

REPORT

July 2010

CAPITOL

State Budget Update

As of July 1, 2010, the Michigan Legislature had completed action on **only one** of the fiscal year 2010-11 appropriation bills. The FY 2010-11 appropriation bill for the **K-12 School Aid Fund** was signed into law by the Governor on July 7, 2010.

Still pending before the Legislature are all of the other FY 2010-11 appropriation bills, including the **Higher Education and Community College Budgets**. The most controversial issue in the Higher Education Budget (SB 1157) is the provision requiring that any public university that receives state money annually report to the Department of Community Health the number of human embryo stem cell lines received by the university among four other similar reporting requirements. These bills are currently in joint House/Senate conference committees.

2010 - 2011 School Aid Budget

Public Act 110, 2010 (SB 1163) authorizes the expenditure of \$12.8 billion to support Michigan's K-12 education system in fiscal year 2011, including \$10.9 billion from the state school aid fund, \$1.68 billion in federal funds for education, \$184.3 million in federal Recovery Act funds, and \$30.2 million from the state's general fund.

Public Act 110 also incorporates a few small budget restorations for the 2009-10 school year. Among them, school districts will see a modest \$11 per pupil increase for both the 2011 fiscal year and the remainder of the 2010 fiscal year. The 2010 \$11 per pupil increase was transferred in the July State Aid payment to districts.

The School Aid Budget did not appropriate all school aid fund dollars available for use. Currently, there is approximately \$236 million unexpended in this fund. To date, the legislature has not used school aid funds to plug the general fund deficit. This issue may resurface when the Legislature returns to complete negotiations on the remaining state budgets.

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Listed below are some of the highlights of the 2010 - 2011 School Aid Budget:

Foundation Allowance. Restores \$11 per pupil of the \$165 per pupil reduction in FY 2009-10 and continues the same per pupil level for 2010 - 2011. (Sec. 11d) Restores Northville's F.A. to \$8,489.

Foundation Allowance Calculation. The Governor VETOED this new subsection increasing the foundation allowance by \$10-\$20 per pupil under the 2x formula in both FY 2009-10 and 2010-11 because it was contingent on the enactment a tax amnesty bill. (Senate Bill 884 passed the Senate on 10//3/09 and has remained in the House Tax Policy Committee ever since.) (Sec. 20 (25))

Hold Harmless Districts. The Governor VETOED this provision to restore ½ the 20j funding for FY 2009-10 and 2010-11 because it was contingent on the enactment a tax amnesty bill. (Senate Bill 884 passed the Senate on 10//3/09 and has remained in the House Tax Policy Committee ever since.) (Sec. 20j)

ISDs General Operations. Restores \$2.4 million of the \$16.3 million originally cut in the 2009-10 enacted budget and sets 2010-11 funding \$65.4 million. (Sec. 81)

Days and Hours & Professional Development. Continues current law requiring districts to provide at least 1,098 hours of pupil instruction. Additionally, requires districts to provide at least 165 days of instruction for FY 2010-11 and 2011-12 and at least 170 days of instruction in FY 2012-13. Beginning in 2010-11 a district shall not provide fewer days of instruction than the district provided in FY 2009-10. Also removes the requirement of five hours of online professional development. (Sec. 101)

Declining Enrollment Grants. Maintains funding at the current year level of \$20.0 million. (Sec. 29)

At Risk, Adolescent Health, Hearing, and Vision. Maintains funding at the current year level of \$317.7 million. Revises the 25% reduction made to Dearborn's at-risk allocation such that it would be reduced after all payments made under this section are prorated rather than before. This change is effective starting fiscal year 2009-10. (Sec. 31a)

Great Start School Readiness Program. Appropriates an additional \$1.3 million for school readiness district programs and \$1.3 million for school readiness competitive programs, providing a total of 760 additional preschool slots for district and competitive programs. (Sec. 32d)



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Great Start School Readiness Program - District and Competitive Grants. Maintains the PIE option as an allowable use for the grants. Changes the requirement that programs serve at least 75% of students (up from 50%) from families with a household income of 300% or less of the federal poverty level. Modifies language that allows teachers who are currently employed as a teacher in a subcontracted program without the required degrees to be able to continue to teach if they have 90 credit hours and at least four years' teaching experience. (Sec. 32d)

Service Consolidation Plans. Requires districts to report on the current efforts to consolidate services by February 1, 2011, and requires districts and ISDs to explore coordinating regional purchasing of diesel fuel. (Sec. 11d)

School Bus Inspections. Appropriates \$1.4 million for school bus inspection for fiscal year 2009-10 and \$434 million for fiscal year 2010-11. Inspections will be done by school districts with random audits conducted by the Michigan State Police. (Sec. 74)

Basic Instructional Supplies. Revises to require districts to develop and implement a policy addressing adequate supplies. Requires the Department to develop a model policy and make available on its website. Establishes a protocol to follow if a teacher determines they do not have access to adequate instructional supplies. A teacher would make claims first to the principal or superintendent, then the school board, then the Department if the claim is not resolved. Requires to Department to investigate the claim. (Sec. 66c)

MSPERS Retirement Rate. Includes the Office of Retirement Services estimated percentage of payroll districts that must pay for public school retirement at 19.41%, which is a 2.47% increase over FY 2009-10 rate of 16.94%. (Sec. 147)

Repeals Sections. Repeals the following sections: Sec. 32n (before- and after-school program), Sec. 57 (advanced and accelerated program), and Sec. 98a (intent language to fund 21st century learning initiatives).



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Educational Economic Opportunity District

House Bill 6243 (Clemente, D-Lincoln Park) would allow public or private **colleges and universities** to create a downtown development authority to encourage business growth around them. This bill would allow communities to use tax increment financing for infrastructure improvements that would **attract businesses near the college campus**. The legislation would prohibit any of the development funds from being used on the university campus.

The board of such a district would have to include a representative of a higher education institution located in the downtown district and at least three individuals to represent one or more of the following interests operating within the district: a major business or organization, arts and cultural organizations, young professional organizations, a local chamber of commerce, a local community foundation, regional economic development organizations, and public transportation.

The development plan for this new kind of authority could include plans *to integrate higher education activities and expertise into the downtown district and assist in entrepreneurial enterprise development, especially with faculty and students of the institution of higher education.* An authority could not use tax increment revenues or other funds under the act to improve, construct, or develop public facilities located on property owned or under the control of an institution of higher education.

House Bill 6243 passed the House on July 1 and is currently before the Senate Economic Development and Regulatory Reform Committee.



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Intervention for Low-Achieving Schools

Senate Bill 1284 (Cassis, R-Novi), as passed by the Senate, would strongly encourage a school district or public school academy that operated a school that is among the lowest-achieving 5% of public schools, to implement a program to improve pupils' literacy and numeracy skills, if a needs assessment identified a lack of an early intervention program as a primary reason for low pupil achievement and if the school were operating under the transformational, turnaround, or restart model.

Such a program would have to meet the following requirements:

- Be implemented by the beginning of the 2010-2011 school year.
- Include screening of pupils in kindergarten to 3rd grade and provide additional instruction to pupils determined to need intervention.
- Include screenings in 4th grade beginning in the 2011-2012 school year and in 7th grade beginning in the 2014-2015 school year; and provide literacy and numeracy intervention in 5th and 8th grades to the pupils determined to need intervention.
- Include parental notification if a pupil failed to meet grade level content expectations.
- Implement certain additional initiatives, including the assignment of adult advocates to high school pupils at risk of dropping out of school.

A district or public school academy could contract with an intermediate school district to provide the program, and an ISD could provide technical assistance to the district or public school academy in developing and implementing the program. An ISD may use funds received under Section 81 of the State School Aid Act (which allocates funds to ISDs) for those purposes.

Senate Bill 1284 now moves to the House Education Committee.

Gun Safety Instruction

Senate Bill 1402 (Gleason, D-Flushing) would require the Michigan Department of Education to develop or adopt, and make available to schools, one or more model programs for gun safety instruction for elementary school pupils by August 1, 2011. The model program would have to adopt or be based on the "Eddie Eagle" Gun Safe accident prevention program developed by the National Rifle Association.

This bill would encourage each school district and public school academy to adopt and implement the model gun safety instruction program in at least 3rd grade beginning in the 2010-2011 school year. **Senate Bill 1402 passed the Senate July 1 and is currently before the House Tourism, Outdoor Recreation and Natural Resources Committee.**

What's Up at the Capitol

State Budget Update	1
2010 - 2011 School Aid Budget	1
Educational Economic Opportunity District	3
Intervention for Low-Achieving Schools	4
Gun Safety Instruction	4



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