

March 29, 2012

### **Appropriations Subcommittees Pass Fiscal Year 2013 Education Budgets**

Earlier this week, the House and Senate Appropriations Subcommittees for School Aid and the Michigan 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 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 – included a total of \$12.6 billion (\$1.7 billion in federal dollars and \$200 million in state general funds) for School Aid. His budget maintains 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 Subcommittee passed its version of the FY13 School Aid budget on March 28, 2012. The \$12.7 billion budget includes \$1.7 billion in federal dollars and \$297 million in state general funds (GF). Notable differences between the Senate subcommittee and the Governor's budget include an increase in the per pupil foundation allowance; implementation of an early childhood block; and replacing the Governor's recommended best practices funding with pupil performance grants.

The House Appropriations Subcommittee passed its version of the FY13 School Aid budget on March 27, 2012. The \$12.8 billion budget includes \$1.7 billion in federal dollars and \$333 million in state general funds. Notable differences between the House subcommittee and the Governor's budget include the creation of a technology infrastructure grant in preparation for the planned implementation of online student achievement growth assessments in 2014-2015; changes to the best practices grant and criteria; and permitting the use of Great Start Readiness Program funds for an existing Parent Involved in Education program.

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:* The Governor's proposal 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:* The 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:* The Governor recommends \$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:* The 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:* The 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:* The 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:* Not included – the Senate subcommittee diverted the Governor's recommended funding to pupil performance grants and to increase the per pupil foundation allowance.
- *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; 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:* The House Subcommittee requires that schools provide a full day kindergarten to receive a full foundation allowance. Boilerplate language is included that 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. The subcommittee assumes no savings related to the requirement of full day kindergarten for a full foundation allowance.

## **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:* The 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:* The 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 \$1.0 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:* Continuation funding for GSRP is provided at \$95.7 million for the School Aid program and \$8.9 million for the competitive program. The House subcommittee maintains the per pupil allocation at \$3,400. The House subcommittee 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:* Concurs with the Governor.

### Great Start Collaboratives (GSC)

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

### Early Childhood Block Grant

- *Governor*: The Governor includes early childhood block grant boilerplate language that requires 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*: The subcommittee appropriates \$19.8 million as 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*: Concurs with the Governor.

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

### Michigan Virtual University

- *Governor*: The 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, design professional development for online learning.
- *Senate Subcommittee*: Concurs with Governor.
- *House Subcommittee*: Concurs with Governor but does not include Advisory Committee

### Educational services for juvenile justice facilities

- *Governor*: Funding for educational costs in juvenile justice facilities is increased to 2.1 million.
- *Senate and House Subcommittees*: Concurs with Governor.

### Career and technical education

- *Governor*: The Governor included continuation funding at \$26.6 million for career and technical education.
- *Senate Subcommittee*: Concurs with Governor.
- *House Subcommittee*: The House increases funding by \$3.4 million for a total of \$30 million.

### Adult education

- *Governor*: The Governor continued core funding at \$22 million.
- *Senate and House Subcommittees*: Concurs with Governor.

### Math and science centers

- *Governor*: The 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*: Concurs with Governor.

### At Risk program

- *Governor*: The Governor provides 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*: The Governor provides \$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.