

**Summary: Conference Budget Recommendation  
SCHOOL AID – HB 4887 (CR-1)  
FY 2005-06**

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	Recommended FY 2004-05 YTD	Executive	House	Senate	FY 2005-06 Conference	Difference: House from FY 2004-05 YTD	
						Amount	%
<b>IDG/IDT</b>	\$0	\$0	\$0	\$0	\$0	\$0	0.0
<b>Federal</b>	1,353,540,100	1,389,587,300	1,392,587,300	1,389,587,300	1,392,587,300	39,047,200	2.9
<b>Local</b>	0	0	0	0	0	0	0.0
<b>Private</b>	0	0	0	0	0	0	0.0
<b>Restricted</b>	10,948,322,200	11,398,994,600	11,294,171,200	11,276,595,200	11,302,100,000	353,777,800	3.2
<b>GF/GP</b>	165,200,000	20,200,000	96,420,100	70,396,200	62,714,000	(102,486,000)	(62.0)
<b>Gross</b>	<b>\$12,467,062,300</b>	<b>\$12,808,781,900</b>	<b>\$12,783,178,600</b>	<b>\$12,736,578,700</b>	<b>\$12,757,401,300</b>	<b>\$290,339,000</b>	<b>2.3</b>

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.

**Major Budget Changes from 2004-05 YTD Appropriations:**

		FY 2004-05 YTD (as of 6/30/05)	Conference Change From YTD
<b>1. Proposal A Obligation Payment</b>	<b>Gross</b>	<b>\$6,615,000,000</b>	<b>(\$156,000,000)</b>
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.	Restricted	\$6,615,600,000	(\$156,000,000)
<b>2. Discretionary Payment</b>	<b>Gross</b>	<b>\$2,923,200,000</b>	<b>\$274,536,800</b>
Recommends increasing the appropriation by \$274.5 million. This reflects a \$175 increase in the foundation allowance and elimination of Detroit Public Schools' \$15 million foundation allowance adjustment.	Restricted	\$2,923,200,000	\$274,536,800
<b>3. School Readiness Program – Competitive Grants</b>	<b>Gross</b>	<b>\$0</b>	<b>\$12,250,000</b>
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.	Restricted	\$0	\$12,250,000
<b>4. Detroit Transition Grant</b>	<b>Gross</b>	<b>\$0</b>	<b>\$7,000,000</b>
Appropriates \$7.0 million to Detroit Public Schools to assist in the transition from a Reform Board to an Elected School Board.	Restricted	\$0	\$7,000,000
<b>5. Special Education Funding</b>	<b>Gross</b>	<b>\$1,291,250,000</b>	<b>\$75,500,000</b>
Recommends an increase of \$59.5 million in school aid funds to cover anticipated costs associated with special education and increases federal special education funding by \$16.0 million.	Federal	394,850,000	16,000,000
	Restricted	\$896,383,000	\$59,500,000

<b>Major Budget Changes from 2004-05 YTD Appropriations:</b>		<b>FY 2004-05 YTD (as of 6/30/05)</b>	<b>Conference Change From YTD</b>
<b>6. Center for Education Performance and Information</b>	<b>Gross</b>	<b>\$3,546,300</b>	<b>\$1,996,900</b>
Recommends increasing the state appropriation by \$500,000 to a total of \$2.0 million for operations and increases federal funds by \$1.5 million for the development and implementation of a K-12 tracking system.	Federal	2,046,300	1,496,900
	GF/GP	\$1,500,000	\$500,000
<b>7. Michigan Virtual High School</b>	<b>Gross</b>	<b>\$3,000,000</b>	<b>\$2,000,000</b>
Recommends an increase of \$1.0 million for operations and increases the federal Title II funds by \$1.0 million to support e-learning and virtual school initiatives contained in the U.S. National Educational Technology Plan.	Federal	2,250,000	1,000,000
	GF/GP	\$750,000	\$1,000,000
<b>8. Freedom to Learn Grants</b>	<b>Gross</b>	<b>\$21,043,200</b>	<b>(\$15,293,200)</b>
Reduces the funding for the 6 <sup>th</sup> grade laptop program to \$500,000 in State funds and \$5.5 million in federal funds, of which \$3.0 million is from carryforward funding.	Federal	17,343,200	(11,843,200)
	Restricted	\$3,700,000	(\$3,450,000)
<b>9. Engineering Michigan's Future</b>	<b>Gross</b>	<b>\$0</b>	<b>\$3,850,000</b>
Appropriates \$3.85 million to ISDs on an equal per-constituent pupil basis, estimated to equal \$10 per student 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	\$3,850,000
<b>10. School Bond Redemption Fund</b>	<b>Gross</b>	<b>\$41,100,000</b>	<b>\$3,400,000</b>
Appropriates funding from the newly created school bond loan revolving fund to make payments for the debt service on the school bond loans. With the creation of 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.	Restricted	0	44,500,000
	GF/GP	\$41,100,000	(\$41,100,000)
<b>11. Renaissance Zone Reimbursement</b>	<b>Gross</b>	<b>\$36,200,000</b>	<b>\$8,800,000</b>
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.	Restricted	\$36,200,000	\$8,800,000
<b>12. Payment In Lieu of Taxes (PILT) Reimbursement</b>	<b>Gross</b>	<b>\$0</b>	<b>\$2,400,000</b>
Appropriates funding for the reimbursement to districts, ISDs, and community colleges for PILT obligations per PA 513 of 2004.	Restricted	\$0	\$2,400,000
<b>13. Adult Education Funding</b>	<b>Gross</b>	<b>\$20,000,000</b>	<b>\$1,000,000</b>
Increases funding for adult education programs by \$1.0 million to a total of \$21.0 million.	Restricted	\$20,000,000	\$1,000,000
<b>14. Special Education Evaluation Lending Library</b>	<b>Gross</b>	<b>\$0</b>	<b>\$250,000</b>
Appropriates \$250,000 to establish a lending library to provide special needs assessment tools to districts and ISDs.	Restricted	\$0	\$250,000
<b>15. At-Risk Program</b>	<b>Gross</b>	<b>\$314,200,000</b>	<b>\$0</b>
Maintains current-law funding.	Restricted	\$314,200,000	\$0
<b>16. Intermediate School Districts (ISDs) General Operations</b>	<b>Gross</b>	<b>\$77,702,100</b>	<b>\$0</b>
Maintains current-law funding for general operations of \$77.7 million and shifts funding for Sec. 32j (parent involvement program) back to that section.	Restricted	\$77,702,100	\$0

## **Major Boilerplate Changes from 2004-05:**

### ***Sec. 6(4)(r). Developmental Kindergarten – NEW***

Proposes that, beginning in FY 2006-07, pupils eligible for kindergarten but that instead are enrolled in a pre-kindergarten or developmental kindergarten class, or similar program, shall not be counted as pupils in membership. Instead, the actual costs associated with educating such pupils shall be reported and paid in a separate, non-foundation allowance section.

### ***Sec. 11(1). Revenue Sources – NEW***

Assumes \$0 in revenue from the elimination of tax expenditures, \$44.5 million from the revisions of the school bond loan fund and reduces the general fund contribution to \$62.7 million.

### ***Sec. 11(4). Proration Language – ELIMINATED***

Removes districts that are under an emergency financial manager 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.

### ***Sec. 20(20) and Sec. 33. Reform Board Allocation – MODIFIED***

Eliminates funding of \$15.0 million for a school district with a former reform board in place and adds a new section to assist Detroit Public Schools in the transition from reform board to elected school board.

### ***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.

### ***Sec. 39. Full-Day School Readiness Program – NEW***

Includes language to allow any school district to use its original funding level to provide either a half-day or full-day program, or some combination of the two programs, but will not receive additional dollars for running the full-day program.

### ***Sec. 51a. Special Education Itinerant Staff – MODIFIED***

Maintains current language adopted in PA 98 or 2005, 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. Allows any funding that would otherwise lapse from this section to pay affected districts or ISDs on a 2003-04 basis for 2004-05 only. If sufficient excess funds are not available to pay on a 2003-04 basis, then proration of the excess funds will occur on an equal percentage basis.

### ***Sec. 57. Advance and Accelerated Grants – MODIFIED***

Changes the current program from a per pupil allocation to a grant program allowing ISDs to apply for \$5,000 grants for summer institutes.

### ***Sec. 98. Michigan Virtual High School (MVHS) – MODIFIED***

Assigns new tasks to the MVHS including examining math and science curriculum needs for middle and high school students; increasing the catalog of online courses; conducting a pilot project to promote new online courses and activities, and begin the development of online practice assessments for grades 3-8 to meet NCLB requirements. The MVHS is allowed to contract with a third party on the grades 3-8 online assessments.

### ***Sec. 101. Days and Hours – MODIFIED***

Allows for a department-approved alternative education program to maintain at least 50% daily attendance and not be financially penalized under a three-year pilot study.

### ***Sec. 105 and 105c. Schools of Choice – MODIFIED***

Adds a provision to both sections which allows a district enrolling pupils under schools of choice guidelines to refuse to enroll a pupil convicted of a felony.

### ***Sec. 107b. Adult Learning Pilot Programs – ELIMINATED***

Repeals this section.

### ***Sec. 147. MPERS Contribution Subsidy – MODIFIED***

Estimates the percentage of payroll that districts must allocate for public school employee retirement at 16.34%.