

Budget Basics

Detailed information and
recommendations regarding
State of Michigan budgets.

for Child and Family Advocates



May 31, 2011

Education Budgets for Fiscal Year 2012 Finished by the Legislature Await Approval by the Governor

On May 26th, 2011, the Legislature finalized the state budget for fiscal year 2012 after a speedy conference committee process. The final budget comes in the form of two omnibus budget bills – one for K-12 School Aid, Community Colleges and Higher Education (HB 4325) and one for all of the other departments (HB 4526). The two budget bills now await Governor Snyder's signature. In Michigan, the Governor has the power to veto individual items in the budget, but no power to reinstate items or funding not in the Legislature's bill.

The K-12 School Aid budget is included in HB 4325 and totals \$12.7 billion – \$10.9 billion from the School Aid Fund, \$1.7 billion from federal revenues and \$119 million from the general fund. The K-12 School Aid budget includes deep cuts to per pupil foundation allowances, cuts in many categorical programs that target special needs areas, and an increase in the Great Start Readiness Program.

Leading into conference committees, the Senate passed a \$12.4 billion budget for K-12 that included \$10.5 billion from the School Aid Fund, \$1.7 billion from federal revenues and \$219 million from the general fund. The Senate funded Community Colleges with \$196 million in School Aid funds, and Higher Education with \$200 million from the School Aid Fund.

The House had also passed their 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 funded Community Colleges and Higher Education, at \$200 million and \$700 million from the School Aid Fund respectively.

In February, the process began with the Governor's proposed budget for FY12 which combined funding for local and intermediate school districts, community colleges and higher education into an omnibus education budget bill. The Governor's education budget included a total of \$13.8 billion, including \$11 billion in revenues from the School Aid Fund, \$1.1 billion in state general funds, and \$1.75 billion in federal funding. Of the total \$13.8 billion, \$12.2 billion would be appropriated for K-12 education, down from \$12.9 billion in FY11; \$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.

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. The final budget reflects proposals from the Governor, House and Senate and includes large cuts for schools, and shifts 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 reduced the foundation a little differently, but all result in reductions to the basic per-pupil amount received by school districts.

- *Governor:* The Governor proposed a total per pupil cut of \$470 in fiscal year 2012, a reduction of approximately 5 percent. The Governor recommended 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 eliminated 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. The Senate eliminated funding for multiple categoricals, but maintained funding for rural and isolated districts.
- *House:* The House reduced 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 created an incentive grant beginning in FY13 for districts and ISDs that implement employee cost-sharing for health care premiums and service consolidation.
- ***Final Budget:* Maintains the Governor's recommended total per pupil cut of \$470 and eliminates or reduces funding for a variety of categorical programs, further reducing support available to local school districts. The budget includes \$154 million that would be used for \$100 per pupil one-time grants to districts meeting four of five criteria, which include employee premium sharing for health care benefits, district-provided health care benefits, consolidation planning and activity, and competitive bidding on non-instructional services, and providing parents information about certain indicators including graduation and dropout rates. Another \$155 million is included for one-time payments to districts to partially offset retirement costs.**

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

- *Governor:* The Governor proposed 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.
- ***Final Budget:* Includes a \$3.3 million cut to ISD operations.**

Full-Day Kindergarten

- *Governor:* The Governor retained language defining full-time kindergarten as either a half or whole day. Thus, all kindergarten will receive the full foundation allowance.
- *Senate:* The Senate changed the definition of kindergarten membership to require full-day attendance to generate a full foundation allowance. Half day kindergarten would receive a half day allowance.
- *House:* Maintained current law but required 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.
- ***Final Budget:* Maintains current law and requires full-time kindergarten for a full foundation allowance beginning in fiscal year 2013.**

Support for early learning.

Great Start Readiness Program (GSRP):

- *Governor:* Funding for the GSRP would continue at \$89.4 million for the School Aid program and \$8.9 million for the GSRP competitive program. The Governor added a "ZS" endorsement as an option for certification, and required teachers to complete compliance plans within 2 years rather than the current 4 years from the date of employment. Also removed was 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.
- ***Final Budget:* Increases funding for the GSRP by \$6 million to a total of \$104.3 million (\$95.4 million School Aid and \$8.9 million competitive), and transfers responsibility for the administration and distribution of GSRP funds to ISDs or a consortia of ISDs. Concurs with the Governor on teaching eligibility requirements.**

Great Parents/Great Start:

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

Great Start Collaboratives:

- *Governor:* Recommended continuation funding for local Great Start Collaboratives (GSCs) and Great Start Parent Coalitions (GSPCs) through the ECIC at \$6 million.
- *Senate:* Cut 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:* Retained full funding (\$6 million) for GSCs and GSPCs in the K-12 School Aid budget. The proposal included boilerplate 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 would 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 would be 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.
- ***Final Budget:* Reduces funding for GSCs and GSPCs by \$100,000 to a total of \$5.9 million and includes boilerplate 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 – to be administered by ISDs.**

Programs to improve academic achievement and reduce dropout rates.

Middle College program:

- *Governor:* Eliminated funding (\$2 million).
- *Senate and House:* Concurred with the Governor.
- ***Final Budget:* Eliminates funding.**

Bilingual education:

- *Governor:* Eliminated funding (\$2.8 million).
- *Senate and House:* Concurred with the Governor.
- ***Final Budget:* Eliminates funding.**

Precollege engineering programs:

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

Positive Behavior Support program:

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

Educational services for juvenile justice facilities:

- *Governor:* Reduced funding by \$242,000 (27%) to \$1.1 million.
- *Senate and House:* Concurred with the Governor.
- ***Final Budget:* Reduces funding for educational services for juvenile justice facilities to \$1.1 million.**

Career and technical education:

- *Governor:* Included continuation funding (\$26.6 million.)
- *Senate and House:* Concurred with the Governor.
- ***Final Budget:* Includes continuation funding at \$26.6 million.**

Adult education:

- *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.
- ***Final Budget:* Continues core funding at \$22 million and removes the \$200,000 grant to Grand Rapids Community College.**

Michigan Virtual University:

- *Governor:* Maintained 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:* Reduced funding by \$250,000.
- *House:* Concurred with the Governor.
- ***Final Budget:* Maintains current funding levels and reporting requirements.**

Math and science centers:

- *Governor:* Continued funding of \$7.8 million.
- *Senate:* Reduced funding by \$100,000 to \$7.7 million.
- *House:* Concurred with the Governor.
- ***Final Budget:* Maintains current funding levels and adds a performance reporting requirement.**

At Risk program.

- *Governor:* Continued 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 eliminated exceptions which currently allow Dearborn and Baldwin Schools to qualify for funding.
- *Senate:* Eliminated the Dearborn and Baldwin exceptions and cut funding for the at-risk program by \$5 million to \$304 million. The recommendation included 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. Concurred with the Senate's language allowing crisis intervention or anti-bullying programs.
- ***Final Budget*: Maintains current funding, but eliminates exceptions for Dearborn and Baldwin schools. Adds crisis intervention and anti-bullying as allowable programming.**

Child and adolescent health programs.

- *Governor*: Continued 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.
- ***Final Budget*: Continues funding for child and adolescent health programs at \$3.6 million as well as hearing and vision screenings at \$5.2 million.**

State aid to libraries.

- *Governor*: Reduced funding for libraries by 52 percent 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*: Held 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.
- ***Final Budget*: Decreases total funding for libraries by \$500,000 (7.4%) to \$6.75 million.**

Programs designed to increase college access.

Community colleges

- *Governor*: Continued 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.
- ***Final Budget*: Reduces operational funding by \$12 million (4%), with half of the reduction to be taken across-the-board and half based on the Performance Indicators Task Force formula. The formula allocates funding 65 percent across the board, 17.5 percent based on enrollment, and 17.5 percent based on degrees and certificates awarded. The Legislature adds language expressing their intent to re-evaluate that formula. Language defining the At-Risk Student Success program is eliminated, and the \$3.3 million in funding for the program is rolled into 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 percent and 15.4 percent and included an additional cut of 5 percent to universities that allow benefits for unmarried partners. Any resource garnered from the additional 5 percent cut to universities would be transferred back into the appropriation for K-12.
- ***Final Budget*: Includes a 15 percent across-the-board reduction for state Universities.**

Tuition Incentive Program (TIP)

- *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.

- ***Final Budget:* Includes an additional \$6.4 million for TIP scholarships.**

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 maintained flat funding.
- *Senate and House:* Maintained separate programs with flat funding.
- ***Final Budget:* Maintains the Michigan Competitive Scholarship and the Tuition Grants programs as separate programs with flat funding.**

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