

May 6, 2011

K-12 School Aid Budgets for Fiscal Year 2012 Move to Conference Committee

The Governor's proposed budget for fiscal year 2012 (FY12) combines funding for local and intermediate school districts, community colleges and higher education into an omnibus education budget bill which would ultimately be known as the State Education Funding Act. The Governor's budget includes a total of \$13.8 billion for the State Education Funding Act, including \$11 billion in revenues from the School Aid Fund, \$1.1 billion in state general funds, and \$1.75 billion in federal funding.

Traditionally, revenues from the School Aid Fund have been reserved for programs administered by local and intermediate school districts. Of the total \$13.8 billion proposed by the Governor for the State Education Funding Act, \$12.2 billion would be appropriated for K-12 education, down from \$12.9 billion in fiscal year 2011; \$296 million would fund community colleges, including \$196 million in School Aid revenues; and \$1.4 billion would be available for higher education, with \$700 million coming from the School Aid Fund.

On April 27, 2011, the Senate passed several budgets including funding for K-12, Community Colleges and Higher Education. The Senate did not combine the funding into an omnibus bill, and passed a \$12.4 billion budget for K-12 that includes \$10.5 billion from the School Aid Fund, \$1.7 billion from federal revenues and \$219 million from the general fund. The Senate agreed with the Governor's funding levels for Community Colleges, but their Higher Education budget includes only \$200 million from the School Aid Fund.

On May 5, 2011, The House passed their own budget bill that combined K-12, Community Colleges and Higher Education into a single Education Omnibus Budget that included \$12.2 billion for K-12 – \$10.1 billion from the School Aid Fund, \$1.7 billion from federal revenues and \$461 million from the general fund. The House agreed with the Governor's funding levels for Community Colleges and Higher Education, maintaining \$700 million from the School Aid Fund in their recommendation.

All appropriations bills will now be debated in joint House and Senate Conference Committees to iron out points of difference. Sections of the budget where the Governor, House and Senate proposals do not differ will not be further discussed. FY12 budget conversations follow a decade of disinvestment in programs for children and families throughout the public sector, mitigated temporarily by an influx of federal economic stimulus dollars. Proposals from the Governor, House and Senate each include large cuts for schools, and include shifting further resources from K-12 to post-secondary education.

The Fiscal Year 2012 Budget Proposals

Basic support to schools.

K-12 per pupil foundation grants. The basic foundation allowance for FY 2010-11 is \$8,489 per pupil, with a minimum per pupil of \$7,316. Each proposal reduces the foundation a little differently, but all result in reductions to the basic per-pupil amount received by school districts.

- *Governor:* The Governor proposes a total per pupil cut of \$470 in fiscal year 2012, a reduction of approximately 5 percent. The Governor recommends setting aside \$300 million in foundation allowance discretionary funds for an incentive fund for districts that adopt employee cost-sharing of health care premiums. In addition to per-pupil allocation cuts, the Executive Budget eliminates funding for a variety of categorical programs, including \$20 million in grants to school districts with declining enrollments, as well supplemental funding for rural and geographically isolated districts (\$9.4 million).
- *Senate:* The Senate reduced foundation allowances by a total of \$340 per pupil. The Senate added \$200 million to provide grants to districts and ISDs for the purposes of best practices including service sharing, consolidation of administration, performance based compensation, health care cost containment and premium sharing, and fiscal transparency. Eliminates funding for multiple categorical, but maintains funding for rural and isolated districts.
- *House:* The Committee reduces each district's foundation allowance using a slightly different calculation than the Governor's recommendation, but both result in roughly \$470 per pupil cut in FY12. The House creates an incentive grant beginning in FY13 for districts and ISDs that implement employee cost-sharing for health care premiums and service consolidation.

Cuts in funding for Intermediate School District (ISD) operations and special grants to districts.

- *Governor:* The Governor proposes to cut ISD operations by \$3.3 million or 5 percent, with total funding falling from \$65.4 million to \$62.1.
- *Senate and House:* Concurred with the Governor.

Full-Day Kindergarten

- *Governor:* The Governor retained language defining full-time kindergarten as either half or whole day. Thus, all kindergarten will receive the full foundation allowance.
- *Senate:* The Senate changes the definition of kindergarten membership to require full-day attendance to generate a full foundation allowance. Half day kindergarten will receive a half day allowance.
- *House:* Maintains current law but requires that beginning in fiscal year 2013, a kindergarten pupil must receive an equal number of instructional hours as pupils in grades 1-12 to be counted as a full FTE.

Support for early learning.

Great Start Readiness Program (GSRP):

- *Governor:* Funding for the School Aid GSRP would continue at \$88.1 million, with \$7.6 million for the GSRP competitive program (\$7.6 million). The Governor added boilerplate language adding a "ZS" endorsement as an option for certification, and requiring teachers to complete compliance plans within 2 years rather than the current 4 years from the date of employment. Also removed is budget language allowing a teacher with 90 credit hours and at least 4 years of teaching experience in a qualified preschool program to meet the requirements to participate in the GSRP
- *Senate:* The Senate increased funding for the GSRP by \$6 million (6.7%), and provided continuation funding for the GSRP competitive program. The Senate adopted the "ZS" boilerplate language and removed language allowing a teacher with 90 credit hours and 4 years of experience to meet GSRP requirements.
- *House:* Provided continuation funding for both the GSRP School Aid program and the competitive program, and transferred responsibility for the administration and distribution of GSRP funds to Intermediate School Districts (ISDs). In fiscal year 2012, budget language requires the ISDs to allocate both the district and competitive GSRP funds based on current Michigan Department of Education (MDE) criteria. Concurred with Governor on teaching eligibility requirements.

Great Parents/Great Start:

- *Governor:* Funding for the Great Parents/Great Start program is continued at \$5 million.
- *Senate and House:* Concurred with the Governor.

Great Start Collaboratives:

- *Governor:* Continuation funding for local Great Start Collaboratives (GSCs) and Great Start Parent Coalitions (GSPCs) through the ECIC at \$6 million.
- *The Senate:* Cuts funding for GSCs and GSPCs by \$100,000 to a total of \$5.9 million in the K-12 School Aid budget. The Senate eliminated all child care quality funding to the ECIC in the DHS budget, and shifted \$7.6 million of those dollars to local GSCs for general operations and program support (\$6 million), as well as professional training activities (\$1.6 million).
- *House:* Retains full funding (\$6 million) for GSCs and GSPCs in the K-12 School Aid budget. The budget includes language indicating legislative intent to transfer GSRP funding to an early childhood block grant in fiscal year 2013, along with funds for GSCs and Great Parents/Great Start. The early childhood block grant program will be administered by ISDs “in conjunction with their regional Great Start Collaborative to improve program quality, evaluation and efficiency for early childhood programs”. The Michigan Department of Education is directed to work with ISDs, school districts, GSCs and the Early Childhood Investment Corporation to establish revised funding formulas, application procedures, program criteria and reporting requirements, with a report to the Legislature with recommendations no later than January 1, 2012.

Programs to improve academic achievement and reduce dropout rates.

Middle College program:

- *Governor:* Eliminates funding for the Middle College program (\$2 million).
- *Senate and House:* Concurred with the Governor.

Bilingual education:

- *Governor:* Eliminates funding for bilingual education (\$2.8 million).
- *Senate and House:* Concurred with the Governor.

Precollege engineering programs:

- *Governor:* Eliminates funding (\$905,100).
- *Senate and House:* Concurred with the Governor.

Positive Behavior Support program:

- *Governor:* Eliminates \$300,000 appropriated to Pontiac Schools for an anti-bullying crisis intervention program.
- *Senate and House:* Concurred with the Governor.

Educational services for juvenile justice facilities:

- *Governor:* Funding for educational costs in Juvenile Justice facilities is reduced by \$242,000 (27%) to \$1.1 million.
- *Senate and House:* Concurred with the Governor.

Career and technical education:

- *Governor:* The Governor included continuation funding (\$26.6 million) for career and technical education.
- *Senate and House:* Concurred with the Governor.

Adult education:

- *Governor:* The Governor continued core funding at \$22 million, but removed the additional \$200,000 grant to Grand Rapids Community College for adult education.
- *Senate and House:* Concurred with the Governor.

Michigan Virtual University:

- *Governor:* The Governor maintains funding at \$4.4 million, to be used for the development and operation of the Michigan virtual high school, as well as for professional development opportunities for educators.
- *Senate:* The Senate reduces funding by \$250,000.
- *House:* Concurred with the Governor.

Math and science centers:

- *Governor:* The Governor recommends continuation funding of \$7.8 million for math and science centers.
- *Senate:* The Senate cut funding by \$100,000 to \$7.7 million.
- *House:* Concurred with the Governor.

At Risk program.

- *Governor:* The Governor includes continuation funding (\$309 million) for services for at-risk students. At Risk program dollars are available to districts through an allocation formula, and can be used for a range of academic and supportive services. The Governor eliminates exceptions which currently allow Dearborn and Baldwin Schools to qualify for funding.
- *Senate:* The Senate eliminated the Dearborn and Baldwin exceptions and cut funding for the at-risk program by \$5 million to \$304 million. The recommendation includes language to allow At-Risk funds to be used for crisis intervention or anti-bullying program.
- *House:* Maintained total funding and exceptions allowing Dearborn and Baldwin to qualify for funding. Also makes providing a crisis intervention or anti-bullying program an allowable use of at-risk funds.

Child and adolescent health programs.

- *Governor:* The Governor's budget includes continuation funding for child and adolescent school health programs (\$3.6 million), as well as hearing and vision screenings (\$5.2 million).
- *Senate and House:* Concurred with the Governor.

State aid to libraries.

- *Governor:* The Governor reduced funding for libraries by 52% including the elimination of all School Aid funds (\$1.5 million) and a reduction in the Department of Education budget from \$5.8 million to \$3.4 million. These funds support local libraries and their participation in the Michigan eLibrary system, and are used as match for Federal library funds.
- *Senate:* Holds funding for libraries constant at a total of \$7.3 million by shifting \$2.1 million in funding from the Department of Education to the School Aid K-12 budget.
- *House:* Concurred with the Governor.

Programs designed to increase college access.

Community colleges

- *Governor:* The Governor included continuation funding (\$296 million) for the state's community colleges, including \$3.3 million in funding for the At-Risk Student Success program, distributed by formula to all community colleges.

- *Senate*: Reduced operational funding for community colleges by an average of 3 percent and rolled the At-Risk funding into their base funding.
- *House*: Reduced operational funding by 15% across-the-board and rolled the At-Risk funding into their base funding.

State universities

- *Governor*: The Governor recommended a 15 percent across-the-board reduction for state Universities.
- *Senate*: Concurred with the Governor.
- *House*: Reduced operational funding by between 14.5% and 15.4% and included an additional cut of 5% to universities that allow benefits for unmarried partners. Any resource garnered from the additional 5% cut to universities would be transferred back into the appropriation for K-12.

Tuition Incentive Program (TIP)

- *Governor*: The Governor included an additional \$6.4 million (total recommendation of \$43.8 million), for TIP scholarships for low-income students who have received Medicaid for 24 out of 36 months.
- *Senate and House*: Concurred with the Governor.

Pathway to Higher Education program:

- *Governor*: The Governor merged the Michigan Competitive Scholarship and the Tuition Grants programs into a single Pathway to Higher Education program, and maintains flat funding.
- *Senate and House*: Maintained separate programs with flat funding.

Meeting the Dashboard Goals

The Governor has presented indicators against which he will be assessing the success of public programs through his budget proposals. He reiterated many of those indicators of educational progress in his education address on April 27, 2011. Included are “dashboard” outcome measures related to 3rd grade reading proficiency; as well as a variety of school and student performance measures.

Investment in some areas is consistent with improving outcomes highlighted by the dashboard and performance goals, but many of the cuts proposed by the Governor, the Senate and the House Appropriations Committee increase the likelihood of stalled or declining progress. As successful education does not result solely from the efforts of the education system, educational efforts must also align with other key systems that impact children and youth. These measures will be impacted by performance and investment in other budget areas as well. For example:

Increased shares of eligible children receiving early childhood education services. Research shows that high quality early childhood programs generate taxpayer savings that more than repay their costs. In 2009 alone, Michigan saved \$1.1 billion due to investments made in the state’s school readiness program (GSRP) over the past 25 years. And children who were enrolled in the GSRP program have better school outcomes including higher test scores and graduation rates. The Senate proposal to increase funding for the GSRP program moves Michigan in the right direction, but the success of early childhood programs are at risk without the same commitment to funding wraparound services that support families with young children. Proposed budget cuts in the Departments of Human Services and Community Health will make the positive outcomes of early childhood programs more difficult to attain.

Increased students reading at grade level in the 3rd grade. Reading proficiently by the end of third grade can be a make-or-break benchmark in a child’s educational development. Up until the end of third grade,

most children are learning to read; and beginning in fourth grade, they are reading to learn. With nearly half of fourth grade textbooks requiring grade-level proficiency in reading, children who struggle to read will struggle in the classroom. In Michigan, only three of every ten fourth graders can read proficiently; for Black and Latino children the numbers are worse. 75 percent of students who are poor readers in third grade will remain poor readers in high school.

Fortunately, studies have shown that students who enter kindergarten ready to learn will fare better; and early education programs have proven results to improve kindergarten readiness, particularly for at-risk kids, while narrowing the achievement gap. Thus, funding for early childhood programs including GSRP, Great Parents/Great Start, and Great Start Collaboratives are critical to increase the number of students reading at grade level in the third grade.

Increased high school graduation and college readiness; decreased high school dropout. Too many Michigan young people aren't succeeding through high school graduation, and many need more time or different paths to reach a diploma. Despite this, there has been little attention in current budget conversations about supporting communities to take better advantage of existing initiatives, like the Superintendent's Dropout Challenge, the seat time waiver program and on-line learning options. Instead, all budget proposals removed funding for Middle Colleges, a nationally recognized approach to successfully graduating at-risk young people while better preparing them for post-secondary and workforce success.

The level of per pupil reductions proposed in School Aid force school systems to make reductions in optional programming and innovative partnerships. Initiatives targeted toward young people most at-risk of failure, like alternative education programming, are often the options chosen for elimination by local decision-makers.

Increased number of partners assisting low-performing schools. Despite the fact that young people face barriers to educational success that education alone cannot remove, there has not been funding allocated to connect educational and other community services included in the state budget since FY09. State funding in the Department of Human Services budget for before- and after-school programs was reduced over time from \$16 million in FY01 to \$3 million in FY11 and was not included in any of the FY12 budget proposals.

S:\Publications\BUDGET\2011\School Aid Budget 5.6.11.doc