

**Summary: Subcommittee Budget Recommendation
SCHOOL AID – House Bill 4359 (H-1) Draft A
FY 2007-08**



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	FY 2006-07 YTD	FY 2007-08 Executive	FY 2007-08 House Sub.	FY 2007-08 Senate	FY 2007-08 Enacted	Difference: House From FY 2006-07 YTD	
						Amount	%
IDG/IDT	\$0	\$0	\$0			\$0	0.0
Federal	1,411,236,900	1,410,111,700	1,410,111,700			(1,125,200)	(0.1)
Local	0	0	0			0	0.0
Private	0	0	0			0	0.0
Restricted	11,647,508,200	11,985,916,700	11,924,243,600			276,735,400	2.4
GF/GP	35,000,000	35,000,000	55,000,000			20,000,000	57.2
Gross	\$13,093,745,100	\$13,431,028,400	\$13,389,355,300			\$295,610,200	2.3

Note: FY 2006-07 figures include the results of supplementals and Executive Order (EO) actions through March 1, 2007.

Overview

The School Aid budget makes appropriations to the state's 552 local school districts, 229 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 Labor and Economic Growth, and other entities to implement certain grants and other programs related to K-12 education.

Major Budget Changes from FY 2006-07 YTD Appropriations

1. Proposal A Obligation Payment (Sec. 22a)

Exec and House provide a reduction from FY 2006-07 to reflect changes in taxable values, pupil membership blends, and includes estimated additional costs for Midland tax appeals.

	FY 2006-07 YTD	House Change
Gross	\$6,207,000,000	(\$191,000,000)
Restricted	6,207,000,000	(191,000,000)

2. Discretionary Payment (Sec. 22b)

Exec adds \$295.1 million to reflect an increase of 2.5% which is equal to \$178 per pupil increase in the foundation allowance for FY 2007-08 and rolls the FY 2006-07 equity payment of \$23 per pupil into each qualifying district's base foundation.

House adds \$166.1 million to reflect an increase of 1.4% which is equal to \$100 per pupil increase in the foundation allowance for FY 2007-08 and rolls the FY 2006-07 equity payment of \$23 per pupil into each qualifying district's base foundation.

Gross	\$3,584,950,000	\$166,050,000
Restricted	3,584,950,000	166,050,000

3. Equity Payment (Sec. 22c)

House includes an increase of \$96.0 million to a total of \$116.0 million for equity payment of up to \$100 per pupil for districts with a FY 2007-08 foundation of \$7,669 or less.

Gross	\$20,000,000	\$96,000,000
Restricted	20,000,000	96,000,000

4. Declining Enrollment (Sec. 29)

Exec and House include an increase of \$16.0 million to a total of \$36.0 million for declining enrollment grants to local districts (not including charters) with two years of consecutive pupil membership decline. The payment would equal the district's 3-year pupil membership average minus the actual pupil membership times the district's foundation allowance. If insufficient funds are available the funding will be prorated.

Gross	\$20,000,000	\$16,000,000
Restricted	20,000,000	16,000,000

Major Budget Changes from FY 2006-07 YTD Appropriations		FY 2006-07 YTD	House Change
5. School Readiness Program – Full-Day Grants – NEW (Sec. 32e)	Gross	N/A	\$87,300,000
	Restricted	N/A	87,300,000
<p><u>Exec</u> creates a new full-day preschool program for at-risk children to districts funded with a foundation allowance for up to 26,000 children at a cost of \$194.6 million.</p> <p><u>House</u> provides for up to 11,000 children at a cost of \$87.3 million.</p>			
6 Universal Pre-School 4-year-old program – NEW (Sec. 32f)	Gross	N/A	\$87,300,000
	Restricted	N/A	87,300,000
<p><u>House</u> creates a new universal full-day preschool program for any district funded with a foundation allowance for up to 11,000 children at a cost of \$87.3 million.</p>			
7. School Readiness Program – District Grants (Sec. 32d)	Gross	\$78,800,000	\$4,600,000
	Restricted	78,600,000	4,600,000
	GF/GP	\$200,000	\$0
<p><u>Exec</u> and <u>House</u> increase funding by \$4.6 million to \$83.4 million. The additional funding increases the per-child allocation from \$3,300 to \$3,500.</p>			
8. School Readiness Program – Competitive Grants (Sec. 32L)	Gross	\$12,250,000	\$800,000
	GF/GP	12,250,000	800,000
<p><u>Exec</u> and <u>House</u> increase funding by \$800,000 to \$13.1 million. The additional funding increases the per-child allocation from \$3,300 to \$3,500.</p>			
9. 0-3 Secondary Prevention Early Childhood Grants (Sec. 32c)	Gross	\$1,750,000	\$13,250,000
	Restricted	1,750,000	13,250,000
<p><u>House</u> increases funding by \$13.25 million to \$15 million for interagency early childhood grants.</p>			
10. Intermediate District (ISD) Parent Involvement Grants (Sec. 32j)	Gross	\$5,000,000	\$10,000,000
	Restricted	5,000,000	10,000,000
<p><u>House</u> increases funding by \$10 million to \$15 million for the 0-5 parent involvement grants ISD run by ISDs.</p>			
11. Great Start Communities (ECIC) Grants (Sec. 32b)	Gross	\$1,000,000	\$1,500,000
	Restricted	1,000,000	1,500,000
<p><u>House</u> increases funding by \$1.5 million to \$2.5 million for competitive grants awarded to eligible ISDs in amounts determined by the Early Childhood Investment Corporation (ECIC).</p>			
12. Intermediate School Districts (ISDs) General Operations (Sec. 81)	Gross	\$80,110,900	\$0
	Restricted	80,110,900	0
<p><u>Exec</u> increases general operations funding by 2.5% or \$2.0 million to \$82.1 million.</p> <p><u>House</u> provides no increase for the general operations for ISDs.</p>			
13. 21st Century Learning Environments (Sec. 98d)	Gross	N/A	\$38,000,000
	Restricted	N/A	38,000,000
<p><u>House</u> appropriates \$38 million to create a statewide initiative with new learning environments to create academic content and knowledge in digital forms. Funding shall be used to provide professional development, create a statewide content repository, coordinate efforts with other programs, and assist districts in obtaining innovative content creation and distribution tools.</p>			
14. Transportation Grants (Sec. 77)	Gross	N/A	\$20,000,000
	Restricted	N/A	20,000,000
<p><u>House</u> appropriates \$20 million for qualified districts for costs associated with transporting pupils to and from school. Allocates \$15 million to districts with total square miles greater than 156 and \$5 million to districts with fewer than 5.0 pupils per square mile. Payments for each would equal around \$98 per pupil.</p>			

Major Budget Changes from FY 2006-07 YTD Appropriations		FY 2006-07 YTD	House Change
15. Middle School Math - District Grants (Sec. 99c)	Gross	\$20,000,000	(\$20,000,000)
Exec and House eliminate this grant program.	Restricted	20,000,000	(20,000,000)
16. Consolidation of Business, Administrative, and Instructional Services - NEW	Gross	N/A	\$0
Exec provides \$10.0 million for incentive payments to districts that consolidate services with their Intermediate School Districts.	Restricted	N/A	0
House does not include this section.	GF/GP	N/A	\$0
17. MEAP Assessment Testing Costs	Gross	\$27,925,200	\$10,674,800
Exec and House increase funding by \$10.7 million for costs associated with elementary and high school assessments required under State and Federal law.	Federal	8,425,200	374,800
	Restricted	19,500,000	10,300,000
18. Health/Science Middle College Program (Sec. 64)	Gross	\$2,000,000	\$2,000,000
Exec and House include an increase of \$2.0 million for a total of \$4.0 million in grant funding for ISDs or Detroit Public Schools that are in consortium with a community college or state university and a hospital to create a middle college focused on health sciences. Limits the grant to four years with recipients receiving 100% of their prior year grant amount for the second year, and 50% of their prior year grant amount for each year after. House allows for current grant recipients to apply for another grant.	Restricted	2,000,000	2,000,000
19. Amer-I-Can Grants (Sec. 31g)	Gross	N/A	\$2,000,000
House includes two new grants for the Amer-I-Can training curriculum in life-management skills, designed to raise self-esteem and teach students how to empower themselves. Grants to Detroit for \$1.5 million and Grand Rapids for \$500,000.	Restricted	N/A	2,000,000
20. Post Secondary Education Attainment (Sec. 65a)	Gross	N/A	\$500,000
House includes new grant of \$500,000 to Macomb ISD for the purpose of establishing a pilot program to facilitate access by students of all ages to information regarding post secondary opportunities.	Restricted	N/A	500,000
21. Freedom to Learn (Sec. 98b)	Gross	\$1,500,000	(\$1,500,000)
Exec and House eliminate this program as the Federal carry forward funding supporting this program will expire.	Federal	1,500,000	(1,500,000)
22. Refinancing of Bonds	Gross	\$82,961,000	(\$80,920,000)
House restructures the debt service on the Durant bonds (Sec. 11g) if notification by the Municipal Bond Authority by May 15, 2007 and refinances some of the bonds under the school bond loan fund (Sec. 11j).	Restricted	82,961,000	(80,920,000)
23. Michigan Virtual University (Sec. 98)	Gross	\$6,000,000	(\$500,000)
House eliminates \$500,000 in School Aid funds for the My Dream Explorer career planning software statewide collaboration.	Federal	3,250,000	0
	Restricted	2,250,000	(500,000)
	GF/GP	500,000	0
24. Child and Adolescent Health Centers	Gross	\$3,743,000	\$2,000,000
House increases funding by \$2 million to \$5.7 million for additional Adolescent Health Centers.	Restricted	3,743,000	2,000,000
25. Other Categorical Grants	Gross	\$200,000	\$100,000
House maintains funding Automatic External Defibrillators grant (Sec. 99d) and Mercy Education Project (Sec. 31a(8)) at \$100,000 each. Appropriates \$100,000 Wayne State University for the SEMAA (science, engineering, mathematics, aerospace academy) (Sec. 99i).	Restricted	200,000	100,000

Major Budget Changes from FY 2006-07 YTD Appropriations

<u>Major Budget Changes from FY 2006-07 YTD Appropriations</u>		<u>FY 2006-07 YTD</u>	<u>House Change</u>
26. Other Categorical Eliminations	Gross	\$5,025,000	(\$5,025,000)
<u>Exec and House</u> eliminate the following new categoricals added in PA 342 of 2006: Children of Incarcerated Parents grants, Book a Month grants, Early Intervention grants, Conductive Learning Evaluation, International Baccalaureate grants, Precollege Engineering grant to Kalamazoo, Web Based Testing grant, School Building Security Maps grants, Positive Behavioral Support grants.	Restricted	5,025,000	(5,025,000)

Major Boilerplate Changes from FY 2006-07**Sec. 20(1). Basic Foundation Allowance – REVISED**

Exec increases the basic per-pupil foundation allowance by \$178 plus the \$23 equity payment from FY 2006-07, bringing it to \$7,286 for FY 2007-08. House increases the basic per-pupil foundation allowance by \$100 plus the \$23 equity payment from FY 2006-07, bringing it to \$7,208 for FY 2007-08.

Sec. 51a. Special Education Itinerant Staff – MAINTAINED

Exec deletes.

House maintains language that allows funding that would otherwise lapse from this section to pay affected districts or ISDs on a FY 2003-04 basis for FY 2006-07 only; if sufficient excess funds are not available to pay on FY 2003-04 basis, then proration of the excess funds will occur on an equal percentage basis.

Sec. 32. Early Childhood Education – NEW

House provides intent that by 2011-2012, all districts will provide universal full-day preschool for 4-year-olds. Also provides intent that 11% of the total appropriation spent on 4-year-old preschool programs be appropriated for 0-3 and 0-5 early childhood programs.

Sec. 32d. School Readiness – District Grants – REVISED

Exec and House delete the provisions that allow school readiness funds to be used for programs formerly funded under the All Students Achieve Program-Parents Involved in Education (ASAP-PIE) and that allow funds to be used for full-day preschool programs. Also revises to require programs to use an educational curriculum approved by the State Board of Education.

Sec. 81. ISD Operations – REVISED

Exec and House increase requirements for ISDs including that they employ someone trained in the rules, regulations, and reporting procedures for student data for high school graduation and drop out rates, comply with the new graduation requirements, comply with the school employee fingerprinting statute, and furnish data required by the State and Federal government to CEPI and DOE.

Sec. 107. Adult Education Program – REVISED

Exec the distribution of payments to districts for funding adult education students from 90% for enrollment and 10% for completion to 75% for enrollment and 25% for completion

House changes the distribution to 80% for enrollment and 20% for completion.

Exec and House also require grantees to submit all information requested by DLEG to administer this program and eliminate language providing funding for new programs.

Sec. 147. MPSERS Contribution Subsidy – REVISED

Exec and House propose revaluing the Michigan Public School Employee Retirement System (MPSERS) assets to their fair market value, thus allowing the rate charged to districts to decline from 17.74% of payroll in FY 2006-07 to 16.72% in FY 2007-08. If such legislation is not adopted, the retirement rate would be 18.56%.