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Senate Bill 373 (as enrolled)  
Sponsor: Senator Jim Stamas  
Senate Committee: Appropriations  
House Committee: Appropriations

Date Completed: 7-27-20

**CONTENT**

The bill would amend the State School Aid Act to implement several provisions of the fiscal year (FY) 2019-20 budget agreement pertaining to K-12 schools, community colleges, and higher education. In broad terms, the bill would reduce State funding to K-12 schools by \$175 per pupil, reduce State funding to community colleges and higher education by roughly 11.2% applied to each institution's operations and performance funding, include fund shifts freeing up School Aid Fund (SAF) revenues, reduce and eliminate certain categoricals, include technical consensus cost adjustments in various line items, and appropriate Federal Coronavirus Relief Fund (CRF) money for K-12, community colleges, and higher education. The tables below identify specific dollar changes found in the bill.

In addition, the bill would include language to ensure charter schools received the same minimum foundation allowance that local districts at the minimum receive and would allow Great Start Readiness Program subrecipients to identify up to 10% of indirect costs. The bill also would include a requirement that the Department of Education continue the model value-added growth and projection analytics system, specifies conditions for funding the model in the future, would require that the Department and platform vendor provide statewide training for educators, and would require the Department and Center for Educational Performance and Information (CEPI) to provide a report on district's use of the model. Finally, the bill would extend the date by which recent high school graduates may apply for the Tuition Incentive Program.

Table 1

<b>Changes in State Funding for K-12, Community Colleges, and Higher Education to Effectuate Budget Agreement</b>		
<b>Line Item Name/Description</b>	<b>Initial Appropriation</b>	<b>Amount of Reduction</b>
<b><u>K-12:</u></b>		
Per-Pupil Reduction .....	\$0	(\$256,000,000)
MPSERS Costs.....	42,571,000	(14,200,000)
School Safety Grants .....	10,000,000	(10,000,000)
State Assessments .....	32,009,400	(6,000,000)
Robotics.....	4,700,000	(800,000)
CEPI Operations.....	16,457,200	(411,400)
Restore 10 Cents a Meal.....	0	+575,000
<b><u>Community Colleges:</u></b>		
Operations and Performance Funding	\$325,473,400	(\$36,276,400)
<b><u>Higher Education:</u></b>		
Operations and Performance Funding	\$1,536,854,300	(\$163,723,600)

Table 2

<b>Fund Shifts and Work Project Lapses in K-12/School Aid</b>		
<b>Line Item Name/Description</b>	<b>Initial Appropriation</b>	<b>Amount of Adjustment</b>
<b>Talent Investment Fund</b> - lapse a portion of the remaining work project (roughly \$62 million would remain) and use as a fund source for career and technical education	\$100,000,000	(\$9,717,800)
<b>Education Data Decision Support System</b> - lapse remaining work project and deposit into the SAF	15,000,000	(3,900,000)
<b>MPSERS Reserve Fund</b> - unspent funds in this section would be used to support other ongoing MPSERS costs	1,900,000	30,000,000
<b>Budget Stabilization Fund</b> - a total of \$350.0 million would be deposited from the BSF into the SAF under this bill	0	350,000,000
<b>General Fund/General Purpose</b> - an increase of \$210,980,000 GF/GP would be deposited into the SAF to offset projected SAF shortfalls	\$62,620,000	\$210,980,000

Table 3

<b>Technical Cost Adjustments for K-12/School Aid</b>		
<b>Line Item Name/Description</b>	<b>Initial Appropriation</b>	<b>Amount of Adjustment</b>
<b>Cash flow borrowing</b> - because of reduced interest rates, this appropriation would be decreased significantly	\$66,000,000	(\$59,000,000)
<b>Special education</b> - technical cost adjustments are included in the bill	1,045,196,100	(21,200,000)
<b>Foundation allowance payments</b> - technical cost adjustments are included, driven by adjustments in pupil estimates and taxable values	9,499,000,000	(8,000,000)
<b>Promise Zones</b> - cost adjustments driven by updated taxable values	8,400,000	(1,000,000)
<b>Detroit Community District Trust Fund</b> - this is an additional deposit of Trust Fund revenues into SAF to support the cost of diverting 18-mill revenue for paying off DPS debt	\$75,400,000	+\$500,000 (yields \$500,000 savings to SAF)

Table 4

<b>Coronavirus Relief Fund Spending</b>		
<b>Line Item Name/Description</b>	<b>Initial Appropriation</b>	<b>Amount of Adjustment</b>
<b>K-12:</b> Per-pupil payments of \$350 to districts and public school academies for CARES Act-related spending	\$0	\$512,000,000
<b>Community Colleges:</b> Payments of roughly 11% to each institution for CARES Act-related spending	0	36,276,400
<b>Higher Education:</b> Payments of roughly 11% to each institution for CARES Act-related spending	0	163,723,600
<b>Total:</b>		<b>\$712,000,000</b>

Another way to view the pieces of the budget agreement illustrated above is in the following table, which illustrates the initial K-12 appropriations in total, the proposed changes in appropriations, the proposed changes in revenues, and the resulting appropriations. Please see [Table 5](#) below. For community colleges and higher education (not reflected in the table below), the State funding reduction is roughly 11.2%, applied to operations and performance funding. In addition, the CRF appropriations for community colleges and higher education are roughly 11.2%, applied to operations and performance funding. The sum total of reductions in State spending for community colleges and higher education is \$200.0 million.

Table 5

<b>Appropriation and Revenue Summary for K-12</b>			
<b>Line Item Name</b>	<b>Initial Appropriation</b>	<b>Change in SB 373</b>	<b>Resulting Appropriation</b>
<b>Gross Appropriation</b>	<b>\$15,177,263,600</b>	--	--
Per Pupil Reduction	0	(256,000,000)	(256,000,000)
Federal CRF	0	512,000,000	512,000,000
CREC Adjustments	0	(89,200,000)	(89,200,000)
Eliminate School Safety Grants	10,000,000	(10,000,000)	0
Reduce MPSERS costs	42,571,000	(14,200,000)	28,371,000
State assessments	32,009,400	(6,000,000)	26,009,400
Robotics	4,700,000	(800,000)	3,900,000
CEPI operations	16,457,200	(411,400)	16,045,800
10 Cents a Meal	0	575,000	575,000
<b>Resulting Gross</b> .....		<b>\$135,963,600</b>	<b>\$15,313,227,200</b>
<b>Revenue Sources</b>			
<b>Existing Gross</b>	<b>\$15,177,263,600</b>	--	--
Federal	1,749,578,500	512,000,000	2,261,578,500
SAF*	13,287,765,000	(626,634,200)	12,661,130,800
GF/GP	62,620,000	210,380,000	273,000,000
MPSERS Reserve Fund	1,900,000	30,000,000	31,900,000
DPS Trust Fund	75,400,000	500,000	75,900,000
Flint Water	100	0	100
Talent Investment Fund (TIF)	0	9,717,800	9,717,800
<b>Resulting Gross</b> .....		<b>\$135,963,600</b>	<b>\$15,313,227,200</b>
*The bill would deposit \$350.0 million from the Budget Stabilization Fund into the School Aid Fund, thereby decreasing the amount of the overall SAF shortfall.			

MCL 388.1606 et al.

## **FISCAL IMPACT**

The bill would increase Gross appropriations to K-12 by roughly \$136.0 million and would not result in any changes in gross appropriations for community colleges or higher education. Of the gross appropriations, State spending in K-12 would decrease by \$376.0 million, while State spending for community colleges and higher education would decline by \$200.0 million. Federal spending for K-12 would increase \$512.0 million and Federal spending for community colleges and higher education would increase by \$200.0 million.

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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.



Fiscal Year 2019-20 Year-to-Date Budget, CREC Cost Adjustments, and Senate Bill 373 Budget Agreement July 2020

		12/20/2019				
Section	Line Item Description	Year-to-Date PA 162 of 2019 FY 2019-20 Budget	Jan CREC Cost Adjustments and 1/10/2020	May CREC Adjustments 5/15/2020	SB 373 Budget Agreement 7/22/2020	Resulting FY 20 Budget 7/22/2020
11d	Per-Pupil Reduction to State Aid	\$0			\$ (256,000,000)	(\$256,000,000)
11j	School Bond Loan Fund Payments - Debt Service	\$111,000,000				\$111,000,000
11m	Cash Flow Borrowing Costs	\$66,000,000		(\$59,000,000)		\$7,000,000
11p	Coronavirus Related Expenses	\$0			\$512,000,000	\$512,000,000
11s	Flint Declaration of Emergency	\$8,075,100				\$8,075,100
20f	Categorical Offset Payments	\$18,000,000				\$18,000,000
21h	Partnership Model Districts	\$6,000,000				\$6,000,000
22a	Proposal A Obligation Payment	\$4,943,000,000	(\$21,000,000)	(\$6,000,000)		\$4,916,000,000
22b	Discretionary Payment - State	\$4,556,000,000	\$18,000,000	\$1,000,000		\$4,575,000,000
22d	Isolated Districts Funding	\$7,000,000				\$7,000,000
22m	Technology Regional Data Hubs	\$2,200,000				\$2,200,000
22q	Reorganization and Cooperative Activities Grants	\$0				\$0
24	Court-Placed Pupils	\$7,150,000				\$7,150,000
24a	Juvenile Detention Facilities	\$1,355,700				\$1,355,700
25f	Strict Discipline Academies	\$1,600,000				\$1,600,000
25g	Dropout Recovery	\$750,000				\$750,000
26a	Renaissance Zone Costs	\$15,300,000				\$15,300,000
26b	PILT Reimbursement	\$4,641,100				\$4,641,100
26c	Promise Zone	\$8,400,000	(\$1,000,000)			\$7,400,000
31a	"At Risk" Pupil Support - Base	\$510,000,000				\$510,000,000
31a(7)	Child and Adolescent Health Centers	\$8,000,000				\$8,000,000
31a(8)	Vision/Hearing Screening	\$5,150,000				\$5,150,000
31a(17)	At Risk Hold Harmless	\$12,000,000				\$12,000,000
31d	School Lunch Programs - State Share	\$23,144,000				\$23,144,000
31d	School Lunch Programs - Federal Share	\$537,200,000				\$537,200,000
31f	School Breakfast	\$4,500,000				\$4,500,000
31j	Support of Local Produce in School Meals	\$0			\$575,000	\$575,000
31k	School Meal Debt Forgiveness	\$0				\$0
31n	School Mental Health	\$31,300,000				\$31,300,000
32d	Great Start - School Readiness	\$249,950,000				\$249,950,000
32p	Great Start Early Childhood Block Grants	\$13,400,000				\$13,400,000
32s	Expanded Preschool Access Program	\$0				\$0
35a(4)	Investment in Literacy Coaches for K-3 Teachers	\$31,500,000				\$31,500,000
35a(5)	Early Literacy District Grants	\$19,900,000				\$19,900,000
35a()	Michigan Education Corps	\$0				\$0
35a(7)	Literacy Essentials	\$1,000,000				\$1,000,000
35a(9)	Summer Reading Project	\$5,000,000				\$5,000,000
35b	Children's Choice Initiative	\$0				\$0
35c	Multisensory Education	\$300,000				\$300,000
39a(1)	NCLB Federal DOE Grants	\$725,600,000				\$725,600,000
39a(2)	Other Non-NCLB Federal DOE Grants	\$49,100,000				\$49,100,000
41	Bilingual Education	\$13,000,000				\$13,000,000
51a	Special Education - Federal IDEA	\$370,000,000				\$370,000,000
51a(2)	Spec. Ed. Foundations - State Share	\$297,800,000	(\$2,100,000)	(\$8,800,000)		\$286,900,000
51a(3)	Spec. Ed. Hold Harmless to ISDs - State Share	\$1,000,000				\$1,000,000
51a(6)	Spec. Ed. Rules Change - State Share	\$2,200,000				\$2,200,000
51a(11)	Spec. Ed. Non Sec. 52 to ISDs - State Share	\$2,900,000	\$200,000			\$3,100,000
51c	Special Education Headlee - State Share	\$689,100,000	\$2,500,000	(\$13,000,000)		\$678,600,000
51d	Special Education - Other Federal	\$61,000,000				\$61,000,000
51f	Special Education - additional percentage reimbursement	\$60,207,000				\$60,207,000
53a	Court-Placed Spec. Ed. FTEs - State Share	\$10,500,000				\$10,500,000
54	MI School for Deaf and Blind - State Share	\$1,688,000				\$1,688,000
54b	Integrated Behavior and Learning Support (MiBLSi)	\$1,600,000				\$1,600,000
54d	Special Ed Taskforce - Early On	\$7,150,000				\$7,150,000
54e	PLAY Project - Autism Intervention	\$350,000				\$350,000
56	Spec. Ed. Millage Equalization - State Share	\$40,008,100				\$40,008,100
61a	Vocational Education	\$37,611,300				\$37,611,300
61b	Career and Technical Education/Dual Enrollment	\$8,000,000				\$8,000,000
61c	CTE Equipment Upgrades	\$0				\$0
61d	CTE Incentive Payments	\$5,000,000				\$5,000,000
62	ISD Vocational Ed Millage Equalization	\$9,190,000				\$9,190,000
65	Detroit Precollege Engineering	\$400,000				\$400,000
67	College and Career Readiness Tools	\$3,000,000				\$3,000,000
67a	Career Exploration Pilot	\$0				\$0
67b	MITES	\$0				\$0
74	Bus Driver Safety Instruction	\$2,025,000				\$2,025,000
74	School Bus Inspections	\$1,747,900				\$1,747,900
81	ISD General Operations Support	\$69,138,000				\$69,138,000
94	Advanced Placement (AP) Incentive Program	\$1,000,000				\$1,000,000
94a	Center for Educ. Perf. and Information - State Share	\$16,457,200			(\$411,400)	\$16,045,800
94a	Center for Educ. Perf. and Information - Federal	\$193,500				\$193,500
95b	EVAAS	\$0				\$0
97	School Safety Grants	\$10,000,000			(\$10,000,000)	\$0



Fiscal Year 2019-20 Year-to-Date Budget, CREC Cost Adjustments, and Senate Bill 373 Budget Agreement July 2020

12/20/2019

Section	Line Item Description	Year-to-Date PA 162 of 2019 FY 2019-20 Budget	Jan CREC Cost Adjustments and 1/10/2020	May CREC Adjustments 5/15/2020	SB 373 Budget Agreement 7/22/2020	Resulting FY 20 Budget 7/22/2020
97a	School Infrastructure Grants	\$0				\$0
98	Michigan Virtual High School - State	\$6,312,500				\$6,312,500
98a	Professional Development	\$0				\$0
98b	Teacher Cadet	\$0				\$0
98c	Teacher Supplies	\$0				\$0
99h	Robotics	\$4,700,000			(\$800,000)	\$3,900,000
99h	Robotics for Nonpublics	\$0				\$0
99s(2)	Comprehensive STEM Initiative (Administration)	\$300,000				\$300,000
99s(3)	Comprehensive STEM Grants	\$3,050,000				\$3,050,000
99s(4)	Math/Science Centers - Federal	\$235,000				\$235,000
99s(4)	MiSTEM Network Regions	\$3,834,300				\$3,834,300
99s(6)	MiSTEM Professional Development and Curriculum	\$750,000				\$750,000
99t	Algebra Nation	\$0				\$0
99u	Imagine Learning (1/2 for reading; 1/2 for math)	\$0				\$0
99v	Dana Center	\$0				\$0
104	Assessment Testing - State Share	\$32,009,400			(\$6,000,000)	\$26,009,400
104	Assessment Testing - Federal Share	\$6,250,000				\$6,250,000
107	Adult Education - State	\$30,500,000				\$30,500,000
147a(1)	MPSERS District Reimbursement	\$100,000,000				\$100,000,000
147a(2)	MPSERS Normal Cost for Lower AROR/Dedicated Gains	\$172,069,000				\$172,069,000
147c	MPSERS Rate Cap (Section 41 of MPSERS Act)	\$1,030,900,000				\$1,030,900,000
147e	MPSERS Additional Normal/DC Costs for PA 92 of 2017	\$42,571,000			(\$14,200,000)	\$28,371,000
152a	Adair v State of Michigan	\$38,000,500				\$38,000,500
152b	Nonpublic school health/safety reimbursement	\$0				\$0
<b>TOTAL SCHOOL AID APPROPRIATIONS</b>		<b>\$15,177,263,600</b>	<b>(\$3,400,000)</b>	<b>(\$85,800,000)</b>	<b>\$225,163,600</b>	<b>\$15,313,227,200</b>

Section	REVENUE SOURCES					
11	Federal Aid	\$1,749,578,500	\$0	\$0	\$512,000,000	\$2,261,578,500
11	School Aid Fund (SAF)	\$13,287,765,000	(\$3,800,000)	(\$85,900,000)	(\$537,534,200)	\$12,660,530,800
11	Talent Investment Fund	\$0	\$0	\$0	\$9,717,800	\$9,717,800
11	MPSERS Reforms Fund	\$1,900,000	\$0	\$0	\$30,000,000	\$31,900,000
11	General Fund/General Purpose	\$62,620,000	\$0	\$0	\$210,980,000	\$273,600,000
11	Community District Trust Fund (\$72.0 m)/Other (\$100 Flint Reserve)	\$75,400,100	\$400,000	\$100,000	\$0	\$75,900,100
<b>TOTAL REVENUE</b>		<b>\$15,177,263,600</b>	<b>(\$3,400,000)</b>	<b>(\$85,800,000)</b>	<b>\$225,163,600</b>	<b>\$15,313,227,200</b>