

STATE SCHOOL AID ACT REVISIONS

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House Bill 5267 (Substitute S-5) as amended

Sponsor: Rep. Bob Genetski

House Committee: Education

Senate Committee: Education

Complete to 12-12-12

A SUMMARY OF HOUSE BILL 5267 AS PASSED THE SENATE 12-12-12

House Bill 5267 (S-5) as amended would amend the State School Aid Act to do all of the following:

- Provide a special student membership count and seat time exception for a qualifying dropout recovery program, to be utilized when calculating state aid.
- Postpone a school funding transfer process which was included in the FY 2012-13 School Aid budget until FY 2013-14.
- Provide a technical fix to reinstate the kindergarten age provisions of Public Act 199 of 2012 (SB 316), which were inadvertently overwritten by the passage of the FY 2013 School Aid budget, Public Act 201 of 2012 (HB 5372).
- Provide a \$63.7 million fund shift from General Fund/General Purpose (GF/GP) to School Aid Fund (SAF) in the FY 2011-12 Community Colleges budget related to the elimination of the Michigan Business Tax earmark to the SAF.
- Provide an additional \$158,500 SAF to fully fund payments in lieu of taxes for school districts, intermediate school districts, and community colleges for FY 2012-13.

A more detailed description of the bill follows.

Drop Out Recovery Program

The bill would add a new Section 23a to the School Aid Act to describe how state aid would be calculated for a school district's dropout recovery program. The bill specifies that a dropout recovery program operated by a district would qualify for the special membership counting provisions of Section 6(4)(ff), and for the hours and day of pupil instruction exemption under Section 101(12), if the dropout prevention program met all of the following:

- Enrolled only eligible pupils.
- Provided an advocate (who could serve for up to 50 students, and could be employed by the district, or provided by an education management organization that was partnering with the district, subject to compliance with the code).
- Developed a written learning plan.
- Monitored the pupil's progress against the written learning plan.

- Required each pupil to make satisfactory monthly progress, as defined by the district.
- Reported the pupil's progress results to the partner district at least monthly.
- The program (which could be operated on or off campus) provided a computer and internet access for each pupil if it was operated using distance learning online.
- Was operated throughout the entire calendar year.
- If the district partnered with an EMO, then the EMO had a dropout recovery program partnership relationship with at least one other district.

Under House Bill 5267 a school district that operated a dropout recovery program would be required to adopt a definition of "satisfactory monthly progress" that was consistent with the definition of that term under subsection (3). There, the phrase "satisfactory monthly progress" means an amount of progress that is measurable on a monthly basis and that, if continued for a full 12 months, would result in the same amount of academic credit being awarded to the pupil as would be awarded to a general education pupil completing a full school year. Satisfactory monthly progress may include a lesser required amount of progress for the first two months a pupil participates in the program.

The bill also defines the following word and phrases: "advocate," "education management organization," "eligible pupil" and, "written learning plan."

The term "*advocate*" is defined to mean an adult available to meet in person with assigned pupils, as needed, to conduct social interventions, to proctor final examinations, and to provide academic and social support to pupils enrolled in the district's dropout recovery program.

"*Education management organization*" is defined to mean a private provider that operates one or more other dropout recovery programs that meet the requirements of this section in partnership with one or more districts.

"*Eligible pupil*" means a pupil who has been expelled from school under the mandatory expulsion provisions in Section 1311 or 1311a of the Revised School Code, a pupil who has been suspended or expelled from school under a local policy, a pupil who is referred by a court, a pupil who is pregnant or is a parent, a pupil who was previously a dropout, or a pupil who is determined by the district to be at risk of dropping out.

"*Written learning plan*" is defined to mean a written plan developed by the mentor that includes the plan start and end dates, courses to be taken, credit to be earned for each course, teacher of record for each course, and mentor name and contact information.

House Bill 5267 would also expand the definition of the term "membership" to specify that for a pupil enrolled in a dropout recovery program that meets the requirements of Section 23a, the pupil shall be counted as 1/12 of a full-time equated membership for each month that the district operating the program reports that the pupil was enrolled and in full attendance. The district operating the program would be required to report to the Department of Education the number of pupils who were enrolled in the program and

were in full attendance for a month, not later than the 10th day of the next month. A district would be prohibited from reporting a pupil as being in full attendance for a month unless **both** of the following criteria were met:

- a personalized learning plans was in place before the first school day of the month for the first month the pupil participated in the program; and
- the pupil met the district's definition under section 23a of satisfactory monthly progress for that month or for the immediately preceding month, and appropriate interventions were implemented within 10 school days after it was determined that the pupil did not make satisfactory monthly progress.

School Funding Transfer Process

The bill would postpone, until FY 2013-14, a school funding transfer process that was created in the FY 2012-13 School Aid budget. The process would have allowed districts to receive partial funding for students that transfer among districts after the pupil membership count day. The bill would postpone the process to allow additional time to solve process implementation details and to allow time for the necessary upgrades to student information systems.

The bill would reinstate the prior year process, which allowed transfers under limited circumstances, while the new process is postponed.

Kindergarten Entry Age

The bill would provide a technical fix to reinstate the kindergarten entry age provisions of Public Act 199 of 2012 (SB 316), which were inadvertently overwritten by the passage of the FY 2012-13 School Aid budget, Public Act 201 of 2012 (HB 5372).

The bill would specify that to be counted in membership a child must meet the minimum age requirement to be eligible to attend school under Section 1147 of the Revised School Code, or be enrolled under subsection (3) of that section. This replaces the condition that a child be at least five years of age by December 1 of the school year in order to be counted toward pupil membership.

[Note: Section 1147 of the Revised School Code establishes the minimum age for a child to enroll in kindergarten. Currently, a child must be at least five years old on December 1 of the school year in order to enroll. Public Act 198 of 2012 amended Section 1147 to phase in a requirement that a child must be at least five on November 1 for the 2013-2014 school year; on October 1 for the 2014-2015 school year; and on September 1 for the 2015-2016 school year. Subsection (3) of Section 1147 of the Revised School Code allows a parent or legal guardian to enroll a child in kindergarten who does not meet the revised minimum age requirement, as long as the child is at least five on December 1 of the school year.]

Community College Fund Shift

The bill would retroactively shift \$63.7 million GF/GP revenue in the FY 2011-12 Community College budget to SAF revenue. These funds already have been distributed to community colleges; the total FY 2011-12 appropriations, and the recipients of these appropriations, are unchanged.

This shift is required to correct a technical oversight related to the elimination of the MBT earmark to the SAF (House Bill 6023). The SAF earmark was previously offset by an amount equal to the SAF revenue collected under Section 3f of the Use Tax Act. Without this offset, some revenue that was used as GF/GP in the FY 2011-12 appropriations process has been reclassified as SAF revenue.

Payment in Lieu of Taxes

The bill would increase the SAF appropriation for payment in lieu of taxes by \$158,500 from \$3,169,500 to \$3,328,000 for school districts, intermediate school districts, and community colleges to fully fund revised estimates for FY 2012-13.

FISCAL IMPACT:

Drop Out Recovery Program

Given the different FTE calculation for dropout recovery program pupils, when making state aid payments, the Department of Education would have to make monthly adjustments to each district's pupil membership count in order to accurately reflect new students entering the program, continuing students making satisfactory monthly progress, and students that drop out of the program. The bill does not alter the pupil membership blend calculated as the sum of (a) $0.9 \times$ FTEs from the Fall membership count and (b) $0.1 \times$ final audited count from the Spring count in the prior school year. Under current law, state aid payments are made 11 times during the year (October-August), while the bill counts participating students as $1/12$ FTE for each month.

School Funding Transfer Process

The postponement of the new process would have no fiscal implications for the State. The bill would limit the circumstances under which the Department of Education could adjust pupil membership counts for districts mid-year compared to current law, which could have a fiscal impact for individual districts; however, the new statutory process is not effective yet while implementation obstacles are being resolved.

Kindergarten Entry Age

The bill is a technical fix to reinstate the provision of 2012 PA 1999 (SB 316), which was overwritten by the FY 2013 School Aid Budget, 2012 PA 201. For a review of the fiscal impact of SB 315, see the HFA analysis at: <http://www.legislature.mi.gov/documents/2011-2012/billanalysis/House/pdf/2011-HLA-0315-5.pdf>.

Community College Fund Shift

Other than shifting the fund source of \$63.7 million from GF/GP to SAF in community college funding for FY 2011-12, the bill would have no fiscal impact on the total appropriation for community colleges or the individual appropriations to each college.

The bill corrects statute to comply with the intent of the business and personal income tax reform that was enacted in 2011 and the removal of the MBT earmark to the School Aid Fund beginning in FY 2011-12. This bill conforms to the May 2012 consensus revenue estimates and the enacted budget.

Payment in Lieu of Taxes

The bill would increase the SAF appropriation for payment in lieu of taxes by \$158,500 from \$3,169,500 to \$3,328,000 for school districts, intermediate school districts, and community colleges to fully fund revised estimates for FY 2012-13.

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