



SCHOOL AID BUDGET STATUS: BUDGET PRIORITIES AND DIFFERENCES

PRESENTATION TO THE MICHIGAN SCHOOL BUSINESS OFFICIALS

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WWW.SENATE.MICHIGAN.GOV/SFA

GOVERNOR, SENATE SUBCOMMITTEE, HOUSE SUBCOMMITTEE



TOTAL STATE SPENDING

The Governor proposed total State spending of \$12,575,145,300, of which \$215,000,000 was General Fund, General Purpose revenue. The Governor left \$7.6 million School Aid Fund revenue unspent on the balance sheet for FY 2017–18.

TOTAL STATE SPENDING

The Senate subcommittee proposed total State spending of \$12,559,112,000 (\$16.0 million less than the Governor), of which \$195,000,000 was General Fund, General Purpose revenue.

Essentially, the Senate subcommittee's budget cut \$20,000,00 GF/GP, but also spent \$4.1 million SAF more than the Governor by spending down the balance.

TOTAL STATE SPENDING

The House subcommittee proposed total State spending of \$12,582,507,200 (\$10.4 million more than the Governor), of which \$215,000,000 was GF/GP.

Essentially, the House subcommittee's budget reduced current-year appropriations for CTE early/middle colleges, and spent that extra money in FY 2017–18.

GOVERNOR, SENATE SUBCOMMITTEE, HOUSE SUBCOMMITTEE



FOUNDATION: \$50
\$100 PP

The Governor proposed using the '2x' formula to provide foundation allowance increases ranging between \$50 to \$100 per pupil.

Any districts at the minimum would receive \$100; districts at or above the basic would receive \$50; those in between would receive something between \$50 and \$100 per pupil. The cost of this increase was \$128 million.



FOUNDATION: \$88
\$176 PP

The Senate built off of the Governor's foundation allowance proposal by adding the \$100 million currently paid out under Section 147c, the MPSERS Cost Offset Funding.

Running that additional \$100 million through the 2x formula provided another \$38-\$76 per pupil increase, for a total foundation allowance increase between \$88 and \$176 per pupil.



FOUNDATION: \$100 PP

The House provided a flat \$100 per pupil increase to all districts, at a cost of \$143 million.

GOVERNOR, SENATE SUBCOMMITTEE, HOUSE SUBCOMMITTEE



(SECTION 147A): \$100 MIL

The Governor continued to fund the MPSERS Cost Offset (Section 147a) at \$100 million.



MPSERS COST OFFSET
(SECTION 147A): \$0

The Senate eliminated this funding and instead added it to the foundation allowance.

MPSERS Cost Offset Section 147a funding is distributed to districts and participating charters based on MPSERS payroll.

When that funding is instead run through the 2x formula, it is distributed based on each district's and PSA's foundation allowance. Under this proposal, ALL charters



(SECTION 147A): \$100 MIL

The House, like the Governor, continued to fund the MPSERS Cost Offset (Section 147a) at \$100 million.

GOVERNOR, SENATE SUBCOMMITTEE, HOUSE SUBCOMMITTEE



A INCREASE

The Governor broadened the base of eligible students to include those eligible for reduced lunch, those in foster care, and those who are migrant.

The Governor broadened district eligibility to include all districts, even those whose current per-pupil operating revenue exceeds the basic.

\$150 million increase, of which \$67 million would go to currently-ineligible districts.



A INCREASE

The Senate concurred in new pupil eligibility.

The Senate changed the funding formula substantially: Step 1 would ensure that the per-pupil amount currently-eligible districts receive today would be paid next year on the broader base of pupils (costs \$54 million). Step 2 would provide an equal \$60 dollar increase to ALL districts (costs \$41 million).

\$5 million to districts for new



A INCREASE

The House concurred in new pupil eligibility.

The House concurred with the Governor to include districts who don't currently receive funding, but provides to those districts an amount equal to 50% of what the currently-eligible districts receive.

GOVERNOR, SENATE SUBCOMMITTEE, HOUSE SUBCOMMITTEE



MPSERS: LOWER AROR – \$140 MILLION

The Governor included \$140 million to hold districts harmless from the increased costs [both normal (\$49 million) and UAAL (\$91 million)] arising from the lowering of the assumed rate of return (AROR) in MPSERS from 8% to 7.75%.

Next year, ANOTHER \$112 million (\$49 million for normal, \$63 million for UAAL) will be required to continue to hold districts harmless from these increased costs, as the rate is lowered from 7.75% to 7.5%.

The \$ to hold districts harmless for



MPSERS: LOWER AROR – \$140 MILLION

The Senate concurred with the Governor in this proposal.



MPSERS: LOWER AROR – \$140 MILLION

The House concurred with the Governor in this proposal.

GOVERNOR, SENATE SUBCOMMITTEE, HOUSE SUBCOMMITTEE



CUT

The Governor removed FTEs counted in shared time programs from foundation allowance funding.

Instead, the Governor proposed a fixed \$60 million new categorical to pay for shared-time FTEs.

The estimated cost in FY 2016-17 for shared time is \$115 million; therefore, this is a proposed \$55 million reduction.

If requests > funding,



SHARED TIME: \$2M CUT

The Senate did not remove shared-time FTEs from foundation allowance funding and calculations.

However, the Senate did include a cap on the amount of an FTE that may be counted in a shared time program equal of 0.75.

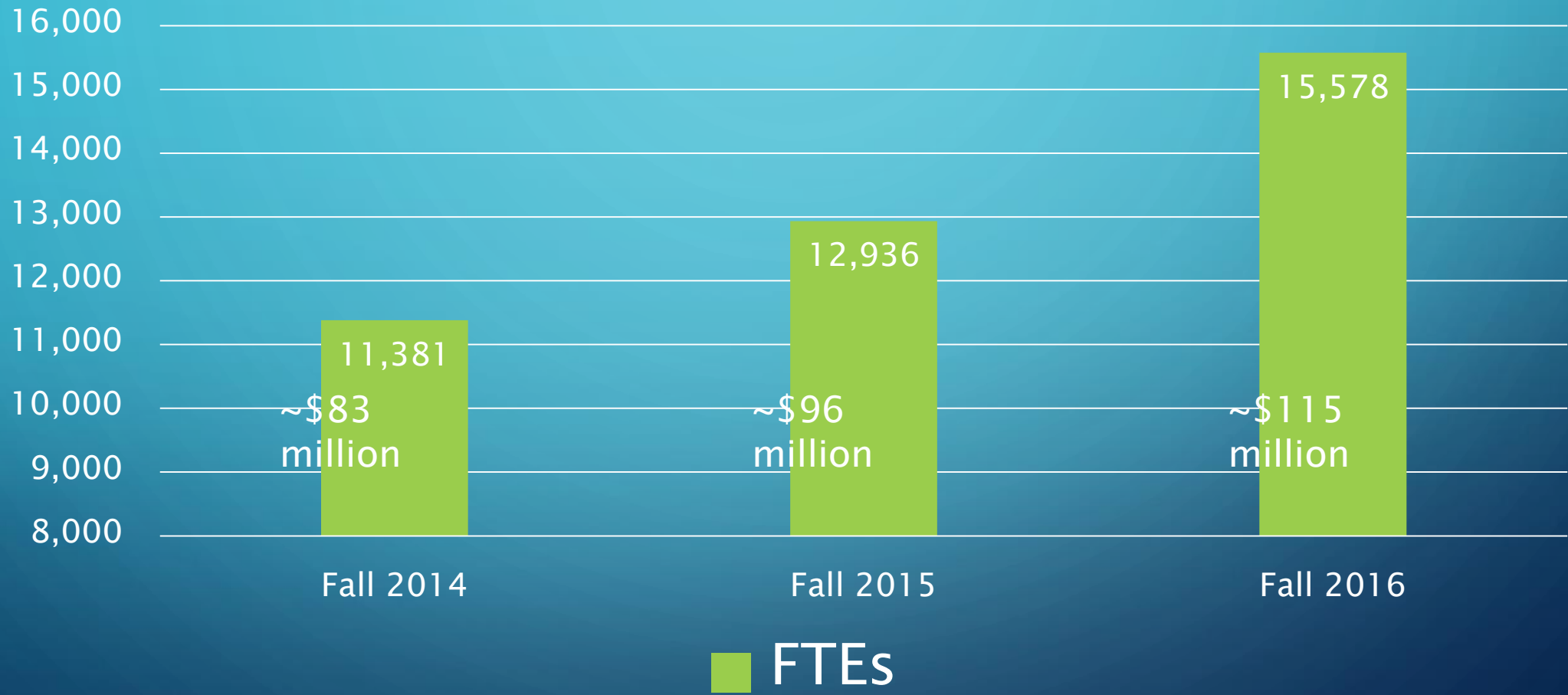
It is estimated that this would impact roughly 100 districts, with cumulative State savings of 240 FTEs, or \$2 million.



SHARED TIME: \$0 CUT

The House did not include any reduction to shared time funding or programming.

SHARED TIME MEMBERSHIP GROWTH



GOVERNOR, SENATE SUBCOMMITTEE, HOUSE SUBCOMMITTEE



CYBER SCHOOLS: 20%
FOUNDATION CUT
(\$16M)

The Governor reduced the foundation allowances of cybers 20%, or \$16 million. There are 12 cybers, with just over 10,000 FTEs in the current year.



CYBER SCHOOLS: \$0
CUT

The Senate did not include this reduction.



CYBER SCHOOLS: \$0
CUT

The House did not include this reduction.

GOVERNOR, SENATE SUBCOMMITTEE, HOUSE SUBCOMMITTEE



OTHER MAJOR ITEMS

- High School \$50 Per Pupil Bonus – \$22 million
- Declining Enrollment – \$7 million
- Partnership District Model – \$3 million; \$5 million continued funding for CEOs appointed by the School Reform Office and for district funding
- \$0 for reimbursing Private Schools for mandated activities



OTHER MAJOR ITEMS

- No high school bonus
- No declining enrollment
- No specific dollars for either the partnership district model or SRO; instead, funding is set aside to be determined at a later date as legislative hearings continue
- \$2.5 million to continue reimbursing Private Schools for mandated activities

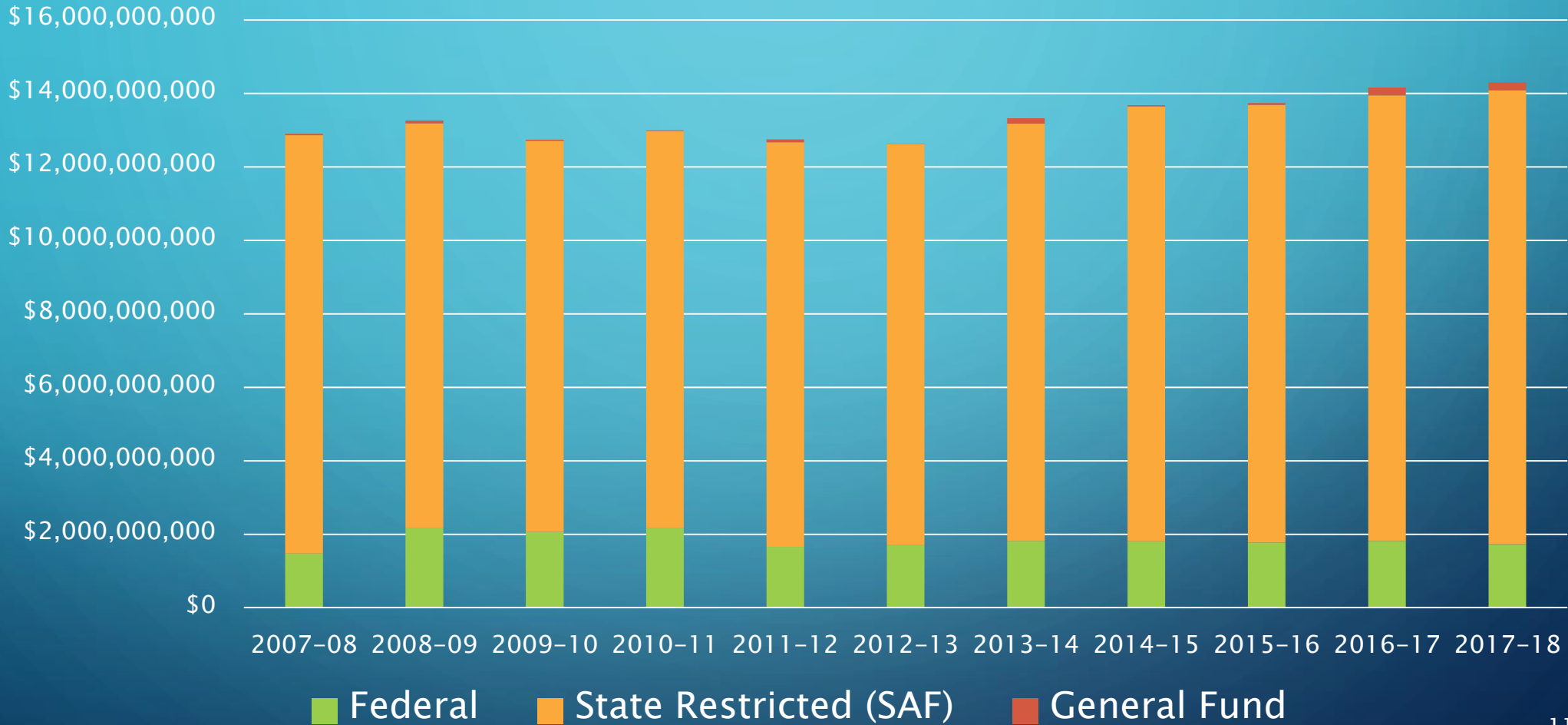


OTHER MAJOR ITEMS

- No high school bonus
- No declining enrollment
- No dollars for either the Partnership Model or the SRO
- \$2.5 million to continue reimbursing Private Schools for mandated activities
- Increases early literacy funding from \$165 to \$245 per 1st grade pupil
- Retains funding for Data

CHARTING FUNDING HISTORY

Total K-12 Funding Over the Past 10 Years



CURRENT PRACTICE: SCHOOL AID FUND IN POSTSECONDARY (COMM COLLEGES/UNIV)

SAF Revenue Supporting Postsecondary and GF/GP Supporting K-12

— SAF in Postsecondary — GF/GP in K-12



REVENUE OUTLOOK

- Through March 2017, GF/GP collections are \$147.8 million below, and SAF collections are \$71.1 million above, the levels based on the January 2017 CREC.
- If those hold true for remainder of year, GF would be down ~ \$300 million, and SAF would be up ~ \$140 million. If those are accurate, net shortfall of ~ \$160 million for FY 17, possibly compounded in FY 18...
- SAF is strong because of strong sales tax revenue.
- GF/GP is weak due to withholding (wages), MBT, and Insurance Taxes
- Could use up to \$266.5 million recommended by Governor to go into the Budget Stabilization Fund to shore up weak revenues, or cut budgets

LONG-TERM CONSTRAINTS ON GF/GP AND SCHOOL AID FUND

- Roads – \$356 million estimated in FY 2018–19 (\$150m for roads, \$206m for homestead exemption), growing to an estimated \$814 million per year by FY 2021–22 (\$600m for roads, \$214m for homestead exemption)
- Personal Property Tax (PPT) – Estimated Use Tax (i.e., State GF/GP) loss of \$380 million in FY 2016–17, growing to \$572 million by FY 2026–27
- Medicaid Expansion – Net State costs approaching \$90 million by FY 2021–22 IF ACA remains in place; unknown impacts if/when ACA is repealed and/or replaced
- Flint? \$286 million Gross (\$195m GF/GP) in FY 2015–16 and FY 2016–17
- Detroit Public Schools – \$72 million/year from Tobacco Settlement