FY 2021 Executive Budget Recommendation

Education Briefing Papers

February 6, 2020

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Fiscal Year 2021 K-12 School Aid Executive Budget

	FY2020 School Aid			FY2021 School Aid		
(In Thousands)	**Current Law PA 162 of 2019**	**Exec. Rec. Revised**	**Difference from Current Law**	**Executive Budget**	**Difference from FY20 Current Law**	**%**
School Aid Fund	$13,287,765.0	$13,283,965.0	$(3,800.0)	$13,957,858.5	$670,093.5	5.0%
General Fund	$62,620	$62,620.0	$0	$80,000.0	$17,380.0	27.8%
Other State Restricted	$77,300.1	$77,700.1	$400.0	$78,400.1	$1,100.0	1.4%
Total State Funds	**$13,427,685.1**	**$13,424,285.1**	**$(3,400.0)**	**$14,116,258.6**	**$688,573.5**	**5.1%**
Federal Funds	$1,749,578.5	$1,759,578.5	$10,000.0	$1,806,878.5	$57,300.0	3.3%
Gross Appropriations	**$15,177,263.6**	**$15,183,863.6**	**$6,600.0**	**$15,923,137.1**	**$745,873.5**	**4.9%**
Est. Local Revenue	$3,836,351.4	$3,836,351.4	$0	$3,970,623.7	$134,272.3	3.5%
Total Funding	**$19,013,615.0**	**$19,020,215.0**	**$6,600.0**	**$19,893,760.8**	**$ 880,145.8**	**4.6%**

Consensus Pupil Estimates

Fiscal Year 2020 – 1,460,900
Fiscal Year 2021 – 1,453,600, a decrease of 7,300 pupils (0.5%) from fiscal year 2020
Fiscal Year 2022 – 1,447,000, a decrease of 6,600 (0.5%) from fiscal year 2021

Weighted Funding Model

The Executive Budget Recommendation includes $415 million to increase operational funding for schools to continue implementation of a **weighted school funding model.** This new model includes a base per-pupil foundation payment that builds off the existing foundation allowance plus additional funding for students with more costly educational needs. The investment includes the following components:

- $290 million to increase the per-pupil foundation allowance by **$150 to $225 per-pupil, distributed through a 1.5x formula**. Total state funding for the foundation allowance exceeds $9.6 billion. The minimum foundation allowance will increase to $8,336 per pupil, an increase of 2.8%; the target foundation allowance will increase to $8,679 per pupil, an increase of 1.8%. This reduces the gap between the minimum and maximum foundation allowance to $343.

Per-Pupil Foundation Allowances		
	Minimum	**Maximum**
FY2020 Foundation	$8,111	$8,529
Exec. Rec. Increase	*$ 225*	*$ 150*
FY2021 Foundation	**$8,336**	**$8,679**

- The budget includes an increase of $60 million to support the wide variety of needs for **special education students,** which can range from academic supports to one-on-one specialists. This increase doubles the additional state reimbursement for special education from an estimated 2.1% to 4.2%. These payments are in addition to the state-required reimbursement rate of 28%. In total, the budget includes $1.3 billion state dollars and $446 million federal dollars to support special education.
- Funding for **academically at-risk, economically disadvantaged students** is increased by $60 million to a total of $582 million. This provides an estimated $830 per economically disadvantaged student, which allows districts to provide instructional supports like tutoring and non- instructional supports like counseling to improve academic outcomes. Under the Governor's budget, districts with state and local revenue per pupil exceeding the maximum foundation allowance will receive 50% of their calculated amount, an increase from the 30% provided in prior years.
- In recognition of the higher costs of educating **English Language Learners (ELL)**, the Executive Budget includes an **additional $50 per ELL student**, at a cost increase of $5 million. In total, the Governor's budget includes $18 million for ELL programming
- $5 million is maintained for **CTE incentive payments,** which provide additional resources to districts for each career and technical education (CTE) student. In addition, the Governor's budget maintains funding of $37.6 million **for vocational education programs**, $8 million for **CTE early/middle college programs**, and $9.2 million for **vocational education millage equalization** payments.

Other School Operating Funding

- State funding for **MPSERS retirement contributions** exceeds $1.5 billion, including $1.2 billion for state contributions above the **statutory cap on unfunded liability costs** for local districts of 20.96% of payroll. Funding is included at $180.2 million to **pay for increases in normal costs** as a result of adopting more conservative assumed rates of investment return, costs that would otherwise be paid by districts. Total state funding for MPSERS is increased by $205.9 million. The increase is driven primarily by changes in actuarial assumptions tied to longer lifespans for retirees. The budget maintains the **MPSERS offset payment** at $100 million, which has been included in the budget since FY2012.
- Operations funding for **intermediate school districts** is increased by 3%, to a total of $71.2 million.
- For eligible districts that establish a community engagement advisory committee in partnership with the Department of Treasury, foundation allowance payments will be based on a **3-year-average pupil membership blend**. This provision is estimated to provide $6 million in new funding to struggling school districts.
- The budget reflects a reduced funding level of approximately $24 million (20% of the foundation allowance) for the state's **cyber schools**, in recognition of lower facility, maintenance, and transportation costs compared to brick-and-mortar schools.

Improving Early Learning and Literacy

- The budget increases funding for **Great Start Readiness Program (GSRP)** by $35.5 million, to a total of $285.5 million. This **increase raises the allocation for a full-time preschooler** by $1,086 to $8,336, the same level as the proposed base K-12 foundation allowance. This is the first rate increase for children enrolled in GSRP since 2014.
- The budget further invests in early childhood education through a new program to **expand access to preschool** for children living in high-poverty, high-academic need school districts. On a full-day basis, the program would offer GSRP-style services to an estimated 5,000 additional children, at a cost of $42 million.

- The budget maintains $31.5 million to for **state-funded literacy coaches**. These coaches work with teachers across the state to improve early literacy instruction. The number of coaches was tripled in fiscal year 2020, and to ensure these coaches have the proper tools for success, the budget increases state funding for **literacy essentials training** by $3 million. This funding includes training for literacy coaches, principals, and statewide coordination. In addition, funding is reinstated for the **Michigan Reading Corps** at $2 million.
- Funding of $19.9 million is maintained for other **early literacy grants** to districts used to increase reading proficiency by the end of a child's third grade year through the implementation of multi-tiered systems of supports, regular diagnostic screenings of students, and targeted interventions for students identified as falling behind.

Investing in College and Career Readiness Programs

- A total of $8.2 million is maintained in the budget to support the state's **MiSTEM Network,** which will be rebranded as MiSTEAM to include a focus on "arts." From this amount, $5.1 million is recommended to support the MiSTEAM Network Regions and administrative activities, and $3.1 million is recommended for delivering scalable STEAM-related opportunities to pupils statewide.
- The budget maintains $3 million for the **Michigan College Access Network**, which works to improve college access for low-income and first-generation students.
- The fiscal year 2021 budget maintains $4.7 million for **First Robotics** programs, as well as $1 million to pay for costs associated with **Advanced Placement, International Baccalaureate, or College-Level Examination Program tests** for low-income pupils.

Assessments and Accountability

- The FY2021 budget includes $38.3 million ($32.0 million in state and $6.3 million in federal) for costs associated with **student assessments** required under state and federal law, including $2.5 million for a tool to gauge the **readiness of students entering kindergarten.**
- The FY2021 budget maintains a total of $40.2 million for **state data collection and reporting costs.** This amount includes $38 million in **grants to districts for data collection** and $2.2 million to continue the work of the **Michigan Data Hub Network.** The regional data hubs are designed to improve the efficiency of local data collection and provide actionable data to districts through common reports and dashboards. **Center for Educational Performance and Information (CEPI)** state funding totals $16.8 million.
- The budget maintains $6 million to support **Partnership Models** for interventions in districts identified as needing additional academic supports or in districts that have entered into a Community Engagement Advisory Committee. Districts in need of intervention often have academic and financial needs. To ensure both needs are being addressed, the budget includes language to streamline the existing collaboration between the Department of Education and the Department of Treasury. With this program, the departments will continue to work with eligible districts to develop intervention plans and coordinate public, private, and non-profit resources to improve student achievement and financial stability.

Educator Supports

- The FY2021 budget provides an additional $1.5 million to expand existing **teacher cadet programs**, create new programs, and to improve the quality of programs statewide. These programs allow districts to develop and hire teachers from their own student population, which assists in recruiting talent and hiring teachers who are demographically representative of the district's student body.

- The FY2021 budget includes $25 million for a **teacher supplies program.** This program will help teachers who purchase classroom supplies out-of-pocket while also providing a better learning environment for students. The program provides funding to the district, which will then distribute dollars to teachers at an amount estimated at $250 per teacher for the purchase of classrooms supplies.
- Funding of $5 million is included for **professional development programs.** These programs allow teachers to engage in peer-to-peer learning networks or connect with participating universities for the purpose of professional growth and development that will lead to improved student outcomes.

Health and Safety Supports

- The FY2021 budget includes $40 million general fund for **school infrastructure grants.** These grants will support districts with air and water filter replacement, lead and asbestos abatement, heating and cooling modifications, and other facility upgrades to protect student health and safety.
- A total of $8.1 million is included to continue **early interventions, school-level supports, and nutrition programs** for children in Flint.
- The Executive Budget maintains $31.3 million to support **student mental and behavioral health.**

Student Support Services

- The budget maintains $7.2 million for state **Early On** programming to provide early identification and interventions for developmental delays in children.
- The budget also maintains $1.6 million for continued implementation of the **Michigan Integrated Behavioral and Learning Support (MiBLSi)**, a nationally-recognized evidence-based and data-driven academic and behavioral intervention model.
- Funding for **adolescent teen health centers** is continued at $8 million and funding for **hearing and vision screenings** is maintained at $5.2 million.
- Funding for **school breakfast and lunch programs** is $577.6 million: $27.6 million in state funds and $550 million in federal funds. Funding for programs to support the inclusion of **locally grown produce** in student meals is reinstated at $1 million for statewide implementation. In addition, the budget includes $1 million to offset district costs of **forgiving existing student meal debt.**
- Funding of $30.5 million is maintained for **adult education programs**, administered by the Department of Labor and Economic Opportunity.
- The budget maintains $6.3 million for the **Michigan Virtual University** to research and support best practices in virtual coursework and to provide professional development.
- **School transportation safety programs** are funded at $3.8 million: $1.8 million for school bus inspections provided by Michigan State Police and $2 million for school bus driver safety training. Funding to support **transportation costs in small, isolated districts** is maintained at $7 million.
- Education programs in **juvenile justice facilities** are included at $1.4 million. Educational programs that serve **wards of the court** are supported with $7.2 million. Funding for **strict discipline academy and dropout recovery** pupil transfer programs are eliminated.
- Funding for **reorganization and cooperation activities** is included at $5 million. The purpose of these grants is to improve the efficiency of the state education system through the support of reorganization and cooperative activities between districts or between districts and intermediate districts.

Debt Service and Other Required Payments

- **School Bond Loan Fund Debt Service** is funded at $111 million.
- **Renaissance Zone** reimbursements are recommended at $15.3 million.
- **School Aid Fund Borrowing Costs** are maintained at $66 million.
- **Payments in Lieu of Taxes** are maintained at $4.6 million.
- **Promise Zone funding** is increased to $9.7 million.

MPSERS Contribution Rates

The FY2021 MPSERS retirement contribution rates are detailed below:

MPSERS Retirement Rates for FY2021								
	Basic MIP w/Prem Subsidy	**Pension Plus w/Prem Subsidy**	**Pension Plus PHF**	**Pension Plus to DC w/PHF**	**Basic/MIP To DC w/ Prem Subsidy**	**Basic/MIP To DC w/PHF**	**Basic/ MIP w/PHF**	**Pension Plus 2 with PHF**
Total Rate	**42.72%**	**39.76%**	**38.90%**	**35.47%**	**36.33%**	**35.47%**	**41.86%**	**41.67%**
Employer Rate:								
Pension Normal Cost	6.39%	3.43%	3.43%	0.00%	0.00%	0.00%	6.39%	6.20%
Pension UAL	13.39%	13.39%	13.39%	13.39%	13.39%	13.39%	13.39%	13.39%
Pension Total Rate	**19.78%**	**16.82%**	**16.82%**	**13.39%**	**13.39%**	**13.39%**	**19.78%**	**19.59%**
Health Normal Cost	0.86%	0.86%	0.00%	0.00%	0.86%	0.00%	0.00%	0.00%
Health UAL	7.57%	7.57%	7.57%	7.57%	7.57%	7.57%	7.57%	7.57%
Retiree Health Total Rate	**8.43%**	**8.43%**	**7.57%**	**7.57%**	**8.43%**	**7.57%**	**7.57%**	**7.57%**
Employer Capped Rate	**28.21%**	**25.25%**	**24.39%**	**20.96%**	**21.82%**	**20.96%**	**27.35%**	**27.16%**
Stabilization Rate (State Funded)	**14.51%**	**14.51%**	**14.51%**	**14.51%**	**14.51%**	**14.51%**	**14.51%**	**14.51%**

FY2020 Employer Capped Rate	**27.50%**	**24.55%**	**24.03%**	**20.96%**	**21.48%**	**20.96%**	**26.98%**	**27.16%**

Acronyms Used Above:

- *MPSERS – Michigan Public School Employees Retirement System*
- *MIP – Member Investment Plan*
- *PHF – Personal Healthcare Fund*
- *DC – Defined Contribution*
- *UAL – Unfunded accrued liability*

SBO State Budget Office

FY2020, FY2021, and FY2022 Executive Budget Recommendation

February 6, 2020

Sec.	APPROPRIATIONS (In thousands):	FY20 Revised Exec. Rec.	FY20 Difference from Current Law	FY21 Executive Budget	FY21 Difference from Current Law	FY22 Executive Budget	FY22 Difference from FY21 Exec. Rec.
11j	School Bond Loan Redemption Fund	$ 111,000.0	$ -	$ 111,000.0	$ -	$ 111,000.0	$ -
11m	School Aid Fund Borrowing Costs	$ 66,000.0	$ -	$ 66,000.0	$ -	$ 66,000.0	$ -
11s	Flint Declaration of Emergency	$ 8,075.1	$ -	$ 8,075.1	$ -	$ 8,075.1	$ -
20f	Categorical Offset Payments	$ 18,000.0	$ -	$ 18,000.0	$ -	$ 18,000.0	$ -
21h	Partnership Model Districts	$ 6,000.0	$ -	$ 6,000.0	$ -	$ 6,000.0	$ -
22a	Proposal A Obligation Payment	$ 4,922,000.0	$ (21,000.0)	$ 4,839,000.0	$ (104,000.0)	$ 4,746,000.0	$ (93,000.0)
22b	Discretionary Payment	$ 4,574,000.0	$ 18,000.0	$ 4,831,000.0	$ 275,000.0	$ 4,813,000.0	$ (18,000.0)
22d	Isolated Districts	$ 7,000.0	$ -	$ 7,000.0	$ -	$ 7,000.0	$ -
22m	Technology Regional Data Hubs	$ 2,200.0	$ -	$ 2,200.0	$ -	$ 2,200.0	$ -
22q	Reorganization and Cooperative Activities Grants	$ -	$ -	$ 5,000.0	$ 5,000.0	$ -	$ (5,000.0)
24	Court-Placed Children	$ 7,150.0	$ -	$ 7,150.0	$ -	$ 7,150.0	$ -
24a	Juvenile Detention Facility Programs	$ 1,355.7	$ -	$ 1,355.7	$ -	$ 1,355.7	$ -
25f	Strict Discipline Academies Pupil Transfers	$ 1,600.0	$ -	$ -	$ (1,600.0)	$ -	$ -
25g	Dropout Recovery Program Pupil Transfers	$ 750.0	$ -	$ -	$ (750.0)	$ -	$ -
26a	Renaissance Zone Reimbursement	$ 15,300.0	$ -	$ 15,300.0	$ -	$ 15,300.0	$ -
26b	PILT Reimbursement	$ 4,641.1	$ -	$ 4,641.1	$ -	$ 4,641.1	$ -
26c	Promise Zone Payments	$ 7,400.0	$ (1,000.0)	$ 9,700.0	$ 1,300.0	$ 9,700.0	$ -
31a	At-Risk Programs	$ 522,000.0	$ -	$ 582,000.0	$ 60,000.0	$ 582,000.0	$ -
31a	Adolescent Teen Health Centers	$ 8,000.0	$ -	$ 8,000.0	$ -	$ 8,000.0	$ -
31a	Vision/Hearing Screening	$ 5,150.0	$ -	$ 5,150.0	$ -	$ 5,150.0	$ -
31d	School Lunch - State	$ 23,144.0	$ -	$ 23,144.0	$ -	$ 23,144.0	$ -
31d	School Lunch - Federal	$ 537,200.0	$ -	$ 550,000.0	$ 12,800.0	$ 550,000.0	$ -
31f	School Breakfast	$ 4,500.0	$ -	$ 4,500.0	$ -	$ 4,500.0	$ -
31j	Local Produce	$ -	$ -	$ 1,000.0	$ 1,000.0	$ 1,000.0	$ -
31k	School Meal Debt Forgiveness	$ -	$ -	$ 1,000.0	$ 1,000.0	$ -	$ (1,000.0)
31n	Mental Health Grants and Admin	$ 31,300.0	$ -	$ 31,300.0	$ -	$ 31,300.0	$ -
32d	Great Start Readiness	$ 249,950.0	$ -	$ 285,450.0	$ 35,500.0	$ 285,450.0	$ -
32p	Great Start Early Childhood Block Grants	$ 13,400.0	$ -	$ 13,400.0	$ -	$ 13,400.0	$ -
32s	Expended Preschool Access Program	$ -	$ -	$ 42,000.0	$ 42,000.0	$ 42,000.0	$ -
35a	Early Literacy Teacher Coaches	$ 31,500.0	$ -	$ 31,500.0	$ -	$ 31,500.0	$ -
35a	Early Literacy District Grants	$ 19,900.0	$ -	$ 19,900.0	$ -	$ 19,900.0	$ -
35a	Literacy Essentials	$ 1,000.0	$ -	$ 4,000.0	$ 3,000.0	$ 4,000.0	$ -
35a	Summer School Reading Program	$ 5,000.0	$ -	$ -	$ (5,000.0)	$ -	$ -
35a	Reading Corps	$ -	$ -	$ 2,000.0	$ 2,000.0	$ 2,000.0	$ -
35c	Multisensory Reading Program	$ 300.0	$ -	$ -	$ (300.0)	$ -	$ -
39a1	Federal NCLB/ESSA Grant Funds	$ 725,600.0	$ -	$ 749,200.0	$ 23,600.0	$ 749,200.0	$ -
39a2	Other Federal Funding	$ 59,100.0	$ 10,000.0	$ 55,000.0	$ 5,900.0	$ 55,000.0	$ -
41	Bilingual Education	$ 13,000.0	$ -	$ 18,000.0	$ 5,000.0	$ 18,000.0	$ -
51a	Special Education - Federal IDEA	$ 370,000.0	$ -	$ 375,000.0	$ 5,000.0	$ 375,000.0	$ -
51a2	Special Education Foundations & Sped	$ 295,700.0	$ (2,100.0)	$ 308,000.0	$ 10,200.0	$ 321,700.0	$ 13,700.0
51a3	Special Ed Hold Harmless Pmt. To ISDs	$ 1,000.0	$ -	$ 1,000.0	$ -	$ 1,000.0	$ -
51a6	Special Ed Rule Change	$ 2,200.0	$ -	$ 2,200.0	$ -	$ 2,200.0	$ -
51a11	Special Ed Non Sec 52 to ISDs	$ 3,100.0	$ 200.0	$ 3,100.0	$ 200.0	$ 3,100.0	$ -
51c	Special Education Headlee	$ 691,600.0	$ 2,500.0	$ 718,600.0	$ 29,500.0	$ 751,500.0	$ 32,900.0
51d	Special Education - Other Federal	$ 61,000.0	$ -	$ 71,000.0	$ 10,000.0	$ 71,000.0	$ -
51f	Special Education Cost Reimbursement	$ 60,207.0	$ -	$ 120,207.0	$ 60,000.0	$ 120,207.0	$ -
53a	Court Placed Special Ed FTE	$ 10,500.0	$ -	$ 10,500.0	$ -	$ 10,500.0	$ -
54	MI School for Deaf and Blind	$ 1,688.0	$ -	$ 1,688.0	$ -	$ 1,688.0	$ -
54b	Integrated Behavior and Learning Support (MiBLSI)	$ 1,600.0	$ -	$ 1,600.0	$ -	$ 1,600.0	$ -
54d	Early On	$ 7,150.0	$ -	$ 7,150.0	$ -	$ 7,150.0	$ -
54e	Autism Interventions	$ 350.0	$ -	$ -	$ (350.0)	$ -	$ -
56	Special Education Millage Equalization	$ 40,008.1	$ -	$ 40,008.1	$ -	$ 40,008.1	$ -
61a	Vocational Education	$ 37,611.3	$ -	$ 37,611.3	$ -	$ 37,611.3	$ -
61b	CTE Middle College Program	$ 8,000.0	$ -	$ 8,000.0	$ -	$ 8,000.0	$ -
61d	CTE Incentive Payment	$ 5,000.0	$ -	$ 5,000.0	$ -	$ 5,000.0	$ -
62	ISD Vocational Ed Millage Reimbursement	$ 9,190.0	$ -	$ 9,190.0	$ -	$ 9,190.0	$ -
65	Detroit Pre-College K-12 Engineering Program	$ 400.0	$ -	$ 400.0	$ -	$ 400.0	$ -
67	Michigan College Access Network (MCAN)	$ 3,000.0	$ -	$ 3,000.0	$ -	$ 3,000.0	$ -
74	Bus Driver Safety	$ 2,025.0	$ -	$ 2,025.0	$ -	$ 2,025.0	$ -
74	School Bus Inspection Program	$ 1,747.9	$ -	$ 1,789.5	$ 41.6	$ 1,789.5	$ -
81	ISD General Operations	$ 69,138.0	$ -	$ 71,212.2	$ 2,074.2	$ 71,212.2	$ -
94	AP, IB, CLEP Assessments	$ 1,000.0	$ -	$ 1,000.0	$ -	$ 1,000.0	$ -
94a	CEPI - State	$ 16,457.2	$ -	$ 16,848.9	$ 391.7	$ 16,848.9	$ -
94a	CEPI - Federal	$ 193.5	$ -	$ 193.5	$ -	$ 193.5	$ -
97	School Safety Grants	$ 10,000.0	$ -	$ -	$ (10,000.0)	$ -	$ -
97a	School Infrastructure Grants	$ -	$ -	$ 40,000.0	$ 40,000.0	$ -	$ (40,000.0)
98	Michigan Virtual University	$ 6,312.5	$ -	$ 6,312.5	$ -	$ 6,312.5	$ -
98a	Professional Development	$ -	$ -	$ 5,000.0	$ 5,000.0	$ -	$ (5,000.0)
98b	Teacher Cadet	$ -	$ -	$ 1,500.0	$ 1,500.0	$ 1,500.0	$ -
98c	Teacher Supplies	$ -	$ -	$ 25,000.0	$ 25,000.0	$ -	$ (25,000.0)
99h	First Robotics	$ 4,700.0	$ -	$ 4,700.0	$ -	$ 4,700.0	$ -
99s	MI-STEM Council Supports	$ 300.0	$ -	$ 300.0	$ -	$ 300.0	$ -
99s	MI-STEM Council Grants	$ 3,050.0	$ -	$ 3,050.0	$ -	$ 3,050.0	$ -
99s	MiSTEAM Network Regions - Federal	$ 235.0	$ -	$ 235.0	$ -	$ 235.0	$ -
99s	MiSTEAM Network Regions	$ 4,584.3	$ -	$ 4,584.3	$ -	$ 4,584.3	$ -
104	Student Assessments - State	$ 32,009.4	$ -	$ 32,009.4	$ -	$ 32,009.4	$ -
104	Student Assessments - Federal	$ 6,250.0	$ -	$ 6,250.0	$ -	$ 6,250.0	$ -
107	Adult Education	$ 30,500.0	$ -	$ 30,500.0	$ -	$ 30,500.0	$ -
147a	MPSERS Cost Offset	$ 100,000.0	$ -	$ 100,000.0	$ -	$ 100,000.0	$ -
147a(2)	MPSERS Normal Cost Offset	$ 172,069.0	$ -	$ 180,206.0	$ 8,137.0	$ 173,189.0	$ (7,017.0)
147c	MPSERS UAAL Rate Stabilization Payment	$ 1,030,900.0	$ -	$ 1,219,800.0	$ 188,900.0	$ 1,311,200.0	$ 91,400.0
147e	MPSERS Transition Costs	$ 42,571.0	$ -	$ 51,400.0	$ 8,829.0	$ 68,700.0	$ 17,300.0
152a	Data Collection and Reporting Costs	$ 38,000.5	$ -	$ 38,000.5	$ -	$ 38,000.5	$ -
	TOTAL SCHOOL AID APPROPRIATIONS	**$ 15,183,863.6**	**$ 6,600.0**	**$ 15,923,137.1**	**$ 745,873.5**	**$ 15,884,420.1**	**$ (38,717.0)**

REVENUES:						
School Aid Fund	$ 13,283,965.0	$ (3,800.0)	$ 13,957,858.5	$ 670,093.5	$ 13,965,541.5	$ 7,683.0
General Fund	$ 62,620.0	$ -	$ 80,000.0	$ 17,380.0	$ 40,000.0	$ (40,000.0)
Community District Trust Fund/Other SR Funds	$ 75,800.1	$ 400.0	$ 78,400.1	$ 3,000.0	$ 72,000.1	$ (6,400.0)
MPSERS Retirement Obligation Reform Fund	$ 1,900.0	$ -	$ -	$ (1,900.0)	$ -	$ -
Federal Funds	$ 1,759,578.5	$ 10,000.0	$ 1,806,878.5	$ 57,300.0	$ 1,806,878.5	$ -
TOTAL APPROPRIATED REVENUES	**$ 15,183,863.6**	**$ 6,600.0**	**$ 15,923,137.1**	**$ 745,873.5**	**$ 15,884,420.1**	**$ (38,717.0)**

Community Colleges Budget Highlights

February 6th, 2020

Overview

The Governor's proposed budget includes an increase of $8.1 million, or 2.5 percent, for community colleges operations. This compares to an expected increase in inflation of 1.7 percent. Total fiscal year 2021 recommended funding for community colleges is $433.8 million.

Performance Funding Formula

The $8.1 million operations increase is allocated among the 28 community colleges using the current performance funding formula. This formula allocation is as follows:

- 30 percent across-the-board, proportional to previous year base funding.
- 25 percent based on contact hours weighted to recognize high-cost areas of instruction.
- 30 percent based on three performance metrics (10 percent for number of degree and certificate completions, 10 percent for completion rate, and 10 percent for completion improvement).
- 5 percent based on administrative costs.
- 5 percent based on local strategic value qualifications.
- 5 percent based on the 6 community colleges with the lowest FY 2018-19 taxable values, weighed by FYEs.

Tuition Restraint

Recognizing the improvements being proposed to make college significantly more affordable to students through the Michigan Reconnect Grant, the Governor's budget recommendation includes a tuition restraint provision in the community college budget to limit annual tuition and fee increases to 2.5 times the level of inflation (4.25%) in fiscal year 2021. This will constrain both cost increases for community college students and growth in the costs of the Reconnect Program.

North American Indian Tuition Waiver

The Governor's budget maintains $1.8 million for North American Indian Tuition Waiver funding for community colleges.

Retirement Reform Payments

The Governor's budget continues to cap the amount of unfunded accrued liability contributions paid by community colleges to the Michigan Public School Employees Retirement System (MPSERS), with the state making payments for amounts over the cap of 20.96 percent. For fiscal year 2021, the budget continues to lower the assumed investment rate to 6.8 percent, based on long-term market analysis and industry standards. The community colleges budget includes a total of $98 million for community college retirement obligations, which is an increase of $11 million over FY2020, with most of the increase attributable to updated actuarial assumptions to reflect recent mortality and payroll trends.

Renaissance Zone Tax Reimbursements

The Governor's proposed budget also continues funding of $2.2 million for Renaissance Zone Tax Reimbursements. These reimbursements hold community college districts harmless from the impact of property tax exemptions in designated state Renaissance Zones.

State Building Authority Rent

Included in the bill is a schedule of estimated payments the state makes to support debt service for recently constructed community college building projects. This $35.7 million in general fund, although appropriated in the DTMB budget, represents additional state support for community colleges.

FY 2021 Executive Recommendation

	FY 2020 Operations	FY 2021 Increase	FY 2021 Total Operations	% Change - Operations	FY 2021 Indian Tuition Waiver
Alpena	$5,753,300	$181,000	$5,934,300	3.1%	$19,300
Bay de Noc	$5,602,800	$214,600	$5,817,400	3.8%	$137,900
Delta	$15,160,500	$346,900	$15,507,400	2.3%	$40,900
Glen Oaks	$2,651,200	$116,000	$2,767,200	4.4%	$1,200
Gogebic	$4,873,700	$143,700	$5,017,400	2.9%	$59,900
Grand Rapids	$18,773,100	$486,500	$19,259,600	2.6%	$240,300
Henry Ford	$22,533,100	$492,500	$23,025,600	2.2%	$41,600
Jackson	$12,756,200	$262,300	$13,018,500	2.1%	$46,700
Kalamazoo Valley	$13,099,900	$309,200	$13,409,100	2.4%	$56,000
Kellogg	$10,267,100	$233,800	$10,500,900	2.3%	$79,400
Kirtland	$3,358,400	$93,000	$3,451,400	2.8%	$34,600
Lake Michigan	$5,702,700	$154,000	$5,856,700	2.7%	$11,300
Lansing	$32,852,000	$669,600	$33,521,600	2.0%	$153,900
Macomb	$34,276,100	$781,500	$35,057,600	2.3%	$36,000
Mid Michigan	$5,184,400	$270,800	$5,455,200	5.2%	$140,100
Monroe County	$4,746,200	$122,800	$4,869,000	2.6%	$900
Montcalm	$3,570,600	$141,700	$3,712,300	4.0%	$5,700
Mott	$16,440,000	$371,100	$16,811,100	2.3%	$13,400
Muskegon	$9,289,100	$203,400	$9,492,500	2.2%	$77,300
North Central MI	$3,389,300	$101,800	$3,491,100	3.0%	$177,900
Northwestern MI	$9,567,100	$217,400	$9,784,500	2.3%	$246,700
Oakland	$22,211,700	$556,900	$22,768,600	2.5%	$23,700
Schoolcraft	$13,196,200	$356,800	$13,553,000	2.7%	$67,000
Southwestern MI	$6,979,400	$137,500	$7,116,900	2.0%	$39,700
St. Clair	$7,385,200	$194,400	$7,579,600	2.6%	$8,500
Washtenaw	$13,855,900	$440,700	$14,296,600	3.2%	$31,000
Wayne County	$17,593,400	$403,900	$17,997,300	2.3%	$8,500
West Shore	$2,585,600	$87,600	$2,673,200	3.4%	$19,800
SUBTOTAL:	**$323,654,200**	**$8,091,400**	**$331,745,600**	2.5%	**$1,819,200**

Total Community College Funding: **$333,564,800**

FY 2021 Executive Recommendation

New Money:		$8,091,400	30%		10%		10%		10%		25%		5%		5%		95%		5%			
	FY 19 FYES	FY 2019-20 Base	Sustainability	% Change	Performance-Improvement	% Change	Performance-Completion Number	% Change	Performance-Completion Rate	% Change	Contact Hours	% Change	Administrative	% Change	Local Strategic Value	% Change	Total Formula Distibution	% Change	Adjustments for Lowest Taxable Value	Total FY21 Adjustments	% Change	FY 2020-21 Appropriation
Alpena	982	5,753,300	43,150	0.8%	11,507	0.2%	9,594	0.2%	19,640	0.3%	17,420	0.3%	15,076	0.3%	7,192	0.1%	123,600	2.1%	57,400	181,000	3.1%	$5,934,300
Bay de Noc	1,306	5,602,800	42,021	0.8%	24,402	0.4%	10,727	0.2%	19,011	0.3%	21,066	0.4%	14,104	0.3%	7,004	0.1%	138,300	2.5%	76,300	214,600	3.8%	$5,817,400
Delta	5,354	15,160,500	113,704	0.8%	38,022	0.3%	36,355	0.2%	38,232	0.3%	87,142	0.6%	14,540	0.1%	18,951	0.1%	346,900	2.3%	0	346,900	2.3%	$15,507,400
Glen Oaks	760	2,651,200	19,884	0.8%	15,275	0.6%	3,869	0.1%	12,902	0.5%	13,603	0.5%	2,785	0.1%	3,314	0.1%	71,600	2.7%	44,400	116,000	4.4%	$2,767,200
Gogebic	711	4,873,700	36,553	0.8%	9,747	0.2%	5,273	0.1%	19,372	0.4%	13,501	0.3%	11,679	0.2%	6,092	0.1%	102,200	2.1%	41,500	143,700	2.9%	$5,017,400
Grand Rapids	11,072	18,773,100	140,799	0.8%	40,075	0.2%	47,517	0.3%	45,261	0.2%	171,972	0.9%	17,379	0.1%	23,467	0.1%	486,500	2.6%	0	486,500	2.6%	$19,259,600
Henry Ford	8,509	22,533,100	168,999	0.8%	51,862	0.2%	38,523	0.2%	45,066	0.2%	145,854	0.6%	14,052	0.1%	28,167	0.1%	492,500	2.2%	0	492,500	2.2%	$23,025,600
Jackson	3,562	12,756,200	95,672	0.8%	33,141	0.3%	19,738	0.2%	25,513	0.2%	56,424	0.4%	15,879	0.1%	15,945	0.1%	262,300	2.1%	0	262,300	2.1%	$13,018,500
Kalamazoo Valley	4,983	13,099,900	98,250	0.8%	29,795	0.2%	27,788	0.2%	33,695	0.3%	85,338	0.7%	17,974	0.1%	16,375	0.1%	309,200	2.4%	0	309,200	2.4%	$13,409,100
Kellogg	2,741	10,267,100	77,004	0.8%	20,534	0.2%	23,204	0.2%	29,181	0.3%	53,637	0.5%	17,426	0.2%	12,834	0.1%	233,800	2.3%	0	233,800	2.3%	$10,500,900
Kirtland	847	3,358,400	25,188	0.8%	14,624	0.4%	8,526	0.3%	6,717	0.2%	18,866	0.6%	14,845	0.4%	4,198	0.1%	93,000	2.8%	0	93,000	2.8%	$3,451,400
Lake Michigan	1,839	5,702,700	42,770	0.8%	29,184	0.5%	11,458	0.2%	19,118	0.3%	36,145	0.6%	8,193	0.1%	7,128	0.1%	154,000	2.7%	0	154,000	2.7%	$5,856,700
Lansing	7,940	32,852,000	246,391	0.8%	74,041	0.2%	71,444	0.2%	73,609	0.2%	146,204	0.4%	16,803	0.1%	41,065	0.1%	669,600	2.0%	0	669,600	2.0%	$33,521,600
Macomb	13,450	34,276,100	257,072	0.8%	74,804	0.2%	73,867	0.2%	76,797	0.2%	238,857	0.7%	17,385	0.1%	42,845	0.1%	781,500	2.3%	0	781,500	2.3%	$35,057,600
Mid-Michigan	2,269	5,184,400	38,883	0.8%	10,369	0.2%	16,116	0.3%	18,262	0.4%	36,625	0.7%	11,468	0.2%	6,481	0.1%	138,200	2.7%	132,600	270,800	5.2%	$5,455,200
Monroe County	1,719	4,746,200	35,597	0.8%	9,513	0.2%	11,425	0.2%	9,492	0.2%	34,489	0.7%	16,302	0.3%	5,933	0.1%	122,800	2.6%	0	122,800	2.6%	$4,869,000
Montcalm	897	3,570,600	26,780	0.8%	9,987	0.3%	9,503	0.3%	7,141	0.2%	16,212	0.5%	15,236	0.4%	4,463	0.1%	89,300	2.5%	52,400	141,700	4.0%	$3,712,300
Mott	4,557	16,440,000	123,301	0.8%	32,880	0.2%	42,934	0.3%	40,642	0.2%	93,785	0.6%	16,972	0.1%	20,550	0.1%	371,100	2.3%	0	371,100	2.3%	$16,811,100
Muskegon	2,720	9,289,100	69,669	0.8%	19,381	0.2%	15,081	0.2%	26,675	0.3%	43,905	0.5%	17,119	0.2%	11,611	0.1%	203,400	2.2%	0	203,400	2.2%	$9,492,500
North Central	1,194	3,389,300	25,420	0.8%	12,237	0.4%	8,813	0.3%	14,488	0.4%	21,621	0.6%	14,938	0.4%	4,237	0.1%	101,800	3.0%	0	101,800	3.0%	$3,491,100
Northwestern	2,401	9,567,100	71,754	0.8%	29,279	0.3%	19,155	0.2%	27,273	0.3%	43,974	0.5%	14,021	0.1%	11,959	0.1%	217,400	2.3%	0	217,400	2.3%	$9,784,500
Oakland	10,469	22,211,700	166,589	0.8%	44,424	0.2%	78,664	0.4%	52,097	0.2%	170,727	0.8%	16,615	0.1%	27,765	0.1%	556,900	2.5%	0	556,900	2.5%	$22,768,600
Schoolcraft	6,950	13,196,200	98,972	0.8%	26,393	0.2%	43,074	0.3%	34,701	0.3%	117,515	0.9%	19,613	0.1%	16,495	0.1%	356,800	2.7%	0	356,800	2.7%	$13,553,000
Southwestern	1,420	6,979,400	52,346	0.8%	13,959	0.2%	14,407	0.2%	13,959	0.2%	24,334	0.3%	9,814	0.1%	8,724	0.1%	137,500	2.0%	0	137,500	2.0%	$7,116,900
St. Clair	2,344	7,385,200	55,389	0.8%	29,538	0.4%	18,539	0.3%	23,440	0.3%	43,944	0.6%	14,321	0.2%	9,232	0.1%	194,400	2.6%	0	194,400	2.6%	$7,579,600
Washtenaw	8,059	13,855,900	103,920	0.8%	35,255	0.3%	85,810	0.6%	36,499	0.3%	145,351	1.0%	16,517	0.1%	17,320	0.1%	440,700	3.2%	0	440,700	3.2%	$14,296,600
Wayne County	6,649	17,593,400	131,951	0.8%	35,187	0.2%	52,125	0.3%	35,187	0.2%	113,836	0.6%	13,572	0.1%	21,992	0.1%	403,900	2.3%	0	403,900	2.3%	$17,997,300
West Shore	636	2,585,600	19,392	0.8%	33,723	1.3%	5,610	0.2%	5,171	0.2%	10,502	0.4%	9,941	0.4%	3,232	0.1%	87,600	3.4%	0	87,600	3.4%	$2,673,200
	116,340	**323,654,200**	**2,427,420**	**0.8%**	**809,140**	**0.3%**	**809,140**	**0.3%**	**809,140**	**0.3%**	**2,022,850**	**0.6%**	**404,570**	**0.1%**	**404,570**	**0.1%**	**7,686,800**	**2.4%**	**404,600**	**8,091,400**	2.5%	**$331,745,600**

Overview

The Governor's proposed budget recommends an increase of $36.5 million, or 2.5 percent, for university operations. Total recommended funding for higher education, including financial aid programs and retirement cost reimbursement, is over $1.7 billion.

Operations

The $36.5 million operations increase is distributed equally across-the-board with each of the 15 public universities receiving a 2.5 percent increase over the previous fiscal year. This compares to an expected increase in inflation of 1.7 percent over the same period.

To receive the funding increase, universities must satisfy the following requirements:

- Universities must limit tuition and fee increases to 4.25 percent, or $586 per student, whichever is greater, in order to receive any increased funding provided in this recommendation. The limit is 2.5 times the level of projected inflation for fiscal year 2021.
- Universities must actively participate in the Michigan Transfer Network and provide timely updates to the network, which informs students how their credits will transfer in and out to other Michigan postsecondary education institutions.
- Universities must participate in reverse transfer agreements with at least 3 community colleges.
- Universities must not consider whether dual enrollment credits were utilized for high school graduation when deciding to award university credit for those classes.

Michigan State University AgBioResearch and Extension also each receive a 2.5 percent increase, or $1.6 million. This brings total funding for these programs to $66.7 million.

Student Financial Aid

The Governor's budget recommendation includes a fiscal year 2020 supplemental of $35 million to establish the Michigan Reconnect Grant program. This program will provide tuition-free educational opportunities for non-traditional students ages 25 and older and already in the workforce who seek to earn an industry certificate or associate degree. All remaining funds at the end of fiscal year 2020 will be carried forward and used to support the program through fiscal year 2021.

The Governor's budget also recommends $10 million general fund to establish the Michigan Student Loan Refinance program. This program will enable qualified individuals to refinance up to $50,000 of his or her federal or nonfederal student loans through the Michigan Department of Treasury with a new lower interest rate. Applicants must have resided in Michigan for at least one year and have made regular payments on their loans for at 3 least years in order to qualify.

In an effort to contain increasing costs of the Tuition Incentive Program, the Governor's budget implement. a tuition cap of 2.5 times the in-district per-credit community college tuition rate. The budget assumes savings of $5.3 million associated with implementing the cap.

The Governor's budget continues funding for the Michigan Tuition Grant awards of $2,800 and Michigan Competitive Scholarship awards at $1,000. Total recommended funding for student financial aid in fiscal year 2021 is $152.9 million.

North American Indian Tuition Waiver

The Governor's budget maintains $10.9 million for North American Indian Tuition Waiver funding for universities.

MPSERS Reform

The Governor's budget continues to cap the amount of unfunded accrued liability contributions paid by the seven-member universities of the Michigan Public School Employees Retirement System (MPSERS), with the state making payments for amounts over the statutory cap of 25.73 percent, costs that universities would otherwise have to pay. For fiscal year 2021, the budget reflects lowering the assumed rate of investment return for the system to 6.8 percent, based on long-term market analysis and industry standards. The higher education budget includes a total of $12.9 million for university retirement obligations.

FY 2021 Executive Recommendation

	FY 2020 Operations	FY 2021 Increase	FY 2021 Total Operations	% Change - Operations	FY 2021 Indian Tuition Waiver
Central	$87,629,700	$2,190,700	$89,820,400	2.5%	$1,598,100
Eastern	$77,253,700	$1,931,300	$79,185,000	2.5%	$302,300
Ferris	$55,025,500	$1,375,600	$56,401,100	2.5%	$1,007,300
Grand Valley	$72,313,500	$1,807,800	$74,121,300	2.5%	$1,075,000
Lake Superior	$13,407,000	$335,200	$13,742,200	2.5%	$954,000
Michigan State	$287,331,700	$7,183,300	$294,515,000	2.5%	$1,467,700
Michigan Tech	$50,101,600	$1,252,500	$51,354,100	2.5%	$466,500
Northern	$47,809,100	$1,195,200	$49,004,300	2.5%	$1,100,000
Oakland	$53,147,400	$1,328,700	$54,476,100	2.5%	$285,100
Saginaw Valley	$30,583,800	$764,600	$31,348,400	2.5%	$223,900
UM-Ann Arbor	$321,970,100	$8,049,300	$330,019,400	2.5%	$803,500
UM-Dearborn	$26,167,000	$654,200	$26,821,200	2.5%	$160,200
UM-Flint	$23,616,200	$590,400	$24,206,600	2.5%	$277,000
Wayne State	$202,996,700	$5,074,900	$208,071,600	2.5%	$417,200
Western	$111,522,200	$2,788,100	$114,310,300	2.5%	$767,900
SUBTOTAL:	**$1,460,875,200**	**$36,521,800**	**$1,497,397,000**	2.5%	**$10,905,700**
MSU AgBioResearch	$34,937,300	$873,400	$35,810,700	2.5%	
MSU Extension	$30,136,100	$753,400	$30,889,500	2.5%	
Grand Total	**$1,525,948,600**	**$38,148,600**	**$1,564,097,200**	2.5%	**$1,575,002,900**

Background

Affordable child care is an integral component in removing a barrier for low-income individuals to seek employment, job training programs, or furthering their educational attainment. Michigan's Child Development and Care (CDC) program is funded with over $200 million in federal funds, as well as some matching General Fund dollars.

In 2019 an average of 35,000 children per month were served through the program. This represents less than 10% of the eligible 0-12 age population. In 2009, about 85,000 children were being served; child care caseloads have decreased significantly since due to demographic and economic trends. Investments in this program will provide more affordable child care opportunities for more families throughout the state.

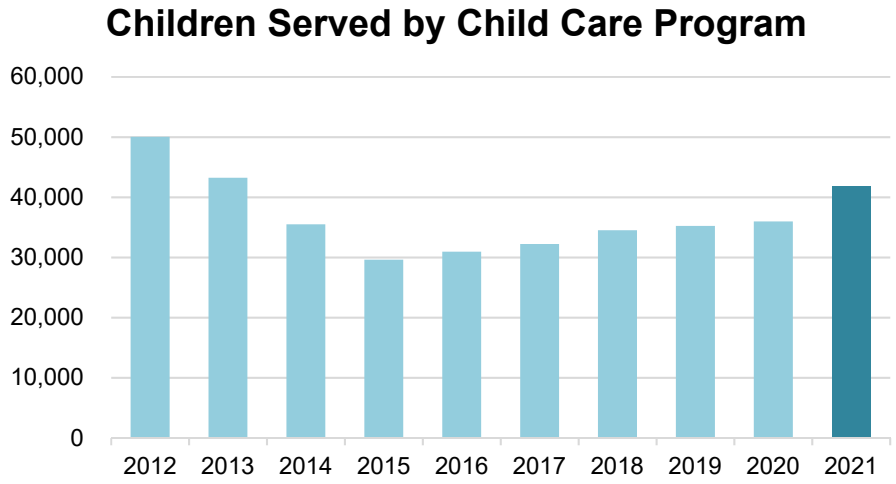
Where Michigan Ranks Among Other States

- The income eligibility threshold in Michigan is tied for second lowest in the country, at 130% of the federal poverty level. [1]
- For rates paid to providers, Michigan is 29th highest for 4 year-olds in child care centers and 21st for 1 year-olds in child care centers. [1]
- The out-of-pocket copayment charged by the state for a family of three is the 8th lowest in the nation. [1]

Proposed Investments in Child Care for FY 2021

Eligibility Increase

The Executive Budget Recommendation increases the income eligibility threshold from 130% to 150% FPL, or $31,995 for a family of three. An estimated 5,900 more children will receive child care services due to this increase, at a cost of $34.3 million annually in federal funds (a combination of $22.3 million from additional federal child care funds that are available and $12 million in flexible TANF funds).



[1] Schulman, K. (2019, October). Early Progress: State Child Care Assistance Policies 2019. In *National Women's Law Center*. Retrieved January 16, 2020, from https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2019/11/NWLC-State-Child-Care-Assistance-Policies-2019-final.pdf

Employee Background Checks

Beginning in FY 2018, licensed child care providers are required by the federal government to conduct background checks on their employees. The State of Michigan provided reimbursement to all providers for the initial costs of background checks. At the beginning of FY 2020 all initial checks were completed and the costs for any additional employees must be paid by the provider or the employee directly, depending on provider policy. This has become a barrier for employees of child care providers. The Executive Budget Recommendation includes $1.3 million to cover the cost of these background checks to provide relief to child care providers and employees.

GSRP Expanded Access Program and Rate Increase

February 6, 2020

Summary

In current law, the state appropriates $247.3 million for the Great Start Readiness Program (GSRP), which provides free preschool services to income-eligible 4-year-olds. The program serves an estimated 38,000 children statewide. The budget increases funding for the GSRP program in two ways:

- To expand state-provided preschool services and to target the increase to high-need areas, the budget creates the expanded access program at a **cost of $42 million**.
- To support the GSRP program statewide, the budget increases the per-child rate to the same level as the minimum foundation allowance – from $7,250 to $8,336, at a **cost of $35.5 million.**

Expanded Access Program

The Expanded Access Program would provide funding to eligible intermediate school districts (ISDs) to offer pre-K programming to 4-year-olds who are not being served by the existing Great Start Readiness Program. Eligible ISDs would receive $8,336 per participating 4-year-old to fund services in the targeted districts. The total per-district allocation to an ISD would be capped at $16,000,000. Eligible children must reside within the geographic boundaries of the eligible school district.

Children living in 26 districts would be targeted under the program. These children would be eligible if they live in a district that is a member in a Community Engagement Advisory Committee or if they live in a district that meets all of the following:

- The district assessed more than 10 3rd graders on the 3rd grade M-STEP English Language Arts Assessment in the previous year.
- More than 75% of these 3rd graders in the district were identified as “not meeting proficiency” on this assessment.
- More than 75% of students districtwide were identified as economically disadvantaged.

Districts, ISDs, and local governments would be encouraged to work together to identify eligible children and coordinate service delivery. This expansion would provide services to an estimated 5,000 children, giving those children a strong foundation for their future academic success.

Per Child Allocation Increase

Under current law, ISDs receive $7,250 for each child enrolled in the full-day GSRP program and $3,625 for each child enrolled in half-day programs. The budget increases this allocation to $8,336 for full-day and $4,168 for half-day programs, bringing the full-day allocation to the same level as the minimum foundation allowance. Rates have not been increased since 2014. This would benefit all existing GSRP programs by providing additional resources to hire and train staff, reduce turnover, and implement additional educational opportunities for children. The estimated cost of the increase is $35.5 million.

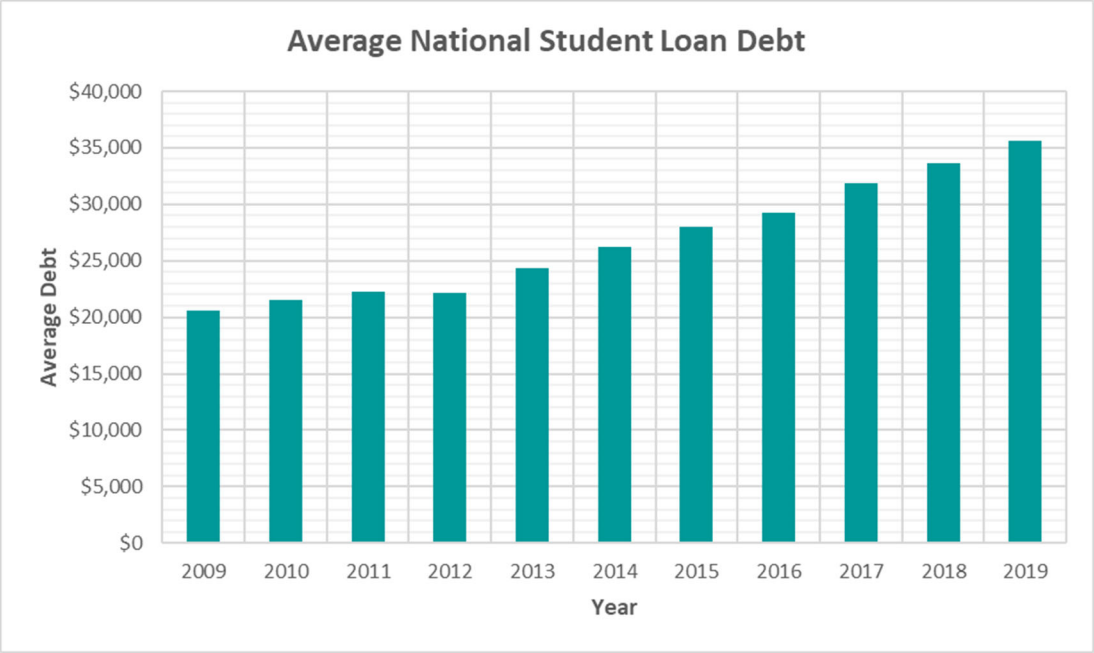
GSRP Expanded Access Program

Projected Children Served by Resident District
February 6, 2020

Resident District of Child	Projected Children Served	Projected Allocation to ISD
DETROIT PUBLIC SCHOOLS COMMUNITY DISTRICT	1,919	$ 16,000,000
FLINT, SCHOOL DISTRICT OF THE CITY OF	443	$ 3,693,961
PONTIAC CITY SCHOOL DISTRICT	388	$ 3,233,077
EASTPOINTE COMMUNITY SCHOOLS	239	$ 1,989,440
BENTON HARBOR AREA SCHOOLS	232	$ 1,936,104
SAGINAW, SCHOOL DISTRICT OF THE CITY OF	209	$ 1,742,583
HAMTRAMCK, SCHOOL DISTRICT OF THE CITY OF	204	$ 1,701,446
MUSKEGON, PUBLIC SCHOOLS OF THE CITY OF	193	$ 1,606,523
BATTLE CREEK PUBLIC SCHOOLS	179	$ 1,490,818
DEARBORN HEIGHTS SCHOOL DISTRICT #7	159	$ 1,323,883
MOUNT CLEMENS COMMUNITY SCHOOL DISTRICT	148	$ 1,234,924
CLINTONDALE COMMUNITY SCHOOLS	148	$ 1,231,431
OAK PARK, SCHOOL DISTRICT OF THE CITY OF	91	$ 754,765
WESTWOOD COMMUNITY SCHOOL DISTRICT	82	$ 680,090
RIVER ROUGE, SCHOOL DISTRICT OF THE CITY OF	71	$ 592,701
ECORSE PUBLIC SCHOOLS	61	$ 506,259
HARRISON COMMUNITY SCHOOLS	52	$ 431,105
GODFREY-LEE PUBLIC SCHOOLS	44	$ 363,391
HARTFORD PUBLIC SCHOOLS	37	$ 310,950
BEECHER COMMUNITY SCHOOL DISTRICT	35	$ 292,614
BRIDGEPORT-SPAULDING COMMUNITY SCHOOL DISTRICT	30	$ 254,190
EAU CLAIRE PUBLIC SCHOOLS	22	$ 182,213
WESTWOOD HEIGHTS SCHOOLS	19	$ 154,449
MADISON DISTRICT PUBLIC SCHOOLS	15	$ 121,754
GENESEE SCHOOL DISTRICT	11	$ 89,278
BURR OAK COMMUNITY SCHOOL DISTRICT	9	$ 77,308
Totals	**5,038**	**$ 41,995,258**

Issue

Student loan debt is the highest it has ever been and is expected to continue to rise. There are 45 million borrowers[1] nationally who collectively owe more than $1.5 trillion in student loan debt[2] [3], an increase of over 130% over the level just 10 years ago.[2] Student loan debt is now the second highest consumer debt category, behind only mortgage debt.[4]



The average student loan debt of Michigan college graduates in 2019 was $35,307.[4] This represents a 29% increase in the last five years, putting Michigan in the top 10 states with the largest five-year increase in student loan debt.[4] Much of that debt is financed from the federal government or through private lenders.

Currently, only 15 states offer a state-sponsored student loan program. Michigan was once one of those states. The Michigan Alternative Student Loan (MI-Loan) Program was a private student loan program for students attending Michigan degree-granting colleges and universities designed to help bridge the gap between college costs and traditional federal financial aid resources. The program was suspended in February 2008 in response to the mortgage crisis during which investors were reluctant to buy more debt including student debt. Michigan was also previously a lender under the Federal Family Education Loan Program (FFELP), but all new lending under FFELP was eliminated in July 2010 by the Health Care and Education Reconciliation Act of 2010.

[1] Friedman, Z. (2019, February). Student Loan Debt Statistics in 2019: A $1.5 Trillion Crisis. In *Forbes.* Retrieved February 3, 2020, from https://www.forbes.com/sites/zackfriedman/2019/02/25/student-loan-debt-statistics-2019/#6c2c08bb133f
[2] U.S. Department of Education, from https://studentaid.gov/data-center/student/portfolio
[3] MeasureOne, from https://www.measureone.com/resources
[4] Experian, from https://www.experian.com/blogs/ask-experian/state-of-student-loan-debt/#s3

Proposal

Recognizing the need to ensure attainable and affordable postsecondary educational opportunities, the Governor's fiscal year 2021 budget includes $10 million (one-time general fund) to serve as seed money for a new revolving loan fund to help alleviate the student loan debt burden on students.

Under the Michigan Student Loan Refinance Program, qualified individuals will have the opportunity to refinance up to $50,000 of his or her student loans through the Michigan Department of Treasury with a new lower interest rate. The minimum loan amount will be $5,000. This new lower interest rate is a fixed rate applicable to all loans issued under this program during the fiscal year. The rate is to be determined by the Department of Treasury, but shall be the minimal rate necessary to recoup the costs of the program and ensure growth and sustainability

Eligibility

To be eligible for this program, individuals must have:

- A qualified student loan. This is a loan issued to a student by the federal government or a nonfederal entity such as a bank, savings and loan institution, or credit union to help pay school expenses for attendance at an institution of higher education. This may be a community college, state university, or independent nonprofit college or university in Michigan.
- Resided in the State of Michigan for at least 12 months prior to his or her application.
- Be current and in good standing on payments on the qualified student loan for the 3 years prior to his or her application.