

## League Advocates for Improvements in Education From Cradle to Career

As Michigan legislators continue to debate state spending for the upcoming budget year, the Michigan League for Public Policy is advocating for improvements in education for all children in Michigan, including full funding for the services to children at risk of educational failure, expansions in access to high-quality child care, and additional funding for early literacy programs. The League is also calling for increased funding for adult education programs.

The Michigan Senate and House of Representatives have approved separate versions of the 2018 state budgets for School Aid and the Department of Education. Differences between the two will now be worked out in joint House/Senate conference committees, which will convene after a May 17th gathering of economists and budget experts to determine expected revenues for the upcoming year.

While there are a number of budget enhancements in the current House and Senate budget bills that the League supports, both the House and Senate recommended funding levels below the governor's budget proposal, including reductions in key programs that assist children in high-poverty schools.

House and Senate leaders have said that they plan to cut between \$200 million and \$500 million in state General Funds from the governor's overall budget—in part to show that a state income tax cut is affordable. Other potential uses of the funds that have been discussed include debt reduction, more money in the state's rainy day fund, or investments in state priorities other than those outlined by the governor.

*The League opposes tax cuts that further reduce the state's General Fund or School Aid Fund because they*

### League Priorities: 2018 School Aid/Education Budgets

- ▶ Support full funding for the At-Risk School Aid program to overcome the barriers that children in high-poverty communities face in school.
- ▶ Support additional funding for early literacy programs to improve reading by third grade.
- ▶ Support payment increases for child care providers, as well as a rise in the income eligibility level, to ensure parents can secure and keep their jobs while children are in safe and supportive settings that encourage optimal learning.
- ▶ Support child care businesses by switching to biweekly or monthly state payments to providers, making it easier for providers to care for children from families with low wages.
- ▶ Increase adult education funding to serve nearly 8,000 more students in the coming year.

*could derail the state's long-term economic vitality. The evidence is clear that investments in education and infrastructure are directly connected to economic growth. Yet, when adjusted for inflation, ongoing General Fund revenues in the current year are lower than they were 50 years ago—increasing the state's reliance on uncertain federal funds.*

## K-12 EDUCATION

**Per-Pupil Spending:** Two of every \$3 in the School Aid budget are used to support per-pupil payments, which are the primary source of funding for school operations. For 2018, the governor recommended an additional \$128 million to raise per-pupil spending by between \$50 and \$100, with districts currently receiving the lowest payments per pupil receiving the largest increase. The goal is to further reduce the gap in state funding between the lowest-funded districts and the highest.

The governor also proposed higher per-pupil payments for high school students, reduced payments to cyber schools, and a cap on funding for instruction programs for non-public and home-schooled students (cutting total funding by \$55 million).

- The **Senate** increased per-pupil payments to between \$88 and \$176—using \$100 million currently provided to districts to offset teacher retirement costs under the Michigan Public School Employees Retirement System (MPSERS). The impact on individual districts varies, ranging from Public School Academies that are not part of MPSERS and lose no offset funding to some traditional districts that lose more in MPSERS offset dollars than they gain in a per pupil increase. The Senate Fiscal Agency has calculated the [likely impact for all districts](#) in the state.

The Senate rejected the governor's proposal for higher per-pupil payments for high school students, as well as the cuts in payments to cyber schools. The Senate cut programs for nonpublic/home-schooled pupils by only \$2 million.

- The **House** provided an across-the-board increase for *all* districts in the state of \$100 per pupil—rejecting the use of the formula that provides higher payments for the districts that currently receive lower per-pupil foundation allowances.

The House rejected the governor's proposals to increase payments for high school students, as well as cuts for cyber schools and nonpublic/home-schooled student programs.

*The League supports increases in school funding that help raise the quality of education and mitigate the impact of inflation and fixed costs on school operating funds. In the*

*last decade, the minimum K-12 per-pupil foundation allowance rose 5.7%—less than half the rise in inflation at 15.1%.<sup>1</sup>*

**Declining Student Enrollment:** Since Proposal A, the reliance on a per-pupil foundation allowance for school operations has meant that schools with rapidly declining enrollments can face at least short-term difficulties in adjusting to large funding losses. In recognition of the impact on local schools and students, the governor included \$7 million for two years of supplementary funding for districts that have experienced large enrollment declines (more than 5% over two years).

- Both the **Senate** and the **House** rejected the governor's proposal for supplementary funding for schools with declining enrollments.

*The League supports funding to ameliorate the impact of declining enrollments on local schools and their students.*

**Funding for Students Academically at Risk:** The At-Risk School Aid program is the state's best vehicle for addressing the educational challenges children who are exposed to the stresses of poverty bring through the schoolhouse doors. The governor recognized the need to focus on high-poverty schools by recommending an additional \$150 million in At-Risk funding for 2018 and by expanding eligibility.

Currently, the program provides state funds to schools based on the number of children receiving free school meals (130% of poverty). Under the governor's proposal, districts could receive funding for children up to 185% of poverty. In addition, the governor would provide funding to "out-of-formula" or "hold-harmless" districts that are currently not eligible. These are districts that have combined state and local per-pupil foundation allowances that are higher than the basic amount, even though they may have a high number of children living in poverty. The governor projects that with these changes an additional 130,000 children could be served.

- The **Senate** increased At-Risk spending by \$100 million and agreed with the governor on changes in student eligibility. The Senate altered the allocation formula as follows: 1) \$5 million of the new funding would be earmarked for English language learners; and 2) districts that are currently eligible for At-Risk funding would be guaranteed at

least as much per pupil as they are receiving in the current school year (applied to the broader base of economically disadvantaged students), with the remaining new funds (estimated to be approximately \$41 million) awarded to *all* districts, including those currently not eligible.

- The **House** increased At-Risk funding by \$150 million and agreed with the governor on changes in student eligibility. The House also adopted the governor's proposal to expand eligibility to "hold-harmless" and "out-of-formula" districts but capped the per-pupil At-Risk payment to those districts at 50%. The House added budget language indicating an intent to use a portion of 2019 At-Risk funds to reimburse school districts that provide transportation to pupils enrolled in schools of choice or charters.

*The League supports full funding of the At-Risk program, as well as expansion of eligibility to all children who are economically disadvantaged or at risk of educational failure.*

**Reading by Third Grade:** Michigan law now allows for grade retention if children are not reading proficiently by third grade, making the need for early literacy programs even more critical. The governor proposed doubling funding for early literacy coaches at Intermediate School Districts (ISDs) from \$3 million to \$6 million. The largest component of the state reading initiative—funding for additional instructional time for children who are behind in reading—was retained at \$17.5 million by the governor.

- The **Senate** agreed with the governor and increased funding for ISD early literacy coaches by \$3 million.
- The **House** slightly reduced total funding for early literacy and allocated remaining funds (\$25.4 million) through grants to districts, with an estimated \$245 per first-grade pupil.

*The League supports increased investments in early literacy, including programs that address learning in the earliest years of life such as early intervention through the Early On program, expanded home visitation programs, and a state-funded preschool option for 3-year-olds in high-risk schools and communities.*

**Adult Education:** Despite a high level of need, state funding for adult education has dropped 70% since the

1997-2001 budget years. The governor recommended flat funding of \$25 million for adult education programs in 2018.

- The **Senate** agreed with the governor on flat funding for adult education and provided \$2.5 million for Career and Technical Education pilot projects in the state's five prosperity regions.
- The **House** agreed with the governor on flat funding for adult education.

*The League supports an increase in funding for adult education of at least \$10 million for \$35 million total, which would help nearly 8,000 additional students and serve as an important tool for improving educational achievement and adult literacy—part of a two-generational approach to improving the state's economy.*

## CHILD CARE AND EARLY EDUCATION

**Child Care Subsidies:** The number of Michigan parents with low wages who received assistance with their child care costs fell by over 70% between 2003 and 2016—in part because of the state's stringent income eligibility standards and low child care payments. In addition to forcing parents to either stay out of the workforce or find care that isn't suitable for their children, the state's child care policies made Michigan one of only a handful of states that had to turn away federal child care funds because of a lack of state matching dollars. In recognition of the need for high-quality child care, the governor included an increase of \$6.8 million in the current budget year (2017), as well as \$27.2 million (\$8.4 million in state funds) in the 2018 budget to increase rates paid to child care providers.

- The **Senate** provided \$23.8 million (\$7.1 million in state funds) for increased child care provider rates, as well as \$5.8 million to increase the income eligibility threshold from 125% to 130% of poverty. Rate increases would be based on the number of stars a provider has in the state's quality rating system, ranging from a maximum increase of 50 cents per hour for providers with no stars to \$1.50 per hour for child care centers with a five-star rating. Unlicensed providers (family, friends and neighbors) who care for infants or toddlers could receive an increase of 25 cents per hour.

- The **House** agreed with the governor to include \$27.2 million for rate increases for child care providers.

*The League supports payment increases for child care providers, as well as a boost in income eligibility levels—both needed to ensure that parents can secure and keep their jobs while children are in safe and supportive settings that encourage optimal learning. In addition, the League supports efforts to bolster the supply of high-quality child care businesses, including the movement away from hourly billing to biweekly or monthly payments, which make it easier for providers to care for children from families with low wages.*

**Great Start Readiness Preschool Program:** The governor recommended level funding for the Great Start Readiness program (\$243.6 million) which provides a high-quality preschool education for 4-year-olds from families with low incomes. Currently, the program is for children from

families with incomes below 250% of poverty, but districts can expand it to children with incomes of up to 300% of poverty if they can demonstrate that all children with lower incomes who want to participate have had the opportunity to do so. For 2018, the governor restricted eligibility to children in families with incomes of 250% of poverty or less, and required that 100% of children meet that income eligibility level, rather than 90% as currently required. In addition, the governor changed the allocation formula to ISDs.

- The **Senate** agreed with the governor on spending levels and on the new allocation formula, but retained the option of serving children in families with incomes of up to 300% of poverty.
- The **House** adopted the governor’s recommendations for the Great Start Readiness Program funding and allocations.

## ENDNOTE

1. *K-12 Schools Minimum Foundation Allowance History*, Senate Fiscal Agency (October 1, 2016).