



STATE OF MICHIGAN
DEPARTMENT OF EDUCATION
LANSING



MICHAEL P. FLANAGAN
SUPERINTENDENT OF
PUBLIC INSTRUCTION

JENNIFER M. GRANHOLM
GOVERNOR

September 26, 2005

TO: State Board of Education
FROM: Michael P. Flanagan, Chairman
SUBJECT: Legislative Update

The Legislature returned to Lansing in late August and has been very active. Legislative action has included approval of key elements of the state's budget, passage of the Child Protection Legislative package, Senate approval of the Administrator Certification bills, the start of hearings on obesity, and the first hearings by the House Education Subcommittee on Early Childhood issues.

The following is a brief synopsis of key Education issues:

Budget Issues. The Department's budget is on its way to the Governor. Overall, the Department achieved many of its objectives with this year's budget. Language was adopted to restore State Board of Education out-of-state travel. The Best Practices study was funded at \$350,000, with the understanding we will need additional funding in the next fiscal year. For the last year, the Department has been seeking permission to "roll-up" travel costs within the Department's budget to relieve the administrative burden of tracking travel costs by individual offices. This year's budget accomplishes the goal of "rolling-up" these travel costs. In almost every case, the Department's budget reflects what the Governor and the Department requested. The School Aid budget will be outlined in a document from Elaine Madigan.

Child Protection Legislation. This legislation, which contains most of what the Governor requested in May, has been passed by both houses of the Legislature and should be signed into law by the end of September. The Department worked hard to make sure the bills would technically work. At the last minute the Department was able to reduce the number of times a year (from four to two) staff will have to ask the State Police to run names through their computer to determine if new crimes by education employees have been committed. It had been determined that conducting this search was extremely expensive and that a quarterly review would not provide significant new data as compared to semi-annual review.

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When this legislative package becomes fully effective, both the Department and school districts will know when a school employee has committed a crime – particularly an individual that has committed a listed offense as defined in the Sex Offenders Registration Act.

Administrative Certification. Senate Bills 673 and 674 passed the Senate on September 22 with a 35-0 vote. A week earlier, the bills were before the Senate Education Committee. Many members from our workgroup testified in favor of the legislation. This legislation will now be sent to the House Education Committee, where we hope the bills will be taken up in short order.

Hearings on Obesity. Senator Hammerstrom (R-Temperance), the chair of the Senate Health Policy Committee, has taken a keen interest in the child obesity issue. Using Senator Virgil Bernero's (D-Lansing) bill, SB 91, as a vehicle bill, she began testimony on September 21. Senator Hammerstrom made clear that she is not sure what the product will be that will come out of committee as a result of committee findings. While she is sensitive to added costs to schools, she seems determined to develop a policy to improve children's health. At the hearing, Dr. Douglass Henry, a specialist from the Division of Pediatric Endocrinology at Sparrow Hospital in Lansing, gave compelling testimony regarding the national crisis facing this country in providing proper nutrition to our children. Senator Hammerstrom has asked the Department of Education to coordinate testimony at the next hearing regarding the 2001 report, *The Role of Michigan Schools in Promoting Health Weight, A Consensus Paper*. This testimony is scheduled for mid-October.

House Education Committee Subcommittee on Early Childhood. This new subcommittee is chaired by Representative Kevin Eisenheimer (R-Bellaire) and is to review early childhood legislation. In the sub-committee's first hearing on September 21, the committee referred the "Cassis" legislative package to the full House Education Committee (where we expect some movement in the coming weeks). In their October hearing, Dr. Lindy Buch has been asked to provide testimony to the subcommittee. We are hoping this subcommittee will take a thoughtful look at the need for substantive education programs between the ages of zero to five years.

As these or additional issues develop in the coming weeks, please do not hesitate to contact Bob Morris or myself with any questions.



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September 26, 2005

TO: State Board of Education

FROM: Elaine M. Madigan, Executive Director
School Finance and School Law

SUBJECT: State School Aid Update

Attached please find a summary of the Conference Report for State School Aid for 2005-06. House Bill 4887 has been approved by the House and is awaiting action in the Senate.

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State School Aid for 2005-2006 House Bill 4887

LINE ITEM DESCRIPTION	FY05	FY06 CONFERENCE REPORT
11f – Durant Non-Plaintiff Cash	32,000,000	
11g – Durant Non-Plaintiff Debt		
11j – School Bond Loan – Debt Service		
22a – Proposal A Obligation Payment		
22b – Discretionary Payment ¹		
24 – Court-Placed Pupils		
26a – Renaissance Zone Costs		
26b – PILT Reimbursement		
31a – “At-Risk” Pupil Support ²	314,200,000	
31d – School Lunch – State Share		
31d – School Lunch – Federal		
31f – NEW – School Breakfast Supplemental	0	
32c – Interagency Early Childhood	250,000	250,000
32d – School Readiness		72,800,000
32j – Great Parents Great Start ³		3,326,000
32L – School Readiness – Competitive	In MDE budget	12,250,000
33 – Detroit Transition Grant	In foundation grant	7,000,000
39a – Federal Grants	643,237,200	657,566,000
41 – Bilingual Education – State		2,800,000
41 – Bilingual Education – Federal		1,232,100
51a – Special Education – Federal		345,850,000
51a – Special Education – State ⁴		955,883,000
51d – Federal Special Ed Funding		65,000,000
54a – NEW – Lending Library		250,000
57 – Advanced & Accelerated Pupils	250,000	285,000
61a – Vocational Education		30,000,000
62 – ISD Voc Ed Millage Equalization		9,000,000
74 – Bus Driver Safety Instruction		1,625,000
81 – ISD General Operations ⁵		77,702,100
94a – CEPI – State Share		2,000,000
94a – CEPI – Federal		3,543,200
98 – Michigan Virtual HS – State		1,750,000
98 – Michigan Virtual HS – Federal		2,250,000
98(8) – E-Learning & Virtual Schl – Federal		1,000,000
98b – Freedom to Learn – State	3,700,000	250,000
98b – Freedom to Learn – Federal		
99 – Math & Science – State		
99 – Math & Science – Federal		
99b – NEW – Middle School Math Initiative		
107 – Adult Education	20,000,000	
TOTAL		

¹ The 22b allocation includes \$750,000 for the Section 22d “Isolated Districts” grants.

² This allocation includes \$3,743,000 for Teen Health Centers.

³ The 32j Great Parents Great Start allocation for FY05 is from the Section 81 allocation. For FY06, the grant is removed from Section 81 and stands alone.

⁴ See the table at the end of this document for the breakout of special education funding categories.

⁵ This figure for FY05 reflects the net amount after the allocation of \$3,326,000 from 81 to 32j.

Section 20 - Foundation Allowance – The conference report sets the 2005-2006 minimum foundation allowance at \$6,875.00, an increase of \$175.00 per pupil. No additional dollars are included for high school pupils or low foundation districts as had been proposed by the Governor and the House, respectively.

The foundation allowance adjustment of \$15 million that has been allocated to Detroit Public Schools since 2000 is eliminated and a grant of \$7 million in a NEW Section 33 is added to assist in their transition from an appointed to an elected school board.

Section 6(4) - Membership Definition – The 2005-2006 membership definition will remain at 75% of the current year fall count plus 25% of the prior year winter count. The definition will also continue to allow a three-year average blended membership for certain small, rural districts with declining enrollment. Changes to the membership definition for 2005-2006 include the following:

- A district may include in their membership count pupils who have relocated in Michigan due to a natural disaster up to 60 days following the pupil membership count day. Similarly, in Section 6(8), a change in the language will allow districts to count pupils who were expelled or suspended if they return to the district within 45 days of the pupil membership count day.
- The calculation of preprimary special education pupil full-time equivalencies (FTEs) will be based on hours rather than days.
- The membership definition for a public school academy that is a juvenile detention facility will be the average daily attendance count from the previous year as long as definitive information is provided to the ISD pupil accounting auditor to support the pupil memberships generated by average daily attendance.

In addition, language is added indicating that, beginning in 2006-2007, pupils who are eligible to enroll in kindergarten but, instead, enroll in a developmental or prekindergarten program will not be counted in membership but will be funded under a separate section to reimburse districts for the actual cost of operating these programs.

Section 24 – Court-Placed Pupils – Funding is maintained at \$8 million for this categorical for 2005-2006. However, the formula for funds distribution is changing significantly and will be phased in over the next four fiscal years. The change would essentially move from an added-cost calculation to a per-pupil allocation. This change is the result of a recommendation of a task force assigned by the legislature to study the issue of court-placed pupils funding.

Section 31a – At-Risk Pupils – The conference report maintains funding for at-risk pupils at \$314.2 million for 2005-2006. A change will allow districts in which the percentage of pupils eligible for free breakfast, lunch, or milk is 50% or higher to increase from 10% to 15% the amount of 31a funds that can be used for school security.

Sections 32d, 37, 39, & NEW 32L – Michigan School Readiness Program – Funding is maintained at \$72,800,000 for the MSRP for 2005-2006. The MSRP Competitive Grant program that has been included in the Department budget in the past is moved to the School Aid budget (new Section 32L) with \$12.5 in funds. Language changes for

both the traditional and the competitive programs align required teacher and paraprofessional training and credentials to reflect the recommendations of the Department. Finally, language is added that will allow districts to provide a full-day program and generate \$6,600 per child as long as the districts count such children as two for purposes of determining the district's tentative allocation. A district's allocation will not be increased solely on the basis of providing a full-day program.

Section 39a – Federal Funds – Language is added in the conference report that will allow certain federal funds to be used for **reading improvement programs**, to the extent permitted under federal law.

Section 51a – Special Education – Language amended in a bill enacted earlier in the summer clarifies that, beginning with 2004-2005, a district or intermediate school district (ISD) that employed special education support (“itinerant”) staff in 2003-2004 or later and that in a year after 2003-2004 no longer employs those staff but receives the same types of support services from another district or ISD is required to continue to report the cost of those services for reimbursement purposes. The conference report adds language indicating that if there are unspent funds in Section 51a at the end of 2004-2005, those dollars can be used to provide funding for the districts and ISDs affected by the new itinerant staff language under the previously used formulas.

NEW Section 54a – Lending Library – The conference report includes \$250,000 for a Lending Library at Central Michigan University for assessment materials for children with severe vision or hearing loss, severe cognitive or motor disabilities, or multiple disabilities and for children who require the most specialized types of psychological and educational assessment.

Section 57 – Advanced and Accelerated Pupils – The conference report includes significant changes to this categorical program and increases the funding from \$250,000 to \$285,000. The funding will be provided in \$5,000 grants to intermediate school districts (larger grants for consortia of ISDs) to support part of the cost of summer institutes and to provide comprehensive programs for advanced and accelerated pupils. Grant applications will be due by April 1, 2006. A local public or private match of 25% is required.

Section 94a – CEPI – State funding for the Center for Educational Performance and Information is increased from \$1.5 million to \$2 million in the conference report. In addition, federal funding is increased from just over \$2 million to \$3,543,200. Of the federal funds, \$1.5 million in Title II Educational Technology funds is earmarked to support the development and implementation of a comprehensive K-12 data management and student tracking system. If CEPI receives a separate federal grant to support the new system, the separate grant funds will be used prior to using funds allocated in Section 94a. Finally, language is added that requires CEPI and the Department to develop a cost allocation plan.

Section 98 – Michigan Virtual High School – State funding for MVU is increased by \$1 million to \$1,750,000 for 2005-2006; federal funding remains at \$2,250,000. However, an additional \$1 million in federal Title II Educational Technology funds is allocated to support e-learning and virtual school initiatives. The \$1 million will be awarded in a single grant to a consortium or partnership including at least one university, at least one ISD, and at least one high need local district to perform the e-learning and virtual school initiative tasks identified.

Section 98b – Freedom to Learn – The conference report includes funding for the Freedom to Learn program (FTL) at \$250,000 in state funds and federal Title II Education Technology funds of \$2.5 million plus \$3 million in carry-over. New language indicates that the creation of an independent institute will be authorized in the memorandum of understanding (MOU) between Ferris State University and the Department. The independent institute will assume responsibility for FTL and carry out the goals and activities of FTL; will establish itself as a national leadership organization in 1-to-1 research, development and mentoring; and will garner new public and private resources for school participation in FTL and in other similar programs. The deadline for the MOU is October 1. The \$250,000 in state funds is allocated to Ferris to be used for statewide administration of the program.

Section 99 – Math & Science Centers – The conference report maintains state funding for the Math & Science Centers at \$2.5 million and increases the federal funding from \$3,581,300 to \$4,456,000 for 2005-2006.

NEW Section 99B – Middle School Math Initiative - \$3,850,000 in state funds is included in a new Section 99b in the conference report for payments to ISDs for the Middle School Mathematics Initiative to achieve the middle school math standards and benchmarks adopted by the State Board of Education. For 2005-2006, the funding will be provided on a per pupil basis based upon the number of 6th, 7th, and 8th graders in the ISD's constituent districts. Beginning in 2006-2007, funding will again be calculated on a per pupil basis but the pupils to be included will be those in districts that either achieve scores sufficient to reach adequate yearly progress (AYP) in middle school math or achieve an increase in their pass rate of at least 10 percentage points. The funds will be used for activities and efforts designed to improve performance on the MEAP math assessments administered in grades 6 to 8 and to help the districts meet AYP requirements for math.

Section 101 – Hours of Pupil Instruction – Attendance Requirements – There are no changes to instructional hours requirements, “snow day” allowances, and teacher professional development time for 2005-2006 under the conference report. However, an exception is provided for certain alternative education programs to the 75% attendance requirement. (A district is required to have at least 75% of the district's membership in attendance each day in order to generate full state aid.) A Department-approved alternative education program operated by a district that does not provide instruction for all of K-12 may request a waiver of the 75% requirement and, instead, must have at least 50% of the program's membership in attendance each day. The waiver will be granted

by the state superintendent for three years during which a pilot study of the academic achievement of the affected pupils will be conducted. To be eligible for a waiver, the district must:

- offer the minimum hours of pupil instruction required;
- use appropriate academic assessment to develop an individual education plan for each pupil that leads to a high school diploma; and
- test each pupil to determine academic progress at regular intervals.

Sections 105 and 105c – Schools of Choice – Language is added to these sections to allow a district to refuse to enroll an applicant student who has ever been convicted of a felony.

Section 107 – Adult Education – Funding for this categorical is increased from \$20 million to \$21 million in the conference report for 2005-2006. Language is added permitting a district that did not operate in a recent year (Inkster) to operate a program and to have its allocation calculation based upon the most recent three years that the program operated.

Section 147 – Retirement Rate – In 2004-2005, the contribution rate for the public school employees retirement system was set at 14.87%. The conference report for 2005-2006 includes an estimated rate of 16.34%.

Section 167 – Immunizations – The conference report includes language allowing a district to exclude from the calculation of the required 90% and 95% immunization rates a pupil who has relocated to this state due to a natural disaster if the district is making a good faith effort to obtain the pupil's immunization information.

INTERMEDIATE SCHOOL DISTRICT FUNDING

Section 81 – Intermediate School District General Operations Funding – The conference report maintains funding for ISDs for 2005-2006 at \$77,702,100. There is no language or funding for hearing and vision screenings nor for an ISD best practices study, as had been proposed.

Section 32j – Great Parents Great Start – Funding remains at \$3,326,000 for 2005-2006.

Section 57 – Advanced and Accelerated Pupils – This categorical has been revised to provide \$285,000 in \$5,000 grants to ISDs to develop and operate summer institutes for advanced and accelerated pupils.

NEW Section 99B – Middle School Math Initiative - \$3,850,000 in state funds is included in a new Section 99b in the conference report for payments to ISDs for the Middle School Mathematics Initiative to achieve the middle school math standards and benchmarks adopted by the State Board of Education.

The ISD millage equalization categoricals (Section 56 – Special Education and Section 62 – Vocational Education) are maintained at their 2004-2005 levels of \$36,881,100 and \$9,000,000, respectively.

SUMMARY OF CATEGORICALS THAT CONTINUE AT FY 2004-2005 FUNDING LEVELS

The following categoricals are continued for 2005-2006 at their 2004-2005 funding levels:

- Section 22d – Isolated Districts - \$750,000**
- Section 24 – Court-Placed Pupils - \$8,000,000 (however, there are changes to the distribution formula)**
- Section 31a – At-Risk Pupils - \$314,200,000**
- Section 32c – Interagency Early Childhood Grants - \$250,000**
- Section 32d – School Readiness – \$72,800,000**
- Section 32j – Great Parents Great Start - \$3,326,000**
- Section 41 & 41a – Bilingual Education - \$2,800,000 state and \$1,232,100 federal**
- Section 56 – ISD Special Education Millage Equalization - \$36,881,100**
- Section 61a – Vocational Education - \$30,000,000**
- Section 62 – ISD Vocational Education Millage Equalization - \$9,000,000**
- Section 74 – Bus Driver Safety Instruction - \$1,625,000**
- Section 81 – ISD General Operations - \$77,702,100**
- Section 99 – Math & Science Centers – State Funding - \$2,500,000**

SPECIAL EDUCATION FUNDING BREAKOUT	FY05	FY06 CONFERENCE REPORT
51a(2) – <i>Durant</i> liability payments for ISDs	175,500,000	187,700,000
51a(3) – Hold Harmless – ISDs	3,000,000	2,500,000
51a(6) – Rules revisions	2,200,000	2,200,000
51a(8) – ISD center program FICA & retirement	15,313,900	15,313,900
51a(12) – ISD non-“Section 52” pupils	7,000,000	6,600,000
51c – <i>Durant</i> liability payments for locals	642,000,000	690,200,000
53a – 100% added cost payments	12,800,000	12,800,000
54 – Reimbursement for MSDB pupils	1,688,000	1,688,000
56 – ISD special ed millage equalization	36,881,100	36,881,100
TOTAL	896,383,000	955,883,000