

2017 –18 School Aid Budget getting closer to resolution?

The Conference Committee selected to negotiate an agreement on the 2017-18 School Aid budget met this afternoon to discuss the differences between the budgets passed by the House and Senate. The good news is the conference committee came to an agreement on their points of difference and will move the proposal to both chambers for an “up or down” vote. We expect this process could be finalized in the coming days as the legislative session is close to ending for the summer recess. Upon approval of both chambers, the final budget would be sent to the Governor for his consideration.

Here are a few of the top issues as you finalize your initial 2017-18 budgets:

Foundation Allowance (Sec. 20)

The conference committee used the "2x" formula to provide increases ranging between **\$60 and \$120 per pupil**, at a cost of \$153.0 million. The foundation allowance for 2017-18 will be **\$8,289**, an increase of \$60. The minimum foundation allowance for 2017-18 will be **\$7,631**, an increase of \$120. The agreement maintains current law for the calculation of Cyber School foundation allowances.

At Risk (Sec. 31a)

The conference committee increased funding by \$120.0 million and concurred with pupil eligibility changes. The definition expands from those eligible for free meals to instead count those determined to be “economically disadvantaged.” The expanded definition now includes reduced meal eligibility (in addition to free meals), pupils whose families are receiving supplemental nutritional assistance or TANF assistance, and pupils who are homeless or migrant, or who are in foster care. Funding is also expanded to hold harmless and out of formula districts, limited to 30% of their full calculated allocation.

ISD Funding (Sec. 81)

The conference committee maintains the current year allocation. No increase for 2017-18.

FIRST Robotics (Sec. 99h)

The allocation was increased by \$300,000 to include nonpublic school participation.

Financial Data Analysis Tools (Sec. 102d)

The conference committee maintains the current year allocation. No increase. ISD’s not included in reimbursement.

MPERS District Reimbursement (Sec. 147a(1))

The current allocation of \$100 million was retained for district MPERS normal cost offset for 2017-18. This section continues to exclude ISD’s from allocation.

MPERS Normal Cost for Reforms (Sec. 147a(2))

The conference committee concurred on the additional \$48.9 million to offset normal cost increases due the suggested change in the Annual Rate of Return which lowers

AROR from 8.0% to 7.5% over two years. ISD's will participate in the calculation of specific allocations under this section.

MPSERS Normal Cost/Pension Reforms. (Sec. 147a(3))

The conference committee included \$20.0 million to pay for the employer matching costs of the proposed 401k plan under SB 401 and HB 4647 pending passage of those bills. Also included in the consensus agreement is a deposit into a "MPSERS Reforms Reserve Fund" of \$475 million which is made up of \$200 million from General Fund and \$275 million of School Aid Funds. This fund may be used in the future, potentially to help fund the proposal to close the defined benefit system and transition new employees to a defined contribution plan.

Reimbursement for Nonpublic School Mandates (Sec. 152b)

The conference committee concurred on \$2.5 million in funding to reimburse nonpublic schools for the costs of State mandated reporting.

Boilerplate Language Changes...

Shared-Time FTE Cap (Sec. 6(4)(ii))

The conference committee agreed to impose a **0.75 FTE cap** as the maximum a district can claim for State Aid for a shared time student.

Labor Day Waiver Hearing (Sec. 160)

New requirement that districts seeking a waiver to begin school before Labor Day must hold a public hearing in the district with the Michigan Department of Education to discuss the matter.

Legal Action against the State (Sec. 164g)

The conference committee concurred with language to impose a penalty on a school district that uses State funding to pay for expenses related to a lawsuit against the State.

Collective Bargaining Agreement Penalty (Sec. 164h)

The conference committee agreed to language that establishes a 5% State Aid penalty if a district or ISD enters into a collective bargaining agreement that violates specific section of the law.

Again, this is just a quick overview of the hot topics and not intended to be a full review of the section by section language. We will provide greater detail once we get the actual language and analysis from the fiscal agencies. We are hoping to have more detail early next week.

It's important to understand that the conference committee report is simply a stepping stone to get the budget back to the two Chambers for an "up or down" vote. If it were to pass in both Chambers, the bill would go to the Governor who has veto authority on sections that include an appropriation. We're still a few steps away from the final, but at

least the report out of today's meeting can give you a better look at what could be the final budget!

Please monitor our webpage dedicated to the [2017-18 School Aid Fund](#) budget for the latest reports related to the conference committee agreement.