

**Summary: HOUSE PASSED
SCHOOL AID: SB 1069 (H-1)
FY 2004-05**



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| | FY 2003-04 YTD (as of 2/12/04) | Executive | Senate | House | Enacted | Difference: House 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 | 0 | 36,857,900 | 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 | 0 | 307,062,900 | 2.9 |
| GF/GP | 327,700,000 | 131,800,000 | 138,600,000 | 137,907,700 | 0 | (189,792,300) | (57.9) |
| Gross | \$12,375,969,000 | \$12,479,910,200 | \$12,486,710,200 | \$12,530,097,500 | \$0 | \$154,128,500 | 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 as Passed the House

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 budget reduces the general fund contribution from \$327.5 million to \$137.9 million. The recommendation assumes a savings of \$43.6 million from increased personal property tax audits and homestead exemptions audits and \$42.75 million in additional casino revenue.

Membership Blend

The membership blend, used to calculate districts' foundation allowance payments, would not change under the proposal. The pupil membership blend would remain at 80% of the current fall pupil count plus 20% 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.

Points of Difference

All line items contain a point of difference of at least \$100.

Major Budget Changes from FY 2003-04:

| | | FY 2003-04 YTD (as of 2/12/04) | House Change |
|--|--------------|---|-------------------------|
| 1. School Bond Redemption Fund | Gross | \$28,300,000 | \$12,799,900 |
| 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. | GF/GP | \$28,300,000 | \$12,799,900 |
| 2. Proposal A Obligation Payment | Gross | \$6,765,300,000 | (\$75,000,000) |
| 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. | Restricted | 6,765,300,000 | (75,000,000) |
| 3. Discretionary Payment | Gross | \$2,872,000,000 | \$29,700,000 |
| 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 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. | Restricted | 2,872,000,000 | 29,700,000 |
| 4. Renaissance Zone Reimbursement | Gross | \$29,960,000 | \$6,377,200 |
| 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. | Restricted | 29,960,000 | 6,377,200 |
| 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. | Restricted | 314,200,000 | 0 |
| 6. School Readiness Grants | Gross | \$72,800,000 | (\$2,000,100) |
| 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. | Restricted | 72,800,000 | (2,000,100) |
| 7. ISD 0-5 Parenting Grants | Gross | \$3,326,000 | (\$3,326,000) |
| 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. | Restricted | 3,326,000 | (3,326,000) |

Major Budget Changes from FY 2003-04:

**FY 2003-04 YTD
(as of 2/12/04)**

**House
Change**

8. Vocational Education

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.

| | | |
|--------------|---------------------|----------------------|
| Gross | \$30,000,000 | (\$2,000,100) |
| Restricted | 30,000,000 | (2,000,100) |

9. ISD Learn to Earn Centers – Planning Grants

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.

| | | |
|--------------|-----|------------|
| Gross | N/A | \$0 |
| Restricted | N/A | 0 |

10. ISD General Operations

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.

| | | |
|--------------|---------------------|----------------------|
| Gross | \$91,702,100 | (\$8,674,000) |
| Restricted | 91,702,100 | (8,674,000) |

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.

| | | |
|--------------|--------------------|----------------------|
| Gross | \$6,857,600 | (\$3,311,400) |
| Federal | 2,357,600 | (311,300) |
| GF/GP | 4,500,000 | (3,000,100) |

12. Freedom to Learn Grants

The **Executive** appropriates \$5 million to continue to purchase wireless technology for 6th 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 6th grade teachers to be eligible for a laptop grant.

| | | |
|--------------|---------------------|-----------------------|
| Gross | \$39,343,200 | (\$17,000,200) |
| Federal | 17,343,200 | (100) |
| Restricted | 22,000,000 | (17,000,100) |

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.

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.

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 sections 56 (special

Major Boilerplate Changes from FY 2003-04:

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.

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.

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.

Sec. 20(20). Reform Board Allocation

The **Senate** eliminated the \$15 million in funding for a district with a reform board. The **House** concurs with the Senate and adds language to eliminate the payments 60 days after an election that causes the reform board to cease.

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.

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.

Sec. 20J. Hold Harmless Districts

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

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.

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.

Sec. 24. Court Placed Pupils

The **Senate** allows new facilities to receive funding with "fair notice". The **House** does not concur with the Senate and amends the language to incorporate a Task Force recommendation to pay facilities based on a per-pupil allocation. The new language phases out the current funding method of paying facilities for their added costs of educating this population to the new method over 4 years.

Sec. 31a(6). Teen Health Centers

The **House** amends the language to require that each center have an advisory committee and that at least 1/3 of the members of the advisory committee are parents or legal guardians of school-aged children.

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 the Senate change and adds utility power unavailability, water and sewer failure as qualifications under the current 30 hour exemption.

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.

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.

Sec. 146. Health Benefits Feasibility Study

Major Boilerplate Changes from FY 2003-04:

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.

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.