

# Budget Basics

Detailed information and recommendations regarding State of Michigan budgets.

## for Child and Family Advocates



April, 4 2012

### Appropriations Subcommittees Pass Fiscal Year 2013 Education Budgets April 4, UPDATE

Last week, the House and Senate Appropriations Subcommittees for School Aid, Community Colleges, Higher Education and the Department of Education passed their budget bills for fiscal year 2013 (FY13). The 2013 fiscal year begins October 1, 2012 and ends on September 30, 2013. 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 Governor's budget recommendation – which was released on February 9, 2012 – combined funding for local and intermediate school districts, community colleges and higher education into an omnibus education budget bill. The Governor's budget includes 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, includes performance based incentive grants, best practices grants, and reduces funding for the Child Development and Care program.

The Senate Appropriations Subcommittees' FY13 School Aid budget recommendation is slightly higher at \$12.7 billion (\$297 million in state general funds), and the House Appropriations Subcommittee recommendation includes 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 and the implementation of an early childhood block grant. The House Subcommittee creates a technology infrastructure grant in preparation for the planned implementation of online student achievement growth assessments in 2014-2015; adjusts the best practices grant and criteria; and permits the use of Great Start Readiness Program funds for an existing Parent Involved in Education program.

The Senate and House Subcommittees FY13 Community College and Higher Education budget recommendations basically concur with the Governor's funding levels for FY13. However, the Senate replaces \$96.5 million in GF with School Aid funding for Community Colleges, resulting in all FY13 funding for Community Colleges coming from the School Aid Fund. The House Higher Education funding recommendation is \$500,000 under the Governor's total recommendation and \$2.3 million under the state general fund recommendation through a program shift to the Treasury Department and increased reliance on federal TANF funds for financial aid programs.

All appropriations bills will now be debated in the House and Senate Appropriations Committees.

## The Fiscal Year 2013 Budget Proposals

### **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 – down \$470 since fiscal year 2010.
- *Senate Subcommittee:* Increases the basic foundation allowance to \$8,123 (\$104 increase) and the lowest foundation allowance to \$7,054 (\$208 increase), which will be funded by redirecting the Governor's proposal of \$177 million to partially offset the costs of retirement and \$95 million of the Governor's Best Practices categorical.
- *House Subcommittee:* Concurs with the Governor.

#### 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 Subcommittee:* 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% increase if they meet 4 out of 5 performance criteria. The subcommittee includes the Governor's \$10 million competitive assistance grants for consolidation efforts.
- *House Subcommittee:* 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% increase if they meet 4 out of 5 performance criteria. The subcommittee 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.

#### 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 3<sup>rd</sup> through 8<sup>th</sup> grade, and four-year improvements in all tested subjects in high school for a maximum payment of \$100 per pupil.
- *Senate Subcommittee:* Recommends \$95 million for pupil performance grants where districts would be required to test students in any grades offered between 2<sup>nd</sup> and 12<sup>th</sup> 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 subcommittee removes all funding for the MEAP and appropriates \$18 million to provide year-long access to online computer-adaptive tests; if the computer-adaptive test is found by the U.S. Department of Education to not be as academically rigorous as the MEAP, then it is the intent of the Legislature to restore funding for the MEAP.
- *House Subcommittee:* 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.

#### 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 Subcommittee*: Eliminates performance grants and shifts dollars to increase the per pupil foundation allowance by \$120 million.
- *House Subcommittee*: 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/or health education classes.

#### 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 Subcommittee*: Concurs with the Governor.
- *House Subcommittee*: 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.

### **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 \$159.2 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 Subcommittee*: Provides a total of \$207.9 million for the OGS and concurs with the Governor on funding for the CDC program. The subcommittee 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 Subcommittee 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 Subcommittee*: 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.

#### 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 Subcommittee*: Continuation funding for the School Aid portion of GSRP is provided at \$95.7 million. The GSRP competitive program is rolled into the early childhood block grant (see below).
- *House Subcommittee*: 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.

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

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

### Great Start Collaboratives (GSC)

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

### 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 consortia of ISDs to act as fiduciaries and provide administration of early childhood programs in conjunction with the local GSC.
- *Senate Subcommittee*: 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. ISDs would be required to submit reports after the end of the fiscal year indicating actual programs offered and children served.
- *House Subcommittee*: Concur with the Governor.

## **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 Subcommittee*: Concur with Governor.
- *House Subcommittee*: Concur with Governor but does not include Advisory Committee

### Educational services for juvenile justice facilities

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

### Career and technical education

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

### Adult education

- *Governor*: Continues core funding at \$22 million.
- *Senate and House Subcommittees*: Concur with Governor.

### Math and science centers

- *Governor*: Recommends continuation funding of \$7.8 million for math and science centers (\$5.2 million federal and \$2.6 million GF).

- *Senate and House Subcommittees*: Concur with Governor.

#### 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 and House Subcommittees*: Concur with Governor.

#### 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. This includes 6 full time positions at the Michigan Department of Education.
- *Senate Subcommittee*: Not included.
- *House Subcommittee*: Concur with the Governor, but eliminates the 6 FTE at the MDE.

### **Support to Post-Secondary Institutions**

#### 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 Subcommittee*: The Senate Subcommittee 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 Subcommittee*: The House Subcommittee recommends holding funding flat at FY12 levels and replaces \$8.5 million from the School Aid Fund with GF.

#### 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 Subcommittee*: Concur with the Governor's funding recommendation. The subcommittee 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 Subcommittee*: Concur with the Governor's funding recommendation. The subcommittee 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.

### **Financial Aid Programs**

#### 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 Subcommittee:* Reduces funding by \$2 million, or 4.6 percent.
- *House Subcommittee:* Concurs with the Governor.

#### Tuition Grant Program:

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

Both the House and Senate Subcommittees for Community Colleges and Higher Education concur with the 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.