

2009 - 2010 Executive Budget Proposal

With the state facing a \$200 million shortfall in funding for the current fiscal year and \$1.4 billion less revenue for the fiscal year that begins October 1, Governor Granholm's 2009-10 budget proposal seeks overall general fund cuts of at least \$600 million and School Aid Fund cuts of \$164 million.

These budget proposals are just the starting point for budget negotiations with the Legislature. All education budgets start in the House this year. The House hopes to move their budget bills to the Senate by the end of March. We anticipate updated budget proposals will be released shortly reflecting federal stimulus funds. We will keep you updated as the budgets proceed through the Legislature.

American Recovery and Reinvestment Act

The recently signed **American Recovery and Reinvestment Act** includes pre-conditions for using federal stimulus funds. According to the House Fiscal Agency, state and local governments can expect \$6.68 billion over two years. **Listed below are education-specific sections from the House Fiscal Agency's Update on the Federal Stimulus Allocations dated February 18, 2009.**

State Fiscal Stabilization Fund

The bulk of the State Fiscal Stabilization Fund is provided in state allocations. K-12 Education and Higher Education are allocated 81.8% of it. The other 18.2% could be used for any government services. According to the Federal Funds Information for States (FFIS), Michigan's total allocation is estimated at approximately \$1.6 billion.

Of the 81.8% (\$1.31 billion for Michigan) directed toward K-12/Higher Education, the first allocation must be used to maintain the greater of FY 2007-08 or FY 2008-09 funding levels for K-12/Higher Education funding in FYs 2009-10 and 2010-11. (Higher Education includes appropriations to public universities and community colleges but not state financial aid programs.)

The remaining funds after funding levels are restored, are earmarked for education and would go to K-12 purposes including early childhood programs. Specifically, it would be distributed to districts based on their Federal Title I allocations. Districts could use the funds for any activity authorized by the Elementary and Secondary Education Act, the Individuals with Disabilities Education Act, the Adult and Family Literacy Act, or the Perkins Career and Technical Education Act or for modernization, renovation or repair of public school facilities.

The state allocations also include maintenance-of-effort (MOE) requirements that "state support" for both K-12 and Higher Education must maintain at least FY 2005-06 funding levels. For Higher Education, there is currently a buffer of about \$65 million that the FY 2008-09 budget is over the FY 2005-06 budget. For K-12, there is currently a buffer of about \$386.5 million (after adjusting for January pupils and taxable value changes).

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In addition to the state allocations described above, \$5.0 billion of the State Fiscal Stabilization Fund is reserved for competitive grants to states that have made significant progress by FY 2009-10 in achieving equity in teacher distribution, improving data collection and use, and improving academic assessments. It is unclear how much of this Michigan might receive.

The state may use remaining the 18.2% (\$291 million for Michigan) for public safety and other government services which may include further assistance for K-12 and Higher Education including modernization, renovation, or repair of public school facilities or institution of higher education facilities.

Higher Education

Includes increased funding for Pell Grants and federal Work Study Program. Additionally, the federal tuition tax credit would be temporarily expanded and made partially refundable. These funds would not pass through the state budget. Funds will be awarded directly to postsecondary students through existing formulas/processes. These changes would increase available financial aid for college students in Michigan, though, potentially alleviating the need for state-funded financial aid.

Education Grants to K-12 Districts

Under the proposal there is Title I (for Disadvantaged students) funding of \$500.7 million for use in FYs 2009-10 and 2010-11 which is distributed as follows:

- Approximately 38.7 % will go out as formula grants to be used for current Title I purposes.
- 38.7% will be used for education finance incentive grants distributed through the current formula of which states should use a portion of the funds for early childhood programs.
- 22.6% to be used for school improvement grants to districts failing to meet NCLB requirements of which states are encouraged to use up to 40% for middle and high school students.

Additionally, there is IDEA (special education) funding of \$419.5 million for FYs 2009-10 and 2010-11 in formula grants including preschool grants and grants to infants and toddlers.

There is approximately \$24.0 million for Michigan in Education Technology grants to be used in FYs 2009-10 and 2010-11; \$2.45 million for education for homeless youth and children grants; and Teacher Incentive funding available to states to develop and implement innovative principal and teacher compensation models for recruitment and retention efforts in high-need schools and subjects.

The state, with approval of the Secretary of Education, may treat state fiscal stabilization funds as non-federal funds for any requirement for any other federal education program related to MOE or the Secretary of Education may waive or modify any requirement related to MOE for a state or school district for FYs 2008-09, 2009-10, and 2010-11.

2009 - 2010 School Aid Budget

Governor Granholm recommends total funding of \$13.0 billion, \$11.4 billion of state funds and nearly \$1.6 billion of federal funds, for the 2010 School Aid Budget. In addition, schools are anticipated to receive over \$3.6 billion from local property tax revenues. The Governor will submit a supplemental budget proposal to allocate federal funds in the near future. **Listed below are budget proposal highlights:**

Foundation Allowance. Reduces discretionary foundation allowance funding for each district by \$59 per pupil to save \$94.4 million.

Section 20j Funding. Reduces funding for Section 20j payments by \$10 million or almost 20%.

Intermediate School Districts. Reduces general operations fund support for Intermediate School Districts (ISDs) by \$16.3 million or 20% to a total of \$65.4 million.

Early Childhood Program. Maintains funding for the Great Start School Readiness Program and the Early Childhood Investment Corporation, but eliminates \$5.0 million for the Great Parents, Great Start ISD Program and \$2.1 million for the Great Start 0-3 Secondary Prevention Services.

Adult Education. Reduces adult education funding by \$4.0 million to a total of \$20.0 million and changes the distribution of funds to a competitive grant process rather than formula funding for existing recipients.

MPERS Contribution Rate. The retirement contribution rate districts are assessed is increased from 16.54% to 16.94%, starting October 1, 2009.

Declining Enrollment. Preserves funding of \$20 million to help mitigate the fiscal impact of declining enrollment; over 70 percent of all school districts are now experiencing year-to-year declines in their student population.

Algebra 4 All Program. Reprioritizes existing funds for the Algebra 4 All Program, a program intended to provide teachers in grades 8 through 12 with the tools needed to teach algebra to all students. The programs will be developed collaboratively between the Michigan Virtual University and Math and Science centers.

21st Century Schools Reform Program. Maintains \$15 million for the systemic 21st Century Schools reform program, to assist large districts in restructuring their high school programs to address high dropout rates and improve student achievement.

District-Specific Grants. Eliminates almost \$18.0 million in grants earmarked for specific school districts.

Other Categorical Eliminations. Eliminates an additional \$8.3 million in other categorical programs including bilingual education funding, grants for rural and isolated districts, MBT hold-harmless grants, pre-college engineering programs, after school math pilot programs, the advanced and accelerated ISD program, cultural access grants, and newsline services for the blind.

2009 - 2010 Higher Education Budget

The Higher Education Budget provides operating support to the state's 15 public universities and also funds student financial aid programs. Governor Granholm recommends total funding of \$1.7 billion, of which \$1.5 billion is general fund, for the 2010 fiscal year. **Listed below are highlights of Governor's budget recommendation for State Universities:**

University Operations. Reduces operation appropriations to 15 state universities by 3.0% across the board; total reduction \$43.9 million GF/GP. (*Michigan State University - \$283,909,000; University of Michigan - Ann Arbor - \$316,572,000; Wayne State University - \$214,325,400; Eastern Michigan University - \$75,965,600; University of Michigan (Dearborn) - \$24,703,600; University of Michigan (Flint) - \$20,871,700; and Western Michigan University - \$109,616,000.*)

Agricultural Experiment Station and Cooperative Extensive Service. Consolidates two line items totaling \$64.0 million into a single appropriation of \$32.0 million to Michigan State University for Cooperative State Agricultural Research and Extension Service; net reduction of \$32.0 million GF/GP.

King-Chavez-Parks Programs and Bay Mills Allocation. Removes total funding of \$5.3 million GF/GP for King-Chavez-Parks Programs, which are intended to increase participation of academically/economically-disadvantaged students in postsecondary education. Allocation of \$100,000 GF/GP to Bay Mills Tribal College from Lake Superior State University's appropriation (associated with Indian Tuition Waiver Program) is also removed.

Tuition Restraint. States expectation that state universities receiving federal stimulus funds will not increase their resident tuition/fee rates for the remainder of FY 2008-09 or for FY 2009-10; no state funding is tied to tuition restraint.

Listed below are highlights of Governor's budget recommendation for Financial Aid:

Need-Based Financial Aid Programs. Consolidates current funding for Tuition Grants, State Competitive Scholarships, and four other financial aid programs into a single appropriation of \$89.8 million for proposed College Access Grant Program; net reduction of \$18.8 million GF/GP. New program would provide annual grant awards of approximately \$1,000 to students across all postsecondary sectors based on level of student/family financial resources.

Promise Grant Program. Increases appropriation from \$80.5 million to \$140.0 million to pay costs of \$2,000/\$4,000 awards to students who became eligible for program in 2007 and have now completed two years of college; increase of \$59.5 million (Merit Award Trust Fund).

Merit Award Program. Reduces appropriation from \$5.2 million (Merit Award Trust Fund) to \$100 as a placeholder for any remaining costs of program, which ended with students graduating from high school in 2006.

Tuition Incentive Program. Increases appropriation by \$6.0 million (23.8%; Merit Award Trust Fund) to reflect a continued increase in the number of Medicaid-eligible students participating in the program, which primarily pays tuition costs for associate's degree programs.

2009 - 2010 Community College Budget

The Governor recommends maintaining the current community college funding at **\$299,360,500** for the 2010 fiscal year. She is relying on community colleges to retrain the state's thousands of jobless workers. **Listed below are highlights of Governor's budget recommendation for Community Colleges:**

College Operations. Maintains FY 2008 - 2009 appropriation funding level totaling \$292,557,800. (*Henry Ford Community College - \$20,898,900; Kirtland Community College - \$2,842,800; Lansing Community College - \$29,762,500; and Wayne County Community College - \$15,889,900.*)

At-Risk Students. Recommends funding of \$3,322,700 to assist academically at-risk students.

Renaissance Zones. Recommends \$3,480,000 for reimbursements to colleges that lose property tax revenue as a result of the establishment of Renaissance Zones.

Tuition Restraint. States expectation that community colleges receiving federal stimulus funds will not raise tuition fees charged to Michigan residents for the remainder of 2008 - 2009 and 2009 - 2010; no state funding is tied to tuition restraint.

2009 - 2010 Department of Education Budget

Governor Granholm recommends funding of **\$119,964,000** for fiscal year 2010 Department of Education Budget. **Listed below are highlights of Governor's budget recommendation:**

Additional Personnel. The Governor added funding and personnel to provide oversight of the 21st Century Schools Program (\$250,000 GF/GP and 3.0 FTE) and assistance to districts in deficit (\$70,000 GF/GP and 1.0 FTE).

Alternative Teacher Certification Programs. The Governor eliminated \$200,000 in restricted fund earmarks for the Central Michigan University and Wayne State University programs.

Teacher Tenure. The Governor made other adjustments including a \$26,800 reduction to teacher tenure case funding.

Publication of List of Schools Not Meeting AYP. The Governor deleted language directing the Department to allow schools or districts to appeal decisions on failure to meet AYP before a list of those schools or districts is published (Sec 211).

Fund Carry-Forwards. The Governor added language allowing unexpended year-end balances in the Gifts, Bequests, and Donations and the Teacher Testing Fees restricted funds to carry forward to the succeeding fiscal year (Sec 407 & 506).

Alternative Teaching Certification Programs. The Governor removed language related to earmarks for alternative teaching certification programs at Central Michigan University and Wayne State University. Those earmarks were eliminated from the budget (Sec 503).

National Board Certification. The Governor eliminated \$100,000 in subsidies for teachers seeking National Board Certification.(Sec 505).

MEA's Retirement Incentive Plan

Senate Bill 255 (Kuipers, R-Holland) and House Bill 4285 (Miller, D-Mt. Clemens) would encourage members of the Michigan Public School Employees Retirement System who already are eligible to retire to do so by offering them an increased pension multiplier if they retired **prior to June 30, 2010**. Currently a school employee's pension is determined by multiplying three factors: final average compensation (FAC), years of service (YOS), and a multiplier of 1.5%. **The proposal would increase the multiplier from 1.5% to 2.0%, which increases a retiree's annual pension by 33%.**

Participation

The applicant would have to request a retirement allowance effective date that is at least 30 days after the date of the application and on or before June 30, 2010. If a member is employed in a critical shortage discipline, as compiled by the Superintendent of Public Instruction, as of October 8, 2008, the member could extend his or her retirement date one year beyond June 30, 2010.

Approximately 55,000 education employees are currently eligible for retirement and another 7,000 could purchase service credit in order to be eligible for retirement and fall under this proposal. The proposal would cap participation by limiting the present value of the total added cost of the **unfunded accrued actuarial liability (UAAL)** of the pension to \$1.5 billion for each of the two school years in which employees could retire. That would put the cap at 47 percent of the members (29,140). Applications to retire under this proposal would be given preference **based on age and the most years of experience, as well as the earliest application date.**

The aggregate liability cap would apply on a school-year basis so that a member who was not permitted to retire as of June 30, 2009, could reapply for consideration to retire by June 30, 2010. If a member were not permitted to retire due to these provisions, his or her application would be considered to be withdrawn in a timely manner.

The retirement system would have to make all determinations concerning aggregate liability and members who would be permitted to retire under the plan. A member could withdraw a written application by March 15, 2010. An application submitted by a member and not withdrawn by that date would be irrevocable. **This proposal includes all education employees that are part of the Michigan Public School Employees' Retirement System (MPERS), including those of community colleges and certain university employees, and is not limited to just teachers.**

Savings

The proposal would create payroll savings by either allowing districts to replace senior staff with younger, cheaper employees or by allowing districts to reduce staff through retirements as opposed to layoffs. **The House Fiscal Agency estimates that these savings would range from \$64.7 million to \$258.7 million depending on the year.** These savings would increase if districts chose not to replace some or all retirees but would decrease for each employee allowed to retire at a later date under the critical shortage discipline provision or for each employee hired back as an independent contractor if not at a reduced salary.

Costs

The House Fiscal Agency estimates that if the additional cost to the retirement system due to the increased multiplier is amortized over the same five-year period in which the district would benefit from the salary savings, **the annual cost for these five years would be approximately \$710 million and would increase the contribution rate by approximately 7.2 percentage points.**

In addition to the added multiplier increase costs, increasing the number of retirees would increase health care costs for each year that the retirees would have work absent the incentive. The annual costs vary from \$12.6 million to \$50.5 million based on the number of added retirees attributed to the proposal for each of the five years. **Retiree health care cost are charged to the district as a percent of payroll, and the added costs would increase contribution rates between 0.1 and 0.5 percentage points.**

District Equity

The House and Senate Fiscal Agencies agree that the proposal's costs and savings would not be evenly distributed among school districts. Districts that have a high seniority staff may experience high participation rates and thus would see higher payroll savings. Districts that recently offered their own self-funded retirement incentives or who have a young staff would not see significant payroll savings from such a proposal. **The costs, however, are distributed through increased retirement contribution rates on all districts.**

Conclusion

The proposed retirement incentive would increase individual pension allowances by 33%. Based on past State experience, it is reasonable to expect that all of the estimated 29,500 eligible employees allowed to retire under this proposal would retire. While the added costs associated with the increased multiplier would apply to all 29,500 retirees, the added retiree health care costs and added salary savings would apply only to the additional retirees attributed to the proposal over each of the next five years. **The house fiscal agency concluded that the added uaal costs would outweigh any estimated salary savings.**

AFT Michigan has serious reservations about this proposal being in the best interest of all our members, working and retired. While we agree on the goal to minimize layoffs, we fear this proposal contains many unintended consequences. We will follow this issue closely and update you as new information becomes available.

Compulsory School Attendance Age

House Bill 4030 (Geiss, D-Taylor) and House Bill 4132 (Lemmons, D-Detroit) would require parents and guardians send children to school during the entire school year from the age of six until the child's 18th birthday. These bills specify that this provision would not apply to students 16 years old or older whose parent or legal guardian provided school officials with a written notice that the student had permission to stop attending school.

The bills would retain current exceptions; for example, for students who have already graduated from high school and students educated privately or at home. Children who turn 14 before December 1, 2007, or who entered Grade 9 before 2008 would have to stay in school until their 16th birthday, as is currently the law for all schoolchildren.

House Bills 4030 and 4132 have been reported out of the House Education Committee and are currently awaiting action on the floor of the House.

Wayne County Legislator Meeting

We would like to thank the Wayne County RESA Salaried Staff for hosting the town-hall-style meeting with their Legislators on February 9, 2009. Senators Glenn Anderson, Ray Basham, Bruce Patterson, Representatives Andrew Kandreas and Richard LeBlanc attended or sent staff to this meeting. Approximately 25 members from the Ecorse Federation of Teachers, Inkster Federation of Teachers, Northville Federation of Paraeducators, Taylor Federation of Teachers, Wayne County RESA Salaried Staff, Wayne County Community College Federation of Teachers attended the meeting. **Remember to keep in contact with your Legislators regularly, so they know what we need to provide the best possible education for Michigan's citizens.**

Detroit Public Schools Locals' Town-Hall Meeting

Detroit Association of Educational Office Employees #4168

Detroit Federation of Paraprofessionals #2350

Detroit Federation of Teachers #231

Town-Hall Meeting with Detroit Legislators

5:00 p.m. - 6:30 p.m.

Monday, March 30, 2009

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What's Up at the Capitol

2009 - 2010 Executive Budget Proposal	1
2009 - 2010 School Aid Budget	2
2009 - 2010 Higher Education Aid Budget	3
2009 - 2010 Community College Budget	4
2009 - 2010 Department of Education Budget	5
MEA's Retirement Incentive Plan	6
Compulsory School Attendance Age	7
Wayne County Legislator Meeting	7
Town-Hall Meeting with Detroit Legislators	7



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LOBBY DAY - MAY 13, 2009**