

SCHOOL AID: FY 2010-11
Summary: As Passed the Senate
Senate Bill 1163 (S-1) as Amended 3/24/10



Analysts: Mary Ann Cleary and Bethany Wicksall

IDG/IDT	FY 2009-10 YTD	FY 2010-11 Executive	FY 2010-11 Senate	FY 2010-11 House	FY 2010-11 Enacted	Difference: Senate From FY 2009-10 YTD	
						Amount	%
	\$0	\$0	\$0	\$0	\$0	\$0	--
Federal							
ARRA	450,000,000	184,256,600	184,256,600	0	0	(265,743,400)	(59.1)
Non-ARRA	1,601,759,400	1,680,072,300	1,680,072,300	0	0	78,312,900	4.9
Local	0	0	0	0	0	0	--
Private	0	0	0	0	0	0	--
Restricted	10,741,605,400	10,968,776,900	10,617,876,900	0	0	(123,728,500)	(1.2)
GF/GP	30,206,200	30,206,200	225,606,200	0	0	195,400,000	646.9
Gross	\$12,823,571,000	\$12,863,312,000	\$12,707,812,000	\$0	\$0	(\$115,759,000)	(0.9)

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	Senate Change From YTD
1. Per Pupil Reduction of \$165 (Sec. 11d)	Gross (\$263,000,000)	(\$184,713,100)
Executive 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.	Restricted (263,000,000)	(184,713,100)
Senate increases the \$165 per pupil reduction to \$283 for a further reduction of \$118 per pupil and does not concur with protecting Sec. 32d (school readiness district and competitive grants).		
(See Major Boilerplate below for additional language changes.)		
2. Proposal A Obligation Payment (Sec. 22a)	Gross \$5,882,000,000	(\$90,000,000)
Executive and Senate 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	\$96,456,600
Executive 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)
Senate concurs with Executive and adds an additional \$51.5 million for foundation allowance increases of \$10 - \$20 per pupil under the 2x formula and restoration of Sec. 20j payments at 50% of FY 2008-09 levels. The \$51.5 million is contingent on passage of SB 884 (tax amnesty) by September 30, 2010.	Restricted 3,272,300,000	362,200,000

(See Major Boilerplate below for additional language changes.)

Major Budget Changes From FY 2009-10 YTD Appropriations		FY 2009-10 YTD	Senate Change From YTD
4. School Loan Bond Redemption Fund (Sec. 11j)	Gross	\$40,000,000	\$5,134,000
Executive and Senate increase 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	(\$1,083,200)
Executive decreases total costs by \$997,000 to recognize DHS facility closures and therefore fewer pupils and to provide for economic increases.	Restricted	2,253,200	(1,083,200)
Senate does not concur with economic increases of \$86,200.			
6. Youth Challenge Program (Sec. 24c)	Gross	\$642,300	\$0
Executive maintains funding with an economic increase of \$10,900.	Restricted	642,300	0
Senate does not concur with economic increases of \$10,900.			
7. Declining Enrollment Grants (Sec. 29)	Gross	\$20,000,000	(\$20,000,000)
Executive maintains funding at the current year level of \$20 million.	Restricted	20,000,000	(20,000,000)
Senate eliminates funding and repeals the section.			
8. School Lunch Programs (Sec. 31d)	Gross	\$395,001,100	\$30,000,000
Executive and Senate appropriate increased available Federal funds for free and reduced lunch reimbursements.	Federal	372,506,000	30,000,000
	Restricted	22,495,100	0
9. Great Start School Readiness (Sec. 32d)	Gross	\$95,975,000	\$0
Executive and Senate maintain funding at current year level of \$88.1 million in School Aid Fund revenue and \$7.9 million in GF/GP revenue.	Restricted	88,100,000	0
	GF/GP	7,875,000	0
10. Federal Grants (including No Child Left Behind)	Gross	\$785,497,200	\$8,836,100
Executive and Senate increase funding by \$8.8 million to recognize increased available Federal funding.	Federal	785,497,200	8,836,100
11. Special Education Payment (Sec. 51a)	Gross	\$1,485,983,000	\$34,400,000
Executive and Senate increase 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)
12. School Bus Inspections (Sec. 74)	Gross	\$0	\$433,800
Executive restores this section at a significantly reduced appropriation of \$453,600. Inspections would be done by school districts with random audits conducted by the Michigan State Police.	Restricted	0	433,800
Senate does not concur with economic increases of 19,800.			
13. ISDs General Operations (Sec. 81)	Gross	\$65,376,800	\$0
Executive and Senate maintain FY 2009-10 funding level of \$65.4 million.	Restricted	65,376,800	0
14. Postsecondary Agriculture Education Program (Sec. 92)	Gross	N/A	\$300,000
Senate appropriates \$300,000 to Saginaw Valley State University for the purpose of establishing an agriculture education program.	Restricted	N/A	300,000
15. CEPI (Sec. 94a)	Gross	\$6,279,300	\$4,476,800
Executive increases the budget for the Center for Education Performance and Information (CEPI) by \$170,000 for economics and by \$4.5 million in anticipation of Federal grants to fund additional data requirements associated with the Race to the Top education reform package.	Federal	2,793,200	4,476,800
Senate does not concur with economic increases of \$170,000.	GF/GP	3,486,100	0

(See Major Boilerplate below for additional language changes.)

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
Executive and Senate exempt 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

Executive 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.

Senate does not include Executive proposed language but requires districts to report on current efforts to consolidate services by February 1, 2011.

Sec. 18. Pupil Accounting Field Audits - REVISED

Executive and Senate allow 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

Executive and Senate eliminate 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

Executive and Senate correct 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. 20. Foundation Allowance Increase - NEW

Senate increases the foundation allowance by \$10-\$20 per pupil under the 2x formula for FY 2009-10 and FY 2010-11. The increase in funding is contingent on passage of SB 884 (tax amnesty) by September 30, 2010.

Sec. 20j. Additional Calculation for Hold Harmless Districts - NEW

Senate restores 50% of the funding that was vetoed by the Governor in the FY 2009-10 budget for FY 2009-10 and FY 2010-11. The increase in funding is contingent on passage of SB 884 (tax amnesty) by September 30, 2010.

Sec. 22e. MBT Impact on Out of Formula Districts – REVISED

Executive 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.

Senate changes eligibility requirements to allow new grantees to receive funding, however, no grantee could receive more than 15% of the appropriation. This change is effective starting in FY 2009-10.

Sec. 32d. Great Start School Readiness - District and Competitive Grants – REVISED

Executive 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. Strikes language that allows teachers in subcontracted programs with out the required degrees to be able to continue to teach if they have 90 credit hours and at least four years' teaching experience.

Senate maintains the 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.

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

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

Major Boilerplate Changes From FY 2009-10

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

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

Senate maintains current law language with date change.

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

Executive 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. Creates a P-20 advisory council.

Senate 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. Does not include the P-20 advisory council and retains current CEPI advisory council.

Sec. 101. Professional Development Requirement – REVISED

Executive 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.

Senate removes the requirement of 5 hours of online professional development. Requires districts that currently provide 170 days of instruction or more in FY 2009-10 to provide no fewer than 170 days of instruction in FY 2010-11.

Sec. 104. Assessment Testing and Funding – REVISED

Executive and Senate strike 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

Executive 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.

Senate estimates percentage of payroll districts must pay for public school employee retirement at 17.08% which is a .14% increase over FY 2009-10's rate of 16.94%. Also decreases the amortization period from 28 years to 27.

Sec. 166c. Basic Materials Hotline/Claims Process – REVISED

Senate requires districts to ensure that teachers have adequate access to basic instructional supplies. Allows the district to determine what constitutes basic instructional supplies, rather than the Department, and strikes the claims process and hotline. Also strikes the financial penalty language.

Enacting Section 2 – REPEALS SECTIONS

Executive 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).

Senate repeals the following: Sec. 29 (declining enrollment grants), 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), and Sec. 99p (cultural access grants).

Supplemental Budget Request For FY 2009-10		FY 2009-10 YTD	Senate Change From YTD
1. Cash Flow Borrowing Costs (Sec. 11m)	Gross	\$45,000,000	(\$15,000,000)
Executive and Senate 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)
Executive and Senate reduces funding by \$85.0 million to incorporate estimates in taxable values and pupil memberships.	Restricted	5,882,000,000	(85,000,000)

Supplemental Budget Request For FY 2009-10

FY 2009-10 YTD

**Senate Change
From YTD**

3. Discretionary Payment (Sec. 22b)

Executive increases funding by \$19.7 million to adjust for changes in taxable value and pupil estimates.

Senate concurs with Executive and adds an additional \$51.5 million for \$10 per pupil foundation allowance increases and Sec. 20j payments (at 50% of original level). The \$51.5 million is contingent on passage of SB 884 (tax amnesty) by September 30, 2010.

Gross	\$3,722,300,000	\$71,200,000
FedARRA	450,000,000	0
Restricted	3,272,300,000	71,200,000

4. Juvenile Detention Facilities (Sec. 24a)

Executive and Senate decreases costs due to facility closures and therefore fewer pupils.

Gross	\$2,523,200	(\$771,900)
Restricted	2,253,200	(771,900)

5. Special Education Payment (Sec. 51a)

Executive and Senate decreases funding by \$42.7 million to reflect changes in special education cost estimates.

Gross	\$1,485,983,000	(\$42,700,000)
Federal	424,700,000	0
Restricted	1,061,283,000	(42,700,000)

6. CEPI (Sec. 94a)

Executive and Senate 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.

Gross	\$6,279,300	\$15,864,200
Federal	2,793,200	15,864,200
Restricted	3,486,100	0

SCHOOL AID LINE ITEM SUMMARY



Sec.	Foundation Allowance Increases:	FY 2009-10			FY 2010-11		FY 2010-11	
		PA 121 of 2009 Enacted	Proposed Executive Supplemental	Revised Appropriations	Change From YTD Enacted	Executive Recommendation	Change From YTD Enacted	Senate Passed (SB 1163)
11d	Per Pupil Reduction	(\$263,000,000)		(\$263,000,000)	\$2,300,000	(\$260,700,000)	(\$184,713,100)	(\$447,713,100)
11g	Durant - Debt Service	\$39,000,000		\$39,000,000		\$39,000,000		\$39,000,000
11j	School Bond Redemption Fund	\$40,000,000		\$40,000,000	\$5,134,000	\$45,134,000	\$5,134,000	\$45,134,000
11m	Cash Flow Borrowing Costs	\$45,000,000	(\$15,000,000)	\$30,000,000	\$0	\$45,000,000	\$0	\$45,000,000
22a	Proposal A Obligation Payment	\$5,882,000,000	(\$85,000,000)	\$5,797,000,000	(\$90,000,000)	\$5,792,000,000	(\$90,000,000)	\$5,792,000,000
22b	Discretionary Payment - State	\$3,272,300,000	\$19,700,000	\$3,292,000,000	\$310,700,000	\$3,583,000,000	\$362,200,000	\$3,634,500,000
22b	Discretionary Payment - Federal ARRA	\$450,000,000		\$450,000,000	(\$265,743,400)	\$184,256,600	(\$265,743,400)	\$184,256,600
22d	Isolated District Funding	\$2,025,000		\$2,025,000		\$2,025,000		\$2,025,000
22e	MBT Impact on Out of Formula Districts	\$1,300,000		\$1,300,000		\$1,300,000		\$1,300,000
24	Court-Placed Pupils	\$8,000,000		\$8,000,000		\$8,000,000		\$8,000,000
24a	Juvenile Detention Facility Programs	\$2,523,200	(\$771,900)	\$1,751,300	(\$997,000)	\$1,526,200	(\$1,083,200)	\$1,440,000
24c	Challenge Program	\$642,300		\$642,300	\$10,900	\$653,200		\$642,300
26a	Renaissance Zone Reimbursement	\$35,500,000		\$35,500,000		\$35,500,000		\$35,500,000
26b	PILT Reimbursement	\$3,400,000		\$3,400,000		\$3,400,000		\$3,400,000
29	Declining Enrollment Grants	\$20,000,000		\$20,000,000		\$20,000,000	(\$20,000,000)	\$0
31a	"At Risk" Pupil Support	\$308,988,200		\$308,988,200		\$308,988,200		\$308,988,200
31a(6)	Adolescent Health Centers	\$3,557,300		\$3,557,300		\$3,557,300		\$3,557,300
31a(7)	Hearing and Vision Screening	\$5,150,000		\$5,150,000		\$5,150,000		\$5,150,000
31d	State School Lunch Programs	\$22,495,100		\$22,495,100		\$22,495,100		\$22,495,100
31d	Federal School Lunch Programs	\$372,506,000		\$372,506,000	\$30,000,000	\$402,506,000	\$30,000,000	\$402,506,000
31f	School Breakfast Program	\$9,625,000		\$9,625,000		\$9,625,000		\$9,625,000
32b	ECIC Collaborative Grants	\$6,000,000		\$6,000,000		\$6,000,000		\$6,000,000
32d	School Readiness - District Grants	\$88,400,000		\$88,400,000		\$88,400,000		\$88,400,000
32d	School Readiness - Competitive	\$7,575,000		\$7,575,000		\$7,575,000		\$7,575,000
32j	Great Parents Great Start ISD programs	\$5,000,000		\$5,000,000		\$5,000,000		\$5,000,000
39a1	Federal "No Child Left Behind"	\$752,937,500		\$752,937,500	\$9,036,100	\$761,973,600	\$9,036,100	\$761,973,600
39a2	Other Federal Funding	\$32,559,700		\$32,559,700	(\$200,000)	\$32,359,700	(\$200,000)	\$32,359,700
41	Bilingual Education - State	\$2,800,000		\$2,800,000		\$2,800,000		\$2,800,000
51a	Special Education - Federal	\$424,700,000		\$424,700,000	\$35,000,000	\$459,700,000	\$35,000,000	\$459,700,000
51a	Special Education - State	\$1,061,283,000	(\$42,700,000)	\$1,018,583,000	(\$600,000)	\$1,060,683,000	(\$600,000)	\$1,060,683,000
61a	Vocational Education	\$26,611,300		\$26,611,300		\$26,611,300		\$26,611,300
62	ISD Voc. Ed Millage Equalization	\$9,000,000		\$9,000,000		\$9,000,000		\$9,000,000
64	Health/Science Middle College Program	\$2,000,000		\$2,000,000		\$2,000,000		\$2,000,000
65	Precollege Engineering Grants	\$905,100		\$905,100		\$905,100		\$905,100
74	Bus Driver Safety Instruction	\$1,625,000		\$1,625,000		\$1,625,000		\$1,625,000
74	School Bus Inspections	\$0		\$0	\$453,600	\$453,600	\$433,800	\$433,800
81	ISD General Operations Support	\$65,376,800		\$65,376,800		\$65,376,800		\$65,376,800
92	Postsecondary Agriculture Educ Prgm (SVSU)	\$0		\$0		\$0	\$300,000	\$300,000
94a	Center for Educational Performance (CEPI)	\$3,486,100		\$3,486,100	\$170,000	\$3,656,100		\$3,486,100
94a	CEPI - Federal	\$2,793,200	\$15,864,200	\$18,657,400	\$4,476,800	\$7,270,000	\$4,476,800	\$7,270,000
98	Michigan Virtual High School (MVHS)	\$1,687,500		\$1,687,500		\$1,687,500		\$1,687,500
98	MVHS - Federal	\$2,700,000		\$2,700,000		\$2,700,000		\$2,700,000
99	Math/Science Centers - State	\$2,625,000		\$2,625,000		\$2,625,000		\$2,625,000
99	Math/Science Centers - Federal	\$5,249,300		\$5,249,300		\$5,249,300		\$5,249,300
99i	Pontiac Crisis Intervention	\$300,000		\$300,000		\$300,000		\$300,000
104	MEAP Testing - State	\$26,630,700		\$26,630,700		\$26,630,700		\$26,630,700
104	MEAP Testing - Federal	\$8,313,700		\$8,313,700		\$8,313,700		\$8,313,700
107	Adult Education - State	\$22,000,000		\$22,000,000		\$22,000,000		\$22,000,000
	TOTAL APPROPRIATIONS	\$12,823,571,000	(\$107,907,700)	\$12,715,663,300	\$39,741,000	\$12,863,312,000	(\$115,759,000)	\$12,707,812,000

SCHOOL AID LINE ITEM SUMMARY



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 Executive Supplemental	Revised Appropriations
\$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	\$0	\$30,206,200
\$12,823,571,000	(\$107,907,700)	\$12,715,663,300

FY 2010-11	
Change From YTD Enacted	Executive Recommendation
\$78,312,900	\$1,680,072,300
(\$265,743,400)	\$184,256,600
\$227,171,500	\$10,968,776,900
\$0	\$30,206,200
\$39,741,000	\$12,863,312,000

FY 2010-11	
Change From YTD Enacted	Senate Passed (SB 1163)
\$78,312,900	\$1,680,072,300
(\$265,743,400)	\$184,256,600
(\$123,728,500)	\$10,617,876,900
\$195,400,000	\$225,606,200
(\$115,759,000)	\$12,707,812,000