STATE OF MICHIGAN
DEPARTMENT OF EDUCATION
LANSING

JENNIFER M. GRANHOLM
GOVERNOR

MICHAEL P. FLANAGAN
SUPERINTENDENT OF
PUBLIC INSTRUCTION

April 7, 2009

TO: State Board of Education

FROM: Michael P. Flanagan, Chair

SUBJECT: State and Federal Legislative Update

STATE

Internet Safety Legislation – SB 36 (Senator John Pappageorge R-Troy) Senator Pappageorge introduced a bill promoting internet safety instruction in schools. The Senate Education Committee held a hearing on SB 36 and is expected to take up the bill again before the summer break. The current version (an S-1 Substitute) requires the Michigan Department of Education (MDE) to develop or adopt model internet safety programs. Under this bill, schools would be required to provide grade-level appropriate instruction on internet safety for pupils in all grade levels using one of those model programs.

There are model programs already available. The Michigan Department of Community Health and the Michigan Department of Education's Michigan Model for Health has internet safety lessons at the elementary, middle, and high school levels;the Michigan Attorney General's Cyber Safety Initiative has presentations for elementary and middle school students, teachers, parents, and community members; and the Michigan State Police's T.E.A.M. School Liaison Program has internet safety lessons at the elementary, middle, and high school levels. Consequently, we are working with the sponsor to prevent any duplication of effort and to work through some of the technical issues with the legislation.

Definition of a First Class District – HB 4047 (Representative Bettie Cook Scott D-Detroit) In an effort to provide a transition time to allow for the House to address the various legal issues raised if Detroit Public Schools (DPS) is no longer a First Class District, the House passed HB 4047 (71-38). HB 4047 maintains Detroit Public Schools as a First Class District until July 1, 2010. The discussion during the House Education Committee meeting addressed the fact that the Emergency Financial Manager (EFM) is working in DPS for at least that period. There was debate about whether such a change to DPS' status should occur during the EFM's tenure. The bill currently is before the Senate Education Committee.

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The Chair of that Committee, Sen. Kuipers (R-Holland) indicated that he believes such a bill should only pass as part of a larger reform effort. (See Attachment A)

Michigan Department of Education Budget – HB 4438 (Representative Terry Brown D-Pigeon) The House passed the Department of Education Budget (74-36). (See Attachment B)

The following highlights the significant changes from the Governor's recommendations:

- In addition to the Library of Michigan funding being moved from the History, Arts and Libraries (HAL) budget to the MDE budget, the House also included $360,000 for the two book distribution centers that was in the HAL budget.
- While the Governor's recommendations included three FTEs to implement the 21st Century Small School program, the House only included funding for 1.5 FTEs. This is less staff than needed to implement this $15 million program that is a priority for the Governor.
- Funding was added to fund 1.0 FTE for a state school nurse consultant.
- Funding was added to fund 0.5 FTE to maintain the Blue Ribbon Schools program.
- The House added language of intent that the State Superintendent of Public Instruction investigate and report on issues of pupil membership fraud, including the incidence of students being counted in membership, but not remaining in the district for the remainder of the year. During committee, there was a discussion about schools of choice and alternative education programs that perhaps try to enroll students for the "count day," but then may push those students back to their school of residence.

The Senate will begin deliberations in April and continue through May

State Board of Education Legislative Committee Recommendations
The State Board of Education (SBE) Legislative Committee met on April 7, 2009 and had a broad discussion on several policy issues currently being debated around the state. Following that discussion, the Committee proposes the SBE adopt the following recommendations to the Legislature:

1) The SBE recommends the Legislature pass legislation mandating certification of school administrators as was previously in the law, grandfathering in the current administrators.
2) The SBE commends the House for taking the first step in the recently passed School Aid budget (HB 4447) that includes 170 days and 1,098 hours. The SBE recommends the Legislature require 180 days and 1,098 hours of pupil instruction for schools using a seat-based model of education, while allowing for the continuation of waivers of such days and hours by the Superintendent of Public Instruction to explore and promote innovative educational models.
3) The SBE recommends the Legislature maintain the requirements related to the Michigan Educational Assessment Program (MEAP) tests as opposed to moving toward an off-the-shelf test as proposed by HB 4771 and SB 56. Such a test could jeopardize federal funding unless a costly wraparound test

is added to the off-the-shelf test, much like the ACT test is supplemented in order to meet the federal requirements for the Michigan Merit Exam.

4) The SBE recommends the Legislature explore ways to make alternative education for children, especially in grades 8 to 12, financially viable, and to expand options for children in alternative education schools and programs, including a variety of models such as middle colleges, dual enrollment, online learning, and individualized education.

FEDERAL

Economic Recovery Funds
The Governor has signed HB 4258 (PA 7 of 2009) appropriating (among other things) the first phase of the federal recovery funds for education. The two biggest pots of money out of the $900,475,000 in federal funds appropriated are:

1) Special Education IDEA- Allocates $400.6 million in federal funds as formula grants to districts by the current formula under Part B; distributes $13.4 million for handicapped preschool incentive grants (aged three through five) on existing eligibility criteria established in Part B of IDEA; and distributes $12.4 million for handicapped infants and toddlers based on existing eligibility criteria in Part C of IDEA.
2) ***Disadvantage Children (Title 1-A)-*** Allocates $390.1 million in federal Title I, Part A funds to districts on the existing eligibility criteria established in the Elementary and Secondary Education Act (ESEA) for targeted education finance incentive grant formulae.

The remainder includes the Emergency Food Assistance Program, School Lunch Equipment Assistance, School Improvement, and Homeless Children and Youth. (See Attachment C)

If you have any questions or concerns regarding these or other legislative issues, please contact Lisa Hansknecht, Legislative Director, at 517-335-4913.

Legislative Analysis

HOUSE FISCAL AGENCY
Mitchell Bean, Director
Phone: (517) 373-8080
http://www.house.mi.gov/hfa

DETROIT SCHOOLS: FIRST CLASS DISTRICT

House Bill 4047 (Substitute H-1)
Sponsor: Rep. Bettie Cook Scott
Committee: Education

First Analysis (3-23-09)

BRIEF SUMMARY: would amend the Revised School Code to specify that a school district having a first class school district designation as of September 1, 2008 would continue to have that designation until July 1, 2010, regardless of its pupil membership. (Currently, a school district needs 100,000 students to be classified as a district of the first class; only the Detroit Public Schools qualify.)

FISCAL IMPACT: The bill would have an indeterminate fiscal impact on the Detroit Public Schools and no fiscal impact on the state. The definition of a first class school district in the State School Aid Act was amended as part of the FY 2008-09 budget in PA 268 of 2008, to change the membership requirement from 100,000 to 60,000, thus avoiding any funding changes based on the current decline in DPS enrollment. However, there would likely be elections and administrative costs associated with the number of statutory changes that would occur if DPS lost first class status, but there is not enough available information with which to make an estimate of the extent of these costs.

THE APPARENT PROBLEM:

Under the Revised School Code a school district having at least 100,000 students is considered a "first class school district." All other school districts are called "general powers" districts. Michigan's only large school district qualifying as a "first class" district is Detroit Public Schools. (The next largest is Utica with 29,000 students, a distant second.)

As noted in its August 2008 report, "First Class Schools Analysis," prepared for the Skillman Foundation by Public Sector Consultants, Michigan law imposes greater regulation by the state on a "first class school district." For "first class districts," the law addresses school board composition, school board officers, school board compensation, school board meeting locations, board member personal interest in contacts, required annual audits, voting procedures, public communication, condemnation proceedings, bond sales, contracts, and public safety. The law also limits the creation of charter schools in such a district. There are also references in many other statutes to "first class" school districts. See *BACKGROUND INFORMATION.*

According to the fall 2008 student count, the Detroit Public Schools now enroll about 96,000 students, falling short of the 100,000-student threshold that defines the district as a first class district. Enrollment has been declining in the district since the 1999-2000 school year when the number of students reached 173,848. Over the past eight years, nearly 78,000 students have left Detroit schools. A table tabulating the enrollment decline is printed in *BACKGROUND INFORMATION.*

The decline in the Detroit Public Schools student population has led to a decline in state funding, and the district has had operating deficits averaging $42 million during seven of the last nine years (ranging from $7.1 million to $112 million). The district reportedly will close 18 of its remaining 194 schools before fall 2009, and officials expect to continue right-sizing district facilities during the following four academic years.

Of the district's 184 schools measured for Annual Yearly Progress (AYP) under the federal No Child Left Behind Act, 119 have met with success —over 64 percent. Elementary schools fare best, and many demonstrate steady improvement. According to district spokesmen, local elementary school students outscore their charter school contemporaries on state achievement tests. In contrast, academic progress in high schools is poor: 22 of the district's 27 high schools do not make AYP. As a result, the district has begun working with a national intermediary, the Institute for Student Achievement, to redesign its high schools, following a "distributive counseling" model of reform that links a school-based adult (including but not limited to teachers) to every 12-15 students.

The reform model transforms large comprehensive high schools into semi-autonomous, self-contained, smaller "houses" within the same building, each having a thematic and career focus. This reform model has been adopted by officials in several large, urban, poor school districts, including those in New York City, Chicago, the District of Columbia, Providence, and Atlanta. See *BACKGROUND INFORMATION*.

As a result of its declining enrollment, the district reported a $400 million deficit to the Michigan Department of Education in the fall of 2008, and the state superintendent of public instruction declared a financial emergency. The governor appointed a full-time financial administrator to lead the district beginning in March 2009. The financial administrator will work for to right-size the district, seeking advice from the elected 11-member school board.

Legislation has been introduced that would continue to categorize Detroit Public Schools as a "first class district" until July 1, 2010, regardless of the number of students who enroll in the school district.

THE CONTENT OF THE BILL:

House Bill 4047 (H-1) would amend the Revised School Code to specify that a school district having a first class school district designation as of September 1, 2008 would continue to have that designation until July 1, 2010, regardless of its pupil membership.

Currently a school district that is designated as a first class school district must have a pupil membership of at least 100,000. Detroit Public Schools is the only "first class" school district in Michigan. Under the bill it would remain so until at least July 1, 2010, even if its membership fell below 100,000 students.

In Michigan law "first class" districts operate under a different set of state regulations from all other school districts (known as "general powers" districts). The sections of the Revised School Code dealing with "first class" districts address school board composition, school board officers, school board meeting locations, board member personal interest in contacts, required annual audits, voting procedures, public communication, condemnation proceedings, bond sales, contracts, and public safety. The law also limits the creation of charter schools in such a district. There are also references in many other statutes to "first class" school districts.

MCL 380.402

BACKGROUND INFORMATION:

First Class School District. To read the report "First Class Schools Analysis" prepared for the Skillman Foundation in August 2008 by Public Sector Consultants, visit www.pscinc.com

Enrollment Decline. To read the Senate Fiscal Agency's August 4, 2008 report entitled "Financial Status of Detroit Public Schools," visit www.senate.michigan.gov/sfa and click on "featured information." In the report, analysts note the following: "A significant decline in the number of pupils in the school district has contributed to the financial stress facing the DPS. This decline in pupils has an impact on the level of per-pupil state funding received by the DPS. Table 2 provides a summary of the pupil membership in the DPS for the period FY 1994-95 through FY 2008-09. The FY 2008-09 estimate is the estimate used by the State during the Consensus Revenue Estimating Conference held in May 2008. During this 15-fiscal year period, the DPS peaked at 173,871 pupils in FY 1997-98. By FY 2007-08, the number of pupils had declined to 106,485. This represents a decline of 67,386 pupils or 38.8%. During FY 2008-09, the number of pupils in the DPS is expected to drop again to a level of 96,194."

Table 2

Detroit Public Schools - Annual Pupil Memberships		
Fiscal Year	**Pupil Memberships**	**Change from Prior Year**
1994-95	167,481	549
1995-96	169,996	2,515
1996-97	173,080	3,084
1997-98	173,871	791
1998-99	73,848	(23)
1999-2000	168,213	(5,635)
2000-01	162,693	(5,520)
2001-02	159,694	(2,999)
2002-03	157,003	(2,691)
2003-04	150,415	(6,588)

2004-05	141,148	(9,267)
2005-06	130,719	(10,429)
2006-07	117,601	(13,118)
2007-08	106,485	(11,116)
2008-09 Estimated	96,194	(10,291)

Source: Senate Fiscal Agency, August 4, 2008

High School Reform. To learn more about the "distributive counseling" model of high school reform adopted by Detroit Public Schools and other large, urban, and poor school districts including New York City, Chicago, and Atlanta, visit the website of the Detroit Public Schools' national intermediary, the Institute for Student Achievement at http://www.studentachievement.org

ARGUMENTS:

For:

Proponents point out that Detroit Public Schools need and desire the extra regulation that comes from having "first class district" status.

Proponents of the bill note that the current financial administrator, appointed by Governor Granholm after the state school superintendent declared a financial emergency, has just begun his first year of work. It is expected that the financial administrator, Robert Bobb, will work closely with the Michigan Department of Education to conduct forensic audits, and also to develop a reorganization plan that right-sizes the school system. In conjunction with the U.S. Department of Education, the new leadership team will also likely pursue school reform initiatives designed for large, urban, and poor school districts whose officials and students are determined to meet the challenges of underachievement in high schools.

During the coming year, the Detroit Public Schools will be in transition. If they cannot increase their enrollment during the coming academic year, then under the bill, on July 1, 2010, the district will become a "general powers" school district like all others in Michigan. In Michigan law "first class" districts operate under a different set of state regulations from "general powers" districts. The sections of the Revised School Code dealing with "first class" districts address school board composition, school board officers, school board meeting locations, board member personal interest in contacts, required annual audits, voting procedures, public communication, condemnation proceedings, bond sales, contracts, and public safety. The law also limits the creation of charter schools in such a district. And, there are also references in many other statutes to "first class" school districts.

This bill is needed to allow the officials in the Detroit Public Schools to revise their plans, finding new ways to offer or renegotiate contracts for a broad array of services.

Against:

Opponents of the bill note that without "first class district" status, Detroit parents will have more educational alternatives —most especially, a choice of charter schools.

There are four ways to charter schools in Michigan: seek authorization from a K-12 school district, an Intermediate School District, a community college, or from a public university. Public universities are allowed to charter 150 schools —a limit they reached in 1999. And, under the law, Section 380.502 of the Revised School Code prohibits a community college from sponsoring a charter school in a "first class district;" that is, Detroit. So, in order to begin a new charter school in Detroit, either the school district or the intermediate school district must launch it. Neither indicates a willingness to do so, since a further decline in enrollment would further jeopardize the district's funding base.

Opponents of the bill believe that parents of school-age youngsters in Detroit should have a chance to leave their local neighborhood school if it is failing and attend a charter school. If the Detroit school district loses its "first class district" status, then community colleges, including Wayne County Community College and Bay Mills Community College (located in the Upper Peninsula west of Sault Ste. Marie on the Bay Mills Indian Reservation) could charter schools in the city of Detroit.

POSITIONS:

The Michigan Association of School Administrators supports the bill. (3-19-09)

The American Federation of Teachers - Michigan supports the bill. (3-19-09)

The Wayne County RESA supports the bill. (3-19-09)

Michigan's Children supports the bill. (3-19-09)

Michigan Association of School Boards supports the bill. (3-19-09)

The Michigan Education Association supports the bill. (3-19-09)

Several members of the Detroit Board of Education, as well as the acting Superintendent testified in favor of the bill. (3-19-09)

Legislative Analyst J. Hunault
Fiscal Analyst Mary Ann Cleary
Bethany Wicksall

DEPTARTMENT OF EDUCATION
Summary of FY 2009-10
HB 4438: As Passed the House

HOUSE FISCAL AGENCY

Analysts: Mary Ann Cleary and Bethany Wicksall

	FY 2008-09 YTD	FY 2009-10 Executive	FY 2009-10 House	FY 2009-10 Senate	FY 2009-10 Enacted	Difference: House Rec From FY 2008-09 YTD Amount	%
IDG/IDT	$0	$0	$0	$0	$0	$0	0.0
Federal	70,615,800	76,430,200	76,430,200			5,814,400	8.2
Local	6,924,600	7,008,700	7,008,700			84,100	1.2
Private	3,087,800	3,096,500	3,096,500			8,700	0.3
Restricted	6,980,800	7,038,900	7,338,900			358,100	5.1
GF/GP	7,438,100	26,389,700	26,749,700			19,311,600	259.6
	$95,047,100	$119,964,000	$120,624,000			25,576,900	26.9
	488.5	558.5	558.5			70.0	14.3

Note: FY 2008-09 figures reflect supplementals and Executive Order (EO) actions through January 31, 2009.

Overview
The State Board of Education is an eight-member elected board constitutionally mandated to provide leadership and supervision for public education in Michigan. The Michigan Department of Education (MDE) is the administrative arm of the Board charged with implementing state and federal educational mandates and administering programs. Major responsibilities of the MDE include developing and overseeing the K-12 school system, certifying teachers, disbursing funds to educational organizations, and providing technical assistance to school districts.

Major Budget Changes From FY 2008-09 YTD Appropriations		FY 2008-09 YTD	House Change From YTD
1. *Library of Michigan*	FTEs	0.0	72.0
Executive increases the budget by $22.0 million and 72.0 FTEs to recognize the transfer of the library functions from the Department of History, Arts, and Libraries (DHAL). This includes $5.9 million and 70.0 FTEs for the Library of Michigan operations, $5.6 million and 2.0 FTEs for the Library Services and Technology program, $10.0 million for State Aid to Libraries, and $505,000 for Subregional State Aid. House concurs with the Executive and also adds $360,000 to maintain support for the 2 book distribution centers funded in the current DHAL budget.	**Gross**	**$0**	**$22,340,600**
	Federal	0	5,557,400
	GF/GP	$0	$16,783,200
2. *Additional Staff*	FTEs	0.0	4.0
Executive includes an increase of $250,000 and 3.0 FTEs to administer the 21st Century Schools Program and $70,000 and 1.0 FTE for support to districts in deficit. House includes an increase of $125,000 and 1.5 FTEs for the 21st Century Schools Program, $70,000 and 1.0 FTE for support to districts in deficit, $95,000 and 1.0 FTE for a state school nurse consultant, and $30,000 and 0.5 FTE to maintain the Blue Ribbon Exemplary Schools program.	**Gross**	**$0**	**$320,000**
	GF/GP	$0	$320,000
3. *Teacher Certification Programs*	**Gross**	**$300,000**	**$0**
Executive eliminates earmarks of $100,000 each for the alternative teacher certification programs at Central Michigan University (CMU) and Wayne State University (WSU). Also eliminates $100,000 for grants to teachers who apply for National Board Certification. House maintains full funding for all three programs.	Restricted	300,000	0
	GF/GP	$0	$0

Major Budget Changes From FY 2008-09 YTD Appropriations		FY 2008-09 YTD	House Change From YTD
4. Administrative Reductions and Technical Adjustments	FTEs	N/A	(6.0)
Executive recognizes a number of adjustments including annualizing FY 2008-09 budget changes and Executive Order 2008-21 reductions, shifting fund sources among lines to satisfy Federal audits and to replace lost Federal funds, reducing assessment administration costs, transferring internal audit functions to DMB and recognizing computer updates and rent reductions.	**Gross**	**N/A**	**($357,900)**
	Federal	N/A	(398,000)
	Local	N/A	2,400
	Restricted	N/A	304,100
House concurs.	GF/GP	N/A	($266,400)
5. Economic Adjustments	**Gross**	**N/A**	**$866,000**
Executive provides $866,000 gross ($66,600 GF/GP) increase for economic changes in salaries and wages, retirement, insurance, workers compensation, and building occupancy charges.	Federal	N/A	655,000
	Local	N/A	81,700
	Private	N/A	8,700
House concurs.	Restricted	N/A	54,000
	GF/GP	N/A	$66,600

Major Boilerplate Changes From FY 2008-09

Sec. 210. Information Technology Work Projects – DELETED
Allows the Department to carry forward unexpended funds for technology projects as work projects. Executive and House delete.

Sec. 211. Adequate Yearly Progress (AYP) Reports – RETAINED
Requires that the Department allow districts to appeal a determination of failure to meet AYP prior to the Department publicizing lists of districts that failed to meet AYP. Executive deletes. House retains current language.

Sec. 213. Hiring Freeze – DELETED
Imposes a hiring freeze and prohibits the department from filling civil service positions but allows the State Budget Director to grant exceptions to the hiring freeze. Executive and House delete.

Sec. 215. Professional Development Travel – DELETED
Prohibits the travel of more than one employee to a specific out-of-state professional development conference or training seminar unless it is funded through federal or private funds and requires more than one employee to attend. Executive and House delete.

Sec. 216. Contact with the Legislature – RETAINED
Prohibits the department from taking disciplinary action against an employee from communicating with a member of the Legislature or his or her staff. Executive deletes. House retains current language.

Sec. 220. Timely Data – RETAINED
Requires the department to provide data to the legislature, its staff or the fiscal agencies in a timely manner. Executive deletes. House retains current language.

Sec. 222. Policy Changes, Preparation of Regulatory Plans and Rule Promulgation – DELETED
Requires a report of policy changes made to implement enacted legislation; prohibits MDE from spending funds to prepare regulatory plans or promulgate rules that fail to reduce the disproportionate economic impact on small businesses. Executive and House delete.

Sec. 223. FTE Bi-Monthly Reports – NEW
House adds language requiring the department to report every other month on FTEs by civil service classification.

Sec. 224. FTE Annual Report – NEW
House adds language requiring the department along with State Budget Office, once a year, to provide a more detailed FTE report along with salary and benefit cost and fund source information for each line item.

Sec. 225. Pupil Membership Fraud – NEW
House adds language of intent that the State Superintendent of Public Instruction investigate and report on issues of pupil membership fraud, including the incidence of students being counted in membership but not remaining in the district for the remainder of the year.

Sec. 407. Private Gifts, Bequests, and Donations – NEW
Allows the Department to carry forward unexpended revenues from gifts, bequests, and donations for the Michigan Schools for the Deaf and Blind to the following fiscal year. Executive adds new language. House concurs.

Sec. 503. Teacher Preparation Programs **– MAINTAINED**
Provides $100,000 each for Central Michigan University alternative route to certification program and Wayne State University pathways to teaching program. Requires a reporting requirement for the programs including number of teachers certified, time served in the classroom, and teacher evaluations. Executive deletes. House maintains.

Sec. 504. National Board Certification **– MAINTAINED**
Requires the Department to pay 1/2 the application fee for teachers applying to the national board certification program. Executive deletes. House maintains current language.

Sec. 506. Teacher Testing Fees **– NEW**
Allows the Department to carry forward unexpended revenues from teacher testing fees to the following fiscal year. Executive adds new language. House concurs.

Sec. 602. Blue Ribbon Exemplary Schools **– NEW**
House adds language providing that out of the appropriation for school improvement operations, $30,000 and 0.5 FTE is allocated to maintain the operation of the Blue Ribbon Exemplary Schools Program which recognizes achievement by exemplary schools.

Sec. 801. Additional Library Revenues **– NEW**
Allows the Department to collect and spend additional revenues collected from library services to support such services and allows unexpended funds to be carried forward to the following fiscal year. Executive adds language transferred from the DHAL budget. House concurs.

Sec. 802. Subregional State Aid Maintenance of Effort **– NEW**
Requires recipients of subregional state aid for libraries to maintain local funding levels for regional or subregional libraries, but provides for certain exceptions. Executive adds language transferred from the DHAL budget. House adds the current funding application and disbursement dates in the boilerplate.

Sec. 803. Subregional State Aid Release of Funds **– NEW**
Prohibits the release of funds for subregional state aid to libraries until the department has approved a libraries budget for expenditures for library services to the blind or or persons with disabilities. Executive adds language transferred from the DHAL budget. House concurs.

Sec. 804. Book Distribution Centers **– NEW**
Requires that the funds appropriated for book distribution centers be distributed equally to the public enrichment foundation and the Michigan friends of education. House adds language transferred from the DHAL budget.

Sec. 805. Keep Library Functions together **– NEW**
Provides intent that in a reorganization of the Department of History, Arts, and Libraries that the State maintain all the functions of the Library of Michigan together in a state department.

Sec. 902. State School Nurse Consultant **– NEW**
House adds language providing that out of the appropriation for grants administration and school support services, $95,000 and 1.0 FTE is allocated for a state school nurse consultant to collect and analyze school health data, develop guidelines and standards for school health personnel, and develop mechanisms for funding school nurse services.

Sec. 950. Cyberschools **– DELETED**
Requires MDE to report on barriers to the operation of cyberschools for special student populations including dropouts and expelled students. Executive and House delete.

ATTACHMENT C

FY 2008-09 SUPPLEMENTAL APPROPRIATIONS
Federal American Recovery and Reinvestment Act (Multidepartmental)
Summary: House Bill 4258
Enrolled Bill

HOUSE FISCAL AGENCY

HFA Director: Mitchell E. Bean
Supplemental Coordinator: Kyle I. Jen

	Executive*		House		Senate/Enrolled	
Budget Area	**Gross**	**GF/GP**	**Gross**	**GF/GP**	**Gross**	**GF/GP**
Community Health	$46,509,000	$0	$46,709,000	$0	$46,709,000	$0
Education	962,658,000	0	938,125,000	0	900,475,000	0
Energy, Labor & Econ Growth	344,767,700	0	344,767,700	0	236,011,700	0
Environmental Quality	248,600,000	0	248,600,000	0	248,600,000	0
History, Arts & Libraries	350,000	0	350,000	0	350,000	0
Human Services	435,041,900	0	435,041,900	0	435,041,900	0
Management and Budget	2,000,000	0	2,000,000	0	2,000,000	0
Military & Veterans Affairs	7,850,000	0	7,850,000	0	7,850,000	0
State Police	1,000,000	0	1,000,000	0	1,000,000	0
Treasury	9,300,000	0	9,300,000	0	9,300,000	0
TOTAL	**$2,058,076,600**	**$0**	**$2,033,743,600**	**$0**	**$1,887,337,600**	**$0**

*Reflects requests from SBO letter of March 13, 2009. (Items requested in March 3 SBO letter for Transportation funds totaling $873.0 million to be received under ARRA were included in House Bill 4582, which was signed into law on March 31.)

OVERVIEW

A March 13, 2009 letter from the State Budget Office (SBO) requests FY 2008-09 supplemental spending authority totaling $2.1 billion for federal funds to be received under the American Recovery and Reinvestment Act (ARRA) of 2009. Generally, these funds are those that have been distributed to the state through formula-based provisions for program-specific purposes. Funds received under ARRA with more discretionary provisions (State Fiscal Stabilization Fund, increased Medicaid match rate, etc.) are not included in this request. An appropriation of $2.0 million is recommended for the creation of a special office in the Department of Management and Budget to provide statewide oversight, tracking, and accountability of ARRA funds

Recommended boilerplate language would (1) automatically appropriate any additional federal funds awarded to Michigan through recalculation of formulas or under federal redistribution provisions, (2) allow unexpended funds to be carried forward to succeeding fiscal years (work project provisions), and (3) require subrecipients of the funds to comply with all federal requirements regarding certification, assurances, accountability, and transparency.

The <u>House-passed</u> version of House Bill 4258 concurs with all of the items recommended by SBO, with two exceptions

> The funding amount for Senior Nutrition Services in the Community Health budget is increased by $200,000 as a technical adjustment (Item 3).
>
> Recommended funding of $24.5 million for Education Technology Grants in the Department of Education budget is excluded from the bill (Item 11).

Additionally, the House-passed bill adds boilerplate language related to posting of expenditure detail on the internet and notification of issuing request for proposals (Secs. 206 and 207).

The Senate-passed version of the bill concurs with the changes made by the House and makes the following additional changes:

The funding amount for School Improvement Grants in the Department of Education budget is lowered by $37.7 million to reflect a more up-to-date estimate of the funds that will be received for that program (Item 7).
Recommended funding of $108.8 million for energy-related programs in the Energy, Labor, and Economic Growth budget is excluded from the bill (Items 12 and 13).

Additionally, the Senate-passed bills adds boilerplate language related to the temporary nature of the funds appropriated, notification to recipients of that temporary nature, and a prohibition on funds being distributed to nongovernmental agencies for the purpose of political organizing (Secs. 208, 209, and 210).

The tables below summarize appropriation line items and boilerplate sections included in each version of the bill. The House concurred with the Senate changes to the bill, so the Enrolled bill reflects the Senate-passed version of the bill.

FY 2008-09 Appropriation Items:		Executive	House	Senate/ Enrolled
COMMUNITY HEALTH				
1. Byrne Justice Assistance Formula Grants	**Gross**	**$41,199,000**	**$41,199,000**	**$41,199,000**
Recognizes additional $41.2 million of Byrne formula grant funds available for state and local programs to prevent and control crime. DCH as State Administering Agency will set priorities and allocate funds. DCH stated priorities include: multi-jurisdictional task force drug teams, prescription drug abuse community awareness, problem solving courts, community policing and community prosecution strategies, technology enhancement, local correctional resources, crime lab backlog, public safety communications, and state administration. Some of the planned spending supports the CSG Justice Reinvestment Initiative recommendations for Michigan.	Federal	41,199,000	41,199,000	41,199,000
2. Crime Victim Assistance and Compensation Formula Grants	**Gross**	**$1,518,000**	**$1,518,000**	**$1,518,000**
Provides additional $356,000 for compensation to crime victims who suffer bodily injury. Provides additional $1,162,000 for crime victim justice assistance grants for direct services to crime victims including counseling, advocacy, therapy, shelter and referral. All new funding can be expended for costs allowable under the existing programs.	Federal	1,518,000	1,518,000	1,518,000
3. Senior Nutrition Services	**Gross**	**$3,000,000**	**$3,200,000**	**$3,200,000**
Increases funding for nutrition and meals programs for seniors provided through area agencies on aging (AAAs) using existing AAA allocation formula. One-time projects will be encouraged including upgrading kitchens, delivery vehicles and meal site infrastructure, as well as addressing existing waiting lists for congregate and home-delivered meals. Increased amount in House and Senate columns reflects actual grant award.	Federal	3,000,000	3,200,000	3,200,000
4. Senior Employment Assistance	**Gross**	**$792,000**	**$792,000**	**$792,000**
Provides $792,000 of additional funding for Senior Community Service Employment Program of subsidized part-time employment for low-income seniors. This will expand the number of employment positions that are supported under the parameters of the current program.	Federal	792,000	792,000	792,000
EDUCATION				
5. Special Education IDEA	**Gross**	**$426,350,000**	**$426,350,000**	**$426,350,000**
Allocates $400.6 million in federal funds as formula grants to districts by the current formula under Part B; distributes $13.4 million for handicapped preschool incentive grants (aged 3 through 5) on existing eligibility criteria established in Part B of IDEA; and distributes $12.4 million for handicapped infants and toddlers based on existing eligibility criteria in Part C of IDEA.	Federal	426,350,000	426,350,000	426,350,000
6. Disadvantage Children (Title 1-A)	**Gross**	**$390,100,000**	**$390,100,000**	**$390,100,000**
Recognizes $390.1 million in federal Title I, Part A funds to districts on the existing eligibility criteria established in the Elementary and Secondary Education Act (ESEA) for targeted and education finance incentive grant formulae.	Federal	390,100,000	390,100,000	390,100,000

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7. School Improvement Recognizes $112.7 million in federal funds to districts for school improvement purchases based on existing eligibility criteria established in section 1003(g) of Title I of the Elementary and Secondary Education Act (ESEA). Senate lowers amount to reflect more up-to-date estimate.	Gross Federal	**$112,650,000** 112,650,000	**$112,650,000** 112,650,000	**$75,000,000** 75,000,000
8. Homeless Children and Youth Recognizes $2.45 million in federal funds to improve the academic achievement of homeless children. The Governor recommends that the grants be disbursed on a competitive basis.	Gross Federal	**$2,452,000** 2,452,000	**$2,452,000** 2,452,000	**$2,452,000** 2,452,000
9. School Lunch Equipment Assistance Recognizes $2.5 million in new federal revenues for competitive grants to districts based upon demonstrated need for equipment assistance with a priority for schools in which more than 50% of students are eligible for free or reduced lunch.	Gross Federal	**$2,490,000** 2,490,000	**$2,490,000** 2,490,000	**$2,490,000** 2,490,000
10. The Emergency Food Assistance Program (TEFAP) Recognizes an additional $4.1 million in federal funds for commodities through TEFAP and to help pay for the costs associated with the distribution of the commodities. TEFAP provides supplemental food to local community action agencies and the Food Bank Council of Michigan through a State Board of Education approved allocation formula.	Gross Federal	**$4,083,000** 4,083,000	**$4,083,000** 4,083,000	**$4,083,000** 4,083,000
11. Education Technology Grants Recognizes an additional $24.5 million in federal Title II, Part D funds for education technology. The Governor recommends that 50% of the grants be distributed to districts based on existing eligibility criteria and that the other 50% disbursed on a competitive basis. House and Senate exclude this line item from the bill.	Gross Federal	**$24,533,000** 24,533,000		
ENERGY, LABOR AND ECONOMIC GROWTH				
12. Energy Efficiency and Conservation Block Grants (EECBG) The ARRA appropriates $2.8 billion to be distributed by statutory formula (PL 110-140) to states and larger cities and counties. States receive 28%, with each state receiving 1.25% ($9.7 million) of the total state allocation with the balance distributed by a DOE-developed formula. At least 60% of each state's allocation is to be subgranted to local units not eligible for a direct EECBG from DOE. Funds are to be used for various energy efficiency projects within the state and local units that reduce energy and fossil fuel consumption. In addition to the $2.8 billion formula distribution, $400.0 million is to be distributed on a competitive basis to states and local units. Senate excludes this line item from the bill.	Gross Federal	**$26,656,000** 26,656,000	**$26,656,000** 26,656,000	
13. State Energy Program The ARRA appropriates $3.1 billion for state energy programs, with Michigan's share totaling $82.1 million. SEP funds are to be expended for various energy efficiency projects that reduce energy and fossil fuel consumption and include, establishing energy efficiency building codes, financial incentives for energy efficiency and renewable energy measures, building retrofits, synchronizing traffic signals and installing LED lights, and building and industrial retrofits. Senate excludes this line item from the bill.	Gross Federal	**$82,100,000** 82,100,000	**$82,100,000** 82,100,000	
14. Unemployment Programs The ARRA appropriates $400 million under the Wagner-Peyser Act, with the state share totaling $13.9 million (see UIPL 14-09). The supplemental request uses $850,000 to provide improvements to the state UIA's worker profiling system, statistical model that identifies UI claimants likely to exhaust benefits.	Gross Federal	**$850,000** 850,000	**$850,000** 850,000	**$850,000** 850,000

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15. Employment Services	**Gross**	**$13,350,000**	**$13,350,000**	**$13,350,000**
The ARRA appropriates $400 million under the Wagner-Peyser Act, with the state share totaling $13.9 million (see UIPL 14-09). Funds are distributed to the 25 Michigan Works! Agencies (MWAs) to provide re-employment services (job search assistance, assessments, etc) to individuals receiving UI benefits.	Federal	13,350,000	13,350,000	13,350,000
16. Michigan Rehabilitation Services (MRS)	**Gross**	**$15,407,400**	**$15,407,400**	**$15,407,400**
The ARRA appropriates $540 million for Vocational Rehabilitation State Grants, with Michigan's share $18.1 million. Funds are allocated to the MRS for vocational rehabilitation services (vocational and occupational training and other services) for persons with disabilities, with the general aim of achieving an employment outcome.	Federal	15,407,400	15,407,400	15,407,400
17. Vocational Rehabilitation, Independent Living Grants	**Gross**	**$290,700**	**$290,700**	**$290,700**
The ARRA appropriates $18.2 million, with Michigan's share $447,200. A portion of the funds are re-granted to provide operational support for the Centers for Independent Living in the state.	Federal	290,700	290,700	290,700
18. Workforce Training Programs Subgrantees	**Gross**	**$202,050,000**	**$202,050,000**	**$202,050,000**
$183.3 million is made available under the Workforce Investment Act to provide employment and training services to adults, disadvantaged youth, and displaced workers. Funds are to be expended to provide employment services (job search assistance, assessments, career counseling) and job training. Additional funds are made available under the Trade Act (Trade Adjustment Assistance) to provide employment and training services and other assistance to individuals laid off from employment because of trade reasons. The bulk of funds are re-allocated to the 25 Michigan Works! Agencies, with a portion set aside by the department for statewide activities, administration, and rapid response activities.	Federal	202,050,000	202,050,000	202,050,000
19. Michigan Commission for the Blind	**Gross**	**$4,063,600**	**$4,063,600**	**$4,063,600**
The ARRA appropriates $540 million for Vocational Rehabilitation State Grants, with Michigan's share $18.1 million. $2.7 million is allocated to the MCB for vocational rehabilitation services for persons with disabilities with the general aim of achieving an employment outcome. Funds are also available to provide independent living services to blind individuals ($156,500), and with additional funding to provide independent living services to older individuals (55 years+) who are blind.	Federal	4,063,600	4,063,600	4,063,600
ENVIRONMENTAL QUALITY				
20. Pollution Prevention and Technical Assistance	**Gross**	**$1,800,000**	**$1,800,000**	**$1,800,000**
Diesel emission reduction grants will be provided to local governments and nonprofit owners of on- and off-road vehicles and equipment. California Air Resource Board approved technologies will be applied.	Federal	1,800,000	1,800,000	1,800,000
21. Leaking Underground Storage Tank Cleanup Program	**Gross**	**$8,000,000**	**$8,000,000**	**$8,000,000**
Provides funding for remediation of contaminated underground storage tank sites. A cleanup site list is not currently available.	Federal	8,000,000	8,000,000	8,000,000
22. Surface Water	**Gross**	**$1,800,000**	**$1,800,000**	**$1,800,000**
Funds will be used by the DEQ for Water Division staff to develop total maximum daily loads for treatment plants and for wastewater operator training ($1.2 million). Local governments will receive $100,000 for beach water quality monitoring to identify which beaches are impaired and in need of restoration, and $500,000 to develop local plans to reduce pollutants traced to storm water discharges.	Federal	1,800,000	1,800,000	1,800,000

FY 2008-09 Appropriation Items:		Executive	House	Senate/ Enrolled
23. Water Pollution Control and Drinking Water Revolving Fund Funds will be distributed to municipal wastewater system operators through existing revolving loan fund programs. The normal 20% match is waived under ARRA funded program. Funds will be provided for projects under the Clean Water State Revolving Fund ($171.0 million) and the Drinking Water Revolving Fund ($67.0 million). Half of these allocations are to be used for grants and forgiveness of loans, and 20% is to be available for innovative projects.	**Gross** Federal	**$237,000,000** 237,000,000	**$237,000,000** 237,000,000	**$237,000,000** 237,000,000
HISTORY, ARTS, AND LIBRARIES				
24. Arts and Cultural Grants Provides federal funding from the National Foundation of the Arts and the Humanities, National Endowment for the Arts, for art projects and activities to be determined by the Michigan Council for Arts and Cultural Affairs. The Council administers arts and cultural grants for non-profit organizations to encourage, initiate, and facilitate an enriched artistic, cultural, and creative environment. The Council will follow federal guidelines for evaluation of program quality and selection of grant recipients.	**Gross** Federal	**$350,000** 350,000	**$350,000** 350,000	**$350,000** 350,000
HUMAN SERVICES				
25. Weatherization Assistance Program Recognizes $244 million in new federal revenue expected to be available to Michigan from the $5 billion federal increase for weatherization assistance. Program distributes funding to low-income households for the weatherization of homes. Stimulus act increases program eligibility to households with income up to 200% of the federal poverty level and increases the cap on assistance to $6,500 per household. Funding in Michigan is primarily distributed to community action agencies.	**Gross** Federal	**$244,000,000** 244,000,000	**$244,000,000** 244,000,000	**$244,000,000** 244,000,000
26. Food Assistance Program Increases Michigan funding for food assistance by $150 million; new funding will be used to support a 13.6% increase in food assistance benefits effective April 1, 2009.	**Gross** Federal	**$150,000,000** 150,000,000	**$150,000,000** 150,000,000	**$150,000,000** 150,000,000
27. Community Services Block Grants Federal stimulus act increased funding for Community Services Block Grants by $1 billion, with Michigan's allocation estimated at around $36 million. The CSBG program provides funding to local community action agencies to support social service programming such as emergency services and shelters, food pantries, and other support programs. Act allows states to increase eligibility guidelines for the program from 125% of federal poverty level to 200% of the poverty level. One percent of the allocation must be used for benefit enrollment coordination activities.	**Gross** Federal	**$36,000,000** 36,000,000	**$36,000,000** 36,000,000	**$36,000,000** 36,000,000
28. STOP Violence Against Women Programs Appropriates $4.1 million in federal revenue from the stimulus act for the STOP Violence Against Women program, which supports domestic violence prevention and treatment programs.	**Gross** Federal	**$4,074,900** 4,074,900	**$4,074,900** 4,074,900	**$4,074,900** 4,074,900
29. Federal AmeriCorps Program Recognizes an additional $967,000 in program revenue appropriated to the Michigan Community Service Commission line item to support AmeriCorps volunteer programs.	**Gross** Federal	**$967,000** 967,000	**$967,000** 967,000	**$967,000** 967,000
MANAGEMENT AND BUDGET				
30. Michigan Economic Recovery Office Appropriates federal funds for 4.0 FTE positions and for the Michigan Economic Recovery Office to be created within DMB to provide statewide oversight, tracking, and accountability of ARRA funds. Funding would be used for office costs for 3 years, including development and maintenance of a Michigan Economic Recovery Website (3/13/09 letter).	FTEs **Gross** Federal	4.0 **$2,000,000** 2,000,000	4.0 **$2,000,000** 2,000,000	4.0 **$2,000,000** 2,000,000

FY 2008-09 Appropriation Items:		Executive	House	Senate/ Enrolled
MILITARY AND VETERANS AFFAIRS				
31. Special Maintenance - Federal	**Gross**	**$7,850,000**	**$7,850,000**	**$7,850,000**
Provides federal funds for maintenance and improvement projects at Camp Grayling, Fort Custer, and the Lansing Headquarters including necessary utilities upgrades, energy consumption reduction projects, road improvements, and safety enhancements. These projects must be under contract by September 30, 2009 to receive these funds.	Federal	7,850,000	7,850,000	7,850,000
STATE POLICE				
32. Federal Antidrug Initiatives	**Gross**	**$1,000,000**	**$1,000,000**	**$1,000,000**
Provides federal funds for the prevention of internet crimes against children. These funds will be distributed on a competitive basis to internet crimes against children affiliate agencies. No state or local match is required.	Federal	1,000,000	1,000,000	1,000,000
TREASURY - MICHIGAN STRATEGIC FUND				
33. Job Creation Services	**Gross**	**$300,000**	**$300,000**	**$300,000**
Provides federal funds for technical support and related services to support the Community Development Block Grant program.	Federal	300,000	300,000	300,000
34. Community Development Block Grant Program (CDBG)				
Provides additional $9.0 million federal authorization to support the CDBG program. Funding will be used to reimburse local communities for infrastructure enhancements and housing projects that create jobs within the low to moderate income range as specified in federal program guidelines.	**Gross** / Federal	**$9,000,000** / 9,000,000	**$9,000,000** / 9,000,000	**$9,000,000** / 9,000,000

FY 2008-09 Boilerplate Items:	Executive	House	Senate/ Enrolled
GENERAL			
1. Boilerplate Appropriation of Additional Funds Appropriates any additional funds awarded to Michigan through recalculation of formulas or under federal redistribution provisions; requires report to Legislature.	Included	Sec. 203	Sec. 203
2. Carry-Forward Authority Provides for the carry-forward of unexpended funds into the succeeding fiscal year in conformance with Section 451a of the Management and Budget Act (work project provisions).	Included	Sec. 204	Sec. 204
3. Federal Requirements Incorporated by Reference Requires subrecipients of funds appropriated to comply with all federal requirements regarding certification, assurances, accountability, and transparency; allows for transfer of funds to subrecipient departments through interdepartmental grants.	Included	Sec. 205	Sec. 205
4. Posting of Expenditure Detail on Internet Requires the Michigan Economic Recovery Office to develop, post, and maintain an Internet site which lists all state expenditures of federal funds and all reports required by the ARRA.	Not Included	Sec. 206	Sec. 206
5. Notification of Issuing RFPs Requires departments that utilize a competitive subgrant process to disburse federal funding to notify the appropriations committees, fiscal agencies, and State Budget Office prior to the issuance of requests for proposal.	Not Included	Sec. 207	Sec. 207
6. Temporary Nature of Appropriations States that federal funds appropriated from ARRA are temporary in nature; states intent that when funds are fully expended, program levels supported by the funds will not continue.	Not Included	Not Included	Sec. 208
7. Notification to Recipients Requires written statement to all funding recipients that funds are temporary in nature.	Not Included	Not Included	Sec. 209
8. Political Organizing Committees Prohibits funds from being distributed to nongovernmental agencies for the purpose of conducting political organizing activities.	Not Included	Not Included	Sec. 210