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SFA**BILL ANALYSIS**

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Senate Bill 473 (Substitute S-1 as reported)
Senate Bill 474 (Substitute S-1 as reported by the Committee of the Whole)
Senate Bills 475 and 476 (as reported without amendment)
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

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. If taxpayers filed a joint return and claimed a credit based on volunteer work, each taxpayer would have to meet the minimum number of required volunteer hours (40) to qualify for a credit of \$200. 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.

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)

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.

Date Completed: 6-6-01

Fiscal Analyst: K. Summers-Coty
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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.