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BILL ANALYSIS

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House Bill 4295 (Substitute S-1, Draft 1)
Sponsor: Representative Joe Haveman
House Committee: Appropriations
Senate Committee: Appropriations

Date Completed: 3-12-14

CONTENT

House Bill 4295 (S-1, Draft 1) is a fiscal year (FY) 2013-14 school aid supplemental bill that would make technical cost adjustments based on newer data and consensus estimates, and would appropriate funding for new programs and increases in existing programs. Overall, the Senate substitute would reduce Gross appropriations by \$14.4 million, spend \$42.9 million more than the Governor's recommended supplemental, and spend \$32.0 million more than the House.

Specifically, the bill would make technical cost corrections in the areas identified in [Table 1](#), based on newer data and estimates agreed to at the January 2014 Consensus Revenue Estimating Conference, which have been accounted for in estimates of year-end balances. In addition, the bill would appropriate funding for the new programs identified in [Table 2](#).

Table 1: Technical Cost Corrections

Appropriation Item	Fund Source	Amount Included by Governor	Amount Included by House	Amount Included by Senate
Foundation Allowances	SAF	(\$49,150,000)	(\$49,150,000)	(\$49,150,000)
	GF/GP	(\$250,000)	(\$250,000)	(\$250,000)
Special Education	SAF	(\$60,600,000)	(\$60,600,000)	(\$60,600,000)
MPSERS Costs Dissolved Districts	SAF	\$2,200,000	\$2,200,000	\$2,200,000
Cash Flow Borrowing Costs	SAF	(\$1,500,000)	(\$1,500,000)	(\$1,500,000)
Totals by Fund Source	SAF	(\$109,050,000)	(\$109,050,000)	(\$105,150,000)
	GF/GP	(\$250,000)	(\$250,000)	(\$4,150,000)

Table 2: New or Increased Funding

Appropriation Item	Fund Source	Amount Included by Governor	Amount Included by House	Amount Included by Senate
RTTT Early Learning Challenge Grant	Federal	\$51,737,500	\$51,737,500	\$51,737,500
Increase in At-Risk Funding	SAF	\$0	\$0	\$30,000,000
Dissolved District Transition Grants	SAF	\$0	\$5,000,000	\$5,000,000
Information Technology Certifications	GF/GP	\$0	\$3,900,000	\$3,900,000
Year-Round School Grants	SAF	\$0	\$2,000,000	\$2,000,000
Increase in Small Class Size Grants	SAF	\$0	\$0	\$2,000,000
Health and Nutrition Education Software	GF/GP	\$0	\$100	\$0
Advanced Placement Incentive Program	GF/GP	\$250,000	\$250,000	\$250,000
Totals by Fund Source	Federal	\$51,737,500	\$51,737,500	\$51,737,500
	SAF	\$0	\$7,000,000	\$39,000,000
	GF/GP	\$250,000	\$4,150,100	\$4,150,000

SAF = School Aid Fund

GF/GP = General Fund/General Purpose

The Federal Race to the Top Early Learning Challenge Grant was awarded to the State for the sole purpose of increasing the number of low-income and disadvantaged infants, toddlers, and preschoolers enrolled in high-quality early learning programs. Activities funded from the \$51.7 million grant under proposed Section 32r would have to focus on six areas: 1) increasing access to programs; 2) increasing opportunities for licensed and unlicensed subsidized home care providers to improve the quality of their programs; 3) improving families' engagement in their children's early learning and development; 4) expanding efforts to identify and promote children's physical, social, and emotional health; 5) increasing professional development opportunities for early learning care providers; and, 6) developing an early learning data system to monitor and evaluate quality standards of individual programs. Funding for this program also was recommended by the Governor.

Increased funding of \$30.0 million would be provided in the At-Risk categorical. Current funding of this categorical totals \$309.0 million; the \$30.0 million increase would represent a 9.7% increase overall, and would reduce the existing proration from an estimated \$307 per free-lunch eligible pupil to \$256 per free-lunch eligible pupil.

Increased funding of \$5.0 million for dissolved district transition grants would be earmarked to provide reimbursement to eligible districts for costs incurred by the eligible district associated with the transfer of property from a dissolved school district to the eligible district. Allowable uses for the reimbursement would include maintenance, utilities, security, or insurance associated with, or the demolition of, buildings transferred from a dissolved district to an eligible district. Not more than \$2.5 million could be reimbursed in total for property transferred from each dissolved district (Buena Vista and Inkster).

New funding of \$3.9 million for information technology certifications would be appropriated under proposed Section 64d for a contract with a single provider to provide information technology education opportunities to high school, career academy, and community college students. Participating students would be allowed to achieve broad-based information technology (IT) certifications and college credit, with the program providing instruction on IT skills and competencies essential for the workplace, and made available through districts, intermediate districts, career academies, and community colleges. The Department would be required to ensure that the request for proposals was delivered to all community colleges, and, if the contract were not awarded to a community college or group of colleges, the Department would have to provide an interactive response to the proposal to the colleges.

Increased funding of \$2.0 million would be provided to districts that received class size reduction grants. Beginning in FY 2011-12, these grants were reduced by 31.5%. The \$2.0 million proposed in the supplemental would provide, for FY 2013-14, additional payments equal to roughly 17.6% of the adjustment eligible districts are currently receiving.

Proposed new funding of \$2.0 million for year-round school grants would provide dollars to at-risk districts for implementing a year-round instructional program in at least one school building. Under the new language, the Department of Education would be instructed to select districts that are eligible in FY 2013-14 for the Community Eligibility Option for free and reduced price lunch and that have adopted a resolution that the district will implement for the first time a year-round instructional calendar beginning in FY 2014-15 in at least one school building, and commit to year-round schooling for at least three years. Districts would apply by April 1, 2014, and be notified by May 1, 2014, with grant priority given to districts with lower general fund balances as a percentage of revenue and districts that operate at least one school building identified as either a priority school or a focus school, and ensuring that funding would include both rural and urban districts. The amount of a grant to any one district could not exceed \$750,000, and funding would be for necessary modifications to instructional facilities, modifications to current contracts, and other nonrecurring costs of preparing for the operation of a year-round instructional program.

New funding of \$250,000 would be allocated to the Department of Education under proposed Section 94 for efforts to increase the number of low-income pupils who participate and succeed in Advanced Placement and International Baccalaureate programs, by covering all or part of the costs of the test fees, not to exceed \$20 per test completed. Funding for this program also was recommended by the Governor.

Table 3 identifies the overall spending in House Bill 4295 (S-1, Draft 1), combining the technical cost adjustments and the funding recommendations for new items.

Table 3: Gross Funding Changes Combining Technical Adjustments and New Items				
Gross Changes	Fund Source	Amount Included by Governor	Amount Included by House	Amount Included by Senate
Total Appropriations	Gross	(\$57,312,500)	(\$46,412,400)	(\$14,412,500)
	Federal	\$51,737,500	\$51,737,500	\$51,737,500
	SAF	(\$109,050,000)	(\$102,050,000)	(\$66,150,000)
	GF/GP	\$0	\$3,900,100	\$0

Boilerplate Changes

House Bill 4295 (S-1, Draft 1) proposes several changes to boilerplate in the School Aid Act. First, the bill would amend Section 21f to allow intermediate school districts (ISDs), in addition to local districts, to offer online courses. The bill would amend Section 22g to allow districts and ISDs to seek consolidation incentive grants for the consolidation of services, in addition to the consolidation of operations. The bill would amend Section 99h to allow unspent FIRST Robotics funding to be carried forward into FY 2014-15 as a work project. The bill would amend Section 101 to delay the increase in the days of instruction scheduled for FY 2014-15 (from 170 to 175) if a collective bargaining agreement were in place providing for fewer days of instruction. The increased days of instruction then would be implemented in the school year after that collective bargaining agreement expired. A similar delay in implementation is proposed for the upcoming change under which districts will no longer be able to count up to 38 hours of professional development as hours of instruction, beginning in FY 2014-15, if an existing collective bargaining agreement were in conflict with this change.

MCL 388.1611 et al.

FISCAL IMPACT

The bill would decrease Gross spending by \$14.4 million as proposed under Substitute S-1, Draft 1. However, this is a combination of an increase in Federal funds of \$51.7 million, and a decrease in School Aid Fund spending of \$66.2 million. (Note that two items are proposed to be funded with GF/GP dollars because they are not provided to schools, but because the overall level of GF/GP funding in the bill is not increased, the cost for the two items, information technology certifications and grants for Advanced Placement testing costs, is ultimately borne by the School Aid Fund.) The bill as proposed would spend \$42.9 million more than the supplemental recommended by the Governor, and would spend \$32.0 million more than the supplemental as passed by the House.

Fiscal Analyst: Kathryn Summers

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.



Revised Estimates for FY 2013-14 - Only Showing Line Items with Changes
House Bill 4295: Governor's Recommendation, House-Passed, and Senate Substitute (S-1)
(Dollars in Thousands)

Line Item Description	FY 2013-14 Appropriations YTD	Governor		House Supplemental		Senate Supplemental	
		FY 2013-14 Gov's Rec	Difference from FY 2013-14 YTD	HB 4295 H-2	Difference from FY 2013-14 YTD	HB 4295 S-1	Difference from FY 2013-14 YTD
Sec. 11m Cash Flow Borrowing Costs	\$4,000.0	\$2,500.0	(\$1,500.0)	\$2,500.0	(\$1,500.0)	\$2,500.0	(\$1,500.0)
Sec. 20G Student Transition Grants in Dissolved Districts	\$2,200.0	\$2,200.0	\$0.0	\$7,200.0	\$5,000.0	\$7,200.0	\$5,000.0
Sec 22a Proposal A Obligation Payment	\$5,536,700.0	\$5,526,000.0	(\$10,700.0)	\$5,526,000.0	(\$10,700.0)	\$5,526,000.0	(\$10,700.0)
Sec. 22b Discretionary Payment - State (includes Class Size \$)	\$3,373,700.0	\$3,335,000.0	(\$38,700.0)	\$3,335,000.0	(\$38,700.0)	\$3,337,000.0	(\$36,700.0)
Sec. 31a "At Risk" Pupil Support	\$308,988.2	\$308,988.2	\$0.0	\$308,988.2	\$0.0	\$338,988.2	\$30,000.0
Sec. 31b Year-Round Schools Pilot Program - NEW	\$0.0	\$0.0	\$0.0	\$2,000.0	\$2,000.0	\$2,000.0	\$2,000.0
Sec. 31g Personal User Health and Nutrition Software - NEW	\$0.0	\$0.0	\$0.0	\$0.1	\$0.1	\$0.0	\$0.0
Sec. 32r Race to the Top - Early Learning Challenge - Federal	\$0.0	\$51,737.5	\$51,737.5	\$51,737.5	\$51,737.5	\$51,737.5	\$51,737.5
Sec. 51c Special Education Headlee - State Share	\$662,200.0	\$613,200.0	(\$49,000.0)	\$613,200.0	(\$49,000.0)	\$613,200.0	(\$49,000.0)
Sec. 51a(2) Spec. Ed. Foundations - State Share	\$257,800.0	\$247,000.0	(\$10,800.0)	\$247,000.0	(\$10,800.0)	\$247,000.0	(\$10,800.0)
Sec. 51a(11) Spec. Ed. Non Sec. 52 to ISDs - State Share	\$4,300.0	\$3,500.0	(\$800.0)	\$3,500.0	(\$800.0)	\$3,500.0	(\$800.0)
Sec. 64d Information Technology Opportunities - NEW	\$0.0	\$0.0	\$0.0	\$3,900.0	\$3,900.0	\$3,900.0	\$3,900.0
Sec. 94 Advanced Placement (AP) Incentive Program - NEW	\$0.0	\$250.0	\$250.0	\$250.0	\$250.0	\$250.0	\$250.0
Sec. 147c MPSERS Rate Cap (Section 41 of MPSERS Act)	<u>\$404,600.0</u>	<u>\$406,800.0</u>	<u>\$2,200.0</u>	<u>\$406,800.0</u>	<u>\$2,200.0</u>	<u>\$406,800.0</u>	<u>\$2,200.0</u>
TOTAL SCHOOL AID APPROPRIATIONS	\$13,366,703.6	\$13,309,391.1	(\$57,312.5)	\$13,320,291.2	(\$46,412.4)	\$13,352,291.1	(\$14,412.5)
TOTAL REVENUE							
Federal Aid	\$1,764,421.3	\$1,816,158.8	\$51,737.5	\$1,816,158.8	\$51,737.5	\$1,816,158.8	\$51,737.5
School Aid Fund (SAF)	\$11,211,382.3	\$11,102,332.3	(\$109,050.0)	\$11,109,332.3	(\$102,050.0)	\$11,145,232.3	(\$66,150.0)
General Fund/General Purpose	\$234,900.0	\$234,900.0	\$0.0	\$238,800.1	\$3,900.1	\$234,900.0	\$0.0
MPSERS Reforms Fund	\$156,000.0	\$156,000.0	\$0.0	\$156,000.0	\$0.0	\$156,000.0	\$0.0
TOTAL REVENUE	\$13,366,703.6	\$13,309,391.1	(\$57,312.5)	\$13,320,291.2	(\$46,412.4)	\$13,352,291.1	(\$14,412.5)