



Olds Plaza Building, 10th Floor
Lansing, Michigan 48909
Phone: 517/373-6466

GOVERNOR'S PLAN; SCHOOL AID

House Bill 5123
Sponsor: Rep. Donald H. Gilmer
Committee: Appropriations

Complete to 10-18-93

A SUMMARY OF HOUSE BILL 5123 AS INTRODUCED 10-12-93

The bill would amend the state school aid act to implement Governor Engler's plan for school finance/education reform. It would make a gross appropriation of \$8.854 billion for the 1994-95 school year from the state school aid fund; there would be no additional general fund appropriation.

Foundation grant. The general school aid membership formula, designed to produce a combined state-local yield per pupil, was set for 1993-94 at \$326 plus \$102.50 per mill of local school operating tax levied. (Districts with enough property wealth behind each pupil to produce the level of the basic formula locally do not receive general membership aid; they are "out-of-formula".) The bill would eliminate the current formula (as well as incentive payments for districts adopting certain graduation requirements, class sizes, foreign language offerings, preparing an annual education report, and adopting school improvement plans and a core curriculum) and replace it with a foundation grant of \$4,500 per pupil for 1994-95 (based on actual enrollment as of four membership count days) for all students in all local school districts. The foundation grant would be adjusted for future fiscal years by the percentage change in the growth of state school aid fund revenue, adjusted by pupil membership changes.

Supplemental membership payment and local option millage. Districts that had combined state and local revenue in 1993-94 of \$4,500 to \$5,500 per pupil would get a supplemental payment so that their total 1994-94 per pupil revenue would be 102 percent of their 1993-94 spending (a 2 percent increase in per pupil revenue). Districts that had combined state and local revenue in 1993-94 of \$5,500 to \$6,500 per pupil would get a supplemental payment so that their total 1994-95 per pupil revenue would be 101 percent of their 1993-94 spending (a 1 percent increase in per pupil revenue). Districts that had combined state and local revenue of more than \$6,500 per pupil in 1993-94 would receive a supplemental payment so that their total 1994-95 per pupil revenue would be \$6,500; those districts would also be allowed to levy school operating taxes at a rate necessary to bring their combined state and local revenue to 101 percent of their 1993-94 revenue (a 1 percent increase in per pupil revenue). For 1995 and succeeding years, the local millage rate would be limited to the number of mills levied in 1994, or a rate necessary to allow combined state and local revenue to increase at the level of inflation. The supplemental payments to districts in the first two categories would remain the same for 1995-96 and subsequent years; the supplemental payments to the highest spending districts would decline as the foundation grant increased.

House Bill 5123 (10-18-93)

Charter public school membership payment. Charter public schools (proposed in House Bill 5124) would receive either \$5,500 per pupil or the per pupil membership allocation for the local school district in which the charter school was located, whichever was less. The bill would also delete the act's existing requirement that a pupil's district of residence "release" the pupil for another district to count that pupil in membership (and receive aid for that student).

Categoricals. Most of the current "categorical" aid provisions would be eliminated; school districts could opt to fund these programs from their general school aid membership allowances. Funding for the following specific programs, among others, would be eliminated: additional allocations for low-income/high millage districts, general student transportation, dropout prevention programs, programs for gifted and talented students, compensatory education programs for low-achieving students, incentive grants for districts achieving improved MEAP scores, nonresidential alternative juvenile rehabilitation programs, ISD vocational-technical education programs, ISD technologically advanced curricula choices ("tec-choices") programs, ISD educational media centers, administration of tax base sharing (which would be repealed under House Bill 5121), ISD residential programs for court-placed students, ISD schools of choice pilot programs, university charter school pilot programs, programs for at-risk limited English proficient junior high students, alternative education programs for school-age parents and expectant parents, staff professional development, math and science center programs, pilot programs for an extended school year, adult education (but see below), ISD and university charter school FICA contribution, and several specific grants to the Detroit school district.

Intermediate school district appropriation and per pupil payment. For 1994-95, each intermediate school district would receive an amount per pupil that was the weighted average of its constituent districts' per pupil membership aid (the foundation grant plus any supplemental membership payment that was applicable to each constituent district). The appropriation for state aid to ISDs would be increased from \$22.95 million to \$50 million. Each district's allocation would be the same percentage of the total as in the previous year. Provisions allocating additional funds for ISDs affected by consolidation, attachment or annexation of territory and reductions in state equalized valuation would be eliminated.

Pupil membership count. The bill would set four membership count days: the first Friday in October, the first Friday in December, the third Friday in February, and the third Friday in April. Membership would be calculated for the current year only, based on enrollments on the four count days. A provision for averaging the current and previous year's membership for purposes of allocating general school aid would be eliminated.

College tuition aid. Current provisions for local school district support for college tuition for qualifying high school students would be modified. Currently, students must be seniors and need five or fewer credits to graduate to qualify for tuition aid. Under the bill, students could qualify for tuition support during their junior or senior year if they had qualified for a state endorsed diploma but had not yet met all local graduation requirements. Current provisions allow for payment of tuition for one college course and payment levels are limited; the bill would allow payment of either the actual charge for tuition and fees, or the unused balance of the pupil's "student education account" (proposed

in House Bill 5126), adjusted for the proportion of the school year that the student attended the local district and the proportion of remaining course work being taken in high school while the student was dually enrolled. If the student's account did not have enough money to pay the tuition and fees, the district would only have to pay for the one, lowest cost course, up to a maximum of \$50.

School readiness programs. The bill would increase, from \$27.5647 million to \$60 million, the appropriation for early childhood school readiness programs for "at risk" four-year-olds, and would increase the per child allocation from \$2,500 to \$3,000. The bill would enhance the role of the teacher/parent advisory committee and require that a majority of committee members be parents. The bill would also require that the majority of the children participating in school readiness programs be from families that meet the income guidelines for the federal free school lunch program.

Special education. Funding for special education would be increased from \$185.355 million to \$243.355 million. Of that amount, \$77 million would be allocated to intermediate school districts. As at present, special education would be funded on an "added cost" basis; the bill would change the calculation of added costs to reflect the proposed intermediate district "weighted average allocation" for counting ISD membership. Intermediate district special education millage reimbursement funding would continue.

Special education transportation would be funded up to \$25.405 million, based on a per-pupil allowance following the current formula for general student transportation. (The general transportation categorical would be eliminated.)

Minimum days/hours of instruction. The bill would require local and intermediate school districts to provide a minimum of 180 days and 990 hours of instruction (instead of 180 days and 900 hours).

Adult education/workforce readiness. The current categorical funding for adult education programs (allocated \$285 million for 1993-94) would be eliminated. The bill would allocate \$155 million for 1994-95 to be awarded by the governor's workforce commission in the form of workforce readiness grants, economic development job training grants, and a JOBS grant program (including the EDGE program). "Workforce readiness grants" would be for programs that prepare adults to complete an adult basic education test, the general educational development (GED) test, or the test requirements for high school completion and a state endorsed diploma.

Retirement. The bill would eliminate the state's contribution to the Public School Employee Retirement System, and specify that local and intermediate school districts would pay the entire annual level percentage of payroll contribution rate, which would be assumed to be 14.07 percent for 1994-95. (For 1993-94, the overall rate was 13.06 percent; the local and ISD share was 5 percent.)

Competitive bidding. The bill would require school districts to solicit sealed competitive bids for all "noninstructional services" costing \$5,000 or more (such items as transportation, food services, janitorial and building maintenance services, data processing,

accounting and clerical services). Bids would have to be sought from intermediate school districts, other local districts or consortia of districts, current employees proposing to provide the service independently, and private sector vendors. In addition to soliciting bids, a district would have to prepare an analysis of the costs of providing the service itself, with its own employees and equipment, and provide a public explanation for deciding to accept a bid for a service or for deciding to provide the service itself.

Repealed sections. The bill would repeal most sections of the act that provide "categorical" funding for specific programs (see above), as well as sections containing provisions related to the current school aid membership formula and adjustments to it, sections relating to administration of school operating property tax levies, and various reporting and administrative requirements for school districts.