



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 (S-1, Draft 1 as reported)
Committee: Appropriations

Throughout this document Senate means Subcommittee.

FY 2009-10 Year-to-Date Gross Appropriation \$12,823,571,000

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. Senate increased the per-pupil reduction to \$283 (or an additional \$118 per pupil). (230,356,500)
- 2. **Declining Enrollment Grants.** The Senate eliminated Declining Enrollment grants. (20,000,000)
- 3. **Federal Grants.** The Governor and Senate 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
- 4. **School Bond Loan Fund Debt Service.** The Governor and Senate proposed an increase in debt service obligations to support the School Loan Revolving Fund (formerly School Bond Loan Fund). 5,134,000
- 5. **Center for Educational Performance and Information (CEPI).** The Governor and Senate proposed an increase of \$4.5 million Federal funds to support on-going data costs of reforms related to data assurances under the State Fiscal Stabilization Fund application. This funding is in anticipation of the State being successful in one of two Federal grant applications for data systems funding. 4,476,800
- 6. **Juvenile Justice Facilities' Educational Costs.** The Governor and Senate 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)
- 7. **Agriculture Education Program.** The Senate added \$300,000 to Saginaw Valley University for the purpose of establishing an Agriculture Education program. 300,000
- 8. **School Bus Inspections.** The Governor and Senate 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
- 9. **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
- 10. **Economic Adjustments.** Economics totaling \$286,900 were proposed by the Governor, but removed by the Senate. (286,900)
- 11. **Comparison to Governor's Recommendation.** The Senate budget is \$207,000,000 Gross below and \$195,400,000 GF/GP above the Governor's Recommendation. 0

Total Changes (\$167,545,900)

FY 2010-11 Senate Appropriations Subcommittee Gross Appropriation \$12,656,312,000

Changes from FY 2009-10 Year to Date:

1. **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. The Senate did not include these changes, but instead required a report of districts on their implementation of service consolidation plans submitted this year to the Department. The Senate also added language saying that the additional per-pupil reduction in this section would be offset by employer retirement contribution savings due to a lower than projected retirement rate associated with retirement reforms. (Sec. 11d)
2. **Earmark for Property Tax Appeals.** The Governor and Senate 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)
3. **MBT Hold Harmless Provision.** The Governor and Senate 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)
4. **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. The Senate concurred with the 75% provision, but did not concur with the other changes. (Sec. 32d)
5. **CEPI.** The Governor included revisions to the section that appropriates funds and outlines CEPI's mission, including codifying the requirements found in the State Fiscal Stabilization Fund application and other Federal requirements (a P-20 data system, meaningful data, linkage between teachers and students, etc). The Senate concurred with everything but the P-20 committee, instead retaining the current CEPI Advisory Council language. (Sec. 94a)
6. **Days and Hours.** The Governor recommended technical changes to the section. The Senate added language saying that districts that had provided at least 170 days of instruction in 2009-10 cannot provide fewer than that level in 2010-11. The Senate also added language stating that online professional development is encouraged, if approved by the district, and that the Department must issue a list of approved online providers of professional development. The Senate strikes the requirement for districts to do five hours of PD online. (Sec. 101)
7. **MSPERS Retirement Rate.** The Governor's budget increased the retirement rate charged to districts against their payroll for deposit into the MSPERS pension system 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. The Senate decreased the rate published to 17.08%, and added language specifying that this lower rate reflects the employer savings by increasing employee contributions to the system and other reforms. (Sec. 147)
8. **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). The Senate concurred in everything except 166, and added a repeal of Section 20 (declining enrollment grants).
9. **Basic Instructional Materials Hotline/Claims.** The Senate removed the basic supplies hotline and claims process, instead stating that a district shall determine what constitutes basic supplies and deal with complaints. (Sec. 166b)

Date Completed: 3-12-10

Fiscal Analyst: Kathryn Summers