



# Budget Briefing: School Aid

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# School Aid

The School Aid Budget pays for the operations of public schools to “maintain and support a system of free public elementary and secondary schools as defined by law” as required by the Michigan Constitution.

- The School Aid budget makes appropriations to **537** local school districts, **286** public school academies, and **56** intermediate school districts (ISDs) for operations and certain categorical programs.
- It also provides funds to the Michigan Department of Lifelong Education, Advancement, and Potential (MiLEAP), the Center for Educational Performance and Information (CEPI), and other entities to implement certain grants and other programs related to K-12 education.

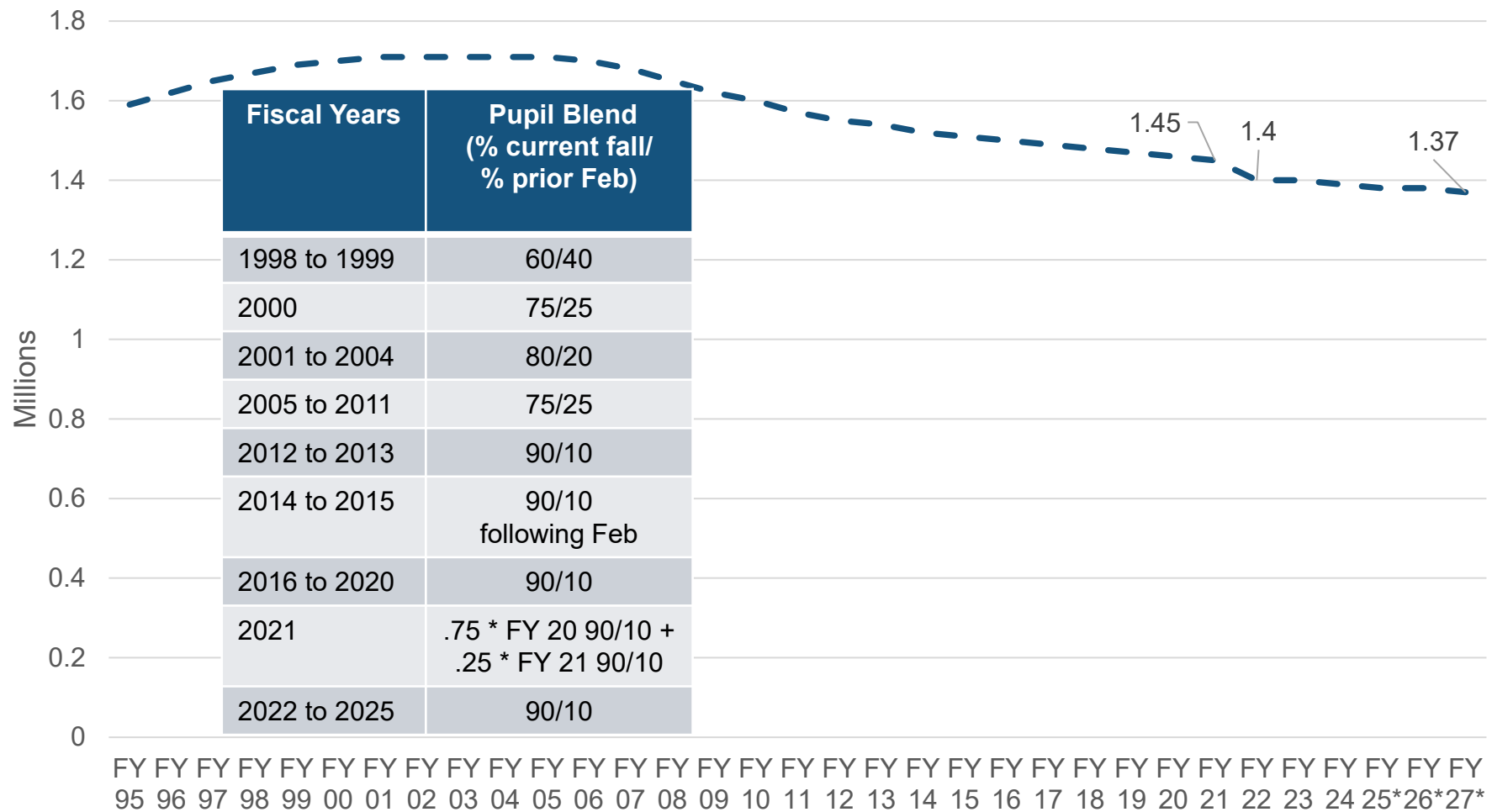
# Types of School Districts

- Traditional local school districts:
  - Have defined boundaries, locally elected school boards, and are authorized to levy local taxes.
  - In FY 2024-25, there are **537** traditional local districts with **89%** of the statewide public pupil membership.
- Public School Academies (PSAs), or charter schools:
  - Independent public schools formed to provide an alternate to local districts.
  - Authorized to operate by public universities, community colleges, intermediate school districts, and local school districts.
  - In FY 2024-25, there are **286** PSAs with **11%** of statewide pupil membership.
- Cyber schools:
  - A type of public school academy.
  - In FY 2024-25, **16** cyber schools have an enrollment totaling **21,872**.
  - 2012 PA 129 caps statewide cyber enrollment at **30,870** pupils.

# Declining Enrollment

## Total Pupil Membership Counts

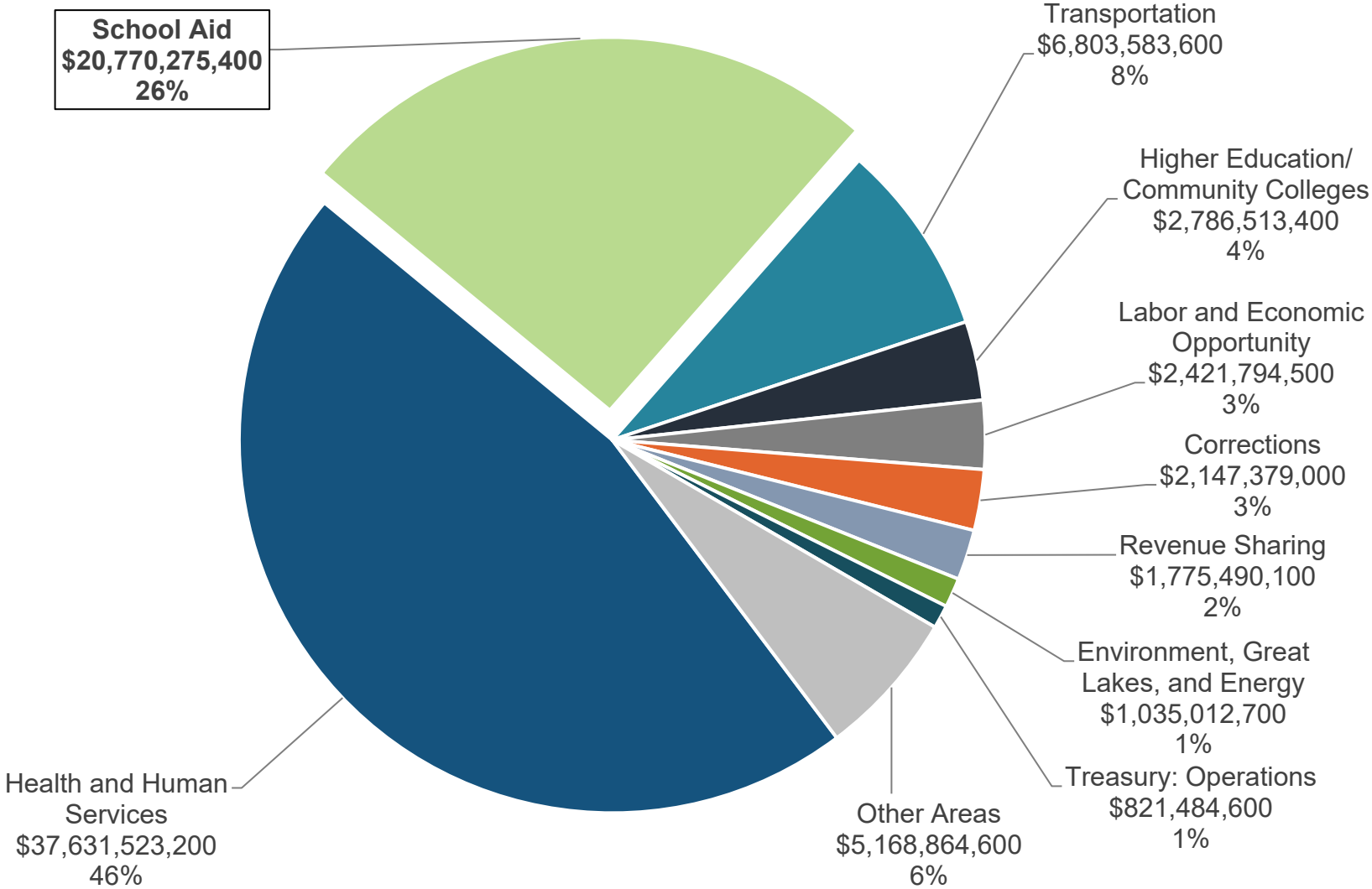
Statewide, pupil memberships are **19%** lower than their peak in FY 2002-03 and dropping. **70%** of traditional districts are experiencing pupil decline.



\* FYs 2025, 2026, and 2027 are January 2025 consensus estimates

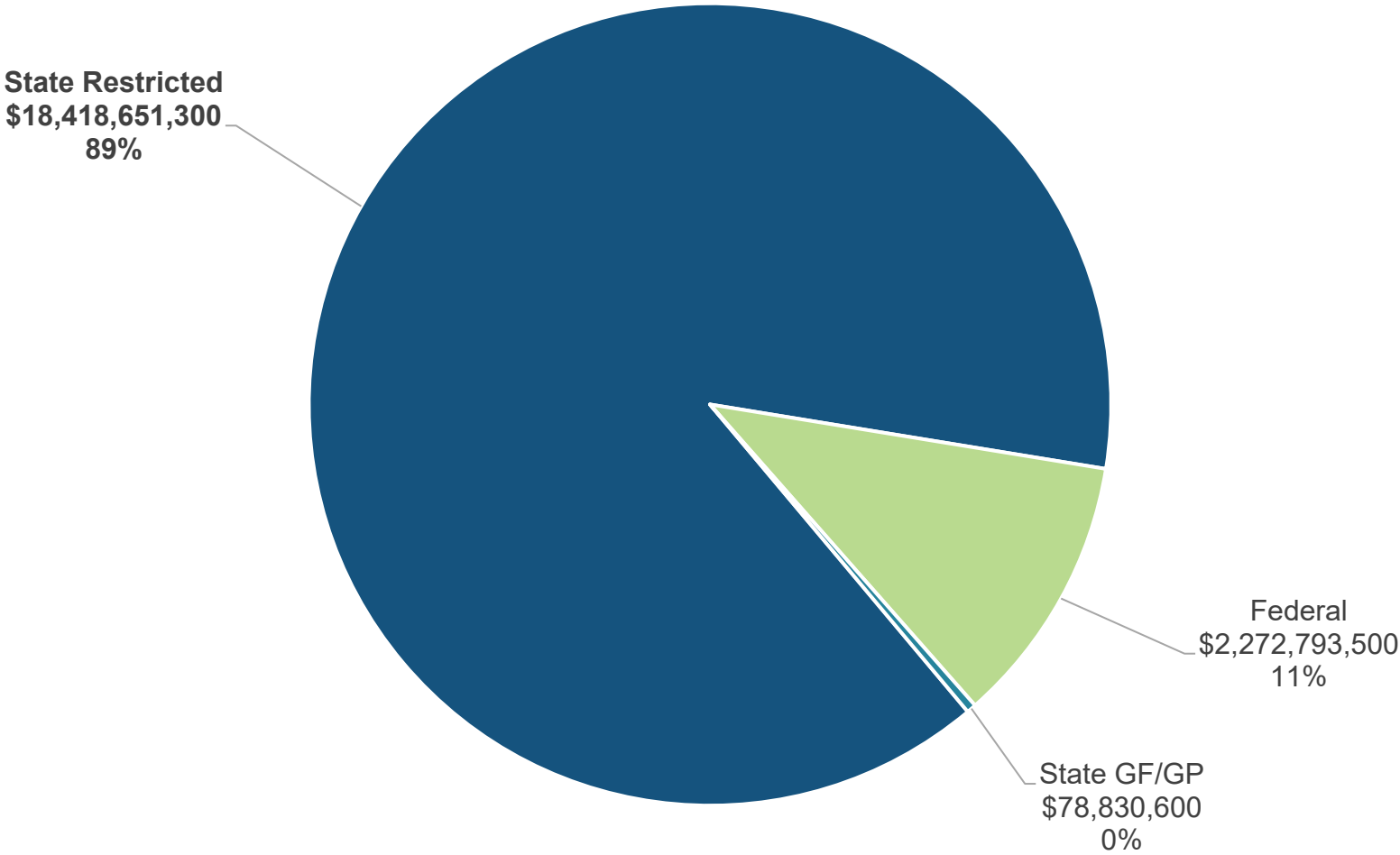
# School Aid Share of Total State Budget

The School Aid budget represents a quarter of the \$81.4 billion state budget (adjusted gross) for FY 2024-25.



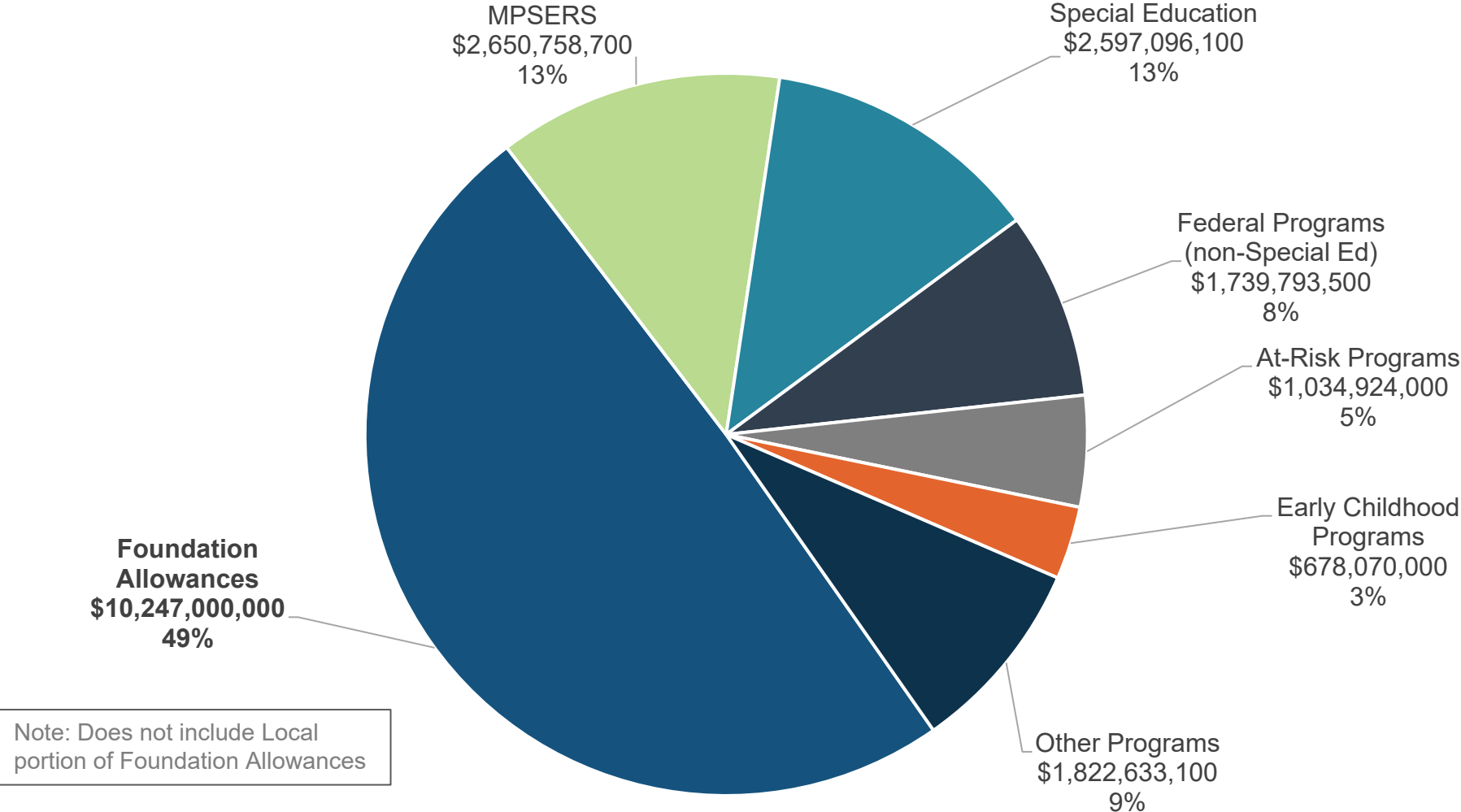
# FY 2024-25 Fund Sources

89% of the \$20.8 billion School Aid budget is funded by state restricted revenue, almost all of which is School Aid Fund (SAF) revenues.



# FY 2024-25 Gross Appropriations

About **49%** of the **\$20.8 billion** School Aid budget supports per-pupil foundation allowances used for school district general operations.



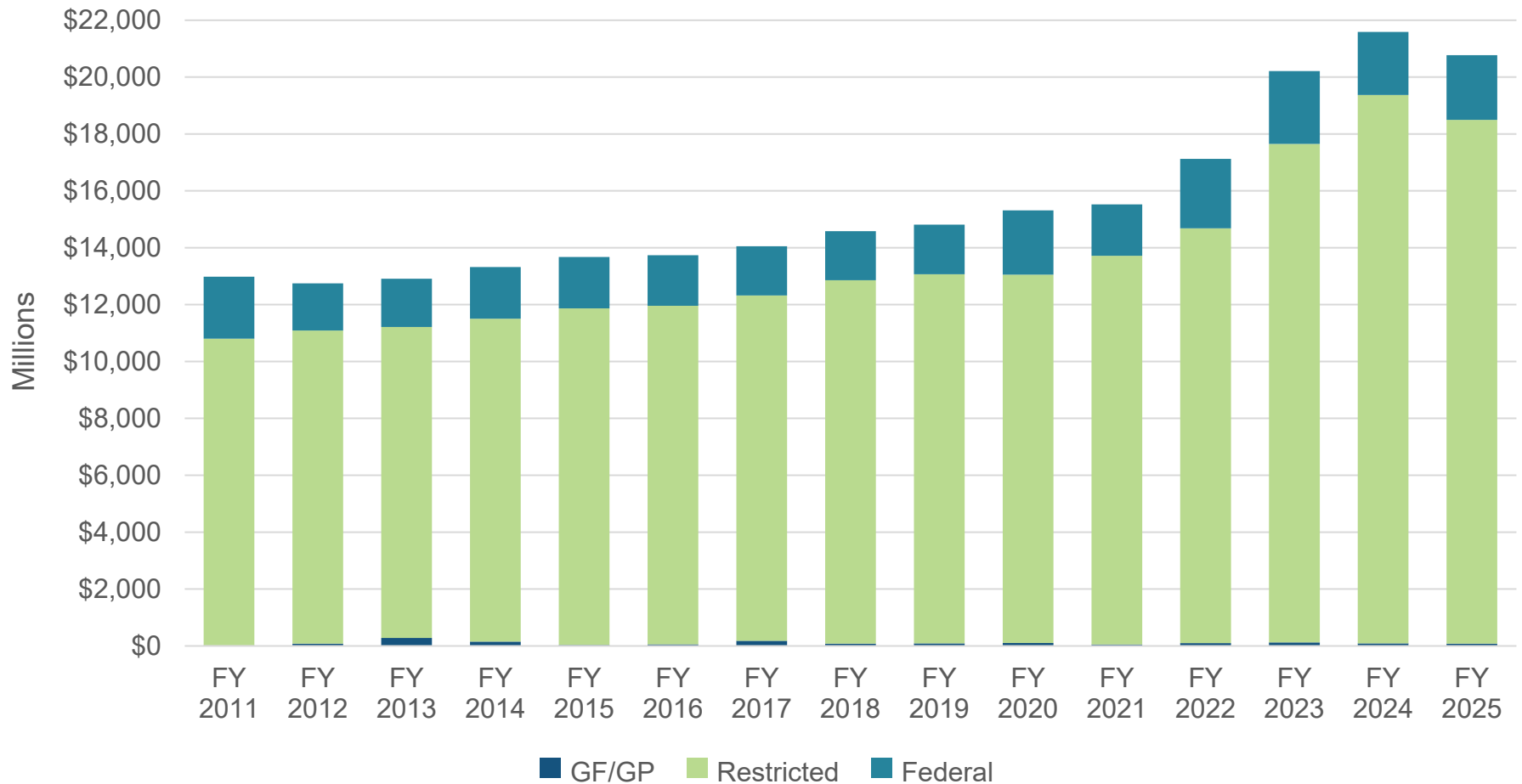
# FY 2024-25 School Aid Fund Balance Sheet

	FY 2024-25	Baseline FY 2025-26
<b>BEGINNING BALANCE</b>	\$1,129.2	\$1,021.1
<b>REVENUE</b>		
School Aid Fund (SAF) Revenue	\$18,459.6	\$18,891.5
General Fund/General Purpose (GF/GP)	\$78.8	\$50.0
Other Restricted Funds	\$694.3	\$0.0
<u>Federal Funds</u>	<u>\$2,272.8</u>	<u>\$2,322.8</u>
<b>TOTAL REVENUE</b>	<b>\$21,505.5</b>	<b>\$21,264.3</b>
<b>EXPENDITURES</b>		
School Aid (Adj for consensus revisions)	\$20,689.7	\$19,314.7
Community Colleges	\$461.9	\$481.9
<u>Higher Ed</u>	<u>\$462.0</u>	<u>\$450.8</u>
<b>TOTAL EXPENDITURES</b>	<b>\$21,613.6</b>	<b>\$20,247.4</b>
<b>CURRENT YEAR: REVENUES - EXPENDITURES</b>	<b>(\$108.0)</b>	<b>\$1,016.9</b>
<b>TOTAL ENDING BALANCE</b>	<b>\$1,021.1</b>	<b>\$2,038.0</b>



# School Aid Budget Funding History

Funding for School Aid has grown by **60%** over the last 15 years, with **34%** of that growth driven by increases in funding for public school retirement.

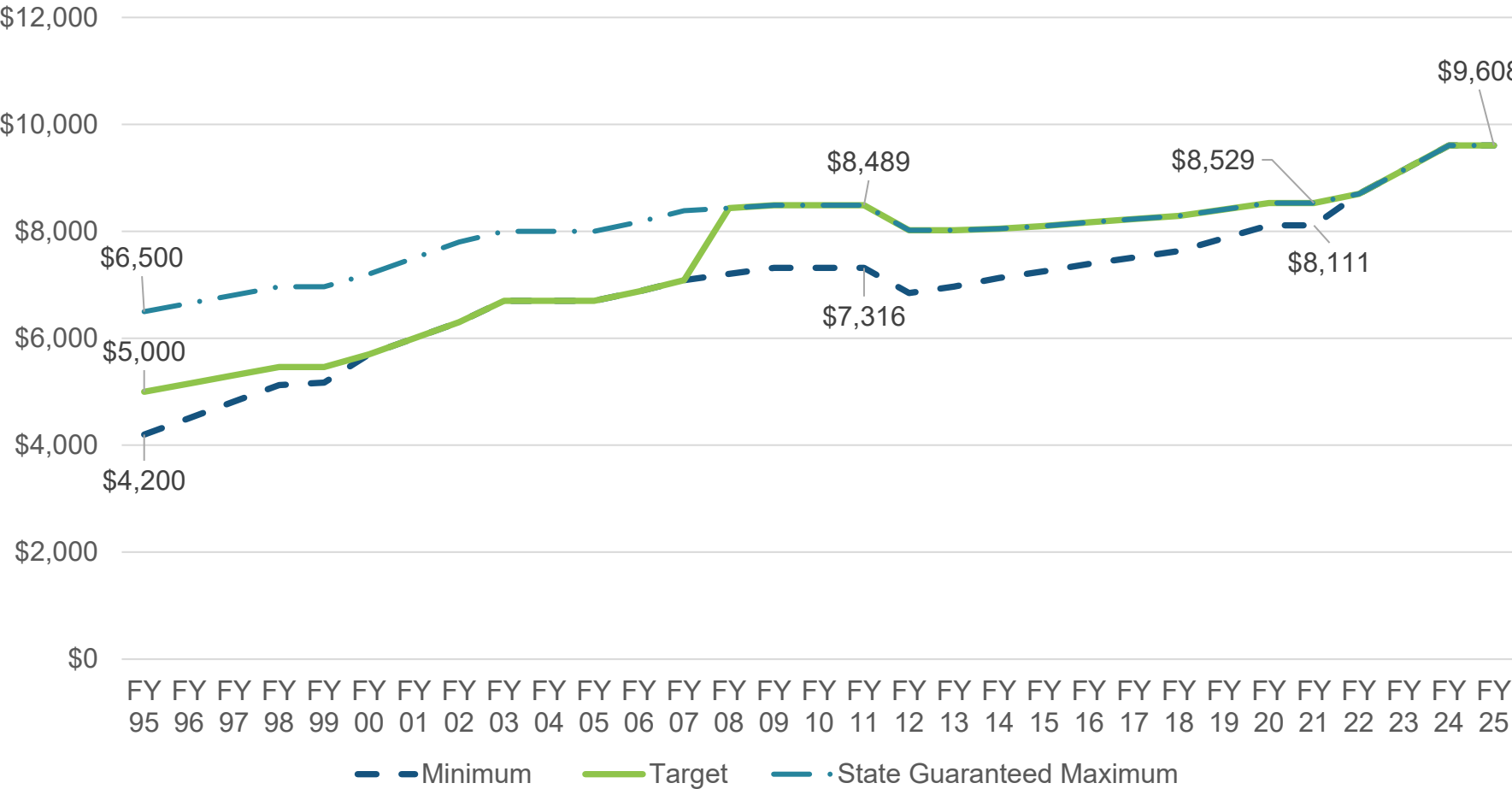


# Major Budget Topics

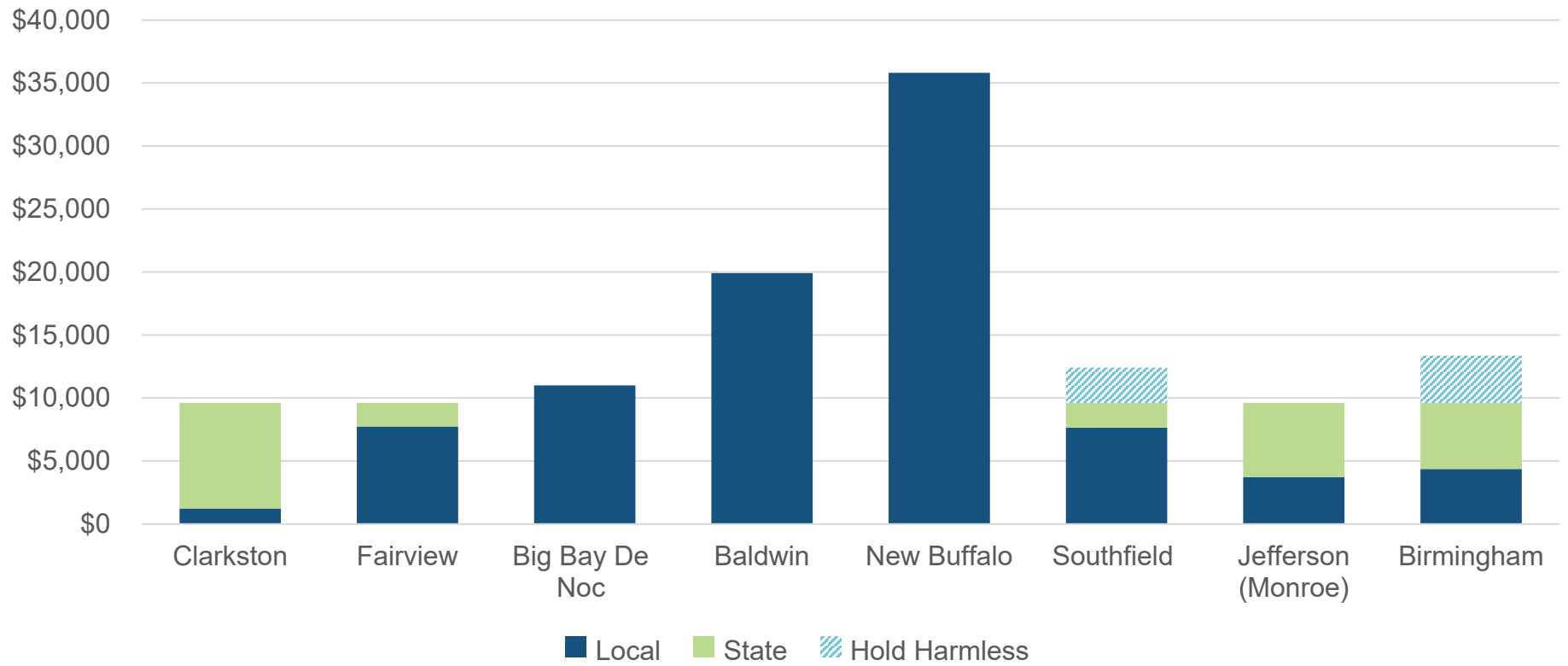
# Foundation Allowance History

## Growth Since Proposal A

The Target is maintained at **\$9,608** per pupil for FY 2024-25. Cyber schools receive **\$9,150** per pupil.



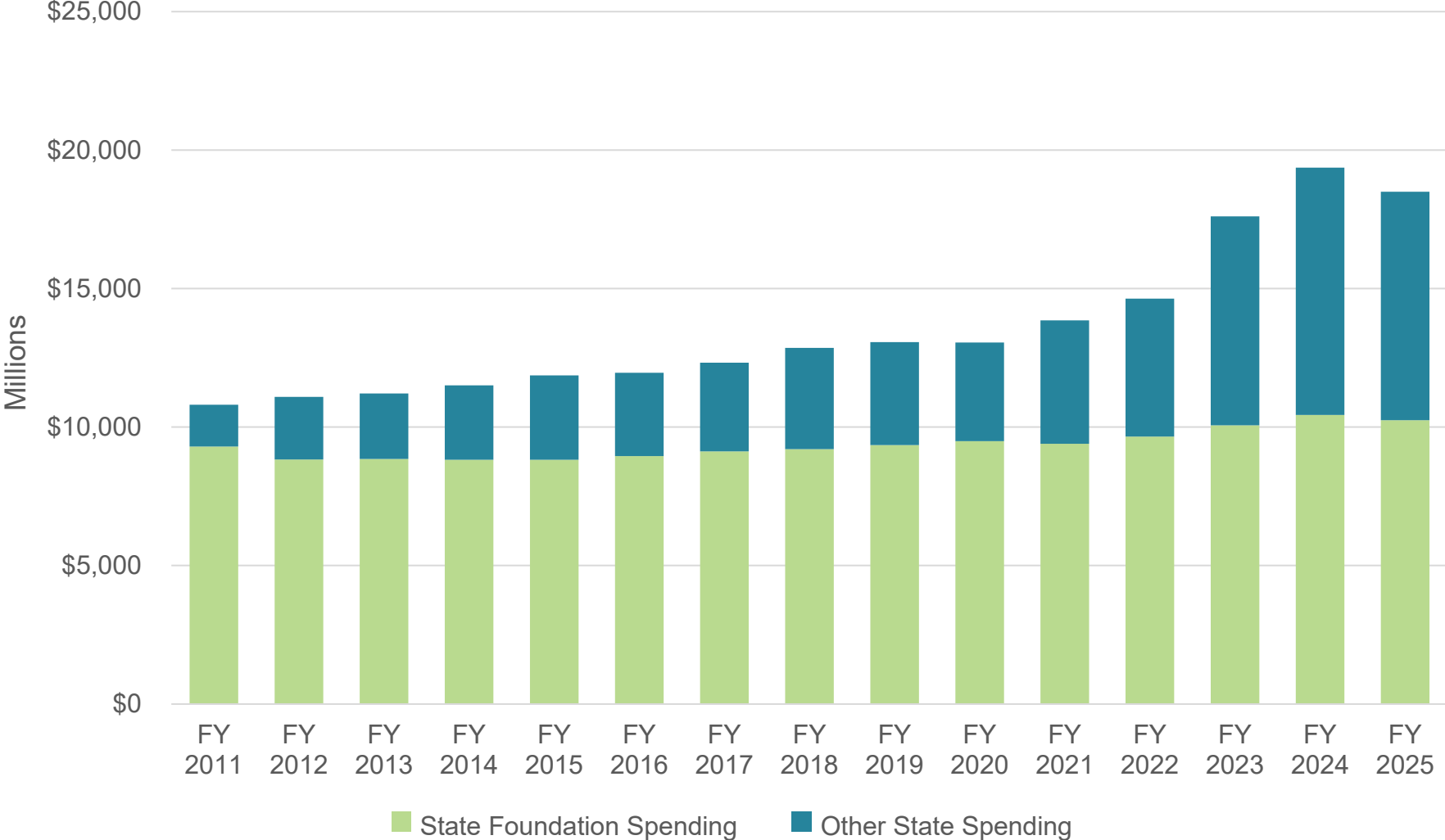
# FY 2024-25 State/Local Funding Mix Examples



Type	District	Foundation	Local	State	HH	NHS Mills	HH Mills
	Clarkston	\$9,608	\$1,228	\$8,380	\$0	18.0	0.0
	Fairview	\$9,608	\$7,732	\$1,876	\$0	18.0	0.0
O-of-F	Big Bay	\$9,608	\$11,002	\$0	\$0	18.0	0.0
O-of-F	Baldwin	\$9,608	\$19,908	\$0	\$0	18.0	0.0
HH, O-of-F	New Buffalo	\$11,443	\$35,805	\$0	\$0	18.0	0.0
HH	Southfield	\$12,410	\$7,648	\$1,960	\$2,802	18.0	9.9
HH	Jefferson	\$12,619	\$3,720	\$5,888	\$0	18.0	0.0
HH	Birmingham	\$13,363	\$4,364	\$5,244	\$3,755	18.0	5.1

# School Aid Funding History – Foundation

Since FY 2010-11, non-foundation allowance spending has contributed to **88%** of the growth in School Aid state appropriations. In FY 2024-25, foundation allowances make up **55%** of total state spending.

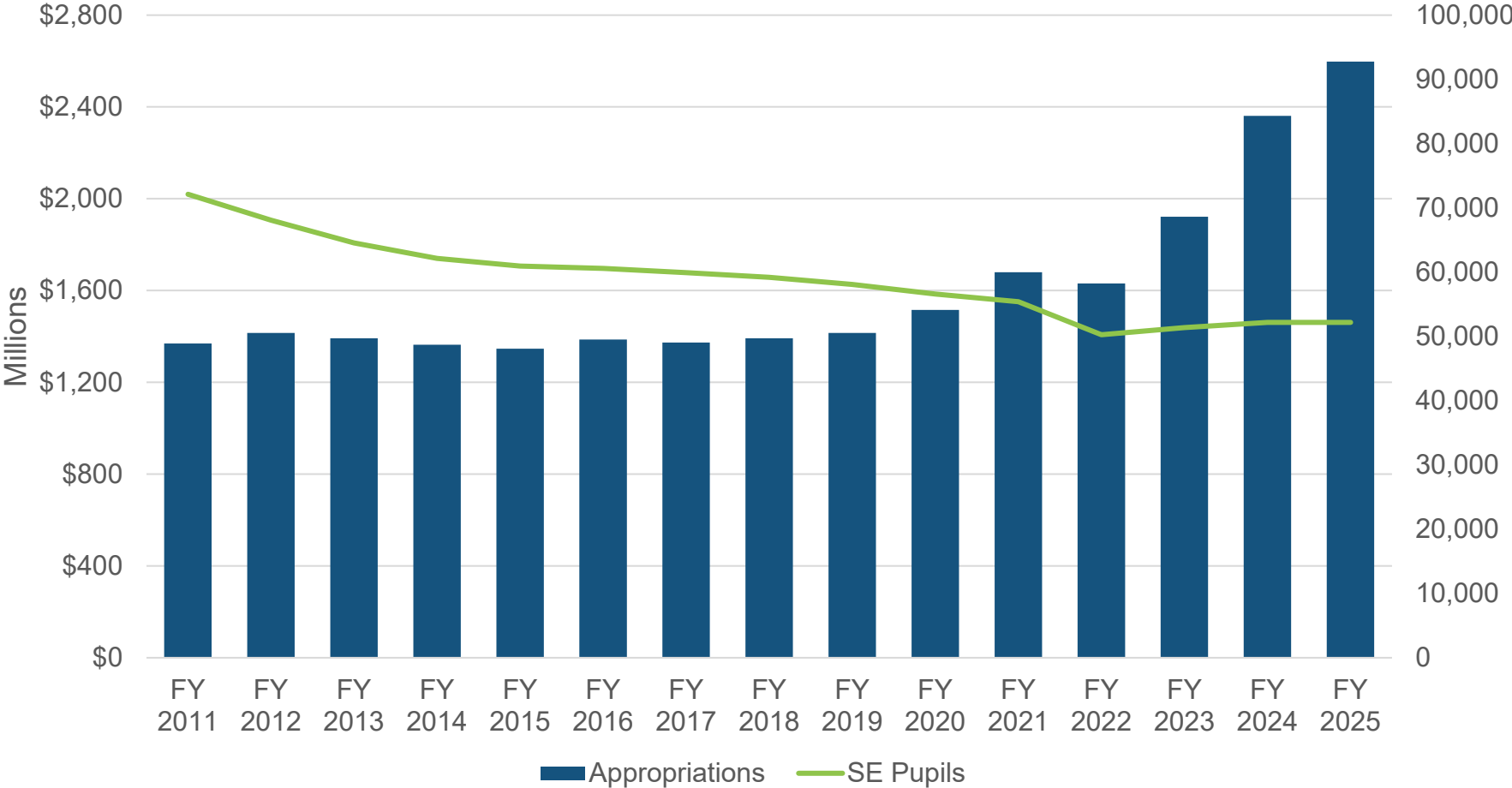


# Special Education Funding

- **\$2.6 billion** total in FY 2024-25 (third largest School Aid appropriation area)
  - **\$2.1 billion** state dollars
  - **\$533.0 million** federal dollars
- Reimburses school districts and ISDs for the costs of educating special education students.
- Required state reimbursement rates determined by the Michigan Supreme Court in *Durant v. State of Michigan* in 1997:
  - **28.6138%** of Total Special Education Costs
  - **70.4165%** of Total Special Education Transportation Costs
- In FY 2023-24, the state began to pay **100%** of special education pupils' foundation allowances (rather than use foundations to offset Durant costs).
- Local special education mills, levied by each ISD, will generate an estimated additional **\$1.5 billion** in FY 2024-25.
- Uncompensated allowable special education costs equaled an estimated **\$601.5 million** in FY 2022-23.

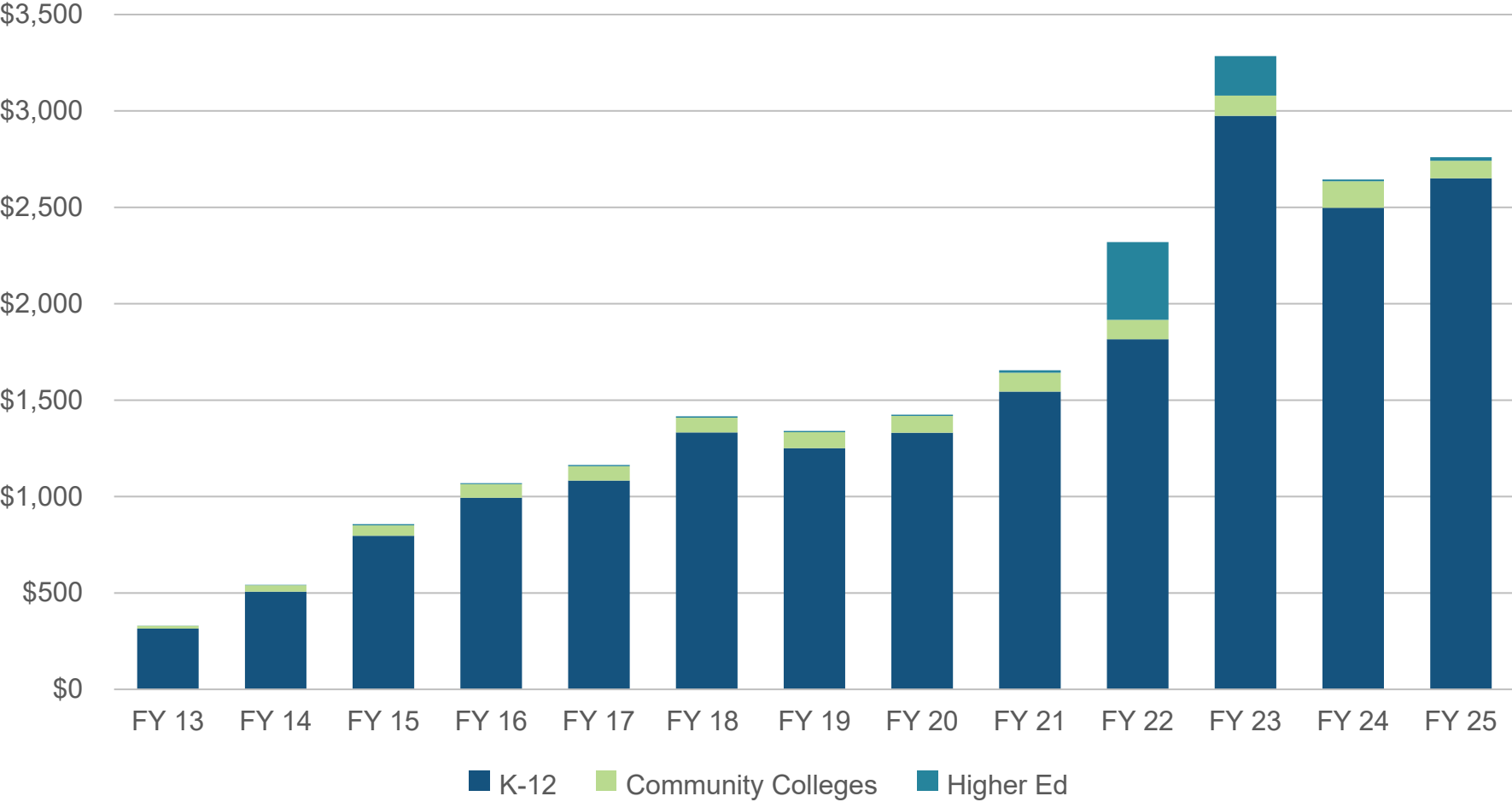
# Special Education Appropriations

Special Education appropriations are expected to increase by **\$236.4 million** in FY 2024-25 to **\$2.6 billion**. Special education pupils peaked in FY 2004-05 and declined by **43%** by FY 2024-25.



# MPERS State Appropriations

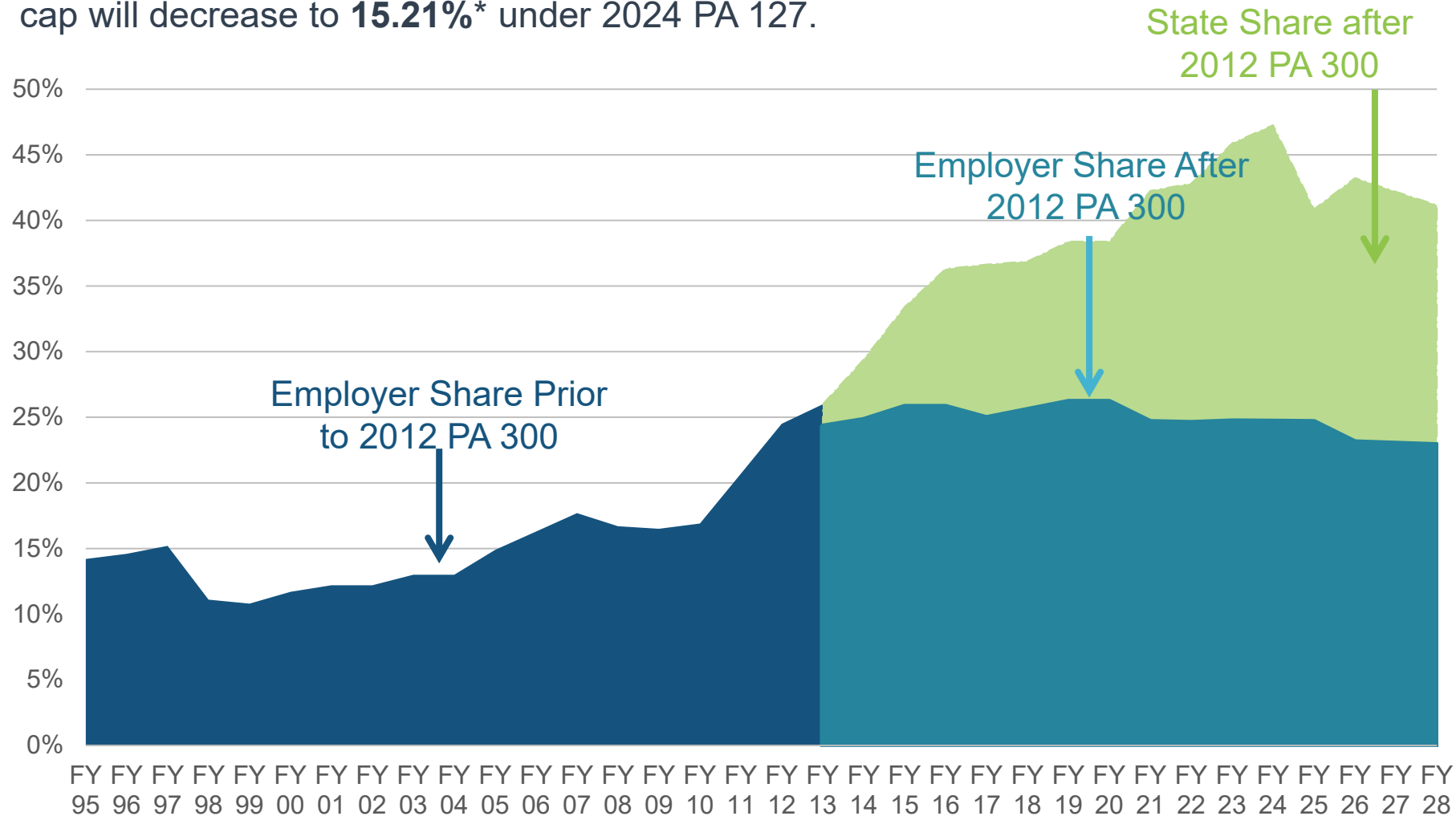
MPERS appropriations total **\$2.8 billion** in FY 2024-25. In some years, funding has included additional one-time payments to pay down unfunded liabilities; most notably, the state paid off existing university UAAL and provided **\$1.0 billion** toward remaining UAAL in FY 2022-23.





# MPERS State Share - Unfunded Actuarial Accrued Liability (UAAL)

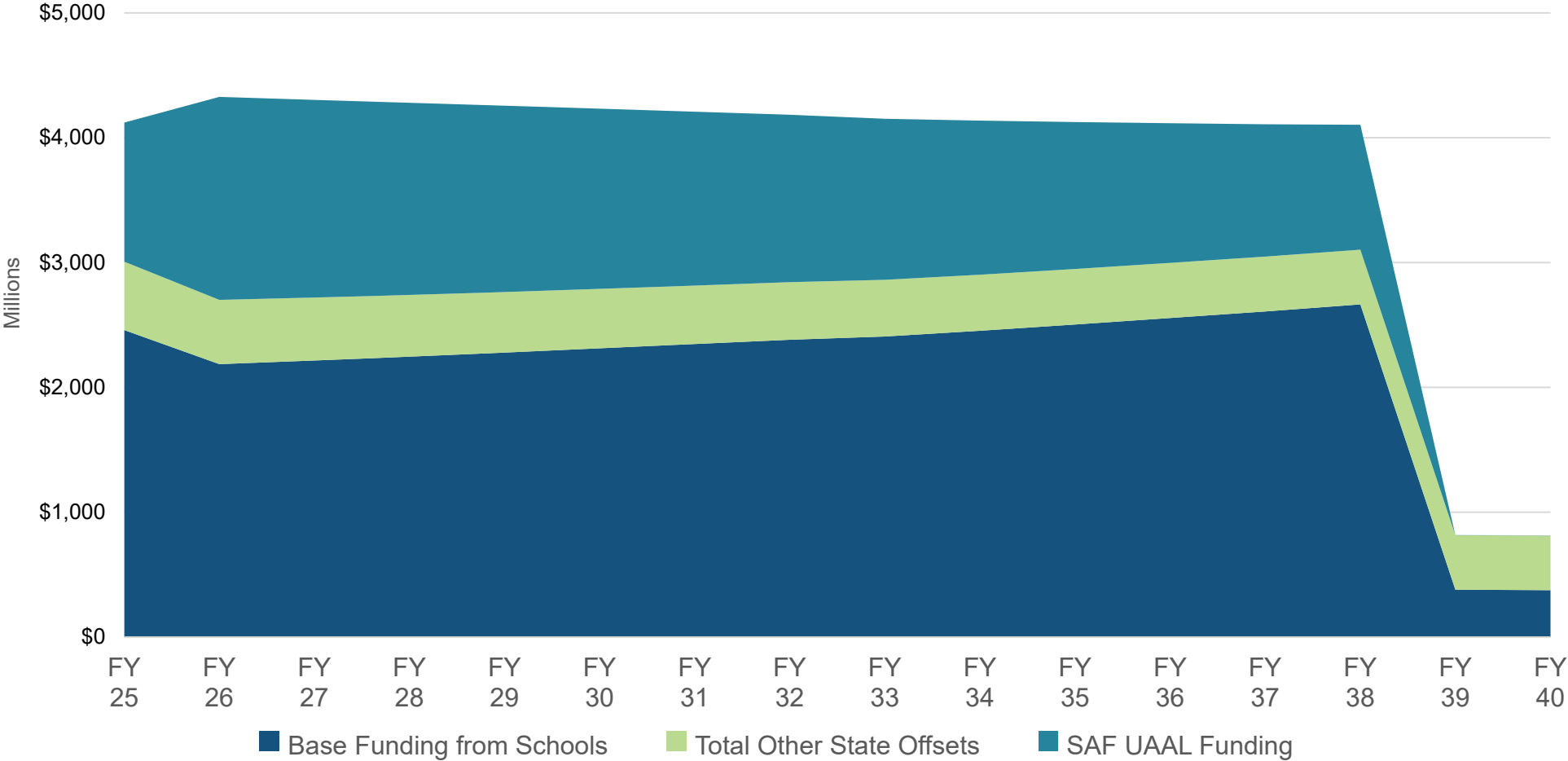
The employer MPERS contribution rate is capped at **20.96%** for unfunded liability plus the normal costs for retirement benefits newly earned each year, which fluctuate. The state pays the rest of the UAAL contribution. Beginning in FY 2025-26, employers' UAAL cap will decrease to **15.21%\*** under 2024 PA 127.



\* The School Aid Budget effectively reduces the cap one year early in FY 2024-25 by reimbursing employers. This change is not shown here.

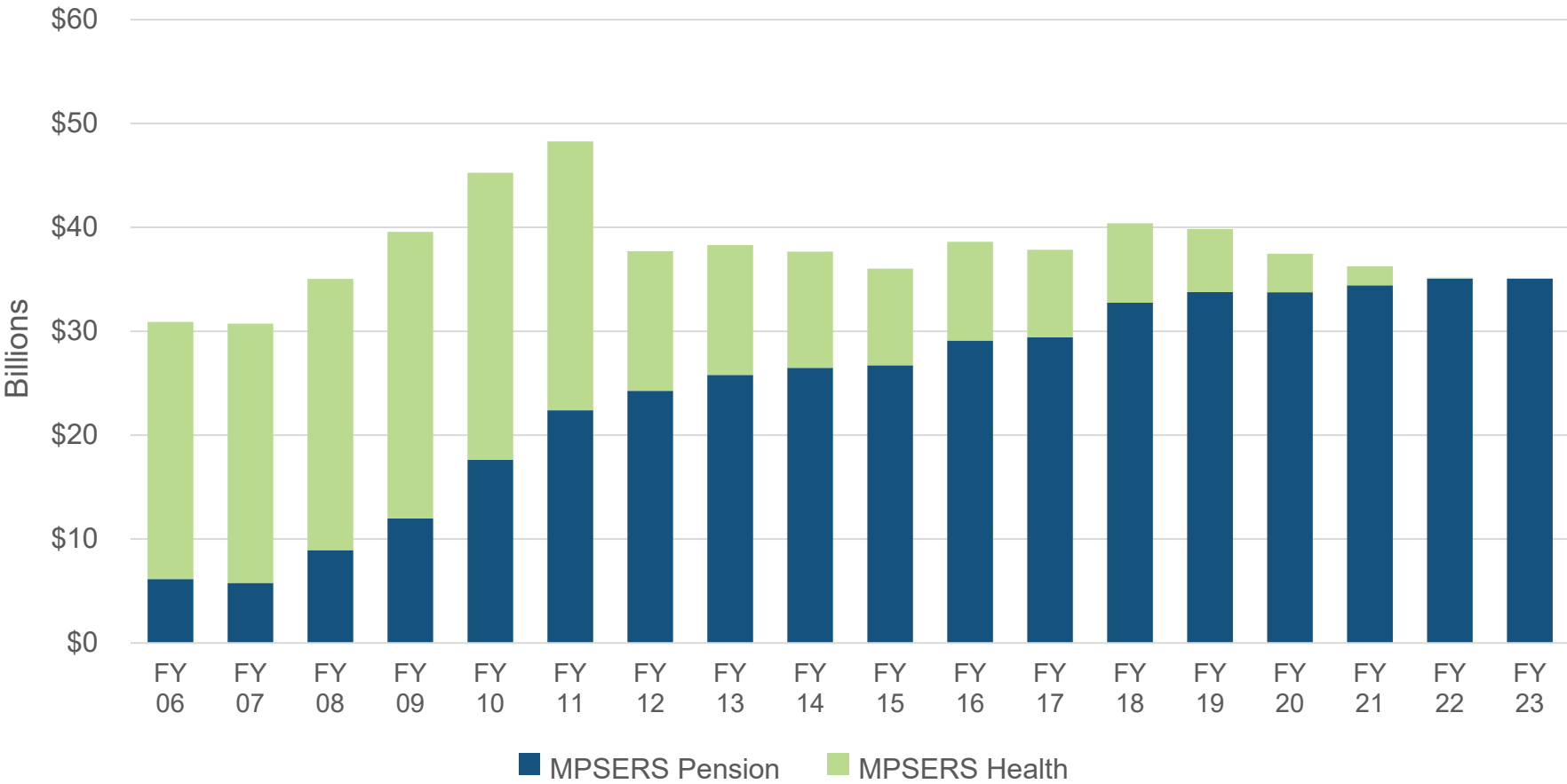
# Projected MPSERS Costs

Additional investments into the MPSERS system in recent years have resulted in relatively stable UAAL costs over the remaining amortization term. Unfunded liabilities are scheduled to be paid off by 2038.



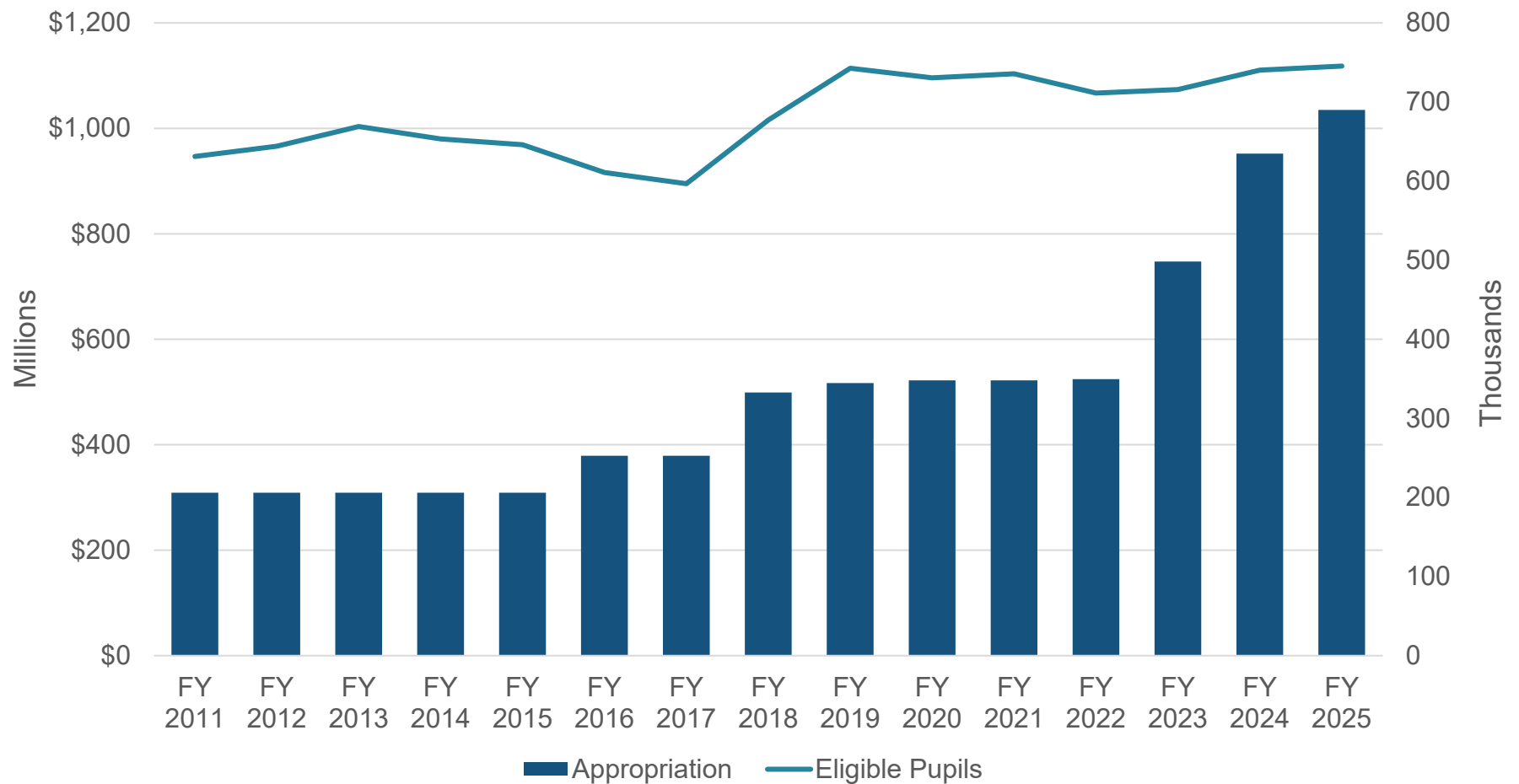
# Retirement Liabilities

Prefunding retiree health benefits in FY 2011-12 led to the system being over **100%** funded by FY 2022-23. Since FY 2015-16, pension liabilities have increased due to revised risk assumptions and policies, including lowering the assumed rate of return from **8%** to **6%**, moving to level dollar amortization, and creating a contribution floor.



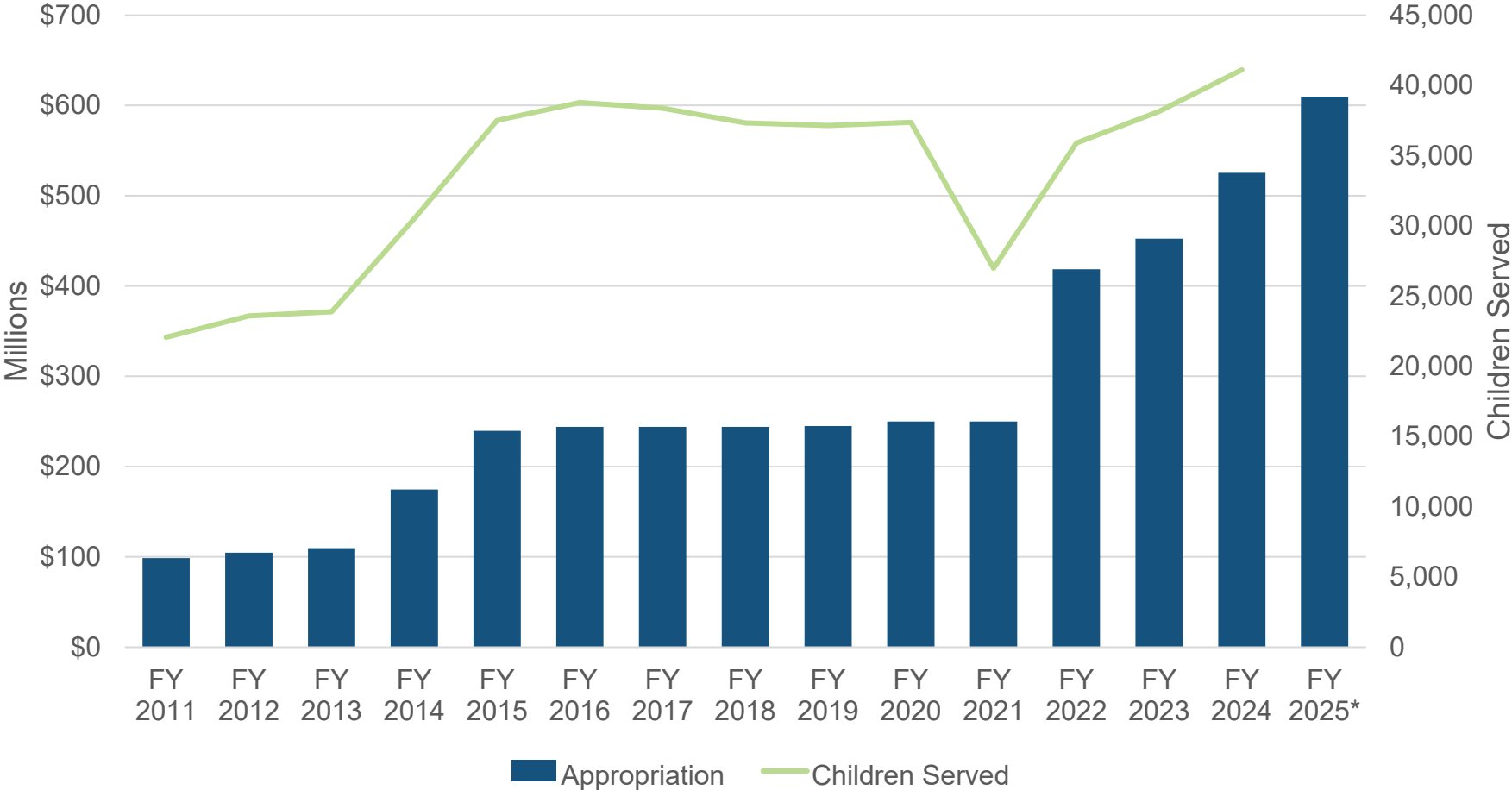
# At-Risk Appropriations

The At-Risk program is funded at **\$1.0 billion** in FY 2024-25. Payments will be between an estimated **12.5%** to **16.6%** of the foundation allowance, or between **\$1,204** and **\$1,597** per pupil.



# GSRP Preschool Appropriations

Funding increased by **67%** in FY 2021-22. Children served dipped during the pandemic before recovering to pre-pandemic levels. The program has continued to increase its per-slot funding as well as the number of children served each year since then.



\* FY 2024-25 Children Served is not yet known.

# One-Time Categoricals

- In FY 2024-25, there are **58** sections that include one-time funding, totaling **\$1.2 billion**.
- Major sections include:
  - **\$181.5 million** for MPERS Employee Healthcare Reimbursement;
  - **\$126.5 million** for Per-Pupil Mental Health & School Safety (in addition to \$25.0 million ongoing);
  - **\$125.0 million** for Transportation Costs;
  - **\$87.0 million** for Literacy Supports;
  - **\$71.0 million** for Enrollment Stabilization;
  - **\$57.0 million** for Charter School Per-Pupil Payment;
  - **\$25.0 million** for Out-of-School Time (in addition to \$50.0 million ongoing)

# For more information about the School Aid budget:

## HFA Resources

<http://www.house.mi.gov/hfa/SchoolAid.asp>

## Contact Information

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