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BILL ANALYSIS

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House Bill 4721 (as enacted)
Sponsor: Representative Terry Brown
House Committee: Appropriations
Senate Committee: Appropriations

PUBLIC ACT 73 OF 2009

Date Completed: 7-30-09

CONTENT

The primary components of House Bill 4721 are the appropriation of \$600.0 million in Federal American Recovery and Reinvestment Act (ARRA) State Fiscal Stabilization Fund (SFSF) money and an increase in General Fund/General Purpose (GF/GP) revenue supporting the K-12 budget. These fund shifts fill in a \$429.0 million estimated shortfall in School Aid Fund (SAF) revenue as determined at the May 2009 Consensus Revenue Estimating Conference, with the balance of the appropriation being a "cushion" in the event revenue is lower than estimated in May. The appropriation of these funds means that no program reductions will be necessary in fiscal year (FY) 2008-09. A balance sheet is included under "Fiscal Impact" illustrating this funding, with an estimated \$171.0 million in SAF dollars as a balance carried into FY 2009-10 (i.e., the difference between the \$600.0 million ARRA appropriated and the \$429.0 million estimated shortfall). The \$600.0 million ARRA appropriation equates to \$370 per pupil.

In addition to the fund shifts detailed above, House Bill 4721 provides negative supplemental appropriations for FY 2008-09 in the School Aid budget. Due to technical savings accruing from fewer pupils and smaller program costs than anticipated, the bill reduces foundation allowance payments, special education costs, and renaissance zone payments; estimates of those savings (totaling \$111.6 million) were agreed to by the State Budget Office and the House and Senate Fiscal Agencies.

In addition to the technical cost adjustments noted above, the bill contains several other supplemental adjustments, totaling a negative \$7.5 million in State funds. Specifically, the bill reduces funding to the Center for Educational Performance and Information by \$1.5 million, reduces the appropriation for the 21st Century Small High Schools Program by \$7.0 million (to reflect the GF/GP reduction in Executive Order 2009-22), and appropriates \$1.0 million in additional School Bond Loan Fund debt service.

In addition to these changes, the bill includes a change in policy regarding developmental (D-K) and standard kindergarten programs. The law had required a district to provide a full day of developmental kindergarten beginning in the fall of 2009 in order to generate full foundation allowance funding, rather than operating a half day to generate full foundation allowance funding, as required from FY 1994-95 to FY 2008-09. This bill returns to the practice of requiring only a half day of instruction in either D-K or standard kindergarten programs in order for a district to receive full foundation allowance funding.

In addition, the bill includes language increasing from 15% to 20% the percentage of at-risk funding that eligible districts may spend on school security. The bill also states intent to appropriate portions of ARRA funding in FY 2009-10 for a program that focuses on ways to use 21st century learning environments that include high access to mobile technology to enable innovative teaching and learning strategies that help accelerate achievement in core academic subject areas, close achievement gaps, and prepare Michigan students for 21st century jobs.

The bill took effect on July 9, 2009.

MCL 388.1606 et al.

FISCAL IMPACT

The total fiscal impact of the bill is a negative appropriation of \$119.1 million, made up of the components described above. Included in the bill are fund shifts, where SAF revenue is decreased by \$637.2 million, replaced with \$600.0 million of ARRA SFSF and \$37.2 million GF/GP.

FY 2008-09 School Aid Fund Revenue, Expenditures and Year-End Balances (millions of dollars)	
	<u>FY 2008-09 Estimate</u>
Revenue:	
Beginning Balance	\$247.1
January 2009 Revenue Estimating Conference	11,368.7
May 2009 Adjustment to January Estimate	(425.0)
General Fund/General Purpose Grant (under House Bill 4721).....	78.0
Federal Aid (excluding ARRA)	<u>1,562.0</u>
Total Estimated Revenue	\$12,830.8
Expenditures:	
Year to Date Appropriations	\$13,378.9
House Bill 4721 Adjustments	<u>(119.1)</u>
Total Estimated Expenditures	\$13,259.8
Estimated FY 2008-09 School Aid Fund Balance	(\$429.0)
ARRA SFSF Appropriation in House Bill 4721	<u>\$600.0</u>
School Aid Fund Estimated Balance (carried into FY 2009-10)	\$171.0
Remaining ARRA SFSF available to be used in FY 2009-10 and/or FY 2010-11	\$634.1

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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.