

## A Closer Look at the Governor's FY14 School Aid Budget

More details about Gov. Rick Snyder's proposed K-12 School Aid budget are becoming available as the House and Senate Appropriations Subcommittees for K-12 School Aid meet to debate the Fiscal Year 2014 budget. The Subcommittees are expected to work quickly to create their versions of the funding bills, with the overall goal of finishing the entire state budget by June.



### Budget Briefs

#### THE SCHOOL AID BUDGET

It is through the School Aid budget that Michigan's 549 local schools districts and 277 public school academies receive their core funding through a per-pupil foundation allowance. In addition, School Aid dollars are used for a range of educational services including special education, programs for children at-risk of educational failure, adult and vocational education services, and early childhood programs.

More than nine of every ten Michigan students are enrolled in traditional local school districts, with the remainder in public school academies or charter schools.<sup>1</sup> As a result of lower birth rates, both have experienced declines in enrollment, resulting in a loss of revenue to schools. In the decade between 2003 and 2013, the number of students in Michigan's public schools and academies fell from 1.7 million to 1.5 million.

#### K-12 EDUCATION SPENDING TRENDS

Michigan's School Aid Fund can only be used to fund local school districts, Intermediate School Districts and various other educational agencies and entities. In the decade between 2003 and 2013, School Aid funds remained relatively flat, de-

spite increases in costs. The minimum per-pupil foundation allowance increased by only 4% during the decade, in the face of a 21% increase in inflation.<sup>2</sup> In Fiscal Year 2012, school districts suffered a cut of \$470 per pupil. The per-pupil foundation allowance accounts for more than \$2 of every \$3 dollars in K-12 School Aid.

#### GOVERNOR'S FY14 RECOMMENDATIONS

The governor recommends a small increase (2.2%) in the K-12 School Aid budget, with total funding increasing from \$12.94 billion in the current fiscal year to \$13.24 billion in Fiscal Year 2014.<sup>3</sup> Included in his recommendations for 2014 are the following:

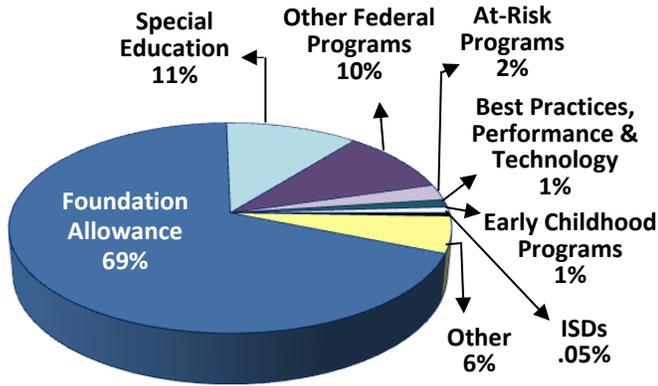
**Per-pupil foundation allowance and special grants:** *The governor does not recommend an across-the-board increase in the per-pupil allowance used by schools for general operations, and with the reduction in special payments for districts that comply with certain best practices, some districts will actually experience a cut in their per-pupil payments.*

- **Equity payments:** The governor recommends a total of \$24 million for equity payments to further close the

#### Governor's FY 2014 Budget

- Doubles funding for preschool programs for at-risk 4-year-olds over two years.
- Provides no across-the-board increase in the per-pupil allowance to make up for cuts of \$470 per pupil in the FY 2012 budget.
- Includes a \$34 per-pupil equity payment to bring districts receiving the minimum per-pupil payment to \$7,000.
- Cuts payments to districts that follow best practices by 70%, reducing per-pupil payments from \$52 to \$16.
- Fails to expand funding for adult education, which was cut from \$80 million to only \$22 million over the decade.

## School Aid Appropriations FY 2013



**Total Funding = \$12,944,687,000**

Source: House Fiscal Agency  
Produced by Michigan League for Public Policy

foundation allowance funding gap between districts by raising the per-pupil payment for the lowest-funded districts receiving the minimum grant from \$6,966 to \$7,000 per-pupil--an increase of \$34 per pupil for eligible districts.

Public schools and academies use a mix of state and local funds to pay for most of their school operations. With passage of Proposal A in 1995, a per-pupil foundation allowance was determined for districts based on what the district collected from both state and local funds in the prior school year. Before Proposal A, the per-pupil spending difference between the highest and lowest-funded districts was almost \$6,900 or 3:1; in the current year, the difference is \$4,888 or less than 2:1.<sup>4</sup> The current minimum foundation allowance is \$6,066, and the basic foundation allowance is \$8,019.<sup>5</sup>

- **Best practices incentive grants:** In the current fiscal year, \$80 million is available for school districts that meet seven of eight “best practices,” as defined by the Legislature. The governor’s budget would reduce funding for the incentive grants to \$25 million, a nearly 70% decrease, with the award amount falling from \$52 per pupil to \$16. The governor eliminates the grants in Fiscal Year 2015. Districts that have been receiving the best practices award of \$52 could be facing cuts in their per-pupil allocations next year, with particularly deep cuts for districts that are not eligible for the new equity payments. For example, districts that are not receiving the minimum foundation allowance, but qualified for best practices in 2012-13, will receive \$36 less per pupil.<sup>6</sup> If

the grants are eliminated in Fiscal Year 2015, districts will face additional cuts.

The best practices identified for districts include: (1) participates in schools of choice; (2) measures student growth at least twice a year; (3) offers dual enrollment or other opportunities for postsecondary coursework; (4) offers online learning opportunities; (5) acts as the policyholder for employee health care benefits; (6) provides a dashboard to parents and communities to help them evaluate the district’s performance; (7) competitively bids at least one non-instructional service; and (8) offers physical or health education.

- **District performance funding:** The governor recommends continuation funding of \$30 million for districts meeting specified performance requirements in reading and math. Districts can receive a total of \$100 per pupil in additional funding based on performance, with \$30 for student academic growth in math for grades 3-8, \$30 for growth in reading in grades 3-8, and \$40 for growth in all high school tested subjects (reading, writing, math, science and social studies). In testimony before the House Appropriations Subcommittee for K-12 School Aid, officials from the State Budget Office noted that only one school district received the full \$100 per pupil in the first year of performance funding.
- **Small class size supplemental payments:** The governor reduces funding currently available to encourage smaller class sizes (kindergarten through 3rd grade) from \$13 million to \$9 million, a cut of 31%. For districts with a foundation allowance of \$7,500 or more, the payment will be capped at \$50 per pupil; districts with per-pupil payments of less than \$7,500 could receive up to \$100 per pupil.
- **Competitive student-centric grants:** The governor includes \$8 million in new funding for competitive grants to districts that work to align instruction with individual student learning styles and paces, and that advance students based on their mastery of the material. These funds are related to the new Educational Achievement Authority, which is currently operating in 15 Detroit schools, and is designed to increase state oversight of the lowest performing 5% of schools in Michigan.

**Special education:** *The governor recommends a small decrease in funding for special education based on anticipated costs.*

The budget includes approximately \$1.42 billion (11% of the School Aid budget) for special education programs, a reduction of \$10.7 million or less than 1%. More than two-thirds (69%) is state funding, with the remainder coming from the

federal government. Overall funding for special education grew by nearly 17% between Fiscal Years 2004 and 2013, although funding has dropped slightly since Fiscal Year 2010—from \$1.49 billion to \$1.4 billion (3%).

**At-risk programs:** *The governor recommends continuation funding for programs for children at-risk of school failure, child and adolescent health centers, and hearing and vision screenings.*

- **At-Risk funding:** The governor provides continuation funding of \$309 million for students at risk of academic failure. These dollars can be used flexibly by local school districts for a range of services including tutoring and mentoring, reading programs, initiatives to reduce class sizes, credit recovery programs, alternative and adult education, K-3 early intervention programs, early childhood programs, and medical and counseling services.
- **Continuation funding for Child and Adolescent Health Centers:** The governor continues funding for school-based or linked health centers at \$3.6 million.
- **Continuation funding for hearing and vision screenings:** The governor continues funding for hearing and vision screenings for children at \$5.2 million.

**Early childhood programs:** *The governor recommends an increase of \$130 million over two years (\$65 million in each fiscal year), doubling Michigan’s state-funded preschool program, the Great Start Readiness program (GSRP). Funding for the Great Start block grant to Intermediate School Districts is retained at current levels.*

#### **Great Start Readiness Program:**

- **Increase in GSRP slots for low-income and at-risk 4-year-olds.** Under the governor’s budget, funding for the GSRP would increase from \$109.3 to \$174.3 million in Fiscal Year 2014. Four-year-old children from families under 300% of poverty, or children with significant risk factors, are eligible for the program, which is in most cases a half-day program. With this additional funding, the number of publicly funded preschool slots (half-day) will increase from an estimated 32,140 in the current fiscal year to 48,076 in Fiscal Year 2014.<sup>7</sup> Under current law, GSRP providers can use two slots to provide full-day care for a single child.
- **Increase in per-slot payments.** The funding for a GSRP slot would be raised from \$3,400 to \$3,625—the first increase since the 2007-08 school year, when it was raised by \$100 per pupil. GSRP providers claim that actual costs are significantly higher, forcing districts to either subsidize the program through other funds or quit providing services altogether.

- **Elimination of the competitive GSRP program.** Budget language authorizing \$8.9 million for a separate competitive GSRP program for private sector providers is eliminated. The program is now administered by the Michigan Department of Education, but would instead be under the auspices of Intermediate School Districts, which would be required to ensure that at least 20% of the slots in their area are through other public or non-profit community-based organizations, as well as for-profit businesses.
- **Policy changes to focus on the lowest-income children.** GSRP grantees, presumably Intermediate School Districts, would be required to ensure that at least 90% of the children served with state GSRP funds are from families with incomes of 300% of poverty or less (up from 75%). A sliding fee scale would be required for families with household incomes over 300% of poverty. Statewide, 91% of children currently served by GSRP live in families with incomes at or below 300% of poverty.<sup>8</sup>
- **Efforts to improve quality and accessibility.** The governor requires GSRP providers to participate in the state’s quality improvement program—Great Start to Quality—with a quality rating of at least three out of five stars. Most current GSRP programs are expected to meet the quality standards, but program expansions, particularly into the private sector, may be affected. In addition, GSRP funds could be used for transportation costs—a barrier to preschool for many low-income families—although no new funds are specifically provided for transportation, and those costs alone could deplete the governor’s proposed increase in per-slot payments.
- **No new funding for infants or toddlers, or to expand preschool to 3-year-olds:** New GSRP funding would only be available for 4-year-olds. Michigan does not provide state-funded preschool services to 3-year-olds, despite the evidence that the best outcomes for low-income and at-risk children result from two years of preschool. In addition, Michigan has reduced funding for many programs for infants and toddlers—in the face of strong scientific evidence that the first three years of life are critical to brain development and ultimately to educational achievement and life success.

**Early Childhood Block Grant:** The governor recommends continuation funding of \$10.9 million for the early childhood block grant to Intermediate School Districts for parent education and support. Block grant funds are used in part to convene local Great Start Collaboratives and Parent Coalitions.

**School meals programs:** *The governor's budget recognizes additional federal funding that will be available for free and reduced-priced lunches for low-income children, and based on current program costs, projects a cut in state funding for reimbursing school districts for the costs of providing federally funded school breakfasts.*

- **School lunch:** The governor's budget includes an additional \$60.7 million in federal funds for the school lunch program--an increase of 14.3%--bringing total funding to \$485.7 million. Children are eligible for the school lunch program if their family income is at or below 185% of poverty. In October 2012, nearly 870,000 Michigan children participated in the school lunch program daily.
- **School breakfast:** Based on current spending trends, the governor's budget recognizes a cut of \$4 million in state funding to reimburse school districts for the costs

of providing federally funded school breakfasts. State funding is reduced by \$4 million, from \$9.6 million to \$5.6 million. In October 2012, more than 360,000 children each day participated in the school breakfast program.<sup>9</sup>

**Adult and vocational education:** *The governor includes continuation funding for adult education, as well as career and vocational education.*

- **Adult education:** Adult education funding is maintained at \$22 million. State funding for adult education fell from \$80 million in 2001 to \$20 million in Fiscal Year 2004, and the program has remained underfunded since that time. During the same decade, deep cuts were made in federal funding, making adult education less accessible for many who need it.
- **Vocational education:** Continuation funding of \$26.6 million is recommended for vocational education.

## ENDNOTES

1. Bethany Wicksall, *School Aid Background Briefing*, House Fiscal Agency (January 2013).
2. *K-12 Schools Minimum Foundation Allowance*, Senate Fiscal Agency, updated September 18, 2012.
3. Bethany Wicksall, Summary: *Executive Budget Recommendation for Fiscal Years 2013-14 and 2014-15, School Aid*, House Fiscal Agency (2/11/2013), and Erik Jonasson, Summary: *Executive Budget Recommendation—DRAFT-- for Fiscal Years 2013-12 and 2014-15*, Department of Education, House Fiscal Agency (2/12/13).
4. Bethany Wicksall, *School Aid Background Briefing*, House Fiscal Agency (January 2013).
5. Bethany Wicksall, Summary: *Executive Budget Recommendation for Fiscal Years 2013-14 and 2014-15, School Aid*, House Fiscal Agency (2/11/2013).
6. Legislative Fast Facts: 2013-14 Executive Budget Recommendation, School Aid budget, Oakland Schools (February 11, 2013).
7. *School Aid Highlights, Executive Budget Fiscal Years 2014 and 2015*, State Budget Office (February 7, 2013).
8. Information provided by Lindy Buch, Director, Office of Early Childhood Education and Family Services, Michigan Department of Education (2/21/13).
9. *School Lunch, Breakfast and Afterschool Snack in Michigan*, Michigan Department of Education (revised 2/12/2013).