



FY 2017 SCHOOL AID BUDGET | MARCH 2016

Roughly 80% of state and local discretionary operational funding (\$11.2 of \$14.0 billion) is being invested in the foundation grant, resulting in 940,000 students (62%) at the Minimum (\$7,391 per pupil) and 393,000 students (26%) between the Minimum and the Basic (\$8,169 per pupil); and 182,000 students (12%) at \$8,170+ per pupil, creating an equity gap of up to \$778 per pupil.

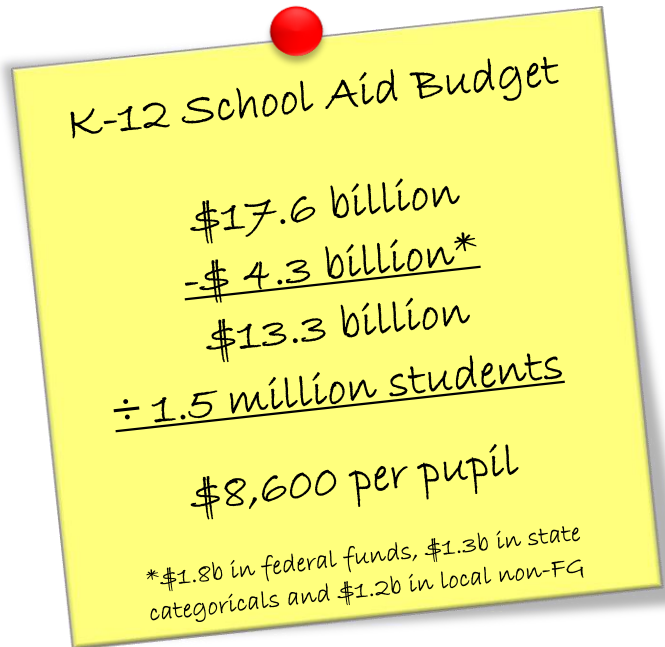
Long Term Recommendation

With appropriate changes in statute, invest at least 90% of state and local discretionary operational funding (\$13.1 of \$14.6 billion) in the foundation grant by redistributing \$1.3 billion in state categorical spending. This would result in a uniform foundation grant of \$8,600 for over 90% of students in the state, virtually eliminating the funding equity gap, and still providing over \$4 billion for targeted special needs.

FY '17 Recommendations

- Invest an additional **\$250 million** in the foundation grant
 - **\$150 million** from Governor Snyder's foundation grant increase
 - **\$100 million** from MPSERS cost offset (section 147a)
- Increase the MINIMUM foundation grant by \$240 per pupil, which would raise the lowest funding level to \$7,631 per pupil, reducing the funding equity gap to \$538 per pupil.
- In the alternative, this increase could be done via the 2x formula:
 - Minimum: \$200 increase to \$7,594 per pupil
 - Basic: \$100 increase to \$8,269 per pupil
- Eliminate the "charter max" foundation grant level, or return it to \$300 above the minimum.
- Continue \$379 million of Section 31a "at risk" funding and \$24 million in targeted investments to improve 3rd grade reading proficiency through screening and interventions.
- Eliminate Higher Education from the SAF but pay all state costs for Community Colleges.
- Move towards "Average Daily Attendance" rather than count days for enrollment.
- Support \$10 million reimbursement for health and safety mandates at non-public schools.

Equity Gap:
\$675 per pupil



If you would like additional information about this issue, contact Gary Naeyaert, Executive Director, at gnaeyaert@glep.org

Supporting quality choices in public education.



K-12 Education Funding

Recommendations for FY '17 School Aid Budget

House Subcommittee on School Aid | March 15, 2016
Senate Subcommittee on School Aid | March 16, 2016

K-12 Education Policy Priorities

GLEP strongly supports efforts to:

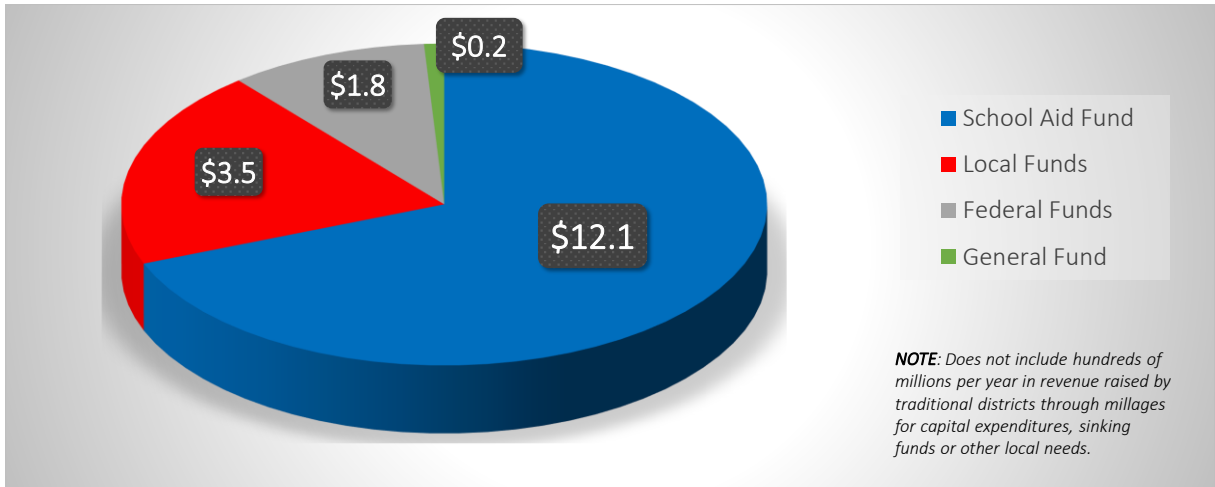
- ✓ Expand parental **choice**;
- ✓ Improve academic **quality**; and
- ✓ Increase **accountability** in education.

Our current policy priorities are:

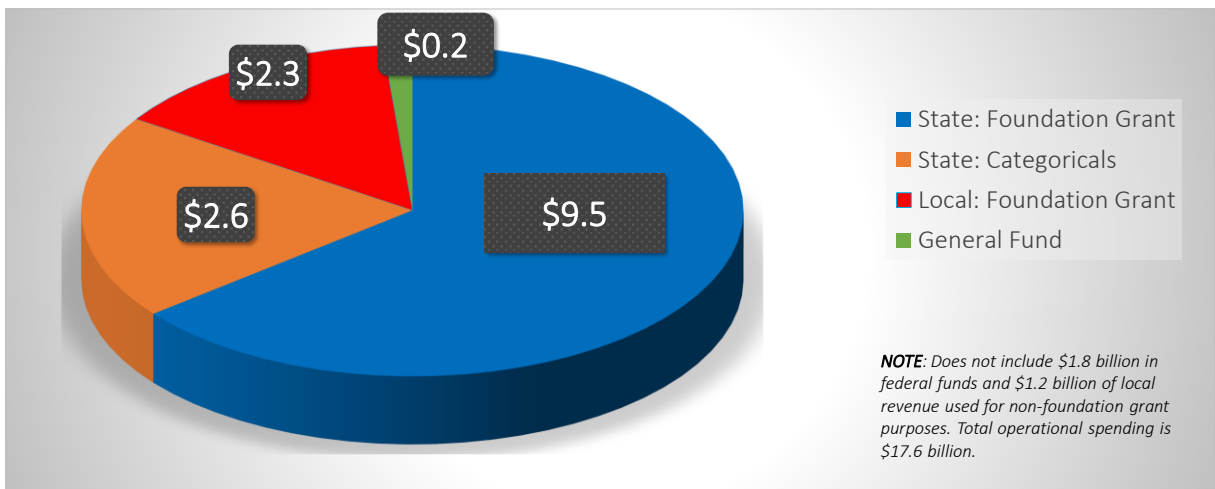
- ✓ Fulfilling the Promise of Proposal A & Eliminating the Per-Pupil Funding Equity Gap
- ✓ Improving early literacy through screening and interventions in Grades K-3
- ✓ Adopting an A-F Letter Grading System for School Accountability
- ✓ Reforming MPSERS for financial viability while keeping promises to retirees



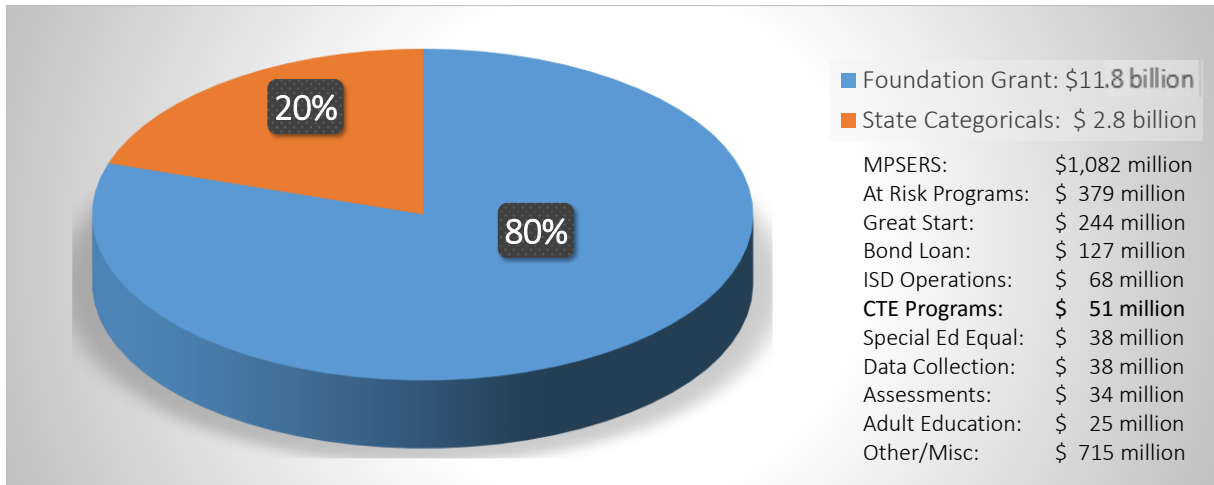
Total K-12 Operational Funding: \$17.6 Billion



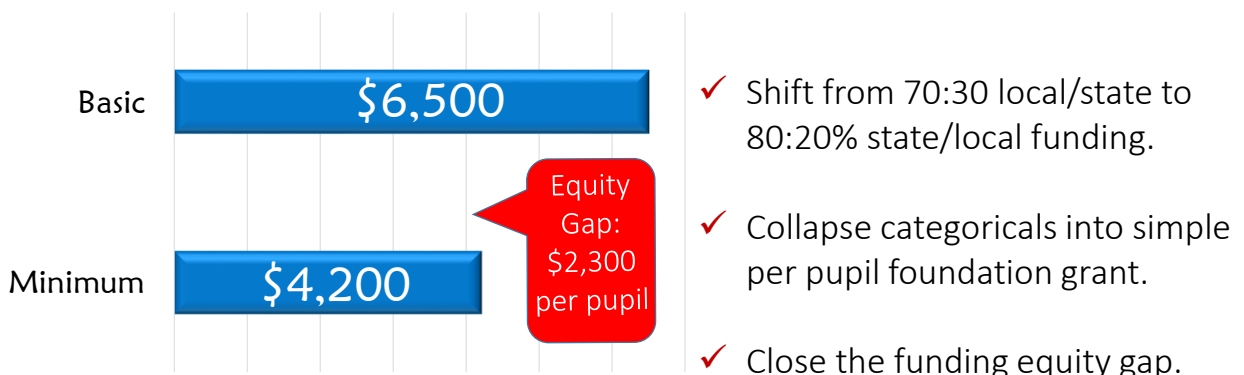
Total K-12 Discretionary Funding: \$14.6 Billion



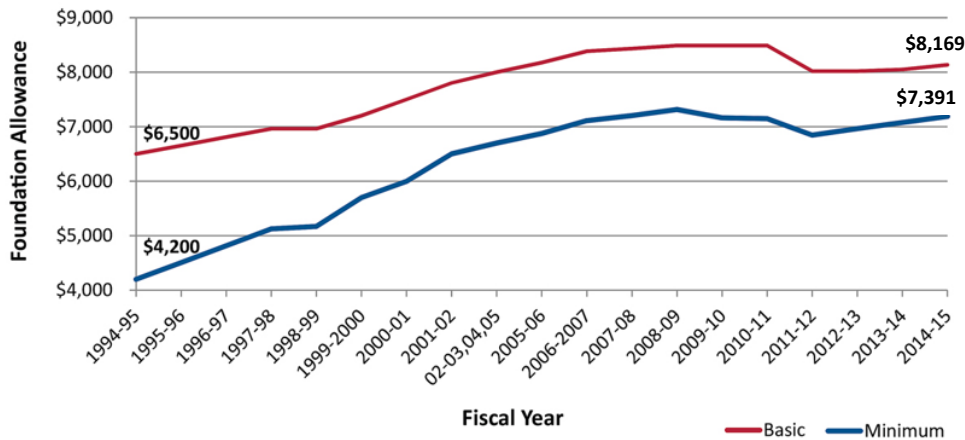
Foundation Grant vs. Categoricals: \$14.6 Billion



The Promise of Proposal A: 1994 Foundation Grant



Closing the Funding Equity Gap?



Funding equity gap has been narrowed by 67% since 1994.

At this pace, equity will be reached in 2026, 10 years from now.



Today's Foundation Grant (per pupil)

- ✓ Minimum: **\$7,391 per** 940,000 students (62%)
- ✓ Basic/Max: **\$8,169 per** 393,000 students (26%)
- ✓ SuperMax: **>\$8,170+per** 182,000 students (12%)

(44 districts with a continuing "hold harmless" millage or non-homestead property tax revenue exceeding \$8,170 per pupil.)

Equity Gap:
\$778
per pupil

There are nearly 150 different per pupil foundation grant amounts.



Why are some kids “worth less” than others?



Susie
\$7,550
Lansing

Janet
\$7,484
Holt

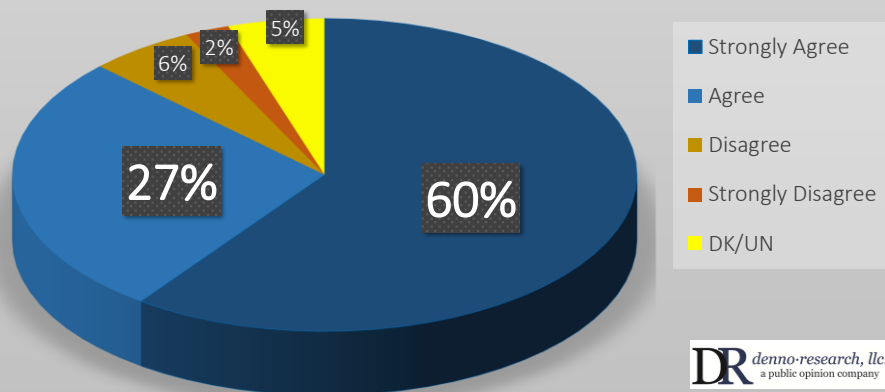
Sam
\$8,169
Okemos

Billy
\$7,391
Mason



Voters Overwhelmingly Agree on Fair Funding

“Roughly one half of students receive about \$7,000 per year while the other half receives \$8,000 or more a year. Do you agree or disagree that every student in a Michigan public school should be provided an equal level of state funding for their education?”



DR denno-research, llc.
a public opinion company
Denno Research statewide study,
March 8-9, 2014; N= 600, +/- 4%.



School Aid Budget: 209 pages **or** Post-it Note?



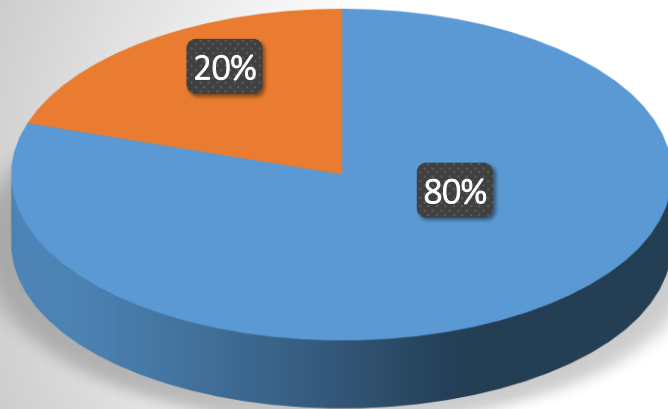
OR

K-12 School Aid Budget
Pure Equity

$\$17.6$ billion
 \div 1.5 million students
 $\$11,733$ per pupil



Foundation Grant vs. Categoricals: \$14.6 Billion



■ Foundation Grant: \$11.8 billion

■ State Categoricals: \$2.8 billion

MPSERS:	\$1,083 million
At Risk Programs:	\$ 379 million
Great Start:	\$ 244 million
Bond Loan:	\$ 127 million
ISD Operations:	\$ 68 million
CTE Programs:	\$ 51 million
Special Ed Equal:	\$ 38 million
Data Collection:	\$ 38 million
Assessments:	\$ 34 million
Adult Education:	\$ 25 million
Other/Misc:	\$ 715 million



Meet the King of Categoricals: MPSERS!!

✓ Overview and Background

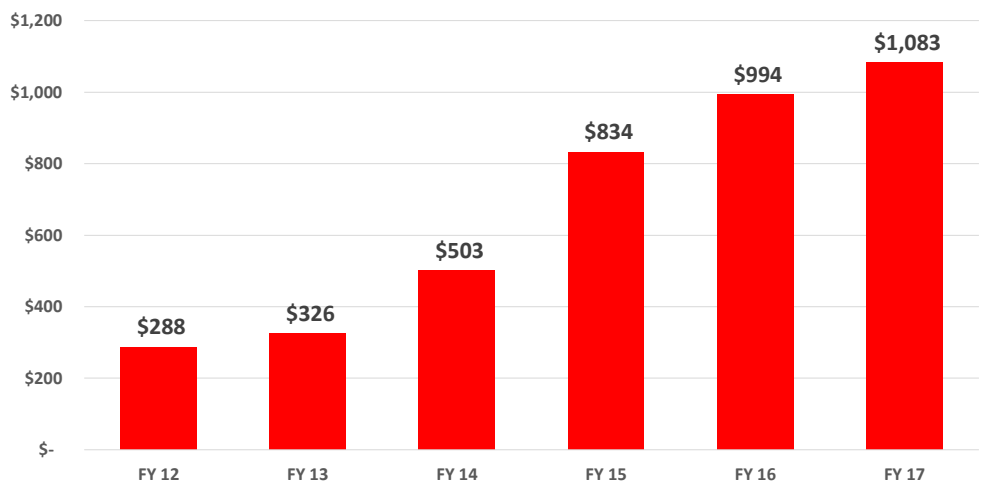
- Since Proposal A, 100% of employee retirement was paid by participating districts.
- In recent years the employer contribution rate to maintain MPSERS had risen to nearly 30% of payroll and was expected to continue climbing.
- The Unfunded Accrued Liability (UAL) for pensions and retiree health care had reached an estimated \$48.3 billion.

✓ Recent Reform (SB 1040 of 2012)

- Contribution rates for participating districts were capped at 24.46% of payroll (20.96% for UAL & 3.5% for normal costs).
- Costs for participating districts are estimated at \$2.0 billion per year for FY 2016-41.
- Any additional costs, now over \$1.0 billion per year, comes from the School Aid Fund.

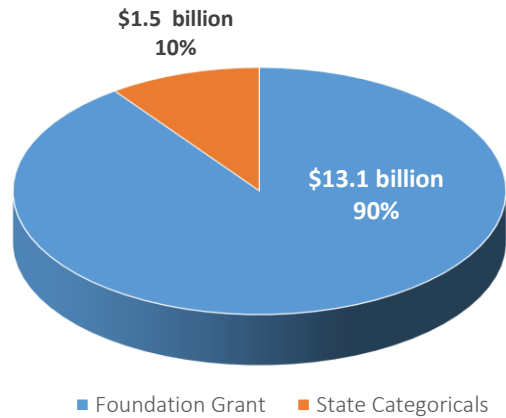


\$1 Billion MPSERS “Bail Out” from School Aid Fund



More Equity in Foundation Grant & Special Needs

- ✓ Reform MPSERS and remove district cap
- ✓ Shift \$1.3 billion in state categorical funds to the Foundation Grant
 - Invest 90% of funds in the Foundation Grant and limit categoricals to 10%
 - Enrollment declines = increased per pupil \$
- ✓ Don't touch \$1.8 billion in federal funds
- ✓ Don't touch \$1.2 billion in local funds used for categoricals



Uniform Foundation Grant for "Basic" Funding

- ✓ \$13.1 billion provides a uniform foundation grant of \$8,600 per pupil to cover basic costs of education.
- ✓ 95% of students would be at this uniform foundation grant level.
- ✓ Provides \$4.3 billion for non-foundation grant programs (or categoricals).

K-12 School Aid Budget

\$17.6 billion

~~-\$ 4.3 billion*~~

\$13.1 billion

÷ 1.5 million students

\$8,600 per pupil[^]

*\$1.8 billion in federal funds, \$1.3 billion in state categoricals and \$1.2 billion in local non-foundation grant

[^] 5% of students would be above \$8,600 due to HH millages



Beyond “Basic” Funding – Special Needs

- ✓ Categoricals are targeted investments based on unique student needs:
 - At-Risk
 - Special Education
 - Misc programs
- ✓ \$4.3 billion in available funds represents \$5,725 per pupil if used for 50% of students

K-12 School Aid Budget
Non-Foundation Grant

\$ 1.8 billion federal
\$ 1.3 billion state
\$ 1.2 billion local
\$ 4.3 billion total



Foundation Grant & Special Needs Funding



Average Students [1.5 million]

Basic Foundation Grant = \$ 8,600 per pupil



At-Risk Students [750,000]

Basic Foundation Grant = \$ 8,600 per pupil

+ Average Categorical = \$ 5,725 per pupil

Average Total = \$14,325 per pupil



Governor's Recommendation for FY '17 School Aid

- ✓ **\$150 million increase in Foundation Grant**
 - Increase of \$60-\$120 per pupil, via 2x equity formula; equity gap reduced to **\$718 per pupil**
- ✓ **\$1.1 Billion "Off The Top" for MPSERS**
 - \$983 million for UAL with district cap at 20.96%
 - \$100 million in MPSERS cost offset
- ✓ **Other Investments**
 - \$131 million increase for fewer categorical spending items
 - \$ 24 million for early literacy interventions



GLEP Recommendations for FY '17 School Aid

- ✓ Invest **\$250 million** in foundation grant increase
 - **\$150 million** from Governor's recommended increase
 - **\$100 million** from MPSERS cost offset
- ✓ Increase Minimum by \$240 per pupil to \$7,631

Equity Gap:
\$538 per

Or via 2x....
- ✓ Increase Minimum by \$200 per pupil to \$7,591
- ✓ Increase Basic by \$100 per pupil to \$8,269

Equity Gap:
\$678 per
- ✓ Eliminate the "charter max" grant, or make it \$300 above minimum



GLEP Recommendations for FY '17 School Aid

- ✓ Support continuation of \$379 million of Section 31a “at-risk” funding to improve 3rd grade reading proficiency and college-career readiness.
- ✓ Support \$24 million for early literacy screening and interventions.
- ✓ Remove Higher Education but pay all state costs for Community Colleges.
- ✓ Move towards “Average Daily Attendance” rather than count days.
- ✓ Support \$10 million for health and safety mandates at non-public schools.



Questions?

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