

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 Bills 473 through 476 (as introduced 5-15-01)

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: 5-16-01

### **CONTENT**

The bills would provide for the designation of priority school districts and permit tax credits to be claimed for qualified contributions made to eligible school districts.

Specifically, **Senate Bill 473** would add **Part 15A (School District Accountability Measures)** to the Revised School Code 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 certain measurements, including 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.
- Prohibit the improvement board from designating a qualifying school district under Part 5A of the Code (Detroit Public Schools) as a priority school district.
- Require the appointment of an educational evaluation team for a priority school district to evaluate a district's academic, financial, and managerial performance.
- Permit the improvement board to take, or order the board of a priority school

district to take, certain corrective measures subject to a 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, and suspend the powers of the elected school board, secretary, and treasurer until a new school board was elected.
- Permit members of the elected school board to continue as an advisory board to the intermediate board until the terms of the elected board members expired.
- Require that after 10 years following the date of the order, the question of retaining the intermediate board be placed on the ballot in the school district; and permit the question to be placed on the ballot again at least five years after an election at which the question had been approved, or upon submission of petitions calling for the question to be placed on the ballot.
- Permit the chief executive officer (CEO) of the Detroit Public Schools to implement any of the bill's corrective measures.
- Allow a board of directors of a public school academy to be replaced, if an 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.

- Require the Department of Education to appoint evaluation teams and specify that their funding would be provided under the State School Aid Act.

**Senate Bills 474 and 475 would amend the Income Tax Act and the Single Business Tax Act, respectively, to permit a taxpayer to claim a credit against the taxes imposed by the Acts for goods and services, including volunteer work, that the taxpayer contributed to certain school districts.**

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

- Require a school board that received petitions requesting that the district's operation be turned over to an intermediate school board to place the question on the ballot at the next regular school election.
- Require an intermediate school board to assume control of a constituent school district if school electors approved the ballot question.
- 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.
- Permit the question to be placed on the ballot again at least five years after the election at which the question of continuing the intermediate school board's control had been approved or upon submission of petitions calling for the question to be placed on the ballot.
- Require the intermediate school board to conduct an election of a new school board for the constituent district, if the question of continuing the intermediate school board's control were not approved by the school electors.
- 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.**

Senate Bills 474, 475, and 476 are tie-barred to Senate Bill 473.

### **Senate Bill 473**

#### 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 improvement 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 improvement 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 improvement board as the board 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 in the bill. ("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. The bill specifies that this calculation would have to be made by adding the number of the school district's pupils scoring in the lowest category in each subject area and at each grade level at which a test was given and dividing that sum by the combined total number of the district's pupils who took the tests in each subject area and at each grade level.

- 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 the Department 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 the Department 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. The bill specifies that this calculation would have to be made by adding the number of the school district's pupils achieving a score in the lowest category in reading at each grade level at which a MEAP reading test was given and dividing that sum by the combined total number of the school district's pupils who took the reading tests at each grade level.

Beginning January 1, 2002, the improvement board would have to designate a school district as a priority school district if the school district had at least 100 pupils in membership, and the improvement board determined that the school 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.
- 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 school 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 less 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 school 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.

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 qualifying school 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 improvement 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. 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. The board and school district's personnel would have to cooperate with the evaluation team and provide technical and administrative support for the evaluation team 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 a report to the board of the priority school district and the improvement board that evaluated all aspects of the school district's operations; identified any deficiencies in the school district's operations and the factors that were contributing to those deficiencies; and, made specific recommendations, containing measurable goals and outcomes, for improving conditions within the school district. The improvement board could extend this time limit upon the request of the evaluation team.

#### Corrective Measures

Subject to the bill's provisions on a district's existing financial resources, after receiving the 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 of 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 school 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 control of the school district's operations to the intermediate school board under the bill.
- Contracting with a private contractor to take over management of the school

district.

- 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 school district's existing financial resources or that would result in the school district incurring an operating deficit. If the improvement board ordered the 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 Takes Control of Operations

If the improvement board ordered turning control of a school district's operations to the intermediate school board, the intermediate school board 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. These powers, rights, duties, and obligations 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 10 years expired after 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 school 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 school district until five years expired. The question could be placed on the ballot again in the school district 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 a number of school electors of the school district at least equal to 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 of the following would apply:

- The intermediate school board would have to conduct an election of a new elected school board for the district. The election would have to be at a special election held as soon as practicable but no sooner than 90 days after the previous elections. 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 of the school district would have to serve as the governing body of the district and the new board, and its secretary and treasurer, would have to 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 school 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, under the Code, 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 cannot exceed 150, and the total number of contracts issued by any one State public university cannot 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 an academy to be located in a priority school district subject to an order under the bill, and if the improvement board approved the contract being issued.

Currently, if the State Board of Education 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 State Board may suspend the authorizing body's power to issue new contracts to organize and operate public school academies. Under the bill, this authority would be given to the Superintendent of Public Instruction instead of the State Board. In addition, if an authorizing body failed to comply with an order under the bill 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 for 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 an 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.

The bill would allow a public school academy, with the approval of the authorizing body, to enter into an agreement with an educational management company or other entity for the management or operation of one or more functions of the academy. An academy could not enter into an agreement unless it contained a termination or cancellation provision that allowed the academy to terminate or cancel the agreement if the agreement were not achieving the anticipated outcomes or for any other reason specified by the authorizing body.

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, as described in the Code.

### School Accreditation

Currently, the Code requires a board of a school district that does not want to be subject to measures described in the Code to ensure that each public school within the school district is accredited. The Department is required, and the ISD to which a school district is constituent, a consortium of ISDs, or any combination of these, may provide technical assistance, as appropriate, to a school that is unaccredited or that is in interim status upon request of the district's school board. Under the bill, the Department would be required to appoint and support educational evaluation teams for school districts, as provided in the bill. Funding for these activities would be provided under Section 94 of the State School Aid Act, which provides technical assistance to districts for school accreditation purposes.

### **Senate Bill 474**

For tax years that began 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. 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 a statement to the taxpayer that contained the amount of the qualified contribution made by

the taxpayer and the date or dates on which the contribution 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, as discussed above. "Qualified contribution" would mean either 1) for a taxpayer who was a parent or guardian of a student who attended a school in an eligible school district who volunteered a minimum of 40 hours during the tax year at that school, that parent's or guardian'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 that began 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 a statement to the taxpayer that contained the amount of the qualified contribution made by the taxpayer and the date or dates on which the contribution was made.

("Eligible school district" would be defined as in Senate Bill 474. "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.)

### **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 a 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, all provisions of the Code concerning operation of the constituent district that otherwise would have applied to that school board would apply to the intermediate school

board, and the intermediate school board 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, 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 constituent district's operations.

The question could not be placed on the ballot again in the district until five years expired 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 no 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 elected 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.
- Effective on the next July 1 following the election for a new elected school board, 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 (Appointment of School Reform Boards), as described above.

#### Evaluation Team Requested

If the Superintendent of Public Instruction received petitions 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 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, 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 State Superintendent would have to proceed if he or she received petitions requesting an evaluation that were signed within a 180-day period by at least 10% of the total number of school electors in the school district. 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)

Legislative Analyst: L. Arasim

#### **FISCAL IMPACT**

##### **Senate Bill 473**

State Costs. The State would face increased costs associated with several provisions of Senate Bill 473. 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 members of the board. Another provision states that the Department of Education would have to provide technical and staff assistance for the SEIB. Both of these provisions would result in an indeterminate, but increased level of costs to the State for administrative costs associated with the SEIB.

There also would be new State costs associated with the formation of educational evaluation teams (EETs) and the duties ascribed to and performed by EETs. Specifically, the legislation states that the EETs would have 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. Senate Bill 473 includes new language stating that funding for these activities is 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 of the School Aid Act, dedicated to providing technical assistance to districts for school accreditation purposes.

Local Costs. Local school districts could face increased costs associated with Senate Bill 473, according to the provisions in Section 1195, which states that 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). That constitutional provision 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 the district's existing financial resources.

#### **Senate Bill 474**

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 this tax credit would reduce income tax revenue less than \$1 million.

#### **Senate Bill 475**

The bill would reduce general fund/general purpose revenues by less than \$250,000. The most similar credit currently offered under the Single Business Tax (SBT) Act is the public contributions credit, which applies to eligible contributions to institutions of higher learning. In 1996-97 (tax years beginning in 1996), \$2.3 million in public contribution credits were claimed by 2,032 SBT taxpayers, for an average credit of \$1,131 per taxpayer. Since the bill uses a narrower definition of eligible contributions than the public contributions credit, the average credit amount would likely be less than under the public contribution

credit. Given the limited number of eligible school districts the number of SBT taxpayers claiming the credit is expected to be small. Under current law, SBT taxpayers already receive a tax benefit from such contributions. Federal law allows the contributions to be claimed as a charitable deduction. Charitable deductions under the corporate income tax flow through to the SBT because those contributions are not added back when calculating the SBT tax base. The reduction in SBT tax 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.

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 expenses.

#### **Senate Bill 476**

State Costs. If the Superintendent of Public Instruction received petitions under Section 1198 of this bill, there would be new State costs associated with the formation of EETs, and the duties ascribed to and performed by EETs. Costs incurred by conducting evaluations and reporting their conclusions would be the responsibility of the State. Senate Bill 473 includes language stating that funding for these activities is 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 of the School Aid Act, dedicated to providing technical assistance to districts for school accreditation purposes.

Local Costs. There would be no fiscal impact on local units of government associated with this legislation.

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

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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.