



Senate Fiscal Agency  
P. O. Box 30036  
Lansing, Michigan 48909-7536

**BILL ANALYSIS**

Telephone: (517) 373-5383  
Fax: (517) 373-1986  
TDD: (517) 373-0543

Senate Bill 237 (Substitute S-1)  
Sponsor: Senator Ron Jelinek  
Committee: Appropriations

Date Completed: 9-23-07

**CONTENT**

Senate Bill 237 (S-1) amends the State School Aid Act of 1979 by providing School Aid appropriations for fiscal year (FY) 2007-08. For the most part, programs are funded at their FY 2006-07 levels, adjusted for caseload, cost, and taxable value changes, with exceptions listed below.

In order to balance a \$363.7 million School Aid Fund deficit projected for FY 2007-08 under a current services baseline budget, Senate Bill (S.B.) 237 (S-1):

- does not include a 2.5% recommended increase in the basic per-pupil foundation allowance (\$289.7 million),
- eliminates all funding for Declining Enrollment grants (\$20.0 million),
- eliminates all funding for Middle School Math grants (\$20.0 million),
- eliminates all funding for FIRST Robotics (\$150,000),
- eliminates funding for a one-time study of conductive learning (\$250,000),
- reduces State At-Risk funding by \$28.0 million, or 9.0%, and
- reduces Section 20j allocations by \$6.0 million, or 11.3%.

Senate Bill 237 (S-1) also makes the following adjustments:

- reduces School Bond Loan Fund debt service by \$40.6 million to reflect savings due to refinancing,
- reduces Proposal A Obligation Payments by \$192.0 million to reflect fewer pupils and higher taxable values,
- increases mandated funding for Special Education by \$37.8 million,
- provides economic increases totaling \$280,400 for several programs formerly funded in other departments and transferred into K-12,
- appropriates additional Federal funds totaling \$68.1 million, primarily for Title I (the Federal At-Risk program) School Lunch, and Career and Technical Education (transferred in from the Department of Labor and Economic Growth),
- reduces Renaissance Zone reimbursements by \$200,000,
- increases funding for the Michigan Educational Assessment Program by \$10.3 million in State funds and by \$374,800 in Federal funds,
- eliminates \$500,000 in one-time funding to the Michigan Virtual High School for a career preparation software program, and
- eliminates \$1.5 million in Federal carry-forward funding for the Freedom to Learn program.

Notable boilerplate changes in this bill include the rolling-in of the FY 2006-07 \$23 equity payment to the base foundation allowances of affected districts and revisions to proration language and time lines in Section 20, whereby the State Budget Director would be required

to notify the Legislature that proration is necessary 14 days after a revenue conference determined a projected shortfall. The reduction in Section 20j allocations listed above is prescribed in boilerplate, utilizing a formula that spreads the reduction proportionately, such that affected districts with lower foundation allowances are reduced less than affected district with higher foundation allowances.

Other boilerplate changes include a requirement that districts and public school academies provide detailed financial reports to parents and district residents, and that each district use software compatible with the intermediate district in which the district is located.

MCL 388.1601 et al

## **FISCAL IMPACT**

Table 1 below shows the balance sheet for the School Aid Fund in FY 2007-08. As mentioned above, School Aid Fund revenue for the upcoming year fall \$363.3 million short of funding a current services budget for K-12. After accounting for a number of adjustments listed above, five major reductions are included in S.B. 237 (S-1) to bring the budget into balance.

The reductions to a current services budget embodied in S.B. 237 (S-1) would impact local school districts and public school academies.

<b>Table 1</b> <b>FY 2007-08 Current Services Budget Analysis</b> <b>School Aid Fund</b> <b>(millions of dollars)</b>	
	<b>SFA Estimate</b>
<b>Revenue:</b>	
Projected May 2007 Consensus Revenue Estimate .....	\$11,285.0
Other Revenue Adjustments .....	15.0
Federal Revenue.....	1,479.3
GF/GP Grant to School Aid Fund .....	35.0
<b>Total Current Services Revenue.....</b>	<b>\$12,814.3</b>
<b>Expenditures:</b>	
Base Spending Adjusted for Caseload and Other Costs .....	\$12,887.9
Foundation Allowance Economic Increase of 2.5% .....	289.7
<b>Total Current Services Spending Base .....</b>	<b>\$13,177.6</b>
<b>Projected Current Services Budget Imbalance.....</b>	<b>\$(363.3)</b>
<b>Senate Bill 237 (S-1):</b>	
Eliminate Foundation Allowance Economic Increase .....	\$(289.7)
Reduce State At-Risk Program .....	(28.0)
Eliminate Declining Enrollment Grants.....	(20.0)
Eliminate Middle School Math .....	(20.0)
Reduce Section 20j .....	(6.0)
<b>Total Reductions in Senate Bill 237 (S-1) .....</b>	<b>\$(363.7)</b>
<b>Potential Year-End Balance .....</b>	<b>\$0.4</b>

Fiscal Analyst: Kathryn Summers-Coty

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.