



MICHIGAN SCHOOL BUSINESS OFFICIALS



K12 BUDGET & LEGISLATIVE UPDATE

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MICHIGAN SCHOOL BUSINESS OFFICIALS

K-12 Budget and Legislative Update

Special Thanks to:

- Kathryn Summers – Senate Fiscal Agency
- Sam Christenson – House Fiscal Agency





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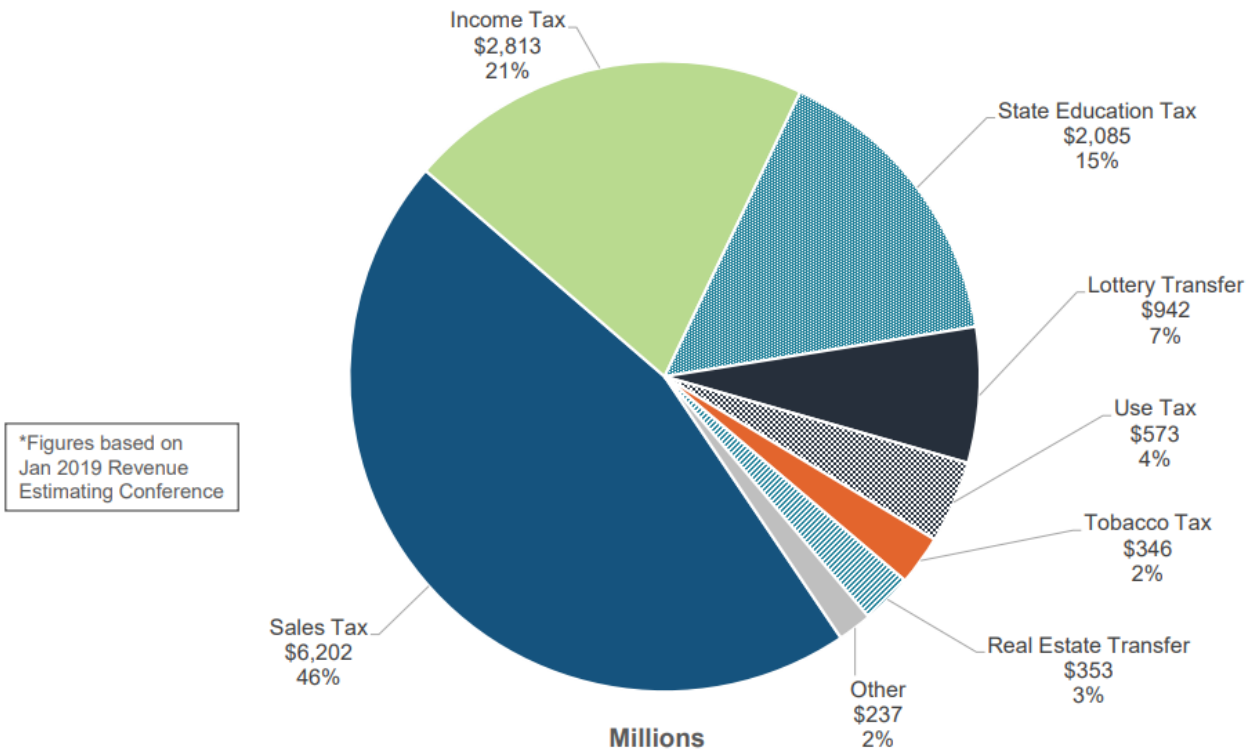
K-12 Budget and
Legislative Update

FY 2018-19 RECAP



SAF Revenue Sources

Sales Tax is the largest revenue source, contributing nearly half of the **\$13.6 billion** in total estimated SAF revenue for FY 2018-19.

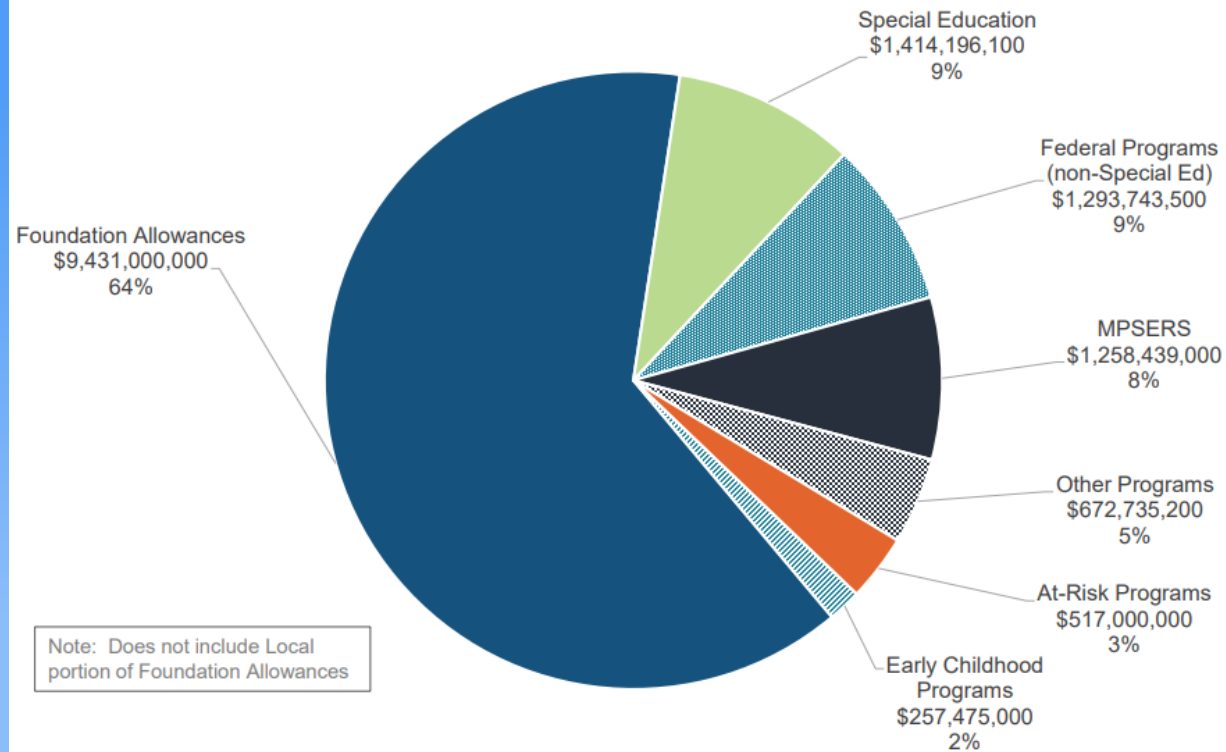


*Figures based on Jan 2019 Revenue Estimating Conference



FY 2018-19 Gross Appropriations

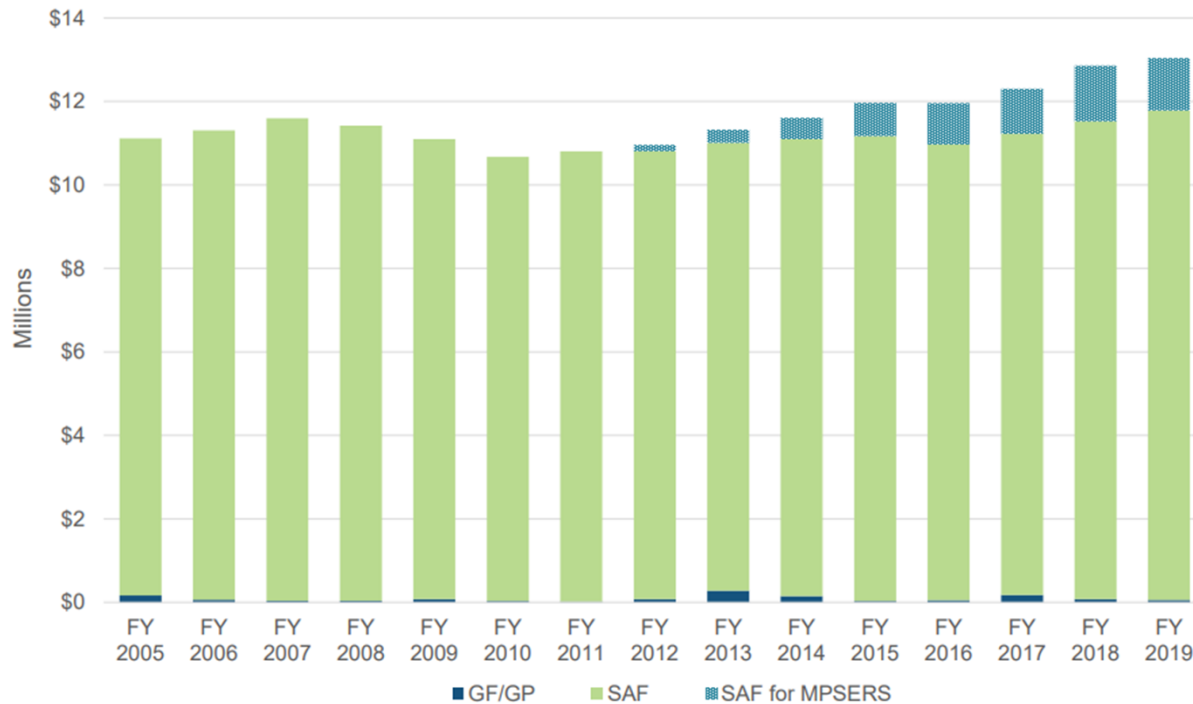
About two-thirds of the **\$14.8 billion** School Aid budget supports per pupil foundation allowances used for school district general operations.





School Aid Funding History – State Funds

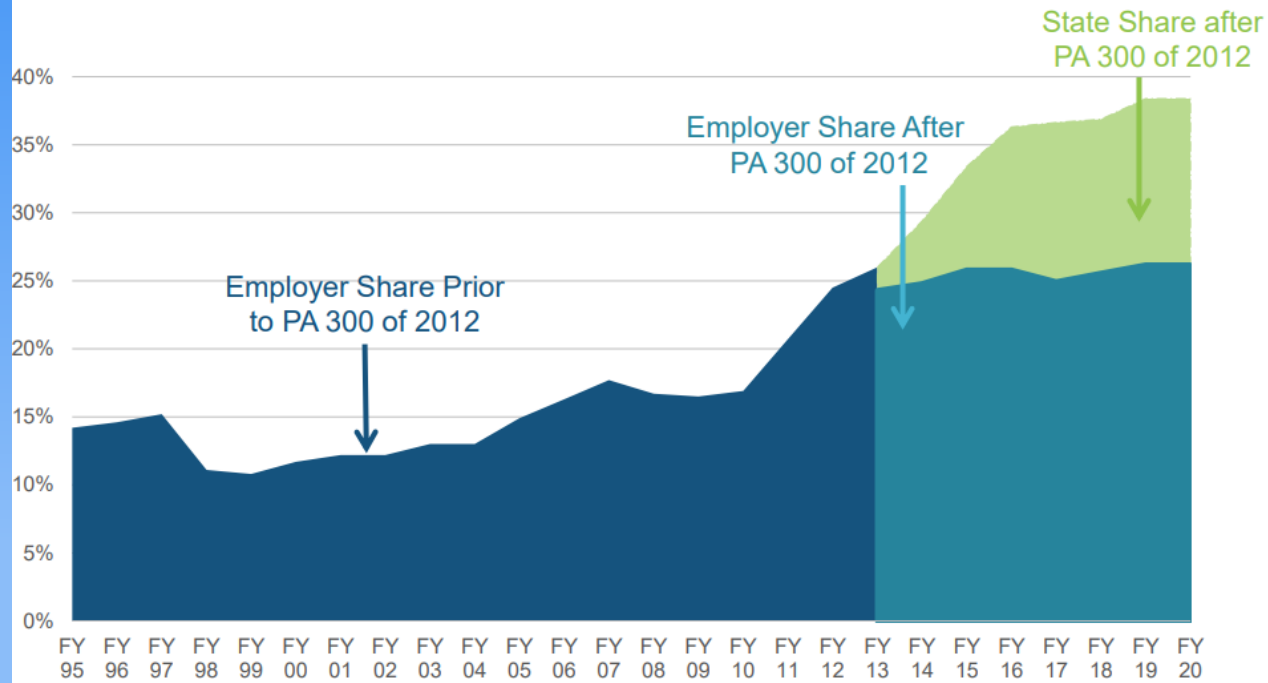
Since FY 2011-12, \$1.3 billion has been added to hold districts harmless from increasing retirement liability costs. Total funding for foundation allowances and other operational costs exceeded the previous FY 2006-07 peak for the first time in FY 2018-19.





MPERS State Share - Unfunded Accrued Actuarial Liability (UAAL)

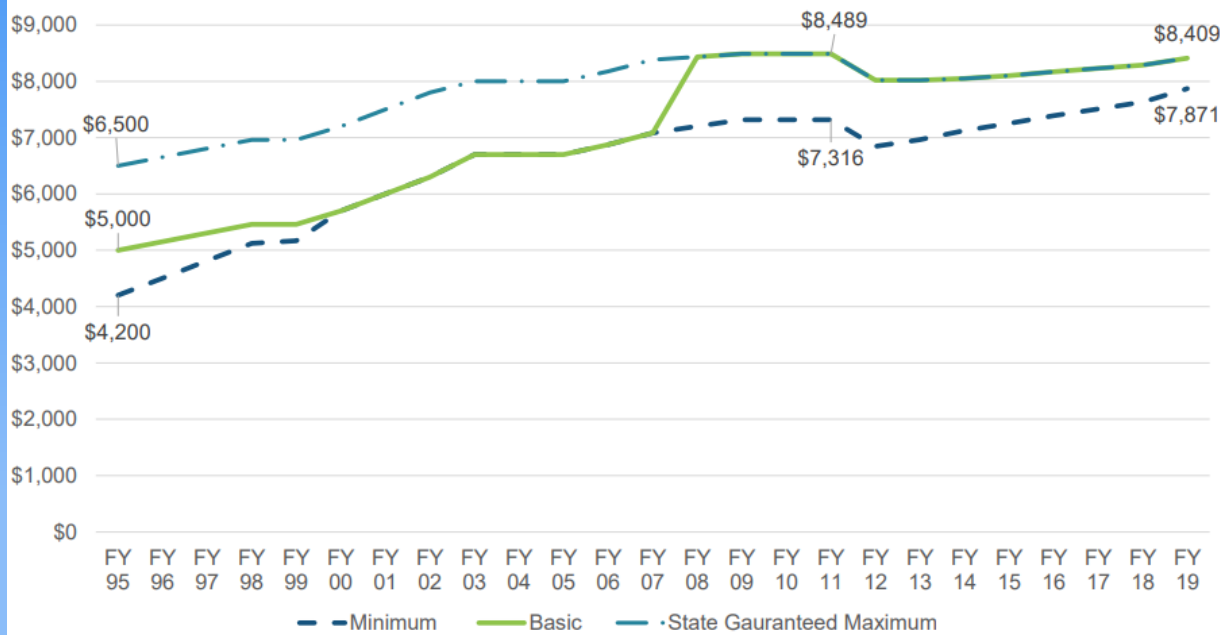
The state portion of the MPERS UAAL contribution rate is \$1.0 billion in FY 2018-19. The employer contribution rate is capped at 20.96% for the unfunded liability plus the normal costs for retirement benefits newly earned each year, which fluctuate.





Foundation Allowance History Growth Since Proposal A

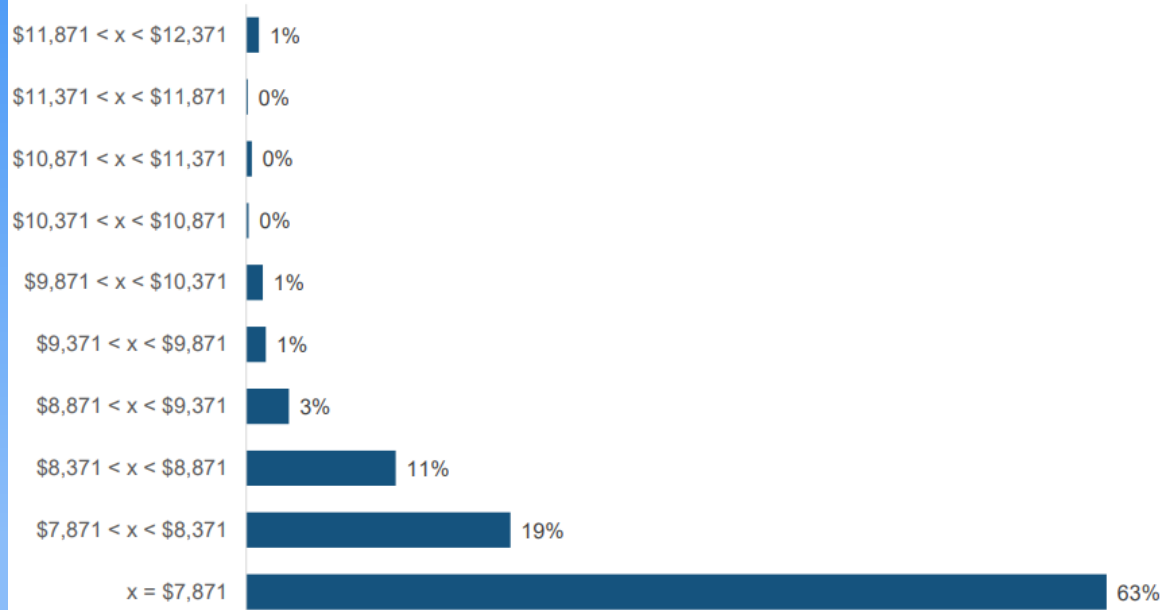
The FY 2018-19 foundation allowance for schools at the Minimum level is \$555 above the previous FY 2010-11 peak. For schools at the State Maximum level, it remains \$80 below the FY 2010-11 peak. The “equity gap” between the two (excluding local hold harmless funds) is down to \$538 per pupil.





Equity Among Districts FY 2018-19 Pupil Distribution

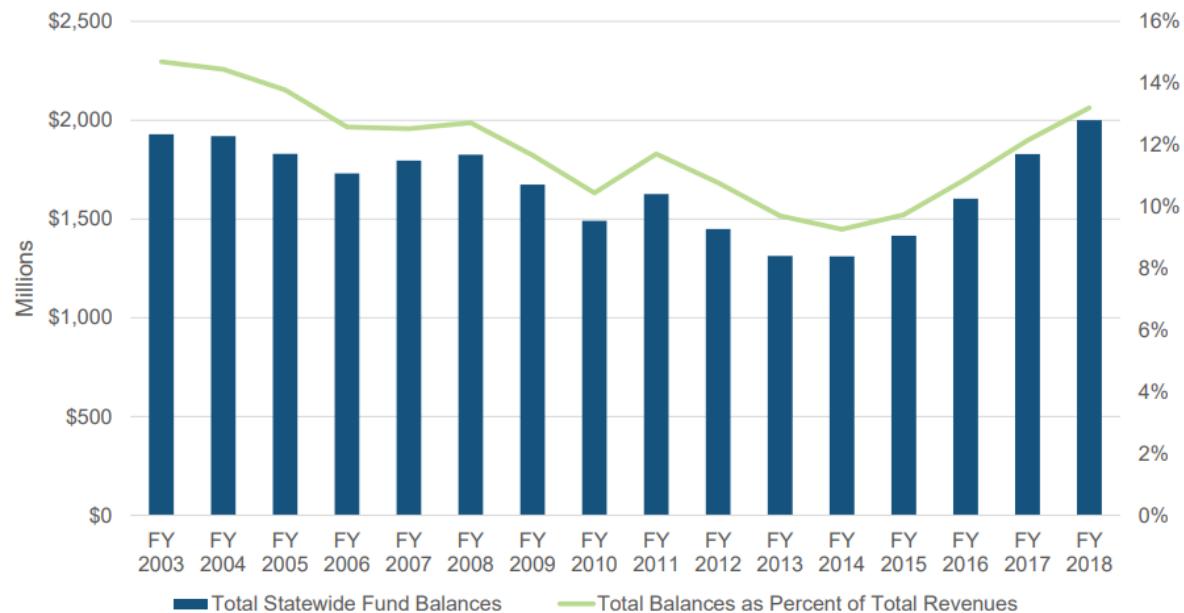
In FY 2018-19, 63% of pupils were concentrated in districts with a foundation allowance at the minimum foundation \$7,871. As the minimum increases relative to the Basic, that share continues to grow, thereby increasing the cost of future equity payments.





District Fund Balances

As pupils and funding declined, districts used their fund balances to replace lost revenue. However, fund balances have been growing again, and at the end of FY 2017-18, totaled \$2.0 billion, surpassing previous highs. The average statewide total fund balance as a percent of revenues is still lower than its peak of nearly 15% but has increased over the last few years to 13.2%.



Note: Figures exclude Detroit Public Schools, for which policy changes have significantly altered fund balance information.



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K-12 Budget and
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FY 2019-20 PREVIEW



CAUTION!



1. The Budget for FY 2019-20 is not settled!
2. The preliminary budgets as presented by the Governor, Senate and House all have revenue enhancements and/or shifts of revenue and/or expense that are not enacted.
3. Don't assume that any of these proposals are a maximum or minimum of what the end result may be.
4. We may have left financial reality and have entered the political side of the discussion.



K-12 Budget and Legislative Update

SECTION	CURRENT LAW	GOVERNOR	SENATE (SB 146)	HOUSE (HB 4242)	MSBO NOTES
Sec. 11 Total Appropriations	Provides a summation of the total School Aid Fund, General Fund, and Federal funding in the Act. Includes a method for proration if revenue is not sufficient to support spending.	<p>School Aid Fund revenue totals \$13,504,660,300 and GF/GP revenue totals \$45,000,000 for FY 2019-20 (a reduction from \$87.9 million GF/GP in FY 2018-19).</p> <p>In addition, the Governor is continuing \$72,000,000 to be appropriated from the Detroit Public Schools Trust Fund and \$100 from the Water Emergency Reserve Fund.</p> <p>The Governor is recommending an FY 2018-19 supplemental that would increase expenditures by \$10.7 million gross (comprising \$61.5 million for hydration stations along with technical cost adjustments) and include a fund shift with a MPSERS Reforms Fund reduction of \$31.9 million (replaced with SAF).</p>	<p>School Aid Fund revenue totals \$13,148,679,300 and GF/GP revenue totals \$268,000,000 for FY 2019-20 (an increase of \$180.1 million GF/GP in FY 2019-20).</p> <p>In addition, \$72,000,000 is appropriated from the DPS Trust Fund. (The \$100 Water Emergency Reserve Fund appropriation is not included.)</p> <p>The budget includes technical cost adjustments for FY 2018-19, but does not include funding for hydration stations or the SAF/MPSERS Reforms Reserve Fund fund shift. The FY 2018-19 supplemental does include \$500,000 for Mi Bright Future (Sec. 67a).</p>	<p>School Aid Fund revenue totals \$13,138,196,200, GF/GP revenue totals \$48,000,000 (a reduction of \$39.9 million from FY 2018-19), and \$40,000,000 from Talent Investment Fund.</p> <p>In addition, \$72,000,000 is appropriated from the DPS Trust Fund.</p> <p>The budget does not include any supplemental adjustments for FY 2018-19.</p>	<p>Gov highest; Moves University funding to GF/GP due to increased fuel tax - \$13.6 B</p> <p>Senate using more GF/GP - 13.5 B</p> <p>House lowest; Post CREC; Moves University funding to GF/GP; Removes sales tax from fuel purchases - 13.3 B</p>

Total Expenditures



Governor's Budget

+\$526,650,100 over FY 2018-19 - 3.5% Increase



House Budget

+\$202,985,600 over FY 2018-19 - 1.4% Increase



Senate Budget

+\$395,569,100 over FY 2018-19 - 2.7% Increase



K-12 Budget and Legislative Update

SECTION	CURRENT LAW	GOVERNOR	SENATE (SB 146)	HOUSE (HB 4242)	MSBO NOTES
Sec. 20 Foundation Allowance Calculation	<p>Basic foundation allowance for FY 2018-19 is \$8,409 and the minimum foundation is \$7,871.</p> <p>Unless otherwise stipulated, in years of increases in the foundation allowance, uses the "2x" equity formula, which doubles the increase in the basic foundation for those at the minimum foundation and provides an increase somewhere in between for districts with foundations in between.</p>	<p>Basic foundation allowance for FY 2019-20 is \$8,529, and the minimum is \$8,051.</p> <p>The Governor proposes a \$120 increase for districts at or above the basic, and up to \$180 for districts below the basic (with \$180 provided to those districts at the minimum), using a "1.5x" formula. This costs roughly \$235,000,000, which is paid under Section 22b.</p> <p>Technical language changes are included to remove references to Sec. 20m, as those payments were rolled into districts' foundation allowances and the language is now unnecessary.</p> <p>(6) Reduces cyber schools' foundation allowances by 20%, which would save the State an estimated \$22.0 million, reflected in Sec. 22b.</p>	<p>"Basic" is changed to "target"; the target foundation allowance for FY 2019-20 is \$8,544, and the minimum is \$8,141.</p> <p>The Senate bill proposes a \$135 increase for districts at or above the target, and up to \$270 for districts below the target (with \$270 provided to those districts at the minimum), using a "2x" formula. This costs roughly \$342,000,000, which is paid under Section 22b.</p> <p>Technical language changes are included to remove references to Sec. 20m, as those payments were rolled into districts' foundation allowances and the language is now unnecessary.</p> <p>(6) Does not concur with the Governor's proposal to reduce cyber schools' foundation allowances.</p>	<p>Basic foundation allowance for FY 2019-20 is \$8,499, and the minimum is \$8,051.</p> <p>The House proposes a \$90 increase for districts at or above the basic, and up to \$180 for districts below the basic (with \$180 provided to those districts at the minimum), using a "2x" formula. This costs roughly \$226,400,000, which is paid under Section 22b.</p> <p>Technical language changes are included to remove references to Sec. 20m, as those payments were rolled into districts' foundation allowances and the language is now unnecessary.</p> <p>(6) Does not concur with the Governor's proposal to reduce cyber schools' foundation allowances.</p>	<p>Gov \$120pp to \$180pp based on 1.5X; Min \$8,051 to Basic \$8,529; \$235 M; Cyber school reduced 20%</p> <p>Senate \$135pp to \$270pp based on 2X; Min \$8,141 to Basic \$8,544; \$342 M; No cyber reduction</p> <p>House \$90pp to \$180pp based on 2X; Min \$8,051 to Basic \$8,499; \$226.4 M; No cyber reduction</p>



K-12 Budget and Legislative Update

SECTION	CURRENT LAW	GOVERNOR	SENATE (SB 146)	HOUSE (HB 4242)	MSBO NOTES
Sec. 22a Proposal A Obligation Payment (The Constitutionally-required portion of the foundation allowance.)	<p>FY 2018-19 appropriation of \$5,107,000,000.</p> <p>This section provides funding equal to the FY 1994-95 Proposal A foundation allowance levels multiplied by pupils.</p>	<p>FY 2019-20 appropriation of \$4,953,000,000.</p> <p>(6) Removes reference to Sec. 25g (dropout recovery) since that section is proposed to be repealed.</p>	<p>FY 2019-20 appropriation of \$4,953,000,000.</p> <p>(6) Does not concur since Section 25g is retained.</p> <p>Removes language allowing for the transfer of funds between Sections 22a, 22b, and 51c.</p>	<p>FY 2019-20 appropriation is updated to \$4,943,000,000 to reflect CREC cost adjustments from May 2019.</p> <p>(6) Concurs with Governor.</p> <p>Does not remove language allowing for the transfer of funds between 22a, 22b, and 51c.</p>	<p>Gov Allocates necessary funding for constitutional requirement</p> <p>Senate Allocates necessary funding for constitutional requirement</p> <p>House Allocates necessary funding for constitutional requirement</p>

Proposed Foundation Allowance – Sec. 20



Governor's Budget

\$120 - \$180 per pupil; utilizing 1.5X formula



House Budget

\$90 - \$180 per pupil; utilizing 2X formula



Senate Budget

\$135 - \$270 per pupil; utilizing 2X formula



K-12 Budget and Legislative Update

SECTION	CURRENT LAW	GOVERNOR	SENATE (SB 146)	HOUSE (HB 4242)	MSBO NOTES
Sec. 21h Partnership Model Districts	<p>Appropriates \$7,000,000 in FY 2018-19 to assist eligible districts assigned by the State Superintendent to participate in a partnership to improve student achievement.</p> <p>The purpose of the partnership is to identify district needs, develop intervention plans, and partner with public, private, and non-profit organizations to coordinate resources and improve student achievement, where the assignment to a partnership is made at the sole discretion of the Superintendent.</p>	Maintains the \$7,000,000 appropriation in FY 2019-20.	Concurs with Governor.	Reduces the appropriation to \$100,000 for FY 2019-20.	<p>Gov Maintains Partnership Model funding</p> <p>Senate Maintains Partnership Model funding</p> <p>House Maintains but significantly reduces it to \$100,000</p>



**SCHOOL AID FUND
SHIFT OF COMMUNITY COLLEGE AND UNIVERSITY FUNDING
2009-10 THRU 2018-19
(Millions)**

<i>Year</i>	<i>Community College</i>	<i>University</i>	<i>Total</i>	<i>Per K-12 Student</i>
2009-10	\$ 208.4	\$ -	\$ 208.4	\$ 131
2010-11	-	-	-	-
2011-12	195.9	200.2	396.1	255
2012-13	197.6	200.6	398.2	259
2013-14	197.6	200.6	398.2	262
2014-15	364.7	206.5	571.2	379
2015-16	256.7	205.2	461.9	309
2016-17	260.4	237.1	497.5	334
2017-18	398.3	238.3	636.6	429
2018-19	408.2	500.2	908.4	614
	\$ 2,487.8	\$ 1,988.7	\$ 4,476.5	\$ 2,970.5

Higher Education in SAF



Governor's Budget

Eliminates University funding in SAF. Retains Community College. **Saves \$500.2 M for FY2019-20**



House Budget

Eliminates University funding, but diverts sales tax revenue from gas. Community College funding remains. **Saves \$500.2 M for FY2019-20 but removes \$325.6 M in revenue in FY2019-20 and \$627 M in FY 2020-21.**



Senate Budget

Maintains University and Community College spending in SAF.

Note: Senate Budget uses \$268 million in GF (+\$180 million)

Special Education



Governor's Budget

Governor increased funding by \$120 million for reimbursement on added costs.



House Budget

No Increase.



Senate Budget

Increases funding by \$30 million; one-time funding for capital purchases to support programming and instruction.

At-Risk Pupil Support – Sec. 31a



Governor's Budget

\$102 million increase (\$619 million)



House Budget

No Increase



Senate Budget

No Ongoing Increase. Provides \$35 million for At-Risk capital expenditures for associated programs and curriculum

Career Technical Education Funding



Governor's Budget

Increases CTE pupil reimbursement funds to \$50 million.



House Budget

Increases CTE reimbursement to \$15 million providing \$75 per pupil in increase. Increase for equipment purchases.



Senate Budget

Maintains funding at \$5 million for CTE reimbursement.

MPERS – Sec. 147



Governor's Budget

Maintains funding and adds an additional \$83.9 million to cover increased normal costs associated with reducing the annual rate of return assumption of 7.05% and for the impact of implementing the dedicated gains policy



House Budget

Concurs with Governor.



Senate Budget

Concurs with Governor.

Total SAF funding for MPERS = \$1.34 B for FY2019-20 (FY2018-19 was 1.25 B) **+\$94 M**
This is equal to \$921 per pupil of School Aid going to pay for MPERS!!

Cyber School Foundation Reduction – Sec 20(6)



Governor's Budget

Establishes an 80% limit on Foundation Allowance for a school of excellence that is a cyber-school.



House Budget

Restores Funding.



Senate Budget

Restores Funding.



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MSBO



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