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To: Council About Parochiaid  
From: Cara Spagnuolo  
Date: June 4, 2012  
Re: Legislative Update

### **Kindergarten Age Likely to Change**

On May 3<sup>rd</sup> two bills moved out of the Senate that would increase the minimum enrollment age for kindergarteners in Michigan. Senate Bills 315 and 316, both sponsored by Sen. Booher (R-Evart), would require children to be 5 years old by November 1, 2012 in order to enroll in kindergarten for the 2012-2013 academic year. The cutoff date would be pushed back to October 1 for the 2013-2014 year, and to September 1 for the 2014-2015 school year and beyond. The bills would also remove altogether the March 1 cutoff date for a child to enroll in the second semester of kindergarten. The law currently states that a child must turn 5 years old by December 1 of the year of enrollment.

Sen. Mike Nofs (R-Battle Creek) offered a substitute to SB 315 that was adopted that would ultimately place the decision of kindergarten enrollment in the hands of parents. A parent or legal guardian would retain the right to submit a written request by June 1 to enroll their child in kindergarten if he or she still meets the December 1 cutoff, with no sunset to the exception. If a family moves to the school district after June 1, the parents have until August 1 to submit an opt-out request.

SB 315 passed the Senate unanimously. SB 316 passed by a vote of 36-2 with Sen. Hoon-Yung Hopgood (D-Taylor) and Sen. Coleman Young (D-Detroit) voting no.

The House versions of the legislation are HBs 4513 and 4514, sponsored by Rep. Franz (R-Onkama). On Thursday, May 31, HB 4513 passed the House with immediate effect after a roll call vote with 64 Yeas and 45 Nays. HB 4514, which is tie barred with HB 4513, was placed on third reading. Most of the educators who testified to the House Education Committee expressed strong support for the concept but worried about losing money if the legislation took effect this fall, as originally written in the bill language.

A bill targeting the appropriations side of the policy change will be a Senate bill, Franz told *MIRS*. HB 4513 now goes to the Senate for consideration.

"This change will bring Michigan in line with more than half of the states in the nation with kindergarten age start dates of Sept. 1, compared to 30 years ago when the majority of schools

had December or January cut-offs," Franz said. "Not only have studies shown that school preparedness and maturity levels make a difference, but so has a survey of Michigan's kindergarten teachers that indicated only 65 percent of children were ready to learn the kindergarten curriculum."

### **Cyber-school Bill Signed by Governor**

After waiting on the House floor for a number of months, SB 619 (Sen. Patrick Colbeck, R-Canton Twp.) was presented to the Governor last month and was signed into law on May 15 as PA 129 of 2012. The House passed the bill, with a number of amendments to gain votes, and returned it to the Senate, which approved the changes before sending the final version to Governor Snyder.

The new law has two different caps. After three years of operation, a cyber-school may only have 10,000 students enrolled. The second cap limits a cyber-school's enrollment at no more than 2 % of the state's overall student population. If a cyber-school is reported to have crossed this 2% line, the State Board of Education, under the new version, has the authority to 'push the pause button'. However, the school is not required to remove any students; instead, it would not be able to add additional ones. The House did not agree on immediate effect for SB 619.

In the public school community, there is a concern that, technically, the number of students enrolled in cyber-schools could reach as high as 150,000. The bill's supporters have conceded that this number is actually numerically possible to reach, though they insist that the probability of such a high enrollment is unlikely, given the amount of other factors that would have to be at play.

### **Status of State Budget**

The Legislature was attempting, as of yesterday, to meet its goal of a completed budget by June 1. House members are anxious about the upcoming election, and are eager to get out of Lansing and back to campaigning full time. The House has passed the omnibus education budget; however, the Senate still needs to pass this bill, which consists of the K-12, Higher Ed, and Community College budgets. The legislature is expected to be back in session next week for the Senate to vote on this and both chambers to vote on several other issues, including the school employee retirement legislation.

Some items of interest in the School Aid budget include:

#### *Appropriations Changes from FY 2011-2012*

- *Foundation Allowance (Sec. 22b)* Conference increases funding by \$100.3 million to provide for an equity payment to increase the minimum foundation allowance to \$6,966

(a \$120 per pupil increase from the current \$6,846 minimum), continuation of the small class-size adjustment, and the assumption of \$20.0 million in savings for requiring full-day kindergarten for a full foundation allowance.

- *School Bond Redemption Fund (Sec. 11j)* Increases by \$26.8 million to a total of \$120.4 million in FY 2012-13 and by another \$11.3 million to a total of \$131.7 million in FY 2013-14 to pay for increased interest payments.
- *Prop A Obligation - Foundation Allowances (Sec. 22a)* Conference decreases funding by \$57.0 million from current YTD for FY 2012-13 to incorporate revised taxable value and pupil membership estimates from the May Consensus Revenue Estimating Conference. (The conference report also increases the FY 2011-12 appropriations by \$7.0 million to \$5,776.0 million.)
- *Best Practices Grants (Sec. 22f)* Conference decreases the allocation to \$80.0 million, and decouples funding from the Executive-proposed performance based funding. Distributes grants to districts on a \$52 per pupil basis to all districts that meet 7 out of 8 revised best practices criteria.
- *Consolidation Innovation Grants (Sec. 22g)* Executive adds \$10.0 million in funding, designated as one-time, for competitive assistance grants to help defray transition costs associated with the consolidation of operations or services among districts and ISDs that occur on or after June 1, 2012.
- *MPSERS Cost Offset (Sec. 147a)* Conference maintains the current appropriation of \$155.0 million to reimburse school districts (excluding ISDs) for approximately 2% of their MPSERS payroll.
- *MPSERS Retirement Obligation Reform Reserve Fund (Sec. 147b)* Conference appropriates an additional \$41.0 million, above the \$133.0 million appropriated in FY 2011-12, into the MSPSERS Retirement Obligation Reform Reserve Fund, bringing the fund balance to \$174.0 million.
- *MPSERS Pre-Funding (Sec. 147c)* Conference appropriates \$130.0 million to the Michigan Public School Employees' Retirement System pursuant to Section 41 of the Public School Employees' Retirement Act of 1979, 1980 PA 300, MCL 38.1341. If that section is not amended by SB 1040 the allocation shall lapse to the School Aid Fund unless the Legislature allocates the funding in another manner.

#### *Boilerplate of Interest*

- *Sec. 22f. Best Practices Grants – REVISED* Conference decouples the best practices grant from the performance-based grant, providing \$80.0 million in funding to districts that

qualify in awards equal to \$52 per pupil. The Conference requires districts to meet 7 of the 8 criteria, but modifies a few of the requirements. The requirement that districts provide both health and physical education is changed to a requirement that provide at least one of those courses. The requirement that districts provide dual enrollment and other post-secondary opportunities is modified to specify that charter schools that do not offer grades at the secondary level may satisfy that requirement by informing parents of available post-secondary opportunities for students when they are at the secondary level. The Conference also redistributes any funds remaining after all awards have been distributed to qualifying districts with a foundation less than the basic level of \$8,019 on an equal per pupil basis.

- *Sec. 22j. Performance-Based Funding – NEW* provides grants as part of a 2-part award under Section 22f along with Best Practices. The performance-based grants would be a maximum \$100 per pupil based on student academic performance growth, which would equal a currently estimated \$70.0 million. Districts would receive a portion or all of the following:
  - \$30 per pupil for meeting proficiency growth in mathematics for grades 3 to 8.
  - \$30 per pupil for meeting proficiency growth in reading for grades 3 to 8.
  - \$40 per pupil for meeting proficiency growth over 4 years for high school students in all subject areas.
  
- *Sec. 147. Michigan Public School Employees Retirement System (MPERS) Employer Contribution Rates– REVISED* Estimates the MPERS employer contribution rates for FYs 2012-13 and 2013-14 as follows, with the proviso that a different rate may be calculated by the Office of Retirement Services (ORS) pursuant to Senate Bill 1040:

	FY 2011-12		FY 2012-13		FY 2013-14	
	Employees Pre- July 1, 2010	Employees on or after July 1, 2010	Employees Pre- July 1, 2010	Employees on or after July 1, 2010	Employees Pre- July 1, 2010	Employees on or after July 1, 2010
Pension Normal Rate	3.74%	2.24%	3.47%	2.24%	3.94%	2.67%
Pension Unfunded Accrued Liability (UAL)	12.49%	12.49%	12.49%	12.49%	15.86%	15.86%
Early Retirement Incentive (5- years)	0%	0%	2.66%	2.66%	2.66%	2.66%
Retiree Health Care	8.50%	8.50%	8.75%	8.75%	8.75%	8.75%
<b>Total Rate</b>	<b>24.46%</b>	<b>23.23%</b>	<b>27.37%</b>	<b>26.14%</b>	<b>31.21%</b>	<b>29.94%</b>

### SB 1040 Likely to Move in House Next Week

SB 1040 (Sen. Roger Kahn, R-Saginaw) is legislation introduced with the goal of reducing the costs of retirement for school districts, community colleges, and certain colleges that have employees in the Michigan Public School Employees Retirement System (MPERS). This legislation has been very controversial, due in great part to the proposed increases in employee contributions and reductions in benefits. Ironically, SB 1040 passed the Senate in a version that actually would have cost schools more, assuming compliance with GASB (federal accounting rules).

The House Appropriations Committee reported out a version of the bill that contained its own different set of controversies and the bill now sits on the House floor. It appears likely that the House will take up SB 1040 next week, possibly as soon as Tuesday.