

**Summary: As Passed the House
SCHOOL AID FY 2003-04
House Bill 4401(H-1)**



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Budget Overview

The School Aid budget makes appropriations to the state’s 554 local school districts, 184 public school academies, and 57 intermediate school districts for operations and certain categorical programs. It also appropriates funds to the Departments of Education, Career Development, and other agencies to implement certain grants and other programs related to K-12 education. There is currently a school aid budget in place for FY 2003-04.

Summary of Major Budget Issues

Foundation Allowances – Per-pupil foundation allowances, which are used to support day-to-day school operations, were recommended to remain at the FY 2002-03 level.

Revenue Sources – The House assumed \$138.7 million in new revenue from the refinancing of the School Bond Loan Fund debt, \$50 million in new money from two new lottery games, and \$20.3 million from the closing of tax loopholes. It also assumed a \$198.4 million General Fund contribution to the School Aid Fund.

Retirement Rate Freeze – The percentage of payroll contribution rate that districts are required to pay for school retirement would remain at the FY 2002-03 level of 12.99%, saving districts an estimated \$133 million in FY 2003-04.

Adult Education – This program was recommended to be reduced by \$49 million to \$28.5 million.

Membership Blend – The blend used to calculate foundation allowance payments would be the sum of 80% of the current fall pupil count plus 20% of the previous February’s count, the same as current law.

Categorical Programs Eliminated – The following are programs recommended to be eliminated from the School Aid budget: Career Preparation System, the Partnership for Adult Learning (the “PAL” program), School Health Curriculum grants, Accreditation Assistance to the Department, Golden Apple Awards, and the Autism grant to Grand Valley State University.

Reform Board Allocation – The House eliminated language that would allocate \$15 million on a per-pupil basis to the Detroit school district in FY 2003-04 as long as the district is operated under a reform board.

Small Class-Size Allocation. The House reduced a \$26.7 million allocation to districts that received a grant under former Sec. 32e (Small Class-Size Grants) by 24.75% to \$20.1 million.

	FY 2002-03	Executive	House	Senate	Enacted	Difference: House to 2002-03 YTD	
	(as of 3/6/03)					Amount	%
IDG/IDT	\$0	\$0	0			\$0	0.0
Federal	1,219,825,200	1,244,363,100	1,242,733,900			22,908,700	2.0
Local	700,000	0	0			(700,000)	(100.0)
Private	0	0	0			0	0.0
Restricted	11,164,441,400	11,223,600,000	11,063,658,400			(100,783,000)	(0.9)
GF/GP	198,413,500	0	206,870,100			8,456,600	4.3
Gross	\$12,583,380,100	\$12,467,963,100	\$12,513,262,400			(\$70,117,700)	(0.6)

The numbers in the table above reflect the change from FY 2002-03 appropriations, after a 3.8% proration.

		YTD FY 2003-04	House Change FY 2003-04
<u>Major Budget Changes from FY 2003-04 YTD Appropriations:</u>			
1. Early Childhood Grants	Gross	\$2,000,000	(\$1,000,000)
The Executive recommendation eliminated Early Childhood Grants to community-based programs, while the House funded the grants at \$1.0 million.	GF/GP	\$2,000,000	(\$1,000,000)
2. Parenting Programs	Gross	NA	\$3,326,000
The Executive recommendation created grants to ISDs that provide programs for preschool children and their parents to improve school readiness and encourage positive parenting skills. The House agreed with the Executive.	Restricted	NA	3,326,000
3. Gifted and Talented Programs	Gross	\$5,000,000	(\$4,000,000)
The Executive eliminated Gifted and Talented Programs. The House reduced funding to \$1 million.	Restricted	5,000,000	(4,000,000)
4. Vocational Education	Gross	\$31,027,600	(\$1,008,400)
The Executive and House reduced the appropriation for vocational education by 3.25% from current law.	Restricted	31,027,600	(\$1,008,400)
5. Career Preparation System	Gross	\$22,200,000	(\$22,200,000)
The Executive and House eliminated funding for the Career Preparation System, which incorporates curriculum with work-based learning programs to help students make career choices.	GF/GP	\$22,200,000	(\$22,200,000)
6. Intermediate School District Operations	Gross	95,028,100	(\$3,632,100)
The appropriation for ISD operations is reduced by 6.6% to \$88.7 million under the Executive proposal. The House reduced funding by 3.8% to \$91.4 million.	Restricted	95,028,100	(\$3,632,100)
7. Accreditation Assistance	Gross	\$2,000,000	(\$2,000,000)
Accreditation Assistance to the Department of Education is eliminated under both the Executive and House recommendations.	GF/GP	\$2,000,000	(\$2,000,000)
8. Center for Education Performance and Information	Gross	\$6,857,600	(\$1,926,100)
The Executive reduced the state appropriation for the Center for Education Performance and Information by \$4.1 million and eliminated funding for a contract with Standards and Poors. The House reduced the appropriation by a total of \$1.9 million and allocated \$2 million to continue a contract with Standards and Poors.	Federal	2,357,600	(426,100)
	GF/GP	\$4,500,000	(\$1,500,000)
9. Golden Apple Awards	Gross	\$1,320,000	(\$1,320,000)
The Executive and House eliminated the Golden Apple Program, which awards \$10,000 to schools with high or improving MEAP scores.	Restricted	1,320,000	(1,320,000)

10. Michigan Virtual University	Gross	\$11,584,700	(\$10,584,700)
The Executive recommendation reduced the state appropriation for the Michigan Virtual University (MVU) to \$2.0 million, with \$1.0 million of this for Learning Without Limits grants. The House allocated \$1.0 million for the MVU and transferred the Learning Without Limits grants to a new section.	Federal	6,584,700	(6,584,700)
	GF/GP	5,000,000	(4,000,000)
11. Learning Without Limits Grants	Gross	NA	24,712,700
The House appropriated \$24.7 million in total funds and adds new language that expands a pilot program to purchase wireless technology for 6 th grade pupils. These grants were funded with \$3.5 million in state funds in FY 2003-04.	Federal	NA	16,712,700
	Restricted	NA	8,000,000
12. Math and Science Centers	Gross	\$10,232,300	(\$5,232,300)
The Executive eliminated state funding for the 33 Math and Science Centers throughout the state, while the House reduced funding by 51% to \$5.0 million.	Restricted	9,684,300	(4,684,300)
	GF/GP	\$548,000	(\$548,000)
13. School Health Curriculum Grants	Gross	\$3,180,000	(\$3,180,000)
The Executive and House eliminated School Health Curriculum grants to districts and ISDs.	Restricted	3,180,000	(3,180,000)
14. Adult Education	Gross	\$77,500,000	(\$49,043,300)
The Executive reduced the Adult Education program by \$57.5 million and the per-participant amount from \$2,850 to \$880. The House reduced the appropriation by \$49 million to \$28.5 million and kept the per-participant amount at \$2,850.	Restricted	77,500,000	(49,043,300)
15. Partnership for Adult Learning	Gross	\$20,000,000	(\$20,000,000)
The Executive and House eliminated the Partnership for Adult Learning program, which provides English as a second language, GED preparation, and high school completion programs.	GF/GP	\$20,000,000	(\$20,000,000)

Major Boilerplate Changes from FY 2003-04:

Sec. 6(4). Membership Blend – RETAINED

The Executive recommended changing the membership blend upon which foundation allowance payments are calculated from a “80/20” blend—a sum of 80% of the current fall pupil count plus 20% of the previous February’s count—to a 50/50 pupil membership blend—a sum of 50% of the current fall pupil count plus 50% of the previous February’s count. The House retained the 80/20 blend.

Sec. 6(4)(y). Three-Year Average for Declining Enrollment Districts – MODIFIED

The Executive would eliminate a provision that gives certain districts in the Lower Peninsula with declining enrollment the ability to use a three-year average membership, giving these districts additional pupil membership to count towards their foundation allowance payments. The House retained this provision, but expanded the language to also include districts in the Upper Peninsula.

Sec. 11(3). Proration Language – MODIFIED

Current law requires an across-the-board proration when revenues are expected to fall short of appropriations. The House replaced this language with a requirement for the State Budget Director to develop a fair and equitable method of reducing payments.

Sec. 20(1). Basic Foundation Allowance – MAINTAINED

The Executive retained per-pupil foundation allowances at the same level as FY 2002-03. The House version concurs with the Executive.

Sec. 20L. School District Consolidation – MODIFIED

The Executive replaced current law language that gives consolidating districts a new foundation allowance equal to the highest foundation allowance among the consolidating districts plus \$50, with new language that would give consolidating districts a pupil-weighted average foundation allowance plus \$10. The House would give consolidating districts and districts that are annexed a pupil-weighted average foundation allowance. It would also create a consolidation incentive program that pays \$50 per pupil in a consolidated district, with payments to districts capped at \$500,000 per consolidated district.

Sec. 31a. At-Risk Program– MODIFIED

The Executive proposed expanding the allowable uses of funds to include tutorial services and programs that combine academic, enrichment, and recreational activities. The House concurred with these recommendations and also added the following additional uses; early childhood programs, English as a Second Language programs, and uses allowed under section 98b (Learning Without Limits Program).

Sec. 147. MPSERS Contribution Subsidy – MODIFIED

The Executive proposed to reduce the estimated percentage of payroll that districts pay for public school employee retirement from 14.37% to 12.99%, contingent upon all districts in the state refinancing their School Bond Loan Fund debt. The Executive also proposed using funds in a Michigan Public School Employee Retirement System (MPSERS) stabilization subaccount to offset the difference in the contribution rates. The House agreed with the Executive.

Throughout Bill. Reporting Requirements – MODIFIED

Under the Executive and House recommendations, requirements that districts must report data to the Department of Education would change to require reporting to the Center for Education Performance and Information instead.

New Revenue Sources for FY 2003-04

Revenue Sharing Reserve Funds

The Executive recommends transferring \$198.6 million from a Revenue Sharing reserve fund to replace the General Fund contribution to the School Aid Fund. This is a one-time revenue source. The House would instead keep the \$198.4 million General Fund contribution to school aid.

School Bond Loan Fund Refinance

The Executive recommends transferring a one-time revenue source to the School Aid Fund of approximately \$100 million from an anticipated refinance of School Bond Loan Fund debt. The House agreed, but assumed that \$138.7 million would be raised from the refinance.

New Lottery Revenues

Two new games were recommended by the Executive which would generate an estimated \$50 million in FY 2003-04 for deposit in to the School Aid Fund. The House concurs with the Executive.

Closing Tax Loopholes

The Executive recommended closing various tax loopholes in order to raise an estimated additional \$20.3 million in revenue for schools. The House concurs with the Executive.