



STATE OF MICHIGAN
DEPARTMENT OF EDUCATION
LANSING



MICHAEL P. FLANAGAN
SUPERINTENDENT OF
PUBLIC INSTRUCTION

JENNIFER M. GRANHOLM
GOVERNOR

March 12, 2009

MEMORANDUM

TO: State Board of Education

FROM: Mike Flanagan, Chairman

SUBJECT: Presentation on Budget Recommendations for 2009-2010

On February 12, 2009, Governor Jennifer Granholm's Fiscal Year 2010 Executive Budget was presented to a joint session of the Senate and House Appropriations Committees. The FY 2010 budget recommendations address the overarching financial issues facing the state.

The attached information and the charts that will be shared at the meeting highlight the fact that education remains high on the Governor's priority list. The Executive Budget recommends that the MDE and State School Aid budgets include funding to support the Board's goal to attain substantial and meaningful improvement in academic achievement for all students/children with primary emphasis on high priority schools and students.

STATE BOARD OF EDUCATION

KATHLEEN N. STRAUS – PRESIDENT • JOHN C. AUSTIN – VICE PRESIDENT
CAROLYN L. CURTIN – SECRETARY • MARIANNE YARED MCGUIRE – TREASURER
NANCY DANHOF – NASBE DELEGATE • ELIZABETH W. BAUER
REGINALD M. TURNER • CASANDRA E. ULBRICH

608 WEST ALLEGAN STREET • P.O. BOX 30008 • LANSING, MICHIGAN 48909
www.michigan.gov/mde • (517) 373-3324



OFFICE OF THE STATE BUDGET
Presented February 12, 2009

SCHOOL AID HIGHLIGHTS
EXECUTIVE BUDGET
FISCAL YEAR 2010

FY2009 School Aid Supplemental

For fiscal year 2009, the School Aid Fund is expected to have a shortfall of \$44.2 million after recognizing a total of \$116 million in cost savings and a funding reduction in CEPI. The Governor proposes to address this funding shortfall by increasing the general fund contribution to the School Aid Fund to \$85 million.

FY2010 School Aid Executive Budget

Total FY2010 Funding (in millions):

School Aid Fund Revenue	\$ 11,361.0
General Fund	\$ 40.8
Federal Funds	\$ 1,561.8
Total Appropriations	\$ 12,963.6
Local Revenue	\$ 3,600.0
Total State/Local/Federal	\$ 16,563.6

After current service baseline adjustments, the FY2010 funding shortfall is estimated at nearly \$229 million. The Governor proposes to address this shortfall with a combination of \$65 million in additional revenues from lottery and the closure of tax loopholes, and \$164 million in funding reductions.

FY2010 School Aid Highlights

➤ **Consensus Pupils:**

FY2009 – 1,620,531, a decrease of 31,801 pupils from FY2008

FY2010 – 1,591,100, a decrease of 29,431 pupils from FY2009

Basic Operational Support

- The Governor's FY2010 school aid budget reduces discretionary foundation dollars for each district by \$59 per pupil. Total funding for the per-pupil foundation allowance is \$9.5 billion.
- The FY2010 budget reduces funding for Sec. 20j hold harmless districts by \$10 million to approximately \$42.0 million.
- This budget continues to allocate \$20.0 million to help mitigate the financial impact for districts that experience 3 or more consecutive years of **declining enrollment**. The total cost for all eligible districts is approximately \$290 million. This categorical will affect an estimated 330 districts, which is approximately 60% of total districts. The declining enrollment provision for small, rural districts has been reduced by \$5.3 million to \$5.7 million as a result of changing the membership definition from a three-year average blend to a two-year average blend.
- ISD Operations funding is decreased by \$16.3 million to \$65.4 million.

Early Childhood

- The funding for **Great Start Readiness** programs totals \$103.6 million (School-based: \$88.1 M; Competitive: \$15.2 M), sufficient to fund over 30,400 slots at the **per-child allotment of \$3,400**. Funding of \$20,900 for the GSRP Longitudinal Study has been transferred from the Department of Education's budget to school aid for total support of \$300,000.
- The FY2010 budget maintains funding for **Great Start Local Collaboratives** at \$6.8 million.
- The FY2010 budget eliminates funding of \$5.0 million for the **Great Parents, Great Start ISD Program** and \$2.1 million for **Great Start 0-3 Secondary Prevention Services**.

Adult Education

- The FY2010 budget reduces funding for **adult education programs** by \$4.0 million to \$20.0 million. Adult education funds will be distributed on a competitive grant basis to districts serving as the fiscal agents of regional partnerships to provide programs that improve basic skills and increase educational attainment. The earmarks to Grand Rapids Community College and the Department of Corrections funded at \$700,000 have been eliminated.

Student Support Services

- The FY2010 budget provides for nearly \$1.5 billion for **special education services**: \$1.1 billion in state funds (an increase of \$46.2 million) and \$424.7 million in federal funds.
- The FY2010 budget targets \$304.6 million in funding for **At-Risk** programs. Funding for **adolescent teen health centers** is maintained at \$4.7 million to allow new centers to commence operations. Funding for **hearing and vision screenings** is maintained at \$5.2 million. An additional \$535.1 million in federal funds are also available to assist schools in need of support services to improve student achievement and meet federal education standards.
- The FY2010 budget dedicates \$364.6 million in funding (\$32.1 million in state and \$332.5 million in federal) for **school lunch and breakfast programs**.
- The FY2010 budget allocates \$3.0 million for **school transportation safety programs**. These programs provide funds of \$1.6 million for school bus driver safety and testing programs and \$1.4 million for the inspections of buses used to transport school children.
- The FY2010 budget provides \$2.5 million in funds for costs associated with educating pupils housed in **juvenile justice service facilities** operated by the Department of Human Services.
- The FY2010 budget appropriates \$1.3 million for costs associated with the operation of the **Youth ChalleNGe program**, a nationally administered program coordinated by the Department of Military and Veteran's Affairs.
- The FY2010 budget includes \$36.4 million (\$28.1 million in state and \$8.3 million in federal), a decrease of \$742,100 in state funds from the FY2009 enacted level for costs associated with **elementary and high school assessments** required under state and federal law.
- The FY2010 budget provides \$6.3 million in funding (\$3.5 million in state and \$2.8 million in

federal) for the **Center for Educational Performance and Information**.

Increased Opportunities for High School Students

- The FY2010 budget maintains \$15.0 million for the **21st Century Schools Program** to help districts replace large, impersonal high schools that have low academic achievement and high dropout rates with **small high schools** that use strong personal relationships, consistent discipline, and real-world relevance to help at-risk students achieve high academic goals.
- The FY2010 budget reprioritizes existing funds for the **Algebra 4 All** program, a program intended to provide teachers in grades 8 through 12 with the tools needed to teach algebra to all students. The programs will be developed collaboratively between the Michigan Virtual University and Math and Science centers.
- The FY2010 budget maintains \$2.0 million in funding for **Health Sciences Middle College planning grants**. Language is also modified to allow for programs in career fields other than the health sciences field.
- **Math/Science Centers** funding is maintained at \$8.8 million (\$3.5 million in state and \$5.3 million in federal) to provide curriculum and professional development support for the implementation of more rigorous high school curriculum.

Other School Aid Payments

- **District-specific provisions eliminated in FY2010 include:**
 - Wayne-Westland Foundation Adjustment - \$6.1 million
 - At-Risk Earmark to Dearborn - \$5.9 million
 - Grosse Pointe & Harper Woods Pilot Programs - \$1.5 million
 - Garden City & Huron Foundation Adjustments - \$1.2 million
 - Gibraltar Foundation Adjustment - \$913,000
 - Redford Union, Clintondale, and Chippewa Valley Adjustments - \$850,000
 - Supplemental Foundation Payments in Lieu of Levying Mills - \$704,000
 - Vocational Education Earmark to Oakland ISD - \$388,700
 - Positive Behavioral Support Program (99i) - \$300,000
 - Expired Financial Emergency Funding for Inkster- \$125,000
- **Categoricals eliminated in FY2010 include:**
 - Great Parents, Great Start ISD Program - \$5.0 million
 - Bilingual Education - \$2.8 million
 - Great Start 0-3 Secondary Prevention Services - \$2.1 million
 - MBT Impact on Out of Formula Districts - \$1.3 million
 - Transportation Grants for Small, Rural Districts - \$1.3 million
 - Precollege Engineering Programs - \$980,100
 - Rural, Isolated District Funding - \$750,000
 - ISD After School Math Pilot - \$725,000
 - Advanced & Accelerated ISD Program - \$285,000
 - Cultural Access Grants - \$100,000
 - Newslines Services for the Blind - \$80,000

- **State funding is maintained at FY2009 levels for the following programs:**
 - Vocational Education - \$38.6 million
 - ISD Special Ed Millage Equalization - \$36.9 million
 - Court-Placed Children - \$8.0 million
 - Michigan Virtual High School - \$2.3 million

- **Required Payments:**
 - **School Aid Fund Borrowing Costs** is maintained at **\$45.0 million**.
 - **Debt Service on Non-Durant District Bonds** is maintained at **\$42.0 million**.
 - **School Bond Loan Fund debt service** is funded at **\$40.0 million**.
 - **Renaissance Zone** reimbursements are increased by \$4.0 million to **\$39.5 million**.
 - **PILT Reimbursement** is maintained at **\$3.4 million**.

- **The retirement rate is estimated at 16.94% - an increase of 0.4% from the FY2009 rate.**

	FY2009	FY2010	Difference
Pension	9.73%	10.13%	0.4%
Health	6.81%	6.81%	0.0%
Total Change	16.54%	16.94%	0.4%

STATE SCHOOL AID, FY 2008-09 AND FY 2009-10

LINE ITEM DESCRIPTION	FY 2008-09 2008 PA 268	FY2008-09 Proposed Revisions	FY2009-10 Executive Budget
11g - Durant Non-plaintiff Debt Service	42,000,000	42,000,000	42,000,000
11j - School Bond Loan Fund Payments - Debt Service	39,000,000	40,000,000	40,000,000
11m - Cash Flow Borrowing Costs	45,000,000	45,000,000	45,000,000
11n - 21 st Century Schools	15,000,000	15,000,000	15,000,000
22a - Proposal A Obligation Payment	6,092,000,000	5,998,400,000	5,849,300,000
22b - Discretionary Payment	3,796,750,000	3,802,000,000	3,647,677,700
22d - Isolated Districts Funding	2,025,000	2,025,000	0
22e - MBT Impact on Out-of-Formula Districts	1,300,000	1,300,000	0
24 - Court-Placed Pupils	8,000,000	8,000,000	8,000,000
24a - Juvenile Detention Facilities	2,828,500	2,828,500	2,523,200
24c - Challenge Program	1,284,600	1,284,600	1,295,100
26a - Renaissance Zone Costs	57,500,000	35,500,000	39,500,000
26b - PILT Reimbursement	3,400,000	3,400,000	3,400,000
29 - Declining Enrollment	20,000,000	20,000,000	20,000,000
31a - "At-Risk" Pupils	310,457,000	310,457,000	304,582,000
31a(6) - Child and Adolescent Health Centers	4,743,000	4,743,000	4,743,000
31a(7) - Vision and Hearing Screening	5,150,000	5,150,000	5,150,000
31d - School Lunch Program - State Share	22,495,100	22,495,100	22,495,100
31d - School Lunch Program - Federal Share	332,506,000	332,506,000	332,506,000
31f - School Breakfast	9,625,000	9,625,000	9,625,000
32b - Great Start ECIC Collaborative Grant	6,750,000	6,750,000	6,750,000
32c - Great Start Interagency Early Childhood Grants	2,125,000	2,125,000	0
32d - Great Start School Readiness	88,379,100	88,379,100	88,400,000
32j - Great Start ISD 0-5 Grants	5,000,000	5,000,000	0
32l - Great Start School Readiness to Non-Districts	15,150,000	15,150,000	15,150,000
39a(1) - NCLB Federal US-ED Grants	752,987,500	752,987,500	752,987,500
39a(2) - Other (Non-NCLB) Federal Grants	32,559,700	32,559,700	32,559,700
41 - Bilingual Education	2,800,000	2,800,000	0
51a(2) - Special Education - Foundation Allowance	224,800,000	227,700,000	240,800,000
51a(3) - Special Education - Hold Harmless to ISDs	1,600,000	1,200,000	300,000
51a(6) - Special Education - Rules Changes	2,200,000	2,200,000	2,200,000
51a(8) - Special Education - ISD Center FICA	15,313,900	15,313,900	15,313,900
51a(12) - Special Education - Non-Section 52 to ISDs	7,100,000	7,900,000	8,500,000
51a - Special Education - Federal IDEA Funds	350,700,000	350,700,000	350,700,000
51c - Special Education - Headlee	721,400,000	712,850,000	746,200,000
51d - Special Education - Other Federal Funds	74,000,000	74,000,000	74,000,000

53a - Special Education - Court-Placed FTEs	12,800,000	12,800,000	12,800,000
54 - MI Schools for the Deaf and Blind	1,688,000	1,688,000	1,688,000
54a - Special Education - Lending Library	100,000	100,000	100,000
54c - Newslines	80,000	80,000	0
56 - Special Education - ISD Millage Equalization	36,881,100	36,881,100	36,881,100
57 - Advanced and Accelerated	285,000	285,000	0
61a - Vocational Education	30,000,000	30,000,000	29,611,300
62 - Vocational Education - ISD Millage Equalization	9,000,000	9,000,000	9,000,000
64 - Health / Science Middle College Program	2,000,000	2,000,000	2,000,000
65 - Pre-College Engineering	980,100	980,100	0
74 - Bus Driver Safety Instruction	1,625,000	1,625,000	1,625,000
74 - School Bus Inspections	1,403,500	1,403,500	1,436,500
81 - ISD General Operations	81,721,100	81,721,100	65,376,900
94a - CEPI - State Share	4,935,400	3,435,400	3,486,100
94a - CEPI - Federal Share	2,793,200	2,793,200	2,793,200
98 - Michigan Virtual HS - State Share	2,250,000	2,250,000	2,250,000
98 - Michigan Virtual HS - Federal Share	2,700,000	2,700,000	2,700,000
99 - Math / Science Centers - State Share	3,500,000	3,500,000	3,500,000
99 - Math / Science Centers - Federal Share	5,249,300	5,249,300	5,249,300
99a - Math / Science Centers / MVU After School Pilots	725,000	725,000	0
99e - Financial Emergency District Funding	125,000	125,000	0
99j - Anti-Bullying / Crisis Intervention Grant	300,000	300,000	0
99j - Pilot Project Grants	1,500,000	1,500,000	0
99k - Deficit / Deficit Mill Grants	850,000	850,000	0
99n - Cultural Access Grants	100,000	100,000	0
- State Share	28,872,800	28,872,800	28,130,700
- Federal Share	8,512,900	8,512,900	8,313,700
APPROPRIATIONS	\$13,378,906,800	\$13,262,806,800	\$12,963,600,000

TOTAL REVENUE			
Federal Aid		562,008,600	\$
School Aid Fund (SAF)		368,698,200	11,360,990,600
General Fund / General Purpose (GF)	20,000,000		40,800,000
School Aid Stabilization Fund	10,000	247,100,000	0
TOTAL REVENUE			\$12,963,600,000

**MICHIGAN DEPARTMENT OF EDUCATION
FY10 EXECUTIVE BUDGET RECOMMENDATIONS
HIGHLIGHTS**

The FY10 Executive Budget Recommendations contain many standard line item shifts to account for moving fund sources between offices within MDE, particularly related to realigning GF dollars to the Superintendent/State Board Office to correct the federal audit finding related to use of cost pooling, adjustments to building occupancy rates and overall economics. The highlights below reflect Executive Budget Recommendations that relate to program delivery.

Across-the-board 2% GF Cut = (\$151,000)

Program Cost Savings

Alternate Route to Certification Earmarked Programs = (\$200,000)

National Board Certification Pilot Program = (\$100,000)

Program Enhancements

New 21st Century Schools Program Administration/3 FTEs = \$250,000

New Deficit District Assistance/1FTE = \$70,000

Annualize Psychometric Staff Funding = \$194,300

Federal Fund Shift to Federal Indirect Funds = \$2,250,000

(NOTE: MDE will now have access to these federal dollars associated with the various federal programs administered by MDE.)

Transfer of Library of Michigan from Department of History, Arts and Libraries to MDE
72 FTEs

\$21,980,600 (NOTE: includes approximately \$10 million in grants to libraries,
\$505,000 in grants to sub-regional libraries and \$850,000 in technology support)

Total Funding

Federal	\$76,430,200
Local	\$ 7,008,700
Private	\$ 3,096,500
State Restricted	\$ 7,038,900
GF/GP	\$26,389,700
Total	\$119,964,000