

**Summary: House Budget Recommendation
As Passed Appropriations Committee
SCHOOL AID – HB 4887 (H-1)
FY 2005-06**

Analyst: Mary Ann Cleary

IDG/IDT	Recommended FY 2004-05 YTD	Executive	House	Senate	FY 2005-06 Enacted	Difference: House from FY 2004-05 YTD	
						Amount	%
IDG/IDT	\$0	\$0	\$0	\$0	\$0	\$0	0.0
Federal	1,353,540,100	1,389,587,300	1,392,587,300	0	0	39,047,400	2.9
Local	0	0	0	0	0	0	0.0
Private	0	0	0	0	0	0	0.0
Restricted	10,948,322,200	11,398,994,600	11,294,171,100	0	0	345,848,900	3.2
GF/GP	165,200,000	20,200,000	96,420,100	0	0	(68,779,900)	(41.6)
Gross	\$12,467,062,300	\$12,808,781,900	\$12,783,178,500	\$0	\$0	\$316,116,200	2.5

NOTES: FY 2004-05 YTD figures include the revised recommendations. FY 2005-06 figures for the House include funding from HB 4831 of \$289.8 million.

Overview

The School Aid budget makes appropriations to the state's 552 local school districts, 216 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.

<u>Major Budget Changes from 2004-05 YTD Appropriations:</u>		<u>FY 2004-05 YTD (as of 5/23/05)</u>	<u>House Change From YTD</u>
1. Proposal A Obligation Payment	Gross	\$6,615,000,000	(\$156,051,000)
Recommends reducing the appropriation from the revised FY 2005 appropriation to reflect changes in taxable values, pupil membership blends, and anticipated savings from personal property tax audits. (Executive and House concur.)	Restricted	\$6,615,600,000	(\$156,051,000)
2. Discretionary Payment	Gross	\$2,923,200,000	(\$15,000,000)
The House recommends increasing the appropriation by \$274.8 million from the revised FY 2005 appropriation to reflect the foundation allowance increase of \$175 per pupil. Funding for the foundation increase is in HB 4831 (the omnibus budget) at \$289.8 million. Eliminates \$15.0 million funding for a district with a reform board in place. The Executive concurs with the foundation increase.	Restricted	\$2,923,200,000	(\$15,000,000)
3. Engineering Michigan's Future	Gross	\$0	\$25,000,000
The House proposes an appropriation of \$25.0 million to create a new \$65 per pupil grant for each student in grades 6 through 8. Funds shall be used to improve pupil performance on the MEAP mathematics assessments and to help districts meet AYP requirements for mathematics.	Restricted	\$0	\$25,000,000

Major Budget Changes from 2004-05 YTD Appropriations:		FY 2004-05 YTD (as of 5/23/05)	House Change From YTD
4. Competitive Math Grants and Math and Science Center Funding The House maintains current law funding of \$2.5 million to Math and Science Centers and appropriates \$2.5 million in competitive grants to programs that support middle school math curriculum and professional development for middle school math teachers. The Executive appropriates \$2.5 million to the Math and Science Centers.	Gross	\$6,081,300	\$3,374,700
	Federal	3,581,000	874,700
	Restricted	\$2,500,000	\$2,500,000
5. School Readiness Program – Competitive Grants The House transfers the program into school aid from the Department of Education and appropriates current-year funding of \$12.25 million for the 4-year-old preschool program.	Gross	\$0	\$12,250,000
	Restricted	\$0	\$12,250,000
6. Special Education Funding The House recommends an increase of \$59.5 million in restricted funds to cover anticipated costs associated with special education costs and increases the funding for special education millage equalization (Sec. 56) by \$1.0 million. (Executive concurs with the \$59.5 million increase.)	Gross	\$1,291,250,000	\$76,500,000
	Federal	394,850,000	16,000,000
	Restricted	\$896,400,000	\$60,500,000
7. At-Risk Program The House maintains current-law funding. The Executive increases the funding for at-risk students by \$33.0 million to a total funding of \$347.2 million.	Gross	\$314,200,000	\$0
	Restricted	\$314,200,000	\$0
8. Intermediate School Districts (ISDs) General Operations The House maintains current-law funding for general operations of \$77.7 million and maintains funding for Sec. 32j (parent involvement program) in this line. Adds \$3.0 million in restricted funds for hearing and vision screening programs and requires ISDs to contract with their local public health departments to provide the service and adds \$200,000 for a strategic planning grant to a consortium or associations of ISDs. (See major boilerplate changes Sec. 81(6) for more detail.) The Executive recommends funding ISDs at \$80.0 million, an increase of \$2.3 million or 2.6% after adjusting for sec. 32j transfer. Also adds \$200,000 for a strategic planning grant to a consortium or association of ISDs.	Gross	\$81,028,100	\$3,200,000
	Restricted	\$81,028,100	\$3,200,000
9. Federal No Child Left Behind Grants Increases federal No Child Left Behind funding by \$14.3 million to \$657.6 million. (Executive and House concur.)	Gross	\$643,237,500	\$14,328,800
	Federal	\$643,327,500	\$14,328,800
10. School Lunch Programs (State and Federal) Increases the funding for state lunch programs by \$1.4 million to \$22.5 million in order to meet the mandate under the "Durant" court decision. Federal funding is increased by \$17.2 million to \$306.7 million. (Executive and House concur.)	Gross	\$310,095,100	\$18,590,000
	Federal	289,000,000	17,190,000
	Restricted	\$21,095,100	\$1,400,000
11. Center for Education Performance and Information The House maintains current-law funding. The Executive recommends increasing the state appropriation by \$2.7 million to a total of \$4.2 million for operations and increases federal funds by \$1.0 million for the development and implementation of a new pre-K to 20 tracking system.	Gross	\$3,546,300	(\$3,100)
	Federal	2,046,300	(3,100)
	GF/GP	\$1,500,000	\$0

Major Budget Changes from 2004-05 YTD Appropriations:		FY 2004-05 YTD (as of 5/23/05)	House Change From YTD	
12. Michigan Virtual High School		Gross	\$3,000,000	\$2,250,000
The House recommends an increase of \$2.25 million for development of middle and high school math curriculum as required by the grade level content expectations. The Executive increases the general fund appropriation by \$1.0 million for the development of the Michigan scholar curriculum. Increases the federal Title II funds by \$4.0 million to support e-learning and virtual school initiatives contained in the U.S. National Educational Technology Plan.		Federal	2,250,000	0
		GF/GP	\$750,000	\$2,250,000
13. Freedom to Learn Grants		Gross	\$21,043,200	(\$10,043,200)
The House reduces the funding for 6 th grade laptops to \$3.0 million in restricted funds and \$8.0 million in federal funds, of which \$3.0 million is from carryforward funding. The Executive eliminates all funding for the 6 th grade laptop program.		Federal	17,343,200	(9,343,200)
		Restricted	\$3,700,000	(\$700,000)
14. School Bond Redemption Fund		Gross	\$41,100,000	\$3,400,000
Proposes restructuring the school bond loan fund by creating a revolving loan fund starting in FY 2005. By creating a revolving fund, all future borrowing for bonds and all new debt service from those bonds would be incorporated within the revolving fund. A payment of \$41.1 million in FY 2005 and \$44.5 million in FY 2006 from the revolving fund would be realized, however; payments from the old debt would resume in FY 2007. (Executive and House concur.)		Restricted	0	44,500,000
		GF/GP	\$41,100,000	(\$41,100,000)
15. Renaissance Zone Reimbursement		Gross	\$36,200,000	\$8,800,000
Recommends an \$8.8 million increase to cover anticipated 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. (Executive and House concur.)		Restricted	\$36,200,000	\$8,800,000
16. Payment In Lieu of Taxes (PILT) Reimbursement		Gross	\$0	\$2,400,000
Reimbursement to districts, ISDs, and community colleges for PILT obligations per PA 513 of 2004. (Executive and House concur.)		Restricted	\$0	\$2,400,000
17. Court Placed Students		Gross	\$8,000,000	\$1,000,000
The House increases funding for this program by \$1.0 million to a total of \$9.0 million. (See major boilerplate Sec. 24 for language changes.)		Restricted	\$8,000,000	\$1,000,000
18. Adult Education Funding		Gross	\$20,000,000	\$1,000,000
The House increases funding for adult education programs by \$1.0 million to a total of \$21.0 million. (See major boilerplate Sec. 107a for language changes.)		Restricted	\$20,000,000	\$1,000,000
19. Early Childhood Grants (Age 0-3)		Gross	\$250,000	(\$250,000)
The House transfers the funding for this program to the Department of Human Services.		Restricted	\$250,000	(\$250,000)
20. National Charter School Development and Performance Institute		Gross	\$0	\$500,000
The House appropriates \$500,000 to the National Charter School Development and Performance Institute.		GF/GP	\$0	\$500,000
21. Special Education Evaluation Lending Library		Gross	\$0	\$250,000
The House appropriates \$250,000 to establish a lending library to provide special needs assessment tools to districts and ISDs.		Restricted	\$0	\$250,000

<u>Major Budget Changes from 2004-05 YTD Appropriations:</u>		<u>FY 2004-05 YTD (as of 5/23/05)</u>	<u>House Change From YTD</u>
22. High School Curriculum Cost Support	Gross	\$0	\$0
The House does not include funding for the high school curriculum grant. The Executive proposes an appropriation of \$26.3 million to create a new \$50 per pupil grant for each student in grades 9 through 12.		Restricted \$0	\$0

Major Boilerplate Changes from 2004-05:

Sec. 6(4) (AA). Membership Definition for Pre-Primary Special Education Pupils – NEW

Defines membership for pre-primary special education pupil memberships. (**Executive and House concur.**)

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

The **House** assumes \$0 in revenue from the elimination of tax expenditures assumes \$41.1 million and \$44.5 million from the revisions of the school bond loan fund and reduces the general fund contribution to \$96.4 million.

Sec. 11(4). Proration Language – ELIMINATED

The **House** removes districts that are under an emergency financial manger as being protected from any proration under this act.

Sec. 20(1). Basic Foundation Allowance – INCREASED

Increases basic per-pupil foundation allowances by \$175 to \$6,875 for FY 2005-06. (**Executive and House concur.**)

Sec. 20(20). Reform Board Allocation – MODIFIED

The **House** eliminates funding of \$15.0 million for a school district with a former reform board in place.

Sec. 24. Court Place Students – MODIFIED

Incorporates a special task force funding recommendation to pay juvenile facilities based on a per-pupil allocation. The new language phases out the current funding method of paying facilities for their added costs of education over the next four years. (**Executive and House concur.**)

Sec. 51a. Special Education Itinerant Staff – MODIFIED

Amends current language to restrict districts and PSAs from shifting their itinerant employees (speech therapists, physical therapists, school psychologists, etc.) to the ISD for purposes of claiming the special education reimbursement when there was no actual change in the delivery of service being provided within the district or PSA. (**Executive and House concur.**)

Sec. 57. Advance and Accelerated Grants – MODIFIED

The **House** changes the current program from a per pupil allocation to a competitive grant program for middle school summer institutes and comprehensive programs with a focus on math.

Sec. 81(6). Intermediate School Districts Strategic Planning Grant – NEW

Adds language for a strategic planning grant to a consortium or association of ISDs to conduct a study and make recommendations on best practices to more efficiently perform district functions. (**Executive and House concur.**) Starting in FY 2006-07 districts with fewer than 4,500 students must be in a consortium with at least one other district or ISD to implement at least one of the best practices recommended in the study. (**House**)

Sec. 98b. Freedom to Learn Grants– MODIFIED

The **House** amends the language to change the amount of the grant from \$250 per pupil to \$1,000 per pupil and \$1,200 per teacher for purchase of the laptops in the current fiscal year instead of purchasing them over four years. The House also changes the per pupil match from \$25 per pupil to \$40 per pupil.

Sec. 107a. Adult Education – MODIFIED

The **House** changes the distribution of payments to districts for funding adult education students from 90% for enrollment and 10% for completion to 75% for enrollment and 25% for completion.

Sec. 107b. Adult Learning Pilot Programs – ELIMINATED

The **House** repeals this section.

Sec. 147. MPSERS Contribution Subsidy – MODIFIED

Estimates the percentage of payroll that districts must allocate for public school employee retirement at 16.34%. (**Executive and House concur.**)

SCHOOL AID LINE-ITEM SUMMARY FY 2004-05 AND FY 2005-06 (Dollars in Thousands)



Sec.	Basic Foundation Allowance:
11f	Durant - Cash Payments
11g	Durant - Debt Service
11j	School Bond Redemption Fund
22a	Proposal A Obligation Payment
22b	Discretionary Payment
	HB 4831 Appropriation for School Aid
22e	High School Curriculum Cost Support
24	Court-Placed Pupils
26a	Renaissance Zone Reimbursement
26b	PILT Reimbursement - NEW
31a	"At Risk" Pupil Support
31d	State School Lunch Programs
31d	Federal School Lunch Programs
32c	Early Childhood Grants
32d	School Readiness
32i	ISD 0-5 Grants
32L	School Readiness - competitive
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
54a	Special Education Evaluation Lending Library
57	Advanced & Accelerated Program
61a	Vocational Education
62	ISD Voc. Ed Millage Equalization
74	Bus Driver Safety Instruction
81	ISD General Operations Support
81(5)	Vision and Hearing Screening
81(6)	Best practices study (ISDs)
91	National Charter Institute
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
99a	Competitive Math Grants
99a	Math/Science Centers - Federal
99b	Engineering Michigan's Future
107	Adult Education - State
	TOTAL APPROPRIATIONS
	REVENUE BY SOURCE
	Federal Aid
	School Aid Fund
	Capitalization Proceeds from SBLF
	School Aid Stabilization Fund
	General Fund/General Purpose
	TOTAL REVENUE

FY 2004-05
6-01-2005 REVISED FY 2004-05 Recommendation
\$32,000.0
\$141.0
\$41,100.0
\$6,615,000.0
\$2,923,200.0
\$8,000.0
\$36,200.0
\$314,200.0
\$21,095.1
\$289,000.0
\$250.0
\$72,800.0
\$3,326.0
\$637,809.7
\$5,427.5
\$2,800.0
\$1,232.1
\$394,850.0
\$896,383.0
\$250.0
\$30,000.0
\$9,000.0
\$1,625.0
\$77,702.1
\$1,500.0
\$2,046.3
\$750.0
\$2,250.0
\$3,700.0
\$17,343.2
\$2,500.0
\$3,581.3
\$20,000.0
\$12,467,062.3
\$1,353,540.1
\$10,833,152.2
\$41,100.0
\$74,070.0
\$165,200.0
\$12,467,062.3

FY 2005-06			
Executive Recommendation Change from FY 2004-05	FY 2005-06 Executive Recommendation	As Passed House Appropriations Change from FY 2004-05	As Passed House Appropriations FY 2005-06 Recommendation
\$175	\$6,875	\$175	\$6,875
\$0.0	\$32,000.0	\$0.0	\$32,000.0
\$34,819.0	\$34,960.0	\$34,820.0	\$34,961.0
\$3,400.0	\$44,500.0	\$3,400.0	\$44,500.0
-\$156,000.0	\$6,459,000.0	-\$156,051.0	\$6,458,949.0
\$289,800.0	\$3,213,000.0	-\$15,000.0	\$2,908,200.0
		\$289,800.0	\$289,800.0
\$26,300.0	\$26,300.0	\$0.0	\$0.0
\$0.0	\$8,000.0	\$1,000.0	\$9,000.0
\$8,800.0	\$45,000.0	\$8,800.0	\$45,000.0
\$2,400.0	\$2,400.0	\$2,400.0	\$2,400.0
\$33,000.0	\$347,200.0	\$0.0	\$314,200.0
\$1,400.0	\$22,495.1	\$1,400.0	\$22,495.1
\$17,190.0	\$306,190.0	\$17,190.0	\$306,190.0
\$0.0	\$250.0	-\$250.0	\$0.0
\$0.0	\$72,800.0	\$0.0	\$72,800.0
\$0.0	\$3,326.0	\$0.0	\$3,326.0
		\$12,250.0	\$12,250.0
\$15,109.9	\$652,919.6	\$15,109.9	\$652,919.6
-\$781.1	\$4,646.4	-\$781.1	\$4,646.4
\$0.0	\$2,800.0	\$0.0	\$2,800.0
\$0.0	\$1,232.1	\$0.0	\$1,232.1
\$16,000.0	\$410,850.0	\$16,000.0	\$410,850.0
\$59,500.0	\$955,883.0	\$60,500.0	\$956,883.0
		\$250.0	\$250.0
\$0.0	\$250.0	\$0.0	\$250.0
\$0.0	\$30,000.0	\$0.0	\$30,000.0
\$0.0	\$9,000.0	\$0.0	\$9,000.0
\$0.0	\$1,625.0	\$0.0	\$1,625.0
\$2,253.4	\$79,955.5	\$0.0	\$77,702.1
		\$3,000.0	\$3,000.0
		\$200.0	\$200.0
		\$500.0	\$500.0
\$2,700.0	\$4,200.0	\$0.0	\$1,500.0
\$996.9	\$3,043.2	-\$3.1	\$2,043.2
\$1,000.0	\$1,750.0	\$2,250.0	\$3,000.0
\$4,000.0	\$6,250.0	\$0.0	\$2,250.0
-\$3,700.0	\$0.0	-\$700.0	\$3,000.0
-\$17,343.2	\$0.0	-\$9,343.2	\$8,000.0
\$0.0	\$2,500.0	\$0.0	\$2,500.0
\$874.7	\$4,456.0	-\$3,581.3	\$0.0
		\$2,500.0	\$2,500.0
		\$4,456.0	\$4,456.0
		\$25,000.0	\$25,000.0
\$0.0	\$20,000.0	\$1,000.0	\$21,000.0
\$341,719.6	\$12,808,781.9	\$316,116.2	\$12,783,178.5
\$36,047.2	\$1,389,587.3	\$39,047.2	\$1,392,587.3
\$497,642.4	\$11,330,794.6	\$408,918.9	\$11,248,071.1
\$3,400.0	\$44,500.0	\$3,400.0	\$44,500.0
-\$50,370.0	\$23,700.0	-\$66,470.0	\$1,600.0
-\$145,000.0	\$20,200.0	-\$68,779.9	\$96,420.1
\$341,719.6	\$12,808,781.9	\$316,116.2	\$12,783,178.5