



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

# BILL ANALYSIS



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Senate Bill 775 (as introduced)  
 Committee: Appropriations

[Vehicle for Governor's Recommendation line items is Senate Bill 838](#)

<b>FY 2013-14 Year-to-Date Gross Appropriation .....</b>	<b>\$13,366,703,600</b>
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**Changes from FY 2013-14 Year-to-Date:**

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| 1. <b>MPSERS Rate Cap.</b> Governor 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. <b>MPSERS Rate Cap Lowering.</b> Governor 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. In so doing, another \$9.2 million is required for the intermediate school district (ISD) portion of the guarantee. | 9,244,000     |
| 3. <b>Foundation Allowance Increase.</b> Governor proposed a modified '2x' formula, whereby all districts would receive a \$55 increase, plus something between \$28 and \$56 per pupil.   | 150,000,000   |
| 4. <b>Great Start Readiness Program.</b> Governor proposed another \$65.0 million increase in GSRP funding to provide preschool to at-risk four-year-olds.   | 65,000,000    |
| 5. <b>Educator Evaluations.</b> Governor proposed a new \$27.8 million appropriation to fund teacher and administrator evaluations.  | 27,800,000    |
| 6. <b>Fiscal Emergency Fund.</b> Governor proposed a new \$10.0 million District Fiscal Emergency Contingency Fund to ensure dissolving districts are able to provide educational services to their students until the end of the year.  | 10,000,000    |
| 7. <b>Student Assessments.</b> Governor proposed to increase funding supporting student assessments by \$7.2 million.  | 7,200,000     |
| 8. <b>Other New Programs.</b> Governor proposed \$2.0 million for a year-round school pilot program; \$1.8 million for dual enrollment incentive payments; \$0.3 million for Advanced Placement (AP) scholarships; and, \$0.3 million for a career readiness study.  | 4,250,000     |
| 9. <b>Federal Grants.</b> Governor increased Federal funds in the budget by \$43.7 million.  | 45,741,400    |
| 10. <b>Center for Educational Performance and Information (CEPI).</b> Governor increased CEPI funding by \$2.4 million.  | 2,400,000     |
| 11. <b>Technical Cost Adjustments.</b> Governor included technical cost adjustments for the foundation allowance (-\$115.4 million), special education (-\$41.5 million), debt service (\$10.9 million), and PILT and Promise Zone payments (\$227,400).   | (145,732,600) |
| 12. <b>Program Eliminations.</b> Governor 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.   | (10,500,000)  |
| 13. <b>Program Transfers.</b> Governor proposed transferring out MPSERS rate cap costs and Renaissance Zone reimbursement for libraries to the MDE budget, along with a portion of the Federal funds supporting assessments.   | (6,500,000)   |
| 14. <b>Economic Adjustments.</b> 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 other economic adjustments.   | 133,200       |

Total Changes .....	\$430,436,000
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<b>FY 2014-15 Governor's Recommendation .....</b>	<b>\$13,797,139,600</b>
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**Changes from FY 2013-14 Year-to-Date:**

1. **Audits.** Gov. proposed numerous changes allowing for audits for programs in the preceding three fiscal years, adding the Emergency Municipal Loan Act and the Local Financial Stability and Choice Act to the list of statutes under which the Department may withhold funds, and requiring districts to post deficit elimination plans on web sites. In addition, a technical clarification was added that prohibits districts from depositing not more than 20% of foundation allowance funding to a capital projects fund, rather than 20% of total State aid. Also, districts would be required to submit comprehensive financial data and audits a month earlier (October 15). (Sections 15, 17a, and 18)
2. **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. (Sec 21f)
3. **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. (Sec. 22i)
4. **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. (Sec. 31a)
5. **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. (Sec 32d and 39)
6. **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. (Sec. 95a)
7. **Deficit Districts.** Gov. 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)
8. **Period Financial Status Reports.** Gov. 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, MPSERS payments, or contracted vendor payments, or after a request made by the school. (NEW Sec. 102a)
9. **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. (Sections 104 and 104b)
10. **Adult Education.** Gov. proposed to eliminate the existing payment 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. (Sec. 107)
11. **MPSERS Cost Offset/Rate Cap.** Gov. proposed to 'repurpose' the existing \$100.0 million in MPSERS 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 MPSERS Reserve Fund. (Sections 147, 147a, 147b, and 147c)