

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

Analyst: Mary Ann Cleary

	Recommended FY 2004-05 YTD	Executive	House	Senate	FY 2005-06 Conference	Difference: House from FY 2004-05 YTD	
						Amount	%
IDG/IDT	\$0	\$0	\$0	\$0	\$0	\$0	0.0
Federal	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
Local	0	0	0	0	0	0	0.0
Private	0	0	0	0	0	0	0.0
Restricted	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
GF/GP	165,200,000	20,200,000	96,420,100	70,396,200	62,714,000	(102,486,000)	(62.0)
Gross	\$12,467,062,300	\$12,808,781,900	\$12,783,178,600	\$12,736,578,700	\$12,757,401,300	\$290,339,000	2.3

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.

<u>Major Budget Changes from 2004-05 YTD Appropriations:</u>		FY 2004-05 YTD (as of 6/30/05)	Conference Change From YTD
1. Proposal A Obligation Payment	Gross	\$6,615,000,000	(\$156,000,000)
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)
2. Discretionary Payment	Gross	\$2,923,200,000	\$274,536,800
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
3. School Readiness Program – Competitive Grants	Gross	\$0	\$12,250,000
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
4. Detroit Transition Grant	Gross	\$0	\$7,000,000
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
5. Special Education Funding	Gross	\$1,291,250,000	\$75,500,000
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

Major Budget Changes from 2004-05 YTD Appropriations:		FY 2004-05 YTD (as of 6/30/05)	Conference Change From YTD
6. Center for Education Performance and Information	Gross	\$3,546,300	\$1,996,900
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
7. Michigan Virtual High School	Gross	\$3,000,000	\$2,000,000
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
8. Freedom to Learn Grants	Gross	\$21,043,200	(\$15,293,200)
Reduces the funding for the 6 th 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)
9. Engineering Michigan's Future	Gross	\$0	\$3,850,000
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
10. School Bond Redemption Fund	Gross	\$41,100,000	\$3,400,000
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)
11. Renaissance Zone Reimbursement	Gross	\$36,200,000	\$8,800,000
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
12. Payment In Lieu of Taxes (PILT) Reimbursement	Gross	\$0	\$2,400,000
Appropriates funding for the reimbursement to districts, ISDs, and community colleges for PILT obligations per PA 513 of 2004.	Restricted	\$0	\$2,400,000
13. Adult Education Funding	Gross	\$20,000,000	\$1,000,000
Increases funding for adult education programs by \$1.0 million to a total of \$21.0 million.	Restricted	\$20,000,000	\$1,000,000
14. Special Education Evaluation Lending Library	Gross	\$0	\$250,000
Appropriates \$250,000 to establish a lending library to provide special needs assessment tools to districts and ISDs.	Restricted	\$0	\$250,000
15. At-Risk Program	Gross	\$314,200,000	\$0
Maintains current-law funding.	Restricted	\$314,200,000	\$0
16. Intermediate School Districts (ISDs) General Operations	Gross	\$77,702,100	\$0
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. MPSERS Contribution Subsidy – MODIFIED

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



Basic Foundation Allowance:	
Sec.	
11f	Durant - Cash Payments
11g	Durant - Debt Service
11i	School Bond Redemption Fund
22a	Proposal A Obligation Payment
22b	Discretionary Payment
	HB 4831 Appropriation for School Aid
22e	High School Curriculum Cost Support
24	Court-Placed Pupils
26a	Renaissance Zone Reimbursement
26b	PILT Reimbursement - NEW
31a	'At Risk' Pupil Support
31d	State School Lunch Programs
31d	Federal School Lunch Programs
31f	School Breakfast Program
32c	Early Childhood Grants
32d	School Readiness
32j	ISD 0-5 Grants
32L	School Readiness - competitive
33	Detroit Transition Grant
39a1	Federal "No Child Left Behind"
39a2	Other Federal Funding
41	Bilingual Education - State
41a	Bilingual Education - Federal
51a	Special Education - Federal
51a	Special Education - State
54a	Special Education Evaluation Lending Library
57	Advanced & Accelerated Program
61a	Vocational Education
62	ISD Voc. Ed Mileage Equalization
74	Bus Driver Safety Instruction
81	ISD General Operations Support
81(5)	Vision and Hearing Screening
81(6)	Best practices study (ISDs)
91	National Charter Institute
94a	Center for Ed. Performance
94a	CEPI Federal
98	Michigan Virtual High School
98	Mich. Virtual High School - Federal
98b	Freedom To Learn - State
98b	Freedom To Learn - Federal
99	Math/Science Centers - State
99	Math/Science Centers - Federal
99a	Competitive Math Grants
99a	Math/Science Centers - Federal
99b	Engineering Michigan's Future
107	Adult Education - State
TOTAL APPROPRIATIONS	
REVENUE BY SOURCE	
	Federal Aid
	School Aid Fund
	Capitalization Proceeds from SBLF
	School Aid Stabilization Fund
	General Fund/General Purpose
TOTAL REVENUE	

FY 2004-05	
6-01-2005 REVISED FY 2004-05 Recommendation	
	\$32,000.0
	\$141.0
	\$41,100.0
	\$6,615,000.0
	\$2,923,200.0
	\$8,000.0
	\$36,200.0
	\$314,200.0
	\$21,095.1
	\$289,000.0
	\$250.0
	\$72,800.0
	\$3,326.0
	\$637,809.7
	\$5,427.5
	\$2,800.0
	\$1,232.1
	\$394,850.0
	\$896,383.0
	\$250.0
	\$30,000.0
	\$9,000.0
	\$1,625.0
	\$77,702.1
	\$1,500.0
	\$2,046.3
	\$750.0
	\$2,250.0
	\$3,700.0
	\$17,343.2
	\$2,500.0
	\$3,581.3
	\$20,000.0
	\$12,467,062.3
	\$1,353,540.1
	\$10,833,152.2
	\$41,100.0
	\$74,070.0
	\$165,200.0
	\$12,467,062.3

SCHOOL AID LINE-ITEM SUMMARY FY 2004-05 AND FY 2005-06
(Dollars in Thousands)

FY 2005-06							
Executive Recommendation Change from FY 2004-05	FY 2005-06 Executive Recommendation	House Recommendation Change from FY 2004-05	House FY 2005-06 Recommendation	Senate Recommendation Change from FY 2004-05	Senate FY 2005-06 Recommendation	Conference Change from FY 2004-05	Conference FY 2005-06 Recommendation
\$175	\$6,875	\$175	\$6,875	\$175	\$6,875	\$175	\$6,875
\$0.0	\$32,000.0	\$0.0	\$32,000.0	\$0.0	\$32,000.0	\$0.0	\$32,000.0
\$34,819.0	\$34,960.0	\$34,820.0	\$34,961.0	\$34,819.0	\$34,960.0	\$34,820.0	\$34,961.0
\$3,400.0	\$44,500.0	\$3,400.0	\$44,500.0	\$3,400.0	\$44,500.0	\$3,400.0	\$44,500.0
-\$156,000.0	\$6,459,000.0	-\$156,051.0	\$6,458,949.0	-\$156,000.0	\$6,459,000.0	-\$156,000.0	\$6,459,000.0
\$289,800.0	\$3,213,000.0	\$7,700.0	\$2,930,900.0	\$269,000.2	\$3,192,200.2	\$274,536.8	\$3,197,736.8
		\$289,800.0	\$289,800.0				\$0.0
\$26,300.0	\$26,300.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
\$0.0	\$8,000.0	\$1,000.0	\$9,000.0	\$0.0	\$8,000.0	\$0.0	\$8,000.0
\$8,800.0	\$45,000.0	\$8,800.0	\$45,000.0	\$8,800.0	\$45,000.0	\$8,800.0	\$45,000.0
\$2,400.0	\$2,400.0	\$2,400.0	\$2,400.0	\$2,400.0	\$2,400.0	\$2,400.0	\$2,400.0
\$33,000.0	\$347,200.0	\$0.0	\$314,200.0	\$0.0	\$314,200.0	\$0.0	\$314,200.0
\$1,400.0	\$22,495.1	\$1,400.0	\$22,495.1	\$1,400.0	\$22,495.1	\$1,400.0	\$22,495.1
\$17,190.0	\$306,190.0	\$17,190.0	\$306,190.0	\$17,190.0	\$306,190.0	\$17,190.0	\$306,190.0
							\$0.0
\$0.0	\$250.0	-\$250.0	\$0.0	\$0.0	\$250.0	\$0.0	\$250.0
\$0.0	\$72,800.0	\$0.0	\$72,800.0	\$0.0	\$72,800.0	\$0.0	\$72,800.0
\$0.0	\$3,326.0	\$0.0	\$3,326.0	\$0.0	\$3,326.0	\$0.0	\$3,326.0
		\$12,250.0	\$12,250.0	\$12,250.0	\$12,250.0	\$12,250.0	\$12,250.0
		\$0.1	\$0.1			\$7,000.0	\$7,000.0
\$15,109.9	\$652,919.6	\$15,109.9	\$652,919.6	\$15,109.9	\$652,919.6	\$15,109.9	\$652,919.6
-\$781.1	\$4,646.4	-\$781.1	\$4,646.4	-\$781.1	\$4,646.4	-\$781.1	\$4,646.4
\$0.0	\$2,800.0	\$0.0	\$2,800.0	\$0.0	\$2,800.0	\$0.0	\$2,800.0
\$0.0	\$1,232.1	\$0.0	\$1,232.1	\$0.0	\$1,232.1	\$0.0	\$1,232.1
\$16,000.0	\$410,850.0	\$16,000.0	\$410,850.0	\$16,000.0	\$410,850.0	\$16,000.0	\$410,850.0
\$59,500.0	\$955,883.0	\$60,500.0	\$956,883.0	\$59,500.0	\$955,883.0	\$59,500.0	\$955,883.0
		\$250.0	\$250.0	\$0.0	\$0.0	\$250.0	\$250.0
\$0.0	\$250.0	\$0.0	\$250.0	\$0.0	\$250.0	\$0.0	\$250.0
\$0.0	\$30,000.0	\$0.0	\$30,000.0	\$0.0	\$30,000.0	\$0.0	\$30,000.0
\$0.0	\$9,000.0	\$0.0	\$9,000.0	\$0.0	\$9,000.0	\$0.0	\$9,000.0
\$0.0	\$1,625.0	\$0.0	\$1,625.0	\$0.0	\$1,625.0	\$0.0	\$1,625.0
\$2,253.4	\$79,955.5	\$0.0	\$77,702.1	\$0.0	\$77,702.1	\$0.0	\$77,702.1
		\$3,000.0	\$3,000.0	\$0.0	\$0.0	\$0.0	\$0.0
		\$200.0	\$200.0	\$0.0	\$0.0	\$0.0	\$0.0
		\$500.0	\$500.0			\$0.0	\$0.0
\$2,700.0	\$4,200.0	\$0.0	\$1,500.0	\$1,000.0	\$2,500.0	\$500.0	\$2,000.0
\$996.9	\$3,043.2	-\$3.1	\$2,043.2	-\$3.1	\$2,043.2	\$1,496.9	\$3,543.2
\$1,000.0	\$1,750.0	\$2,250.0	\$3,000.0	\$500.0	\$1,250.0	\$1,000.0	\$1,750.0
\$4,000.0	\$6,250.0	\$0.0	\$2,250.0	\$2,000.0	\$4,250.0	\$1,000.0	\$3,250.0
-\$3,700.0	\$0.0	-\$700.0	\$3,000.0	-\$3,700.0	\$0.0	-\$3,450.0	\$250.0
-\$17,343.2	\$0.0	-\$9,343.2	\$9,000.0	-\$14,343.2	\$3,000.0	-\$11,843.2	\$5,500.0
\$0.0	\$2,500.0	\$0.0	\$2,500.0	\$100.0	\$2,600.0	\$0.0	\$2,500.0
\$874.7	\$4,456.0	-\$3,581.3	\$0.0	\$874.7	\$4,456.0	\$874.7	\$4,456.0
		\$2,500.0	\$2,500.0	\$0.0	\$0.0	\$0.0	\$0.0
		\$2,300.0	\$4,456.0	\$0.0	\$0.0	\$0.0	\$0.0
		\$2,300.0	\$2,300.0	\$0.0	\$0.0	\$3,850.0	\$3,850.0
\$0.0	\$20,000.0	\$1,000.0	\$21,000.0	\$0.0	\$20,000.0	\$1,000.0	\$21,000.0
\$341,719.6	\$12,808,781.9	\$316,116.3	\$12,783,178.6	\$269,516.4	\$12,736,578.7	\$280,339.0	\$12,757,401.3
\$36,047.2	\$1,389,587.3	\$39,047.2	\$1,392,587.3	\$36,047.2	\$1,389,587.3	\$39,047.2	\$1,392,587.3
\$497,642.4	\$11,330,794.6	\$408,919.0	\$11,248,071.2	\$397,043.0	\$11,230,195.2	\$423,447.8	\$11,256,600.0
\$3,400.0	\$44,500.0	\$3,400.0	\$44,500.0	\$3,400.0	\$44,500.0	\$3,400.0	\$44,500.0
-\$50,370.0	\$23,700.0	-\$66,470.0	\$1,600.0	-\$72,170.0	\$1,900.0	-\$73,070.0	\$1,000.0
-\$145,000.0	\$20,200.0	-\$68,420.1	\$96,420.1	\$94,803.8	\$70,396.2	-\$102,486.0	\$62,714.0
\$341,719.6	\$12,808,781.9	\$316,116.3	\$12,783,178.6	\$269,516.4	\$12,736,578.7	\$280,339.0	\$12,757,401.3