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**BILL ANALYSIS**

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Senate Bill 819 (as introduced 2-24-16)  
Sponsor: Senator Goeff Hansen  
Committee: Government Operations

Date Completed: 3-8-16

### **CONTENT**

**The bill would amend the State School Aid Act to provide for a "community district" (Detroit Public Schools), by establishing a per-pupil allocation for the district, providing a method of financing its per-pupil allocation, and defining the district as eligible for all of the funding that Detroit Public Schools currently receives. The bill would do the following:**

- Define "community district" as a school district organized under Part 5B of the Revised School Code.**
- Exclude a community district from the definition of "district" in Sections 6(4), 6(6), and 20.**
- Allow a pupil to enroll in a community district without the approval of the district of residence.**
- Provide that a pupil enrolled in a community district would be counted in membership in the community district.**
- Change the definition of "school district of the first class" to refer to a school district described in Section 402 of the Revised School Code, beginning in fiscal year 2016-17.**
- Provide that the calculation of the State portion of a community district's per-pupil allocation (referred to as a "foundation allowance" for traditional districts) would not include school operating taxes (which means that 100% of the district's per-pupil allocation would be supported with funding from the State).**
- Provide that a pupil's district of residence would be considered to be the community district, if the pupil's district of residence were in both a community district and another district (the original/qualifying Detroit Public Schools district).**
- Provide that the per-pupil allocation for a community district would be equal to the foundation allowance of the qualifying school district (Detroit Public Schools).**
- Allow the community district to receive At Risk (Section 31a) funds based on its per-pupil allocation and students enrolled in the community district.**

The bill would be effective only if Senate Bill 710 were enacted into law. Senate Bill 710 would add Part 5B to the Revised School Code to provide for the transfer of a "qualifying school district" (Detroit Public Schools) to a proposed "community district", and provide that the qualifying school district would retain a limited separate identity and its territory would continue as a separate taxing unit for the purpose of repaying outstanding debt until the debt was retired.

Senate Bill 819 would establish a community district as eligible for State School Aid funding. The bill would provide to the community district a per-pupil allocation equal to Detroit Public Schools' foundation allowance, but would replace the portion of Detroit Public Schools' foundation allowance currently supported with 18-mill school operating tax revenue with State funding. Except for Sections 6(4), 6(6), and 20 (which would include specific provisions for a community district), the bill would include a community district in the definition of "district" for all sections of the Act, which would allow the new district to be eligible for any funding for which Detroit Public Schools would have been eligible.

Section 6(4) of the Act provides a definition of pupil "membership". The primary piece of the definition that affects all districts and public school academies provides for the calculation of pupil memberships, with the formula being 90% of the fall count and 10% of the prior-year spring count. However, for a community district, the bill does not provide a method of calculating a *blended* pupil membership, since the bill would exclude a community district from the definition of "district" for the purposes of this section. Instead, under the bill, the membership in the community district would be equal to the enrollment at the community district.

The proposed change in the definition of first-class district to refer to Section 402 of the Revised School Code means that no districts would qualify, since that section has as its threshold 100,000 pupils in membership, and no districts have that level of enrollment at this time. This would make the new community district ineligible to use up to 20% of its At Risk funds for school security (Sec. 31a), would remove from the list of the district's allowable auditors the auditor general of Detroit (Sec. 18), and would allow the new district to enter into contracts in excess of \$15,000 without first obtaining sealed competitive bids (Sec. 166e).

MCL 388.1603 et. al.

### **FISCAL IMPACT**

The bill would increase State costs by approximately \$72.0 million per year for as long as school operating taxes were levied by a qualifying school district, due to the provision in the bill that would replace the 18-mill school operating revenue with State funds in the community district's per-pupil allocation. If the school operating taxes were levied by a qualifying school district for a period of 10 years to pay the estimated \$715.0 million Detroit Public Schools debt and transition costs, then the cost to the State over that time period would be an estimated \$720.0 million, which would vary based on the value of the 18-mill school operating revenue over time and the length of time those mills were levied by the qualifying district.

The proposed change from a blended pupil membership for the current Detroit Public Schools to a nonblended enrollment count would have a fiscal impact on the district, but in an indeterminate amount, which would vary based on the district's enrollment compared to the blend. If more students were enrolled in the community district than would have been calculated under the membership blend formula, then the district would receive more State funding, and there would be a higher cost to the State, or the opposite could occur.

Allowing pupils to enroll in the community district from other districts without the resident district's approval could result in increased enrollment and revenue to the community district, with decreased enrollment and revenue in the other resident districts, similar to schools of choice or public school academies. This would have a net zero cost to the State, but would have an impact on the affected local districts.

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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.