

Education Funding Update

Presentation to Birmingham Bloomfield Chamber of Commerce
August 11, 2020

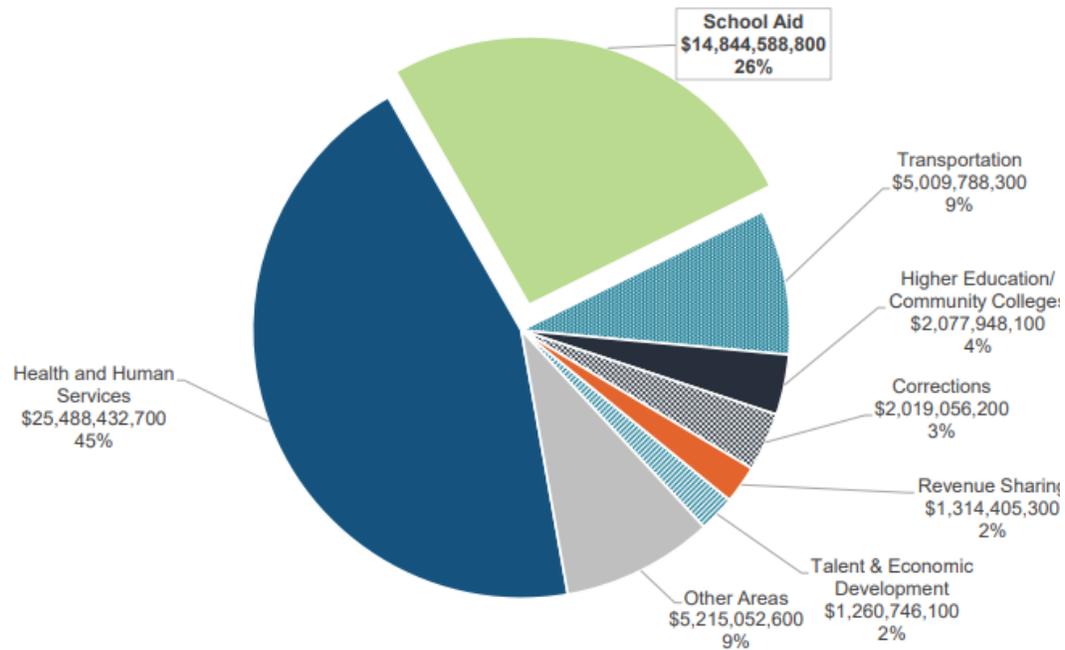
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Citizens Research Council of Michigan

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K-12 in the State's Fiscal Picture

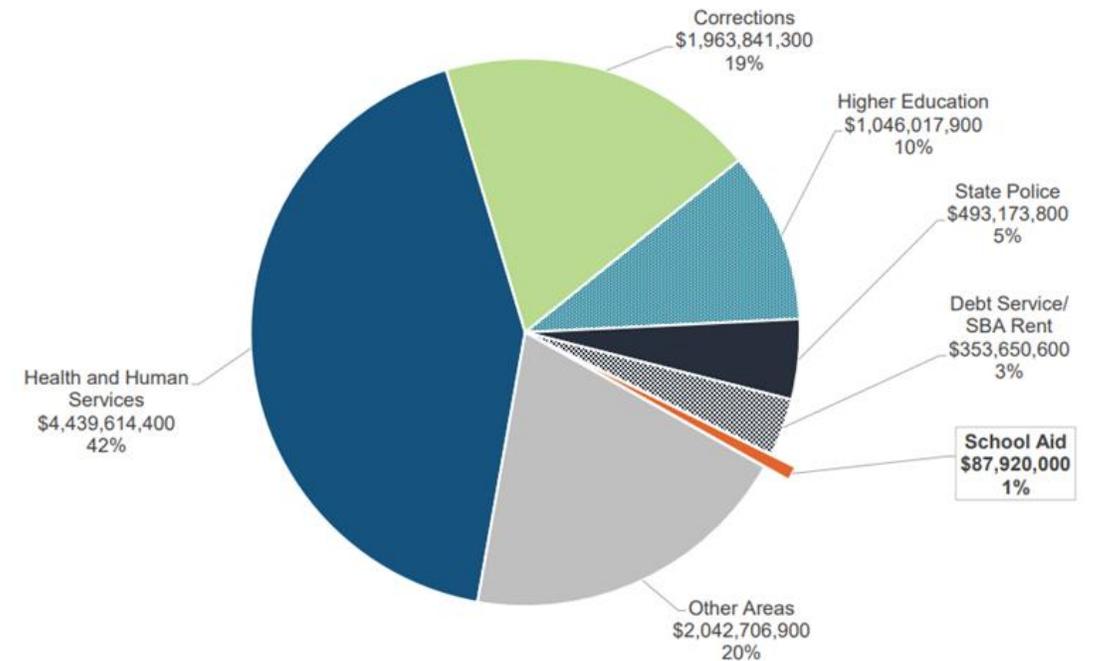
School Aid Share of Total State Budget

The School Aid budget represents over a quarter of the **\$57.2 billion** state budget (adjusted gross) for FY 2018-19.



School Aid Share of Total GF/GP Budget

The School Aid budget less than 1% of the state's **\$10.4 billion** GF/GP budget for FY 2018-19.



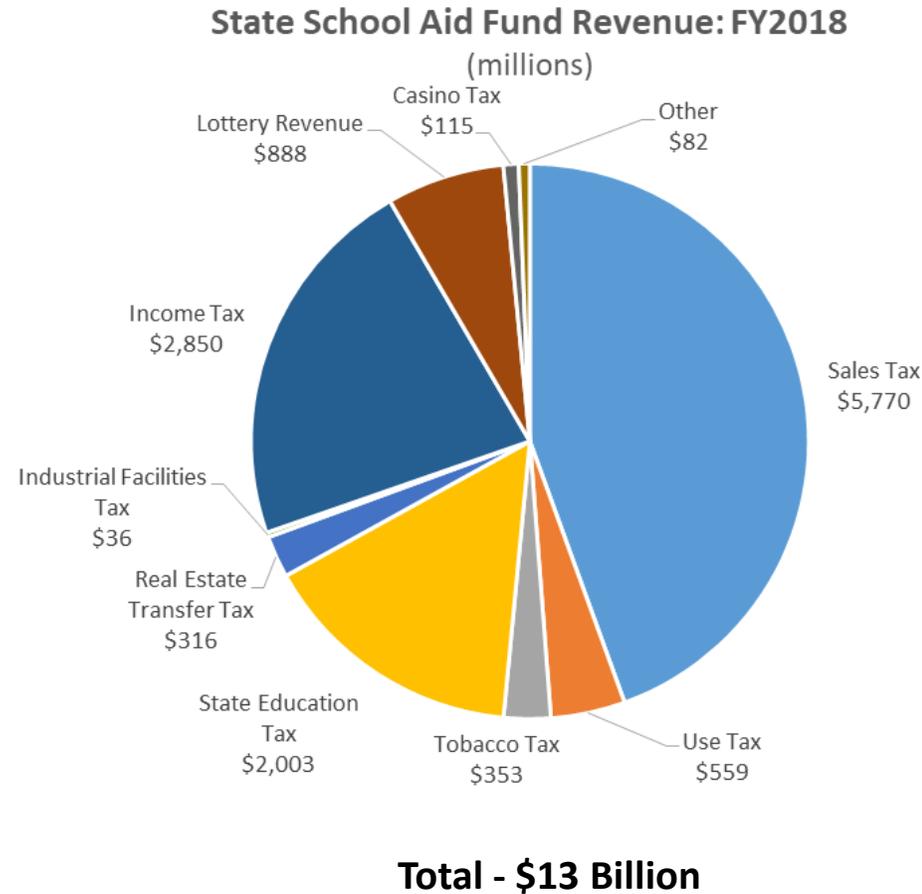
House Fiscal Agency

8

January 2019

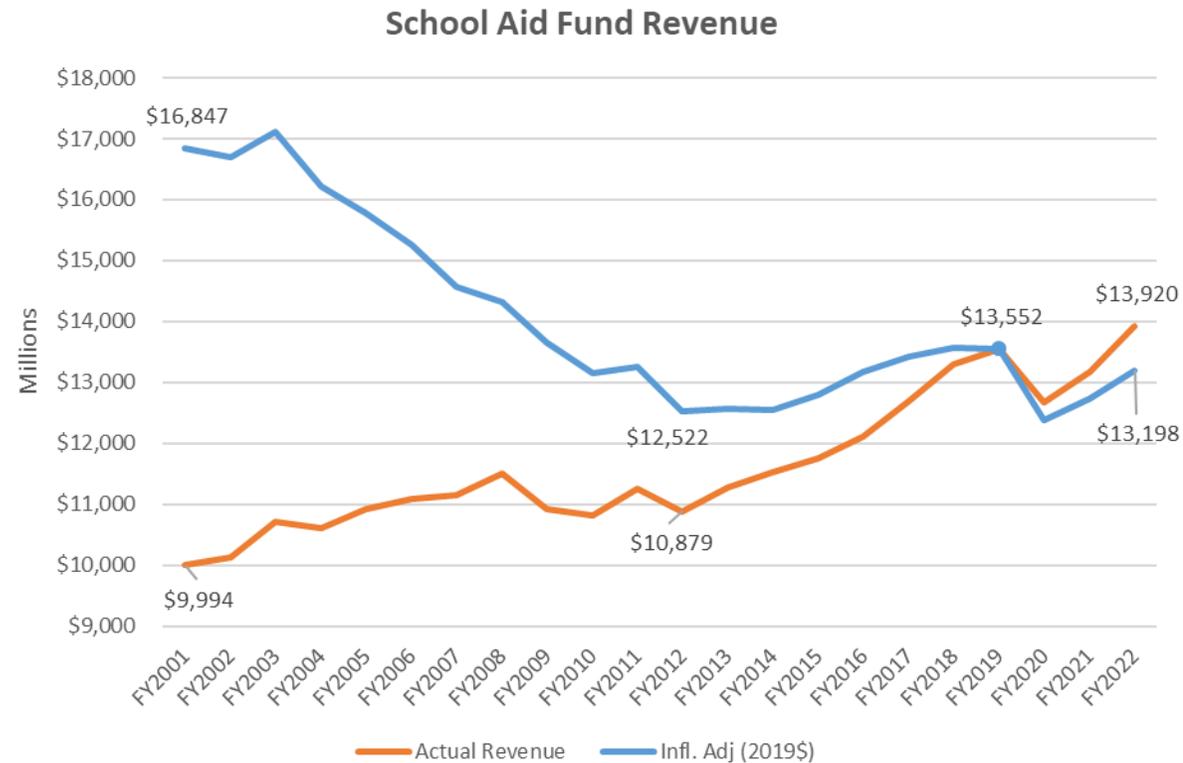
School Aid Fund

Accounts for 70% of K-12 Operating Funds



School Aid Fund Growth

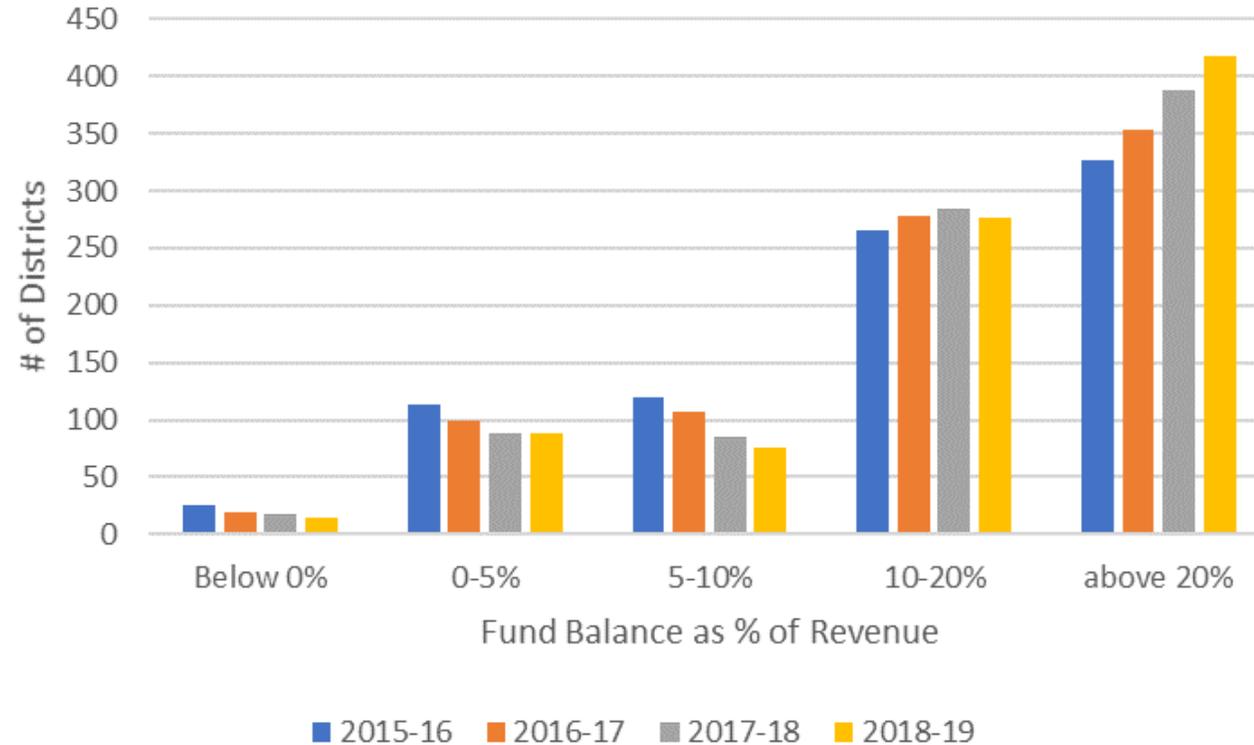
Since FY12 growth has outpaced inflation by 8%



Adjusted for inflation, SAF revenue down 20% from FY01 to FY19

Fiscal Health has been Improving

One-half of districts with at least 20% of revenue in reserve



Statewide - Fund Balance up from \$1.5 billion to \$2.5 billion

State Revenue Update

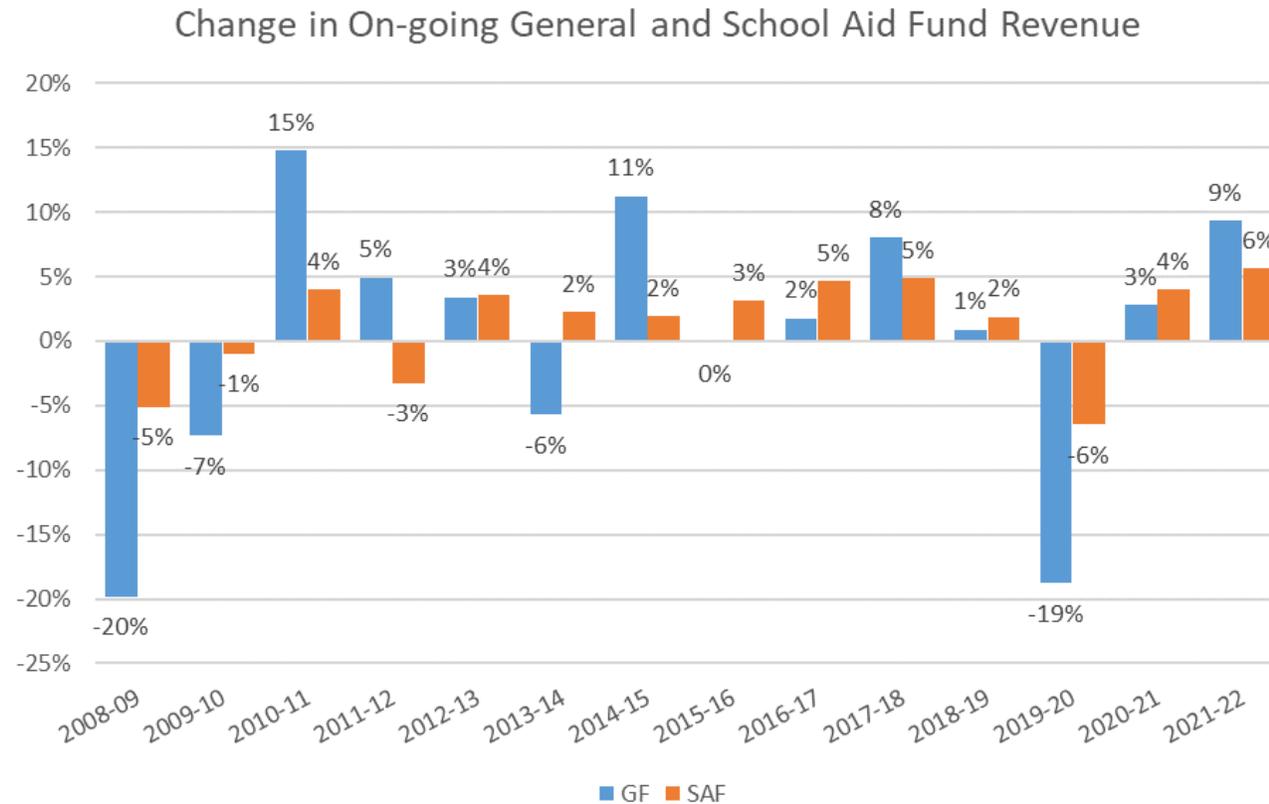
COVID economic slowdown reflected in revenue estimates

	FY2020			FY2021		
	<u>Jan.</u>	<u>May</u>	<u>Change</u>	<u>Jan.</u>	<u>May</u>	<u>Change</u>
School Aid Fund	\$ 13.9	\$ 12.7	\$ (1.2) -9%	\$ 14.3	\$ 13.2	\$ (1.1) -8%
General Fund	\$ 11.0	\$ 9.0	\$ (2.0) -18%	\$ 11.2	\$ 9.3	\$ (1.9) -17%
Total	\$ 24.9	\$ 21.7	\$ (3.2) -13%	\$ 25.5	\$ 22.5	\$ (3.0) -12%

SAF down 6.5% between FY19 and FY20, largest annual decline in history

Scale of Losses Match Great Recession

Higher-than-average increases coming out of decline



FY2020 School Aid Budget Solutions

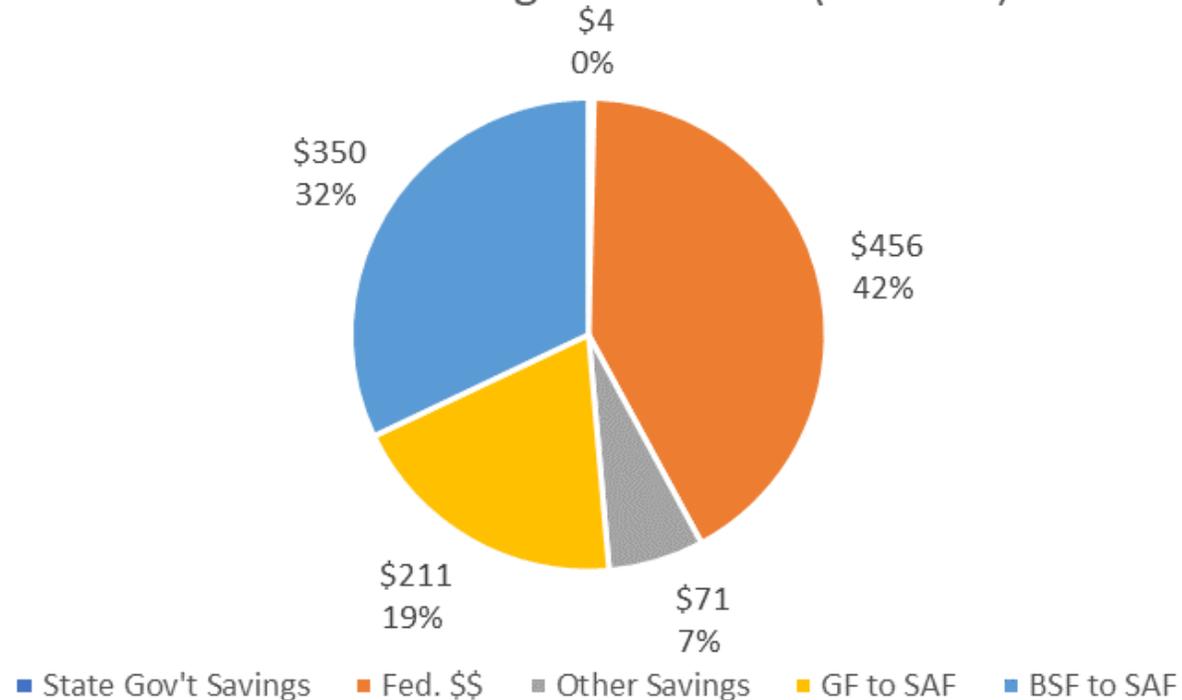
\$2.2 billion combined state budget shortfall

- FY2020 projected School Aid Fund deficit - \$1.1 billion
 - Transfers and federal dollars make up for state revenue declines
 - \$350 million transfer from Rainy Day Fund
 - \$211 million transfer from General Fund
 - \$712 million federal Coronavirus Relief Fund
- Education budgets held harmless
 - No cuts to K-12 classroom funding
 - Additional \$256 million for COVID-related expenses
 - Additional \$390 million from CARES Act already provided to districts
- Challenge – another \$1 billion problem facing FY2021 budget

Nearly 93% of Solutions are One-time

This means budget challenges shifted to next year

FY2020 SAF Budget Solutions (millions)



FY2021 State Budget

Another \$3.5 billion shortfall

- FY2021 state budget development restarted
 - General Fund: \$2.5 billion - 28% of revenue
 - SAF: \$1 billion shortfall - est. \$650 per-pupil reduction (default)
 - August 24 revenue conference means budget action in September
 - Schools, local governments, and others already started their fiscal years
- Considerations
 - How much federal funding available for schools (and state government)
 - General Fund budget problems affect SAF
 - Reliance on Rainy Day Fund
 - Where does K-12 education fit in Lansing's priorities?

Citizens Research Council of Michigan

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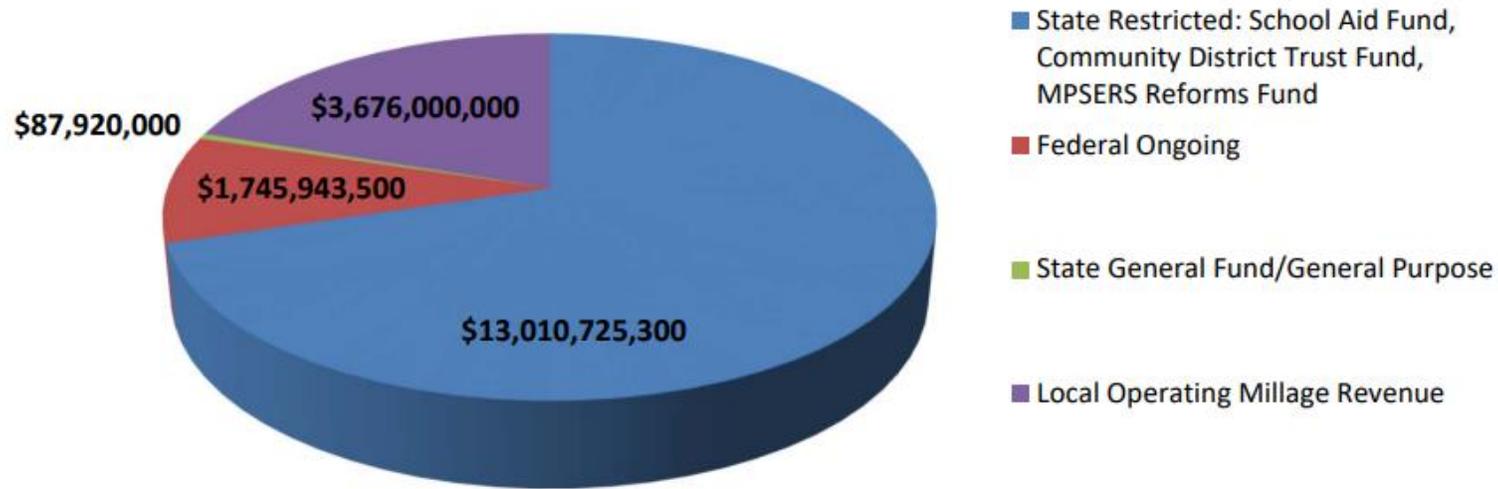
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K-12 Operating Funding

State revenues play the dominant role



Local operating millage revenue includes millages levied by school districts to support their foundation allowances and millages levied by intermediate school districts for operations, enhancement, special education, and vocational education. Local operating millage excludes millage levied for capital purposes, including debt and sinking funds. Dollars shown for local revenue are estimates.