification, transferable college credit, or participation in a registered apprenticeship while taking high school courses. Eligible programs will be required to develop strategic plans that consider wage and occupation demands specific to the region.
- An additional \$2.2 million is proposed for programs intended to expand the level of **awareness of available college and career choices** and increase the number of **college advisors** in schools. Community college courses are being added to the statewide online course catalog maintained by the Michigan Virtual University to increase student dual enrollment opportunities. The budget also maintains \$1.75 million for incentives to districts that support **dual enrollment**.
- The FY2016 budget also continues \$2 million in funding for **First Robotics** programs, as well as \$250,000 to pay for some or all of the testing costs associated with **Advanced Placement and International Baccalaureate tests** for low-income pupils.

Strengthening School District Fiscal Health

- The budget sets aside \$75 million into the **Distressed District Rehabilitation Fund** to support the rehabilitation of districts experiencing severe academic and financial stress in order to mitigate the negative consequences for students. There are ongoing discussions with a coalition of business, academic and civic leaders to develop a protocol for assisting extremely distressed districts.
- **Consolidation Innovation Grants** are continued at \$2 million for incentive payments to districts for the consolidation of services or districts.
- One component of education reforms that was not completed during the last legislative session is the **Early Warning System**, a joint effort between MDE, Treasury, and CEPI to develop systems to identify troubled schools earlier and provide needed assistance. Statutory changes to support the system are included in the school aid budget.

Assessments and Accountability

- The FY2016 budget provides \$50.2 million (\$44.0 million in state and \$6.2 million in federal) for costs associated with **student assessments** required under state and federal law and for the development of new diagnostic tools proposed under the 3rd-grade reading proposal.

- \$1.8 million (2nd of 2 years of funding) will be used to update **teacher certification tests**.
- A total of \$14.8 million was included in the FY2015 budget for costs associated with implementation of an **educator evaluation system**. Upon the passage of legislation to enact the system, the funds will be carried forward and will be available for use in FY2016.
- The FY2016 budget maintains funding to districts at the FY2015 level of \$38 million for **state data collection and reporting costs**.
- **Center for Educational Performance and Information (CEPI)** funding totals \$12.0 million general fund.

Student Support Services

- The FY2016 budget provides for nearly \$1.4 billion for **special education services**: \$935 million in state funds and \$441 million in federal funds.
- Funding for **school lunch and breakfast programs** is funded with \$541.3 million: \$28.1 million in state funds and \$513.2 million in federal funds.
- A total of \$8.5 million (\$3.3 million state funds and \$5.2 million federal) supports the state's **math and science centers**.
- Funding for **adolescent teen health centers** is continued at \$3.6 million. Funding for **hearing and vision screenings** is maintained at \$5.2 million.
- **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 \$2.6 million.
- Efforts to **improve public safety** and reduce the number of youth involved in gang-related activity are supported with \$1 million in funding.
- Funding is maintained for **adult education** programs at \$22 million. The funding distribution continues to phase-in allocations based, in part, on regional needs and performance.
- Education programs in **juvenile justice facilities** maintained at \$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.

Debt Service and Other Required Payments

- **School Bond Loan Fund Debt Service** is funded at \$143 million, a \$17 million increase.
- **Renaissance Zone** reimbursements are maintained at \$26.3 million.
- **School Aid Fund Borrowing Costs** are maintained at the FY2015 level of \$4 million.
- **PILT Payments** are maintained at \$4.3 million.
- Funding for **Promise Zones** is \$610,000, an increase of \$316,900.

MPSERS Contribution Rates

The FY2016 MPSERS retirement contribution rates for districts remain relatively unchanged from FY2015. Rates are detailed below.

MPSERS Retirement Rates for FY2016							
	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	36.31%	35.09%	34.66%	31.49%	31.92%	31.49%	35.88%
Employer Rate:							
<i>Pension Normal Cost</i>	4.39%	3.17%	3.17%	0.00%	0.00%	0.00%	4.39%
<i>Pension UAL</i>	13.20%	13.20%	13.20%	13.20%	13.20%	13.20%	13.20%
<i>Retirement Incentive (10-yr. payback)</i>	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%
Pension Total Rate	18.95%	17.73%	17.73%	14.56%	14.56%	14.56%	18.95%
Health Rates:							
<i>Health Normal Cost</i>	0.43%	0.43%	0.00%	0.00%	0.43%	0.00%	0.00%
<i>Health UAL</i>	6.40%	6.40%	6.40%	6.40%	6.40%	6.40%	6.40%
Retiree Health Total Rate	6.83%	6.83%	6.40%	6.40%	6.83%	6.40%	6.40%
Employer Capped Rate	25.78%	24.56%	24.13%	20.96%	21.39%	20.96%	25.35%
Stabilization Rate	10.53%	10.53%	10.53%	10.53%	10.53%	10.53%	10.53%
FY15 Employer Capped Rate	25.78%	24.70%	24.19%	20.96%	21.47%	20.96%	25.27%



FY2015, FY2016 and FY2017 STATE SCHOOL AID APPROPRIATIONS Executive Recommendation - February 11, 2015

Sec.	APPROPRIATIONS (In thousands):	Fiscal Year 2014-2015			Fiscal Year 2015-2016		Fiscal Year 2016-2017	
		PA 196 of '14 Current Law 6/17/2014	Revised Exec Rec 2/11/2015	Difference	Executive Rec 2/11/2015	Difference from FY15 Current Law	Exec Rec Planning Budget	Difference from FY16 Exec Rec
11g	Debt Service on Non-Durant Districts Bonds	39,500.0	39,500.0	0.0	0.0	(39,500.0)	0.0	0.0
11j	School Bond Loan Redemption Fund	126,000.0	126,000.0	0.0	143,000.0	17,000.0	161,000.0	18,000.0
11m	SAF Borrowing Costs	4,000.0	3,000.0	(1,000.0)	4,000.0	0.0	5,000.0	1,000.0
11r	Distressed District Rehabilitation Fund	4,000.0	4,000.0	0.0	75,000.0	71,000.0	0.0	(75,000.0)
20f	Hold Harmless Provision	6,000.0	6,000.0	0.0	6,000.0	0.0	6,000.0	0.0
20g	District Dissolution Transition Costs	2,200.0	2,200.0	0.0	2,200.0	0.0	0.0	(2,200.0)
22a	Proposal A Obligation Payment	5,393,000.0	5,380,000.0	(13,000.0)	5,277,000.0	(116,000.0)	5,144,000.0	(133,000.0)
22b	Discretionary Payment	3,492,000.0	3,434,000.0	(58,000.0)	3,662,000.0	170,000.0	3,666,000.0	4,000.0
22c	Foundation Equity Payment	103,000.0	103,000.0	0.0	0.0	(103,000.0)	0.0	0.0
22d	Isolated District Funding	2,584.6	2,584.6	0.0	2,584.6	0.0	2,584.6	0.0
22f	Best Practices Grants	75,000.0	75,000.0	0.0	30,000.0	(45,000.0)	30,000.0	0.0
22g	Consolidation Innovation Grants	2,000.0	2,000.0	0.0	2,000.0	0.0	0.0	(2,000.0)
22i	Technology Infrastructure Improvement Grants	41,500.0	41,500.0	0.0	25,000.0	(16,500.0)	0.0	(25,000.0)
22j	District Performance Funding	51,100.0	51,100.0	0.0	0.0	(51,100.0)	0.0	0.0
22l	Statewide Public Resource Allocation Study	0.0	1,000.0	1,000.0	0.0	0.0	0.0	0.0
24	Court-Placed Children	8,000.0	8,000.0	0.0	8,000.0	0.0	8,000.0	0.0
24a	Juvenile Detention Facility Programs	2,195.5	2,195.5	0.0	2,189.8	(5.7)	2,189.8	0.0
24c	ChalleNGe Program	1,500.0	1,500.0	0.0	1,497.4	(2.6)	1,497.4	0.0
25f	Strict Discipline Academies Pupil Transfers	2,000.0	2,000.0	0.0	1,000.0	(1,000.0)	0.0	(1,000.0)
26a	Renaissance Zone Reimbursement	26,300.0	26,300.0	0.0	26,300.0	0.0	26,300.0	0.0
26b	PILT Reimbursement	4,210.0	4,210.0	0.0	4,276.8	66.8	4,276.8	0.0
26c	Promise Zone Payments	293.1	293.1	0.0	610.0	316.9	1,100.0	490.0
31a	At-Risk Programs	308,988.2	308,988.2	0.0	408,988.2	100,000.0	408,988.2	0.0
31a	Adolescent Teen Health Centers	3,557.3	3,557.3	0.0	3,557.3	0.0	3,557.3	0.0
31a	Vision/Hearing Screening	5,150.0	5,150.0	0.0	5,150.0	0.0	5,150.0	0.0
31c	Gang Prevention and Intervention Programs	0.0	0.0	0.0	1,000.0	1,000.0	0.0	(1,000.0)
31d	School Lunch - State	22,495.1	22,495.1	0.0	22,495.1	0.0	22,495.1	0.0
31d	School Lunch - Federal	513,200.0	513,200.0	0.0	513,200.0	0.0	513,200.0	0.0
31f	School Breakfast	5,625.0	5,625.0	0.0	5,625.0	0.0	5,625.0	0.0
31g	Health and Nutrition Software Program	1,200.0	0.0	(1,200.0)	0.0	(1,200.0)	0.0	0.0
32d	Great Start Readiness	239,575.0	239,575.0	0.0	239,575.0	0.0	239,575.0	0.0
32p	Great Start Early Childhood Block Grants	10,900.0	10,900.0	0.0	15,900.0	5,000.0	15,900.0	0.0
35	3rd Grade Reading Initiatives	0.0	0.0	0.0	18,400.0	18,400.0	16,900.0	(1,500.0)
39a1	Federal "No Child Left Behind" Program	807,969.9	807,969.9	0.0	779,076.4	(28,893.5)	779,076.4	0.0
39a2	Other Federal Funding	31,300.0	31,300.0	0.0	30,800.0	(500.0)	30,800.0	0.0
41	Bilingual Education	1,200.0	1,200.0	0.0	1,200.0	0.0	1,200.0	0.0
43	Update Teacher Certification Tests	1,800.0	1,800.0	0.0	1,800.0	0.0	0.0	(1,800.0)
51c	Special Education Headlee	630,500.0	606,000.0	(24,500.0)	621,000.0	(9,500.0)	633,000.0	12,000.0
51a2	Special Education Foundations & Sped	252,000.0	251,800.0	(200.0)	257,200.0	5,200.0	261,600.0	4,400.0
51a3	Special Ed Hold Harmless Pmt. To ISD's	1,000.0	1,000.0	0.0	1,000.0	0.0	1,000.0	0.0
51a11	Special Ed Non Sec 52 to ISD's	3,300.0	4,000.0	700.0	3,200.0	(100.0)	3,200.0	0.0
51a6	Special Ed Rule Change	2,200.0	2,200.0	0.0	2,200.0	0.0	2,200.0	0.0
53a	Court Placed Special Ed FTE	10,500.0	10,500.0	0.0	10,500.0	0.0	10,500.0	0.0
54	MI School for Deaf and Blind	1,688.0	1,688.0	0.0	1,688.0	0.0	1,688.0	0.0
56	Special Ed Millage Equalization	37,758.1	37,758.1	0.0	37,758.1	0.0	37,758.1	0.0
51a	Special Education - Federal IDEA	370,000.0	370,000.0	0.0	370,000.0	0.0	370,000.0	0.0

		Fiscal Year 2014-2015		
Sec.	APPROPRIATIONS (In thousands):	PA 196 of '14 Current Law 6/17/2014	Revised Exec Rec 2/11/2015	Difference
51d	Special Education - Other Federal	74,000.0	74,000.0	0.0
61a	Vocational Education	27,611.3	27,611.3	0.0
61b	Career & Tech Ed / Dual Enrollment Programs	0.0	0.0	0.0
62	ISD Vocational Ed Millage Reimbursement	9,190.0	9,190.0	0.0
64b	Dual Enrollment Incentive Payments	1,750.0	1,750.0	0.0
64c	Career Readiness Study	250.0	250.0	0.0
67	College and Career Readiness Tools	0.0	0.0	0.0
74	Bus Driver Safety	1,625.0	1,625.0	0.0
74	School Bus Inspection Program	1,691.5	1,691.5	0.0
74a	School Bus Conversion to Natural Gas	3,000.0	3,000.0	0.0
81	ISD General Operations	67,115.0	67,115.0	0.0
94	Advanced Placement (AP) Incentive Program	250.0	250.0	0.0
94a	CEPI - State	12,022.8	12,022.8	0.0
94a	CEPI - Federal	193.5	193.5	0.0
95a	Educator Evaluations	14,800.0	14,800.0	0.0
98	Michigan Virtual University	7,387.5	7,387.5	0.0
99	Math/Science Centers - State	3,225.0	3,225.0	0.0
99	Math/Science Centers - Federal	5,249.3	5,249.3	0.0
99b	STEM Professional Development	330.0	330.0	0.0
99h	First Robotics	2,000.0	2,000.0	0.0
104	Student Assessments - State	41,394.4	41,394.4	0.0
104	Student Assessments - Federal	6,250.0	6,250.0	0.0
107	Adult Education	22,000.0	22,000.0	0.0
147a	MPSERS Cost Offset	100,000.0	100,000.0	0.0
147c	MPSERS UAAL Rate Stabilization Payment	674,700.0	676,900.0	2,200.0
147d	MPSERS One-Time Liability Payment	108,000.0	19,634.5	(88,365.5)
152a	Data Collection and Reporting Costs	38,000.5	38,000.5	0.0
TOTAL SCHOOL AID APPROPRIATIONS		13,870,325.6	13,687,960.1	(182,365.5)

Fiscal Year 2015-2016	
Executive Rec 2/11/2015	Difference from FY15 Current Law
71,000.0	(3,000.0)
26,611.3	(1,000.0)
17,800.0	17,800.0
9,190.0	0.0
1,750.0	0.0
0.0	(250.0)
3,600.0	3,600.0
1,625.0	0.0
1,690.7	(0.8)
0.0	(3,000.0)
67,108.0	(7.0)
250.0	0.0
11,967.0	(55.8)
193.5	0.0
0.0	(14,800.0)
7,987.5	600.0
3,225.0	0.0
5,249.3	0.0
0.0	(330.0)
2,000.0	0.0
43,994.4	2,600.0
6,250.0	0.0
22,000.0	0.0
100,000.0	0.0
893,500.0	218,800.0
0.0	(108,000.0)
38,000.5	0.0
13,958,963.9	88,638.3

Fiscal Year 2016-2017	
Exec Rec Planning Budget	Difference from FY16 Exec Rec
71,000.0	0.0
26,611.3	0.0
17,800.0	0.0
9,190.0	0.0
0.0	(1,750.0)
0.0	0.0
3,000.0	(600.0)
1,625.0	0.0
1,690.7	0.0
0.0	0.0
67,108.0	0.0
0.0	(250.0)
11,967.0	0.0
193.5	0.0
0.0	0.0
7,387.5	(600.0)
3,225.0	0.0
5,249.3	0.0
0.0	0.0
0.0	(2,000.0)
43,994.4	0.0
6,250.0	0.0
22,000.0	0.0
100,000.0	0.0
981,600.0	88,100.0
0.0	0.0
38,000.5	0.0
13,839,253.9	(119,710.0)

REVENUES:			
School Aid Fund	11,929,262.9	11,828,097.4	(101,165.5)
General Fund	114,900.0	33,700.0	(81,200.0)
MPSERS Reserve Fund	18,000.0	18,000.0	0.0
Federal Funds	1,808,162.7	1,808,162.7	0.0
TOTAL APPROPRIATED REVENUES	13,870,325.6	13,687,960.1	(182,365.5)

12,137,294.7	208,031.8
45,900.0	(69,000.0)
0.0	(18,000.0)
1,775,769.2	(32,393.5)
13,958,963.9	88,638.3

12,006,484.7	(130,810.0)
57,000.0	11,100.0
0.0	0.0
1,775,769.2	0.0
13,839,253.9	(119,710.0)