



Senate Fiscal Agency
 P. O. Box 30036
 Lansing, Michigan 48909-7536



Telephone: (517) 373-2768
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill XXX (as introduced)
 Committee: Appropriations

FY 2004-05 Year-to-Date Gross Appropriation \$12,527,440,100

Changes from FY 2004-05 Year-to-Date:

- 1. **Non-Durant Debt Service Payments.** The two-year pause in these payments due to re-financing ends and the Governor includes resumption of these payments for FY 2005-06. 34,819,000
- 2. **School Bond Loan Fund Debt Service Payments.** The Governor increases payments for the debt service on behalf of school districts. This cost is offset by the proceeds from a new program to create a revolving school bond loan fund. 3,400,000
- 3. **Proposal A Obligation Payment.** Changes in pupil counts, taxable value, and consensus revenue estimates lower the required appropriation for FY 2005-06. (207,977,800)
- 4. **Discretionary Payments.** The Governor increases the FY 2005-06 foundation allowance for all school districts by \$175 per pupil to \$6,875. 301,700,000
- 5. **High School Curriculum Support.** In addition to the \$175 per pupil increase in the foundation allowance, the Governor proposes for school districts to receive an additional \$50 per pupil for every high school pupil in grades 9-12. 26,300,000
- 6. **Payment in Lieu of Taxes (PILT) Reimbursement.** The Governor proposes this new line item to reimburse school districts that lose local revenue due to PILT. 2,400,000
- 7. **At-Risk Payments.** The Governor increases funding for this line item by 10.5% to \$347,200,000 for FY 2005-06. 33,000,000
- 8. **School Lunch Programs.** The Governor increases total funding for this line item by \$18,590,000 (\$1,400,000 State, \$17,190,000 Federal). 18,590,000
- 9. **Special Education.** The Governor increases total funding for this line item by \$71,800,000 to meet the necessary funding requirements. State funding increases by \$55,800,000 while Federal funding increases by \$16,000,000. 71,800,000
- 10. **Intermediate School Districts (ISD).** The Governor increases funding for the general operations of ISDs for FY 2005-06. 2,253,400
- 11. **Center for Educational Performance and Information (CEPI).** The Governor increases the State share of funding for this line item by \$2,700,000 and the Federal portion of funding by \$996,900 3,696,900
- 12. **Michigan Virtual High School (MVU).** The Governor increases State funding for this line item by \$1,000,000 and Federal funding by \$4,000,000. 5,000,000
- 13. **Freedom to Learn.** The Governor eliminates all funding for this program (\$3,700,000 State and \$17,343,200 Federal). (21,043,200)
- 14. **Other Changes.** Several other line items are changed. Items increased include: Renaissance Zones (\$8,800,000) and Math and Science Centers (\$728,700). Items that are decreased include: Federal "No Child Left Behind (NCLB) Grants" (\$256,900), Non-NCLB Federal Grants (\$781,100), and Special Education Hold-Harmless Payments (\$600,000). 7,890,700

Total Changes \$281,829,000

FY 2005-06 Governor's Recommendation \$12,809,269,100

Changes from FY 2004-05 Year to Date:

1. **Expelled Students.** New language is added allowing an expelled student to be counted in membership if the student returns to school within 45 days of the count day. (Sec. 8)
2. **Court-Placed Pupils.** Language is added which would phase in, over four years, the funding recommendations of the Court-Placed Pupils Task Force. The payment method would change from an added cost basis to a per-pupil allocation. (Sec. 24)
3. **School Readiness Program.** Current language allowing School Readiness funds to be used for preschool and parenting programs previously funded under former Sec. 32b is eliminated. New language is added restricting administrative funding to not more than 10% of the total grant. (Sec. 32d)
4. **ISD Early Childhood Grants.** Current language requiring ISDs to promote marriage in order to be eligible for early childhood funding is eliminated. Also, documentation of approval by the Early Childhood Investment Corporation would now meet the requirement of demonstrating collaboration, which is found in current law. (Sec. 32j)
5. **School Readiness Teacher Qualifications.** Current language regarding school readiness teachers employed by subcontractors not needing valid teaching certificates, and instead having a Bachelor's degree in child care, or a child development associate credential (CDA) combined with an Associate's degree in early child education, is eliminated. Replacing current law is language which would require such teachers to possess valid teaching certificates plus a CDA or early childhood endorsement.
6. **Priority of School Readiness Funding.** Current law giving funding priority to districts with more than 50 eligible children, except over those that have received funding in one of the two immediately preceding fiscal years, is eliminated. (Sec. 39(2))
7. **Itinerant (Non-Classroom) Special Education Staff.** Current law placing restrictions on reporting of costs associated with joint shared employment agreements is replaced with language essentially requiring districts who reported staff costs in FY 2003-04 to continue being the cost reporting entities in future years, even if the employers of those staffs change. (Sec. 51a(7))
8. **Consolidation of Districts' Administrative Functions.** New language is added where, beginning in FY 2006-07, districts must be in consortium with at least one ISD to start implementing best practices to more efficiently perform district administrative functions, or lose 5% of their State Aid payment. (Sec. 81(5))
9. **Center for Educational Performance and Information (CEPI).** CEPI is directed in new language to develop and implement a comprehensive student tracking system. Also, language is added allowing CEPI to enter into agreements to develop custom data, analyses, and other reporting to outside departments, state agencies, local units of government, and outside organizations, and to charge for such services. (Sec. 94a(7) and (9))
10. **Michigan Virtual University (MVU).** Language is eliminated which states that the Department of Education may operate the Virtual High School (MVHS) or other functions of MVU if MVU ceases to operate. The MVHS is charged with developing options for providing the Michigan Scholar Curriculum. Also, the MVU is charged with performing a host of activities consistent with the goals contained in the US National Education Technology Plan. (Sec. 98)
11. **Freedom to Learn.** Consistent with the removal of funding, the entire section with guidelines for the 6th Grade laptop program is repealed. (Current law Sec. 98b)
12. **Michigan Scholar Curriculum.** This new section provides monetary incentives in three stages: 1. from FY 2006-07 to FY 2009-2010, an additional amount per graduate; 2. beginning in FY 2007-08, an additional amount per pupil in grades 9-12 for districts and PSAs that implement the Michigan Scholar Curriculum; and 3. beginning in FY 2010-2011, an additional amount per pupil is awarded for each student successfully meeting the minimum requirements of the Michigan Scholar Curriculum. (Sec. 103)
13. **Public School Employees' Retirement Rate.** The estimated FY 2005-06 retirement rate is 16.34%, up from 14.87% in FY 2004-05. (Sec. 147)
14. **Family Planning Drugs/Referrals for Abortions Financial Penalty.** This section, which provides for forfeiture of 5% of a district's, PSA's, or ISD's State Aid payment if the district, PSA, or ISD distributes family planning drugs or makes referrals for abortions, is repealed. (Current law Sec. 166)

Date Completed: 3-14-05

Fiscal Analysts: Joe Carrasco and Kathryn Summers-Coty

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations.