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BILL



ANALYSIS

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Senate Bill 775 (Substitute S-1 as reported)
 Committee: Appropriations

Throughout this document Senate means Appropriations Committee

FY 2013-14 Year-to-Date Gross Appropriation	\$13,322,291,100
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Changes from FY 2013-14 Year-to-Date:

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| 1. MPSERS Rate Cap. Gov./Sen. increased required funding for the Michigan Public School Employees' Retirement System (MPSERS) rate cap, where school employers pay no more than 20.96% of payroll toward unfunded accrued liabilities (UAL). | 271,400,000 |
| 2. MPSERS Rate Cap Lowering. Gov. proposed to repurpose an existing \$100.0 million in MPSERS grants to districts to instead lower the rate cap on UAL from 20.96% of payroll to 19.76% of payroll. Sen. did not concur, and eliminated the existing \$100.0 million in MPSERS cost offset grants and distributed through the foundation allowance. | (100,000,000) |
| 3. Foundation Allowance Increase. Gov. proposed a modified '2x', where all districts would receive a \$55 increase, plus something between \$28 and \$56 per pupil, costing \$150.0 million. Sen. retained the standard 2x formula, with increases ranging between \$150 and \$300. Sen. funded hold harmless categorical at \$31.0 million to ensure a minimum \$75 increase, after accounting for foundation allowance increase and elimination of certain categoricals. | 415,000,000 |
| 4. Great Start Readiness Program (GSRP). Gov./Sen. proposed another \$65.0 million increase in GSRP funding to provide preschool to at-risk four-year-olds. | 65,000,000 |
| 5. Educator Evaluations. Gov. proposed a new \$27.8 million appropriation to fund teacher and administrator evaluations. Sen. did not include. | 0 |
| 6. Fiscal Emergency Fund. Gov. proposed a new \$10.0 million District Fiscal Emergency Contingency Fund. Sen. did not include. | 0 |
| 7. Student Assessments. Gov. proposed to increase funding supporting student assessments by \$7.2 million. Sen. zeroed out assessment funding. | (32,944,400) |
| 8. New or Increased Programs. Gov. proposed \$2.0 million for year-round school; \$1.8 million for dual enrollment; \$0.3 million for AP scholarships; and, \$0.3 million for a career readiness study. Sen. included all items except for the career readiness study. Sen. added \$5.0 million to convert buses to natural gas. Sen. increased isolated districts \$129,200 and Youth Challenge \$50,000. Gov./Sen. increased CEPI by \$2.4 million GF/GP. Sen. added \$330,000 for STEM professional development. | 11,909,200 |
| 9. Federal Grants. Gov. and Sen. increased Federal funds by \$43.7 million. | 45,741,400 |
| 10. Technical Cost Adjustments. Gov./Sen. included technical cost adjustments for the foundation allowance, special education, debt service, and PILT and Promise Zone payments. | (101,320,100) |
| 11. Program Eliminations. Gov. eliminated funding for student-centric grants (\$8.0 million); dual enrollment credit transfer program (\$1.0 million); and principal educator evaluation training (\$0.5 million). In addition, FIRST Robotics was reduced \$1.0 million. Sen. concurred (but retained principal training), and also eliminated best practice (\$80.0 million), pupil performance (\$46.4 million), district consolidation grants (\$5.0 million), and Michigan Virtual University (\$9.4 million). | (150,787,500) |
| 12. Program Transfers. Gov./Sen. proposed transferring out MPSERS rate cap costs and Renaissance Zone reimbursement for libraries. | (6,500,000) |
| 13. Economic Adjustments. Includes a negative \$85,400 Gross and a negative \$69,700 GF/GP for OPEB and \$218,600 Gross and \$157,400 GF/GP for economics. | 133,200 |
| 14. Comparison to Governor's Recommendation. Senate is \$57,216,700 Gross under and \$0 GF/GP over/under the Governor. | |

Total Changes	\$417,631,800
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FY 2014-15 Senate Appropriations Committee Gross Appropriation	\$13,739,922,900
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Changes from FY 2013-14 Year-to-Date:

1. **Online Learning.** Gov. proposed numerous language changes to the section allowing for enrollment in online courses statewide, including changing the age eligibility from grades 5 to 12 to grades 7 to 12, allowing more than two courses per term if pupil has demonstrated previous success, allowing the district to deny enrollment if the cost of the online course exceeds 6.25% of the minimum foundation allowance, allowing intermediate districts (ISDs) to offer online courses, and requiring districts and ISDs to report on online enrollments and completion rates. Sen. did not concur in change grade eligibility to 7 to 12; Sen. added language requiring enrollment in prior term, and changed reimbursement to 8.33% of district's foundation allowance. (Sec 21f)
2. **Earmark for Online Test Conversion.** Gov. proposed earmarking \$8.5 million out of the \$50.0 million for technology grants to convert existing student assessments to online assessments, for providing paper and pencil test versions to districts not prepared for online assessments, and expanding writing assessments. Sen. did not concur. (Sec. 22i)
3. **At-Risk Allowable Uses.** Gov. proposed significant changes to the allowable uses of At-Risk funds by eliminating all existing language and replacing it with the allowable uses of ensuring that third graders are proficient in reading by the end of third grade and that high school graduates are career and college ready. Sen. did not concur. (Sec. 31a)
4. **Great Start Readiness Program.** Gov. proposed allowing ISDs to provide slots to children in families with income levels at or below 300% of the Federal poverty level (FPL) if all children in the ISD in families with income levels at or below 250% of the FPL are being served. The per-pupil grant increased from \$3,625 to \$3,725. Sen. increased per-pupil to \$3,675, and restricted other \$50 of the Gov's \$100 increase for transportation. Sen. allowed enrollment across ISD boundaries. (Sec 32d and 39)
5. **Teacher and Administrator Evaluations.** Gov. required the DTMB and MDE to request proposals from vendors for educator and administrator observation tools, as specified in the Revised School Code (RSC). Funding would be distributed on a per-pupil basis to implement one of the four teacher observation tools and one of the two administrator observation tools specified in the RSC. Of the \$27.8 million cost, \$2.7 million is for educator-student rosters necessary for calculations of student growth data and \$3.0 million for value-added modeling components, an electronic reporting system, and piloting alternative evaluations for districts with special populations. Sen. did not concur. (Sec. 95a)
6. **Deficit Districts.** Gov./Sen. proposed significant changes to the Deficit District section including immediate notification of a deficit; a 30-day shot-clock for submission of a preplan financial report after notification; allowing the Department to withhold funds to incentivize submission of an acceptable plan; and adding a new category of reporting for districts with rapidly deteriorating financial conditions or persistently declining enrollment. (Sec. 102)
7. **Periodic Financial Status Reports.** Gov./Sen. proposed a new section whereby the State Treasurer or Superintendent may require a district or ISD to submit periodic financial status reports if a determination of potential financial distress is made or a deficit is believed to be imminent. The determination can be made after a review of any one of a number of different qualifiers including financial data submitted, failure to timely transmit tax payments, MPERS payments, or contracted vendor payments, or after a request made by the school. (NEW Sec. 102a)
8. **Assessment Funding.** Gov. proposed earmarking \$4.0 million out of the increased funding request for assessments to be used for the multi-year development or selection of interim assessments to support local implementation of the educator and administrator evaluation systems. Gov. proposed earmarking \$3.2 million for the development or selection of an online reporting tool to provide student-level assessment data in a secure environment immediately after assessments are scored. Also, Gov. proposes to eliminate the requirement that the Michigan Merit Examination include an extended writing sample. Sen. did not include interim assessments. (Sections 104 and 104b)
9. **Adult Education.** Gov. proposed to eliminate the existing structure for adult education providers (grants to districts) and replace it with one that provides funding to ISDs based on 10 prosperity regions and the numbers of persons not high school graduates or those lacking basic English proficiency in the regions. The change in funding would be phased-in, with 67% of the funding in FY 2014-15 based on the previous formula, but summed to the prosperity regions on an ISD basis, and 33% of the funding based on the new measurement. Sen. did not concur. (Sec. 107)
10. **MPERS Cost Offset/Rate Cap.** Gov. proposed to 'repurpose' the existing \$100.0 million in MPERS cost offset grants to districts and instead use that money to lower the amount that districts pay toward the unfunded accrued liability from 20.96% of payroll to 19.76% of payroll. Gov. also proposes a \$50.0 million transfer from the School Aid Fund to the MPERS Reserve Fund. Sen. did not concur, and instead repealed Section 147a (MPERS cost offset grants). (Sections 147, 147a, 147b, and 147c)

Date Completed: 4-23-14

Fiscal Analyst: Kathryn Summers

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

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Revised Estimates for FY 2013-14 and Governor's and Senate Appropriations Committee Recommendations for FY 2014-15
(Dollars in Thousands)

 Line Item Description	FY 2013-14 Appropriations YTD	Gov's Rec FY 2014-15 \$83-\$111 Per Pupil	Change from FY 2013-14 YTD	FY 2014-15 Senate Approps.	Change from FY 2013-14 YTD	Change from Gov's Rec
Sec. 11g Durant Non-plaintiff Debt Service	\$39,500.0	\$39,500.0	\$0.0	\$39,500.0	\$0.0	\$0.0
Sec. 11j School Bond Loan Fund Payments - Debt Service	\$131,660.0	\$142,600.0	\$10,940.0	\$142,600.0	\$10,940.0	\$0.0
Sec. 11m Cash Flow Borrowing Costs	\$2,500.0	\$4,000.0	\$1,500.0	\$4,000.0	\$1,500.0	\$0.0
Sec. 11r District Fiscal Emergency Contingency Fund - NEW	\$0.0	\$10,000.0	\$10,000.0	\$0.0	\$0.0	(\$10,000.0)
Sec. 11s Education Reserve Fund - NEW	\$0.0	\$0.0	\$0.0	\$0*	\$0.0	\$0.0
Sec. 20F Hold Harmless in Per-Pupil Funding - NEW	\$6,000.0	\$6,000.0	\$0.0	\$31,000.0	\$25,000.0	\$25,000.0
Sec. 20G Student Transition Grants in Dissolved Districts	\$7,200.0	\$2,200.0	(\$5,000.0)	\$2,200.0	(\$5,000.0)	\$0.0
Sec 22a Proposal A Obligation Payment	\$5,526,000.0	\$5,403,000.0	(\$123,000.0)	\$5,403,000.0	(\$123,000.0)	\$0.0
Sec. 22b Discretionary Payment - State	\$3,335,000.0	\$3,578,000.0	\$243,000.0	\$3,818,000.0	\$483,000.0	\$240,000.0
Sec. 22c Equity Payment	\$36,000.0	\$0.0	(\$36,000.0)	\$0.0	(\$36,000.0)	\$0.0
Sec. 22d Isolated Districts Funding	\$2,584.6	\$2,584.6	\$0.0	\$2,713.8	\$129.2	\$129.2
Sec. 22f Best Practices	\$80,000.0	\$80,000.0	\$0.0	\$0.0	(\$80,000.0)	(\$80,000.0)
Sec. 22g Consolidation Innovation Grants	\$5,000.0	\$5,000.0	\$0.0	\$0.0	(\$5,000.0)	(\$5,000.0)
Sec. 22i Technology Infrastructure and iSchool	\$50,000.0	\$50,000.0	\$0.0	\$50,000.0	\$0.0	\$0.0
Sec. 22j Pupil Performance	\$46,400.0	\$46,400.0	\$0.0	\$0.0	(\$46,400.0)	(\$46,400.0)
Sec. 22k Competitive Student-Centric Grants - NEW	\$8,000.0	\$0.0	(\$8,000.0)	\$0.0	(\$8,000.0)	\$0.0
Sec. 24 Court-Placed Pupils	\$8,000.0	\$8,000.0	\$0.0	\$8,000.0	\$0.0	\$0.0
Sec. 24a Juvenile Detention Facilities	\$2,167.5	\$2,195.5	\$28.0	\$2,195.5	\$28.0	\$0.0
Sec. 24c Challenge Program	\$1,500.0	\$1,500.0	\$0.0	\$1,550.0	\$50.0	\$50.0
Sec. 25f Strict Discipline Academies - NEW	\$2,000.0	\$0.0	(\$2,000.0)	\$0.0	(\$2,000.0)	\$0.0
Sec. 26a Renaissance Zone Costs	\$29,500.0	\$26,300.0	(\$3,200.0)	\$26,300.0	(\$3,200.0)	\$0.0
Sec. 26b PILT Reimbursement	\$4,009.5	\$4,210.0	\$200.5	\$4,210.0	\$200.5	\$0.0
Sec. 26c Promise Zone	\$266.2	\$293.1	\$26.9	\$293.1	\$26.9	\$0.0
Sec. 31a "At Risk" Pupil Support	\$308,988.2	\$308,988.2	\$0.0	\$308,988.2	\$0.0	\$0.0
Sec. 31a Vision/Hearing Screening	\$5,150.0	\$5,150.0	\$0.0	\$5,150.0	\$0.0	\$0.0
Sec. 31a Child and Adolescent Health Centers	\$3,557.3	\$3,557.3	\$0.0	\$3,557.3	\$0.0	\$0.0
Sec. 31b Year-Round Schools Pilot Program - NEW	\$2,000.0	\$2,000.0	\$0.0	\$2,000.0	\$0.0	\$0.0
Sec. 31d School Lunch Programs - State Share	\$22,495.1	\$22,495.1	\$0.0	\$22,495.1	\$0.0	\$0.0
Sec. 31d School Lunch Programs - Federal Share	\$463,200.0	\$513,200.0	\$50,000.0	\$513,200.0	\$50,000.0	\$0.0
Sec. 31f School Breakfast	\$5,625.0	\$5,625.0	\$0.0	\$5,625.0	\$0.0	\$0.0
Sec. 32d Great Start - School Readiness	\$174,575.0	\$239,575.0	\$65,000.0	\$239,575.0	\$65,000.0	\$0.0
Sec. 32p Great Start Early Childhood Block Grants	\$10,900.0	\$10,900.0	\$0.0	\$10,900.0	\$0.0	\$0.0
Sec. 32r Race to the Top - Early Learning Challenge - Federal	\$51,737.5	\$0.0	(\$51,737.5)	\$0.0	(\$51,737.5)	\$0.0
Sec. 39a(1) NCLB Federal DOE Grants	\$811,828.5	\$807,969.9	(\$3,858.6)	\$807,969.9	(\$3,858.6)	\$0.0
Sec 39a(2) Other Non-NCLB Federal DOE Grants	\$31,700.0	\$31,300.0	(\$400.0)	\$31,300.0	(\$400.0)	\$0.0
Sec. 41 Bilingual Education	\$1,200.0	\$1,200.0	\$0.0	\$1,200.0	\$0.0	\$0.0
Sec. 51c Special Education Headlee - State Share	\$613,200.0	\$630,500.0	\$17,300.0	\$630,500.0	\$17,300.0	\$0.0
Sec. 51a(2) Spec. Ed. Foundations - State Share	\$247,000.0	\$252,000.0	\$5,000.0	\$252,000.0	\$5,000.0	\$0.0
Sec. 51a(3) Spec. Ed. Hold Harmless to ISDs - State Share	\$1,000.0	\$1,000.0	\$0.0	\$1,000.0	\$0.0	\$0.0
Sec. 51a(11) Spec. Ed. Non Sec. 52 to ISDs - State Share	\$3,500.0	\$3,300.0	(\$200.0)	\$3,300.0	(\$200.0)	\$0.0
Sec. 51a(6) Spec. Ed. Rules Change - State Share	\$2,200.0	\$2,200.0	\$0.0	\$2,200.0	\$0.0	\$0.0

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Sec. 53a Court-Placed Spec. Ed. FTEs - State Share	\$13,500.0	\$10,500.0	(\$3,000.0)	\$10,500.0	(\$3,000.0)	\$0.0
Sec. 54 MI School for Deaf and Blind - State Share	\$1,688.0	\$1,688.0	\$0.0	\$1,688.0	\$0.0	\$0.0
Sec. 56 Spec. Ed. Millage Equalization - State Share	\$37,758.1	\$37,758.1	\$0.0	\$37,758.1	\$0.0	\$0.0
Sec. 51a Special Education - Federal IDEA	\$370,000.0	\$370,000.0	\$0.0	\$370,000.0	\$0.0	\$0.0
Sec. 51d Special Education - Other Federal	\$74,000.0	\$74,000.0	\$0.0	\$74,000.0	\$0.0	\$0.0
Sec. 61a Vocational Education	\$27,611.3	\$27,611.3	\$0.0	\$27,611.3	\$0.0	\$0.0
Sec. 62 ISD Vocational Ed Millage Equalization	\$9,190.0	\$9,190.0	\$0.0	\$9,190.0	\$0.0	\$0.0
Sec. 64a District and Postsecondary Articulation/Transfer	\$1,000.0	\$0.0	(\$1,000.0)	\$0.0	(\$1,000.0)	\$0.0
Sec. 64b Dual Enrollment Incentive Payments - NEW	\$0.0	\$1,750.0	\$1,750.0	\$1,750.0	\$1,750.0	\$0.0
Sec. 64c Career Readiness Study - NEW	\$0.0	\$250.0	\$250.0	\$0.0	\$0.0	(\$250.0)
Sec. 64d Information Technology Opportunities - NEW	\$3,900.0	\$0.0	(\$3,900.0)	\$0.0	(\$3,900.0)	\$0.0
Sec. 74 Bus Driver Safety Instruction	\$1,625.0	\$1,625.0	\$0.0	\$1,625.0	\$0.0	\$0.0
Sec. 74 School Bus Inspections	\$1,674.0	\$1,691.5	\$17.5	\$1,691.5	\$17.5	\$0.0
Sec. 74a Bus Conversion from Diesel to Natural Gas - NEW	\$0.0	\$0.0	\$0.0	\$5,000.0	\$5,000.0	\$5,000.0
Sec. 81 ISD General Operations Support	\$62,115.0	\$62,115.0	\$0.0	\$64,115.0	\$2,000.0	\$2,000.0
Sec. 81(7) ISD Best Practices	\$2,000.0	\$2,000.0	\$0.0	\$0.0	(\$2,000.0)	(\$2,000.0)
Sec. 94 Advanced Placement (AP) Incentive Program - NEW	\$250.0	\$250.0	\$0.0	\$250.0	\$0.0	\$0.0
Sec. 94a Center for Educ. Perf. and Information - State Share	\$9,535.1	\$12,022.8	\$2,487.7	\$12,022.8	\$2,487.7	\$0.0
Sec. 94a Center for Educ. Perf. and Information - Federal	\$193.5	\$193.5	\$0.0	\$193.5	\$0.0	\$0.0
Sec. 95 Principal Educator Evaluation Training	\$500.0	\$0.0	(\$500.0)	\$500.0	\$0.0	\$500.0
Sec. 95a Educator Evaluations - NEW	\$0.0	\$27,800.0	\$27,800.0	\$0.0	\$0.0	(\$27,800.0)
Sec. 98 Michigan Virtual High School - State	\$9,387.5	\$9,387.5	\$0.0	\$0.0	(\$9,387.5)	(\$9,387.5)
Sec. 99 Math/Science Centers - State	\$3,225.0	\$3,225.0	\$0.0	\$3,225.0	\$0.0	\$0.0
Sec. 99 Math/Science Centers - Federal	\$5,249.3	\$5,249.3	\$0.0	\$5,249.3	\$0.0	\$0.0
Sec. 99b STEM Professional Development - NEW	\$0.0	\$0.0	\$0.0	\$330.0	\$330.0	\$330.0
Sec. 99h FIRST Robotics	\$3,000.0	\$2,000.0	(\$1,000.0)	\$2,000.0	(\$1,000.0)	\$0.0
Sec. 104 MEAP Testing - State Share	\$26,694.4	\$33,894.4	\$7,200.0	\$0.0	(\$26,694.4)	(\$33,894.4)
Sec. 104 MEAP Testing - Federal Share	\$8,250.0	\$6,250.0	(\$2,000.0)	\$0.0	(\$8,250.0)	(\$6,250.0)
Sec. 107 Adult Education - State	\$22,000.0	\$22,000.0	\$0.0	\$22,000.0	\$0.0	\$0.0
Sec. 147a MPSERS District Reimbursement	\$100,000.0	\$0.0	(\$100,000.0)	\$0.0	(\$100,000.0)	\$0.0
Sec. 147b MPSERS Reserve for Retirement Obligation Reform	\$0.0	\$0*	\$0.0	\$0.0	\$0.0	\$0.0
Sec. 147c MPSERS Rate Cap (Section 41 of MPSERS Act)	\$406,800.0	\$783,944.0	\$377,144.0	\$674,700.0	\$267,900.0	(\$109,244.0)
Sec. 152. Adair v State of Michigan	\$38,000.5	\$38,000.5	\$0.0	\$38,000.5	\$0.0	\$0.0
TOTAL SCHOOL AID APPROPRIATIONS	\$13,322,291.1	\$13,797,139.6	\$474,848.5	\$13,739,922.9	\$417,631.8	(\$57,216.7)
Federal Aid	\$1,816,158.8	\$1,808,162.7	(\$7,996.1)	\$1,801,912.7	(\$14,246.1)	(\$6,250.0)
School Aid Fund (SAF)	\$11,115,232.3	\$11,790,976.9	\$675,744.6	\$11,890,010.2	\$774,777.9	\$99,033.3
General Fund/General Purpose	\$234,900.0	\$180,000.0	(\$54,900.0)	\$30,000.0	(\$204,900.0)	(\$150,000.0)
MPSERS Reforms Fund	\$156,000.0	\$18,000.0	(\$138,000.0)	\$18,000.0	(\$138,000.0)	\$0.0
TOTAL REVENUE	\$13,322,291.1	\$13,797,139.6	\$474,848.5	\$13,739,922.9	\$417,631.8	(\$57,216.7)

*Governor is recommending a \$50 million transfer of SAF into the MPSERS reserve fund, which would require an appropriation later to spend the funds.

*Senate is recommending a \$35 transfer of SAF into the Education Reserve Fund in Sec. 11s, which would require an appropriation later to spend the funds.