

# State Notes

## TOPICS OF LEGISLATIVE INTEREST

Summer 2015



### History of At Risk Funding in Michigan

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Section 31a of the State School Aid Act, MCL 388.1631a, provides supplemental funding to schools for educational programs and support of students at risk of educational failure. The section first came into existence in Public Act 336 of 1993, and was amended by Public Act 283 of 1994 as part of the legislation that implemented the first year of Proposal A, the voter-approved ballot proposal that capped local school taxes and shifted school operational funding primarily from property taxes to a series of State taxes. However, a similar appropriation previously was in existence for many years under Section 31, called compensatory education. This article will provide a review of historical funding levels since the implementation of Proposal A, formulaic shortfalls, and recent legislative changes in the allowable uses of the funds.

### Historical Funding

Table 1 tracks the appropriations in Section 31a, since the first year of Proposal A implementation in fiscal year (FY) 1994-95. As shown in the table, At Risk funding in FY 1994-95 was \$230.0 million. Funding remained at \$230.0 million for three years, before growing by roughly 9% to \$250.0 million in FY 1997-98, then moderately increasing the next two years, and receiving a 12% increase in FY 2000-01, a 3% increase in FY 2001-02, a cut in FY 2002-03 with mid-year proration of overall school funding, restoration of the funding cut in FY 2003-04, and then generally no increases from that point on until the recently enacted budget for FY 2015-16, which includes a 23% increase in funding, to \$389.7 million.

**Table 1**  
**Historical At Risk Funding**

Fiscal Year	Standard Programming	Earmarked	Total	Percent Change
1994-95	\$230,000,000	\$0	\$230,000,000	n/a
1995-96	230,000,000	0	230,000,000	0.0%
1996-97	230,000,000	0	230,000,000	0.0
1997-98	250,000,000	0	250,000,000	8.7
1998-99	260,000,000	0	260,000,000	4.0
1999-2000	270,920,000	0	270,920,000	4.2
2000-01	304,000,000	0	304,000,000	12.2
2001-02	311,800,000	2,400,000	314,200,000	3.4
2002-03	298,596,834	3,600,766	302,197,600	(3.8)
2003-04	310,457,000	3,743,000	314,200,000	4.0
2004-05	310,457,000	3,743,000	314,200,000	0.0
2005-06	310,457,000	3,743,000	314,200,000	0.0
2006-07	310,457,000	8,893,000	319,350,000	1.6
2007-08	310,457,700	8,893,000	319,350,000	0.0
2008-09	310,457,700	9,893,000	320,350,000	0.3
2009-10	308,988,200	8,707,300	317,695,500	(0.8)
2010-11	308,988,200	8,707,300	317,695,500	0.0
2011-12	308,988,200	8,707,300	317,695,500	0.0
2012-13	308,988,200	8,707,300	317,695,500	0.0
2013-14	308,988,200	8,707,300	317,695,500	0.0
2014-15	308,988,200	8,707,300	317,695,500	0.0
2015-16	378,988,200	10,707,300	389,695,500	22.7

Source: Annual budget bills



Table 1 also indicates how much of the appropriation is for "standard" programming (funds to support at-risk students), and how much is "earmarked" for other purposes. In FY 2001-02, Child and Adolescent Health Center funding, previously included in the Department of Community Health (DCH) budget, was transferred to the School Aid budget. In FY 2007-08, Vision and Hearing Screening was transferred into the K-12 budget from the DCH. The most recent increase, for FY 2015-16, totaled \$72.0 million, but \$2.0 million of the increase was earmarked for Child and Adolescent Health Centers, with the other \$70.0 million provided for "standard" programming.

### Formulaic Shortfalls

Funding for the At Risk program is paid to districts according to a formula in statute. School districts (including public school academies) with combined State and local per-pupil operational funding less than or equal to the basic foundation allowance (\$8,169 for FY 2015-16) are eligible, and the payment to eligible districts, if or when the program is fully funded, will be equal to 11.5% of a district's foundation allowance (capped at the basic foundation allowance) multiplied by the number of pupils in the district eligible for free breakfast, lunch, or milk in the prior fiscal year. In this manner, supplemental funding in addition to the foundation allowance is provided to each district, based on the district's foundation allowance and number of eligible pupils.

**Table 2**  
**Per-Pupil At Risk Proration and Estimated Shortfall**

Fiscal Year	Per-Pupil Proration (rounded to two decimal points)	Estimated Total Shortfall
1994-95	\$21.00 <sup>a)</sup>	\$7,927,230
1995-96	26.52	10,183,640
1996-97	56.87	22,091,548
1997-98	56.96	23,213,475
1998-99	42.49	17,344,901
1999-2000	51.70	21,517,135
2000-01	1.46	605,932
2001-02	0.00	---
2002-03	72.65	42,685,559
2003-04	100.35	44,030,365
2004-05	129.91	59,500,414
2005-06	173.89	82,886,533
2006-07	206.24	99,597,862
2007-08	241.56	121,147,927
2008-09	254.44	127,859,806
2009-10	289.44	154,777,509
2010-11	358.62	216,812,035
2011-12	295.19	175,303,554
2012-13	319.19	196,441,662
2013-14	311.84	186,818,400
2014-15	317.68	189,321,475
2015-16 <sup>a)</sup>	225.00	134,000,000

<sup>a)</sup> Estimated

**Source:** MDE historical figures and SFA estimates for FY 2015-16 (and FY 1994-95 per-pupil)

Language in Section 31a allows the Department of Education to prorate payments on an equal per-pupil dollar amount basis if the appropriated funding is insufficient to fully fund the formula. Table 2 shows the per-pupil proration amounts, as well as the estimated total shortfalls between the appropriations and the



calculated formula amounts. As shown, the shortfall grew from roughly \$8.0 million in FY 1994-95 to \$21.5 million in FY 1999-2000, before being essentially eliminated for two years. Then, the shortfall resumed a growth pattern in succeeding years, reaching a peak of \$216.8 million in FY 2010-11, as more students became eligible for free lunch and foundation allowances grew, but appropriations for At Risk remained relatively flat through FY 2014-15. Again, there was a significant increase for FY 2015-16, which will reduce the total formulaic shortfall to an estimated \$134.0 million.

### **Recent Legislative Changes in Allowable Uses**

While a number of budget years saw minor changes in the allowable uses of At Risk funds, such as which districts could qualify or which pupils could be served with the funds, the past two budget cycles (for FYs 2014-15 and 2015-16) have seen the most dramatic changes. Before FY 2014-15, in general, funding provided to a district based on the formula outlined above could be spent to provide instructional programs and direct noninstructional services, including, but not limited to, medical, mental health, or counseling services, for at-risk pupils. (Detroit Public Schools and other districts with at least 50% of pupils meeting income eligibility criteria also could use up to 20% of funds for school security.) The instructional or direct noninstructional services could be conducted before or after regular school hours or during extra school days added to the school year. Districts that receive At Risk funds and that operate a school breakfast program are required to use up to \$10 per pupil for costs associated with operation of the school breakfast program.

While much of the above language was retained for FY 2014-15, the priority of the funding in the section became more focused, with inclusion of language stating that At Risk payments are "...for the purposes of ensuring that pupils are proficient in reading by the end of grade 3 and that high school graduates are career and college ready..."<sup>1</sup> All other carve-outs in allowable uses for the program (early intervening, class size reduction, adult high school completion, and others) were removed, leaving it up to districts to determine if their spending plan would result in growth for benchmarks in 3<sup>rd</sup> grade reading and career and college readiness.

To add "teeth" to the change focusing on 3<sup>rd</sup> grade reading and career- and college-ready high school graduates, language was added to allow districts three years to implement the changes. If, after three years, a district is not able to demonstrate to the satisfaction of the Department that at least 50% of at-risk pupils are reading at grade level by the end of 3<sup>rd</sup> grade, and demonstrate improvement over three consecutive years in the percentage of at-risk pupils who are career- and college-ready, then the district will be required to spend a certain portion of its At Risk funds on the area or areas in which it did not meet the prescribed benchmarks.

The amount that will be required to be spent is equal to the percentage shortfall compared with the benchmark, for both the 3<sup>rd</sup> grade reading benchmark and career/college readiness, with 50% of the At Risk funds essentially "allocated" for 3<sup>rd</sup> grade reading initiatives and the other 50% essentially "allocated" for improving career- and college-readiness. To illustrate, if a district, after three years, has 70% of its 3<sup>rd</sup> grade pupils not reading at grade level by the end of 3<sup>rd</sup> grade, then it must spend 70% multiplied by one-half of its At Risk allocation on efforts to improve 3<sup>rd</sup> grade reading levels (which equates to 35% of its total At Risk allocation). Similarly, the calculation is in effect for the high school benchmarks. For example, if a district, after three years, does not have three consecutive years' improvement in the percentage of at-risk pupils who are career- and college-ready, and 60% of its Grade 11 pupils are not career- and college-ready as measured by scores on the Michigan Merit Exam, then the district must spend 60% of one-half of its At Risk grant on this programming (which equates to 30% of its total At Risk allocation). Therefore, to the extent a district meets the benchmarks, it will retain flexibility in determining how to spend its At Risk funds, and to the extent it falls short, the district will be required to spend proportionately in the deficient areas.

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<sup>1</sup> House Bill 5314, Public Act 196 of 2014, Section 31a.

Turning to FY 2015-16, most notable are the changes in a requirement that districts implement a specific learning model for early grades in order to obtain any At Risk funds, and changes in the definition of which pupils qualify for services. The first change requires any district receiving At Risk funds to implement, for at least children in kindergarten through 3<sup>rd</sup> grade, a "multi-tiered system of supports [MTSS] that is an evidence-based model that uses data-driven problem solving to integrate academic and behavioral instruction and that uses intervention delivered to all pupils in varying intensities based on pupil needs".<sup>2</sup> The language goes on to indicate the essential elements of an MTSS model, including effective instruction for all learners, early intervention, multi-tiered model of instruction and intervention, monitoring of pupil progress to inform instruction, and the use of data to make instructional decisions. Again, the MTSS must be implemented for at least grades K to 3, in order for a district to receive any At Risk funds for any grades.

The other notable change in the FY 2015-16 budget significantly adjusted the definition of an "at-risk" pupil for whom a district can provide services using the funds allocated under the section. In previous years, "at-risk pupil" included a pupil to whom any of the following applied: victim of child abuse or neglect; pregnant teenager or teenage parent; family history of school failure, incarceration, or substance abuse; did not achieve proficiency on the Michigan Merit Exam; K-3 pupil at risk of not meeting the district's core academic objectives in English language arts or math; enrolled in a priority or priority-success school; did not achieve a proficiency score on two or more State-administered assessments; for a pupil in grades not assessed by the State, did not achieve a satisfactory score on two or more end-of-semester or -course exams aligned with State standards; eligible for free breakfast, lunch, or milk; absent more than 10% of enrolled days or 10 school days; homeless; migrant; English language learner; an immigrant who has immigrated in the preceding three years; or, did not complete high school in four years and is still continuing in school.

The definition of "at-risk pupil" enacted for FY 2015-16 retains these factors and broadens eligibility to include a student not achieving proficiency on English language arts, math, science, or social studies content area assessment for the State summative test, in any grade, or at risk of not meeting the district's core academic objectives in English language arts or math, in any grade. The result of these changes means that lack of proficiency on a State exam, or lack of meeting a district's own core academic objectives, as measured by local assessments, will qualify a student for at risk services. In addition, students eligible for reduced-price, as well as free, breakfast, lunch, or milk, are now included in the definition of "at-risk pupil".

## **Conclusion**

The At Risk program in the K-12 budget has been in place (in its current form) since the implementation of Proposal A. Funding began at \$230.0 million, grew somewhat for the first few years, remained relatively flat for several years, and recently saw a significant increase that will reduce per-pupil proration by nearly 30% in FY 2015-16. Proration remains, with an estimated shortfall of \$134.0 million, or an estimated \$225 per pupil, based on the formula that specifies supplemental funding of 11.5% applied to a district's foundation allowance for each pupil eligible for free lunch, breakfast, or milk.

Due to the broadened definition of "at-risk pupil", districts should see increased flexibility in using their At Risk grants, with additional flexibility provided by the continuation of FY 2014-15 changes that focus spending on 3<sup>rd</sup> grade reading and college- and career-readiness, but do not prescribe how to achieve those functions. Districts are allowed to determine what programs to operate and for which grades to provide the programs, as long as results in 3<sup>rd</sup> grade reading and college- and career-readiness are positive after the next three years. To the extent that districts do not meet those benchmarks, they will be required to allocate certain percentages of their total At Risk funding to meet the benchmarks.

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<sup>2</sup> House Bill 4115, Public Act 85 of 2015, Section 31a.