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

BILL ANALYSIS

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

Senate Bill 1163 (as introduced)
Committee: Appropriations

Vehicle for Governor's Recommendation line items is Senate Bill 1193.

FY 2009-10 Year-to-Date Gross Appropriation	**$10,823,571,000**
Changes from FY 2009-10 Year-to-Date:	
1. **Foundation Allowance.** The Governor proposed technical foundation allowance negative cost adjustments totaling ($42,743,400). However, per-pupil funding did not change, and the $165 per-pupil reduction in State Aid enacted for FY 2009-10 continues in FY 2010-11.	(43,343,400)
2. **Federal Grants.** The Governor proposed increases in Federal Special Education grants of $35.0 million, increases in Federal School Lunch grants of $30.0 million, and adjustments in other Federal grants totaling $8.8 million.	73,836,100
3. **School Bond Loan Fund Debt Service.** The Governor proposed an increase in debt service obligations to support the School Loan Revolving Fund (formerly School Bond Loan Fund).	5,134,000
4. **Center for Educational Performance and Information (CEPI).** The Governor proposed an increase of $4.5 million Federal funds to support on-going data costs of reforms enacted in the Race to the Top legislation. This funding is in anticipation of the State being successful in one of two Federal grant applications for data systems funding.	4,476,800
5. **Juvenile Justice Facilities' Educational Costs.** The Governor reduced School Aid funding to Department of Human Services juvenile justice facilities that supports educational costs for students by $1.1 million due to closure of facilities and a smaller population served.	(1,083,200)
6. **School Bus Inspections.** The Governor proposed $433,800 (in addition to $19,800 for economics listed below) to support three FTEs in the Michigan State Police to randomly audit locally-inspected buses. Under current law, the MSP is responsible for doing the bus inspections; this proposal would change statute such that local districts would be responsible for the inspections, with MSP conducting random audits.	433,800
7. **Fund Shift: Federal ARRA to School Aid Fund.** Due to declining available Federal ARRA money, a fund shift of $265.7 million SAF was included.	0
8. **Economic Adjustments.** Economics totaling $286,900 were proposed.	286,900
Total Changes	$39,741,000
FY 2010-11 Governor's Recommendation	**$10,863,312,000**

Changes from FY 2009-10 Year to Date:

1. **Definition of First Class District.** The Governor proposed to change the definition of a First Class District to mean in all instances a district with at least 60,000 pupils. The effect of this change would be to name Detroit Public Schools as a First Class District whereby other school districts would have to get DPS's permission before opening an instructional site within DPS's boundaries. (Sec. 6(11))
2. **Service Consolidation Plans.** The Governor proposed requiring districts and intermediate districts to compute per-pupil costs of providing various services (purchasing, food, pupil transportation, payroll, accounting, facilities maintenance, human resources, technology), and to use the most cost-efficient method based on those computations, or face financial penalties. These service consolidation plans would have to be implemented the first school day in 2011-12. (Sec. 11d)
3. **Public Act 25 of 1990.** The Governor eliminated a requirement that districts comply with parts of Public Act 25 of 1990 that aren't also required under No Child Left Behind, and removes yearly reporting on compliance. (Sec. 19)
4. **Earmark for Property Tax Appeals.** The Governor included a new earmark of funding (up to $1.0 million) to pay for litigation costs incurred by the State related to commercial or industrial property tax appeals that impact the School Aid Fund. (Sec. 22b)
5. **MBT Hold Harmless Provision.** The Governor adjusted language in the section that provides funds to hold districts harmless from changes that were made in the MBT, such that only districts that received the funding in 2008-09 could continue to receive it in future years, and caps the amount of reimbursement to the lesser of the amount received in 2008-09 or the current year. (Sec. 22e)
6. **Great Start Readiness Program.** The Governor removed as an allowable use of these funds any funds used for preschool and parenting programs under former Sec. 32b (PIE), and also changed many program requirements, including: increasing the participation rate of children in poverty from 50% to 75%; requiring teachers to become compliant within 2 years rather than 4 as found in current law; and disallowing teachers in subcontracted programs with 90 credit hours and at least 4 years experience to continue participation in the program. (Sec. 32d)
7. **CEPI.** The Governor included numerous revisions to the section that appropriates funds and outlines CEPI's mission, including codifying the data requirements found in the Race to the Top and other Federal requirements (a P-20 data system, meaningful data, linkage between teachers and students, and more). (Sec. 94a)
8. **MSPERS Retirement Rate.** The retirement rate charged to districts against their payroll for deposit into the MPSERS pension system increased from 16.94% in FY 2009-10 to 19.41% in FY 2010-11, costing schools statewide an estimated $255 million. Language was proposed stating that the contribution rate may be reduced if reforms are enacted and in effect by the end of calendar year 2010. (Sec. 147)
9. **Repeals of Sections.** The Governor proposed repeal of the following: Sec. 32c (interagency early childhood grants: funding was vetoed in FY 2009-10); 32n (a placeholder section for before and after school programs that has never received funding); 57 (ISD gifted and talented funding; vetoed in FY 2009-10); 98a (intent language allocating ed tech funds in FY 2009-10); 99p (arts and cultural grants; funding was vetoed in FY 2009-10);, and 166 (financial penalty if schools distribute family planning drugs or make abortion referrals).

Date Completed: 2-24-10 Fiscal Analyst: Kathryn Summers