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BILL ANALYSIS

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House Bill 4359 (as introduced)
Committee: Appropriations

FY 2006-07 Year-to-Date Gross Appropriation	\$13,093,745,100
Changes from FY 2006-07 Year-to-Date:	
1. Full-Day School Readiness Program. The Governor proposed a new program that would pay foundation allowances to districts that provide a full-day preschool program for educationally at-risk four-year olds.	194,600,000
2. Foundation Allowance. The Governor proposed rolling in the equity payment of \$23, and increasing the foundation allowance by another \$178, or 2.5%, per pupil. The net cost, after savings from declining pupils and increasing taxable values, is \$84.0 million.	84,050,000
3. State Special Education Funding. The Governor proposed increasing State special education funding by \$31.2 million due to rising costs.	31,200,000
4. Declining Enrollment. The Governor proposed increasing the payment to districts that experience two consecutive years of declining enrollment, from \$20.0 to \$36.0 million.	16,000,000
5. MEAP Testing Costs. The Governor increased the State funds appropriated for MEAP testing, from \$19.5 million to \$29.8 million. Federal funds supporting MEAP also increased modestly, by \$374,800.	10,674,800
6. School Services Consolidation Incentives. A new program proposed by the Governor appropriates \$10.0 million as incentives for school districts that establish written cost-sharing agreements with their intermediate districts.	10,000,000
7. Renaissance Zone, School Bond Loan Fund, PILT. The Governor proposed increasing the required payments toward Renaissance Zone reimbursements (\$3.0 million), debt service on the SBLF (\$3.8 million), and for Payments in Lieu of Taxes (\$1.0 million).	7,800,000
8. School Readiness Per-Pupil Funding Increase. The Governor proposed increasing the per-pupil funding for the half-day preschool program for educationally at-risk four-year-olds from \$3,300 to \$3,500, while serving the same number of children.	5,400,000
9. Intermediate School District Operational Funding. The Governor proposed providing a 2.5% increase in funding for ISD operations, matching the increase in the basic foundation.	2,003,100
10. Health/Science Middle College. The Governor proposed doubling the funding for a program that links high schools with community colleges for students to attain an associate's degree in the health sciences upon graduation from high school.	2,000,000
11. Program Eliminations. The Governor discontinued the Middle School Math Initiative (\$20.0 million), and a number of categoricals placed "on-hold" in FY 2006-07: Children of Incarcerated Parents, Mercy Education Project, International Baccalaureate, Book-a-Month, Early Intervening, Kalamazoo Pre-College Engineering, Web-Based Testing, Automated External Defibrillators, School Building Security Mapping, Positive Behavioral Support. Finally, the Freedom to Learn program (\$1.5 million carry-forward from Federal funds) was discontinued, as was the study of the Conductive Learning Center (\$250,000).	(26,725,000)
12. Economic Adjustments. Along with CEPI, three programs that were transferred in to the School Aid budget last year (Youth Challenge, Juvenile Justice DHS Facilities, and Bus Safety Inspections) were provided economic increases.	280,400
Total Changes.....	\$337,283,300
FY 2007-08 Governor's Recommendation.....	\$13,431,028,400

Changes from FY 2006-07 Year to Date:

1. **Early Intervening Language.** Provisions within three sections (Durant cash payments, small class size foundation payments, and At-Risk) allowing for funds to be spent on early intervening programs were eliminated. (Sections 11f(8), 20(20), and 31a(14))
2. **Removal of PA 25 of 1990 reporting.** A report requiring districts and intermediate districts to provide information for an annual progress report on the required implementation of sections 1204a, 1277, 1278, and 1280 of the Revised School Code was removed. (Sec. 19(2))
3. **Removal of Automatic Increase for the Basic Foundation Allowance.** A requirement that the basic foundation allowance increase at least by the consensus index was removed. (Sec. 20(14))
4. **Removal of Intent Language.** A statement of legislative intent that the General Fund appropriation in the budget increase when pupil membership grows by more 1% was removed. (Sec. 20(15))
5. **Elimination of Parental Involvement/Education Option under Michigan School Readiness Program (MSRP).** The Governor recommended removing the optional use of MSRP funds for preschool and parenting programs (PIE) as found under former Sec. 32b, when that section was in effect for FY 2001-02. (Sec. 32d(1)(b))
6. **MSRP Per-Pupil Funding Increase.** The Governor proposed an increase in per-pupil MSRP funding from \$3,300 to \$3,500 in both the school district and non-district programs. (Sections 32l and 39)
7. **Elimination of Full-Day Option in Standard MSRP.** The Governor proposed elimination of the option for districts to operate a full-day program in the standard MSRP, due to the proposed new full-day program in Sec. 32e. (Sec. 39)
8. **Sunset of Funding for Central Michigan University's Lending Library.** The Governor proposed a sunset of the appropriation for CMU's lending library, with funding ceasing after FY 2007-08. (Sec. 54a)
9. **Phaseout of Individual Health Sciences Middle College Funding Grants.** New language was proposed that phases out each grantee's funding over a four-year period, with the first two years being 100% funded, the third year at 50%, and the final year at 25%. This process frees up funding for new grantees over time. (Sec. 64)
10. **Extra Requirements for Intermediate Districts.** The Governor proposed adding requirements for ISDs to receive operational funding. These requirements include a demonstration of employment of at least one person trained in rules, regulations, and district reporting procedures for the individual-level student data that serves as the basis for the calculation of the district and high school graduation and dropout rates; compliance with sections 1230g, 1278a, and 1278b of the Revised School Code, and provision of data and other information as required by law. (Sec. 81)
11. **Use of Scientific Method.** The Governor proposed removing language in the sections relating to the Michigan Virtual High School and Math and Science Centers that requires activities funded to include the use of the scientific method to critically evaluate scientific theories and the use of relevant data to assess theories' validity. (Sections 98 and 99)
12. **Sunset on Inkster and FIRST Robotics funding.** Two sunsets were proposed for special funding to Inkster Schools and for support of the FIRST Robotics program. (Sections 99e and 99h, respectively)
13. **Adult Education Reimbursement Formula.** Current law provides that Adult Education payments are calculated 90% on enrollment and 10% for completion of adult basic education objectives. The Governor proposed to change this formula to 75% based on enrollment and 25% based on completion of objectives. The Governor also proposed a new requirement that funding recipients furnish all information needed to administer the Adult Education program, allow the Department to review all records, and reimburse the State for disallowances found in the review. (Sec. 107)
14. **Michigan Public School Employees Retirement System Rates.** The Governor proposed the FY 2007-08 retirement rate to decrease from the FY 2006-07 level of 17.74% to 16.72% if legislation is enacted to re-value the MPERS assets to their fair market value as of September 30, 2006. If that legislation is not enacted, the rate would increase to 18.56%. (Sec. 147)
15. **Repealers.** The Governor proposed repealing sections 8a (a district report on the average number of K-3 pupils per class) and 166 (a 5% penalty for dispensing prescriptions for family planning drugs or making referrals for abortions), in addition to a number of sections (Equity Payment in section 22c, Conductive Learning Center study in section 54b, and Middle School Math in section 99c) repealed corresponding to the proposed elimination of funding.

Date Completed: 3-7-07

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

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