

FY 2017-18 School Aid Budget Overview

**Bethany Wicksall, Deputy Director
House Fiscal Agency**

May 2, 2017



OVERALL EXECUTIVE BUDGET CHANGES

In Millions of Dollars

Fund Source	*FY 2016-17 Budget	FY 2017-18 House	\$ Change	% Change
Federal	\$22,693.9	\$23,096.0	\$402.1	1.8%
Local/Private	388.6	383.2	(5.4)	(1.4%)
State Restricted	21,038.9	21,758.5	719.6	3.4%
GF/GP	10,101.5	10,149.4	47.9	0.5%
TOTAL (Adj Gross)	\$54,222.8	\$55,387.1	\$1,164.3	2.1%

*Includes mid-year budget adjustments through February 8, 2017.

Note: The percentage change shown above reflects actual change before totals are rounded to millions.

OVERALL HOUSE BUDGET CHANGES

In Millions of Dollars

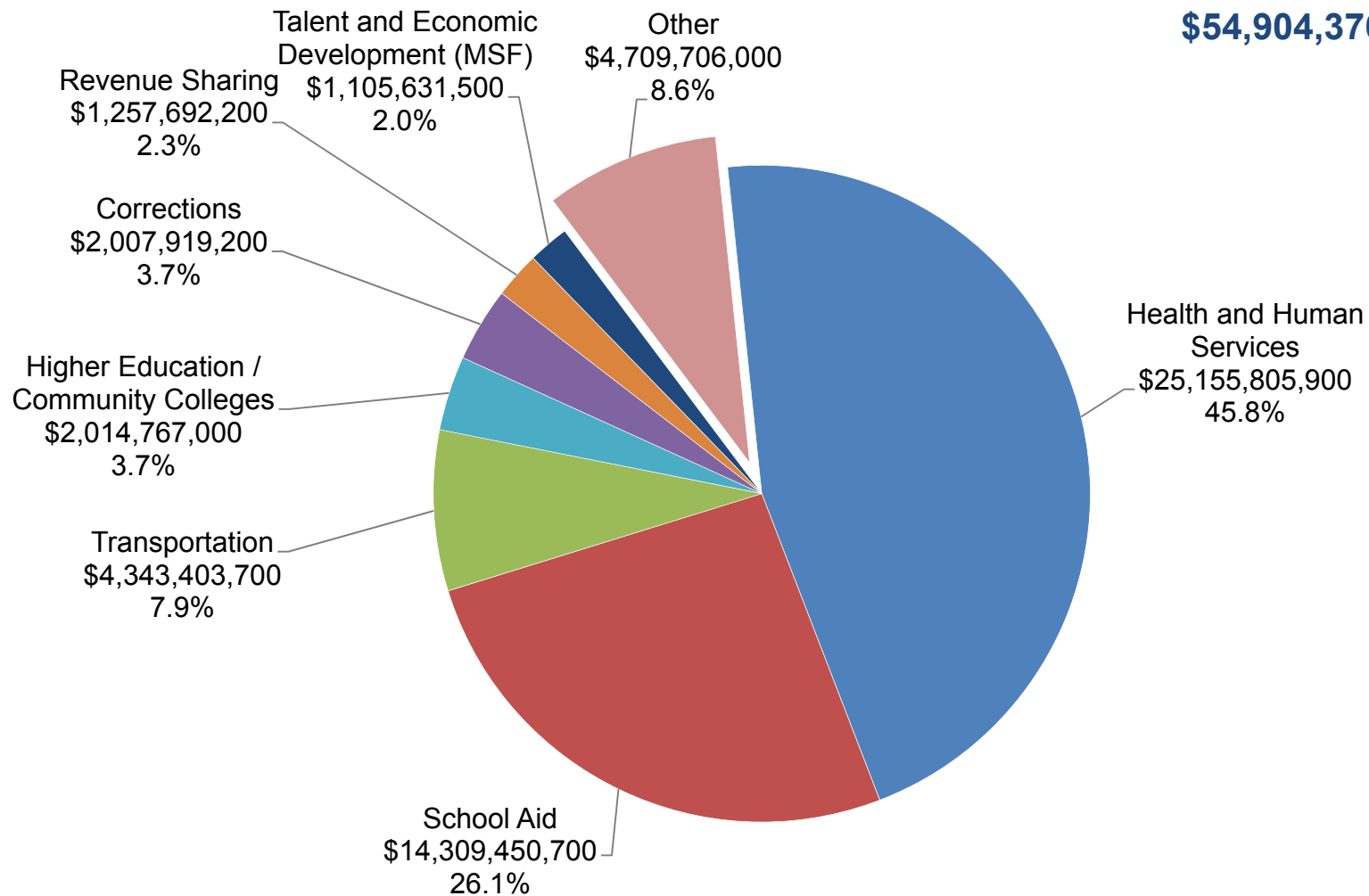
Fund Source	*FY 2016-17 Budget	FY 2017-18 House	\$ Change	% Change
Federal	\$22,693.9	\$22,849.7	\$155.9	0.7%
Local/Private	388.6	381.4	(7.2)	(1.8%)
State Restricted	21,038.9	21,796.3	757.4	3.6%
GF/GP	10,101.5	9,877.0	(224.5)	(2.2%)
TOTAL (Adj Gross)	\$54,222.8	\$54,904.4	\$681.6	1.3%

*Includes mid-year budget adjustments through February 8, 2017.

Note: The percentage change shown above reflects actual change before totals are rounded to millions.

FY 2017-18 Adjusted Gross Appropriations House Budget

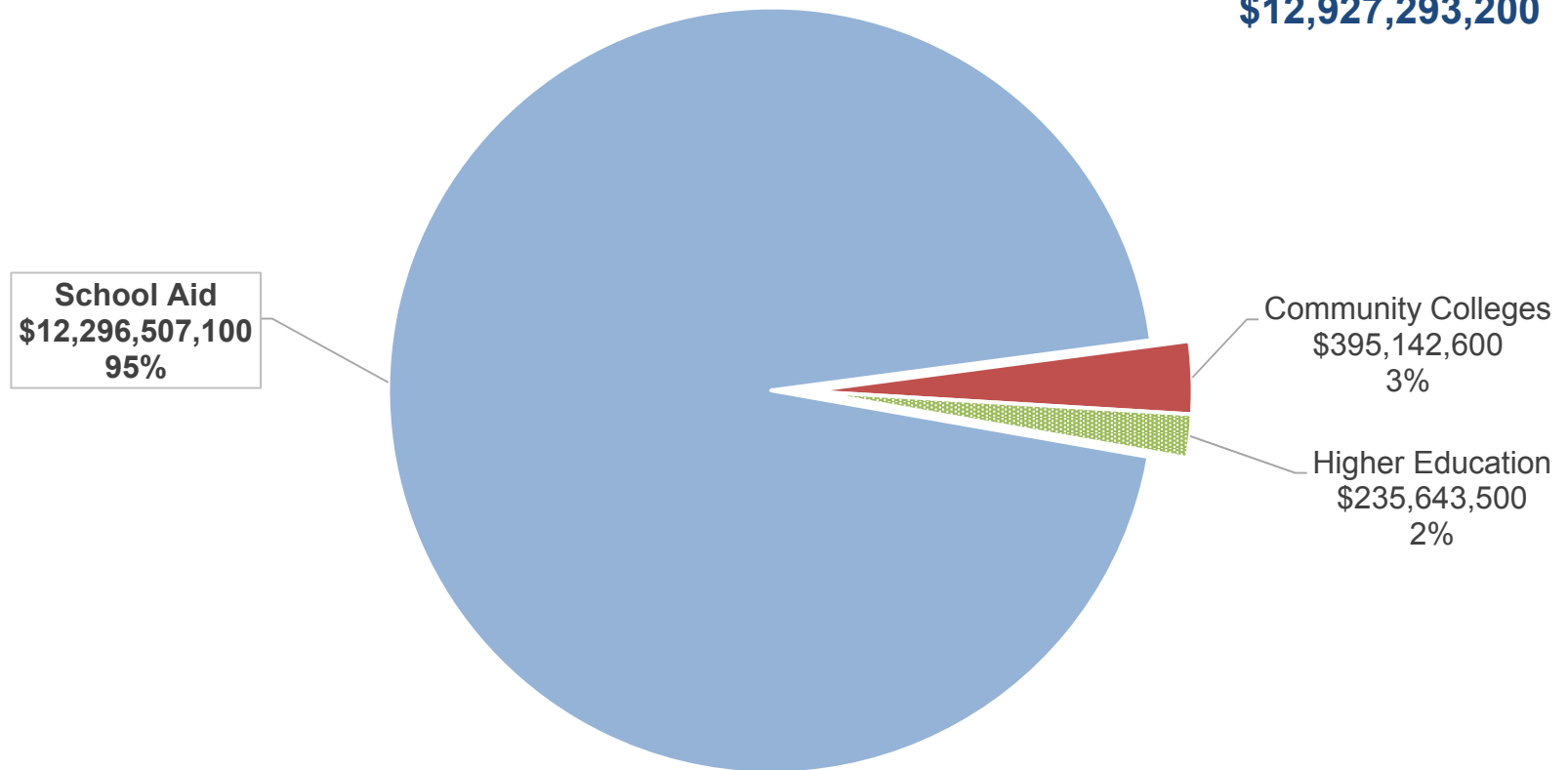
**TOTAL =
\$54,904,376,200**



FY 2017-18 School Aid Fund Appropriations

House Budget

TOTAL =
\$12,927,293,200



School Aid

In Millions of Dollars

Fund Source	*FY 2016-17 Budget	FY 2017-18 House	\$ Change	% Change
Federal	\$1,818.6	\$1,726.9	(\$91.7)	(5.0%)
Local/Private	0.0	0.0	0.0	--
State Restricted	12,124.3	12,367.5	243.2	2.0%
GF/GP	218.9	215.0	(3.9)	(1.8%)
TOTAL (Adj Gross)	\$14,161.8	\$14,309.5	\$147.6	1.0%

*Includes mid-year budget adjustments through February 8, 2017.

Note: The percentage change shown above reflects actual change before totals are rounded to millions.

School Aid Budget – Proposed Reductions

Major School Aid funding reductions include:

- Does not include \$22.0 million proposed by Executive for \$50 per high school pupil.
- Does not include \$7.0 million proposed by Executive for Declining Enrollment payments to districts whose pupils had declined more than 5% over last 2 years and that have more than 1,500 pupils.
- Does not include \$7.0 million proposed by Executive for further educator and administrator evaluation training funds.
- Does not include \$4.5 million proposed by Executive for school water testing.
- Eliminates \$9.0 million for expansion of CTE Middle College and dual enrollment programs. (Executive had maintained funding.)
- Eliminates \$5.0 million for School Reform Office to place CEOs in districts and does not include \$3.0 million proposed by Executive to implement the State Superintendent's partnership model for at-risk districts.
- Reduces by \$2.0 million leaving \$1.0 million for District Consolidation incentives. (Executive had eliminated.)

School Aid Budget – Proposed Increases

Major School Aid funding increases include:

- Additional \$143.0 million for across-the-board foundation allowance increase of \$100 per pupil. Increases minimum foundation by 1.3%. (\$15.0 million higher than Exec which had proposed increases of \$50-\$100 through 2x formula.)
- Increases by \$129.1 million to expand the types of pupils eligible for At Risk funding and to include Hold Harmless and Out-of-Formula districts at 50%. (\$21.0 million less than Exec Rec, which had proposed fully funding Hold Harmless and Out-of-Formula districts.)
- Maintains full funding for shared-time instructional programs for nonpublic and homeschooled pupils. (\$55.0 million higher than Exec Rec, which had capped it at \$60.0 million.)
- Maintains full funding for cyber charter school foundation allowances. (\$16.0 million higher than Exec Rec, which had capped it at 80%.)
- Increases by \$27.0 million for MPSERS funding to reflect the reduced assumptions regarding the investment rate of return from 8.0% to 7.5%. (Exec and House concur.)

School Aid Budget – Proposed Increases (cont.)

Major School Aid funding increases include:

- Increases CTE equipment funding by \$6.8 million. (\$10.0 million less than Exec Rec.)
- Increases Early Literacy funding by \$500,000 to \$25.4 million, but redistributes all funding (rather than current \$17.5 million) directly to districts on a per pupil basis and allows more flexibility among allowable uses which include professional development, diagnostic tools, literacy teacher coaches, and added instructional time.
- Increases by \$250,000 for nonpublic schools to participate in Science Olympiad and FIRST Robotics programs.
- Maintains \$2.5 million in reimbursements to nonpublic schools to comply with state mandates regarding the health, safety, and welfare of students which was eliminated by Executive.
- Maintains funding for the following district reimbursements and statewide contracts which were eliminated by Executive:
 - \$4.0 million for Computer Adaptive Tests and Benchmark Assessments.
 - \$1.5 million for financial analysis tools.
 - \$1.0 million for statewide online Algebra tool.

Retirement Changes

Proposed retirement changes included in the Executive recommendation include:

- \$100.0 million SAF to pay for the additional unfunded liability costs from lowering the assumed rate of return (AROR) for MPSERS from 8.0% to 7.5% to community colleges, universities, and school districts. (2-year phase-in)
- \$53.0 million SAF to pay the additional MPSERS normal cost to community colleges, universities, and school districts resulting from the change in AROR. (2-year phase-in)
- \$43.4 million GF/GP (\$83.7 million Gross) to pay the additional unfunded liability costs from lowering the assumed rate of return for state employees', state police, and judges' retirement systems from 8.0% to 7.5%.

School Aid – At-Risk Changes

Major program changes include the following:

- Includes Hold Harmless and Out-of-Formula Districts at 50% funding.
- Expands to cover all economically disadvantaged students which would include free and reduce-price meal eligible children, children in TANF (cash assistance) and SNAP (food assistance) eligible families, and children who are homeless, migrant, or in foster care. Includes 131,000 more pupils.
- Adjusts formula to 11.5% of Statewide average foundation allowance, rather than of each district's foundation allowance.
- Expands from existing 2 goals related to improving 3rd Grade ELA proficiency and college and career readiness, to also include improving 8th Grade Math Proficiency, and reducing chronic absenteeism.
- Requires progress on metrics for all 4 goals be made by FY 2019, and if not would bring in an MDE team to revise At-Risk programming.
- Requires MTSS use in all of grades K-8 rather than just K-3.

School Aid – GSRP Changes

- **Revises per recommendations from MDE’s 2016 GSRP Workgroup**
 - Requires that all children be in families with income below 250% of the federal poverty level (rather than 90% with additional from families up to 300%).
 - Revises \$150 per half-day slot to \$300 per child for the \$10.0 million in transportation funds.
 - Revises application to include 1) Estimate of eligible children from MDE’s American Community Survey data, 2) Estimate of number of children served in exclusively Head Start programs and 3) Program’s capacity to serve.
 - New formula for initial allocation would be the lesser of the following:
 - $(\$7,250 \times \text{the \# Children served in prior year school day programs PLUS } \$3,625 \times \text{the \# Children served in prior year blended GSRP/Head Start})$
 - OR
 - $(\$7,250 \times \text{the \# Children program has capacity for in school day programs PLUS } \$3,625 \times \text{the \# Children program has capacity for in blended GSRP/Head Start})$
 - Additional funds if available would go to ISDs serving fewer than 60% of eligible children based on their proportionate share of remaining unserved children.
 - Would allow the statewide benchmark of 60% of eligible children served to be raised once all ISDs reach 60%.

School Aid – Other Changes

- **Other Major issues:**

- Implements the MiSTEM Council recommendations for revised grants to fund STEM programs and a reorganization of Math/Science Centers down from a total of 33 to 10 based on prosperity regions.
- Establishes a penalty in an amount equal to the amount spent if a district or ISD uses funds appropriated under this act to pay for an expense relating to any legal action initiated by the district or ISD against the state.
- Establishes a penalty equal to 5% of total state aid if a district or ISD enters into a collective bargaining agreement that does any of the following: establishes racial and religious preferences for employees; automatically deducts union dues from employee compensation; is in conflict with any state or federal laws regarding district transparency; includes a method of compensation that does not comply with statutory merit pay requirements.
- Provides intent to allocate a portion of At Risk and Federal Title I funds to reimburse districts for providing transportation to pupils enrolled in schools of choice or PSAs beginning in FY 2018-19.

Balance Sheets

General Fund Balance Sheet

(Dollars in Millions)

	<u>Executive</u>	<u>House</u>	<u>Senate</u>
RESOURCES			
Beginning balance	\$366.0	\$366.0	\$366.0
Consensus Revenue Estimates: January 2017	10,522.7	10,522.7	10,522.7
Use tax on Medicaid MCOs (GF portion: discontinued 1/1/17)	0.0	0.0	0.0
Miscellaneous revenue	6.5	7.4	7.4
Revenue Sharing: ongoing	(465.9)	(465.9)	(465.9)
<u>Revenue Sharing: one-time</u>	<u>(5.8)</u>	<u>(5.8)</u>	<u>(5.8)</u>
TOTAL RESOURCES	\$10,423.5	\$10,424.4	\$10,424.4
EXPENDITURES			
Appropriations	\$10,149.4	\$9,874.5	\$9,873.1
Deposit to Budget Stabilization Fund (Senate - reserve fund)	266.5	266.5	\$551.3
<u>Proposed supplemental</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
<u>TOTAL EXPENDITURES</u>	\$10,415.9	\$10,141.0	\$10,424.4
PROJECTED ENDING BALANCE / (SHORTFALL)	\$7.6	\$283.3	\$0.0

FY 2017-18 School Aid Balance Sheet

(Dollars in Millions)

	<u>Executive</u>	<u>House</u>	<u>Senate</u>
RESOURCES			
Beginning balance	\$143.4	\$144.4	\$143.4
Consensus Revenue Estimates: January 2017	12,783.1	12,783.1	12,783.1
GF/GP grant	215.0	215.0	195.0
Detroit Public Schools Trust Fund	72.0	72.0	72.0
<u>Federal funds</u>	<u>1,726.9</u>	<u>1,726.9</u>	<u>1,726.9</u>
TOTAL RESOURCES	\$14,940.4	\$14,941.4	\$14,920.4
EXPENDITURES			
School Aid	\$14,302.1	\$14,309.5	\$14,286.3
Community College recommendations	395.1	395.1	395.1
<u>Higher Education recommendations</u>	<u>235.6</u>	<u>235.6</u>	<u>235.6</u>
<u>TOTAL EXPENDITURES</u>	\$14,932.8	\$14,940.2	\$14,917.0
PROJECTED ENDING BALANCE / (SHORTFALL)	\$7.6	\$1.2	\$3.4



www.house.mi.gov/hfa