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 BILL ANALYSIS

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House Bill 4445 (Substitute H-2 as passed by the House)
Sponsor: Representative Chuck Moss
House Committee: Appropriations
Senate Committee: Appropriations

Date Completed: 2-23-12

CONTENT

House Bill 4445 (H-2) is a fiscal year (FY) 2011-12 School Aid supplemental. The bill contains several adjustments to existing line items necessary to accurately reflect current cost estimates and funding requirements, and also includes \$12.5 million in new spending for kindergarten assessments and an early childhood provider rating system, along with \$4.0 million in new spending for emergency transition grants related to the education of students of Highland Park schools. Finally, the bill includes \$4.7 million in Federal Education Jobs Fund dollars that were provided to Michigan, in excess of the FY 2010-11 allocation. All but \$4.0 million of the supplemental (the funding for distressed district student transition grants) was recommended by the Governor in Supplemental Request 2012-9, dated February 9, 2012. In addition, the Senate had earlier approved \$12.5 million in early childhood spending, which was subsequently built into the Governor's supplemental request for FY 2011-12. [Table 1](#) illustrates the line items proposed in the supplemental.

Table 1

FY 2011-12 K-12 School Aid Appropriations			
Appropriation	Initial Approps. FY 2011-12	Revised Rec. FY 2011-12	Change from Initial FY 2011-12
Technical Cost Adjustments:			
Foundation Allowance Payments	\$8,723,300,000	\$8,821,000,000	\$97,700,000
Special Education Costs	922,200,000	899,500,000	(22,700,000)
Cash Flow Borrowing Costs	20,000,000	8,500,000	(11,500,000)
PILT Reimbursement	2,890,000	1,838,000	(1,052,000)
Juvenile Detention Facilities	1,197,500	2,059,700	862,200
New Spending:			
Early Learning Assessment, Quality Rating	0	12,500,000	12,500,000
Distressed District Student Transition Grants	0	4,000,000	4,000,000
Education Jobs Fund	0	4,700,000	4,700,000
OPEB Adjustments:			
Juvenile Detention Facilities	0	55,100	55,100
Youth Challenge Program	0	23,300	23,300
School Bus Inspections	0	79,300	79,300
Center for Educ. Perform. & Info.-State Share	0	267,000	267,000
TOTAL SCHOOL AID SUPPLEMENTAL	\$9,669,587,500	\$9,754,522,400	\$84,934,900

Technical Adjustments

As shown in Table 1, foundation allowance costs are increasing \$97.7 million, primarily due to reductions in taxable values that require additional State spending to make up for lower local revenue. Other technical adjustments include the following: special education costs are estimated to decline \$22.7 million; cash flow borrowing costs are reduced by \$11.5 million; payments in lieu of taxes (PILT) decline by \$1.1 million due to the Department of Natural Resources Trust Fund's paying for a portion of costs; and \$0.9 million is included for additional educational costs at juvenile detention facilities.

New Spending - Early Childhood

New spending under House Bill 4445 (H-2) includes \$12.5 for early childhood funding, \$4.0 million for distressed district student transition grants for the education of Highland Park students, and \$4.7 million in Federal Education Jobs Fund dollars. Specifically, the \$12.5 million would be for the following two purposes: 1) \$3.25 million to begin the partial implementation of a kindergarten status assessment, and 2) \$9.25 million for the provision of services to early learning program providers in the Tiered Quality Improvement Rating System (TQRIS). Further detail on these programs may be found in the analysis of the (S-1) version of House Bill 4445, as passed the Senate on November 10, 2011:

<http://www.legislature.mi.gov/documents/2011-2012/billanalysis/Senate/pdf/2011-SFA-4445-U.pdf>.

New Spending - Education of "Distressed District" Pupils

The \$4.0 million in new spending for distressed district student transition grants would be provided to districts that enrolled students of a "distressed district" on or before March 22, 2012, or, for students remaining at the distressed district (those students not enrolling in other districts by March 22), funding would be provided to a district or intermediate district that signed a memorandum of understanding with the distressed district's emergency manager, in order to manage the distressed district. Funding to either the enrolling districts or the managing district or intermediate school district (ISD) would be equal to \$4,000 multiplied by the number of full-time equivalent pupils enrolled and in attendance at the respective new districts, or remaining at the distressed district that would be managed by the managing district or ISD. (If the managing entity were an ISD, then the ISD would have to be the ISD in which the distressed district is located.)

New Spending - Federal Education Jobs Fund

House Bill 4445 (H-2) includes \$4.7 million in Federal Education Jobs Fund dollars that were provided to Michigan after allocations provided nationwide in FY 2010-11 did not spend the entire amount of the Federal grant. Funds would be provided on a "2x" basis to districts in the same proportion as provided in FY 2010-11.

New Spending - OPEB

The bill includes \$424,700 in adjustments for other post-employment benefits (OPEB) as a result of the Legislature's and Governor's decision to begin prefunding State employee retiree health care in FY 2011-12. Four entities in the School Aid Act are affected by the OPEB change, and the supplemental would provide funds sufficient to pay for the increased cost of prefunding. More detail on OPEB may be found in the analysis of Senate Bill 683 (S-1), which passed the Senate on February 21, 2012:

<http://www.legislature.mi.gov/documents/2011-2012/billanalysis/Senate/pdf/2011-SFA-0683-U.pdf>.

Finally, the bill would transfer \$100.0 million from the School Aid Fund (SAF) to the School Aid Stabilization Fund, with the transfer occurring on the date of enactment of the bill. Because any lapsing dollars in the SAF already automatically transfer into the Stabilization Fund at the end of the fiscal year, this transfer would occur anyway, but after books were closed for FY 2011-12. The anticipated year-end balance in the SAF before this transfer is \$125.0 million; this transfer would mean that \$100.0 million of SAF would be placed into the School Aid Stabilization Fund immediately, and, if estimates hold true, the other \$25.0 million would be transferred after book-closing. (Money in the School Aid Stabilization Fund does remain available for expenditure.)

MCL 388.1606 et al.

FISCAL IMPACT

The bill would appropriate \$84.9 million Gross, of which \$4.7 million would be Federal funding and the \$80.2 million remainder from the School Aid Fund. The bulk of the State spending would adjust for updated caseload cost estimates, with some new spending for early learning assessment and ratings and for distressed district student transition grants.

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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.