

Senate Fiscal Agency  
P. O. Box 30036  
Lansing, Michigan 48909-7536

**SFA**



**BILL ANALYSIS**

Telephone: (517) 373-5383  
Fax: (517) 373-1986  
TDD: (517) 373-0543

Senate Bill 473 (Substitute S-1 as passed by the Senate)  
Senate Bill 474 (Substitute S-1 as passed by the Senate)  
Senate Bills 475 and 476 (as passed by the Senate)

Sponsor: Senator Leon Stille (S.B. 473)  
Senator Shirley Johnson (S.B. 474)  
Senator Loren Bennett (S.B. 475)  
Senator Bob Emerson (S.B. 476)

Committee: Education

Date Completed: 6-7-01

### **RATIONALE**

In the past few years, the State has taken steps to intervene in school districts facing academic and financial problems. In response to concerns about poor student achievement, high dropout rates, and organizational mismanagement in the Detroit Public Schools, Public Act 10 of 1999 established a new governance structure for that district. Citing high dropout rates and low test scores in the Benton Harbor Area Schools in 2000, the Senate passed a bill that would have shifted control of the school district from an elected school board to an appointed chief executive officer. Following these efforts, some people suggested that the issue of school accountability should be addressed in a more comprehensive manner. In particular, it has been recommended that a broad range of criteria be established to provide for the designation of school districts in which corrective measures would be taken.

### **CONTENT**

**The bills would provide for the designation of priority school districts; permit tax credits for qualified contributions made to priority school districts and the Detroit Public Schools; and provide for control of a school district to be turned over to an intermediate school district upon voter approval.**

**Senate Bill 473 (S-1) would amend the Revised School Code and add Part 15A (School District Accountability Measures) to do the following:**

- **Create the State Educational Improvement Board to designate school districts, including public school academies, as priority school districts.**
- **Require the improvement board, until January 1, 2002, to designate priority school districts based on State test scores, free and reduced price lunch eligibility, dropout and graduation rates, and grade level reading rates.**
- **Require the improvement board, beginning January 1, 2002, to designate priority school districts based on the above measurements plus pupil and teacher attendance rates and college entrance test scores.**
- **Require the appointment of an educational evaluation team for a priority school district to evaluate its academic, financial, and managerial performance; and specify that a team's funding would be provided under the State School Aid Act.**
- **Permit the improvement board to take, or order the board of a priority school district to take, certain corrective measures subject to the district's financial resources.**
- **Permit the improvement board to order control of a school district's operations to be turned over to an intermediate school board; suspend the powers of the elected school board, secretary, and treasurer until a new school board was elected; and permit elected board members to continue as an advisory board until their terms expired.**

- Provide that after 10 years following the date of the order, the question of retaining the intermediate board would have to be placed on the ballot in the school district; and, if the question were approved, permit it to be placed on the ballot again at least five years after the first election, upon submission of petitions calling for the question to be placed on the ballot.
- Allow the board of directors of a public school academy to be replaced, if the academy were designated a priority school district.
- Permit a State public university to issue a contract for a public school academy to be located in a priority school district regardless of the current limit on the number of contracts for academies that public universities may issue.
- Prohibit the improvement board from designating Detroit Public Schools as a priority school district, but permit an evaluation team to be appointed, and permit the chief executive officer of the Detroit Public Schools to implement any of the bill's corrective measures.

**Senate Bills 474 (S-1) and 475 would amend the Income Tax Act and the Single Business Tax (SBT) Act, respectively, to permit a taxpayer to claim a credit against the income tax or the SBT for goods and services, including volunteer work, that the taxpayer contributed to a priority school district or the Detroit Public Schools. An income tax credit could not exceed \$100 for an individual return, or \$200 for a joint return, in a tax year. An SBT credit could not exceed 5% of the taxpayer's tax liability for the tax year or \$5,000, whichever was less.**

**Senate Bill 476 would amend the Revised School Code to do the following:**

- Require an intermediate school board to assume control of a constituent school district if school electors approved a ballot question on that issue, after the submission of petitions requesting control to be transferred.
- Suspend the powers of the elected school board, secretary, and treasurer until a new school board was elected,

**and permit the elected school board to meet as an advisory board until each member's term expired.**

- Require that 10 years following approval of the ballot question, the question of retaining the intermediate school board's control of the district be placed on the ballot in the constituent district; and, if the question were approved and petitions were submitted, permit the question to be placed on the ballot again at least five years later.
- Require the intermediate school board to conduct an election of a new school board for the constituent district, if the school electors did not approve the question of continuing the intermediate school board's control.
- Require the Superintendent of Public Instruction, if he or she received petitions requesting an evaluation, to appoint an evaluation team to conduct a comprehensive evaluation of a school district, in the same manner as provided in Senate Bill 473 (S-1).

Senate Bills 474 (S-1), 475, and 476 are tie-barred to Senate Bill 473.

### **Senate Bill 473 (S-1)**

#### **Educational Improvement Board**

The State Educational Improvement Board would be created in the Department of Education, and would consist of the following five members: the Superintendent of Public Instruction, or his or her designee, one member appointed by the Senate Majority Leader, one appointed by the Speaker of the House of Representatives, and two members appointed by the Governor. The members first appointed to the improvement board would have to be appointed within 20 days after the bill's effective date. Except for the State Superintendent or his or her designee, a member of the board would serve a five-year term or until a successor was appointed.

The State Superintendent or his or her designee would have to serve as the improvement board's chairperson. Members of the board would have to serve without compensation, but could be reimbursed for their actual and necessary expenses in the performance of their official duties. The

Department would have to provide technical and staff assistance for the board as it requested.

#### Priority School District

Until January 1, 2002, the improvement board would be required to designate a school district as a priority school district as provided below. ("School district" would include a school district, local act school district, or a public school academy, that had operated for at least three school years.) A district could be designated a priority school district if it had at least 100 pupils in membership, and the improvement board determined that the district ranked in the bottom 5% among all school districts statewide in at least three of the following five measurements; or, if the school district did not operate a high school, in at least two of the following five measurements:

- State Test Scores. The school district was among the lowest 5% of school districts in State test scores, as determined by the Department based on the percentage of the school district's pupils who had scored in the lowest category on the Michigan Educational Assessment Program (MEAP) tests over the most recent three-year period for which statistics were available. This calculation would have to be made as follows: 1) for each subject area and at each grade level at which a test was given, add the percentage of the school district's pupils scoring in the lowest category over the most recent three-year period for which statistics were available and divide that sum by the number of years of statistics used in the calculation; and, 2) add together all of the results from the first calculation and divide that sum by the number of results derived in the first calculation.
- Free and Reduced Price Lunch Eligibility. The school district was among the highest 5% of school districts in free and reduced lunch eligibility, as determined by the Department based on the percentage of pupils enrolled in the school district who met the income eligibility criteria for free or reduced price breakfast or lunch in the immediately preceding State fiscal year, as determined under the Federal Richard B. Russell National School Lunch Act.
- Dropout Rate. The school district was

among the highest 5% of school districts in dropout rate, as determined by the Department based on the most recent data compiled by it for the Michigan School Reports published by the Department.

- Graduation Rate. The school district was among the lowest 5% of school districts in graduation rate, as determined by the Department based on the most recent data compiled by it for the Michigan School Reports.
- Grade Level Reading Rate. The school district was among the lowest 5% of school districts in grade level reading rate, as determined by the Department based on the percentage of the school district's pupils in grades in which the MEAP reading test was administered who achieved a score in the lowest category on that reading test, over the most recent three-year period for which statistics were available. This calculation would have to be made as follows: 1) for each grade level at which the MEAP reading test was given, add the percentage of the school district's pupils scoring in the lowest category over the most recent three-year period for which statistics were available and divide the sum by three; and, 2) add together all of the results from the first calculation and divide that sum by the number of results derived in the first calculation.

Beginning January 1, 2002, the improvement board would have to designate a school district as a priority school district if the district had at least 100 pupils in membership, and the improvement board determined that the district ranked in the bottom 5% among all school districts statewide in at least five of the eight measurements described in the bill; or, if the school district did not operate a high school, in at least three of the measurements. The bill would include as measurements those described above, as well as the following:

- Pupil Attendance Rate. The school district was among the lowest 5% of school districts in pupil attendance rate, as determined by the Department based on the average percentage of pupils absent from school in the school district for the most recent school year for which statistics were available, using data collected and maintained by the Center for Educational Performance and Information.
- Teacher Attendance Rate. The school

district was among the lowest 5% of school districts in teacher attendance rate, as determined by the Department based on the average percentage of substitute teachers needed by the school district for the most recent school year for which statistics were available, using data collected and maintained by the Center for Educational Performance and Information and excluding substitute teachers needed due to professional development, in-service, or other school-related activities.

-- College Entrance Test Scores. The school district was among the lowest 5% of school districts in college entrance test scores, as determined by the Department based on the scores achieved by the district's pupils on the ACT Test over the most recent three-year period for which statistics were available.

The improvement board could designate a school district with fewer than 100 pupils in membership as a priority school district if both of the following occurred: The board of the school district submitted a resolution to the improvement board requesting that the district be designated as a priority school district; and after receiving the request, the improvement board determined that the school district would have been substantially likely to meet the criteria described above, as applicable, if the district had at least 100 pupils in membership.

After receiving notice that it had been designated as a priority school district, the school board could submit to the improvement board written comments detailing the school improvement efforts it had undertaken and was currently undertaking and identifying any unique challenges the school district faced.

The bill would prohibit the improvement board from designating the Detroit Public Schools as a priority school district. (Public Act 10 of 1999 added Part 5A to the Revised School Code to require the mayor of Detroit to appoint a seven-member school reform board; suspended the powers and duties of the district's elected board unless and until a new board is elected; permitted the elected board to continue as an advisory board until the members' terms expire; transferred the powers and duties of the elected board to the school reform board, and then to a chief executive officer (CEO) appointed by the

board; and created the School District Accountability Board in the Department of Education.) If the improvement board determined that the Detroit Public Schools met the bill's criteria for a priority school district, the improvement board could appoint an educational evaluation team for the district; the evaluation team would have to proceed under the bill as if the district were a priority school district. The CEO of the Detroit Public Schools could implement within the district any of the enumerated corrective measures that the educational improvement board was authorized to order under the bill.

#### Educational Evaluation Team

If the improvement board designated a school district as a priority school district, the board would have to issue an order identifying the measurements leading to the determination and would have to appoint an educational evaluation team for the district.

An educational evaluation team would have to consist of at least three members, with one of the members a representative of either the priority school district or the intermediate school district (ISD) in which the priority school district was located. In appointing the members of the educational evaluation team, the improvement board could consider whether the individuals had proven skills or expertise in appropriate areas, including at least one of the following: educational experience and success; financial management; curriculum resource development; professional development; strategic planning; data-driven decision-making; or, technology. The evaluation team would serve at the pleasure of the improvement board and would be compensated by the Department. If there were a vacancy on an evaluation team, the improvement board would have to appoint a replacement.

An evaluation team would have to conduct a comprehensive evaluation of all aspects of a priority school district's academic, financial, and managerial performance. As part of its comprehensive evaluation, the team would have to consider conducting a public meeting in the school district to take public comment on the state of the district. The board and school district's personnel would have to cooperate with the evaluation team and

provide technical and administrative support for it as requested.

By the end of the first school semester of a priority school district that ended at least 60 days after its appointment, and no earlier than 60 days after its appointment, the evaluation team would have to submit to the board of the priority school district and the improvement board a report that evaluated all aspects of the school district's operations; identified any deficiencies in the district's operations and the factors that were contributing to those deficiencies; made specific recommendations, containing measurable goals and outcomes, for improving conditions within the school district; and, made recommendations for additional resources for the district and on changes in statute or rule, if any, needed to achieve improvements. In conducting its evaluation and formulating its recommendations, the evaluation team would have to consider special circumstances that could apply to the priority school district, including a particular school's status as an alternative school or program, or an extraordinary number or concentration of pupils for whom English was a second language. The improvement board could extend this time limit upon the request of the evaluation team.

The bill specifies that funding for the activities of an educational evaluation team would be provided under Section 94 of the State School Aid Act, which currently provides for technical assistance to school districts for accreditation purposes.

#### Corrective Measures

Subject to the bill's provisions on a district's existing financial resources, after receiving an evaluation team's report, the improvement board could take, or order the board of the priority school district to take, any corrective measures that the improvement board considered necessary or desirable to correct the deficiencies identified in the report. These corrective measures would not be limited by the recommendations made in the report and could include any measures that were not otherwise prohibited by law, including one or more of the following:

- Placement in the school district of consultants to assist in specified academic, financial, or managerial operations. These

consultants could be from the Department or another State agency, from another school district or an ISD, from higher education, or from the private sector.

- Measures to increase parent and volunteer involvement in the school district.
- The establishment of family service centers in the schools of the district to provide a variety of family services at a single location.
- Measures to obtain private sector support for updated textbooks, equipment, and other instructional supplies and materials.
- If the school district were a public school academy, reduction in the amount of the fee charged by the authorizing body under the Code.
- If the school district were not a public school academy, turning over control of the district's operations to the intermediate school board under the bill.
- Contracting with a private contractor to take over management of the school district or one or more individual school buildings operated by it.
- An exception within the school district to the cap on the issuance of public school academy contracts by State public universities, as described in the Code.
- If the school district were a public school academy, revocation of a contract or replacement of the board of directors with a new board of directors appointed by the improvement board.

The improvement board could not take, or order a school district to take, any corrective measures that could not be financed by the district's existing financial resources or that would result in the district's incurring an operating deficit. In taking or ordering corrective measures, the improvement board would have to consider special circumstances that could apply to priority school districts, including a particular school's status as an alternative school or program, or an extraordinary number or concentration of pupils for whom English was a second language. If the improvement board ordered a priority school district to undertake or participate in one or more of the corrective measures, the board of the school district would have to comply with that order. An order of the improvement board of one or more of the measures authorized under the bill would be final and would not be subject to review by a court or any State agency.

### ISD Board Taking Control of Operations

If the improvement board ordered turning control of a school district's operations over to the intermediate school board, the board of the intermediate school district in which the school district was located would have to assume control over the school district's operations, as provided in the bill.

Beginning 10 days after the date of the order, the powers and duties of the school district's elected school board and of its secretary and treasurer would be suspended unless and until a new school board was elected; however, until each individual member's current term expired, the members of the elected school board could continue to meet as an advisory board to provide input to the intermediate school board on an advisory basis only. Notwithstanding any board policy, bylaw, or resolution to the contrary, the advisory board members would have to serve without compensation or reimbursement, and the school district's funds could not be used to staff or otherwise support the advisory board in any way.

Beginning 10 days after the order, all of the Code's provisions concerning operation of the school district that otherwise would have applied to the board of the school district would apply to the intermediate school board, and the intermediate board could exercise immediately all the powers and duties otherwise vested by law in the board of the school district and in its secretary and treasurer. The bill specifies that an intermediate school board would accede to all the rights, duties, and obligations of the school district's board, which would include all of the following: authority over the expenditure of all school district funds, including proceeds from bonded indebtedness and other funds dedicated to capital projects; rights and obligations under collective bargaining agreements and employment contracts entered into by the board of the school district; rights to prosecute and defend litigation; obligations under any judgments entered against the board of the school district; rights and obligations under statute, rule, and common law; and, authority to delegate any of these powers and duties to one or more designees, with proper supervision by the intermediate school board.

After the expiration of 10 years following the date of the order, the question of whether the intermediate school board should retain control over the school district would have to be placed on the ballot in the district. The question would have to be on the ballot in the school district at the next regular election that occurred at least 90 days after the expiration of 10 years after the date of the order. The question would have to be in substantially the form as provided in the bill. If the question were approved by a majority of the school electors voting on the question, the intermediate school board would continue in control of the school district's operations and the question could not be placed on the ballot again in the district until five years expired. The question could be placed on the ballot again if petitions calling for the question to be placed on the ballot were filed with the intermediate school board, within four years after the question had been most recently on the ballot, and if the petitions were signed within a 180-day period by at least 10% of the total number of school electors of the district. If those petitions were submitted and verified, the question would have to be placed on the ballot in the school district at the next regular school election that occurred at least five years after the question had been most recently on the ballot, and at least 90 days after the petitions were submitted and verified.

If the question were not approved by the majority of school electors voting on the question, all of the following would apply:

- The intermediate school board would have to conduct an election of a new school board for the district. The election would have to be at a special election held as soon as practicable but not sooner than 90 days after the previous election. This election would have to be conducted in the manner provided for the initial school board election.
- Effective on the next July following the election of the new school board, the new board would have to serve as the governing body of the district and the new board, and its secretary and treasurer, would be vested fully with all powers and duties that those officials had before the intermediate school board had assumed control.
- Effective on the next July 1 following the

election of the new board, the control of the intermediate school board over the district would cease.

If a school district were designated as a priority school district subject to the school district accountability measures under the bill, all powers and duties of the district's school board and of its officers would be subject to the bill.

#### Public School Academy

Currently, a public school academy must be organized and administered under the direction of a board of directors in accordance with Part 6A (Public School Academies) of the Code and with the bylaws adopted by the board of directors. Under the bill, if a public school academy were designated as a priority school district, the academy's board of directors would be subject to replacement.

The Code permits the governing board of a State public university to act as an authorizing body to issue a contract to organize and operate one or more public school academies. Currently, the combined total number of contracts issued by all State public universities may not exceed 150, and the total number of contracts issued by any one State public university may not exceed 75. The bill would permit the governing board of a State public university to issue a contract to organize and operate a public school academy without regard to the limitations, if the contract were for a new academy to be located in a priority school district subject to an order under the bill, and if the improvement board approved the issuance of the contract.

Currently, if the Superintendent of Public Instruction finds that an authorizing body is not engaging in appropriate continuing oversight of one or more academies operating under a contract issued by the authorizing body, the Superintendent may suspend the authorizing body's power to issue new contracts to organize and operate public school academies. (Although the Code refers to the State Board of Education, this responsibility was transferred to the Superintendent under Executive Reorganization Order 1996-7.) Under the bill, if an authorizing body failed to comply with an order to revoke a contract issued by the authorizing body or to reduce the amount of

the fee it charged under the Code, the Superintendent of Public Instruction could suspend the authorizing body's power to issue new contracts for public school academies.

The Code permits an authorizing body to charge a fee, or require reimbursement of expenses, for considering an application for a contract, issuing a contract, or providing oversight of a contract for a public school academy if the fee does not exceed a combined total of 3% of the total State school aid that the academy receives in the school year in which the fees or expenses are charged. Under the bill, an authorizing body would have to reduce the amount of the fee if the improvement board ordered that the fee be reduced. The fee reduction would have to be in the amount or percentage ordered by the improvement board.

If an academy were designated as a priority school district subject to the bill's school district accountability measures, all powers and duties of the academy's board of directors, officers, and authorizing body would be subject to the bill.

If an authorizing body received an order from the improvement board directing the authorizing body to revoke a contract it issued, the authorizing body would have to revoke the contract. Failure to comply with the order could result in suspension of the authorizing body's power to issue new contracts.

#### **Senate Bill 474 (S-1)**

For tax years beginning after December 31, 2000, a taxpayer could claim an income tax credit for a "qualified contribution" to an "eligible school district".

For a taxpayer other than a resident estate or trust, the amount allowable as a credit under the bill for a tax year could not exceed \$100, or \$200 for a husband and wife filing a joint return. If the taxpayers filed a joint return and claimed a credit for volunteer work, each taxpayer would have to meet independently the minimum volunteer hours required under the bill to qualify for a tax credit of \$200. Contributions used as a basis for claiming an income tax credit could not be used to claim a single business tax credit under Senate Bill 475.

An eligible school district to which a qualified contribution was made would have to issue to the taxpayer a statement that contained the amount of the qualified contribution made by the taxpayer and the date or dates on which it was made.

"Eligible school district" would mean a priority school district, as proposed in Senate Bill 473, or a school district in which a school reform board had been appointed under Part 5A of the Revised School Code (Detroit Public Schools). "Qualified contribution" would mean either 1) for a taxpayer who volunteered a minimum of 40 hours during the tax year as part of a school-approved organized volunteer program at a school in an eligible school district, that taxpayer's qualified contribution would be considered to be the maximum credit amount allowed under the bill, or 2) 50% of the value of goods and services provided to a school in an eligible school district by the taxpayer in the tax year, including all of the following:

- Building, repair, maintenance, or other related services that supported the regular, ongoing operational or educational functions and programs of the school. (Building, repairs, and maintenance would have to be performed by persons whose primary business was to perform those functions and who were licensed to perform those functions if a license were required. Persons described under this provision would include electricians, plumbers, mechanical contractors, residential builders, and residential maintenance and alteration contractors.)
- Furniture, supplies, or other personal property items accepted by the school to enhance or support school functions and activities.
- Functioning information technology equipment that was not more than two years old, including central processing units, monitors, printers, keyboards, laptops, zip drives, scanners, modems, other computer peripherals and copiers, and communication devices.

#### **Senate Bill 475**

For tax years beginning after December 31, 2000, a taxpayer could claim a single business tax credit for a qualified contribution to an eligible school district.

The credit could not exceed 5% of the taxpayer's tax liability for the tax year or \$5,000, whichever was less. Contributions used as a basis for claiming a single business tax credit could not be used to claim an income tax credit under Senate Bill 475.

An eligible school district to which a qualified contribution was made would have to issue to the taxpayer a statement that contained the amount of the qualified contribution made by the taxpayer and the date or dates on which it was made.

("Eligible school district" would be defined as in Senate Bill 474 (S-1). "Qualified contribution" would mean 50% of the value of goods and services provided to a school in an eligible school district by the taxpayer in the tax year, including goods and services described in Senate Bill 474 (S-1).)

#### **Senate Bill 476**

If the board of a constituent district received petitions requesting that the question of turning control of the district's operations over to the intermediate school board be placed on the ballot, and if the petitions were signed within a 180-day period by at least 10% of the total number of school electors in the constituent district, the board of the constituent district would have to place the question on the ballot at the next regular school election.

If a majority of the school electors of the constituent district approved the question, the intermediate school board would assume control over the operations of that district. Beginning 10 days after certification of the election, the powers and duties of the elected school board of the constituent district and of its secretary and treasurer would be suspended unless and until a new school board was elected. Until each individual member's current term expired, the members of the elected school board of the constituent district could continue to meet as an advisory board to provide input to the intermediate school board on an advisory basis. Notwithstanding any board policy, bylaw, or resolution to the contrary, these advisory board members would serve without compensation or reimbursement, and constituent district funds could not be used to staff or otherwise support the advisory board.



Beginning 10 days after certification of the election approving the question, all provisions of the Code concerning operation of the constituent district that otherwise would apply to that school board would apply to the intermediate school board, which immediately could exercise all the powers and duties otherwise vested by law in the constituent district board and in its secretary and treasurer. The immediate school board would accede to all the rights, duties, and obligations of the constituent district, including all of the following:

- Authority over the expenditure of all school district funds, including proceeds from bonded indebtedness and other funds dedicated to capital projects.
- Rights and obligations under collective bargaining agreements and employment contracts entered into by the school board.
- Rights to prosecute and defend litigation.
- Obligations under any judgments entered against the school board.
- Rights and obligations under statute, rule, and common law.
- Authority to delegate any of the powers and duties listed above to one or more designees, with proper supervision by the intermediate school board.

If the question of turning control of the operations of a school district over to the intermediate school board were approved, all powers and duties of the school board of the school district and of its officers would be subject to the bill's provisions.

Ten years after the approval of the ballot question, the question of whether the intermediate school board should retain control over the constituent district would have to be placed on the ballot in that district. The question would have to be placed on the ballot in the constituent district at the next regular election occurring at least 90 days after the 10-year period expired. The question would have to be substantially in the form provided in the bill. If the question were approved by a majority of the school electors voting on it, the intermediate school board would continue in control of the constituent district's operations.

The question could not be placed on the ballot again in the district until the expiration of five years after the election at which the question

had been approved. The question could be placed on the ballot again under this provision if petitions calling for the question to be placed on the ballot were filed with the intermediate school board not sooner than four years after the question most recently had been on the ballot and if the petitions were signed within a 180-day period by at least 10% of the total number of school electors of the district. If those petitions were submitted and verified, the question would have to be placed on the ballot in the district at the next regular school election occurring at least five years after the question most recently had been on the ballot and at least 90 days after the petitions were submitted and verified.

If the question of continuing the intermediate school board's control after 10 years were not approved by a majority of the school electors voting on the question, all of the following would apply:

- The intermediate school board would have to conduct an election of a new school board for the constituent district. The election would have to be at a special election held as soon as practicable, but not sooner than 90 days after the previous election. This election would have to be conducted in the manner otherwise provided by law for an initial school board election.
- Effective on the next July 1 following the election, the new elected school board of the constituent district would have to serve as the governing body of the constituent district and this elected school board and its secretary and treasurer would be fully vested with all powers and duties that those officials had before the intermediate school board assumed control.
- Effective on the next July 1 following the election under this provision, the control of the intermediate school board over the district would cease, and the provisions for intermediate school board control would not apply to that district.

The bill specifies that these provisions would not apply to a constituent district that was a qualifying school district under Part 5A of the Revised School Code, as described above.

#### Evaluation Team Request

If the Superintendent of Public Instruction

received petitions, signed within a 180-day period by at least 10% of the school electors in a school district, requesting an evaluation, he or she would have to appoint an evaluation team to conduct a comprehensive evaluation in the school district in the same manner as proposed in Senate Bill 473 (S-1) for an educational evaluation team. An evaluation team under this provision would be advisory only. The evaluation team would have to submit the same type of report, as described in Senate Bill 473 (S-1), to the board of the school district and to the State Superintendent. The board and personnel of the school district would have to cooperate with the evaluation team in the evaluation.

The bill specifies that these provisions would not apply to a school district that was a qualifying school district under Part 5A.

MCL 380.373 et al. (S.B. 473)  
Proposed MCL 206.269 (S.B. 474)  
Proposed MCL 208.39d (S.B. 475)  
Proposed MCL 380.641 et al. (S.B. 476)

## **ARGUMENTS**

*(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)*

### **Supporting Argument**

The State has an obligation to help all school districts that are failing in terms of academic performance, finances, and/or management. Rather than addressing the situation on a piecemeal basis, this legislation proposes a Statewide approach that first would identify at-risk schools according to objective, measurable criteria, and then recommend specific, concrete actions to correct the problems. In particular, Senate Bill 473 (S-1) would create a State Educational Improvement Board to designate school districts as priority school districts based on the bill's criteria, and to appoint an educational evaluation team for a priority district. Subject to the evaluation team's report, the improvement board could take, or order the board of a priority district to take, certain corrective measures. The measures identified in the bill cover a broad range of options, but the improvement board could order any other actions that were not prohibited by law or beyond the financial means of a district. While one of the options

would be ordering the transfer of control to an intermediate school board, that approach would be taken only if the improvement board considered it necessary. The bill would provide considerable flexibility to tailor remedial actions to the needs of a particular district. Thus, the bill would provide for State oversight in determining and assisting a priority school district and would be a catalyst for change within the district.

**Response:** By providing for an improvement board and evaluation teams, the bill would create additional layers of bureaucracy in a system that already is burdened by inefficiency and delays in getting assistance to school districts that need help. If there is a role for State oversight, then it should be carried out by the State Board of Education; there is no reason to replace an elected board with a board made up of legislative and gubernatorial appointees. While the bill would permit consideration of the skills and expertise of individuals appointed to an evaluation team, there would be no guarantee that team members would possess the appropriate backgrounds. An evaluation team should include staff of the priority district and of the intermediate school district, peer review members from other school districts of similar size and characteristics, and Department of Education staff.

### **Supporting Argument**

In testimony on school accountability, educators, parents, and interested parties pointed out that a number of socioeconomic factors affect student performance and the success of school districts in educating students. Thus, criteria for determining whether a school district is a priority district should not be limited to student performance on test scores, but should include a number of factors that affect student performance. Under the bill, a school district initially would be evaluated on student poverty rate, student dropout rate, graduation rate, and grade-level reading rate as well as student scores on State assessment tests. Beginning in 2002, school districts also would be evaluated on pupil and teacher attendance rates as well as student performance on college entrance exams. By including these criteria in the evaluation of school districts, Senate Bill 473 (S-1) would recognize that multiple measures are needed to identify priority school districts.

**Response:** One criterion for determining

a priority school district would be whether a district was among the highest 5% of school districts in free and reduced price lunch eligibility, based on the percentage of pupils enrolled in the district who met the Federal income eligibility criteria for free or reduced price breakfast or lunch. In and of itself, eligibility for free and reduced price lunch is not an indication of how students will perform. To allow the use of this criterion would wrongly imply that students with lower socioeconomic backgrounds are not able to succeed. Instead, the bill should include a measurement that would incorporate the effect of poverty, such as assessing the progress of students who were eligible for Federal assistance through Title 1 programs, which serve students who are at risk of school failure and who live in low income communities. In addition, another factor that correlates with student performance is the high mobility of a student population. Representatives of a number of school districts testified that the student roster in many classrooms fluctuates throughout a school year as families leave a school district, move into a school district, or remove their children from school for lengthy periods of time, which interrupts classroom instruction for these students. Thus, student mobility should be considered a factor that could affect student performance.

### **Opposing Argument**

Senate Bill 473 (S-1) is not needed since the Revised School Code already requires a school board to ensure that each public school within the district is accredited, or the school will be subject to certain sanctions. To be accredited, a school must be certified by the State Board as having met or exceeded standards of school operation pertaining to: administration and school organization, curricula, staff, school plant and facilities, school and community relations, school improvement plans, and student performance. A building-level evaluation used in the accreditation process must include school data collection, self-study, visitation and validation, determination of performance data, and the development of a school improvement plan. In addition to meeting these requirements, if a school board wants all of its schools to be accredited, the board must: prepare and submit to the State Board an annual education report; adopt and implement annually a three-to five-year school improvement process for

each school in the district; and, provide a core academic curriculum based on content standards developed by the State Board. The current accreditation system also provides for technical assistance to help a school meet its improvement goals. In addition, in May 1999 the State Board approved a framework for a performance-based accreditation system founded on the following accountability factors: high academic achievement, evidence that a school is committed to the achievement of all students, and a record of yearly improvement. Since the current accreditation system has not been fully implemented, it has not had a chance to work. Furthermore, if Senate Bill 473 (S-1) were enacted, the Code would contain two mechanisms for providing State oversight of local school districts, and it is questionable whether both could be implemented at the same time. In addition, the bill would appoint to the educational improvement board the Superintendent of Public Instruction, who also is required to implement the current accreditation process. This could present a conflict for the Superintendent.

**Response:** The current accreditation process has been criticized for relying too heavily on results of the MEAP exam and not taking into consideration other factors that affect the performance of a school district, as reflected in Senate Bill 473 (S-1). State Superintendent Tom Watkins recently suspended implementation of the current process, and is to meet June 18 with educators, business leaders, and others to discuss how to improve the accreditation process.

### **Opposing Argument**

Under Senate Bill 473 (S-1), the improvement board could order turning over control of a school district's operations to the board of the intermediate school district in which the district was located. In addition, Senate Bill 476 would require an intermediate school board to assume control of a constituent district if petitions requesting control to be transferred were submitted to the board and electors approved a ballot question on that issue. The role of an ISD in assisting a priority school district should be to provide technical assistance and oversight instead of operational authority. Traditionally, intermediate districts have tried to establish positive working relationships with their constituent districts and public school

academies. Placing an ISD in the position of taking over a constituent district could damage these relationships.

**Response:** By providing for an intermediate district to take over a priority district, the bills would acknowledge the importance of maintaining the involvement of local school officials, instead of the State, in the take-over of a district.

### **Opposing Argument**

Under Senate Bill 473 (S-1), the corrective measures for a priority district that an improvement board could take would include providing an exception within the school district to the cap on the number of public school academy contracts issued by State public universities. This provision would circumvent the current limit on the number of academy contracts that may be issued by a university. In addition, a number of academies could be designated priority school districts according to the bill's criteria. Thus, it is not clear that an academy could provide a better education for students than a priority school district provided.

**Response:** A number of the academies that could be designated priority school districts either operate as an alternative school or program for students experiencing difficulty in traditional schools, or offer programs that enroll an extraordinary concentration of pupils for whom English is a second language. In addition, parents of many children who attend academies as well as educators and administrators of academies testified on the academic improvement of students who attended their schools.

### **Opposing Argument**

An improvement board could permit a private contractor to take over management of a school district or one or more buildings operated by a district. There is some question, however, about the success of management companies in improving student achievement in school districts that are operated by these companies. Furthermore, the bill would require that any corrective measure, such as contracting with a private company to manage a district, would have to be financed within a school district's existing resources and could not result in a district's incurring an operating debt. Many school districts, including those that could be considered a priority district, already are operating with limited financial resources. It is questionable whether a priority district could afford to implement some of the proposed corrective measures within its current budget.

### **Opposing Argument**

A school district could be designated a priority school district under Senate Bill 473 (S-1) if ranked in the bottom 5% among all school districts statewide in a specified number of measurements. By limiting the designation to school districts in the bottom 5%, the bill would not go far enough to address the districts that narrowly escaped the cutoff, such as schools that ranked between 6% and 10% of all districts statewide. A number of schools already do not meet the accreditation standards in the Code, yet the bill would not address the needs of children in those low-performing districts.

### **Opposing Argument**

Senate Bills 474 (S-1) and 475 would create individual and business tax credits for qualified contributions to eligible school districts. This would give an unfair advantage to public schools. Many nonpublic religious and private schools rely on donations from individuals and corporations, who do not receive a tax credit for their contributions. A more equitable tax policy would be to allow parents, individuals, and businesses to receive a tax credit for any educational contribution, whether to a public or private school. Furthermore, in order to assist priority school districts with infrastructure, technology, and maintenance needs, it would be more reasonable and fair to repeal the sales and use tax on school repair and construction materials, which is burdensome for schools seeking to make improvements in these areas.

Legislative Analyst: L. Arasim

## **FISCAL IMPACT**

### **Senate Bill 473 (S-1)**

**State Costs.** The State would face increased costs associated with several provisions of the bill. One of these provisions states that members of the State Educational Improvement Board (SEIB) could be reimbursed for actual and necessary expenses in the performance of their duties as board members. Another provision would require the Department of Education to provide technical and staff assistance for the SEIB. Both of these provisions would result in an indeterminate, but increased level of spending by the State for administrative costs.

There also would be new State costs associated with the formation of educational evaluation teams (EETs) and their duties. Specifically, the bill would require the EETs to be compensated by the Department of Education. Costs incurred with conducting comprehensive evaluations of all aspects of priority school districts' academic, financial, and managerial performance and reporting their conclusions would be the responsibility of the State. The bill states that funding for these activities would be provided under Section 94 of the State School Aid Act. Public Act 297 of 2000 appropriated \$3 million in FY 2000-01, \$5 million in FY 2001-02, and \$10 million in FY 2002-03 for Section 94, dedicated to providing technical assistance to districts for school accreditation purposes.

Local Costs. Local school districts could face increased costs associated with the bill, according to provisions under which the board of a school district given orders by the SEIB to undertake corrective measures would have to comply with those orders. If some of the required corrective measures contained costs (e.g., establishing and staffing family service centers), the local districts could face increased costs to comply with the orders.

It is unclear whether this provision would constitute part of a new governance structure for the local district, or consist of required new activities or services relevant to Article IX, Section 29 of the State Constitution (commonly referred to as the Headlee Amendment), which requires the State to pay for any necessary increased costs associated with new activities or services required by law. The bill states that the SEIB could not order a school district to take any corrective measures that could not be financed by its existing financial resources.

### **Senate Bill 474 (S-1)**

State Costs. While it is difficult to estimate the number of taxpayers who would contribute goods, services, or their time to eligible school districts, given the current estimates of the school districts that would qualify, it is estimated that this tax credit would reduce income tax revenue less than \$1 million.

Local Costs. There would be no fiscal impact on local units of government.

### **Senate Bill 475**

State Costs. The bill would reduce General Fund/General Purpose revenues by less than \$250,000. A similar credit under the SBT Act, the public contributions credit, applies to institutions of higher learning. In 1996-97, \$2.3 million in public contribution credits were claimed by 2,032 SBT payers, for an average credit of \$1,131 per taxpayer. The bill's narrower definition of eligible contributions implies that the average credit amount would likely be less than under the public contribution credit. Given the limited number of eligible school districts, the potential number of SBT payers claiming the credit is expected to be small. Under current law, SBT payers already receive a tax benefit from such contributions. Federal law allows the contributions to be claimed as a charitable deduction, and the deductions flow through to the SBT because those contributions are not added back to the SBT base. The reduction in SBT liability under the bill would be in addition to the existing reduction in liability created by this flow-through of the Federal deduction for charitable contributions.

Local Costs. The bill would have an indeterminate fiscal impact on local units. Affected schools and school districts would receive contributions under the bill and could use the contributions to supplement and/or replace existing expenditures.

### **Senate Bill 476**

State Costs. If the Superintendent of Public Instruction received petitions under this bill, there would be new State costs associated with the formation of EETs and their duties. Costs incurred for conducting evaluations and reporting their conclusions would be the responsibility of the State. Senate Bill 473 (S-1) includes language stating that funding for these activities would be provided under the State School Aid Act (as described above).

Local Costs. There would be no fiscal impact on local units of government.

Fiscal Analyst: K. Summers-Coty  
J. Wortley  
D. Zin

A0102/s473a

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.