

**FY 2013-14: SCHOOL AID**  
**Summary: As Passed by the Senate**  
**Senate Bill 182 (S-1)**



**Analyst: Bethany Wicksall**

	FY 2012-13 YTD as of 2/7/13	FY 2013-14 Revised Executive	FY 2013-14 House	FY 2013-14 Senate	FY 2013-14 Enacted	Difference: Senate From FY 2012-13 YTD	
						Amount	%
<b>IDG/IDT</b>	\$0	\$0	\$0	\$0		\$0	--
<b>Federal</b>	1,701,041,400	1,764,421,300	1,764,421,300	1,764,421,300		63,379,900	3.7
<b>Local</b>	0	0	0	0		0	--
<b>Private</b>	0	0	0	0		0	--
<b>Restricted</b>	10,961,245,600	11,240,813,500	11,242,113,600	11,231,665,600		270,420,000	2.5
<b>GF/GP</b>	282,400,000	230,000,000	230,000,100	229,600,000		(52,800,000)	(18.6)
<b>Gross</b>	<b>\$12,944,687,000</b>	<b>\$13,235,234,800</b>	<b>\$13,236,535,000</b>	<b>\$13,225,686,900</b>		<b>\$280,999,900</b>	<b>2.2</b>
<b>FTEs</b>	0	0	0	0		0	--

Notes: (1) FY 2012-13 year-to-date (YTD) figures include mid-year budget adjustments through February 7, 2013.  
(2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as one-time.  
(3) House information in this document references Article I of House Bill 4228 as passed by the House.

**Overview**

The School Aid budget makes appropriations to the state's 549 local school districts, 277 public school academies, the Education Achievement System, and 56 intermediate school districts (ISDs) for operations and certain categorical programs. It also appropriates funds to the Center for Educational Performance and Information, the Workforce Development Agency, and other entities to implement certain grants and other programs related to K-12 education.

**Major Budget Changes From FY 2012-13 YTD Appropriations**

**1. Foundation Allowances (Secs. 22a and 22b)**

Executive decreases by \$2.3 million from the current YTD for FY 2013-14 to incorporate consensus estimates for taxable values and pupil estimates. Includes funding for small class size adjustments reduced from \$13.0 million to \$9.0 million for FY 2013-14.

House concurs in total appropriations but revises the distribution of small class size adjustments compared to the Executive.

Senate increases by \$23.2 million to provide a foundation increase through the 2x formula equaling \$9 per pupil for districts at the Basic or higher and as much as \$18 per pupil for districts at the minimum foundation, with an incremental increase in between for districts between the minimum and the Basic. Minimum would increase from \$6,966 to \$6,984.

(See Major Boilerplate Changes below for discussion of proposed changes to Small Class Size Adjustments.)

	FY 2012-13 Year-to-Date (as of 2/7/13)	FY 2013-14 Senate Change
<b>Gross</b>	<b>\$8,864,300,000</b>	<b>\$23,200,000</b>
Restricted	8,599,110,200	74,212,900
GF/GP	\$265,189,800	(\$51,012,900)

**2. One-Time Foundation Equity Payment (Sec. 22c)**

Executive provides \$24.0 million in one-time funding for an equity payment of up to \$34 per pupil to districts with foundation allowances below \$7,000. The current minimum foundation allowance is \$6,966 and the state maximum guaranteed foundation allowance is \$8,019.

House increases the appropriation to \$36.0 million to provide an equity payment of up to \$50 per pupil to districts with foundation allowances below \$7,016.

Senate does not include this line.

<b>Gross</b>	<b>\$0</b>	<b>\$0</b>
Restricted	0	0

**3. MPSERS - Cost Offset (Sec. 147a)**

Executive maintains current funding levels to offset a share of MPSERS costs for districts for FY 2013-14.

House concurs.

Senate concurs.

<b>Gross</b>	<b>\$155,000,000</b>	<b>\$0</b>
Restricted	155,000,000	0

<b>Major Budget Changes From FY 2012-13 YTD Appropriations</b>		<b>FY 2012-13 Year-to-Date (as of 2/7/13)</b>	<b>FY 2013-14 Senate Change</b>
<b>4. MPSERS - Reserve Fund (Sec. 147b)</b>			
<u>Executive</u> eliminates transfer of funds to the MPSERS reserve fund. After deposits in FYs 2011-12 and 2012-13, the fund balance totals \$174.0 million, and \$150.0 million of it is used as a restricted fund source in Section 147c for FY 2013-14.	<b>Gross</b>	<b>\$41,000,000</b>	<b>(\$41,000,000)</b>
<u>House</u> concurs.	Restricted	41,000,000	(41,000,000)
<u>Senate</u> concurs.			
<b>5. MPSERS - State Share of Unfunded Liabilities (Sec. 147c)</b>			
<u>Executive</u> increases funding for the state's share of Michigan Public School Employees' Retirement System (MPSERS) costs as required by PA 300 of 2012. PA 300 caps the employer share of MPSERS contributions for unfunded liabilities at 20.96% of payroll and requires the state to pay the balance. Total appropriations increase to \$403.3 million in FY 2013-14.	<b>Gross</b>	<b>\$130,000,000</b>	<b>\$274,600,000</b>
<u>House</u> concurs.	Restricted	130,000,000	273,300,000
<u>Senate</u> concurs with the increase, but retains \$1.3 million to fund the district library portion of the cost in the School Aid budget rather than transferring it to the Department of Education budget as proposed by the Executive and House.	GF/GP	\$0	\$1,300,000
(See Major Boilerplate Changes below for discussion of other proposed changes.)			
<b>6. Great Start Readiness Program (GSRP) (Sec. 32d)</b>			
<u>Executive</u> increases funding for preschool programs by \$65.0 million each year to \$174.6 million in FY 2013-14. Additional funding increases the current allocation for each half-day slot from \$3,400 to \$3,625 and provides up to 16,000 more half-day slots in FY 2013-14. ISDs may use two half-day slots to provide a child with a full-day program.	<b>Gross</b>	<b>\$109,575,000</b>	<b>\$65,000,000</b>
<u>House</u> increases by \$38.0 million to \$147.6 million and increases the per diem to \$3,500, thereby increasing the number of funded half-day slots by approximately 9,900.	Restricted	109,275,000	65,000,000
<u>Senate</u> concurs with Executive to increase appropriations to \$174.6 million, but maintains the current allocation for each half-day slot at \$3,400, thus increasing the number of half-day slots by approximately 19,100.	GF/GP	\$300,000	\$0
(See Major Boilerplate Changes below for discussion of other proposed program changes.)			
<b>7. Best Practices Incentive Grants (Sec. 22f)</b>			
<u>Executive</u> decreases funding to \$25.0 million in FY 2013-14. The award would decrease from \$52 per pupil to \$16 per pupil to districts that meet 7 out of 8 best practices criteria.	<b>Gross</b>	<b>\$80,000,000</b>	<b>(\$80,000,000)</b>
<u>House</u> reduces to a \$100 placeholder.	Restricted	80,000,000	(80,000,000)
<u>Senate</u> eliminates this line item.			
(See Major Boilerplate Changes below for discussion of proposed changes to the 8 criteria.)			
<b>8. Technology Infrastructure Improvement (Sec. 22i)</b>			
<u>Executive</u> reduces funding to \$13.5 million for FY 2013-14. Funds may be used for the development or improvement of technology infrastructure in preparation for the planned implementation of FY 2014-15 online growth assessments.	<b>Gross</b>	<b>\$50,000,000</b>	<b>(\$50,000,000)</b>
<u>House</u> maintains funding at FY 2012-13 levels of \$50.0 million.	Restricted	50,000,000	(50,000,000)
<u>Senate</u> eliminates this line item.			
(See Major Boilerplate Changes below for discussion of proposed changes.)			
<b>9. District Performance Funding (Sec. 22j)</b>			
<u>Executive</u> maintains current funding levels for awards to districts up to a maximum of \$100 per pupil: \$30 per pupil for academic growth in grades 3-8 math, \$30 per pupil for academic growth in grades 3-8 reading, and \$40 per pupil for academic growth in all high school tested subjects. Fully funding eligible districts would cost \$46.4 million, so awards would be prorated.	<b>Gross</b>	<b>\$30,000,000</b>	<b>\$16,400,000</b>
<u>House</u> increases to \$46.4 million to fully fund eligible districts.	Restricted	30,000,000	16,400,000
<u>Senate</u> concurs with the House.			
(See Major Boilerplate Changes below for discussion of proposed changes.)			

<b>Major Budget Changes From FY 2012-13 YTD Appropriations</b>		<b>FY 2012-13 Year-to-Date (as of 2/7/13)</b>	<b>FY 2013-14 Senate Change</b>
<b>10. Consolidation Innovation Grants (Sec. 22g)</b>	<b>Gross</b>	<b>\$10,000,000</b>	<b>(\$10,000,000)</b>
<u>Executive</u> eliminates one-time competitive funding awarded to districts and ISDs to support both full consolidation and consolidation of services. <u>House</u> concurs. <u>Senate</u> concurs.	Restricted	10,000,000	(10,000,000)
<b>11. Competitive Student-Centric (Sec. 22k)</b>	<b>Gross</b>	<b>\$0</b>	<b>\$8,000,000</b>
<u>Executive</u> provides \$8.0 million in one-time funding in FY 2013-14 for competitive grants to districts that align instruction with individual student learning styles and pace and advance students based on individual mastery of each subject area. <u>House</u> provides \$7.0 million. <u>Senate</u> concurs with Executive but caps an individual district's allocation at \$1.0 million.	Restricted	0	8,000,000
<b>12. Computer Adaptive Tests (Sec. 22m)</b>	<b>Gross</b>	<b>\$0</b>	<b>\$18,000,000</b>
<u>Senate</u> adds \$18.0 million for a statewide contract for computer adaptive testing.	Restricted	0	18,000,000
<b>13. Intermediate School District (ISD) Operations (Sec. 81)</b>	<b>Gross</b>	<b>\$64,115,000</b>	<b>\$0</b>
<u>Executive</u> maintained current funding levels for ISDs, including \$62.1 million for general operations and \$2.0 million for ISD best practices. <u>House</u> maintains general operations funding of \$62.1 million but includes only a \$100 placeholder for best practices. <u>Senate</u> concurs with Executive to maintain total funding levels but shifts the \$2.0 million currently allocated for best practices to general operations. (See Major Boilerplate Changes below for discussion of other proposed changes.)	Restricted	64,115,000	0
<b>14. Special Education Funding (Secs. 51a, 51c, 51d, 53a)</b>	<b>Gross</b>	<b>\$1,398,388,000</b>	<b>(\$10,700,000)</b>
<u>Executive</u> decreases by \$10.7 million from the current YTD appropriation for FY 2013-14 to adjust for consensus estimates for the growth in special education reimbursement costs. <u>House</u> concurs. <u>Senate</u> concurs.	Federal	439,000,000	5,000,000
	Restricted	959,388,000	(15,700,000)
<b>15. At-Risk Programs (Sec. 31a)</b>	<b>Gross</b>	<b>\$317,695,500</b>	<b>\$0</b>
<u>Executive</u> maintains current year funding levels for at-risk programs, school-based health centers, and hearing and vision screening. <u>House</u> concurs. <u>Senate</u> concurs.	Restricted	317,695,500	0
<b>16. School Lunch Programs (Sec. 31d)</b>	<b>Gross</b>	<b>\$425,001,100</b>	<b>\$60,694,000</b>
<u>Executive</u> increases funding to \$485.7 million to recognize increased available federal funding for the national school lunch program. <u>House</u> concurs. <u>Senate</u> concurs.	Federal	402,506,000	60,694,000
	Restricted	22,495,100	0
<b>17. School Breakfast Programs (Sec. 31f)</b>	<b>Gross</b>	<b>\$9,625,000</b>	<b>(\$4,000,000)</b>
<u>Executive</u> decreases funding by \$4.0 million to \$5.6 million to reflect actual prior-year expenditure levels. <u>House</u> concurs. <u>Senate</u> concurs.	Restricted	9,625,000	(4,000,000)
<b>18. Communities in Schools (Sec. 32g)</b>	<b>Gross</b>	<b>\$0</b>	<b>\$100</b>
<u>Senate</u> adds \$100 placeholder for Communities in Schools programs to improve the coordination, availability, delivery, and effectiveness of services and supports for students and their families.	GF/GP	\$0	\$100
<b>19. Bilingual Education (Sec. 41)</b>	<b>Gross</b>	<b>\$0</b>	<b>\$0</b>
<u>House</u> adds \$1.3 million for districts and ISDs offering instructional programs to students with limited English-speaking ability. A district or ISD is not eligible for funding if they allow a student who does not legally reside in the United States to participate. <u>Senate</u> does not include this line item.	Restricted	0	0

<b>Major Budget Changes From FY 2012-13 YTD Appropriations</b>		<b>FY 2012-13 Year-to-Date (as of 2/7/13)</b>	<b>FY 2013-14 Senate Change</b>
<b>20. Special Education Millage Equalization (Sec. 56)</b>	<b>Gross</b>	<b>\$36,881,100</b>	<b>\$877,000</b>
<u>Exec</u> maintains current appropriation and, after a year of freezing allocations for FY 13 at FY 12 levels, would revert back to the statutory formula that was in place in FY 12.	Restricted	36,881,100	877,000
<u>House</u> maintains current appropriation, and reverts to the statutory distribution formula but revises it such that no ISD receives more than 62.9% of the total allocation.			
<u>Senate</u> increases the appropriation to \$37.6 million, concurs with the house to cap an individual ISD's allocation at 62.9% of the total and provides that no ISD shall receive less than 75% of its prior year allocation.			
<b>21. Vocational Education Millage Equalization (Sec. 62)</b>	<b>Gross</b>	<b>\$9,000,000</b>	<b>\$190,000</b>
<u>Exec</u> maintains current appropriation and, after a year of freezing allocations for FY 13 at FY 12 levels, would revert back to the statutory formula that was in place in FY 12.	Restricted	9,000,000	190,000
<u>House</u> maintains current appropriation, and reverts to the statutory distribution formula but revises it such that no ISD receives more than 38.4% of the total allocation.			
<u>Senate</u> increases the appropriation to \$9.2 million, concurs with the house to cap an individual ISD's allocation at 38.4% of the total and provides that no ISD shall receive less than 75% of its prior year allocation.			
<b>22. School Bond Redemption Fund (Sec. 11j)</b>	<b>Gross</b>	<b>\$120,390,000</b>	<b>\$11,270,000</b>
<u>Executive</u> increases by \$11.3 million to a total of \$131.7 million in FY 2013-14 to pay for increased interest payments associated with loans to districts participating in the School Bond Loan Program.	Restricted	120,390,000	11,270,000
<u>House</u> concurs.			
<u>Senate</u> concurs.			
<b>23. Cash Flow Borrowing Costs (Sec. 11m)</b>	<b>Gross</b>	<b>\$3,200,000</b>	<b>\$2,800,000</b>
<u>Executive</u> increases costs to \$6.0 million in FY 2013-14 to reflect anticipated higher interest rates for short-term borrowing costs related to the School Aid Fund.	Restricted	3,200,000	2,800,000
<u>House</u> concurs.			
<u>Senate</u> concurs.			
<b>24. Isolated District Funding (Sec. 22d)</b>	<b>Gross</b>	<b>\$2,025,000</b>	<b>\$559,600</b>
<u>Executive</u> maintains current funding certain small, rural or low-density school districts.	Restricted	2,025,000	559,600
<u>House</u> concurs with Executive.			
<u>Senate</u> increases to \$2.6 million.			
<b>25. Renaissance Zone Reimbursements (Sec. 26a)</b>	<b>Gross</b>	<b>\$27,800,000</b>	<b>(\$1,500,000)</b>
<u>Executive</u> transfers renaissance zone reimbursements to libraries from the School Aid budget to the Department of Education budget.	Restricted	26,300,000	0
<u>House</u> concurs.	GF/GP	\$1,500,000	(\$1,500,000)
<u>Senate</u> concurs.			
<b>26. Payments In Lieu of Taxes (PILT) (Sec. 26b)</b>	<b>Gross</b>	<b>\$3,328,000</b>	<b>\$681,500</b>
<u>Executive</u> increases funding to \$4.0 million in FY 2013-14 to recognize increased PILT reimbursements to districts, ISDs, and community colleges as required under PAs 603 and 604 of 2012.	Restricted	3,328,000	681,500
<u>House</u> concurs.			
<u>Senate</u> concurs.			
<b>27. State Aid to Libraries - MeLCat (Sec. 93)</b>	<b>Gross</b>	<b>\$1,304,300</b>	<b>(\$1,304,300)</b>
<u>Executive</u> transfers funding supporting the Michigan eLibrary Catalog (MeLCat) from the School Aid budget to the Department of Education budget.	GF/GP	\$1,304,300	(\$1,304,300)
<u>House</u> concurs.			
<u>Senate</u> concurs.			

<b>Major Budget Changes From FY 2012-13 YTD Appropriations</b>		<b>FY 2012-13 Year-to-Date (as of 2/7/13)</b>	<b>FY 2013-14 Senate Change</b>
<b>28. Center for Educational Performance and Information (Sec. 94a)</b>	<b>Gross</b>	<b>\$9,411,900</b>	<b>\$216,700</b>
<u>Executive</u> increased by \$216,700 for employee economics including salary and wages, insurance, and retirement costs.	Federal	193,500	0
<u>House</u> concurs but adds an additional \$99,800 to pay for the pupil transfer application required under the proposed Section 25e.	GF/GP	\$9,218,400	\$216,700
<u>Senate</u> concurs with Executive.			
<b>29. Principal Educator Evaluation Training (Sec. 95)</b>	<b>Gross</b>	<b>\$1,750,000</b>	<b>(\$1,250,000)</b>
<u>Executive</u> reduces to \$500,000 in FY 2013-14 for grants to districts to support professional development for principals and assistant principals in a department-approved training program on implementing educator evaluation programs.	Restricted	1,750,000	(1,250,000)
<u>House</u> concurs but provides intent to appropriate any unallocated funds left in this line at the end of FY 2012-13.			
<u>Senate</u> concurs.			
<b>30. Michigan Virtual University (MVU) (Sec. 98)</b>	<b>Gross</b>	<b>\$4,387,500</b>	<b>\$400</b>
<u>Executive</u> increases funding to \$14.4 million in FY 2013-14 for MVU to operate the Michigan Virtual School and the Michigan Virtual Learning Research Institute.	GF/GP	\$4,387,500	\$400
<u>House</u> maintains current levels of funding at \$4.4 million.			
<u>Senate</u> maintains current levels of funding with four \$100 placeholders for new activities proposed by the Governor. (See Major Boilerplate Changes below for discussion of other proposed changes.)			
<b>31. Math and Science Centers (Sec. 99)</b>	<b>Gross</b>	<b>\$7,974,300</b>	<b>\$125,000</b>
<u>House</u> adds a \$100 placeholder for the Michigan STEM Partnership to administer a competitive grant process to organizations providing either classroom or extracurricular programs or competitions in science, technology, engineering and mathematics (STEM).	Federal	5,249,300	0
<u>Senate</u> adds \$125,000 to increase funding for Math and Science centers.	Restricted	2,725,000	125,000
<b>32. Science, Technology, and Mathematics Professional Development (Sec. 99b)</b>	<b>Gross</b>	<b>\$0</b>	<b>\$0</b>
<u>House</u> adds a \$100 placeholder for a professional development program for teachers in science, technology, and mathematics.	Restricted	0	0
<u>Senate</u> does not include this line item.			

**Major Boilerplate Changes From FY 2012-13**

**Sec. 6(4). Pupil Membership Blend – REVISED**

House revises the pupil membership blend from 90% of the October count and 10% of the *previous* February count to 80% of the October count and 20% of the *following* February count in order to align with the proposed pupil transfer process in Section 25e.

Senate revises to 90% of the October count plus 10% of the *following* February count.

**Sec. 6(6). Counting Nonresident Pupils for Online Courses – REVISED**

Executive adds to the conditions under which a district may count a pupil in membership without the approval of his or her resident district: a pupil who enrolls in an online program in another district as allowed under the newly proposed Section 21f.

House concurs.

Senate concurs.

**Sec. 18. Spending and Audit Requirements – REVISED**

Executive recommendation deletes a report required in 2012 regarding the costs of online education.

House concurs with Executive.

Senate maintains a report which would be due September 1, 2014, but revises to include enrollment data, online learning provider data, and cost details broken down by training, personnel, hardware and software, payment to each online learning provider, and other associated costs.

**Sec. 18a. Public School Academy (PSA) Property Transfer – REVISED**

Current law requires that PSA property acquired substantially with public funds be transferred to the state if a PSA's contract is revoked or not reissued, or if the PSA is ineligible for state aid funding for 18 consecutive months.

Executive adds that a PSA corporation must initiate a dissolution process within 30 days after its contract expires.

House concurs but revises to initiate a "transfer" process.

Senate concurs with House.

## **Major Boilerplate Changes From FY 2012-13**

### ***Sec. 20 (8) and (9). 100% Online programs Foundation – NEW***

House adds language that beginning in FY 2014-15 the foundation allowance for a cyber school or for pupils attending a district under a seat-time waiver for a 100% online model is equal to 85% of the foundation allowance of the district in which it is located.

Senate does not include these subsections.

### ***Sec. 20(10). Foundation Allowances for District Consolidations or Annexations– REVISED***

House revises language which currently provides that the foundation allowance for a consolidated district is the per pupil weighted average of all the affected districts. Instead the foundation allowance would be either the highest foundation of the affected districts or the sum of \$100 plus the per pupil weighted foundation, whichever is less.

Senate concurs.

### ***Sec. 20(14). Small Class Size Adjustments to Foundation Allowances – REVISED***

Executive revises foundation allowance adjustments for districts that received a small class size grant in 2001-2002. Currently funded in FY 2012-13 at 68.5% of FY 2010-11 levels at a total cost of \$13.0 million (funded under Sec. 22b). Executive recommendation continues adjustments into FY 2013-14, reduces to a total cost of \$9.0 million by capping adjustments as follows:

- not to exceed \$100 per pupil for districts with foundation allowances less than \$7,500.
- not to exceed \$50 per pupil for districts with foundation allowances greater than \$7,500.

House revises small class size adjustments to 70% of each district's adjustment in FY 2012-13. Assumes the same level of savings as the Executive recommendation.

Senate revises small class size adjustments to 85% of each district's adjustment in FY 2012-13. Assumes approximately \$2.0 million in savings.

### ***Sec. 21f. Online Courses – NEW***

Executive allows pupils in grades 5 to 12 to enroll in online courses as provided in this section (does not apply to cyber schools). Requires that a district allow a pupil to enroll in up to 2 online courses per term, semester, or trimester with the consent of the pupil's parent or legal guardian. If a pupil has demonstrated previous success in online courses, and the district and parent or guardian determine it is in the pupil's best interest, a pupil may enroll in more than 2 online courses per term, semester, or trimester. Allows pupil to enroll in online courses published in the district's catalog of online courses or the statewide catalog of online courses maintained by MVU pursuant to Sec. 98. Allows educating district to prohibit enrollment in an online course under certain circumstances, but provides the pupil an opportunity to appeal that decision to the ISD. Requires a district, if offering an online course, to provide MVU with the course syllabus for inclusion in the statewide catalog and provide links to the catalog on the district's website.

House revises to cover grades 7 to 12, deletes references to a statewide catalog maintained by MVU, deletes the provision requiring a district to allow a pupil with past success to take more than 2 online courses per term, and caps the amount a district has to pay for an online course to 1/12 of the district's foundation allowance per semester or 1/18 of the district's foundation allowance for a trimester.

Senate concurs with Executive on grades 5 to 12, but also applies this section to cyber schools. Concurr with Executive requiring a district to allow a pupil to participate in more than 2 classes if they demonstrate previous success. Shifts the responsibility of maintaining a statewide online course catalog from MVU to the Department of Education. Sets no limit on costs, but requires that a district pay 50% upon enrollment and 50% upon successful completion. Revises such that the educating district determines successful completion and grants academic credit. Clarifies that the enrollment of a pupil in an online program shall not result in a student being counted as more than 1.0 FTE.

### ***Sec. 22b. Foundation Allowances - EAA – REVISED***

Senate adds new language prohibiting the Education Achievement Authority (EAA) from expending any money from any source unless allocated through the School Aid Act unless specifically appropriated by the Legislature to the EAA. If the EAA does not comply, it would lose its foundation allowance funding under this section.

### ***Sec. 22f. Best Practices – REVISED***

Executive reduces per pupil awards from \$52 per pupil to \$16 per pupil for districts complying with 7 out of 8 best practices. 4 out of the 8 best practices include revisions under the Executive recommendation:

- Acts as policyholder for insurance - Adds that a district with a voluntary employee beneficiary association (VEBA) that pays no more than the maximum allowed under PA 152 of 2011 is considered to have met this requirement.
- Competitively bid at least one non-instructional service - Adds that the unfunded liability costs for retirement must be excluded from district costs when comparing competitive bids.
- Provide online learning opportunities - Adds that a district must publish syllabi for offered online courses, as required under Sec. 21f.
- Provide a dashboard to parents and the community - Adds additional required dashboard items including revenue and expenditure projections, list of all debt service obligations by project including anticipated payments for FY 2013-14, and total outstanding debt.

The 4 other best practices remain the same and include participating in schools of choice, measuring student growth twice annually, providing dual enrollment, and provide physical or health education that meet State Board of Education standards.

House includes the Executive language but provides only a \$100 placeholder for best practices grants.

Senate repeals this section.

## **Major Boilerplate Changes From FY 2012-13**

### ***Sec. 22i. Technology Infrastructure Grants – REVISED***

Executive adds instructional practices and shared service consolidation of technology and data as allowable uses of funding and changes the grant process from a competitive bid process to a process in which all eligible districts and ISDs may participate.

House limits the uses to technology infrastructure, shared service consolidation of technology and data, and hardware.

Senate repeals this section.

### ***Sec. 22j. District Performance Grants – REVISED***

Executive updates the school year assessment used to awards to 2011-2012 and revises the high school award to broaden from only the Michigan Merit Exam to all high school assessments.

House concurs.

Senate concurs and adds intent that in FY 2014-15 growth be measured with computer adaptive tests taken in FY 2013-14.

### ***Sec. 25e. Pupil Transfer Process – NEW***

House repeals Sec. 25, which was set to begin in FY 2013-14 and replaces it with Sec. 25e. It would require CEPI to work with MDE, districts, and intermediate districts to develop a pupil transfer application modeled after the graduation and dropout application, and allow districts to transfer students and revise membership between the October and February count dates.

Senate concurs and adds that the pupil transfer application be completed by November 1, 2013.

### ***Sec. 32d. Great Start Readiness Program (GSRP) – REVISED***

Executive proposes significant funding increases, but also includes several major policy changes including:

- Revises to align with new kindergarten age requirements, phased in over 3 years, to move the eligibility age cutoff date from December 1 to September 1.
- Eliminates former Parents Involved in Education (PIE) programs as an allowable use of funds.
- Distributes 100% of the funding through the Section 39 formula and requires all entities including ISDs, districts, public or private for-profit and nonprofit entities receiving funding to comply with Sections 32d and 39 rather than continuing a separate competitive application for public or private for-profit and nonprofit entities.
- Requires that a program receiving funds under this section must participate in the state's Great Start to Quality Process, the Tiered Quality Rating Improvement System (TQRIS), with a rating of at least 3 stars.
- Increases the minimum percentage of participating children who must live in families with income less than 300% of federal poverty level from at least 75% to at least 90%.
- Requires an ISD to contract with eligible public and private for-profit and nonprofit community-based providers for at least 20% of its total allocated slots. Requires notification to department if ISD is unable to meet this requirement.

House revises the Executive recommendation to continue allowing PIE programs, decreases the income eligibility threshold to 200% of the federal poverty, revises the minimum percentage of participating children who must qualify based on income to 80%, increases the percent of slots an ISD must make available to private and nonprofit programs to 30%, and clarifies that if MDE verifies an ISD tried to contract at least 30% of their slots and is unable to do so, the ISD may keep those remaining slots. Requires an ISD to let parents choose among ISD providers and requires an ISD to allow a parent of an eligible child to choose a program in another ISD and that the resident ISD would have to pay for it.

Senate concurs with the Executive but requires that 100% of participating children come from families below 300% of poverty and requires providers to rank children based on family income and provide slots to the lowest quintile first and move up until it fills its slots, but requires each provider to save 10% of its slots for students who enroll after the beginning of the year. Provides a \$100 placeholder for Kalamazoo RESA for pilot program to evaluate a preschool system using both public and private funding for the same classroom and serving children from Head Start, GSRP, and children whose parents pay tuition all in the same classroom.

### ***Sec. 32p. Early Childhood Block Grants – REVISED***

Executive provides that each ISD shall receive 100% of its FY 2012-13 allocation.

House provides that beginning in FY 2013-14 funding shall be determined by a distribution formula to be established by the MDE Office of Great Start in order to provide for equitable funding statewide.

Senate concurs with Executive.

## **Major Boilerplate Changes From FY 2012-13**

### **Sec. 81(6). ISD Best Practices – REVISED**

Executive maintains \$2.0 million allocation for ISD best practices, but revises to require 5 out of 6 best practices:

- Develop a consolidation plan - Adds for an ISD that developed a plan in FY 2012-13, it must implement that plan to qualify in FY 2013-14.
- Obtain competitive bids on at least 1 non-instructional service valued at \$50,000 or more for itself or its constituent districts - Adds that the unfunded liability costs for retirement must be excluded from costs when comparing competitive bids.
- Develop a technology plan - Adds for an ISD that developed a plan in FY 2012-13, it must implement that plan to qualify in FY 2013-14.
- Provide a dashboard to parents and the community - Adds additional, required dashboard items including revenue and expenditure projections, list of all debt service obligations by project including anticipated payments for FY 2013-14, and total outstanding debt.
- Work in a consortium with other ISDs to develop system requirements and bid specifications for a statewide model information system - Adds working with CEPI and changes focus to developing local systems that result in a recommended model information system that supports interoperability to ensure linkage and connectivity in a manner that facilitates the efficient exchange of data between districts, ISDs, and CEPI.
- New requirement that ISD act as policyholder for health care services benefits. An ISD that does not directly employ its staff or an ISD with a voluntary employee beneficiary association (VEBA) that pays no more than the maximum allowed under PA 152 of 2011 is considered to have met this requirement.

House includes the Executive language but provides only a \$100 placeholder for best practices grants.

Senate deletes this subsection.

### **Sec. 98. Michigan Virtual University – REVISED**

Executive renames the Center for Online Learning and Innovation, which was established in FY 2012-13, as the Michigan Virtual Learning Research Institute. Requires that the Institute do the following: provide professional development to at least 1,000 education personnel on integrating digital learning, provide up to \$2.2 million in competitive grants to ISDs to expand integration of online and blended learning, work with higher education faculty on a new digital learning teacher endorsement, and create a statewide catalog of all online courses at all public schools including course syllabi and a review of each course.

House maintains current law with minor changes.

Senate provides four \$100 placeholder for the new activities proposed by the Governor, but would transfer the maintenance of a statewide online course catalog to the Department of Education. Requires MVU to report detailed budget information to the Legislature by October 1, 2013 and by August 1 in subsequent fiscal years.

### **Sec. 101. Instructional Days and Hours – REVISED**

House deletes for FY 2013-14 the provision allowing up to 38 hours of professional development for teachers as instruction to meet the 1,098 minimum number of hours required and increases the minimum number of days required from 170 to 175 beginning in FY 2014-15.

Senate maintains current law.

### **Sec. 107. Adult Education – REVISED**

House adds legislative intent to begin allocating grant funds under this section on a competitive basis beginning in FY 2014-15.

Senate maintains current law.

### **Sec. 147. MPSERS Contribution Rates – REVISED**

Executive reflects employer contribution rates for defined benefit pension and retiree health benefits are now broken out for seven different subgroups based on hire date and benefit and contribution choices made under PA 300 of 2012. For FY 2013-14, rates are based on a 25-year amortization period, and they range from 20.96% to 24.79% of MPSERS payroll. Employer rates do not include contributions into employee defined contribution accounts.

House concurs.

Senate concurs.

### **Sec. 147b. MPSERS Reserve Fund – REVISED**

Executive makes no appropriation into the MPSERS reserve fund, and instead begins to use available funds as a source of revenue under Sec. 147c. Adds new language, which would direct the funds collected in FY 2010-11 and FY 2011-12 for the employee 3% contributions for retiree health care, currently being held in escrow pursuant to a court injunction, to be deposited into the MPSERS reserve fund for the purposes of funding health care unfunded liabilities if the injunction is lifted.

House concurs.

Senate concurs.

### **Sec. 147c. MPSERS State Share for Health Care Unfunded Accrued Liabilities – REVISED**

Executive revises such that instead of paying the MPSERS funds directly to the MPSERS system, funding would be distributed to districts and ISDs based on their proportional share of MPSERS payroll. Then districts and ISDs would be required to pay the exact amount back to the MPSERS system.

House concurs.

Senate concurs.

# SCHOOL AID LINE ITEM SUMMARY



Sec.		FY 2012-13			FY 2013-14			FY 2013-14		FY 2013-14	
		Year-to-Date	Executive Supplemental 2013-5	Revised	Change from FY 2012-13 YTD	Change from FY 2012-13 Revised	Executive Recommendation	Change from Exec Rec	House Passed	Change from Exec Rec	Senate Passed
11g	Durant - Debt Service	\$39,000,000		\$39,000,000	\$500,000	\$500,000	\$39,500,000		\$39,500,000		\$39,500,000
11j	School Bond Redemption Fund	\$120,390,000		\$120,390,000	\$11,270,000	\$11,270,000	\$131,660,000	\$131,660,000			\$131,660,000
11m	Cash Flow Borrowing Costs	\$3,200,000		\$3,200,000	\$2,800,000	\$2,800,000	\$6,000,000	\$6,000,000			\$6,000,000
11s	Education Reserve Fund	\$0		\$0			\$0	\$0		\$0	\$0
22a	Foundations: Proposal A Obligation Payment	\$5,712,000,000	(\$81,000,000)	\$5,631,000,000	(\$154,000,000)	(\$73,000,000)	\$5,558,000,000	\$5,558,000,000			\$5,558,000,000
22b	Foundations: Discretionary Payment	\$3,152,300,000	\$64,700,000	\$3,217,000,000	\$151,700,000	\$87,000,000	\$3,304,000,000	\$3,304,000,000	\$25,500,000		\$3,329,500,000
22c	Foundations: Equity Payment	\$0		\$0	\$24,000,000	\$24,000,000	\$24,000,000	\$12,000,000	\$36,000,000	(\$24,000,000)	\$0
22d	Isolated District Funding	\$2,025,000		\$2,025,000			\$2,025,000		\$2,025,000	\$559,600	\$2,584,600
22f	Best Practices	\$80,000,000		\$80,000,000	(\$55,000,000)	(\$55,000,000)	\$25,000,000	(\$24,999,900)	\$100	(\$25,000,000)	\$0
22g	Consolidation Innovation Grants	\$10,000,000		\$10,000,000	(\$10,000,000)	(\$10,000,000)	\$0		\$0		\$0
22i	Technology Infrastructure Improvement Grants	\$50,000,000		\$50,000,000	(\$36,500,000)	(\$36,500,000)	\$13,500,000	\$36,500,000	\$50,000,000	(\$13,500,000)	\$0
22j	District Performance Funding	\$30,000,000		\$30,000,000			\$30,000,000	\$16,400,000	\$46,400,000	\$16,400,000	\$46,400,000
22k	Competitive Student-Centric Grants - NEW	\$0		\$0	\$8,000,000	\$8,000,000	\$8,000,000	(\$1,000,000)	\$7,000,000		\$8,000,000
22m	Computer Adaptive Tests - NEW	\$0		\$0			\$0		\$0	\$18,000,000	\$18,000,000
24	Court-Placed Pupils	\$8,000,000		\$8,000,000			\$8,000,000		\$8,000,000		\$8,000,000
24a	Juvenile Detention Facility Programs	\$2,135,800		\$2,135,800	\$31,700	\$31,700	\$2,167,500		\$2,167,500		\$2,167,500
24c	Youth Challenge Program	\$1,500,000		\$1,500,000			\$1,500,000		\$1,500,000		\$1,500,000
26a	Renaissance Zone Reimbursement	\$27,800,000		\$27,800,000	(\$1,500,000)	(\$1,500,000)	\$26,300,000		\$26,300,000		\$26,300,000
26b	PILT Reimbursement	\$3,328,000		\$3,328,000	\$681,500	\$681,500	\$4,009,500		\$4,009,500		\$4,009,500
26c	Promise Zone Funding -	\$347,800		\$347,800	(\$123,800)	(\$123,800)	\$224,000		\$224,000		\$224,000
31a	"At Risk" Pupil Support	\$308,988,200		\$308,988,200			\$308,988,200		\$308,988,200		\$308,988,200
31a(6)	School Based Health Centers	\$3,557,300		\$3,557,300			\$3,557,300		\$3,557,300		\$3,557,300
31a(7)	Hearing and Vision Screening	\$5,150,000		\$5,150,000			\$5,150,000		\$5,150,000		\$5,150,000
31d	State School Lunch Programs	\$22,495,100		\$22,495,100			\$22,495,100		\$22,495,100		\$22,495,100
31d	Federal School Lunch Programs	\$402,506,000		\$402,506,000	\$60,694,000	\$60,694,000	\$463,200,000		\$463,200,000		\$463,200,000
31f	School Breakfast Program	\$9,625,000		\$9,625,000	(\$4,000,000)	(\$4,000,000)	\$5,625,000		\$5,625,000		\$5,625,000
32d	Great Start School Readiness	\$109,575,000		\$109,575,000	\$65,000,000	\$65,000,000	\$174,575,000	(\$27,000,000)	\$147,575,000		\$174,575,000
32p	Early Childhood Block Grants	\$10,900,000		\$10,900,000			\$10,900,000		\$10,900,000		\$10,900,000
32q	Communities in Schools	\$0		\$0			\$0		\$0	\$100	\$100
39a1	Federal "No Child Left Behind"	\$812,328,500		\$812,328,500	(\$500,000)	(\$500,000)	\$811,828,500		\$811,828,500		\$811,828,500
39a2	Other Federal Funding	\$33,514,100		\$33,514,100	(\$1,814,100)	(\$1,814,100)	\$31,700,000		\$31,700,000		\$31,700,000
41	Bilingual Education Grants	\$0		\$0	\$0		\$0	\$1,300,000	\$1,300,000		\$0
51a(1)	Special Education - Federal Reimbursement	\$365,000,000		\$365,000,000	\$5,000,000	\$5,000,000	\$370,000,000		\$370,000,000		\$370,000,000
51a(2)	Special Ed ISD Foundation and Costs	\$257,400,000	(\$6,700,000)	\$250,700,000	\$900,000	\$7,600,000	\$258,300,000		\$258,300,000		\$258,300,000
51a(3)	Special Ed ISD Hold Harmless Payment	\$1,000,000		\$1,000,000			\$1,000,000		\$1,000,000		\$1,000,000
51a(6)	Special Ed Admin Rules Changes	\$2,200,000		\$2,200,000			\$2,200,000		\$2,200,000		\$2,200,000
51a(11)	Special Ed Foundations for Non Sec. 52 to ISDs	\$5,600,000		\$5,600,000	(\$1,100,000)	(\$1,100,000)	\$4,500,000		\$4,500,000		\$4,500,000
51c	Special Ed Headlee Obligation (Durant)	\$678,000,000	(\$35,000,000)	\$643,000,000	(\$15,500,000)	\$19,500,000	\$662,500,000		\$662,500,000		\$662,500,000
51d	Special Education - Other Federal Grants	\$74,000,000		\$74,000,000			\$74,000,000		\$74,000,000		\$74,000,000
53a	Special Ed for Court Placed Pupils	\$13,500,000		\$13,500,000			\$13,500,000		\$13,500,000		\$13,500,000
54	Special Ed Michigan School Blind/Deaf	\$1,688,000		\$1,688,000			\$1,688,000		\$1,688,000		\$1,688,000
56	Special Ed ISD Millage Equalization	\$36,881,100		\$36,881,100			\$36,881,100		\$36,881,100	\$877,000	\$37,758,100
61a	Vocational-Technical Education Programs	\$26,611,300		\$26,611,300			\$26,611,300		\$26,611,300		\$26,611,300
62	ISD Vocational Education Millage Equalization	\$9,000,000		\$9,000,000			\$9,000,000		\$9,000,000	\$190,000	\$9,190,000
74	Bus Driver Safety Instruction	\$1,625,000		\$1,625,000			\$1,625,000		\$1,625,000		\$1,625,000
74	School Bus Inspections	\$1,634,900		\$1,634,900	\$39,100	\$39,100	\$1,674,000		\$1,674,000		\$1,674,000
81	ISD General Operations Support	\$64,108,000	\$7,000	\$64,115,000	\$7,000		\$64,115,000	(\$1,999,900)	\$62,115,100		\$64,115,000
93	State Aid to Libraries for MeLCat Support	\$1,304,300		\$1,304,300	(\$1,304,300)	(\$1,304,300)	\$0		\$0		\$0
94a	Center for Educational Performance	\$9,218,400		\$9,218,400	\$216,700	\$216,700	\$9,435,100	\$99,800	\$9,534,900		\$9,435,100
94a	Center for Educational Performance - Federal	\$193,500		\$193,500			\$193,500		\$193,500		\$193,500
95	Principal Educator Evaluation Training	\$1,750,000		\$1,750,000	(\$1,250,000)	(\$1,250,000)	\$500,000		\$500,000		\$500,000
98	Michigan Virtual School	\$4,387,500		\$4,387,500	\$10,000,000	\$10,000,000	\$14,387,500	(\$10,000,000)	\$4,387,500	(\$9,999,600)	\$4,387,900
99	Math and Science Centers - State	\$2,725,000		\$2,725,000			\$2,725,000	\$100	\$2,725,100	\$125,000	\$2,850,000
99	Math and Science Centers - Federal	\$5,249,300		\$5,249,300			\$5,249,300		\$5,249,300		\$5,249,300
99b	STEM Professional Development							\$100	\$100		\$0
104	MEAP Testing - State	\$26,694,400		\$26,694,400			\$26,694,400		\$26,694,400		\$26,694,400
104	MEAP Testing - Federal	\$8,250,000		\$8,250,000			\$8,250,000		\$8,250,000		\$8,250,000
107	Adult Education	\$22,000,000		\$22,000,000			\$22,000,000		\$22,000,000		\$22,000,000

# SCHOOL AID LINE ITEM SUMMARY



		FY 2012-13			FY 2013-14			FY 2013-14		FY 2013-14	
		Year-to-Date	Executive Supplemental 2013-5	Revised	Change from FY 2012-13 YTD	Change from FY 2012-13 Revised	Executive Recommendation	Change from Exec Rec	House Passed	Change from Exec Rec	Senate Passed
147a	MPSERS Cost Offset	\$155,000,000		\$155,000,000			\$155,000,000		\$155,000,000		\$155,000,000
147b	MPSERS Reserve for Retirement Obligation Reform	\$41,000,000		\$41,000,000	(\$41,000,000)	(\$41,000,000)	\$0		\$0		\$0
147c	MPSERS Prefunding - Unfunded Liability Payments	\$130,000,000	\$30,500,000	\$160,500,000	\$273,300,000	\$242,800,000	\$403,300,000		\$403,300,000	\$1,300,000	\$404,600,000
152a	Adair - Database Payment	\$38,000,500		\$38,000,500			\$38,000,500		\$38,000,500		\$38,000,500
<b>TOTAL APPROPRIATIONS</b>		<b>\$12,944,687,000</b>	<b>(\$27,493,000)</b>	<b>\$12,917,194,000</b>	<b>\$290,547,800</b>	<b>\$318,040,800</b>	<b>\$13,235,234,800</b>	<b>\$1,300,200</b>	<b>\$13,236,535,000</b>	<b>(\$9,547,900)</b>	<b>\$13,225,686,900</b>
<b>REVENUE BY SOURCE</b>											
Federal Aid		\$1,701,041,400	\$0	\$1,701,041,400	\$63,379,900	\$63,379,900	\$1,764,421,300		\$1,764,421,300		\$1,764,421,300
School Aid Fund		\$10,961,245,600	(\$27,493,000)	\$10,933,752,600	\$129,567,900	\$157,060,900	\$11,090,813,500	\$1,300,100	\$11,092,113,600	(\$9,147,900)	\$11,081,665,600
MPSERS Reserve Fund		\$0	\$0	\$0	\$150,000,000	\$150,000,000	\$150,000,000		\$150,000,000		\$150,000,000
General Fund/General Purpose		\$282,400,000	\$0	\$282,400,000	(\$52,400,000)	(\$52,400,000)	\$230,000,000	\$100	\$230,000,100	(\$400,000)	\$229,600,000
<b>TOTAL REVENUE</b>		<b>\$12,944,687,000</b>	<b>(\$27,493,000)</b>	<b>\$12,917,194,000</b>	<b>\$290,547,800</b>	<b>\$318,040,800</b>	<b>\$13,235,234,800</b>	<b>\$1,300,200</b>	<b>\$13,236,535,000</b>	<b>(\$9,547,900)</b>	<b>\$13,225,686,900</b>

**SCHOOL AID FUND BALANCE SHEET**  
**Executive, House, and Senate: Fys 2012-13 and 2013-14**  
(Dollars in Millions)

	YTD <u>FY 2012-13</u>	Executive Recommendation <u>FY 2013-14</u>	House Passed <u>FY 2013-14</u>	Senate Passed <u>FY 2013-14</u>
<b>ESTIMATES OF REVENUE</b>				
<b>SCHOOL AID FUND (SAF) REVENUE</b>				
Beginning Balance	\$254.1	\$49.9	\$49.9	\$49.9
iLottery	\$0.0	\$7.8	\$7.8	\$0.0
Revenue Estimate (FYs 13 and 14 Jan 2013 CREC)	<u>11,127.7</u>	<u>11,432.5</u>	<u>11,432.5</u>	<u>11,432.5</u>
<b>Subtotal: SAF Revenue</b>	<b>\$11,381.8</b>	<b>\$11,490.2</b>	<b>\$11,490.2</b>	<b>\$11,482.4</b>
<b>OTHER REVENUE ADJUSTMENTS</b>				
General Fund/General Purpose (GF/GP) Grant	\$282.4	\$230.0	\$230.0	\$229.6
MPSERS Reform Reserve Fund	0.0	150.0	150.0	150.0
Federal Aid	<u>1,701.0</u>	<u>1,764.4</u>	<u>1,764.4</u>	<u>1,764.4</u>
<b>Subtotal: Other Revenue</b>	<b>\$1,983.4</b>	<b>\$2,144.4</b>	<b>\$2,144.4</b>	<b>\$2,144.0</b>
<b>TOTAL REVENUE</b>	<b>\$13,365.2</b>	<b>\$13,634.6</b>	<b>\$13,634.6</b>	<b>\$13,626.4</b>
<b>ESTIMATED EXPENDITURES</b>				
<b>ESTIMATED K-12 EXPENDITURES</b>				
FY 2012-13 YTD and FYs 2013-14 proposed	\$12,944.7	\$13,235.2	\$13,236.5	\$13,225.7
FY 2012-13 Supplemental Request 2013-5	( <u>\$27.5</u> )	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>
<b>Subtotal: K-12 EXPENDITURES</b>	<b>\$12,917.2</b>	<b>\$13,235.2</b>	<b>\$13,236.5</b>	<b>\$13,225.7</b>
<b>Community Colleges</b>	\$197.6	\$197.6	\$197.6	\$197.6
<b>Higher Education</b>	<u>\$200.5</u>	<u>\$200.5</u>	<u>\$200.5</u>	<u>\$200.5</u>
<b>Subtotal: Post Secondary Expenditures</b>	<b>\$398.1</b>	<b>\$398.1</b>	<b>\$398.1</b>	<b>\$398.1</b>
<b>TOTAL EXPENDITURES</b>	<b>\$13,315.3</b>	<b>\$13,633.3</b>	<b>\$13,634.6</b>	<b>\$13,623.8</b>
<b>SAF ENDING BALANCE</b>	<b>\$49.9</b>	<b>\$1.3</b>	<b>\$0.0</b>	<b>\$2.6</b>
MPSERS Reserve Balance	\$174.0	\$24.0	\$24.0	\$24.0
MPSERS 3% Health Care Contribution Escrow Fund Balance	\$508.0	\$508.0	\$508.0	\$508.0