



## STATE BUDGET OFFICE

### EDUCATION OMNIBUS BUDGET EXECUTIVE BUDGET FISCAL YEARS 2019 AND 2020

Presented February 7, 2018

The Executive Budget for fiscal year 2019 again contains one budget bill for all state government agencies and one for education funding. The education omnibus budget bill supports the state's education system at all levels from preschool to higher education. The Executive Budget for education totals \$16.7 billion: \$14.6 billion for public schools, \$405 million for community colleges, and \$1.7 billion for higher education.

#### Highlights of the Education Omnibus Budget Bill

- The Governor's education omnibus budget demonstrates his commitment to ensuring our students are equipped with skills needed to succeed by making significant investments for fiscal year 2019. The fiscal year 2018 enacted budget includes a one-time MPSERS pre-payment of \$200 million. With this payment excluded, the 2019 education omnibus represents **an increase in state funds of \$293.2 million** from fiscal year 2018 enacted levels.
- Major investments in the education omnibus include a **\$312 million increase in the foundation allowance of between \$120 and \$240 per pupil** and a 2 percent increase in university operations for **higher education of \$29.8 million**. The investments in education make up over 75% of the total ongoing general fund and school aid fund investments statewide.

FY2019 Education Omnibus Budget				
<i>Executive Recommendation</i>				
<i>Summary of Appropriations (in thousands)</i>				
Revenue Sources	K-12 School Aid	Community Colleges	Higher Education	Total
School Aid Fund	\$ 12,762,325.2	\$ 405,015.5	\$ 385,588.3	\$ 13,552,929.0
General Fund	\$ 45,000.0	\$ -	\$ 1,160,217.9	\$ 1,205,217.9
Other State Restricted	\$ 103,900.1	\$ -	\$ 100.0	\$ 104,000.1
Federal Funds	\$ 1,724,743.5	\$ -	\$ 113,026.4	\$ 1,837,769.9
<b>Total State Dollars</b>	<b>\$ 12,911,225.3</b>	<b>\$ 405,015.5</b>	<b>\$ 1,545,906.2</b>	<b>\$ 14,862,147.0</b>
<b>Total Appropriations</b>	<b>\$ 14,635,968.8</b>	<b>\$ 405,015.5</b>	<b>\$ 1,658,932.6</b>	<b>\$ 16,699,916.9</b>

## Michigan Public School Employees' Retirement System (MPERS)

The education omnibus includes a **total of \$1.3 billion** in state payments for MPERS retirement obligations across all budgets, which is a **net decrease of \$68.4 million** from fiscal year 2018 levels. The decrease is due to a one-time \$200 million payment in 2018 to pre-pay future payments for the early retirement incentive of 2010. Excluding this one-time payment, MPERS retirement obligation across all budgets is at a **net increase of 131.6 million** from fiscal year 2018 levels.

- The budget continues the state payments over and above the cap for unfunded accrued liabilities (UAL) for participating entities, which is established in statute. Baseline costs are \$38.7 million less than fiscal year 2018 levels.
- The Governor's budget also includes funding for the second year of a two-year phase in to lower the assumed rate of investment return (AROR) for the state's retirement systems from 8% to 7.5% for MPERS (other retirements systems are lowered in one year). This more conservative assumption is advised by the system's actuaries, is more in line with the industry standard, and will help to reduce risk and ensure that available pension trust funds will be sufficient to pay the benefits that have been earned.
- Lowering the AROR requires a funding commitment of \$213.6 million in fiscal year 2019 to cover the increased costs for the UAL. The Governor's budget also includes an additional \$95.2 million to pay the anticipated increase in normal cost contributions, which would otherwise be paid by districts and other employees, in order to hold them harmless from these changes.

Michigan Public School Employees' Retirement System (MPERS)					
FY19 Executive Recommendation					
Summary of State Payments by Budget (in thousands)					
	K-12 Districts	Libraries	Community Colleges	Universities	MPERS Totals
<b>FY2018</b>					
UAL Cap Subsidy - Existing	\$ 869,300	\$ 600	\$ 64,100	\$ 4,294	\$ 938,294
MPERS Offset - Existing	\$ 100,000	\$ -	\$ 1,734	\$ -	\$ 101,734
MPERS 2017 Reforms - DC match	\$ 11,800	\$ -	\$ -		\$ 11,800
MPERS 2017 Reforms - Incr NC	\$ 11,300	\$ -	\$ -		\$ 11,300
MPERS 2017 Reforms - one-time UAL pmt	\$ 200,000	\$ -	\$ -		\$ 200,000
AROR - UAL - New	\$ 90,830	\$ 54	\$ 6,705	\$ 2,411	\$ 100,000
AROR - Normal Cost - New	\$ 48,940	\$ 29	\$ 3,612	\$ 419	\$ 53,000
<b>Totals for FY2018</b>	<b>\$ 1,332,170</b>	<b>\$ 683</b>	<b>\$ 76,151</b>	<b>\$ 7,124</b>	<b>\$ 1,416,128</b>
<b>FY2019</b>					
UAL Cap Subsidy - Existing	\$ 835,191	\$ 593	\$ 60,933	\$ 2,863	\$ 899,580
MPERS Offset - Existing	\$ 100,000	\$ -	\$ 1,734	\$ -	\$ 101,734
MPERS 2017 Reforms - DC match	\$ 15,800	\$ -	\$ -	\$ -	\$ 15,800
MPERS 2017 Reforms - Incr NC	\$ 21,800	\$ -	\$ -	\$ -	\$ 21,800
AROR - UAL - New	\$ 196,809	\$ 107	\$ 14,367	\$ 2,270	\$ 213,553
AROR - Normal Cost - New	\$ 88,091	\$ 48	\$ 6,431	\$ 669	\$ 95,239
<b>Totals for FY2019</b>	<b>\$ 1,257,691</b>	<b>\$ 748</b>	<b>\$ 83,465</b>	<b>\$ 5,802</b>	<b>\$ 1,347,706</b>
<b>Annual Change</b>	<b>\$ (74,479)</b>	<b>\$ 65</b>	<b>\$ 7,314</b>	<b>\$ (1,322)</b>	<b>\$ (68,422)</b>



STATE BUDGET OFFICE

SCHOOL AID HIGHLIGHTS  
EXECUTIVE BUDGET  
FISCAL YEARS 2019 AND 2020

FEBRUARY 7, 2018

FY2019 K-12 School Aid Executive Budget

	FY2018 School Aid			FY2019 School Aid		
	Current Law PA 143 of 2017	Revised	Difference from Current Law	Executive Budget	Difference from FY18 Current Law	%
<i>School Aid Fund</i>	12,547,270.3	12,673,077.2	125,806.9	12,762,325.2	215,054.9	1.7%
<i>General Fund</i>	215,000.0	78,000.0	(137,000.0)	45,000.0	(170,000.0)	(79.1%)
<i>Other State Restricted</i>	95,100.1	95,100.1	0.0	103,900.1	8,800.0	9.3%
<b>Total State Funds</b>	<b>\$12,857,370.4</b>	<b>\$12,846,177.3</b>	<b>\$ (11,193.1)</b>	<b>\$12,911,225.3</b>	<b>\$53,854.9</b>	<b>0.4%</b>
<i>Federal Funds</i>	1,726,943.5	1,726,943.5	0.0	1,724,743.5	(2,200.0)	(0.1%)
<b>Gross Appropriations</b>	<b>\$14,584,313.9</b>	<b>\$14,573,120.8</b>	<b>\$ (11,193.1)</b>	<b>\$14,635,968.8</b>	<b>\$51,654.9</b>	<b>0.4%</b>
<i>MPSERS One-Time*</i>	(200,000.0)	(200,000.0)	0.0			
<i>Est. Local Revenue</i>	3,573,658.0	3,573,658.0	0.0	3,677,253.7	103,595.7	2.9%
<b>Total Funding</b> <i>(excludes MPSERS one-time)</i>	<b>\$17,957,971.9</b>	<b>\$17,946,778.8</b>	<b>\$ (11,193.1)</b>	<b>\$18,313,222.5</b>	<b>\$355,250.6</b>	<b>2.0%</b>

Note: \*FY2018 budget includes \$200 million in one-time funds for the purpose of pre-paying future MPSERS early retirement incentive payments.

Consensus Pupil Estimates:

FY2018 – 1,483,500

FY2019 – 1,478,500, a decrease of 5,000 pupils from FY2018

FY2020 – 1,475,000, a decrease of 3,500 from FY2019

School Operations Funding

- The FY2019 budget provides for a **\$120 to \$240 per-pupil foundation allowance increase distributed through the 2x formula**, at a cost of \$312 million. This is the largest increase in the minimum foundation allowance since FY2002. Total foundation allowance funding exceeds \$9.3 billion. The minimum foundation allowance will increase to \$7,871 per pupil, an increase of 3.1%; the basic foundation allowance will increase to \$8,409 per pupil, an increase of 1.4%.

Per-Pupil Foundation Allowances		
	Minimum	Maximum
<b>FY2018</b>	\$7,631	\$8,289
<b>Increase</b>	<u>\$ 240</u>	<u>\$ 120</u>
<b>FY2019 Foundation</b>	<b>\$7,871</b>	<b>\$8,409</b>

- State funding for **MPERS** retirement contributions totals \$1.2 billion, including \$1.0 billion for the amount above the statutory cap of 20.96% of payroll. In FY2019, the governor's budget includes the 2<sup>nd</sup> year of a 2-year phase-in to reduce the assumed rate of return on investments from 8% to 7.5%. Funding is included to pay for both the increase in UAL costs as well as the anticipated increase in normal costs, which would otherwise be paid by districts. Total state spending for MPERS decreases by \$74.4 million, due the removal of a one-time \$200 million UAL liability pre-payment included in the FY2018 budget. The budget maintains the MPERS offset payment at \$100 million. This payment has been included in the budget since FY2012.
- Funding for **academically At-Risk children** is maintained at \$499 million. Districts must continue implementing multi-tiered systems of support (MTSS) that provide students of differing academic needs with varying levels of intervention, using data to inform instructional needs. Districts will have 3 years to improve 3<sup>rd</sup> grade English Language Arts (ELA) proficiency, 8<sup>th</sup> grade mathematics proficiency, and 11<sup>th</sup> grade college and career readiness for economically-disadvantaged children. If districts fail to make progress in achieving these metrics, the state superintendent is authorized to partner with the district, intermediate district, community organizations, and others to make recommendations for changes in the district's operations. In addition, the budget includes \$535 million federal funds to support at-risk students.
- In recognition of the **higher instructional costs of educating high school pupils**, the executive budget maintains \$11 million for additional per-pupil payments to districts with students in grades 9 to 12. Districts will receive \$25 per high school pupil enrolled and attending in the district.
- The recommendation also recognizes the varying costs of educating students based on the type of education setting. The budget reflects a reduced funding level of approximately \$25 million (25% of the foundation allowance) for the state's **cyber schools of excellence**, which have lower facility, maintenance, and transportation costs than brick and mortar schools. This reduction puts Michigan in line with the cyber school funding policies of nearby states.
- The cost for non-core, education programs operated by public schools for **private, nonpublic, and home-schooled students** is nearly \$135 million in FY2018, an increase of over \$77 million since FY2013. The Executive Budget recommends capping per-pupil payments for these programs to a number of pupils equal to 5 percent of the district's public-school student membership and limiting participation to students in grades 1 to 12. In addition, the budget includes recommendations that improve access to course-offerings for all public-school students, ensure student safety, and improve program transparency. Savings from these reforms are estimated at \$68 million, which has been reinvested in the foundation allowance to support core academic achievement. Payments for shared time pupils are moved to a separate categorical (Sec. 23f).

### Improving Early Learning and Literacy

- The budget includes \$257.3 million for the **Great Start Readiness Program (GSRP)**. Of that amount, \$243.9 million will provide over 63,000 half-day preschool opportunities to 4-year-olds across the state.

- The budget maintains \$26.9 million for **early literacy** efforts to increase reading proficiency by the end of a child's third grade year. Multi-tiered systems of supports provide for regular diagnostic screenings of students, and targeted interventions for students identified as falling behind. This continued investment includes funding for professional development, additional instructional time, and funding for ISD-based literacy coaches.

### Investing in College and Career Readiness Programs

- The executive budget recognizes the important role that **career and technical education (CTE)** has in ensuring Michigan has the necessary talent for a 21<sup>st</sup> century economy. In recognition of this need, the budget includes an incentive of \$25 per pupil for high school students enrolled in CTE programs and an additional \$25 per pupil for programs that provide students with high-demand skills.
- The FY2019 budget recommends \$2.5 million for **First Robotics** programs, as well as \$750,000 to pay for testing costs associated with **Advanced Placement and International Baccalaureate tests** for low-income pupils. The budget also maintains \$1.75 million for incentives to districts that support **dual enrollment**.
- A total of \$11.4 million is included in the budget to support the state's **MiSTEM Network**. From this amount, nearly \$8.1 million is recommended to support the newly-organized MiSTEM Network Regions, and \$3 million is recommended for delivering STEM-related opportunities to pupils statewide.
- The budget continues to recommend \$3 million for the **Michigan College Access Network**, which works to improve college access for low-income and first-generation students.

### Assessments and Accountability

- The FY2019 budget includes \$37.3 million (\$31.0 million in state and \$6.3 million in federal) for costs associated with **student assessments** required under state and federal law.
- The FY2019 budget includes a total of \$40.2 million to districts for **state data collection and reporting costs**. The recommendation maintains \$38 million 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)** funding totals \$16.4 million.
- The budget includes \$8 million, an increase of \$2 million from the current year funding-level, to support **Partnership Models** for interventions in districts identified as needing additional academic supports. With this program, the department will continue to work with eligible districts to develop intervention plans and coordinate public, private, and non-profit resources to improve student achievement

### Student Support Services

- The FY2019 budget provides over \$1.4 billion for **special education services**: \$979 million in state funds and \$431 million in federal funds. In addition, based upon the work of the Special Education Task Force, the budget includes \$5 million for state Early On programming to provide early identification and interventions for developmental delays. The budget also includes \$500,000 for mediation services and parental supports, as recommended by the Task Force.

- The budget also provides \$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 \$5.6 million and **hearing and vision screenings** is maintained at \$5.2 million.
- Funding for **school lunch and breakfast programs** is \$550.2 million: \$27 million in state funds and \$523.2 million in federal funds.
- Funding is maintained for **adult education programs**, administered by the Talent Investment Agency (TIA), at \$27 million.
- The budget maintains \$7.4 million for the **Michigan Virtual University** to research and support best practices in virtual coursework.
- **School transportation safety programs** are funded at \$3.7 million: \$1.7 million for school bus inspections provided by Michigan State Police and \$2.0 million for school bus driver safety training. Funding to support **transportation costs in small, isolated districts** is maintained at \$5 million.
- Education programs in **juvenile justice facilities** are included at \$1.3 million. Educational programs that serve **wards of the court** are supported with \$8 million. Funding for the **Youth Challenge Program** is maintained at \$1.5 million.

### Health and Safety Supports

- A total of \$3.2 million is included to continue **school-level interventions and nutrition programs** for children in Flint.

### Debt Service and Other Required Payments

- **School Bond Loan Fund Debt Service** is funded at \$125.5 million.
- **Renaissance Zone** reimbursements are recommended at \$15 million.
- **School Aid Fund Borrowing Costs** are increased to a total of \$24 million.
- **PILT Payments** are maintained at \$4.4 million.
- Funding for **Promise Zones** is increased to \$3.0 million.

## MPERS Contribution Rates

The FY2019 MPERS retirement contribution rates are detailed below. These rates include the 2<sup>nd</sup> year of a 2-year phase-in of the lowered assumed rate of investment return (AROR) from 8% to 7.5%.

Rates are detailed below:

<b>MPERS Retirement Rates for FY2019</b>								
	<b>Basic MIP w/Prem Subsidy</b>	<b>Pension Plus w/Prem Subsidy</b>	<b>Pension Plus PHF</b>	<b>Pension Plus to DC w/PHF</b>	<b>Basic/MIP To DC w/ Prem Subsidy</b>	<b>Basic/MIP To DC w/PHF</b>	<b>Basic/ MIP w/PHF</b>	<b>Pension Plus 2 with PHF</b>
<b>Total Rate</b>	<b>38.39%</b>	<b>36.60%</b>	<b>36.24%</b>	<b>33.17%</b>	<b>33.53%</b>	<b>33.17%</b>	<b>38.03%</b>	<b>39.37%</b>
<b>Employer Rate:</b>								
<i>Pension Normal Cost</i>	4.86%	3.07%	3.07%	0.00%	0.00%	0.00%	4.86%	6.20%
<i>Pension UAL</i>	12.03%	12.03%	12.03%	12.03%	12.03%	12.03%	12.03%	12.03%
<i>Retirement Incentive (10-yr. payback)</i>	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%
<b>Pension Total Rate</b>	<b>18.25%</b>	<b>16.46%</b>	<b>16.46%</b>	<b>13.39%</b>	<b>13.39%</b>	<b>13.39%</b>	<b>18.25%</b>	<b>19.59%</b>
<b>Health</b>								
<i>Health Normal Cost</i>	0.36%	0.36%	0.00%	0.00%	0.36%	0.00%	0.00%	0.00%
<i>Health UAL</i>	7.57%	7.57%	7.57%	7.57%	7.57%	7.57%	7.57%	7.57%
<b>Retiree Health Total Rate</b>	<b>7.93%</b>	<b>7.93%</b>	<b>7.57%</b>	<b>7.57%</b>	<b>7.93%</b>	<b>7.57%</b>	<b>7.57%</b>	<b>7.57%</b>
<b>Employer Capped Rate</b>	<b>26.18%</b>	<b>24.39%</b>	<b>24.03%</b>	<b>20.96%</b>	<b>21.32%</b>	<b>20.96%</b>	<b>25.82%</b>	<b>27.16%</b>
<b>Stabilization Rate (State Funded)</b>								
<b>Stabilization Rate (State Funded)</b>	<b>12.21%</b>	<b>12.21%</b>	<b>12.21%</b>	<b>12.21%</b>	<b>12.21%</b>	<b>12.21%</b>	<b>12.21%</b>	<b>12.21%</b>
<b>FY2018 Employer Capped Rate</b>	<b>25.56%</b>	<b>24.28%</b>	<b>24.03%</b>	<b>20.96%</b>	<b>21.21%</b>	<b>20.96%</b>	<b>25.31%</b>	<b>N/A</b>

Acronyms Used Above:

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





**FY2018, FY2019, and FY2020 STATE SCHOOL AID APPROPRIATIONS**  
**Executive Budget Recommendation - February 7, 2018**

Sec.	APPROPRIATIONS (In thousands):	FY 2018			FY 2019		FY 2020	
		FY 2018 Current Law 10/18/2017	Revised Rec	Difference	FY19 Executive Budget BY1	Difference from Current Law	FY20 Executive Budget BY2	Difference from Current Law
11j	School Bond Loan Redemption Fund	125,500.0	125,500.0	0.0	125,500.0	0.0	125,500.0	0.0
11m	School Aid Fund Borrowing Costs	6,500.0	18,000.0	11,500.0	24,000.0	17,500.0	31,000.0	24,500.0
11s	Flint Declaration of Emergency	8,730.1	8,730.1	0.0	3,230.1	(5,500.0)	0.0	(8,730.1)
20f	Categorical Offset Payments	18,000.0	18,000.0	0.0	18,000.0	0.0	18,000.0	0.0
21h	Partnership Model Districts	6,000.0	6,000.0	0.0	8,000.0	2,000.0	6,000.0	0.0
21j	Competency Based Education Grants to Districts	500.0	500.0	0.0	0.0	(500.0)	0.0	(500.0)
22a	Proposal A Obligation Payment	5,181,800.0	5,176,000.0	(5,800.0)	5,048,000.0	(133,800.0)	4,985,000.0	(196,800.0)
22b	Discretionary Payment	4,037,500.0	4,019,000.0	(18,500.0)	4,228,600.0	191,100.0	4,219,000.0	181,500.0
22d	Isolated District Funding	5,000.0	5,000.0	0.0	5,000.0	0.0	5,000.0	0.0
22m	Technology Regional Data Hubs	2,200.0	2,200.0	0.0	2,200.0	0.0	2,200.0	0.0
22n	High School Per-Pupil Bonus	11,000.0	11,000.0	0.0	11,000.0	0.0	11,000.0	0.0
23f	Shared Time Pupils	0.0	0.0	0.0	64,100.0	64,100.0	64,100.0	64,100.0
24	Court-Placed Children	8,000.0	8,000.0	0.0	8,000.0	0.0	8,000.0	0.0
24a	Juvenile Detention Facility Programs	1,339.0	1,339.0	0.0	1,355.7	16.7	1,355.7	16.7
24c	ChalleNGe Program	1,528.4	1,528.4	0.0	1,545.4	17.0	1,545.4	17.0
25f	Strict Discipline Academies Pupil Transfers	750.0	750.0	0.0	750.0	0.0	750.0	0.0
25g	Dropout Recovery Program Pupil Transfers	750.0	750.0	0.0	750.0	0.0	750.0	0.0
26a	Renaissance Zone Reimbursement	17,000.0	15,000.0	(2,000.0)	15,000.0	(2,000.0)	15,000.0	(2,000.0)
26b	PILT Reimbursement	4,405.1	4,405.1	0.0	4,405.1	0.0	4,405.1	0.0
26c	Promise Zone Payments	1,500.0	1,600.0	100.0	3,000.0	1,500.0	3,000.0	1,500.0
31a	At-Risk Programs	499,000.0	499,000.0	0.0	499,000.0	0.0	499,000.0	0.0
31a(7)	Adolescent Teen Health Centers	6,057.3	6,057.3	0.0	6,057.3	0.0	6,057.3	0.0
31a(8)	Vision/Hearing Screening	5,150.0	5,150.0	0.0	5,150.0	0.0	5,150.0	0.0
31b	Balanced Calendar/Year-Round School Programs	1,500.0	1,500.0	0.0	0.0	(1,500.0)	0.0	(1,500.0)
31d	School Lunch - State	22,495.1	22,802.0	306.9	23,144.0	648.9	23,491.0	995.9
31d	School Lunch - Federal	523,200.0	523,200.0	0.0	523,200.0	0.0	523,200.0	0.0
31f	School Breakfast	4,500.0	4,500.0	0.0	4,500.0	0.0	4,500.0	0.0
31j	Local Produce in School Meals	375.0	375.0	0.0	0.0	(375.0)	0.0	(375.0)
32d	Great Start Readiness	243,900.0	243,900.0	0.0	243,900.0	0.0	243,900.0	0.0
32p	Great Start Early Childhood Block Grants	13,400.0	13,400.0	0.0	13,400.0	0.0	13,400.0	0.0
32q	Early Learning Cooperative	175.0	175.0	0.0	0.0	(175.0)	0.0	(175.0)
35	Early Literacy Implementation (moved to MDE)	1,000.0	1,000.0	0.0	0.0	(1,000.0)	0.0	(1,000.0)
35a(5)	Early Literacy District Grants	20,900.0	20,900.0	0.0	20,900.0	0.0	20,900.0	0.0
35a(4)	Early Literacy Teacher Coaches	6,000.0	6,000.0	0.0	6,000.0	0.0	6,000.0	0.0
35a(6)	Michigan Reading Corp	2,500.0	2,500.0	0.0	0.0	(2,500.0)	0.0	(2,500.0)
39a1	Federal NCLB/ESSA Grant Funds	731,600.0	731,600.0	0.0	730,600.0	(1,000.0)	725,600.0	(6,000.0)
39a2	Other Federal Funding	30,000.0	30,000.0	0.0	30,000.0	0.0	30,000.0	0.0
41	Bilingual Education	6,000.0	6,000.0	0.0	6,000.0	0.0	6,000.0	0.0
51c	Special Education Headlee	635,300.0	636,600.0	1,300.0	650,600.0	15,300.0	665,000.0	29,700.0
51a1	Special Education Department Monitoring	500.0	500.0	0.0	500.0	0.0	500.0	0.0
51a2	Special Education Foundations & Sped	264,200.0	266,400.0	2,200.0	272,100.0	7,900.0	278,000.0	13,800.0
51a3	Special Ed Hold Harmless Pmt. To ISD's	1,000.0	1,000.0	0.0	1,100.0	100.0	1,100.0	100.0
51a6	Special Ed Rule Change	2,200.0	2,200.0	0.0	2,200.0	0.0	2,200.0	0.0
51a11	Special Ed Non Sec 52 to ISD's	3,600.0	3,300.0	(300.0)	3,400.0	(200.0)	3,200.0	(400.0)
53a	Court Placed Special Ed FTE	10,500.0	10,500.0	0.0	10,500.0	0.0	10,500.0	0.0
54	MI School for Deaf and Blind	1,688.0	1,688.0	0.0	1,688.0	0.0	1,688.0	0.0
54b	Integrated Behavior and Learning Support (MIBLSI)	1,600.0	1,600.0	0.0	1,600.0	0.0	1,600.0	0.0
54c	Spec. Ed. Taskforce - Mediation and Parental Supports	0.0	0.0	0.0	500.0	500.0	500.0	500.0
54d	Spec. Ed. Taskforce - Early On	0.0	0.0	0.0	5,000.0	5,000.0	5,000.0	5,000.0
51a	Special Education - Federal IDEA	370,000.0	370,000.0	0.0	370,000.0	0.0	370,000.0	0.0
51d	Special Education - Other Federal	61,000.0	61,000.0	0.0	61,000.0	0.0	61,000.0	0.0
55	Conductive Learning Center Study	150.0	150.0	0.0	0.0	(150.0)	0.0	(150.0)
56	Special Ed Millage Equalization	37,758.1	37,758.1	0.0	37,758.1	0.0	37,758.1	0.0
61a	Vocational Education	37,850.3	37,850.3	0.0	36,611.3	(1,239.0)	36,611.3	(1,239.0)
61b	CTE Middle College Program	8,000.0	8,000.0	0.0	8,000.0	0.0	8,000.0	0.0
61c	CTE Equipment Upgrades	12,500.0	12,500.0	0.0	0.0	(12,500.0)	0.0	(12,500.0)
61d	CTE Incentive Payment	0.0	0.0	0.0	5,000.0	5,000.0	5,000.0	5,000.0
62	ISD Vocational Ed Millage Reimbursement	9,190.0	9,190.0	0.0	9,190.0	0.0	9,190.0	0.0
64b	Dual Enrollment Incentive Payments	1,750.0	1,750.0	0.0	1,750.0	0.0	1,750.0	0.0
64d	IT Certifications	2,300.0	2,300.0	0.0	0.0	(2,300.0)	0.0	(2,300.0)
65	Detroit Pre-College K-12 Engineering Program	340.0	340.0	0.0	0.0	(340.0)	0.0	(340.0)
67	Michigan College Access Network (MCAN)	3,000.0	3,000.0	0.0	3,000.0	0.0	3,000.0	0.0
67a	Career Preparation and Readiness Platform	1,000.0	1,000.0	0.0	0.0	(1,000.0)	0.0	(1,000.0)
74	Bus Driver Safety	2,025.0	2,025.0	0.0	2,025.0	0.0	2,025.0	0.0
74(4)	School Bus Inspection Program	1,705.3	1,705.3	0.0	1,729.9	24.6	1,729.9	24.6
81	ISD General Operations	67,108.0	67,108.0	0.0	67,108.0	0.0	67,108.0	0.0
94	Advanced Placement (AP) Incentive Program	750.0	750.0	0.0	750.0	0.0	750.0	0.0
94a	CEPI - State	16,216.0	16,216.0	0.0	16,356.7	140.7	16,356.7	140.7
94a	CEPI - Federal	193.5	193.5	0.0	193.5	0.0	193.5	0.0
95b	Statewide Value-Added Evaluation Tool	2,500.0	2,500.0	0.0	0.0	(2,500.0)	0.0	(2,500.0)

Sec.	APPROPRIATIONS (In thousands):	FY 2018 Current Law 10/18/2017	Revised Rec	Difference	FY19 Executive Budget BY1	Difference from Current Law	FY20 Executive Budget BY2	Difference from Current Law
98	Michigan Virtual University	7,387.5	7,387.5	0.0	7,387.5	0.0	7,387.5	0.0
99h	First Robotics	2,800.0	2,800.0	0.0	2,500.0	(300.0)	2,500.0	(300.0)
99k	Cybersecurity Competitions	500.0	500.0	0.0	0.0	(500.0)	0.0	(500.0)
99r	STEM Executive Director	250.0	250.0	0.0	400.0	150.0	400.0	150.0
99s(2)(3)	MiSTEM Council	2,900.0	2,900.0	0.0	2,950.0	50.0	2,950.0	50.0
99s(4)	Math/Science Centers - State	3,299.3	3,299.3	0.0	0.0	(3,299.3)	0.0	(3,299.3)
99s(4)	MiSTEM Network Regions - Federal	4,700.0	4,700.0	0.0	3,500.0	(1,200.0)	3,500.0	(1,200.0)
99s(5)(6)	MiSTEM Network Regions	1,485.0	1,485.0	0.0	4,584.3	3,099.3	4,584.3	3,099.3
99s(13)	Van Andel Education Institute	150.0	150.0	0.0	0.0	(150.0)	0.0	(150.0)
99t	Online Algebra Tool	1,100.0	1,100.0	0.0	0.0	(1,100.0)	0.0	(1,100.0)
99u	Online Mathematics Tool	1,000.0	1,000.0	0.0	0.0	(1,000.0)	0.0	(1,000.0)
102d	Reimbursement of Financial Analytical Tools	1,500.0	1,500.0	0.0	0.0	(1,500.0)	0.0	(1,500.0)
104	Student Assessments - State	34,709.4	34,709.4	0.0	31,009.4	(3,700.0)	31,009.4	(3,700.0)
104	Student Assessments - Federal	6,250.0	6,250.0	0.0	6,250.0	0.0	6,250.0	0.0
104d	Computer Adaptive Tests	4,000.0	4,000.0	0.0	0.0	(4,000.0)	0.0	(4,000.0)
104e	Digital Assessment Preparation	250.0	250.0	0.0	0.0	(250.0)	0.0	(250.0)
107	Adult Education	27,000.0	27,000.0	0.0	27,000.0	0.0	27,000.0	0.0
147a	MPSERS Cost Offset	100,000.0	100,000.0	0.0	100,000.0	0.0	100,000.0	0.0
147a(2)	MPSERS Normal Cost Offset	48,969.0	48,969.0	0.0	88,139.0	39,170.0	88,139.0	39,170.0
147c	MPSERS UAAL Rate Stabilization Payment	960,784.0	960,784.0	0.0	1,032,700.0	71,916.0	1,068,500.0	107,716.0
147c(2)	MPSERS - UAL Liability Prepayment	200,000.0	200,000.0	0.0	0.0	(200,000.0)	0.0	(200,000.0)
147e	MPSERS Transition Costs	23,100.0	23,100.0	0.0	37,600.0	14,500.0	51,800.0	28,700.0
152a	Data Collection and Reporting Costs	38,000.5	38,000.5	0.0	38,000.5	0.0	38,000.5	0.0
152b	Nonpublic School Reimbursement	2,500.0	2,500.0	0.0	0.0	(2,500.0)	0.0	(2,500.0)
<b>TOTAL SCHOOL AID APPROPRIATIONS</b>		<b>\$ 14,584,313.9</b>	<b>\$ 14,573,120.8</b>	<b>\$ (11,193.1)</b>	<b>\$ 14,635,968.8</b>	<b>\$ 51,654.9</b>	<b>\$ 14,630,585.7</b>	<b>\$ 46,271.8</b>
<b>REVENUES:</b>								
	School Aid Fund	12,547,270.3	12,673,077.2	125,806.9	12,762,325.2	215,054.9	12,793,842.2	246,571.9
	General Fund	215,000.0	78,000.0	(137,000.0)	45,000.0	(170,000.0)	45,000.0	(170,000.0)
	Community District Trust Fund/Other SR Funds	72,000.1	72,000.1	0.0	72,000.1	0.0	72,000.0	(0.1)
	MPSERS Retirement Obligation Reform Fund	23,100.0	23,100.0	0.0	31,900.0	8,800.0	0.0	(23,100.0)
	Federal Funds	1,726,943.5	1,726,943.5	0.0	1,724,743.5	(2,200.0)	1,719,743.5	(7,200.0)
<b>TOTAL APPROPRIATED REVENUES</b>		<b>14,584,313.9</b>	<b>14,573,120.8</b>	<b>(11,193.1)</b>	<b>14,635,968.8</b>	<b>51,654.9</b>	<b>14,630,585.7</b>	<b>46,271.8</b>



STATE BUDGET OFFICE

February 7, 2018

School Aid Executive Budget  
Fiscal Years 2018, 2019 and FY2020  
Balance Sheet  
(in millions)

	Fiscal Year FY 2018	Fiscal Year FY 2019	Fiscal Year FY 2020
January 2018 Consensus Revenue Estimate	\$ 13,084.5	\$ 13,464.0	\$ 13,822.7
Sales Tax on Difference Bills (SB 94/SB 95)	\$ (0.2)	\$ (2.0)	\$ (4.2)
Michigan Venture Fund (MVF)	\$ -	\$ -	\$ (6.0)
MPSERS Reserve Fund Deposit (PA 108 of 2017)	\$ (55.0)	\$ -	\$ -
Subtotal, Revised School Aid Fund	\$ 13,029.4	\$ 13,462.0	\$ 13,812.5
General Fund	\$ 78.0	\$ 45.0	\$ 45.0
Community District Trust Fund	\$ 72.0	\$ 72.0	\$ 72.0
MPSERS Reserve Fund	\$ 23.1	\$ 31.9	\$ -
Federal Funds	\$ 1,726.9	\$ 1,724.7	\$ 1,719.7
<b>Total Resources Available - Ongoing</b>	<b>\$ 14,929.4</b>	<b>\$ 15,335.6</b>	<b>\$ 15,649.2</b>
<b>School Aid Ongoing Costs</b>			
Current Law Budget - PA 143 of 2017	\$ 14,266.4		
Pending Supplemental (2018-5)	\$ (11.2)		
Executive Recommendation		\$ 14,542.6	\$ 14,542.4
<b>Community Colleges Ongoing Costs</b>			
Current Law Budget - PA 108 of 2017	\$ 394.7		
Executive Recommendation		\$ 398.6	\$ 401.3
<b>Universities Ongoing Costs</b>			
Current Law Budget - PA 108 of 2017	\$ 237.9		
Executive Recommendation		\$ 384.9	\$ 385.9
<b>Total Expenditures - Ongoing</b>	<b>\$ 14,887.9</b>	<b>\$ 15,326.1</b>	<b>\$ 15,329.7</b>
<b>Ongoing Revenue Balance</b>	<b>\$ 41.5</b>	<b>\$ 9.5</b>	<b>\$ 319.6</b>
<b>Beginning Balance - One-Time</b>	<b>\$ 377.4</b>	<b>\$ 97.1</b>	<b>\$ 6.1</b>
School Aid Current Law - PA 143 of 2017	\$ 317.9		
Executive Recommendation		\$ 93.4	\$ 88.1
Community Colleges Current Law - PA 108 of 2017	\$ 3.6		
Executive Recommendation		\$ 6.4	\$ 6.4
Universities Current Law - PA 108 of 2017	\$ 0.4		
Executive Recommendation		\$ 0.7	\$ 0.7
<b>Total Expenditures - One-Time</b>	<b>\$ 321.9</b>	<b>\$ 100.5</b>	<b>\$ 95.2</b>
<b>One-Time Revenue Balance</b>	<b>\$ 55.5</b>	<b>\$ (3.4)</b>	<b>\$ (89.1)</b>
<b>Estimated CAFR Balance</b>	<b>\$ 97.1</b>	<b>\$ 6.1</b>	<b>\$ 230.5</b>





FY2019 School Aid Executive Recommendation  
Shared Time Program Overview

**Background**

Shared time instruction allows a nonpublic or homeschool student to enroll on a part-time basis in non-essential, elective courses at a public school and the public school to then claim those students for calculation of state aid payments. Historically, these were elective courses taken by all students – courses like physical education, art, band, and foreign languages. Increasingly, however, a small number of districts are actively recruiting homeschool pupils for shared time reimbursement by offering courses that include private athletic coaching, private music lessons, and virtual learning in subjects like equestrian and wilderness training.

Shared time enrollment has grown from about 6,500 full-time equivalent (FTE) pupils in FY 2012 to over 17,200 FTE pupils in FY 2018, as legislation has expanded options for districts, and as some districts have increased their elective course offerings to attract nonpublic pupils. On a headcount basis, over 102,000 nonpublic school students enrolled part-time in a public school under shared time provisions in FY 2018.

At an average cost of about \$7,800 per FTE in foundation allowance dollars, nearly \$135 million in state taxpayer dollars are being spent on shared time programs in fiscal year 2018. This funding equates to \$90 per pupil if it were to be distributed across all public school students.

**Proposed Recommendation**

Since shared time reimbursements are only paid for non-core, non-essential, elective courses, this program diverts resources from core instruction that improves student academic outcomes. For FY 2019, the Executive Recommendation limits the number of nonpublic pupils eligible for reimbursement to a number equal to 5% of a district’s public school pupil membership. This cap is expected to affect a small number of districts; only 24 districts, less than 3% of the state total, would have been impacted in fiscal year 2018. The recommendation also restores state policy that excludes kindergarten from shared time eligibility. In addition, the budget includes recommendations that ensure equal access to elective courses for public-school students, ensure student safety, and improve program transparency.

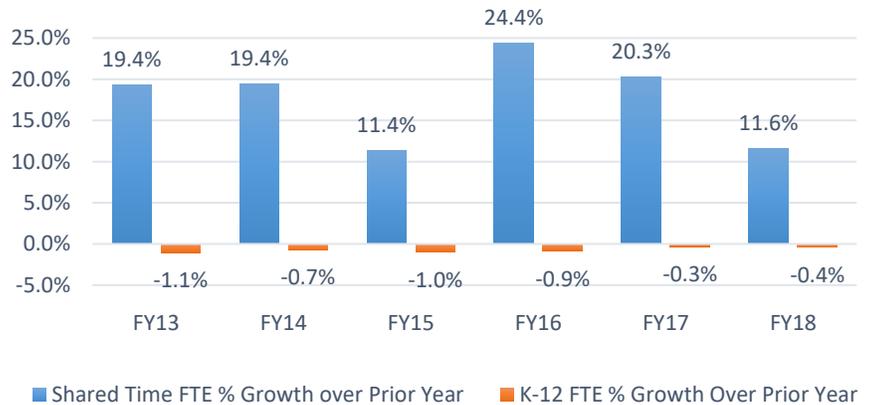
The governor recommends the savings from these reforms, estimated at \$68 million, be reinvested in the foundation allowance to improve student outcomes in core subject areas statewide.

**Key Observations**

A small number of districts represent a large portion of the shared time FTE. Over 50% of the 17,200 FTEs in fiscal year 2018 are from ten school districts. In total, about 280 districts, or less than half, receive reimbursements for shared time students.

Kindergarten programs were eligible for reimbursement for the first time in fiscal year 2017. Prior to that, shared time had been limited to pupils in grades 1-12. In fiscal year 2017, there were about 1,100 shared time FTE claimed for kindergarten. In fiscal year 2018, this increased to over 1,700 FTE across nearly 120 districts.

**Shared Time enrollment has increased 165% since FY12, while K-12 enrollment has decreased by 4.3%.**





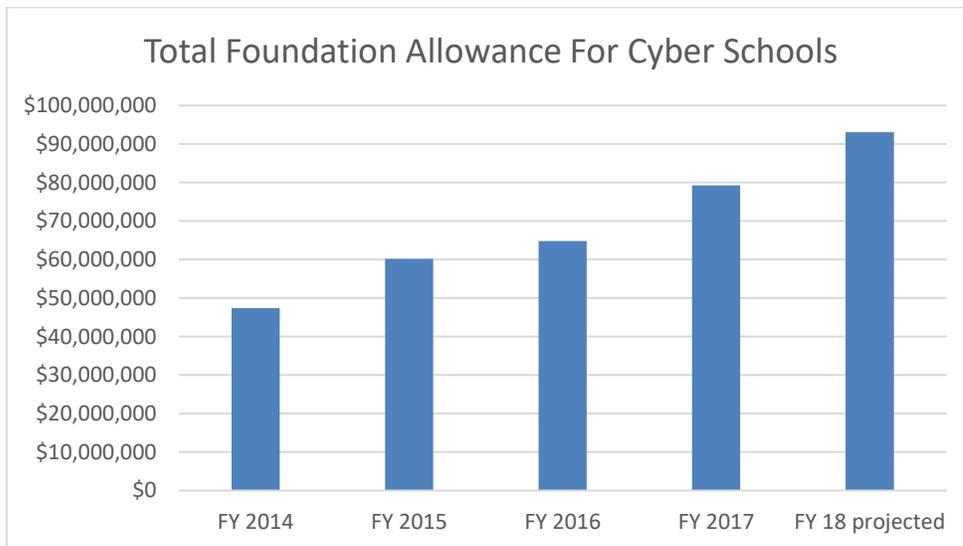


Cyber School Foundation Allowance Adjustment  
FY 2019 Executive Recommendation

**Background Information**

Michigan has 14 charter schools designated as “cyber schools,” providing full-time instruction through online learning. In FY 2018, the 14 cyber schools are receiving more than \$93 million in foundation payments, based on total enrollment of 12,200 pupils. Each cyber school receives a foundation allowance of \$7,631 per pupil. This is the same level as for all other charter schools, which is also equal to the minimum foundation allowance for traditional public schools.

The first cyber schools opened in 2011. As more schools have opened, enrollment has grown dramatically, and foundation payments to cybers have nearly doubled over a four-year period.



**Research Findings**

Credible research indicates that the cost of educating a student in a cyber setting is less expensive than educating the same pupil in a traditional “brick-and-mortar” setting. However, funding policies for cyber schools vary considerably across states.

- Research published by the Education Commission of the States found that brick-and-mortar schools spend on average 10% of their budget on facilities, 9.4% on maintenance and operations, and 4.4% on transportation – suggesting that cyber schools should cost **approximately 23.8% less**, at a minimum, than brick-and-mortar schools.<sup>1</sup>
- A case study published by the National Education Policy Center explored the cost structure of cyber schools operated by one nationwide vendor and found that, despite increased costs associated with technology, cyber schools are at a funding advantage of over **\$4,000 per pupil**, compared to brick-and-mortar schools.<sup>2</sup> This would equate to over 50% of the minimum foundation allowance in Michigan.

<sup>1</sup>GRIFFITH, MICHAEL. “WHAT STATE POLICYMAKERS NEED TO KNOW ABOUT FUNDING VIRTUAL CHARTER SCHOOLS.” EDUCATION COMMISSION OF THE STATES, THE PROGRESS OF EDUCATION REFORM, FEB. 2014, [www.ecs.org/clearinghouse/01/11/11/111111.pdf](http://www.ecs.org/clearinghouse/01/11/11/111111.pdf).

<sup>2</sup>MIRON, GARY, AND JESSICA URSCHEL. “UNDERSTANDING AND IMPROVING FULL-TIME VIRTUAL SCHOOLS.” NATIONAL EDUCATION POLICY CENTER, NATIONAL EDUCATION POLICY CENTER, JULY 2012, [NEPC.COLORADO.EDU/PUBLICATION/UNDERSTANDING-IMPROVING-VIRTUAL](http://NEPC.COLORADO.EDU/PUBLICATION/UNDERSTANDING-IMPROVING-VIRTUAL)

- In an International Association for K-12 Online learning (iNACOL) study done in 2015, funding for cyber schools was compared to funding for traditional schools. The data ranges from Kansas funding cybers at 40% of funding available to traditional districts, to Minnesota funding cybers at 100%. Ohio and Indiana cybers received **51% and 55% of the funding** available to traditional districts.<sup>3</sup> Available resources include all funding a school can receive including state, federal, and local funding.

Below is a chart showing how cyber school funding in Midwest states compares to traditional public schools. Please note that the funding levels shown include more than just foundation allowance payments; the amounts reflect funding from all state, federal, and local sources. The chart compares Michigan before and after a proposed 25% cut to the cyber foundation allowance.

<b>2012-2013 Midwest Cyber Funding Comparison</b>			
	<b>Average Funding per FTE</b>		
<b>State</b>	<b>Cyber Schools*</b>	<b>Traditional Public Schools</b>	<b>Cyber Funding as a % of Traditional Public Schools</b>
Indiana	\$5,245	\$9,479	55.3%
Illinois	\$9,862	\$12,045	81.9%
Ohio	\$5,745	\$11,224	51.2%
Wisconsin	\$6,445	\$11,453	56.3%
<b>Average above</b>	<b>\$6,824</b>	<b>\$11,050</b>	<b>61.2%</b>
Michigan**	\$8,409	\$10,352	81.2%
<b>Michigan with 25% Foundation Reduction</b>	<b>\$6,586</b>	<b>\$10,352</b>	<b>63.6%</b>

Note: Ohio, Indiana & Wisconsin info was on the iNACOL study. Illinois was found using data from the Illinois State Board of Education website.

\*Over 12% of Michigan Cyber School Funding comes from sources other than the foundation allowance.

\*\*Michigan 2015-2016 data was used.

## Proposal

With the proposed 25% reduction included in the FY 2019 Executive Budget, the percentage of cyber funding compared to traditional public school is in line with the average of other Midwest states. The \$25 million in savings resulting from this policy change is redirected to help provide a significant increase in the foundation allowance that benefits students across all publicly funded school districts in the state.

<sup>3</sup>A PATRICK, SUSAN, ET AL. "PERFORMANCE-BASED FUNDING & ONLINE LEARNING: MAXIMIZING RESOURCES FOR STUDENT SUCCESS." INTERNATIONAL ASSOCIATION FOR K-12 ONLINE LEARNING, INTERNATIONAL ASSOCIATION FOR K-12 ONLINE LEARNING, MAR. 2015, [www.inacol.org/wp-content/uploads/2015/03/iNACOL-Performance-Based-Funding-and-Online-Learning.pdf](http://www.inacol.org/wp-content/uploads/2015/03/iNACOL-Performance-Based-Funding-and-Online-Learning.pdf).



**STATE BUDGET OFFICE**  
February 7, 2018

**Career and Technical Education Incentive Payment**  
**FY 2019 Executive Recommendation**

---

**FY19 EXECUTIVE RECOMMENDATION**

The Executive Budget includes \$5.0 million for incentive payments to districts for enrolling pupils in Career and Technical Education (CTE) programs. Districts can receive payments of up to \$50 per high school pupil, based on the number of high school pupils enrolled in state-approved CTE programs and the programs in which they are enrolled.

Payments are calculated as follows:

- **\$25** for every high school pupil enrolled in **any** CTE program.
- An additional **\$25** for those high school pupils enrolled in a CTE program that provides instruction in **critical skills and high demand career fields**.

**Critical Skills Programs**

CTE programs are classified through the federal Classification of Instructional Programs (CIP) coding structure. The additional payment of \$25 is aligned with the same CIP codes identified as “critical skills” for the purpose of calculating performance funding as part of the higher education funding formula. This includes programs classified under the following CIP Codes:

- Agriculture, Agriculture Operations, and Related Sciences
- Natural Resources and Conservation
- Communications Technologies/Technicians and Support Services
- Computer and Information Sciences and Support Services
- Engineering
- Engineering Technologies and Engineering-Related Fields
- Biological and Biomedical Sciences
- Construction Trades
- Mechanic and Repair Technologies/Technicians
- Precision Production
- Health Professions and Related Programs

**CTE Enrollment**

In FY 2017, approximately 109,000 pupils were enrolled in a CTE program. Of these enrolled pupils, about 72,000 enrolled in critical skills programs.

