

SCHOOL AID
Summary: FY 2010-11 Executive Recommendation



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IDG/IDT	FY 2009-10 YTD	FY 2010-11 Executive	FY 2010-11 Senate	FY 2010-11 House	FY 2010-11 Enacted	Difference: Executive From FY 2009-10 YTD	
						Amount	%
	\$0	\$0	\$0	\$0	\$0	\$0	--
Federal							
ARRA	450,000,000	184,256,600				(265,743,400)	(59.1)
Non-ARRA	1,601,759,400	1,680,072,300				78,312,900	4.9
Local	0	0				0	--
Private	0	0				0	--
Restricted	10,741,605,400	10,968,776,900				227,171,500	2.1
GF/GP	30,206,200	30,206,200				0	0.0
Gross	\$12,823,571,000	\$12,863,312,000				\$39,741,000	0.3

Note: FY 2009-10 figures reflect supplementals and Executive Order (EO) actions through January 31, 2010.

Overview

The School Aid budget makes appropriations to the state's 551 local school districts, 240 public school academies, and 57 intermediate school districts (ISDs) for operations and certain categorical programs. It also appropriates funds to the Center for Education Performance and Information, Department of Energy, Labor and Economic Growth, and other entities to implement certain grants and other programs related to K-12 education.

Major Budget Changes From FY 2009-10 YTD Appropriations

		FY 2009-10 YTD	Exec Change From YTD
1. Per Pupil Reduction of \$165 (Sec. 11d)		Gross (\$263,000,000)	\$2,300,000
Maintains the FY 2009-10 reduction of \$165 per pupil. Continues to allow districts to absorb the cut by reducing or eliminating any other funded program except Secs. 11g (Durant bond payment), 22a (Proposal A portion of the foundation allowance), 31d (school lunch program), 51a(12) (foundation allowance for special education students), 51c (special education 28% cost requirement), 53a (added costs for special education students) and adds Sec. 32d (school readiness district and competitive grants) to the protected list. (See major boilerplate for additional language changes.)	Restricted	(263,000,000)	2,300,000
2. Proposal A Obligation Payment (Sec. 22a)		Gross \$5,882,000,000	(\$90,000,000)
Reduces funding by \$90.0 million to incorporate estimates in taxable values and pupil memberships.	Restricted	5,882,000,000	(90,000,000)
3. Discretionary Payment (Sec. 22b)		Gross \$3,722,300,000	\$44,956,600
Appropriates \$3,583.0 million in state funds and \$184.3 in Federal ARRA funds for a total increase in overall funding of \$45.0 million from the current year to adjust for estimated decreases in taxable values and declining pupil estimates. Includes \$1.0 million for litigation costs related to property tax appeals that impact School Aid Fund revenues.	FedARRA	450,000,000	(265,743,400)
	Restricted	3,272,300,000	310,700,000
4. School Bond Loan Fund (Sec. 11j)		Gross \$40,000,000	\$5,134,000
Increases by \$5.1 million to pay increased interest payments.	Restricted	40,000,000	5,134,000
5. Juvenile Detention Facilities (Sec. 24a)		Gross \$2,523,200	(\$997,000)
Decrease costs due to facility closures and therefore fewer pupils.	Restricted	2,253,200	(997,000)
6. School Lunch Programs (Sec. 31d)		Gross \$395,001,100	\$30,000,000
Appropriates increased available Federal funds for free and reduced lunch reimbursements.	Federal	372,506,000	30,000,000
	Restricted	22,495,100	0

Major Budget Changes From FY 2009-10 YTD Appropriations	FY 2009-10 YTD	Exec Change From YTD
7. Special Education Payment (Sec. 51a)	Gross \$1,485,983,000	\$34,400,000
Increases funding by \$34.4 million to recognize increased available Federal funding.	Federal 424,700,000	35,000,000
	Restricted 1,061,283,000	(600,000)
8. School Bus Inspections (Sec. 74)	Gross \$0	\$453,600
Restores this section at a significantly reduced appropriation. Inspections would be done by school districts, with random audits conducted by the Michigan State Police.	Restricted 0	453,600
9. ISDs General Operations (Sec. 81)	Gross \$65,376,800	\$0
Maintains FY 2009-10 funding of \$65.4 million.	Restricted 65,376,800	0
10. CEPI (Sec. 94a)	Gross \$6,279,300	\$4,646,800
Increases the budget for the Center for Education Performance and Information (CEPI) in anticipation of federal grants to fund additional data requirements associated with the Race to the Top education reform package. (See major boilerplate for additional language changes.)	Federal 2,793,200	4,476,800
	Restricted 3,486,100	170,000

Major Boilerplate Changes From FY 2009-10

Sec. 6(6)(O). Requiring Permission of a Resident District to Count a Nonresident Pupil in Membership – NEW
Exempts a district from seeking permission from the resident district if the pupil transfers as a requirement of the resident district not making Adequate Yearly Progress (AYP) under No Child Left Behind.

Sec. 11(d). Implementation of Service Consolidation Plans – REVISED
Requires districts to implement service consolidation plans beginning with the 2011-2012 school year. The plans shall contain agreements to implement the most cost-effective method of providing the following services: purchasing, payroll, financial accounting, facilities maintenance, pupil transportation, human resources, technology, and food services. Requires each district and ISD to calculate a per pupil cost for each of the above services in the most cost-effective method possible.

If the district method is the most cost efficient, they may use it, but if not, it would require districts to use the ISD for those services for 2011-2012 or forfeit 1% of its foundation allowance. ISDs shall provide the most cost-effective method and may charge districts for the service. An ISD shall have 10% of its funding under Sec. 81 reduced if it does not offer any of the above services.

Per pupil costs shall be reported to the ISD by March 1, 2011 and all reports shall be made public at the next ISD board meeting.

Sec. 18. Pupil Accounting Field Audits - REVISED
Allows for districts operating a single building with less than 700 pupils to have field audit conducted biennially. An eligible district must have a stable pupil count and their previous two pupil count field audits must have had less than a 2% error rate.

Sec. 19. Required Annual Progress Reports - REVISED
Eliminates the annual progress report to the department on the continued implementation of the following sections in the school code; Sec. 1204a (annual education report), Sec. 1277 (school improvement plan), Sec. 1278 (core academic curriculum), and Sec. 1280 (accreditation). This does not eliminate the reporting requirement under No Child Left Behind.

Sec. 20. PSA Foundation Allowance - REVISED
Corrects a technical issue impacting foundation allowances for PSAs located in a district that is funded with 100% local revenue. Current formula allows for an increase in the foundation allowance for PSAs to be based on total state and local revenue and not actual foundation allowance. All future increases to PSA foundation allowances shall be calculated on increases to the foundation allowance of the school district the PSA is located in.

Sec. 22e. MBT Impact on Out of Formula Districts – REVISED
Changes eligibility requirements such that a district must have received a grant in FY 2008-09 to receive further funding. Caps the amount a district may receive to the lesser of the amount they received in FY 2008-09 or the calculated amount in the current year.

Sec. 32d. Great Start School Readiness - District and Competitive Grants – REVISED
Eliminates the Parents Involved in Education (PIE) option as an allowable use for the grants. Changes the requirement that programs serve at least 75% of students (up from 50%) from families with a household income of 300% or less of the federal poverty level.

Major Boilerplate Changes From FY 2009-10

Sec. 32l. Great Start School Readiness - Competitive Grants – NEW

Gives priority for continued funding in FY 2011-12 and FY 2012-13 to programs that receive a new grant in FY 2010-11.

Sec. 51a(7)(c). Special Education Lapse for Itinerant Staff Reimbursement– ELIMINATED

Provides language that allows Sec. 51a funds unspent at bookclosing to be allocated as additional reimbursements in certain situations for FY 2009-10.

Sec. 94a. Center for Educational Performance (CEPI) – REVISED

Clarifies and adds language stating the main functions of CEPI are to: (1) coordinate data collection, (2) create, maintain and enhance the statewide longitudinal data system, (3) collect data in the most efficient manner possible including the electronic transcript services, and (4) create, maintain and enhance the web-based educational portal.

Sec. 101. Professional Development Requirement – REVISED

Clarifies implementation date of language that was added in 2009 that allows a district to count up to 38 hours of professional development as instructional hours only if at least 5 of those hours are provided online either my Michigan Virtual University or by another department-approved intermediate district provider of online professional development. It would take effect for school year 2010-11 or, if this subsection conflicts with a current bargaining agreement, after that agreement expires.

Sec. 104. Assessment Testing and Funding – REVISED

Strikes language which requires the Department to replace the MEAP social studies test with the "Explore" exam if it is as robust as the MEAP test, and to apply for a federal waiver if replacing the MEAP. The Department sent a letter to the Legislature (February 11, 2010) stating that the "Explore" test is not more robust than the MEAP. Also strikes language requiring the Department to seek a federal waiver to replace the 3rd through 8th grade MEAP test with an "off the shelf" test.

Sec. 147. MPSERS Retirement Rate – REVISED

Estimates percentage of payroll districts must pay for public school employee retirement at 19.41% which is a 2.47% increase over FY 2009-10's rate of 16.94%. Also decreases the amortization period from 28 years to 27.

Enacting Section 2 – REPEALS SECTIONS

Repeals the following: Sec. 32c (early childhood grants), Sec. 32n (before- and after-school program), Sec. 57 (advanced and accelerated program), Sec. 98a (intent language to fund 21st century learning initiatives), Sec. 99p (cultural access grants) and Sec. 166 (5% penalty if providing family planning drugs or abortion referrals).

<u>Supplemental Budget Request For FY 2009-10</u>		<u>FY 2009-10 YTD</u>	<u>Exec Change From YTD</u>
1. Cash Flow Borrowing Costs (Sec. 11m)		Gross \$45,000,000	(\$15,000,000)
Reduces the FY 2009-10 appropriation for School Aid Fund borrowing costs due to lower interest costs.	Restricted	45,000,000	(15,000,000)
2. Proposal A Obligation Payment (Sec. 22a)		Gross \$5,882,000,000	(\$85,000,000)
Reduces funding by \$85.0 million to incorporate estimates in taxable values and pupil memberships.	Restricted	5,882,000,000	(85,000,000)
3. Discretionary Payment (Sec. 22b)		Gross \$3,722,300,000	\$19,700,000
Increases funding by \$19.7 million to adjust for changes in taxable value and pupil estimates.	FedARRA	450,000,000	0
	Restricted	3,272,300,000	19,700,000
4. Juvenile Detention Facilities (Sec. 24a)		Gross \$2,523,200	(\$771,900)
Decrease costs due to facility closures and therefore fewer pupils.	Restricted	2,253,200	(771,900)
5. Special Education Payment (Sec. 51a)		Gross \$1,485,983,000	(\$42,700,000)
Decreases funding by \$42.7 million to reflect changes in special education cost estimates.	Federal	424,700,000	0
	Restricted	1,061,283,000	(42,700,000)
6. CEPI (Sec. 94a)		Gross \$6,279,300	\$15,864,200
Increases the budget for the Center for Education Performance and Information (CEPI) in anticipation of federal grants to fund additional data requirements associated with the Race to the Top education reform package.	Federal	2,793,200	15,864,200
	Restricted	3,486,100	0

SCHOOL AID BALANCE SHEET
(Dollars In Millions)

	Exec Rec PA 121 Feb-10 <u>FY 2009-10</u>	Exec Rec Feb-10 <u>FY 2010-11</u>
ESTIMATES OF SCHOOL AID FUND		
Beginning Balance	\$238.2	\$78.5
Revenue Estimate (Jan 2010)	<u>\$10,458.1</u>	<u>\$10,480.5</u>
Subtotal	\$10,696.30	\$10,559.0
ESTIMATED OTHER SCHOOL AID REVENUE		
General Fund/General Purpose Grant (PA 73 of 2009)	\$30.2	\$30.2
Service Tax	-	554.3
Lottery Reform	-	5.0
Treasury Reform	-	2.3
Federal AARA (PA 73 of 2009)	450.0	184.1
Federal Aid	<u>1,617.6</u>	<u>1,680.1</u>
Subtotal	\$2,097.8	\$2,456.0
TOTAL REVENUE	\$12,794.1	\$13,015.0
ESTIMATED EXPENDITURES		
ESTIMATED EXPENDITURES		
YTD appropriations (including vetoes)	\$12,823.5	\$12,863.3
Taxable Value Adjustments	(108.0)	-
Pupil Count Adjusts	36.0	-
Special Education Adjustments	(36.0)	-
School Aid Borrowing Costs	(15.0)	-
Federal Program Adjustments	15.9	-
Other Adjustments	<u>(0.8)</u>	<u>-</u>
TOTAL EXPENDITURES	\$12,715.6	\$12,863.3
ESTIMATED YEAR-END SCHOOL AID FUND BALANCE	\$78.5	\$151.7
ESTIMATED ARRA BALANCE	\$184.1	\$0.0
ESTIMATED TOTAL CARRY FORWARD AVAILABLE	\$262.6	\$151.7

SCHOOL AID LINE ITEM SUMMARY



Sec.	Foundation Allowance Increases:
11d	Per Pupil Reduction
11g	Durant - Debt Service
11j	School Bond Redemption Fund
11m	Cash Flow Borrowing Costs
22a	Proposal A Obligation Payment
22b	Discretionary Payment - State
22b	Discretionary Payment - Federal ARRA
22d	Isolated District Funding
22e	MBT Impact on Out of Formula Districts
24	Court-Placed Pupils
24a	Juvenile Detention Facility Programs
24c	Challenge Program
26a	Renaissance Zone Reimbursement
26b	PILT Reimbursement
29	Declining Enrollment Grants
31a	"At Risk" Pupil Support
31a(6)	Adolescent Health Centers
31a(7)	Hearing and Vision Screening
31d	State School Lunch Programs
31d	Federal School Lunch Programs
31f	School Breakfast Program
32b	ECIC Collaborative Grants
32d	School Readiness - District Grants
32d	School Readiness - Competitive
32j	Great Parents Great Start ISD programs
39a1	Federal "No Child Left Behind"
39a2	Other Federal Funding
41	Bilingual Education - State
51a	Special Education - Federal
51a	Special Education - State
61a	Vocational Education
62	ISD Voc. Ed Millage Equalization
64	Health/Science Middle College Program
65	Precollege Engineering Grants
74	Bus Driver Safety Instruction
74	School Bus Inspections
81	ISD General Operations Support
94a	Center for Educational Performance (CEPI)

FY 2009-10		
PA 121 of 2009 Enacted	Proposed Supplemental	Revised Appropriations
		2/11/2011
		(\$263,000,000)
		\$39,000,000
		\$40,000,000
		\$45,000,000
		(\$15,000,000)
		\$30,000,000
		\$5,882,000,000
		(\$85,000,000)
		\$5,797,000,000
		\$3,272,300,000
		\$19,700,000
		\$3,292,000,000
		\$450,000,000
		\$450,000,000
		\$2,025,000
		\$2,025,000
		\$1,300,000
		\$1,300,000
		\$8,000,000
		\$8,000,000
		\$2,523,200
		(\$771,900)
		\$1,751,300
		\$642,300
		\$642,300
		\$35,500,000
		\$35,500,000
		\$3,400,000
		\$3,400,000
		\$20,000,000
		\$20,000,000
		\$308,988,200
		\$308,988,200
		\$3,557,300
		\$3,557,300
		\$5,150,000
		\$5,150,000
		\$22,495,100
		\$22,495,100
		\$372,506,000
		\$372,506,000
		\$9,625,000
		\$9,625,000
		\$6,000,000
		\$6,000,000
		\$88,400,000
		\$88,400,000
		\$7,575,000
		\$7,575,000
		\$5,000,000
		\$5,000,000
		\$752,937,500
		\$752,937,500
		\$32,559,700
		\$32,559,700
		\$2,800,000
		\$2,800,000
		\$424,700,000
		\$424,700,000
		\$1,061,283,000
		(\$42,700,000)
		\$1,018,583,000
		\$26,611,300
		\$26,611,300
		\$9,000,000
		\$9,000,000
		\$2,000,000
		\$2,000,000
		\$905,100
		\$905,100
		\$1,625,000
		\$1,625,000
		\$0
		\$0
		\$65,376,800
		\$65,376,800
		\$3,486,100
		\$3,486,100

FY 2010-11	
Change From YTD Enacted	Executive Recommendation
	2/11/2011
	\$2,300,000
	(\$260,700,000)
	\$39,000,000
	\$5,134,000
	\$45,134,000
	\$0
	\$45,000,000
	(\$90,000,000)
	\$5,792,000,000
	\$310,700,000
	\$3,583,000,000
	(\$265,743,400)
	\$184,256,600
	\$2,025,000
	\$2,025,000
	\$1,300,000
	\$1,300,000
	\$8,000,000
	\$8,000,000
	(\$997,000)
	\$1,526,200
	\$10,900
	\$653,200
	\$35,500,000
	\$35,500,000
	\$3,400,000
	\$3,400,000
	\$20,000,000
	\$20,000,000
	\$308,988,200
	\$308,988,200
	\$3,557,300
	\$3,557,300
	\$5,150,000
	\$5,150,000
	\$22,495,100
	\$22,495,100
	\$30,000,000
	\$402,506,000
	\$9,625,000
	\$9,625,000
	\$6,000,000
	\$6,000,000
	\$88,400,000
	\$88,400,000
	\$7,575,000
	\$7,575,000
	\$5,000,000
	\$5,000,000
	\$9,036,100
	\$761,973,600
	(\$200,000)
	\$32,359,700
	\$2,800,000
	\$2,800,000
	\$35,000,000
	\$459,700,000
	(\$600,000)
	\$1,060,683,000
	\$26,611,300
	\$26,611,300
	\$9,000,000
	\$9,000,000
	\$2,000,000
	\$2,000,000
	\$905,100
	\$905,100
	\$1,625,000
	\$1,625,000
	\$453,600
	\$453,600
	\$65,376,800
	\$65,376,800
	\$170,000
	\$3,656,100

SCHOOL AID LINE ITEM SUMMARY



94a	CEPI - Federal
98	Michigan Virtual High School (MVHS)
98	MVHS - Federal
99	Math/Science Centers - State
99	Math/Science Centers - Federal
99i	Pontiac Crisis Intervention
104	MEAP Testing - State
104	MEAP Testing - Federal
107	Adult Education - State
TOTAL APPROPRIATIONS	

REVENUE BY SOURCE	
Federal Aid	
Federal ARRA	
School Aid Fund	
General Fund/General Purpose	
TOTAL REVENUE	

FY 2009-10		
PA 121 of 2009 Enacted	Proposed Supplemental	Revised Appropriations
\$2,793,200	\$15,864,200	\$18,657,400
\$1,687,500		\$1,687,500
\$2,700,000		\$2,700,000
\$2,625,000		\$2,625,000
\$5,249,300		\$5,249,300
\$300,000		\$300,000
\$26,630,700		\$26,630,700
\$8,313,700		\$8,313,700
\$22,000,000		\$22,000,000
\$12,823,571,000	(\$107,907,700)	\$12,715,663,300

\$1,601,759,400	\$15,864,200	\$1,617,623,600
\$450,000,000	\$0	\$450,000,000
\$10,741,605,400	(\$123,771,900)	\$10,617,833,500
\$30,206,200		\$30,206,200
\$12,823,571,000	(\$107,907,700)	\$12,715,663,300

FY 2010-11	
Change From YTD Enacted	Executive Recommendation
\$4,476,800	\$7,270,000
	\$1,687,500
	\$2,700,000
	\$2,625,000
	\$5,249,300
	\$300,000
	\$26,630,700
	\$8,313,700
	\$22,000,000
\$39,741,000	\$12,863,312,000

\$78,312,900	\$1,680,072,300
(\$265,743,400)	\$184,256,600
\$227,171,500	\$10,968,776,900
	\$30,206,200
\$39,741,000	\$12,863,312,000