

**Summary: Executive Budget Recommendation
for Fiscal Years 2014-15 and 2015-16
SCHOOL AID**



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	FY 2013-14 Year-to-Date as of 2/5/14	FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14		FY 2015-16 Executive	Difference: FY 2015-16 Vs. FY 2014-15	
			Amount	%		Amount	%
IDG/IDT	\$0	\$0	\$0	--	\$0	\$0	--
Federal	1,764,421,300	1,808,162,700	43,741,400	2.5	1,808,162,700	0	--
Local	0	0	0	--	0	0	--
Private	0	0	0	--	0	0	--
Restricted	11,367,382,300	11,808,976,900	441,594,600	3.9	11,802,560,800	(6,416,100)	(0.1)
GF/GP	234,900,000	180,000,000	(54,900,000)	(23.4)	180,000,000	0	--
Gross	\$13,366,703,600	\$13,797,139,600	\$430,436,000	3.2	\$13,790,723,500	(\$6,416,100)	(0.0)

Notes: (1) FY 2013-14 year-to-date figures include mid-year budget adjustments through February 5, 2014. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2015-16 figures are projected budget amounts only and would not be legally binding appropriations.

Overview

The School Aid budget makes appropriations to the state's 548 local school districts, 296 public school academies, the Education Achievement System, and 56 intermediate school districts (ISDs) for operations and certain categorical programs. It also appropriates funds to the Center for Educational Performance and Information, the Workforce Development Agency, and other entities to implement certain grants and other programs related to K-12 education.

Major Budget Changes From FY 2013-14 YTD Appropriations		FY 2013-14 YTD (as of 2/5/14)	Executive Changes	
			FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
1. Foundation Allowances (Secs. 22a, 22b, 22c)	Gross	\$8,946,400,000	\$34,600,000	(\$49,000,000)
Increases FY 2014-15 foundation allowances by \$28-\$56 per pupil through the 2x formula plus \$55 per pupil across the board, providing total increases varying from \$83 to \$111 per pupil, at a cost of \$150.0 million. The FY 2014-15 minimum foundation would be \$7,187 and the state guaranteed maximum foundation would be \$8,132.	Restricted	8,742,797,600	86,617,700	(47,000,000)
	GF/GP	\$203,602,400	(\$52,017,700)	(\$2,000,000)

(The FY 2013-14 equity payment in Sec. 22c is rolled into the foundation allowance and included in a revised baseline for Sec. 22b.)

Much of the cost of increasing foundation allowances is offset by baseline cost adjustments based on consensus estimates for taxable values and pupils. *Supplemental Request 2014-3* would reduce FY 2013-14 costs by \$49.4 million to reflect this. FY 2014-15 baseline costs would have decreased by another \$66.0 million from the revised FY 2013-14 baseline based on consensus estimates due to anticipated increases in local taxable values and further decreases in pupil memberships. FY 2015-16 baseline cost estimates drop by another \$49.0 million

Executive Changes

Major Budget Changes From FY 2013-14 YTD Appropriations		FY 2013-14 YTD (as of 2/5/14)	FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
2. MPSERS - State Share of Unfunded Liabilities (Sec. 147c)	Gross	\$404,600,000	\$379,344,000	\$233,500,000
Increases total funding for the state's share of Michigan Public School Employees' Retirement System (MPSERS) unfunded accrued liability (UAL) costs, as required by PA 300 of 2012, by \$379.3 million to a total of \$674.7 million for FY 2014-15 to recognize several cost adjustments:	Restricted	403,300,000	380,644,000	0
	GF/GP	\$1,300,000	(\$1,300,000)	\$0
<ul style="list-style-type: none"> • \$2.2 million increase in <i>Supplemental Request 2014-3</i> to cover the UAL costs that would have been paid by the Buena Vista and Inkster school districts had they not been dissolved. • \$1.3 million decrease to reflect the transfer of library related MPSERS costs to the Department of Education budget. • \$269.2 million increase to reflect the increased costs of the required state share for FY 2014-15. • \$100.0 million shift from Sec. 147a, to reflect the Executive proposal to permanently decrease the PA 300 employer UAL cap from 20.96% of MPSERS payroll to 19.76%. • \$9.2 million to extend the proposed rate cap reduction to ISDs which were not included in Sec. 147a. 				
Increases funding by another \$233.5 million to a total of \$908.2 million for FY 2015-16 to reflect the anticipated increases in UAL costs.				
3. MPSERS - Cost Offset (Sec. 147a)	Gross	\$100,000,000	(\$100,000,000)	\$0
Rolls the funding for the cost offset, which currently equates to approximately 1.2% of MPSERS payroll, into Sec. 147c and proposes to permanently reduce the employer cap on MPSERS UAL from 20.96% to 19.76%.	Restricted	100,000,000	(100,000,000)	0
4. Great Start Readiness Program (Sec. 32d)	Gross	\$174,575,000	\$65,000,000	\$0
Increases funding for preschool programs by \$65.0 million to \$239.6 million in FY 2014-15. Additional funding increases the current allocation for each half-day slot from \$3,625 to \$3,725 and provides up to 16,000 more half-day slots in FY 2014-15. ISDs may use two half-day slots to provide a child with a full-day program.	Restricted	174,275,000	65,000,000	0
	GF/GP	\$300,000	\$0	\$0
5. Educator Evaluations (Sec. 95a) -- NEW	Gross	\$0	\$27,800,000	(\$5,954,900)
Provides \$27.8 million to implement educator evaluations. \$22.1 million would be distributed to districts to provide educator evaluator training and to implement one of the evaluation tools identified by the Michigan Council for Educator Effectiveness. \$2.7 million is appropriated to CEPI to develop a system for districts to do local calculations of student growth data. Another \$3.0 million is appropriated to provide a value-added model of student growth, procure an electronic reporting system to integrate observation and value-added model data, and pilot alternative evaluation for student populations that cannot be evaluated by the system being implemented.	Restricted	0	22,070,000	(5,954,900)
	GF/GP	\$0	\$5,730,000	\$0

<u>Major Budget Changes From FY 2013-14 YTD Appropriations</u>		FY 2013-14 YTD (as of 2/5/14)	Executive Changes	
			FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
6. Student Assessments (Sec. 104)	Gross	\$44,944,400	\$5,200,000	\$11,132,100
Increases funding for student assessments by \$5.2 million	Federal	8,250,000	(2,000,000)	0
Gross (\$7.2 million SAF after shifting \$2.0 million in federal funds to MDE Bureau of Assessment and Accountability) bringing the total to \$40.1 million in FY 2014-15. Earmarks \$4.0 million for the multi-year phase-in of interim assessments and \$3.2 million for an online reporting tool to provide student-level assessment data to educators, parents, and pupils immediately after assessments are scored.	Restricted	26,694,400	7,200,000	11,132,100
Increases by an additional \$11.1 million bringing the total to \$51.3 million in FY 2015-16 as more interim assessments are added, and as the \$8.5 million earmarked in Sec. 22i Technology funding for FY 2014-15 for the cost of online testing conversion is shifted to this line.				
7. District Fiscal Emergency Fund (Sec. 11r) -- NEW	Gross	\$0	\$10,000,000	(\$10,000,000)
Deposits \$10.0 million into a newly created contingency fund to provide funds to either help pay the debts of districts that voluntarily dissolve or to provide funding to districts that receive students and a portion of a dissolved district. Treasury would determine award amounts, and funding would not lapse back to the School Aid Fund.	Restricted	0	10,000,000	(10,000,000)
8. Year-Round Schools Pilot (Sec. 31b) -- NEW	Gross	\$0	\$2,000,000	(\$2,000,000)
Provides \$2.0 million in one-time funding for FY 2014-15 for competitive grants to at-risk districts that are eligible for the community eligibility option in the free/reduced lunch program. Grants would pay for modifications to school facilities, personnel contracts, and other nonrecurring costs experienced in moving to a year-round school calendar.	Restricted	0	2,000,000	(2,000,000)
9. Dual Enrollment Incentive Payments (Sec. 64b) -- NEW	Gross	\$0	\$1,750,000	(\$1,750,000)
Provides \$1.8 million in one-time payments to districts that provide dual enrollment options to students for FY 2014-15. Payments equal to \$10 per credit hour for up to 3 credits for each student enrolled plus \$30 per pupil per course if the pupil successfully completes and is awarded both high school and post-secondary credit for the course.	Restricted	0	1,750,000	(1,750,000)
10. Career Readiness Study (Sec. 64c) -- NEW	Gross	\$0	\$250,000	(\$250,000)
Provides \$250,000 for the MDE to commission an independent third party to conduct a study and prepare a report analyzing the state's current career readiness education system.	GF/GP	\$0	\$250,000	(\$250,000)
11. Advanced Placement Incentive Program (Sec. 94) -- NEW	Gross	\$0	\$250,000	(\$250,000)
Provides \$250,000 to pay for some or all of Advanced Placement (AP) and International Baccalaureate (IB) test fees for low-income students. Also included in <i>Supplemental Request 2014-3</i> for FY 2013-14.	GF/GP	\$0	\$250,000	(\$250,000)
12. Durant – Debt Service (Sec. 11g)	Gross	\$39,500,000	\$0	(\$39,500,000)
Maintains funding to pay debt service for Durant nonplaintiff district bonds for FY 2014-15, which is the last fiscal year for which these payments must be made.	Restricted	39,500,000	0	(39,500,000)

Major Budget Changes From FY 2013-14 YTD Appropriations		Executive Changes			
		FY 2013-14 YTD (as of 2/5/14)	FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16	
13. School Bond Loan Redemption Fund (Sec. 11j)		Gross	\$131,660,000	\$10,940,000	\$17,900,000
Increases by \$10.9 million to a total of \$142.6 million in FY 2014-15 and increases by another \$17.9 million to a total of \$160.5 million for FY 2015-16 to pay for increased interest payments associated with loans to districts participating in the School Bond Loan Program.		Restricted	131,660,000	10,940,000	17,900,000
14. District Dissolution Transition Grants (Sec. 20g)		Gross	\$2,200,000	\$0	(\$2,200,000)
Maintains transition grants for districts that received students and portions of Buena Vista and Inkster after they were dissolved for FY 2014-15 but does not include funding for FY 2015-16.		Restricted	2,200,000	0	(2,200,000)
15. Best Practices (Sec. 22f)		Gross	\$80,000,000	\$0	(\$80,000,000)
Maintains grants of up to \$52 per pupil that meet 7 out of 8 identified criteria for FY 2014-15. Does not include funding for FY 2015-16.		Restricted	80,000,000	0	(80,000,000)
16. Consolidation Innovation Grants (Sec. 22g)		Gross	\$5,000,000	\$0	(\$5,000,000)
Maintains grants to districts and ISDs for consolidation and expands the language to cover consolidations of operations or services in addition to full district or ISD consolidations. Does not include funding for FY 2015-16.		Restricted	5,000,000	0	(5,000,000)
17. Technology Infrastructure Improvement (Sec. 22i)		Gross	\$50,000,000	\$0	(\$50,000,000)
Maintains technology infrastructure grants for FY 2014-15 but does not include funding for FY 2015-16. For FY 2014-15, eliminates a \$5.0 million grant for whole-school technology, which was awarded in FY 2013-14 to Genesee ISD. Earmarks \$8.5 million to convert existing assessments to online assessments, provide paper/pencil tests for districts not prepared for online tests, expand writing assessments to additional grade levels, and provide more constructed response test questions to test higher-order skills.		Restricted	50,000,000	0	(50,000,000)
18. District Performance Funding Grants (Sec. 22j)		Gross	\$46,400,000	\$0	(\$46,400,000)
Maintains current funding levels for FY 2014-15 for awards to districts up to a maximum of \$100 per pupil: \$30 per pupil for academic growth in grades 3-8 math, \$30 per pupil for academic growth in grades 3-8 reading, and \$40 per pupil for academic growth in all high school tested subjects. Does not include funding for FY 2015-16.		Restricted	46,400,000	0	(46,400,000)
19. Student-Centric Grants (Sec. 22k)		Gross	\$8,000,000	(\$8,000,000)	\$0
Eliminates \$8.0 million in one-time funding for FY 2013-14 for competitive grants to districts that align instruction with individual student learning styles and pace and advance students based on individual mastery of each subject area. Awards went to the EAA (\$7.1 million) and Port Huron School District (\$0.9 million).		Restricted	8,000,000	(8,000,000)	0
20. Renaissance Zone Reimbursements (Sec. 26a)		Gross	\$29,500,000	(\$3,200,000)	\$0
Maintains renaissance zone reimbursements for districts and ISDs, but transfers renaissance zone reimbursements to libraries from the School Aid budget to the Department of Education budget.		Restricted	26,300,000	0	0
		GF/GP	\$3,200,000	(\$3,200,000)	\$0
21. Payments In Lieu of Taxes (PILT) (Sec. 26b)		Gross	\$4,009,500	\$200,500	\$0
Increases funding to \$4.2 million in FY 2014-15 to recognize increased PILT reimbursements to districts, ISDs, and community colleges as required under PAs 603 and 604 of 2012.		Restricted	4,009,500	200,500	0

		Executive Changes		
		FY 2013-14 YTD (as of 2/5/14)	FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
<u>Major Budget Changes From FY 2013-14 YTD Appropriations</u>				
22. School Lunch Program (Sec. 31d)	Gross	\$485,695,100	\$50,000,000	\$0
Increases by \$50.0 million in federal school lunch funding to bring the total funding to \$535.7 million		Federal 463,200,000	50,000,000	0
	Restricted	22,495,100	0	0
23. Special Education (Secs. 51a, 51c, 51d, 53a, 54, 56)	Gross	\$1,424,446,100	(\$41,500,000)	\$22,700,000
Decreases by \$41.5 million from the current YTD appropriation to a total of \$938.9 million SAF for FY 2014-15 (Supplemental request 2014-3 would reduce FY 2013-14 costs by \$60.6 million). Increases by \$22.7 million to a total of \$961.6 million SAF for FY 2015-16 to adjust for consensus estimates for the growth in special education reimbursement costs.		Federal 444,000,000	0	0
	Restricted	980,446,100	(41,500,000)	22,700,000
24. Vocational Education (Sec. 61a)	Gross	\$27,611,300	\$0	(\$1,000,000)
Maintains funding for FY 2014-15 and maintains general funding for career and technical education programs in FY 2015-16, but eliminates \$1.0 million grants to districts and ISDs for career and technical education centers to integrate Michigan merit curriculum content standards into career and technical education.		Restricted 27,611,300	0	(1,000,000)
25. High School/Post-Secondary Credit Transfers (Sec. 64a)	Gross	\$1,000,000	(\$1,000,000)	\$0
Eliminates \$1.0 million for grants to districts and ISDs to work with early middle colleges, colleges, and universities to develop statewide transfer or articulation agreements to ensure that postsecondary credit earned in high school is transcribed and transferred to postsecondary institutions.		Restricted 1,000,000	(1,000,000)	0
26. Center for Educational Performance and Information (CEPI) (Sec. 94a)	Gross	\$9,728,600	\$2,248,700	\$2,500,000
Increases funding by \$2.9 million bringing the total to \$12.2 million for FY 2014-15 and increases by another \$2.5 million bringing the total to \$14.7 million in FY 2015-16. Funding would support the longitudinal data system and the MI School Data web portal, which were originally funded with federal funds that are no longer available.		Federal 193,500	0	0
	GF/GP	\$9,535,100	\$2,248,700	\$2,500,000
27. Principal Educator Evaluation Training (Sec. 95)	Gross	\$500,000	(\$500,000)	\$0
With the addition of new Evaluation programs in Sec. 95a, Executive budget eliminates this line which provided grants to districts to support professional development for principals and assistant principals in a department-approved training program on implementing educator evaluation programs.		Restricted 500,000	(500,000)	0
28. FIRST Robotics Grants (Sec. 99h)	Gross	\$3,000,000	(\$1,000,000)	(\$2,000,000)
Reduces district grants by \$1.0 million to a total of \$2.0 million for FY 2014-15 for coaches, program, and competition costs for FIRST Robotics programs. Makes unexpended funds a work project to be carried forward into FY 2015-16 but eliminates the appropriation for FY 2015-16.		Restricted 3,000,000	(1,000,000)	(2,000,000)

Major Boilerplate Changes From FY 2013-14

Sec. 6(11). Definitions: School District of the First Class – REVISED

Revises the population requirements necessary to be a school district of the first class from 60,000 to 45,000 to reflect the decline in Detroit Public School's pupil membership to 48,860 in FY 2013-14.

Major Boilerplate Changes From FY 2013-14

Sec. 15. Adjustments in Apportionments – REVISED

Revises to allow MDE to perform or require an audit of all records for the current fiscal year and three prior fiscal years related to any program funded in the School Aid budget. Revises to require that MDE “shall” revise apportionments based on such audits or other new information in the current year as well as prior fiscal years, and that the revision be done in the next apportionment after the adjustment is finalized.

Sec. 17a. Withholding Payments to Districts and ISDs – REVISED

Adds that Treasury may withhold payments related to two additional statutes: the Emergency Municipal Loan Act and the Local Financial Stability and Choice Act, and that Treasury may withhold payments for all other financial obligations of a district or ISD in addition to current law’s outstanding obligations on which the district or ISD has defaulted. Adds reference to the newly proposed enhanced deficit elimination plan (see Sections 102 and 102a).

Sec. 18. Application of Money Received Under the Act – REVISED

Amends the 20% cap on certain funds received which a district may transfer to pay for capital projects or debt retirement to fix an error in the statute that was inadvertently changed when the Higher Education and Community Colleges were added to the bill in FY 2011-12 and the articles of the act were revised.

Revises the budget transparency requirements to shorten the time by which a district must post budget information from 30 to 15 days after a board adopts its budget or subsequent revisions. Also adds that a district must include links to its deficit elimination plan or enhanced deficit elimination plan on its budget transparency page.

Expands the potential frequency the MDE can require a district to have an audit and requires that records shall be retained for the current fiscal year and the three previous fiscal years. Requires that districts and ISDs provide all of their audited financial information by October 15 after the close of a fiscal year rather than November 15. Deletes the required online course cost report.

Sec. 19. State and Federal Reporting Requirements – REVISED

Deletes legislative intent that by 2014-2015 there be standard statewide reporting requirements for education data.

Sec. 20. District Foundation Allowance Calculation – REVISED

Provides for the Executive recommended increases in the foundation allowances, which include a 2x formula increase equal to between \$28 and \$56 per pupil plus an additional increase of \$55 per pupil across the board. Also includes a number of technical revisions to simplify the statutory language.

Sec. 21f. Online Courses – REVISED

Revises to require districts to allow for online courses under this section from grades 7-12 rather than 5-12. Deletes the exemption from this section for a district that is a cyber school. Expands to allow a pupil that has demonstrated previous success to take more than 2 online courses per semester under this section.

Expands the reasons for which a district may deny a pupil’s request to include that the cost of the online course exceeds the amount identified in this section and that the request does not occur within the same timelines required for other enrollment and schedule changes. Deletes the provision that a district can pay the online school 80% upon enrollment and 20% upon completion, so would have to pay 100% upon enrollment. Revises the maximum cost a district must pay for an online course from 1/12 of a district’s foundation allowance to 6.25% of the minimum foundation allowance.

Sec. 31a. At-Risk Pupil Funding – REVISED

Provides a revised purpose for the use of At-Risk funding to ensure that third grade pupils are proficient in reading by the end of third grade and that high school graduates are career and college ready. Expands flexibility by deleting some suggested uses of funding and allows a district to use all of its funds to implement school-wide reform consistent with the school’s improvement plan in schools with 40% or more of its pupils identified as at-risk. Requires an ISD to provide data to MDE for dissolved districts so receiving districts could receive funds in the first year following dissolution.

Maintains funding distribution in current law based on the number of pupils that qualify for free or reduced breakfast, lunch, or milk; but revises the definition of an At-Risk pupil for whom the funding may be used to serve to include a pupil that meets any of the following criteria:

--A pupil enrolled in a priority school or a pupil enrolled in a focus school who is in the bottom 30% of achievement.

--A pupil who did not achieve proficiency or a satisfactory score on 2 or more state or locally administered assessments.

--In the absence of assessment data, the pupil is eligible for free or reduced breakfast, lunch or milk; is absent more than 10% of enrolled days or 10 school days; is homeless; is a migrant; is an English language learner; is an immigrant; did not complete high school in four years and is still continuing in school.

Requires that if a district cannot demonstrate improvement in third grade reading proficiency for at-risk pupils and improvement in career and college readiness as measured by the ACT for at-risk pupils after three subsequent school years, the district must revise its school improvement plan regarding expenditures of funds under this section.

Major Boilerplate Changes From FY 2013-14

Sec. 32d. Great Start Readiness Program – REVISED

Revises the requirement that an ISD ensure that 90% of children in the program are from families with a household income up to 250% of the federal poverty level, such that if an ISD determines that all eligible children are served with no children on the waiting list, the ISD may enroll children that live in families with a household income up to 300% of the federal poverty level. Would consider any child in foster care or who is experiencing homelessness as living with a family with household income up to 250% of the federal poverty level regardless of actual family income.

Sec. 41. Bilingual Instruction Program – REVISED

Deletes language prohibiting a district or ISD from receiving funds if it allows pupils who do not reside in the United States legally to participate in the program.

Sec. 94a(9). Truancy Report – REVISED

Deletes legislative intent that beginning in 2014-2015 districts report to the Center for Educational Performance and Information (CEPI) the number of pupils who have had 10 or more unexcused absences each school year.

Sec. 102. Deficit Budget and Deficit Elimination Plan (DEP) – REVISED

Revises the procedures for a district or ISD that has a deficit to require the district or ISD to notify the MDE immediately and to submit to the MDE and the State Treasurer a preplan financial report within 30 days of notifying MDE of the deficit, and allows the MDE to withhold some or all of its state aid payments in an amount the MDE determines is necessary to incentivize the district or ISD to eliminate the deficit until the district or ISD submits a DEP to the MDE or until the DEP is approved by the MDE. Allows the department to require a DEP to include an education plan for the district or ISD.

If the State Treasurer determines based on information in a periodic financial status report under Section 102a, notification from the State Superintendent, a preplan financial report or deficit elimination plan, that a district or ISD has indicators of financial stress likely to result in recurring deficits or financial stress, the State Treasurer may require the district or ISD to submit an Enhanced DEP subject to approval by the State Treasurer, which may include entering into a financial recovery agreement with the State Treasurer. Requires withholding of funds until a district or ISD has an approved Enhanced DEP and requires enhanced monthly monitoring reports on withholding of funds until a district or ISD has an approved Enhanced DEP and requires enhanced monthly revenue, expenditures, cash flow, liabilities, budget amendments, pupil membership, and other financial data.

Sec. 102a. Periodic Financial Status Reports – NEW

Allows the State Superintendent or the State Treasurer to require a district or ISD to submit periodic financial status reports if it is determined that potential financial stress may exist, or that an operating deficit may arise within the current or next two fiscal years, or that a district or ISD will be unable to meet its financial obligations to provide public education based upon a number of factors. Details financial information that may be required in a periodic financial status report. Allows the State Treasurer to require that a district or ISD submit an enhanced DEP if the periodic financial status report indicates financial stress or a deficit.

Sec. 107. Adult Education – REVISED

Revises the funding distribution over a 3-year phase-in period away from the current calculation which makes awards based on prior year allocations and instead would make awards to the ISD acting as fiscal agent for each of the 10 prosperity regions identified by MDE. The revised distribution would be based on the following:

-- 60% based on the proportion of the state population between ages 18 and 24 that are not high school graduates in each region.

--35% based on the proportion of the state population ages 25 or older that are not high school graduates in each region.

--5% based on the proportion of the state population ages 18 or older that lack basic English proficiency in each region.

The ISD that is the fiscal agent would distribute funds to adult education programs within the prosperity region based on collaboration with education advisory groups and the workforce development boards in the region. Funding would be awarded to adult education programs based on 75% enrollment and 25% completion rather than the current 90/10 split.

Sec. 147. MPSERS Contribution Rates – DELETED

Revises the total and employer contribution rates based on the Executive recommendation to roll Sec. 147a MPSERS offset funds into Sec. 147c and permanently reduce the capped employer contribution rate for the unfunded accrued liability (UAL) in PA 300 of 2012 from 20.96% to 19.76%.

Sec. 147b. MPSERS Retirement Reform Reserve Fund – REVISED

Transfers \$50,000,000 from the School Aid Fund to the MPSERS Reserve Fund for future use.

Supplemental Recommendations for FY 2013-14 Appropriations

**FY 2013-14
Recommendation**

1. Federal Early Learning Challenge Grant (Sec. 32r)	Gross	\$51,737,500
Reflects Michigan's receipt of a federal Race to the Top – Early Learning Challenge Grant of \$51.7 million. Funds would be spent according to the state's application which focused on 6 objectives:	Federal	51,737,500
<ul style="list-style-type: none">• Increasing access for high needs children to high-quality learning programs.• Increasing opportunities to improve quality of licensed and unlicensed subsidized home care providers.• Improving family engagement in children's early learning and development.• Expanding efforts to promote children's physical, social, and emotional health.• Increasing professional development for early learning care providers.• Developing an early learning data system to monitor and evaluate quality standards of individual programs.		
Funds would be spent over 4 years and would be designated as a work project with an estimated completion date of September 30, 2018.		
2. Foundation Allowances (Secs. 22a and 22b)	Gross	(\$49,400,000)
Decreases by \$49.4 million to reflect reduced costs due to revised consensus estimates for taxable values and pupil memberships.	Restricted	(49,400,000)
3. Special Education Costs (Secs. 51a and 51c)	Gross	(\$60,600,000)
Decreases by \$60.6 million to a total \$919.8 million in SAF to adjust for consensus estimates for lower than anticipated growth in special education reimbursement costs.	Restricted	(60,600,000)
4. MPSEERS - State Share of Unfunded Liabilities (Sec. 147c)	Gross	\$2,200,000
Increases by \$2.2 million to a total of \$406.8 million to cover the share of the UAL costs that would have been paid by the Buena Vista and Inkster school districts had they not been dissolved.	Restricted	2,200,000
5. Cash Flow Borrowing Costs (Sec. 11m)	Gross	(\$1,500,000)
Decreases costs from \$4.0 million to \$2.5 million to reflect lower than anticipated interest rates and reduced need for short-term borrowing related to the School Aid Fund.	Restricted	(1,500,000)
6. Advanced Placement Incentive Program (Sec. 94)	Gross	\$250,000
Provides \$250,000 to pay for some or all of Advanced Placement (AP) and International Baccalaureate (IB) test fees for low-income students.	GF/GP	\$250,000

SCHOOL AID LINE ITEM SUMMARY



Sec.	
11g	Durant - Debt Service
11j	School Bond Redemption Fund
11m	Cash Flow Borrowing Costs
11r	District Fiscal Emergency Contingency Fund - NEW
20f	Hold Harmless Grants
20g	Dissolved District Transition Grants
22a	Foundations: Proposal A Obligation Payment
22b	Foundations: Discretionary Payment
22c	Foundations: Equity Payment
22d	Isolated District Funding
22f	Best Practices Incentive Grants
22g	Consolidation Innovation Grants
22i	Technology Infrastructure Improvement Grants
22j	District Performance Funding
22k	Competitive Student-Centric Grants
24	Court-Placed Pupils
24a	Juvenile Detention Facility Programs
24c	Youth ChalleNGe Program
26a	Renaissance Zone Reimbursement
26b	PILT Reimbursement
26c	Promise Zone Funding
31a	"At Risk" Pupil Support
31a(6)	School Based Health Centers
31a(7)	Hearing and Vision Screening
31b	Year Round Schools Pilot Program - NEW
31d	State School Lunch Programs
31d	Federal School Lunch Programs
31f	School Breakfast Program
32d	Great Start School Readiness
32p	Early Childhood Block Grants
32r	Federal RTTT Early Learning Challenge Grants - NEW
39a1	Federal "No Child Left Behind"
39a2	Other Federal Funding
41	Bilingual Education Grants
51a(1)	Special Education - Federal Reimbursement
51a(2)	Special Ed ISD Foundation and Costs
51a(3)	Special Ed ISD Hold Harmless Payment
51a(6)	Special Ed Admin Rules Changes
51a(11)	Special Ed Foundations for Non Sec. 52 to ISDs
51c	Special Ed Headlee Obligation (Durant)
51d	Special Education - Other Federal Grants
53a	Special Ed for Court Placed Pupils
54	Special Ed Michigan School Blind/Deaf
56	Special Ed ISD Millage Equalization
61a	Career and Technical Education Programs
62	ISD Vocational Education Millage Equalization
64a	High School/Post Secondary Credit Transfers

FY 2013-14		
YTD	Supplemental Revisions	Executive Rec Revised
\$39,500,000		\$39,500,000
\$131,660,000		\$131,660,000
\$4,000,000	(\$1,500,000)	\$2,500,000
\$0		\$0
\$6,000,000		\$6,000,000
\$2,200,000		\$2,200,000
\$5,536,700,000	(\$10,700,000)	\$5,526,000,000
\$3,373,700,000	(\$38,700,000)	\$3,335,000,000
\$36,000,000		\$36,000,000
\$2,584,600		\$2,584,600
\$80,000,000		\$80,000,000
\$5,000,000		\$5,000,000
\$50,000,000		\$50,000,000
\$46,400,000		\$46,400,000
\$8,000,000		\$8,000,000
\$8,000,000		\$8,000,000
\$2,167,500		\$2,167,500
\$1,500,000		\$1,500,000
\$29,500,000		\$29,500,000
\$4,009,500		\$4,009,500
\$266,200		\$266,200
\$308,988,200		\$308,988,200
\$3,557,300		\$3,557,300
\$5,150,000		\$5,150,000
\$0		\$0
\$22,495,100		\$22,495,100
\$463,200,000		\$463,200,000
\$5,625,000		\$5,625,000
\$174,575,000		\$174,575,000
\$10,900,000		\$10,900,000
\$0	\$51,737,500	\$51,737,500
\$811,828,500		\$811,828,500
\$31,700,000		\$31,700,000
\$1,200,000		\$1,200,000
\$370,000,000		\$370,000,000
\$257,800,000	(\$10,800,000)	\$247,000,000
\$1,000,000		\$1,000,000
\$2,200,000		\$2,200,000
\$4,300,000	(\$800,000)	\$3,500,000
\$662,200,000	(\$49,000,000)	\$613,200,000
\$74,000,000		\$74,000,000
\$13,500,000		\$13,500,000
\$1,688,000		\$1,688,000
\$37,758,100		\$37,758,100
\$27,611,300		\$27,611,300
\$9,190,000		\$9,190,000
\$1,000,000		\$1,000,000

FY 2014-15	
Change from YTD	Exec Rec
	\$39,500,000
\$10,940,000	\$142,600,000
	\$4,000,000
\$10,000,000	\$10,000,000
	\$6,000,000
	\$2,200,000
(\$133,700,000)	\$5,403,000,000
\$204,300,000	\$3,578,000,000
(\$36,000,000)	\$0
	\$2,584,600
	\$80,000,000
	\$5,000,000
	\$50,000,000
	\$46,400,000
(\$8,000,000)	\$0
	\$8,000,000
\$28,000	\$2,195,500
	\$1,500,000
(\$3,200,000)	\$26,300,000
\$200,500	\$4,210,000
\$26,900	\$293,100
	\$308,988,200
	\$3,557,300
	\$5,150,000
\$2,000,000	\$2,000,000
	\$22,495,100
\$50,000,000	\$513,200,000
	\$5,625,000
\$65,000,000	\$239,575,000
	\$10,900,000
	\$0
(\$3,858,600)	\$807,969,900
(\$400,000)	\$31,300,000
	\$1,200,000
	\$370,000,000
(\$5,800,000)	\$252,000,000
	\$1,000,000
	\$2,200,000
(\$1,000,000)	\$3,300,000
(\$31,700,000)	\$630,500,000
	\$74,000,000
(\$3,000,000)	\$10,500,000
	\$1,688,000
	\$37,758,100
	\$27,611,300
	\$9,190,000
(\$1,000,000)	\$0

FY 2015-16	
Change from FY 15 Exec Rec	Exec Rec
(\$39,500,000)	\$0
\$17,900,000	\$160,500,000
\$1,000,000	\$5,000,000
(\$10,000,000)	\$0
	\$6,000,000
(\$2,200,000)	\$0
(\$126,000,000)	\$5,277,000,000
\$77,000,000	\$3,655,000,000
	\$0
	\$2,584,600
(\$80,000,000)	\$0
(\$5,000,000)	\$0
(\$50,000,000)	\$0
(\$46,400,000)	\$0
	\$0
	\$8,000,000
	\$2,195,500
	\$1,500,000
	\$26,300,000
	\$4,210,000
\$163,700	\$456,800
	\$308,988,200
	\$3,557,300
	\$5,150,000
(\$2,000,000)	\$0
	\$22,495,100
	\$513,200,000
	\$5,625,000
	\$239,575,000
	\$10,900,000
	\$0
	\$807,969,900
	\$31,300,000
	\$1,200,000
	\$370,000,000
\$4,000,000	\$256,000,000
	\$1,000,000
	\$2,200,000
\$600,000	\$3,900,000
\$18,100,000	\$648,600,000
	\$74,000,000
	\$10,500,000
	\$1,688,000
	\$37,758,100
(\$1,000,000)	\$26,611,300
	\$9,190,000
	\$0

SCHOOL AID LINE ITEM SUMMARY



		FY 2013-14			FY 2014-15		FY 2015-16	
		YTD	Supplemental Revisions	Executive Rec Revised	Change from YTD	Exec Rec	Change from FY 15 Exec Rec	Exec Rec
64b	Dual Enrollment Incentive Payments - NEW	\$0		\$0	\$1,750,000	\$1,750,000	(\$1,750,000)	\$0
64c	Career Readiness Study - NEW	\$0		\$0	\$250,000	\$250,000	(\$250,000)	\$0
74	Bus Driver Safety Instruction	\$1,625,000		\$1,625,000		\$1,625,000		\$1,625,000
74	School Bus Inspections	\$1,674,000		\$1,674,000	\$17,500	\$1,691,500		\$1,691,500
81	ISD General Operations Support	\$64,115,000		\$64,115,000		\$64,115,000	(\$7,000)	\$64,108,000
94	Advanced Placement (AP) Incentive Program - NEW	\$0	\$250,000	\$250,000	\$250,000	\$250,000	(\$250,000)	\$0
94a	Center for Educational Performance	\$9,535,100		\$9,535,100	\$2,487,700	\$12,022,800	\$2,500,000	\$14,522,800
94a	Center for Educational Performance - Federal	\$193,500		\$193,500		\$193,500		\$193,500
95	Principal Educator Evaluation Training	\$500,000		\$500,000	(\$500,000)	\$0		\$0
95a	Educator Evaluations - NEW	\$0		\$0	\$27,800,000	\$27,800,000	(\$5,954,900)	\$21,845,100
98	Michigan Virtual School	\$9,387,500		\$9,387,500		\$9,387,500		\$9,387,500
99	Math and Science Centers - State	\$3,225,000		\$3,225,000		\$3,225,000		\$3,225,000
99	Math and Science Centers - Federal	\$5,249,300		\$5,249,300		\$5,249,300		\$5,249,300
99h	FIRST Robotics	\$3,000,000		\$3,000,000	(\$1,000,000)	\$2,000,000	(\$2,000,000)	\$0
104	Student Assessments - State	\$26,694,400		\$26,694,400	\$7,200,000	\$33,894,400	\$11,132,100	\$45,026,500
104	Student Assessments - Federal	\$8,250,000		\$8,250,000	(\$2,000,000)	\$6,250,000		\$6,250,000
107	Adult Education	\$22,000,000		\$22,000,000		\$22,000,000		\$22,000,000
147a	MPSERS Cost Offset - (MOVES to 147c)	\$100,000,000		\$100,000,000	\$9,244,000	\$109,244,000		\$109,244,000
147c	MPSERS Prefunding - Unfunded Liability Payments	\$404,600,000	\$2,200,000	\$406,800,000	\$270,100,000	\$674,700,000	\$233,500,000	\$908,200,000
152a	Adair - Database Payment	\$38,000,500		\$38,000,500		\$38,000,500		\$38,000,500
TOTAL APPROPRIATIONS		\$13,366,703,600	(\$57,312,500)	\$13,309,391,100	\$430,436,000	\$13,797,139,600	(\$6,416,100)	\$13,790,723,500
REVENUE BY SOURCE								
Federal Aid		\$1,764,421,300	\$51,737,500	\$1,816,158,800	\$43,741,400	\$1,808,162,700		\$1,808,162,700
School Aid Fund		\$11,211,382,300	(\$109,050,000)	\$11,102,332,300	\$579,594,600	\$11,790,976,900	\$11,583,900	\$11,802,560,800
MPSERS Reserve Fund		\$156,000,000		\$156,000,000	(\$138,000,000)	\$18,000,000	(\$18,000,000)	\$0
General Fund/General Purpose		\$234,900,000		\$234,900,000	(\$54,900,000)	\$180,000,000		\$180,000,000
TOTAL REVENUE		\$13,366,703,600	(\$57,312,500)	\$13,309,391,100	\$430,436,000	\$13,797,139,600	(\$6,416,100)	\$13,790,723,500

SCHOOL AID FUND (SAF) BALANCE SHEET
Executive Recommendation FY 14, FY 15, and FY 16
(Dollars in Millions)

	Revised Exec Rec FY 2013-14	Exec Rec FY 2014-15	Exec Rec FY 2015-16
Beginning School Aid Fund Balance	\$292.0	\$351.5	\$34.2
Beginning MPSERS Reserve Fund Balance	<u>\$174.0</u>	<u>\$18.0</u>	<u>\$50.0</u>
TOTAL BEGINNING BALANCE	\$466.0	\$369.5	\$84.2
ESTIMATED REVENUE			
SCHOOL AID FUND (SAF) REVENUE			
Revenue Estimates (Jan 2014 CREC)	\$11,560.0	\$11,931.8	\$12,338.2
Personal Property Tax Reform	<u>\$0.0</u>	<u>(\$10.0)</u>	<u>(\$20.9)</u>
Subtotal: SAF Revenue	\$11,560.0	\$11,921.8	\$12,317.3
OTHER REVENUE ADJUSTMENTS			
General Fund/General Purpose (GF/GP) Grant	\$234.9	\$180.0	\$180.0
Federal Aid	\$1,764.4	\$1,808.2	\$1,808.2
FY 14 Federal Race to the Top Early Learning Challenge Grant	<u>\$51.7</u>	<u>\$0.0</u>	<u>\$0.0</u>
Subtotal: Other Revenue	\$2,051.0	\$1,988.2	\$1,988.2
TOTAL REVENUE	\$13,611.0	\$13,910.0	\$14,305.5
ESTIMATED EXPENDITURES			
ESTIMATED SCHOOL AID EXPENDITURES			
FY 14 YTD, FYs 15 and 16 Ongoing Exec Rec	\$13,173.7	\$13,186.7	\$13,557.2
One-time Expenditures	\$193.0	\$268.4	\$0.0
FY 14 Cost Adjustments	<u>(\$111.2)</u>	<u>\$0.0</u>	<u>\$0.0</u>
FY 14 Federal Race to the Top Early Learning Challenge Grant	\$51.7	\$0.0	\$0.0
Annual MPSERS Increase	\$2.2	\$277.1	\$233.5
FY 15 Exec Rec Preschool Increase	<u>\$0.0</u>	<u>\$65.0</u>	<u>\$0.0</u>
Subtotal: SCHOOL AID EXPENDITURES	\$13,309.4	\$13,797.2	\$13,790.7
Community Colleges	\$197.6	\$197.6	\$197.6
Higher Education	<u>\$200.5</u>	<u>\$200.5</u>	<u>\$200.5</u>
Subtotal: Post Secondary Expenditures	\$398.1	\$398.1	\$398.1
TOTAL EXPENDITURES	\$13,707.5	\$14,195.3	\$14,188.8
Current Year: Revenues - Expenditures	(\$96.5)	(\$285.3)	\$116.7
SAF Transfer to MPSERS Reserve Fund	<u>\$0.0</u>	<u>\$50.0</u>	<u>\$0.0</u>
SAF ENDING BALANCE	\$351.5	\$34.2	\$150.9
MPSERS RESERVE ENDING BALANCE	\$18.0	\$50.0	\$50.0
TOTAL ENDING BALANCE	\$369.5	\$84.2	\$200.9