



Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 639 (Substitute S-4 as reported)
Sponsor: Senator Bill Schuette
Committee: Education

CONTENT

The bill would amend the State School Aid Act to remove requirements that a district have the approval of a pupil's district of residence to count the pupil in membership. The bill also would revise definitions of "membership" and "pupil", by deleting provisions concerning whether a pupil is counted in a school district's pupil membership count for purposes of State aid, and would delete the definition of "tuition pupil". The bill would take effect July 1, 1996.

MCL 388.1606

Legislative Analyst: L. Arasim

FISCAL IMPACT

The bill would have a fiscal impact on State and local government beginning in FY 1996-97 as described below.

Under the current State School Aid Act, the State payment for a student is based on the foundation allowance of the pupil's district of residence. For students currently in public schools, the State payment would not be changed by the choice provisions of the bill. The open enrollment provisions, however, could attract children currently educated in private or home schools to the public school system. This would increase pupil membership and thus the State cost of funding the foundation allowance appropriation. The appropriation for the foundation allowance is fixed, however, and if expenditures were estimated to exceed the appropriated amount, payments to all districts from the foundation allowance would be subject to proration. Alternatively, a supplemental appropriation could be made to allow full funding of the foundation allowance.

The increase in public school enrollment due to the proposed school choice provisions is unknown; however, the table below shows estimates of the State costs that could be incurred if different percentages of the 194,000 private and home-schooled students enrolled in a public school under choice. The range of estimated costs presented in the table are the potential annualized costs after the first year of implementation based on the estimated Statewide average foundation allowance in FY 1995-96 of \$5,538. The Statewide average foundation allowance used is weighted by pupil membership and capped at \$6,653, the maximum FY 1995-96 State payment per pupil under the foundation allowance.

**Estimated State Costs of Non-Public Pupils Transferring to Public Schools
Potential Annual Costs**

Percentage of Non-Public Pupils Assumed to Transfer into Public Schools	Number of Pupils (% of 194,000)	FY 1995-96 Statewide Average Foundation Allowance	Estimated Potential Annual State Cost of New Enrollment^{a)}
1%	1,940	\$5,538	\$10.7 million
3%	5,820	\$5,538	\$32.2 million
5%	9,700	\$5,538	\$53.7 million
10%	19,400	\$5,538	\$107.4 million

^{a)} Under the current pupil membership procedures, the first year impact would be half of the amounts shown.

Pupil membership is determined currently based on the average of the pupils enrolled and in attendance on the October count day of the school year and the supplemental pupil count from the February count day prior from the school year. A student choosing a new school district in the fall would generate only a 0.5 full-time equivalent (FTE) membership in that district in the first year of enrollment. Similarly, the loss to a district of a student leaving at the start of the school year due to choice would be a 0.5 FTE reduction in the first school year.

The impact of the choice provisions on local school districts would vary based on local circumstances. A local district would lose a foundation allowance for each pupil who left for another district under choice. (Some districts already permit students to leave for other districts under some circumstances, "releasing" the pupil, which allows the student to be counted in the membership of the educating district.) A district that increased pupil membership due to choice would gain a foundation allowance (up to a \$6,653 State payment per pupil in FY 1995-96) for each pupil accepted. Some districts would be able to increase enrollments and revenues due to choice. Other districts might choose to accept few students or might not attract new enrollment; thus, students leaving under choice provisions would not be replaced, reducing the district's pupil membership and revenue under the foundation allowance appropriation. An enrollment increase of 100 FTE pupils in a district with a \$5,538 foundation allowance per pupil would increase local district revenue by \$553,800. The same district with a membership decline of 100 FTEs would lose \$553,800.

Local districts could incur additional expenses in establishing the number of places available for choice and conducting enrollment and random student selection processes; however, these costs are unknown.

Date Completed: 10-10-95

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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.