

**Summary: CONFERENCE REPORT
SCHOOL AID: SB 1069 (CR-1)
FY 2004-05**



**Analyst: Mary Ann Cleary
Laurie Cummings**

	FY 2003-04 YTD (as of 2/12/04)	Executive	Senate	House Floor	Conference	Difference: Conference from FY 2003-04 YTD	
						Amount	%
IDG/IDT	\$0	\$0	\$0	\$0	\$0	\$0	0.0
Federal	1,316,681,900	1,314,388,000	1,314,388,000	1,353,539,800	1,353,540,100	36,858,200	2.8
Local	0	0	0	0	0	0	0.0
Private	0	0	0	0	0	0	0.0
Restricted	10,731,587,100	11,033,722,200	11,033,722,200	11,038,650,000	11,008,700,000	277,112,900	2.6
GF/GP	327,700,000	131,800,000	138,600,000	137,907,700	165,200,000	(162,500,000)	(49.6)
Gross	\$12,375,969,000	\$12,479,910,200	\$12,486,710,200	\$12,530,097,500	\$12,527,440,100	151,474,100	1.2
FTEs	0.0	0.0	0.0	0.0	0.0	0.0	0.0

NOTES:

- 1) FY 2003-04 YTD number does include the \$131 million reduction for proration.
- 2) FY 2003-04 YTD number is reduced \$50.7 million to reflect savings from additional local property tax audits and homestead exemption audits.

Overview

The School Aid budget makes appropriations to the state's 554 local school districts, 191 public school academies, and 57 intermediate school districts for operations and certain categorical programs. It also appropriates funds to the Center for Education Performance, Department of Labor and Economic Growth, and other entities to implement certain grants and other programs related to K-12 education.

Summary of FY 2004-05 Major Budget Issues

Foundation Allowances

Per-pupil foundation allowances, which are used to support day-to-day school operations, were recommended to remain at the FY 2003-04 levels.

Revenue Sources

The Conference Report reduces the general fund contribution from \$327.5 million to \$165.2 million. The recommendation assumes a savings of \$50.6 million from increased personal property tax audits and homestead exemptions audits and \$14.8 million in additional lottery revenue and tobacco taxes.

Membership Blend

The membership blend, used to calculate districts' foundation allowance payments, would change under the proposal. The pupil membership blend would change from 80% of the current fall pupil count plus 20% of the previous February count to 75% of the current fall pupil count plus 25% of the previous February count.

Retirement Rate

The payroll contribution rate that districts are required to pay for employee retirement would be 14.87%. This is 1.4% less than the actual level set by the retirement board, saving districts an estimated \$138 million.

Funding for Intermediate School Districts (ISDs)

The ISD general operations funding are reduced by \$14.0 million to \$77.7 million.

Section 20J Allocations to Hold Harmless Districts

The Conference report maintains funding at the FY 2004 level.

Major Budget Changes from FY 2003-04:

		FY 2003-04 YTD (as of 2/12/04)	Conference Change
1. School Bond Redemption Fund	Gross	\$28,300,000	\$12,800,000
The Executive adds \$12.8 million to cover the anticipated costs for school bond loans to school districts. The Senate concurs with the Executive. The House concurs with the Senate and makes a \$100 item of difference. The Conference concurs with the Executive, Senate and House.	GF/GP	\$28,300,000	\$12,800,000
2. Proposal A Obligation Payment	Gross	\$6,765,300,000	(\$86,322,200)
The Executive reduces the appropriation by \$100.3 million from current law to reflect changes in pupil estimates, taxable values, anticipated savings due to personal property tax audits, the reduction of \$6.6 million in section 20j allocations and the change in the membership blend to a 50/50. The Senate does not concur with the Executive on the membership blend or section 20j allocation change. The House concurs with the Senate, makes adjustments for revised pupil estimates and reduces the estimated savings from personal property tax audits by \$7 million. The Conference reduces the appropriation by \$86.3 million to reflect changes in pupil estimates, taxable values, savings from property tax audits, and changes in the pupil blend to 75/25.	Restricted	6,765,300,000	(86,322,200)
3. Discretionary Payment	Gross	\$2,872,000,000	\$38,300,000
The Executive increases the appropriation by \$28 million from current law to reflect changes in membership blends and the elimination of \$6 million for declining enrollment districts. Also included was \$1 million for consolidation of school districts. The Senate increases the appropriation by \$33 million to maintain the 80/20 membership blend, retains funding for declining enrollment districts, and eliminates \$15 million for Detroit. Does not include funding for consolidation grants. The House concurs with the Senate and adds \$100 for a reform board district and for consolidation grants. The House also makes foundation adjustments to districts that lost a 1993 millage override or levied 1.9 debt mills to finance an operating deficit in 1993. The Conference increases the appropriation by \$31.7 million to reflect changes in membership blends and taxable value estimates.	Restricted	2,872,000,000	38,300,000
4. Renaissance Zone Reimbursement	Gross	\$29,960,000	\$6,240,000
The Executive adds \$6.2 million for the estimated costs associated with Renaissance Zones. This allocation is to reimburse school districts, ISDs and state education tax for property tax losses associated with the Zones. The Senate concurs with the Executive. The House concurs with the Senate and adds \$137,200 for the refund of state education taxes paid by a bankrupt business and for interest payments from a Hitachi tax settlement. The Conference concurs with the Executive and Senate.	Restricted	29,960,000	6,240,000
5. At-Risk Program	Gross	\$314,200,000	\$0
The Executive recommends no change to the program. The Senate reduces funding by \$9.9 million to \$304.3 million. The House concurs with the Executive. The Conference concurs with the Executive and House.	Restricted	314,200,000	0
6. School Readiness Grants	Gross	\$72,800,000	\$0
The Executive recommends no change to this program. The Senate reduces funding in this program by \$2 million to \$70.8 million. The House concurs with the Senate and makes a \$100 item of difference. The Conference concurs with the Executive.	Restricted	72,800,000	0

Major Budget Changes from FY 2003-04:

		FY 2003-04 YTD (as of 2/12/04)	Conference Change
7. ISD 0-5 Parenting Grants	Gross	\$3,326,000	\$0
The Executive appropriates an additional \$6.7 million for this program to help parents of children aged five and under ready their children to enter school. The additional funding for this program is from reduced appropriations to ISD general operations funding. The Senate maintains current law funding level at \$3.3 million. The House transfers the \$3.3 million to section 81 (ISD general operations), but maintains all other requirements of the section. Allows ISDs to use private or local funds to meet the 3.5% minimum spending requirement. The Conference concurs with the House.	Restricted	3,326,000	0
8. Vocational Education	Gross	\$30,000,000	\$0
The Executive recommends no change to this program. The Senate reduces funding by \$2 million to \$28 million. The House concurs with the Senate and makes a \$100 item of difference. The Conference concurs with the Executive.	Restricted	30,000,000	0
9. ISD Learn to Earn Centers – Planning Grants	Gross	N/A	\$0
The Executive recommends a new program at \$1 million for planning grants to ISDs for centers that will focus on career preparation activities for students who have dropped out of school. The Senate and House do not include this program. The Conference concurs with the Senate and House.	Restricted	N/A	0
10. ISD General Operations	Gross	\$91,702,100	(\$14,000,000)
The Executive reduces funding by \$7.7 million from \$91.7 million to \$84 million. From this reduction, \$6.7 million is transferred to the ISD 0-5 parenting grants and \$1 million to the ISD Learn to Earn Centers. The Senate reduces funding to ISDs by \$12.5 million to \$79.2 million. The House reduces the general operations funding by \$12 million and also transfers in \$3.3 million from ISD 0-5 program and requires ISDs to run the program in section 32j in order to receive funding under this section. Allows \$100,000 of the funds to be used to develop a model pilot program for consolidation of services between ISDs. The Conference reduces ISD operations by \$14 million and concurs with the House to transfer in the funding for ISD 0-5 parenting grants at \$3.3 million.	Restricted	91,702,100	(14,000,000)
11. Center for Education Performance and Information			
The Executive reduces the appropriation by \$3 million to match the actual expenditure level for FY 2004. The Senate concurs with the Executive funding level and added language requiring CEPI to provide a website similar to the former Standard & Poors site. The House concurs with the Executive. The Conference concurs with the Executive.	Gross	\$6,857,600	(\$3,311,300)
	Federal	2,357,600	(311,300)
	GF/GP	4,500,000	(3,000,000)
12. Freedom to Learn Grants	Gross	\$39,343,200	(\$18,300,000)
The Executive appropriates \$5 million to continue to purchase wireless technology for 6 th grade pupils; this is a reduction of \$17 million from the FY 2004 appropriation level. Maintains the federal funds at \$17.3 million. The Senate concurs with the Executive but limited the maximum award a district can receive to 25% of the total available funds. The House concurs with the Senate funding level, makes \$100 item of difference, and adds language to allow 6 th grade teachers to be eligible for a laptop grant. The Conference appropriates \$3.7 million in school aid funds, maintains the federal appropriations, and concurs with the House on the language changes.	Federal	17,343,200	0
	Restricted	22,000,000	(18,300,000)

Major Boilerplate Changes from FY 2003-04:

Sec. 6(4). Membership Blend

The **Executive** recommends changing the membership blend upon which foundation allowance payments are based from an "80/20" blend--a sum of 80% of the current fall pupil count plus 20% of the previous February's count--to a "50/50" pupil membership blend, which is the sum of 50% of the current fall pupil count plus 50% of the previous February's count. This change would result in an estimated \$43 million cost savings to the state. The **Senate** and **House** retain current law. The **Conference** report creates a "75/25" pupil membership blend, resulting in a savings of \$8 million.

Sec. 11(1). Revenue Sources/Cost Savings

The **Executive** assumes \$35.2 million in new revenue from increased tax collections and a liquor mark-up. The proposal also includes ongoing cost savings as a result of Homestead Exemption Audits of \$26.8 million and Personal Property Tax Audits of \$24.5 million. The **Senate** concurs with the Executive. The **House** assumes \$35.5 million in new tax collection enforcement revenues and \$42.75 million in additional casino revenues. The House includes the Homestead Exemption Audit estimate at \$26.8 million and Personal Property Tax Audits at \$17 million. The **Conference** assumes \$50.3 million in new revenue from increased tax collections, lottery advertisement, and additional tobacco tax revenue. The report also includes ongoing cost savings as a result of Homestead Exemption Audits of \$26.8 million and Personal Property Tax Audits of \$24.5 million.

Sec. 11(4). Proration Language

The **Executive** recommends adding sections 11j (School Bond Loan program), 26a (Renaissance Zone Reimbursement), 51a(12) (Special Education juvenile detention foundations) and 53a (Special Education court placed pupils) as protected sections from proration. The **Senate** concurs with the Executive and adds section 56 (special education millage equalization) as a protected section for proration. The **House** concurs with the Senate changes and exempts districts that are in receivership from any future proration. The **Conference** concurs with the House.

Sec. 11(6). Intent Language

The **Conference** adds intent language to restore the 80/20 pupil membership blend and to restore ISD funding to FY 2004 appropriation levels if additional revenues are estimated to be available at the May 2005 Revenue Conference.

Sec. 11b. General Fund Transfers to School Aid Stabilization Fund

The **Executive** recommends transferring \$5 million from the General Fund to the School Aid Stabilization Fund for the Freedom to Learn Program under Sec. 98b. The **Senate** and **House** concur with the Executive. The **Conference** transfers \$3.7 million to the Freedom to Learn Program.

Sec. 20(1). Basic Foundation Allowance

The **Executive** retains per-pupil foundation allowances at the same level as FY 2003-04 prior to proration. The **Senate** and **House** concur with the Executive. The **Conference** concurs with the Executive, Senate and House.

Sec. 20(20). Reform Board Allocation

The **Senate** eliminated the \$15 million in funding for a district with a reform board. The **House** revised the amount to \$100 and adds language to eliminate the payments 60 days after an election that causes a reform board to cease. The **Conference** maintains current law and includes funding of \$15 million for a reform board district.

Sec. 20(21). Millage Override Allocation

The **House** adds new language adjusting the foundation allowance for a district with a loss of millage of 4.38 mills in 1993. The **Conference** does not include this language.

Sec. 20(22). Operating Millage Allocation

The **House** adds new language adjusting the foundation allowance of a district that levied 1.9 mills in 1993 to finance an operating deficit. The **Conference** does not include this language.

Sec. 20J. Hold Harmless Districts

The **Executive** reduces section 20j allocation to hold harmless districts that have a per pupil foundation allowance over \$9,000 by \$74 per pupil, for a savings of \$6.6 million. The **Senate** and **House** retain current law. The **Conference** concurs with the Senate and House.

Sec. 20L. School District Consolidation

The **Executive** adds a new section that gives consolidating or annexed districts an additional \$25 per pupil. No consolidated or annexed district could receive more than \$500,000. The **Senate** does not include this section. The **House** concurs with the Executive language and appropriates \$100. The **Conference** concurs with the Senate.

Major Boilerplate Changes from FY 2003-04:

Sec. 22D. Isolated School Districts

The **House** adds new language that would allocate funds to small, rural and Upper Peninsula or island districts to ensure they receive a minimum funding level. The total allocation is \$1 million. The **Conference** concurs with the House to include it, but appropriates \$750,000.

Sec. 31a. At-Risk Program

The **Conference** adds new language to allow qualifying districts to use up to 10% of their funds for school security.

Sec. 101. Days and Hours of Instruction

The **Senate** adds language allowing for an additional 30 hours exemption for "extenuating circumstances" that occur after April 1st of the year. The **House** does not concur with this change. The **Conference** concurs with the Senate but adds additional language requiring the Superintendent of Public Instruction to approve any additional hours.

Sec. 107. Adult Education Program Requirements and Payments

The **Executive** adds new requirements for adult education programs, to develop individual student plans and use research-based methods. Changes the payment calculation from one based 90% on the number of participants in a program and 10% on the progress of students in the program, to one based 80% on enrollment and 20% on progress. The **Senate** concurs on the payment change and did not include the new program requirements. The **House** concurs with the Executive on developing individual student plans and using research-based methods, but does not concur on the change in payment calculation. The **Conference** concurs Senate on not including the new program requirements and maintains funding on a 90/10 basis.

Sec. 107b. Adult Learning Pilot Programs

The **Executive** authorizes the Department of Labor and Economic Growth to implement a pilot adult learning system in two Michigan Works! regions. Does not authorize a specific amount of funding for the pilots, but specifies that funding that would otherwise be allocated to adult education providers within the two Michigan Works! regions would instead be allocated to the pilot programs. The **Senate** does not include this section. The **House** concurs with the Executive on the language but only allows for one pilot program. The **Conference** concurs to allow two pilot projects which would start in FY 2006 and to establish an advisory committee to review and make funding requirements.

Sec. 146. Health Benefits Feasibility Study

The **Senate** adds new language requiring a feasibility study to determine if there are cost savings to districts, ISDs, community colleges, and state universities for implementing a statewide purchasing pool for school employee health benefits or including these employees in the state employee group health plans. The **House** concurs with the Senate but replaces the Department of Education with the Office of Financial and Insurance Services as a participant in the study. The **Conference** does not include the study.

Sec. 147. MPSERS Contribution Subsidy

The **Executive** proposes to reduce the estimated percentage of payroll that districts must allocate for public school employee retirement from 16.27% to 14.87%, saving districts an estimated \$138 million. The **Senate** and **House** concur with the Executive. The **Conference** concurs with the Executive, Senate and House.



Sec.	Basic Foundation Allowance:
	Proration Adjustment
11f	Durant - Cash Payments
11g	Durant - Debt Service
11j	School Bond Redemption Fund
22a	Proposal A Obligation Payment
22b	Discretionary Payment
24	Court-Placed Pupils
26a	Renaissance Zone Reimbursement
31a	"At Risk" Pupil Support
31d	State School Lunch Programs
31d	Federal School Lunch Programs
32c	Early Childhood Grants
32d	School Readiness
32j	ISD 0-5 Grants
39a1	Federal "No Child Left Behind"
39a2	Other Federal Funding
41	Bilingual Education - State
41a	Bilingual Education - Federal
51a	Special Education - Federal
51a	Special Education - State
57	Advanced & Accelerated Program
61a	Vocational Education
61b	ISD Learn to Earn Centers - Planning
62	ISD Voc. Ed Millage Equalization
74	Bus Driver Safety Instruction
81	ISD General Operations Support
94a	Center for Ed. Performance
94a	CEPI Federal
98	Michigan Virtual High School
98	Mich. Virtual High School - Federal
98b	Freedom To Learn - State
98b	Freedom To Learn - Federal
99	Math/Science Centers - State
99	Math/Science Centers - Federal
107	Adult Education - State
TOTAL APPROPRIATIONS	
REVENUE BY SOURCE	
	Federal Aid
	School Aid Fund
	Casino Funding
	General Fund/General Purpose
TOTAL REVENUE	

FY 2003-04
FY 2003-04 Total Appropriation
\$5,700
-\$131,100.0
\$32,000.0
\$141.0
\$28,300.0
\$6,765,300.0
\$2,872,000.0
\$8,000.0
\$29,960.0
\$314,200.0
\$21,300.0
\$274,631.0
\$250.0
\$72,800.0
\$3,326.0
\$665,458.5
\$5,421.8
\$2,800.0
\$1,232.1
\$345,500.0
\$882,683.0
\$250.0
\$30,000.0
\$9,000.0
\$1,625.0
\$91,702.1
\$1,500.0
\$2,357.6
\$750.0
\$2,250.0
\$0.0
\$17,343.2
\$2,500.0
\$2,487.7
\$20,000.0
\$12,375,969.0
\$1,316,681.9
\$10,731,587.1
\$327,700.0
\$12,375,969.0

SCHOOL AID LINE-ITEM SUMMARY FY 2004-05 (SB 1069)
(Dollars in Thousands)

FY 2004-05							
Executive Recommendation Change from FY 2003-04	FY 2004-05 Executive Recommendation	Senate Changes from FY 2003-04	FY 2004-05 Senate Recommendation	House Changes from FY 2003-04	FY 2004-05 House Recommendation	Conference Changes from FY 2003-04	FY 2004-05 Conference Recommendation
\$6,700	\$6,700		\$6,700		\$6,700		\$6,700
\$131,100.0	\$0.0	\$131,100.0	\$0.0	\$131,100.0	\$0.0	\$131,100.0	\$0.0
\$0.0	\$32,000.0		\$32,000.0	-\$0.1	\$31,999.9	\$0.0	\$32,000.0
\$0.0	\$141.0		\$141.0	-\$0.1	\$140.9	\$0.0	\$141.0
\$12,800.0	\$41,100.0	\$12,800.0	\$41,100.0	\$12,799.9	\$41,099.9	\$12,800.0	\$41,100.0
-\$100,300.0	\$6,665,000.0	-\$72,300.0	\$6,693,000.0	-\$75,000.0	\$6,690,300.0	-\$86,322.2	\$6,678,977.8
\$28,000.0	\$2,900,000.0	\$33,000.0	\$2,905,000.0	\$29,700.0	\$2,901,700.0	\$38,300.0	\$2,910,300.0
\$0.0	\$8,000.0		\$8,000.0		\$8,000.0	\$0.0	\$8,000.0
\$6,240.0	\$36,200.0	\$6,240.0	\$36,200.0	\$6,377.2	\$36,337.2	\$6,240.0	\$36,200.0
\$0.0	\$314,200.0	-\$9,900.0	\$304,300.0		\$314,200.0	\$0.0	\$314,200.0
-\$204.9	\$21,095.1	-\$204.9	\$21,095.1	-\$205.0	\$21,095.0	-\$204.9	\$21,095.1
\$0.0	\$274,631.0		\$274,631.0	\$14,369.0	\$289,000.0	\$14,369.0	\$289,000.0
\$0.0	\$250.0		\$250.0	-\$0.1	\$249.9	\$0.0	\$250.0
\$0.0	\$72,800.0	-\$2,000.0	\$70,800.0	-\$2,000.1	\$70,799.9	\$0.0	\$72,800.0
\$6,674.0	\$10,000.0		\$3,326.0	-\$3,326.0	\$0.0	\$0.0	\$3,326.0
-\$1,232.6	\$664,225.9	-\$1,232.6	\$664,225.9	-\$27,648.8	\$637,809.7	-\$27,648.8	\$637,809.7
-\$600.0	\$4,821.8	-\$600.0	\$4,821.8	\$5.7	\$5,427.5	\$5.7	\$5,427.5
\$0.0	\$2,800.0		\$2,800.0	-\$0.1	\$2,799.9	\$0.0	\$2,800.0
\$0.0	\$1,232.1		\$1,232.1	-\$0.1	\$1,232.0	\$0.0	\$1,232.1
-\$150.0	\$345,350.0	-\$150.0	\$345,350.0	\$49,350.0	\$394,850.0	\$49,350.0	\$394,850.0
\$23,600.0	\$906,483.0	\$23,800.0	\$906,483.0	\$23,500.0	\$906,183.0	\$23,000.0	\$905,683.0
\$0.0	\$250.0		\$250.0	-\$0.1	\$249.9	\$0.0	\$250.0
\$0.0	\$30,000.0	-\$2,000.0	\$28,000.0	-\$2,000.1	\$27,999.9	\$0.0	\$30,000.0
\$1,000.0	\$1,000.0		\$0.0		\$0.0	\$0.0	\$0.0
\$0.0	\$9,000.0		\$9,000.0	-\$0.1	\$8,999.9	\$0.0	\$9,000.0
\$0.0	\$1,625.0		\$1,625.0	-\$0.1	\$1,624.9	\$0.0	\$1,625.0
-\$7,674.0	\$84,028.1	-\$12,500.0	\$79,202.1	-\$8,674.0	\$83,028.1	-\$14,000.0	\$77,702.1
\$0.0	\$1,500.0		\$1,500.0	-\$0.1	\$1,499.9	\$0.0	\$1,500.0
-\$311.3	\$2,046.3	-\$311.3	\$2,046.3	-\$311.3	\$2,046.3	-\$311.3	\$2,046.3
\$0.0	\$750.0		\$750.0	-\$0.1	\$749.9	\$0.0	\$750.0
\$0.0	\$2,250.0		\$2,250.0	-\$0.1	\$2,249.9	\$0.0	\$2,250.0
\$5,000.0	\$5,000.0	\$5,000.0	\$5,000.0	\$4,999.9	\$4,999.9	\$3,700.0	\$3,700.0
\$0.0	\$17,343.2		\$17,343.2	-\$0.1	\$17,343.1	\$0.0	\$17,343.2
\$0.0	\$2,500.0		\$2,500.0	-\$0.1	\$2,499.9	\$0.0	\$2,500.0
\$0.0	\$2,487.7		\$2,487.7	\$1,093.6	\$3,581.3	\$1,093.6	\$3,581.3
\$0.0	\$20,000.0		\$20,000.0	-\$0.1	\$19,999.9	\$0.0	\$20,000.0
\$103,941.2	\$12,479,910.2	\$110,741.2	\$12,486,710.2	\$154,128.6	\$12,530,097.6	\$151,471.1	\$12,527,440.1
-\$2,293.9	\$1,314,388.0	-\$2,293.9	\$1,314,388.0	\$36,857.9	\$1,353,539.8	\$36,858.2	\$1,353,540.1
\$302,135.1	\$11,033,722.2	\$302,135.1	\$11,033,722.2	\$264,312.9	\$10,995,900.0	\$277,112.9	\$11,008,700.0
				\$42,750.0	\$42,750.0		\$0.0
-\$195,900.0	\$131,800.0	-\$189,100.0	\$138,600.0	-\$189,792.2	\$137,907.8	-\$162,500.0	\$165,200.0
\$103,941.2	\$12,479,910.2	\$110,741.2	\$12,486,710.2	\$154,128.6	\$12,530,097.6	\$151,471.1	\$12,527,440.1

