



## First Budget to Cross the Finish Line New Cuts Weren't Large but Damage from Prior Year Remains

### FY 2011 SCHOOL AID BUDGET HIGHLIGHTS

The bright spot in Michigan's budget process was the timely passage of the school aid budget (P.A. 110 of 2010) on July 1, the beginning of the fiscal year for schools. Unlike most recent years, schools at least knew what to expect from the School Aid Fund at the beginning of their new fiscal year. This was the only budget passed prior to the summer legislative recess. No new reductions to the per pupil foundation grant were included, but the budget was built on significant cuts from FY 2010. Because of a small restoration in the prior cut of the per pupil foundation grant, schools will receive an additional \$11 per pupil in fiscal year 2011.

As presented to the governor before vetoes, the budget totaled \$12.8 billion gross. This included American Recovery and Reinvestment Act (ARRA) funds of \$184.3 million, regular federal funds of \$1.7 billion, restricted funds of \$10.9 billion and general funds of \$30.2 million.

#### FY 2010 School Aid Cuts

- \$165 per pupil reduction.
- 50 percent reduction (\$7.6 million) in nonschool Great Start Readiness program competitive grants.
- 20 percent reduction (\$16.3 million) in intermediate school district operations.
- 25 percent reduction (\$1.2 million) in adolescent health center funding.
- 8 percent reduction (\$2 million) in adult education funding.
- Elimination by veto of school aid funds for 0-3 Secondary Prevention.
- Elimination by veto of discretionary payments to districts with high foundation allowances.

The May Revenue Estimating Conference projected that the School Aid Fund would be about \$300 million higher than originally estimated. About \$24 million of that money was appropriated in the school aid budget for fiscal year 2011. Another \$208 million was transferred from the School Aid Fund to the General Fund to be used to fund community colleges.

Decisions impacting the budget starting October 1, 2010 are listed below.

#### Vetoed:

- 0 to 3 Secondary Prevention: The governor vetoed \$1.5 million for secondary prevention programs used for community-based collaborative prevention services. This would have been a restoration of prior cuts.
- Cultural Access Grants: The governor vetoed \$100,000 that was recommended for a competitive grant to provide students with access to cultural, art, zoos or music resources in order to lessen the impact from a FY 2010 veto of the section on Cultural Access Grants.
- Discretionary Payments: The governor vetoed the restoration of discretionary payments to districts with high foundation allowances. This was estimated to have cost districts \$51.4 million in FY 2010.
- Postsecondary Agriculture Education Program: The governor vetoed \$300,000 to begin Saginaw Valley State University program.

#### Cut:

- Juvenile Detention Facilities: Cut \$1.1 million due to facility closures and fewer pupils.

## Proposals Not Funded:

- Paths to Graduation: The proposal to expand online courses for students challenged in traditional classrooms was not funded.
- Online Administration: \$250,000 was not added to support the Genesee Network for Education Telecommunications (GENnet) for the administration of a statewide online education program.

## Restored:

- Per Pupil Reduction: \$20 million of the fiscal year 2010 per pupil cut was restored. This restored \$11 of the \$165 per pupil cut from 2010.
- School Bus Inspections: Partial restoration by adding \$433,800 with cuts from FY 2010 remaining. Program continues inspections by school districts and random audits by the Michigan State Police.

## Added:

- School Lunch Programs: Increased by \$30 million, using federal funds.
- Great Start: Added \$1.3 million for school readiness district programs and \$1.3 million for school readiness competitive programs.
- Great Start Readiness Program: New language was added to require a significantly greater share of the children come from low-income families. It mandates that more than 75 percent of children participating must come from families with incomes of 300 percent of poverty or less. The prior requirement was 50 percent.
- Federal Grants - No Child Left Behind: Added \$9 million in new federal funds.
- Special Education: Added \$35 million in new federal funds.
- CEPI: Added funds for the Center for Education Performance and Information (CEPI) of \$135,000 GF-GP and \$7.3 million federal to meet data requirements in the Race to the Top education reform.
- Migrant Children Programs: Funding for these programs was increased from \$7.8 million to \$8.8 million.

## Retained:

- Declining Enrollment Grants: Renewed funding aimed to ease the impact of declining student enrollment in some school districts at the current year \$20 million.
- At-Risk Pupil Support: Continued at \$309 million.
- Adolescent Health Centers: Continued at \$3.6 million.
- Hearing and Vision: Continued at \$5.15 million.
- Intermediate School District (ISDs) General Operations: Preserved \$65.4 million at the FY 2010 funding level.
- Michigan Virtual School: Continued FY 2010 appropriation of \$4.4 million.
- Youth Challenge Grants: Continued at \$642,300.
- Great Parents/Great Start: Continued at \$5 million.
- Great Start Collaboratives: Funding of \$6 million continues for these collaboratives through the Early Childhood Investment Corporation.
- Adult Education, State: Continued at \$22 million.
- Math/Science Centers: Continued at \$7.8 million.

## Retirement Changes:

- MPSERS Retirement Rate: Public school employee retirement rate was increased from 16.94 percent in FY 2009-10 to 19.41 percent in FY 2010-11, and the amortization period was decreased from 28 years to 27. The contribution rate may be reduced if reforms are enacted and in effect by the end of calendar year 2010. This will cost schools statewide an estimated \$255 million from the school district foundation allowance.
- School Employee Cost Cutting: An early retirement package was offered to encourage employees with at least 30 years of service to retire, providing schools with the opportunity to lower cost by replacing higher seniority employees with those earning less. The gross savings was estimated at \$679.6 million for FY 2011 but, due to legal challenges to the increase in the employee contribution rate, the savings could be significantly less.

*Note: This document provides the highlights but is not a complete list of all changes to the FY 2011 School Aid bill.*