



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bill 969 (Substitute S-3 as passed by the Senate)
House Bill 5267 (Substitute S-5 as reported by the Committee of the Whole)
Sponsor: Senator John Proos (S.B. 969)
Representative Bob Genetski (H.B. 5267)
House Committee: Education
Senate Committee: Education

CONTENT

The bills would amend the State School Aid Act to provide for a district to qualify for special pupil membership counting provisions, as well as a seat time exemption, if the district operated a dropout recovery program that met specified criteria. The bills are tie-barred to each other. House Bill 5267 (S-5) further would amend the State School Aid Act to implement several "fixes" necessary for both the 2011-12 and the 2012-13 fiscal years.

Dropout Recovery Program

The Act defines the term "membership" and provides for the calculation of membership for purposes of determining State school aid. In this calculation, House Bill 5267 (S-5) provides that, for a pupil enrolled in a dropout recovery program meeting the requirements of Section 23a (proposed by the bill), the pupil would be counted as 1/12 of a full-time equated membership for each month the district reported that the pupil was enrolled in the program and in full attendance. The district would have to report to the center the number of pupils who were enrolled in the program and in full attendance for a month by the 10th day of the following month. The district could report a pupil as being in full attendance for a month only if both of the following were met:

- A personalized learning plan was in place on or before the month in which the pupil began participation in the program.
- The pupil either met the district's definition (under Section 23a) of monthly progress for that month or met that definition in the previous month and appropriate interventions were implemented within 10 school days after the determination that the pupil failed to meet that definition.

Under proposed Section 23a, a dropout recovery program operated by a district would qualify for the special membership counting provisions described above, and an exemption from days and hours of pupil instruction requirements (a seat time exemption outlined in Senate Bill 969 (S-3)), if the program met all of the following:

- Enrolled only eligible pupils.
- Provided an advocate.
- 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 a partner district at least monthly.
- Provided a computer and internet access for each participating eligible pupil, if the program were operated using distance learning online.
- Operated throughout the entire calendar year.

An advocate could be employed by the district or provided by an education management organization (EMO) that was partnering with the district, could serve between one and 50 pupils, and would be required to comply with the conditions for employment as described in the Revised School Code. If the district partnered with an EMO, that EMO would have to have a dropout recover program partnership relationship with at least one other district.

Section 101 of the Act prescribes the minimum number of hours and days of pupil instruction required for full State aid allocation and used in calculating the full-time equivalency of pupils. Under Senate Bill 969 (S-3), these requirements would not apply to eligible pupils enrolled in a dropout recovery program that met the requirements of proposed Section 23a.

House Bill 5267 (S-5) would define the following terms:

- "Education management organization" would mean a private provider that operates one or more other dropout recovery programs that meet the requirements of Section 23a in partnership with one or more districts.
- "Eligible pupil" would mean a pupil who has been expelled from school under the mandatory expulsion provisions of the Revised School Code, suspended or expelled from school under a local policy, or referred by a court, is pregnant or is a parent, was previously a dropout, or is determined by the district to be at risk of dropping out.
- "Advocate" would mean an adult available to meet in person with assigned pupils, as needed, to conduct social interventions, proctor final exams, and provide academic and social support to pupils enrolled in the district's dropout recovery program.
- "Written learning plan" as a written plan developed by the advocate, that includes the plan's start and end dates, courses to be taken, credit to be earned for each course, teacher of record for each course, and advocate name and contact information.

Also, "satisfactory monthly progress" would mean an amount of progress measurable on a monthly basis and that, if conducted 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 could include a lesser required amount of progress for the first two months a pupil participated in the program.

Budgetary Fixes for Fiscal Years 2011-12 and 2012-13

House Bill 5267 (S-5) also includes the following changes:

- Correction of a bill-signing-order error related to kindergarten eligibility that occurred when the Governor signed Senate Bill 316 ahead of the fiscal year (FY) 2012-13 School Aid Budget (Sec. 6(4)(l)).
- One-year delay of new pupil accounting language in Section 25, unless a different method of pupil accounting were enacted before FY 2013-14. For the current year, the pupil accounting method prescribed under Section 25 as that section was in effect for FY 2011-12 would be reinstated for FY 2012-13 only (Sections 25 and 25d).
- Additional \$158,500 School Aid Fund appropriation for payments in lieu of taxes (PILT) to fully fund the school portion of FY 2012-13 PILT payments (Sec. 26b).
- An FY 2011-12 School Aid Fund (SAF)/General Fund (GF) fund shift in the Community Colleges section of the School Aid Act, in the amount of \$63,748,900 (in which more SAF would be appropriated to support community colleges and an equal amount of GF revenue would be removed from the budget, at book-closing).

This fund shift is necessary to ensure that sufficient GF revenue is allocated in place of health maintenance organization (HMO) use tax revenue that was identified to generate Medicaid matching dollars, but was constitutionally required to be deposited into the School Aid Fund. In the past, an adjustment was allowed under the Michigan Business Tax (MBT)

law to deduct this use tax revenue from the amount of MBT dollars transferred to the SAF. However, with the elimination of the MBT earmark to the SAF for FY 2011-12, this adjustment mechanism is no longer available. This is a one-time fix necessary for FY 2011-12 because the MBT is being eliminated.

MCL 388.1606 et al. (H.B. 5267)
388.1701 (S.B. 969)

Legislative Analyst: Cameron S. Mock

FISCAL IMPACT

Dropout Recovery

The bills would have an indeterminate fiscal impact on the State and on local districts, but any impact likely would be negligible. The most recent School Aid budget included amendments to Section 25 that allow for the counting and payment of expelled or suspended students who enroll in a district after the count date, prorated as to the portion of the school year a student is enrolled. While the amendments to Section 25 still use the days and hours requirements found in Section 101, there are no other programmatic restrictions that districts must adhere to in order to receive the adjustments to their funding. This is in contrast to the new programmatic requirements under the House bill that districts would have to comply with in order to count pupils enrolled in a dropout recovery program.

The bills would allow a waiver of the days and hours requirements under Section 101 for eligible pupils enrolled in dropout recovery programs, but other programmatic requirements of the bills would be more restrictive than enrolling and counting pupils under the existing provisions of Section 25. Therefore, it is possible that the provisions of this legislation would not be used to a large extent, and any resulting adjustments in pupil funding likely would be minimal. To the extent that this specific type of dropout recovery program (if implemented at the local level in light of the additional programmatic requirements) resulted in re-enrolling students who otherwise will not re-enroll, it would result in an increased State cost to pay for the time those students participated in the program, evaluated at 1/12 of a full-time equated membership for each month enrolled and in full attendance.

Budgetary Fixes

House Bill 5267 (S-5) includes technical fixes necessary to correct a bill signing order mistake related to kindergarten eligibility and to accurately fund-source the Community Colleges budget for FY 2011-12 related to MBT revenue (and its subsequent impact on the General Fund and Medicaid match). The bill also would delay by one year a change in pupil accounting that could have some slight impact at the local level, but the amount is indeterminate and would depend on the extent to which the delayed method would have been used.

The bill would appropriate an additional \$158,500 from the School Aid Fund to fully fund school PILT payments in the School Aid budget for FY 2012-13.

Date Completed: 12-12-12

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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.