

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



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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: Senate From FY 2009-10 YTD	
						Amount	%
	\$0	\$0	\$0	\$0	\$0	\$0	--
<b>Federal</b>							
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
<b>Local</b>	0	0	0	0	0	0	--
<b>Private</b>	0	0	0	0	0	0	--
<b>Restricted</b>	10,741,605,400	10,968,776,900	10,617,876,900	0	0	(123,728,500)	(1.2)
<b>GF/GP</b>	30,206,200	30,206,200	225,606,200	0	0	195,400,000	646.9
<b>Gross</b>	<b>\$12,823,571,000</b>	<b>\$12,863,312,000</b>	<b>\$12,707,812,000</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$115,759,000)</b>	<b>(0.9)</b>

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
<b>1. Per Pupil Reduction of \$165 (Sec. 11d)</b>	<b>Gross (\$263,000,000)</b>	<b>(\$184,713,100)</b>
<b>Executive</b> 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)
<b>Senate</b> 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.)		
<b>2. Proposal A Obligation Payment (Sec. 22a)</b>	<b>Gross \$5,882,000,000</b>	<b>(\$90,000,000)</b>
<b>Executive and Senate</b> reduces funding by \$90.0 million to incorporate estimates in taxable values and pupil memberships.	Restricted 5,882,000,000	(90,000,000)
<b>3. Discretionary Payment (Sec. 22b)</b>	<b>Gross \$3,722,300,000</b>	<b>\$96,456,600</b>
<b>Executive</b> 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)
<b>Senate</b> 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.)

<b>Major Budget Changes From FY 2009-10 YTD Appropriations</b>		<b>FY 2009-10 YTD</b>	<b>Senate Change From YTD</b>
<b>4. School Loan Bond Redemption Fund (Sec. 11j)</b>	<b>Gross</b>	<b>\$40,000,000</b>	<b>\$5,134,000</b>
<b>Executive and Senate</b> increase by \$5.1 million to pay increased interest payments.	Restricted	40,000,000	5,134,000
<b>5. Juvenile Detention Facilities (Sec. 24a)</b>	<b>Gross</b>	<b>\$2,523,200</b>	<b>(\$1,083,200)</b>
<b>Executive</b> 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)
<b>Senate</b> does not concur with economic increases of \$86,200.			
<b>6. Youth Challenge Program (Sec. 24c)</b>	<b>Gross</b>	<b>\$642,300</b>	<b>\$0</b>
<b>Executive</b> maintains funding with an economic increase of \$10,900.	Restricted	642,300	0
<b>Senate</b> does not concur with economic increases of \$10,900.			
<b>7. Declining Enrollment Grants (Sec. 29)</b>	<b>Gross</b>	<b>\$20,000,000</b>	<b>(\$20,000,000)</b>
<b>Executive</b> maintains funding at the current year level of \$20 million.	Restricted	20,000,000	(20,000,000)
<b>Senate</b> eliminates funding and repeals the section.			
<b>8. School Lunch Programs (Sec. 31d)</b>	<b>Gross</b>	<b>\$395,001,100</b>	<b>\$30,000,000</b>
<b>Executive and Senate</b> appropriate increased available Federal funds for free and reduced lunch reimbursements.	Federal	372,506,000	30,000,000
	Restricted	22,495,100	0
<b>9. Great Start School Readiness (Sec. 32d)</b>	<b>Gross</b>	<b>\$95,975,000</b>	<b>\$0</b>
<b>Executive and Senate</b> 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
<b>10. Federal Grants (including No Child Left Behind)</b>	<b>Gross</b>	<b>\$785,497,200</b>	<b>\$8,836,100</b>
<b>Executive and Senate</b> increase funding by \$8.8 million to recognize increased available Federal funding.	Federal	785,497,200	8,836,100
<b>11. Special Education Payment (Sec. 51a)</b>	<b>Gross</b>	<b>\$1,485,983,000</b>	<b>\$34,400,000</b>
<b>Executive and Senate</b> 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)
<b>12. School Bus Inspections (Sec. 74)</b>	<b>Gross</b>	<b>\$0</b>	<b>\$433,800</b>
<b>Executive</b> 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
<b>Senate</b> does not concur with economic increases of 19,800.			
<b>13. ISDs General Operations (Sec. 81)</b>	<b>Gross</b>	<b>\$65,376,800</b>	<b>\$0</b>
<b>Executive and Senate</b> maintain FY 2009-10 funding level of \$65.4 million.	Restricted	65,376,800	0
<b>14. Postsecondary Agriculture Education Program (Sec. 92)</b>	<b>Gross</b>	<b>N/A</b>	<b>\$300,000</b>
<b>Senate</b> appropriates \$300,000 to Saginaw Valley State University for the purpose of establishing an agriculture education program.	Restricted	N/A	300,000
<b>15. CEPI (Sec. 94a)</b>	<b>Gross</b>	<b>\$6,279,300</b>	<b>\$4,476,800</b>
<b>Executive</b> 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
<b>Senate</b> 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).

<b>Supplemental Budget Request For FY 2009-10</b>		<b>FY 2009-10 YTD</b>	<b>Senate Change From YTD</b>
<b>1. Cash Flow Borrowing Costs (Sec. 11m)</b>	<b>Gross</b>	<b>\$45,000,000</b>	<b>(\$15,000,000)</b>
<b>Executive and Senate</b> reduces the FY 2009-10 appropriation for School Aid Fund borrowing costs due to lower interest costs.	Restricted	45,000,000	(15,000,000)
<b>2. Proposal A Obligation Payment (Sec. 22a)</b>	<b>Gross</b>	<b>\$5,882,000,000</b>	<b>(\$85,000,000)</b>
<b>Executive and Senate</b> 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.

<b>Gross</b>	<b>\$3,722,300,000</b>	<b>\$71,200,000</b>
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.

<b>Gross</b>	<b>\$2,523,200</b>	<b>(\$771,900)</b>
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.

<b>Gross</b>	<b>\$1,485,983,000</b>	<b>(\$42,700,000)</b>
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.

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



## SCHOOL AID LINE ITEM SUMMARY



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

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
<b>\$12,823,571,000</b>	<b>(\$107,907,700)</b>	<b>\$12,715,663,300</b>

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
<b>\$39,741,000</b>	<b>\$12,863,312,000</b>

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
<b>(\$115,759,000)</b>	<b>\$12,707,812,000</b>