



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

# BILL ANALYSIS



**Telephone: (517) 373-5383**  
**Fax: (517) 373-1986**

House Bill 4295 (Substitute H-4 as passed by the House)

Sponsor: Representative Joe Haveman

House Committee: Appropriations

Senate Committee: Appropriations

Date Completed: 3-27-14

## CONTENT

House Bill 4295 (H-4) is a fiscal year (FY) 2013-14 school aid supplemental bill that would make technical cost adjustments, and would appropriate funding for new programs and increases in existing programs. Overall, the substitute would reduce Gross appropriations by \$44.4 million, spend \$12.9 million more than the Governor's recommended supplemental, spend \$2.0 million more than the H-2, and spend \$30.0 million less than the S-1.

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 in All Versions |
|----------------------------------|-------------|---------------------------------|
| Foundation Allowances            | SAF         | (\$45,250,000)                  |
|                                  | GF/GP       | (\$4,150,000)                   |
| Special Education                | SAF         | (\$60,600,000)                  |
| MPSERS Costs Dissolved Districts | SAF         | \$2,200,000                     |
| Cash Flow Borrowing Costs        | SAF         | (\$1,500,000)                   |
| Totals by Fund Source            | SAF         | (\$105,150,000)                 |
|                                  | GF/GP       | (\$4,150,000)                   |

**Table 2: New or Increased Funding**

| Appropriation Item          | Fund Source | Amount Included by Governor | Amount Included by House H-2 | Amount Included by Senate S-1 | Final Version H-4 |
|-----------------------------|-------------|-----------------------------|------------------------------|-------------------------------|-------------------|
| RTTT Early Learning         | Federal     | \$51,737,500                | \$51,737,500                 | \$51,737,500                  | \$51,737,500      |
| Increase in At-Risk         | SAF         | \$0                         | \$0                          | \$30,000,000                  | \$0               |
| Dissolved Districts         | SAF         | \$0                         | \$5,000,000                  | \$5,000,000                   | \$5,000,000       |
| IT Certifications           | GF/GP       | \$0                         | \$3,900,000                  | \$3,900,000                   | \$3,900,000       |
| Year-Round School Grants    | SAF         | \$0                         | \$2,000,000                  | \$2,000,000                   | \$2,000,000       |
| Small Class Size Grants     | SAF         | \$0                         | \$0                          | \$2,000,000                   | \$0               |
| Strict Discipline Academies | SAF         | \$0                         | \$0                          | \$0                           | \$2,000,000       |
| Health/Nutrition Software   | GF/GP       | \$0                         | \$100                        | \$0                           | \$0               |
| AP Program                  | GF/GP       | \$250,000                   | \$250,000                    | \$250,000                     | \$250,000         |
| Totals by Fund Source       | Federal     | \$51,737,500                | \$51,737,500                 | \$51,737,500                  | \$51,737,500      |
|                             | SAF         | \$0                         | \$7,000,000                  | \$39,000,000                  | \$9,000,000       |
|                             | GF/GP       | \$250,000                   | \$4,150,100                  | \$4,150,000                   | \$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. The substitute added language stating that the early learning data system under #6 should ensure data are reported in the aggregate, and that the system would be maintained until Federal funding was fully expended.

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.

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 either eligible in FY 2013-14 for the Community Eligibility Option for free and reduced price lunch or that have at least 50% of their pupils eligible for free 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 May 1, 2014, and be notified by June 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 and other nonrecurring costs of preparing for the operation of a year-round instructional program.

New funding of \$2.0 million would be allocated to strict discipline academies (SDAs) to pay for the portion of time students are educated at the academies after the spring count day. Strict discipline academies would follow the same pupil transfer process for students moving in and out of the academies between the start of the school year and the spring count day that other districts use under Section 25e, but would receive payments under a new Section 25f based on each day educated out of 180 total (which would cover students educated in the SDAs after

the spring count day), net of standard pupil memberships counted and paid for through the foundation allowance.

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. The substitute added language requiring students to pay \$5 per test covered under this section.

Table 3 identifies the overall spending in House Bill 4295 (H-4), combining the technical cost adjustments and the funding recommendations for new items.

| <b>Table 3: Gross Funding Changes Combining Technical Adjustments and New Items</b> |                    |                                    |                                     |                                      |                               |
|-------------------------------------------------------------------------------------|--------------------|------------------------------------|-------------------------------------|--------------------------------------|-------------------------------|
| <b>Gross Changes</b>                                                                | <b>Fund Source</b> | <b>Amount Included by Governor</b> | <b>Amount Included by House H-2</b> | <b>Amount Included by Senate S-1</b> | <b>Amount Included in H-4</b> |
| Total Appropriations                                                                | Gross              | (\$57,312,500)                     | (\$46,412,400)                      | (\$14,412,500)                       | (\$44,412,500)                |
|                                                                                     | Federal            | \$51,737,500                       | \$51,737,500                        | \$51,737,500                         | \$51,737,500                  |
|                                                                                     | SAF                | (\$109,050,000)                    | (\$102,050,000)                     | (\$66,150,000)                       | (\$96,150,000)                |
|                                                                                     | GF/GP              | \$0                                | \$3,900,100                         | \$0                                  | \$0                           |

### **Boilerplate Changes**

House Bill 4295 (H-4) 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.

The H-4 version of House Bill 4295 would allow districts that had scheduled more than 174 days of instruction for the 2013-2014 school year to provide 174 days instead of their scheduled number in excess of that amount. In addition, the bill would allow districts to be fully paid for days added at the end of the school year (to make up for 'snow days') in the event at least 60% of the students were in attendance, rather than the current 75% threshold. Further, if fewer than 60% of students were in attendance during 'makeup days' added at the start of the summer, the district could still count the day for funding on a prorated basis.

As mentioned above, the substitute also adds a new section for paying for pupils in membership at strict discipline academies for the days educated after the spring count day. Specifically, the new section (25f) would allow strict discipline academies to count and report students for each day of instruction (up to 180), throughout the entire school year, which differs from the current provision for all school districts that allows for adjustments to pupil membership calculations until the spring count day.

MCL 388.1611 et al.

## **FISCAL IMPACT**

The bill would decrease Gross spending by \$44.4 million as proposed under Substitute H-4. However, this is a combination of an increase in Federal funds of \$51.7 million, and a decrease in School Aid Fund spending of \$96.2 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 \$12.9 million more than the supplemental recommended by the Governor, would spend \$2.0 million more than the supplemental as passed by the House in version H-2, and would spend \$30.0 million less than the supplemental as passed by the Senate in version S-1. The substitute H-4 does not fund the \$30.0 million increase in at-risk funding or the \$2.0 million increase in small class size grants that was included by the Senate, but does add \$2.0 million for strict discipline academies.

Fiscal Analyst: Kathryn Summers

S1314/s4295sd

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 (H-2), Senate-Passed (S-1), and Final H-4**  
**(Dollars in Thousands)**

| Line Item Description                                            | FY 2013-14<br>Appropriations<br>YTD | Governor                |                                   | House Supplemental    |                                   | Senate Supplemental   |                                   | Final H-4 Version     |                                   |
|------------------------------------------------------------------|-------------------------------------|-------------------------|-----------------------------------|-----------------------|-----------------------------------|-----------------------|-----------------------------------|-----------------------|-----------------------------------|
|                                                                  |                                     | FY 2013-14<br>Gov's Rec | Difference from<br>FY 2013-14 YTD | HB 4295<br>H-2        | Difference from<br>FY 2013-14 YTD | HB 4295<br>S-1        | Difference from<br>FY 2013-14 YTD | HB 4295<br>H-4        | Difference from<br>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)                       | \$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                         | \$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)                      | \$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)                      | \$3,335,000.0         | (\$38,700.0)                      |
| Sec. 25f Strict Discipline Academies Pupil Membership Adj. - NEW | \$0.0                               | \$0.0                   | \$0.0                             | \$0.0                 | \$0.0                             | \$0.0                 | \$0.0                             | \$2,000.0             | \$2,000.0                         |
| 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                        | \$308,988.2           | \$0.0                             |
| 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                         | \$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                             | \$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                        | \$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)                      | \$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)                      | \$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)                         | \$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                         | \$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                           | \$250.0               | \$250.0                           |
| Sec. 147c MPSERS Rate Cap (Section 41 of MPSERS Act)             | \$404,600.0                         | \$406,800.0             | \$2,200.0                         | \$406,800.0           | \$2,200.0                         | \$406,800.0           | \$2,200.0                         | \$406,800.0           | \$2,200.0                         |
| <b>TOTAL SCHOOL AID APPROPRIATIONS</b>                           | <b>\$13,366,703.6</b>               | <b>\$13,309,391.1</b>   | <b>(\$57,312.5)</b>               | <b>\$13,320,291.2</b> | <b>(\$46,412.4)</b>               | <b>\$13,352,291.1</b> | <b>(\$14,412.5)</b>               | <b>\$13,322,291.1</b> | <b>(\$44,412.5)</b>               |
| <b>TOTAL REVENUE</b>                                             |                                     |                         |                                   |                       |                                   |                       |                                   |                       |                                   |
| 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                        | \$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)                      | \$11,115,232.3        | (\$96,150.0)                      |
| General Fund/General Purpose                                     | \$234,900.0                         | \$234,900.0             | \$0.0                             | \$238,800.1           | \$3,900.1                         | \$234,900.0           | \$0.0                             | \$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                             | \$156,000.0           | \$0.0                             |
| <b>TOTAL REVENUE</b>                                             | <b>\$13,366,703.6</b>               | <b>\$13,309,391.1</b>   | <b>(\$57,312.5)</b>               | <b>\$13,320,291.2</b> | <b>(\$46,412.4)</b>               | <b>\$13,352,291.1</b> | <b>(\$14,412.5)</b>               | <b>\$13,322,291.1</b> | <b>(\$44,412.5)</b>               |