

# Budget Basics

Detailed information and recommendations regarding State of Michigan budgets.

## for Child and Family Advocates



June 29, 2012

### Fiscal Year 2013 Education Omnibus Budget

The last week of May, the Conference Committees approved all of their budget bills for fiscal year (FY) 2013, and on June 26, 2012, Governor Snyder signed the budget bills into law. The 2013 fiscal year begins October 1, 2012 and ends September 30, 2013. As anticipated, the final budgets were in the form of two omnibus bills – one for Education (PA 201) including School Aid, Community Colleges, and Higher Education; and another (PA 200) for all of the department budgets. The Governor vetoed several items in PA 200, including \$1 million for before and after school programming and a \$3 million increase for 0-3 prevention programs.

The K-12 School Aid budget is included in HB 5372 and totals \$12.9 billion – \$10.9 billion from the School Aid Fund, \$1.7 billion from federal revenues and \$282 million from the general fund. The K-12 School Aid budget includes a small increase to the minimum foundation allowance, continuation of previous year's cuts to funds that target special populations, performance based incentive grants, best practices grants and an increase in the Great Start Readiness Program.

The Community Colleges and Higher Education budget is included in HB 5372 and generally reflects the Governor's recommendations, which the Senate and the House recommendations closely followed as well. Community College funding totals \$294.1 million which is a 3.6 percent increase from FY12. Higher Education funding recommendation totals \$1.4 billion, which is a 2.6 percent increase from FY12. This is, however, approximately \$760,000 under the Governor's recommendation.

The Governor's budget recommendation included a total of \$12.5 billion (\$200 million in state general funds) for School Aid, \$294.1 million (\$96.5 million in state general funds) for community colleges, and \$1.4 billion (\$1.1 billion in state general funds) for higher education. The Governor's proposal maintained funding for the Michigan Department of Education (MDE) separate from the education omnibus budget bill, recommending a total of \$330.3 million (\$67.9 million in state general fund.) His budget maintained last year's \$470 cut to the per pupil foundation allowance, included performance based incentive grants, best practices grants, and reduced funding for the Child Development and Care program.

The Senate FY13 School Aid budget recommended \$12.7 billion (\$297 million in state general funds), and the House budget included a total of \$12.8 billion (\$333 in state general fund.) There were several notable differences including Senate inclusion of an increase in the per pupil foundation allowance by eliminating best practices funding, a \$10 million increase for the Great Start Readiness Program, and the implementation of an early childhood block grant. The House budget created a technology infrastructure grant in preparation for the planned implementation of online student achievement growth assessments in 2014-2015; adjusted the best practices grant and criteria; and permitted the use of Great Start Readiness Program funds for an existing Parent Involved in Education program.

Michigan's FY13 budget conversations follow more than a decade of disinvestment in programs for children and families throughout the public sector, mitigated temporarily by an influx of federal economic stimulus dollars. It is during the state budget process that decisions are made about the expenditure of state revenues, and there are many competing interests that the Governor, legislators and other policymakers must consider when dividing up tax dollars.

## The Fiscal Year 2013 Budget

### **Basic School Funding**

#### Per Pupil Foundation Allowance

- *Governor:* Maintains the previous years' cuts to the per-pupil foundation allowance, with the minimum per pupil allowance continuing at \$8,019 per pupil and the minimum foundation is \$6,846 – down \$470 since fiscal year 2010.
- *Senate:* Increases the basic foundation allowance to \$8,135 (\$116 increase) and the lowest foundation allowance to \$7,078 (\$232 increase), which will be funded by redirecting the Governor's proposal of \$177 million to partially offset the costs of retirement and \$135 million of the Governor's Best Practices categorical.
- *House:* Concurs with the Governor.
- ***Final Budget:* Maintains the previous years' cuts to the per-pupil foundation allowance, with the per pupil allowance continuing at \$8,019 per pupil - down \$470 since fiscal year 2010. Includes an increase of \$120 per pupil (\$100.3 million) for districts receiving the lowest foundation allowance, increasing the minimum foundation allowance from \$6,846 to \$6,966. Districts receiving \$6,966 or more per pupil in 2011-12 will not receive any reinstatement of per pupil funding.**

#### Intermediate School District (ISD) Operations

- *Governor:* Total funding for ISD operations is maintained at \$62.1 million, but 5 percent of current local funding is available only through incentive payments for ISDs who have met four of the following best practices criteria: consolidated and competitively bid services; supported technology integration; published a dashboard of outcomes; and developed information management systems in coordination with other ISDs. The Governor includes \$10 million for competitive assistance grants to local and intermediate school districts to support efforts to consolidate services.
- *Senate:* Funding for ISD general operations is maintained at the FY2012 levels and an additional \$2 million is earmarked to ISDs to be eligible for a 3.2 percent increase if they meet 4 out of 5 performance criteria. The Senate includes the Governor's \$10 million competitive assistance grants for consolidation efforts and allows for consolidation of services among districts and municipalities.
- *House:* Funding for ISD general operations is maintained at the FY2012 levels and an additional \$3.1 million is earmarked to ISDs to be eligible for a 5 percent increase if they meet 4 out of 5 performance criteria. The House includes the Governor's \$10 million competitive assistance grants for consolidation efforts and includes language allowing consolidation between a school district or ISD and a local unit of government to qualify.
- ***Final Budget:* Concurs with the Senate.**

#### Performance-Based Incentives and Technology Improvement Grants

- *Governor:* Includes \$70 million for districts who have shown average improvement in student performance in reading and math in 3rd through 8th grade, and four-year improvements in all tested subjects in high school for a maximum payment of \$100 per pupil.
- *Senate:* Recommends \$40 million for pupil performance grants where districts would be required to test students in any grades offered between 2nd and 12th and would have to demonstrate gains in normative growth using a computer adaptive test administered at least in the fall and spring. Grants would be distributed on an equal per-pupil basis, based on how many students were tested in eligible districts. The Senate appropriates \$18 million to provide year-long access to online computer- adaptive tests as an additional test along with the MEAP; this funding would be sufficient to provide year-long access to online, computer-adaptive tests for all students.
- *House:* Eliminates the Governor's performance-based grant program and instead creates a \$75

million competitive technology infrastructure grant to districts or ISDs in preparation for the planned implementation of online student achievement growth assessments in the 2014-2015 school year. Grants would be capped at \$2 million per district.

- **Final Budget: Includes \$30 million for districts showing improvement based on 2010-11 MEAP and MME exam performance. Also included is the House recommendation for technology infrastructure grants funded but at \$50 million in order for districts to utilize computer-adaptive student assessment tests.**

#### Best Practices Grants

- *Governor:* Recommends \$120 million for districts (maximum payment of \$75 per pupil) who have met five of the following criteria: participate in school choice programs; monitor academic growth for all students in all subjects; offer dual enrollment, AP courses, middle college or other postsecondary opportunities; offer online learning; hold their own health care policy; and publish a dashboard of outcomes for the public.
- *Senate:* Eliminates performance grants and shifts dollars to increase the per pupil foundation allowance.
- *House:* Recommends \$115 million for districts (maximum payment of \$75 per pupil) who have met 6 out of 8 revised best practices criteria: hold their own health care policy; competitively bid at least one non-instructional service; participate in school choice programs; measure student growth twice annually or show progress toward developing the technological infrastructure to implement assessments by the 2014-2015 school year; provide dual enrollment; offer online learning; publish a dashboard of outcomes for the public; and provide State Board of Education recommended physical education and health education classes.
- **Final Budget: Includes \$80 million for districts (maximum payment of \$52 per pupil) to all districts that have met 7 out of 8 modified best practices criteria. The best practices criteria as they differ from the House-proposed criteria includes the provision that districts provide either health or physical education and that charter schools that do not offer secondary education must inform parents of available post-secondary opportunities for students when they are at the secondary level pertaining to dual enrollment. Also included is boilerplate language to redistribute any funds remaining after all awards have been distributed to qualifying districts with a foundation grant less than the basic level of \$8,019 on an equal per pupil basis.**

#### Full Day Kindergarten

- *Governor:* Beginning in fiscal year 2013, school districts will receive a full day per pupil allocation for kindergarten students only if they provide a full day program. The Governor's budget includes \$50 million in savings from this change.
- *Senate:* Concurs with the Governor and adds boilerplate language clarifying that providing full-day kindergarten isn't mandated and that that change in legislation isn't intended to jeopardize Title I funding.
- *House:* Requires that schools provide a full day kindergarten to receive a full foundation allowance but assumes no savings related to the change. Requires districts report to MDE and CEPI the number of instructional hours scheduled per kindergarten pupil and if the number of hours is not the same for all kindergarten pupils, the number of kindergarten pupils by the number of scheduled instructional hours.
- **Final Budget: Beginning in fiscal year 2013, school districts will receive a full day per pupil allocation for kindergarten students only if they provide a full day program. Includes Senate language clarifying that this is not a mandate for full day kindergarten. Includes House language requiring districts report (to MDE and CEPI) the number of instructional hours scheduled per kindergarten pupil and if the number of hours is not the same for all kindergarten pupils, the number of kindergarten pupils by the number of scheduled**

**instructional hours. Exempts, to the extent allowable under federal law, districts that have been using federal Title I funds to offer full-day kindergarten for the last two fiscal years, from the kindergarten funding changes. Requires the Department, not later than December 1, 2012, to seek clarification from the US Dept. of Education.**

### **Support for Early Learning**

#### Office of Great Start and the Early Childhood Investment Corporation

- *Governor:* The Governor provides a total of \$209.2 million for the Office of Great Start (OGS), including \$156.2 million for the Child Development and Care (CDC) program – a \$3 million reduction from FY2012 in anticipation of reduced caseloads. Included in funding for the OGS is a \$1.9 million (\$1.25 million GF, \$655,300 federal) increase for the Early Childhood Investment Corporation (ECIC).
- *Senate:* Provides a total of \$207.9 million for the OGS and concurs with the Governor on funding for the CDC program. The Senate rejects the Governor’s proposal to increase ECIC funding by \$1.9 million and instead proposes that \$655,300 in federal funds be rolled in with \$12.7 million existing federal dollars to be distributed for the purpose of local or direct programming for early childhood participants and restricted from use by the ECIC. The Senate adds boilerplate language directing the department to contract for a report that updates the fiscal analysis published by the W.K. Kellogg Foundation “Building a Sustainable Future – Analysis of the Fiscal Resources Supporting Children from Birth Through Age 8 in Michigan”.
- *House:* Provides a total of \$208.3 million for the Office of Great Start, including the Governor’s recommended \$159.2 million for the CDC program but only a \$1 million increase for the ECIC.
- ***Final Budget:* Provides a total of \$208.3 million for the Office of Great Start, including the Governor’s recommended \$3 million cut to the CDC program based on projected caseloads and costs per case. Included in funding for the OGS is a \$827,700 increase for the ECIC (\$655,300 Federal increase, \$172,400 GF/GP increase) and the state’s \$12.7 million CCDF allocation would continue to be administered by the ECIC. The Final Budget also includes \$310,000 for the OGS to prepare a report by May15, 2013, that contains a comprehensive state plan for early childhood learning and development that contains a fiscal map of federal, state, local, and private expenditures on programs and services for children from birth through age eight and their families; and recommendations that properly align and integrate programs, services, and the roles of state, local, and private partners including the OGS and the ECIC, to eliminate administrative duplication and ensure that early childhood education are carried out in the most cost-effective and efficient manner. Language is included that would impose a one percent penalty of state funds to the OGS if the report is not submitted by the deadline. The Department must also provide an annual report by February 15<sup>th</sup> on the activities of the ECIC including information about the various grants awarded each year; language is included requiring one percent of ECIC funding to be withheld for each month or partial month the report is late.**

#### Great Start Readiness Program (GSRP)

- *Governor:* Funding for the School Aid GSRP would continue at \$95.4 million and \$8.9 million for the competitive program. The per slot allotment remains at \$3,400, and an estimated 30,000 children can be served.

- *Senate*: Increases funding for the School Aid portion of GSRP by \$10 million for a total of \$105.4 million. The GSRP competitive program is rolled into the early childhood block grant (see below).
- *House*: Concurs with the Governor but adds boilerplate language that allows an ISD to fund a Parent Involved in Education (PIE) program operated by a district that had operated a program in the previous fiscal year.
- ***Final Budget*: Increases funding for School Aid GSRP by \$5 million for a total of \$100.4 million. Boilerplate language to set-aside at least 20 percent of new GSRP funds for a birth through age three set-aside was not included. Funding for the competitive programs is maintained at \$8.9 million. Language pertaining to PIE programs is altered such that funds used under the PIE option can only be spent on families with incomes below 300% of the federal poverty level.**

#### Great Parents/Great Start (GP/GS)

- *Governor*: Funding for GP/GS is continued at \$5 million.
- *Senate*: Funding for GP/GS is rolled into the early childhood block grant.
- *House*: Concurs with the Governor.
- ***Final Budget*: Concurs with the Senate.**

#### Great Start Collaboratives (GSC)

- *Governor*: Continuation funding is provided for local GSCs at \$5.9 million.
- *Senate*: Funding for the GSCs is rolled into the early childhood block grant.
- *House*: Concurs with the Governor.
- ***Final Budget*: Concurs with the Senate.**

#### Early Childhood Block Grant

- *Governor*: The Governor requires that the MDE develop a plan for a multi-year phased-in approach for an early childhood block grant that would include GSRP, GSCs, and GP/GS and be allocated to ISDs or a consortium of ISDs to act as fiduciaries and provide administration of early childhood programs in conjunction with the local GSC.
- *Senate*: Recommends \$19.8 million for a new early childhood block grant program using funding previously allocated to the GSRP competitive program (funded at \$8.9 million in FY2012), GSCs (funded at \$5.9 million in FY2012) and GP/GS (funded at \$5 million in FY2012). In FY2013, ISDs would receive the total amount of funding received under the three combined programs in FY2012 after submitting an application detailing proposed uses of funding. Language is included directing each ISD or consortium of ISDs to convene a local GSC to address the availability of the 6 components of a great start system in its communities: physical health, social-emotional health, family supports, basic needs, economic stability and safety, and parenting education and early education and care, to ensure that every child in the community is ready for kindergarten. Block grant language is included that directs each GSC to ensure the coordination and expansion of infrastructure, or programming to support high-quality early childhood and childcare programs. ISDs would be required to submit reports after the end of the fiscal year indicating actual programs offered and children served.
- *House*: Concurs with the Governor.

- ***Final Budget:*** Includes \$10.9 million to ISDs or a consortium of ISDs in the form of an early childhood block grant. This was formally funding for the Great Start Collaboratives (\$5.9 million) and Great Parents/Great Start (\$5 million). Each ISD will receive the same funding it receives in the current fiscal year but must first submit an application to the OGS by August 15, 2012 detailing planned activities as well as report by December 1, 2013 on actual activities provided and children served. The block grant language requires each ISD to convene a Great Start Collaborative and a Parent Coalition to address the availability of the six components of a great start system in its communities: physical health, social-emotional health, family supports, basic needs, economic stability and safety, and parenting education and early education and care. The final budget added language that allows an ISD to reconstitute its local GSC if it finds it to be ineffective.

### Programs to Improve Academic Achievement and Reduce Dropout Rates

#### Michigan Virtual University

- *Governor:* Maintains funding at \$4.4 million, creates an Advisory Committee, and requires establishment of the Center for Online Learning Research and Innovation that would research, design and recommend online and blended learning models, criteria to monitor and evaluate online course providers, analyze student performance and course completion data from cyber and online providers, and design professional development for online learning.
- *Senate:* Concurs with Governor.
- *House:* Concurs with Governor but does not include Advisory Committee
- ***Final Budget:*** Concurs with the Governor.

#### Educational services for juvenile justice facilities

- *Governor:* Increases funding for educational costs in juvenile justice facilities to \$2.1 million.
- *Senate and House:* Concur with Governor.
- ***Final Budget:*** Concurs with the Governor.

#### Career and technical education

- *Governor:* Includes continuation funding at \$26.6 million for career and technical education.
- *Senate:* Concurs with Governor.
- *House:* Increases funding by \$3.4 million for a total of \$30 million.
- ***Final Budget:*** Concurs with the Governor.

#### Adult education

- *Governor:* Continues core funding at \$22 million.
- *Senate and House:* Concur with Governor.
- ***Final Budget:*** Concurs with the Governor.

#### Math and science centers

- *Governor:* Recommends continuation funding of \$7.8 million for math and science centers.
- *Senate:* Increases funding by \$100,000 with the additional funding to be used for a partnership between a math/science center and a statewide agency designed to link the centers together for STEM purposes.
- *House:* Concurs with Governor.
- ***Final Budget:*** Concurs with the Senate.

### At Risk program

- *Governor:* Continuation funding of \$309 million for payments to eligible school districts for at risk students. These funds can be used flexibly by districts for a range of instructional and non-instructional services both during regular school hours and after school, including tutorial services, early childhood programs and reading programs. Includes child and adolescent health centers at \$3.6 million and hearing and vision screenings at \$5.2 million.
- *Senate:* Concurs with the Governor on allocation and expands one of the allowable uses of funding to expand K-6 class size reduction to class size reduction in grades K-12.
- *House:* Concurs with Senate.
- ***Final Budget:* Concurs with the Governor and adds Senate language allowing use of funding for class-size reductions in grades K-12.**

### Michigan College Access Network

- *Governor:* Recommends \$2 million general fund dollars to the College Access and Outreach Unit (CAO), partially replacing last year's \$4.3 million in expired federal funds to support the Michigan College Access Network.
- *Senate:* Not included.
- *House:* Concurs with the Governor.
- ***Final Budget:* Concurs with the Governor.**

## **Support to Post-Secondary Institutions and Financial Aid Programs**

### Support for Community Colleges

- *Governor:* Recommends operations funding of \$283.9 million, which is a 3 percent increase from FY12. The increases for individual colleges range from 1.3 percent to 8.4 percent. The \$8.5 million increase is distributed on a new performance based formula that includes their average share of the total number of associates degrees and certificate completions in critical areas such as STEM (science, technology, engineering, and mathematics) and health care over the past three years.
- *Senate:* The Senate concurs with the Governor's 3 percent funding increase, but suggests the continued use of the Performance Indicators Taskforce recommendations to allocate funding increases which include enrollment and certificates awarded.
- *House:* The House recommends holding funding flat at FY12 levels and replaces \$8.5 million from the School Aid Fund with GF.
- ***Final Budget:* Concurs with the Senate's recommendation but states that all additional revenue must be used for MPERS costs.**

### Support for Universities

- *Governor:* Includes \$1.2 billion for university operations, a 3 percent increase from FY12. This \$36.2 million GF increase would be distributed to universities through a new performance based formula which includes: undergraduate degree completions, undergraduate degrees granted in critical skill areas, Pell Grant recipients in undergraduate programs, and compliance with tuition restraint policy of 4 percent over last academic year. Increases to universities, based on this calculation range from 0.9 percent to 7.6 percent.
- *Senate:* Concurs with the Governor's funding recommendation. The Senate recommends alternate distribution metrics: \$9.1 million based on tuition restraint of 3.5 percent of last academic year's rate; \$18.1 million based on FY12 appropriations; and \$9.1 million based on eight metrics from the Carnegie Foundation. Carnegie metrics include the percent of students graduating within six years, retention rate of full-time students, total degree and certificate program completions, total advanced degrees granted, institutional support as a percent of core expenditures, average net price of attendance for in-state students who receive financial aid, and the number of undergraduate Pell

Grant recipients. Increases to universities based on this formula range from 1.8 percent to 4.4 percent.

- *House:* Concurs with the Governor's funding recommendation. The House recommends another alternate distribution based on a formula that weighs certificates and undergraduate degrees by program length and doubles this weight for degree completions in critical skill areas. To qualify for this performance based funding, universities must comply with the following five requirements: tuition restraint; reporting of embryonic stem cell research activities; participation in reverse transfer agreements with at least three community colleges; have in place a dual enrollment policy that does not prohibit the use of credits towards high school graduation; and do not require students to carry health insurance.
- ***Final Budget:* Includes \$1.24 billion for university operations, a \$36.3 million increase from FY12. The increase is distributed based on the following funding formula: \$18.1 billion based on performance comparisons versus national peers on the six year graduation rate, total degree completions, and institutional support; \$6 million based on the number of undergraduate degrees/certificates earned in critical degree areas and \$3 million based on total research and doctorate expenditures for seven of the state's 15 universities. The remaining \$9.1 million is based on tuition restraint of 4 percent. To receive this performance funding, universities must comply with the following three requirements: participation with the Michigan Transfer Network; hold a dual enrollment policy that does not prohibit the use of credits towards high school graduation, and hold a reverse transfer agreement with at least three community colleges in Michigan, or show effort to enter into such agreements.**

#### Tuition Incentive Program (TIP)

- *Governor:* Recommends a \$1 million (2.3 percent) reduction in the Tuition Incentive Program to \$42.8 million. This program provides financial assistance to low-income students who have received Medicaid for 24 out of a consecutive 36 month period.
- *Senate:* Reduces funding by \$2 million, or 4.6 percent.
- *House:* Concurs with the Governor.
- ***Final Budget:* Maintains funding at the FY12 level of \$43.8 million.**

#### Tuition Grant Program

- *Governor:* Recommends a \$1 million (3.2%) reduction in the Tuition Grant program to \$30.7 million.
- *Senate:* Maintains funding at the FY12 level.
- *House:* Increases funding by \$1 million.
- ***Final Budget:* Maintains funding at the FY12 level of \$31.7 million.**

#### State Competitive Scholarships:

- *Governor:* Recommends a \$2 million (10.9%) increase to the need- and merit-based State Competitive Scholarship Program bringing funding to \$20.4 million.
- *Senate and House:* Concur with the Governor.
- ***Final Budget:* Maintains funding at FY12 level of \$18.4 million.**

The Final Budget concurs with the House, Senate and Governor's change in language that requires community colleges and universities to participate in the establishment of a statewide P-20 Longitudinal Data System. This was originally a requirement under the American Recovery and Reinvestment Act (ARRA). Language referring to ARRA was removed.