



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bill 1098 (Substitute S-1 as reported)
Sponsor: Senator Rick Jones
Committee: Education

CONTENT

The bill would amend the State School Aid Act to delay until the 2019-2020 school year a prohibition against a school district, intermediate school district (ISD), or a public school academy (PSA) that charges tuition for a pupil that resided out of the State in the immediately preceding school year, from counting the pupil in membership in the school district, ISD, or PSA.

Generally, under the Act, "membership" means for a district, a PSA, or an ISD, the sum of the product of .90 times the number of full-time equated pupils in grades K to 12 actually enrolled and in regular daily attendance on the pupil membership count day for the current school year, plus the product of .10 times the final audited count from the supplemental count day for the immediately preceding school year. All pupil counts for these purposes are as determined by the Department of Education and calculated by adding the number of pupils registered for attendance plus pupils received by transfer and minus pupils lost as defined by rules promulgated by the Superintendent for Public Instruction, and as corrected by a subsequent Department audit. The amount of the foundation allowance for a pupil in membership is determined under the Act.

In making the calculation of membership, certain provisions apply for the purposes determining the membership of a district, a PSA, or an ISD. Among other things, a school district, ISD, or PSA, that charges tuition for a pupil that resided out of the State in the immediately preceding school year, is prohibited from counting the pupil in membership in the district, ISD, or PSA.

Under the bill, this would apply beginning with the 2019-2020 school year.

MCL 388.1606

Legislative Analyst: Nathan Leaman

FISCAL IMPACT

The bill would have an indeterminate fiscal impact on the State, although if there were an impact, it would be higher costs compared to current law for fiscal year (FY) 2018-19 only. Under Section 6(4)(mm) of the School Aid Act (first in effect for the 2018-2019 school year), school districts (including local districts, intermediate districts, and public school academies) are not allowed to count pupils in membership who lived out of the State in the prior year and for whom the district charges tuition. Under the bill, this provision would be delayed by one year and not take effect until the 2019-2020 school year. Therefore, under the bill, for this school year (as in years past), a district could both charge tuition and count the pupil in membership (thereby receiving a foundation allowance for that pupil).

Under current law, if a district otherwise would have stopped counting pupils in membership for whom tuition is charged and who lived out-of-state in the previous year then, under the bill, there would be higher costs to the State in FY 2018-19 by allowing those students to be counted in membership. However, if the district instead would have chosen to forego tuition revenue and continue to count the pupil in membership, then there would be no impact on the State (because that student would have been counted in membership either under current law or under the bill).

Under the bill, districts would see more combined revenue (State foundation allowance and tuition revenue) than under current law, because they will be able to continue both charging tuition and counting the specified pupils in membership. However, beginning in FY 2019-20, under the bill, districts would be prohibited from collecting both forms of revenue. At that time, either the State will see lower costs (if districts stop counting pupils in membership but do charge tuition) or flat costs (if districts continue counting the pupils in membership but stop charging tuition); districts will see lower revenue (either from the inability to count pupils in membership and collect foundation allowance revenue, or from the inability to collect tuition if counting pupils in membership).

In FY 2016-17, just under \$19.0 million in tuition revenue was reported by 301 districts. However, data do not exist in the reporting system that can tie tuition revenue to individual students or student types. Therefore, it is unknown how much of the \$19.0 million in revenue reported would have been tied to students who lived out-of-state in FY 2015-16 (whose districts would have been affected by subdivision (mm) had it been in place that year).

In the fall 2017 student count, there were roughly 2,100 foreign exchange students. Again, data do not exist to identify for whom tuition was charged on those 2,100 students, nor is it known if all of those 2,100 foreign exchange students would be classified as having resided out-of-state in the prior year (which is relevant for subdivision (mm)). Also, there could be other students who resided out of the State in the prior year (for whom the bill would affect if tuition were charged) who are not foreign exchange students, and those numbers would not be captured in the 2,100 figure.

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