



STATE BUDGET OFFICE

SCHOOL AID HIGHLIGHTS  
EXECUTIVE BUDGET  
FISCAL YEARS 2017 AND 2018

FEBRUARY 10, 2016

**FY2017 K-12 School Aid Executive Budget**

<b>K-12 Funding (in millions)</b>	<b><u>FY2017</u></b>	<b><u>FY2018 Est.</u></b>
School Aid Fund Revenue	\$ 12,062.5	\$ 12,146.7
General Fund	\$ 230.0	\$ 57.4
Federal Funds	\$ 1,818.6	\$ 1,818.6
DPS Trust Fund	<u>\$ 72.0</u>	<u>\$ 72.0</u>
<b>Total Appropriations</b>	<b>\$ 14,183.1</b>	<b>\$ 14,094.7</b>
Local Revenue	<u>\$ 3,508.0</u>	<u>\$ 3,576.0</u>
Total State/Local/Federal	<u>\$ 17,691.1</u>	<u>\$ 17,670.7</u>

**Consensus Pupils:**

FY2016 – 1,495,800

FY2017 – 1,486,000, a decrease of 9,800 pupils from FY2016

FY2018 – 1,476,000, a decrease of 10,000 from FY2017

**School Operations Funding**

- The FY2017 budget provides for a **\$60 to \$120 per pupil foundation allowance increase distributed through the 2x formula**, at a cost of \$150 million. Total foundation allowance funding exceeds \$9.1 billion. The minimum foundation allowance will increase to \$7,511 per pupil; the basic foundation allowance will increase to \$8,229 per pupil. To help declining enrollment, the budget recommends revising the membership blend calculation to place greater weight on prior year counts. Also included is a provision that allows hold harmless districts to receive the full foundation allowance increase above the statutory CPI cap of 0.1%.

<b>Per-Pupil Foundation Allowances</b>		
	<b>Minimum</b>	<b>Basic/Maximum</b>
<b>FY2016</b>	\$7,391	\$8,169
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<b>Increase</b>	<u>\$ 120</u>	<u>\$ 60</u>
<b>FY2017 Foundation</b>	<b>\$7,511</b>	<b>\$8,229</b>

- State funding for **MPERS retirement contributions totals** over \$1 billion, with \$982.8 million in payments for the amount above the statutory cap of 20.96% (PA 300 of 2012) for districts, ISDs and district libraries, an increase of \$89.3 million over the FY2016 level. This equates to an average of \$660 per pupil, with a range of between \$5 and \$3,100.
- As part of an overall turnaround plan for **Detroit Public Schools**, the governor recommends \$72 million per year from Michigan’s tobacco settlement proceeds be placed in a Detroit Public Schools Trust Fund for ten years. These separate funds will be used to offset the loss of local

tax revenue needed to retire the existing district's debt, protecting all other districts from reduced financial resources.

- **Intermediate School District (ISD) Operations** funding is increased by 1.6% to a total of nearly \$68.2 million.
- **Competitive consolidation grants** of \$5 million are continued to help offset transition costs associated with dissolutions, consolidations, or annexations of districts.

### Improving Early Learning and Literacy

- The budget includes \$257.3 million for the **Great Start Readiness Program**. Of that amount, \$243.9 million will provide over 63,000 half-day preschool opportunities to 4-year-olds across the state.
- The governor's budget continues recent reforms to improve Michigan's ranking in national comparisons of 4<sup>th</sup>-grade reading proficiency levels. The budget includes \$23.9 million for efforts to increase reading proficiency by the end of a child's third grade year. The programs include the use of **multi-tiered systems of supports** at the district level, regular diagnostic screenings of students, and targeted interventions for students identified as falling behind. The investment also includes funding for professional development, literacy coaches, and additional instruction time.

### Investing in College and Career Readiness Programs

- The budget recommends an increase of \$15 million (total of \$25 million) **to update equipment** for career and technical education early/middle college programs (\$10 million) and **to increase funding for programs** that are aligned with the ten prosperity regions (\$5 million), providing 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. Funding for other **vocational education** programs remains at \$45.8 million.
- The budget continues to recommend \$3.05 million to increase **awareness of available college and career choices** and to increase the number of **college advisors** in schools. The budget also maintains \$1.75 million for incentives to districts that support **dual enrollment**.
- The FY2017 budget recommends a total of \$2.5 million for **First Robotics** programs, as well as \$250,000 to pay for testing costs associated with **Advanced Placement and International Baccalaureate tests** for low-income pupils.
- A total of \$10.5 million (\$5.3 million state funds and \$5.2 million federal) supports the state's **science, technology, engineering and mathematics (STEM) initiatives**, nearly \$8 million for the existing math and science centers, and an additional \$2.5 million for program recommendations from the STEM Advisory Council.

### Assessments and Accountability

- The FY2017 budget provides \$40.1 million (\$33.9 million in state and \$6.2 million in federal) for costs associated with **student assessments** required under state and federal law. This is a reduction of \$10.1 million for one-time costs of converting tests to online which are completed and to make use of the kindergarten summative assessment in place of the kindergarten entry assessment.

- With the assistance of appointed Chief Executive Officers, the School Reform Office will intervene in eligible chronically low-performing schools. \$5 million in funds are proposed to provide these schools with **additional resources needed to improve student achievement** for 3 years.
- A total of \$10 million is included in the FY2017 budget for costs associated with the **educator evaluations system**. Funds are recommended to be used for professional development and training activities required by law.
- The FY2017 budget maintains funding to districts at the FY2016 level of \$38 million for **state data collection and reporting costs**. **Center for Educational Performance and Information (CEPI)** funding totals \$12.2 million general fund.

## Student Support Services

- The FY2017 budget provides over \$1.4 billion for **special education services**: \$973 million in state funds and \$441 million in federal funds.
- Based upon the recent recommendations of the Special Education Reform Task Force, the budget includes \$1.4 million for a **grant to the Michigan Integrated Behavioral and Learning Support Initiative (MiBLSi)** to assist ISDs with implementing a nationally-recognized evidence-based and data-driven academic and behavioral intervention model.
- Funding for **academically at-risk children** continues at nearly \$390 million. Within that amount, funding for **adolescent teen health centers** is continued at 5.6 million and **hearing and vision screenings** is maintained at \$5.2 million. In addition, the budget includes \$852.7 million federal funds to support at-risk students.
- Funding for **school lunch and breakfast programs** is \$538.2 million: \$25 million in state funds and \$513.2 million in federal funds.
- Funding is maintained for **adult education programs**, administered by the Talent Investment Agency (TIA) at \$25 million. Many programmatic changes are included that more closely align state funding with federal adult education program requirements.
- The budget maintains \$7.4 million for the **Michigan Virtual University** to provide best practices in virtual coursework.
- **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 \$5 million.
- Education programs in **juvenile justice facilities** are included at \$1.3 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.

## Health and Safety Supports

- To help address the critical needs in Flint, a total of \$10.1 million general fund is recommended to provide partial year funding to **expand early education programs in Flint** and to **provide Genesee ISD with staffing resources** for early identification and intervention services to children impacted by elevated levels of lead. Recommendations include \$6.4 million to offer Early On services, \$1.3 million for additional school nurses, \$1.5 million to expand GSRP services, and \$950,000 to support Genesee ISD. The budget includes a placeholder for funding from the **Flint Emergency Reserve Fund** to increase support as needs are identified throughout FY 2017.
- The budget includes \$9 million for reimbursements to districts for costs associated with **voluntary testing of water** for lead in schools pursuant to a statewide strategic plan developed by the department, in coordination with DEQ and LARA.

## Debt Service and Other Required Payments

- **School Bond Loan Fund Debt Service** is funded at \$126.5 million.
- **Renaissance Zone** reimbursements are recommended at \$20 million.
- **School Aid Fund Borrowing Costs** are increased by \$1 million to a total of \$3 million.
- **PILT Payments** are increased by \$128,000 to a total of \$4.4 million.
- Funding for **Promise Zones** is increased to \$1 million

## MPERS Contribution Rates

The FY2017 MPERS retirement contribution rates for districts are slightly less than the FY2016 rates, with a reduction of 0.84% in the pension and health normal cost. Rates are detailed below:

<b>MPERS Retirement Rates for FY2017</b>							
	<b>Basic MIP w/Prem Subsidy</b>	<b>Pension Plus w/Prem Subsidy</b>	<b>Pension Plus PHF</b>	<b>Pension Plus to DC w/PHF</b>	<b>Basic/MIP To DC w/ Prem Subsidy</b>	<b>Basic/MIP To DC w/PHF</b>	<b>Basic/ MIP w/PHF</b>
<b>Total Rate</b>	<b>36.64%</b>	<b>36.01%</b>	<b>35.79%</b>	<b>32.66%</b>	<b>32.88%</b>	<b>32.66%</b>	<b>36.42%</b>
<b>Employer Rate:</b>							
<i>Pension Normal Cost</i>	3.76%	3.13%	3.13%	0.00%	0.00%	0.00%	3.76%
<i>Pension UAL</i>	13.91%	13.91%	13.91%	13.91%	13.91%	13.91%	13.91%
<i>Retirement Incentive (10-yr. payback)</i>	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%
<b>Pension Total Rate</b>	<b>19.03%</b>	<b>18.40%</b>	<b>18.40%</b>	<b>15.27%</b>	<b>15.27%</b>	<b>15.27%</b>	<b>19.03%</b>
<i>Health Normal Cost</i>	0.22%	0.22%	0.00%	0.00%	0.22%	0.00%	0.00%
<i>Health UAL</i>	5.69%	5.69%	5.69%	5.69%	5.69%	5.69%	5.69%
<b>Retiree Health Total Rate</b>	<b>5.91%</b>	<b>5.91%</b>	<b>5.69%</b>	<b>5.69%</b>	<b>5.91%</b>	<b>5.69%</b>	<b>5.69%</b>
<b>Employer Capped Rate</b>	<b>24.94%</b>	<b>24.31%</b>	<b>24.09%</b>	<b>20.96%</b>	<b>21.18%</b>	<b>20.96%</b>	<b>24.72%</b>
<b>Stabilization Rate</b>	<b>11.70%</b>	<b>11.70%</b>	<b>11.70%</b>	<b>11.70%</b>	<b>11.70%</b>	<b>11.70%</b>	<b>11.70%</b>
<b>FY16 Employer Capped Rate</b>	<b>25.78%</b>	<b>24.56%</b>	<b>24.13%</b>	<b>20.96%</b>	<b>21.39%</b>	<b>20.96%</b>	<b>25.35%</b>



## FY2016, FY2017 and FY2018 STATE SCHOOL AID APPROPRIATIONS

### Executive Budget Recommendation - February 10, 2016

Sec.	APPROPRIATIONS (In thousands):
11j	School Bond Loan Redemption Fund
11m	School Aid Fund Borrowing Costs
11s	Flint Declaration of Emergency
20f	Categorical Offset Payments
20g	District Dissolution Transition Costs
21	State School Reform/Redesign
22a	Proposal A Obligation Payment
22b	Discretionary Payment
22d	Isolated District Funding
22g	Consolidation Innovation Grants
22i	Technology Infrastructure Improvement Grants
24	Court-Placed Children
24a	Juvenile Detention Facility Programs
24c	ChalleNge Program
25f	Strict Discipline Academies Pupil Transfers
26a	Renaissance Zone Reimbursement
26b	PILT Reimbursement
26c	Promise Zone Payments
31a	At-Risk Programs
31a	Adolescent Teen Health Centers
31a	Vision/Hearing Screening
31c	Gang Prevention and Intervention Programs
31d	School Lunch - State
31d	School Lunch - Federal
31f	School Breakfast
31h	Cooperative Education Grant
32d	Great Start Readiness
32p	Great Start Early Childhood Block Grants
35	Early Literacy Implementation
35a(2)	Early Literacy Parents University Pilot
35a(3)	Early Literacy Professional Development
35c	Early Literacy Teacher Certification Test
35a(4)	Early Literacy Diagnostic Tools
35a(5)	Early Literacy Teacher Coaches
35a(6)	Early Literacy Targeted Instruction
35a(7)	Michigan Reading Corp
39a1	Federal NCLB/ESSA Grant Funds
39a2	Other Federal Funding
41	Bilingual Education
43	Update Teacher Certification Tests
51c	Special Education Headlee
51a2	Special Education Foundations & Sped
51a3	Special Ed Hold Harmless Pmt. To ISD's
51a11	Special Ed Non Sec 52 to ISD's
51a6	Special Ed Rule Change
53a	Court Placed Special Ed FTE

FY 2016		
PA 139 of '15 Current Law As of 2/10/16	Revised Rec	Difference
126,500.0	99,500.0	(27,000.0)
2,000.0	2,000.0	0.0
0.0	9,200.0	9,200.0
18,000.0	18,000.0	0.0
2,200.0	2,200.0	0.0
0.0	1,000.0	1,000.0
5,281,700.0	5,255,000.0	(26,700.0)
3,728,000.0	3,690,000.0	(38,000.0)
5,000.0	5,000.0	0.0
5,000.0	5,000.0	0.0
23,500.0	23,500.0	0.0
8,000.0	8,000.0	0.0
2,189.8	1,301.0	(888.8)
1,497.4	1,497.4	0.0
2,000.0	2,000.0	0.0
26,300.0	20,000.0	(6,300.0)
4,276.8	4,276.8	0.0
610.0	278.0	(332.0)
378,988.2	378,988.2	0.0
5,557.3	5,557.3	0.0
5,150.0	5,150.0	0.0
1,000.0	1,000.0	0.0
22,495.1	22,495.1	0.0
513,200.0	513,200.0	0.0
5,625.0	2,500.0	(3,125.0)
300.0	300.0	0.0
243,900.0	243,900.0	0.0
13,400.0	13,400.0	0.0
1,000.0	1,000.0	0.0
1,000.0	1,000.0	0.0
950.0	950.0	0.0
500.0	500.0	0.0
1,450.0	1,450.0	0.0
3,000.0	3,000.0	0.0
17,500.0	17,500.0	0.0
1,000.0	1,000.0	0.0
779,076.4	779,076.4	0.0
30,800.0	30,800.0	0.0
1,200.0	1,200.0	0.0
1,800.0	1,800.0	0.0
610,000.0	626,000.0	16,000.0
251,800.0	264,100.0	12,300.0
1,300.0	1,000.0	(300.0)
3,300.0	4,000.0	700.0
2,200.0	2,200.0	0.0
10,500.0	10,500.0	0.0

FY 2017	
Executive Budget	Difference From FY16 Current Law
126,500.0	0.0
3,000.0	1,000.0
10,142.6	10,142.6
18,000.0	0.0
2,200.0	0.0
5,000.0	5,000.0
5,206,000.0	(75,700.0)
3,900,000.0	172,000.0
5,000.0	0.0
5,000.0	0.0
0.0	(23,500.0)
8,000.0	0.0
1,328.1	(861.7)
1,522.4	25.0
500.0	(1,500.0)
20,000.0	(6,300.0)
4,405.1	128.3
1,000.0	390.0
378,988.2	0.0
5,557.3	0.0
5,150.0	0.0
0.0	(1,000.0)
22,495.1	0.0
513,200.0	0.0
2,500.0	(3,125.0)
0.0	(300.0)
243,900.0	0.0
13,400.0	0.0
1,000.0	0.0
0.0	(1,000.0)
950.0	0.0
0.0	(500.0)
1,450.0	0.0
3,000.0	0.0
17,500.0	0.0
0.0	(1,000.0)
821,939.9	42,863.5
30,800.0	0.0
1,200.0	0.0
0.0	(1,800.0)
644,500.0	34,500.0
271,600.0	19,800.0
1,100.0	(200.0)
3,700.0	400.0
2,200.0	0.0
10,500.0	0.0

FY 2018	
Executive Budget	Diff From FY17 Exec Rec
126,500.0	0.0
4,000.0	1,000.0
0.0	(10,142.6)
18,000.0	0.0
0.0	(2,200.0)
10,200.0	5,200.0
5,124,000.0	(82,000.0)
3,888,000.0	(12,000.0)
5,000.0	0.0
0.0	(5,000.0)
0.0	0.0
8,000.0	0.0
1,328.1	0.0
1,522.4	0.0
0.0	(500.0)
20,000.0	0.0
4,405.1	0.0
1,000.0	0.0
378,988.2	0.0
5,557.3	0.0
5,150.0	0.0
0.0	0.0
22,495.1	0.0
513,200.0	0.0
2,500.0	0.0
0.0	0.0
243,900.0	0.0
13,400.0	0.0
1,000.0	0.0
0.0	0.0
950.0	0.0
0.0	0.0
1,450.0	0.0
3,000.0	0.0
17,500.0	0.0
0.0	0.0
821,939.9	0.0
30,800.0	0.0
1,200.0	0.0
0.0	0.0
665,400.0	20,900.0
279,300.0	7,700.0
500.0	(600.0)
3,700.0	0.0
2,200.0	0.0
10,500.0	0.0

Sec.	APPROPRIATIONS (In thousands):
54	MI School for Deaf and Blind
54b	Integrated Behavior and Learning Support (MiBLSI)
55	Conductive Learning Center Study
56	Special Ed Millage Equalization
51a	Special Education - Federal IDEA
51d	Special Education - Other Federal
61a	Vocational Education
61b	CTE Middle College Program
61c	CTE Equipment Upgrades
62	ISD Vocational Ed Millage Reimbursement
64b	Dual Enrollment Incentive Payments
65	Detroit Pre-College K-12 Engineering Program
67	Michigan College Access Network (MCAN)
67	College and Career Readiness Tools
74	Bus Driver Safety
74	School Bus Inspection Program
78	Statewide School Water Testing Program
81	ISD General Operations
94	Advanced Placement (AP) Incentive Program
94a	CEPI - State
94a	CEPI - Federal
95a	Educator Evaluations
98	Michigan Virtual University
99c	Civics Education
99h	First Robotics
99s(2)	MiSTEM Council
99s(3)	Math/Science Centers - State
99s(3)	Math/Science Centers - Federal
99s(5)	STEM Professional Development
99s(6)	Science Olympiad
99s(7)	Van Andel Education Institute
102d	Reimbursement of Financial Analytical Tools
104	Student Assessments - State
104	Student Assessments - Federal
104d	Computer Adaptive Tests
107	Adult Education
147a	MPSERS Cost Offset
147c	MPSERS UAAL Rate Stabilization Payment
152a	Data Collection and Reporting Costs
	<b>TOTAL SCHOOL AID APPROPRIATIONS</b>

PA 139 of '15 Current Law As of 2/10/16	Revised Rec	Difference	
1,688.0	1,688.0	0.0	
0.0	0.0	0.0	
150.0	150.0	0.0	
37,758.1	37,758.1	0.0	
370,000.0	370,000.0	0.0	
71,000.0	71,000.0	0.0	
36,611.3	36,611.3	0.0	
10,000.0	10,000.0	0.0	
0.0	0.0	0.0	
9,190.0	9,190.0	0.0	
1,750.0	1,750.0	0.0	
340.0	340.0	0.0	
3,000.0	3,000.0	0.0	
600.0	600.0	0.0	
1,625.0	1,625.0	0.0	
1,690.7	1,690.7	0.0	
0.0	9,000.0	9,000.0	
67,108.0	67,108.0	0.0	
250.0	250.0	0.0	
11,967.0	11,967.0	0.0	
193.5	193.5	0.0	
0.0	0.0	0.0	
7,387.5	7,387.5	0.0	
60.0	60.0	0.0	
2,000.0	2,000.0	0.0	
50.0	50.0	0.0	
3,225.0	3,225.0	0.0	
5,249.3	5,249.3	0.0	
250.0	250.0	0.0	
250.0	250.0	0.0	
250.0	250.0	0.0	
1,500.0	1,500.0	0.0	
43,994.4	43,994.4	0.0	
6,250.0	6,250.0	0.0	
4,000.0	4,000.0	0.0	
25,000.0	25,000.0	0.0	
100,000.0	100,000.0	0.0	
893,500.0	893,500.0	0.0	
38,000.5	38,000.5	0.0	
	<b>\$13,900,654.3</b>	<b>\$13,846,208.5</b>	<b>(\$54,445.8)</b>

Executive Budget	Difference From FY16 Current Law	
1,688.0	0.0	
1,370.0	1,370.0	
150.0	0.0	
37,758.1	0.0	
370,000.0	0.0	
71,000.0	0.0	
36,611.3	0.0	
15,000.0	5,000.0	
10,000.0	10,000.0	
9,190.0	0.0	
1,750.0	0.0	
340.0	0.0	
3,000.0	0.0	
50.0	(550.0)	
1,625.0	0.0	
1,695.6	4.9	
9,000.0	9,000.0	
68,182.0	1,074.0	
250.0	0.0	
12,173.2	206.2	
193.5	0.0	
10,000.0	10,000.0	
7,387.5	0.0	
0.0	(60.0)	
2,500.0	500.0	
2,525.0	2,475.0	
2,750.0	(475.0)	
5,249.3	0.0	
0.0	(250.0)	
0.0	(250.0)	
0.0	(250.0)	
1,500.0	0.0	
33,894.4	(10,100.0)	
6,250.0	0.0	
0.0	(4,000.0)	
25,000.0	0.0	
100,000.0	0.0	
982,800.0	89,300.0	
38,000.5	0.0	
	<b>\$14,183,112.1</b>	<b>\$282,457.8</b>

Executive Budget	Diff From FY17 Exec Rec	
1,688.0	0.0	
1,500.0	130.0	
0.0	(150.0)	
37,758.1	0.0	
370,000.0	0.0	
71,000.0	0.0	
36,611.3	0.0	
15,000.0	0.0	
0.0	(10,000.0)	
9,190.0	0.0	
0.0	(1,750.0)	
0.0	(340.0)	
3,000.0	0.0	
0.0	(50.0)	
1,625.0	0.0	
1,695.6	0.0	
9,000.0	0.0	
68,182.0	0.0	
250.0	0.0	
12,173.2	0.0	
193.5	0.0	
10,000.0	0.0	
7,387.5	0.0	
0.0	0.0	
2,000.0	(500.0)	
475.0	(2,050.0)	
2,750.0	0.0	
5,249.3	0.0	
0.0	0.0	
0.0	0.0	
0.0	0.0	
0.0	(1,500.0)	
33,894.4	0.0	
6,250.0	0.0	
0.0	0.0	
25,000.0	0.0	
100,000.0	0.0	
988,300.0	5,500.0	
38,000.5	0.0	
	<b>\$14,094,759.5</b>	<b>(\$88,352.6)</b>

REVENUES:	
School Aid Fund	
General Fund	
DPS Trust Fund/Other State Restricted Funds	
Federal Funds	
	<b>TOTAL APPROPRIATED REVENUES</b>

12,078,985.1	12,015,339.3	(63,645.8)	
45,900.0	55,100.0	9,200.0	
0.0	0.0	0.0	
1,775,769.2	1,775,769.2	0.0	
	<b>\$13,900,654.3</b>	<b>\$13,846,208.5</b>	<b>(\$54,445.8)</b>

12,062,479.3	(16,505.8)	
230,000.0	184,100.0	
72,000.1	72,000.1	
1,818,632.7	42,863.5	
	<b>14,183,112.1</b>	<b>\$282,457.8</b>

12,146,726.8	84,247.5	
57,400.0	(172,600.0)	
72,000.0	(0.1)	
1,818,632.7	0.0	
	<b>\$14,094,759.5</b>	<b>(\$88,352.6)</b>