



Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 574 (Substitute S-3 as passed by the Senate)
Sponsor: Senator Dave Hildenbrand
Committee: Education

Date Completed: 10-24-17

RATIONALE

Under the Revised School Code, a regional enhancement property tax may be levied by an intermediate school district at a rate of up to three mills to enhance other State and local funding for local school district operations if approved by a majority of the intermediate school electors voting on the question. The revenue is distributed by the intermediate school district (ISD) to constituent districts within the ISD. Because only traditional public schools are considered constituent districts, public school academies (charter schools) are precluded from receiving the enhancement revenue. There is concern that this puts public school academies at a disadvantage and creates an inequality among the students within the ISD. Some believe that allowing public school academies to receive money from regional enhancement property taxes would mitigate this disparity.

CONTENT

The bill would amend the Revised School Code to allow the payment of regional enhancement property tax revenue to a public school academy.

Specifically, the bill provides that a regional enhancement property tax could be levied to enhance other State and local funding for school district or public school academy operations if approved by a majority of the intermediate school electors voting on the question. A public school academy that received revenue from a regional enhancement property tax would be required to use the money only for expenditures that directly benefitted a school operated by the public school academy that was located within the ISD in which the regional enhancement property tax was approved.

Currently, if a resolution requesting that the question of a regional enhancement property tax be submitted to the voters is adopted within a 180-day period and transmitted to the intermediate school board by one or more boards of its constituent districts representing a majority of the combined membership of the constituent districts and if those resolutions all contain an identical specified number of mills to be levied and an identical specified number of years for which the tax will be levied, the question of levying a regional enhancement property tax by the intermediate school district must be placed on the ballot by the ISD at the next regular school election held in each of the constituent districts (except as provided for submitting the question at a special election).

Under the bill, if a resolution requesting that the question of a regional enhancement property tax submitted to the voters were adopted within a 180-day period and transmitted to the intermediate school board by one or more boards or boards of directors of its constituent districts representing a majority of the combined membership of the constituent districts and if those resolutions all contained an identical specified number of mills to be levied and an identical specified number of years for which the tax would be levied, the question of levying a regional enhancement property tax by the intermediate school district would have to be placed on the ballot by the ISD at the next regular school election held in each of the constituent districts that are school districts.

For these purposes, a public school academy would be considered to be a single constituent district of an intermediate school district if the public school academy's administrative offices were located within that ISD and the academy operated one or more schools that each were located entirely within the ISD. A public school academy that was a school of excellence operating as a cyber school would be considered a constituent district of an intermediate school district only if the administrative office of the cyber school were located within the ISD and at least 50% of the students enrolled in the school resided within the ISD. In order to be considered a constituent district of an ISD, a public school academy described in these provisions would have to have been issued a contract by the applicable authorizing body before the resolution requesting that the question of a regional enhancement property tax be submitted to the voters was adopted and transmitted to the ISD.

The bill would take effect 90 days after its enactment.

MCL 380.705

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

One key to attracting families and businesses to Michigan is building strong school systems. Strengthening Michigan's schools will bolster the State's future workforce and help develop a strong talent pipeline within the State. Charter schools are a growing part of the educational system in Michigan and contribute to the strength of its communities by providing students with many unique educational opportunities that traditional public schools cannot reproduce.

In Kent Intermediate School District, for example, more than 14,000 students attend public school academies. A recent millage placed before the voters in that ISD will generate approximately \$20.0 million over the next 10 years for schools there. If the bill had already been enacted, it could have allowed all students in Kent ISD, rather than just those who attend traditional public schools, to benefit from that money. More than 73,000 students across the State attend public school academies in six different ISDs that currently impose enhancement millages on taxpayers. Including charter schools in millage revenue would only be fair to the students who attend them. Because many millage information sheets declare that money from millages will be distributed on a per-student basis without explicitly stating that charter schools are excluded, many taxpayers who vote for millages already believe that the money they generate is going to charter school students.

Response: It should be clarified that the bill would apply prospectively only. In districts where the voters already have approved enhancement millage, requiring the revenue to be shared with public school academies could be seen as a change in purpose. An approved millage may be used only for the purposes stated at the time of the election. Furthermore, the bill also would apply to approved millage renewals; however, if a renewal applied to public school academies and the original did not, this would constitute a change in the way the money was disbursed. Therefore, new millage language should be required.

Opposing Argument

Traditional public schools are already disadvantaged by many costs, accountability standards, and performance standards that public school academies do not face. Regional enhancement property taxes allow districts to put more money into the classroom, offsetting money required for retirement contribution payments, student transportation costs, and special education costs. Allowing public school academies to benefit from millages while not requiring them to provide the same services to students and taxpayers would exacerbate this inequality and take funding away from the valuable services that other schools provide.

In addition, resolution to levy a regional enhancement property tax must be approved at a public board meeting before it can be placed on the ballot. This approval ensures that the resolution will receive public input by the local districts and parents in the community. Intermediate school districts hold constituent schools accountable to ensure that money from a millage is used as it was intended. In order to receive money from a millage, public school academies should be required to hold similar public meetings and should be held accountable in a similar way. The bill, however, includes no such requirements.

Legislative Analyst: Nathan Leaman

FISCAL IMPACT

The bill would have no fiscal impact on State government. However, it would affect the distribution of enhancement millage revenue to school districts. Under current law, public school academies (PSAs) do not share in the revenue raised by an enhancement millage levied by an intermediate school district; only the local school districts that are constituents of the ISD share in the revenue. Under the bill, PSAs operating entirely within (or a cyber school whose the administrative office was located in) an ISD levying an enhancement millage also would share in the revenue raised, as long as they had been issued a contract by an authorizing body before the resolution requesting that the question of a regional enhancement millage was adopted and transmitted to the ISD. Revenue raised by an enhancement millage is distributed on an equal per-pupil basis; adding PSAs would reduce the existing per-pupil payment that would otherwise be paid to local districts, while newly providing enhancement millage revenue to those PSAs.

There is some question as to when these payments would be made and/or adjusted. If the bill were enacted, it is possible that eligible PSAs would receive funding from the next distribution of existing enhancement millage revenue within a particular ISD. Alternatively, it is possible that eligible PSAs would not receive funding until an existing millage was renewed or until a new enhancement millage was approved. (Enhancement mills are levied in July or December.) The bill does not specify an implementation date.

There are five ISDs currently levying enhancement millage: Kalamazoo (1.5 mills), Midland (1.5 mills), Monroe (0.9866 mill), Muskegon (1 mill), and Wayne (2 mills). In addition, Kent recently approved a 0.9 mill enhancement millage. Using data from the August 2017 State aid payment file, along with the February 2017 pupil count file, and assuming that the PSAs listed within an ISD are operating entirely within the ISD as required by the bill, and excluding PSAs likely not authorized at the presumed time of the resolution, the information in Table 1 provides estimates of existing per-pupil enhancement millage payments (where PSAs do not receive the payments) along with possible payments that could occur if the bill were enacted.

Table 1

Estimates of Current Per-Pupil Enhancement Millage Revenue Payments and Estimates of Possible* Per-Pupil Payments under S.B. 574 (S-3)		
Intermediate School District	Est. Current Per-Pupil	Est. Possible* Per-Pupil
Kalamazoo	\$325	\$319
Kent.....	\$212	\$183
Midland.....	\$426	\$409
Monroe	\$275	\$274
Muskegon	\$163	\$150
Wayne.....	\$376	\$287

*Analysis uses data from 2017 to calculate per-pupil amounts, and reflects a potential determination that existing enhancement millage revenue could be distributed to eligible PSAs. If a determination were made that PSAs would not be considered constituent districts until a renewal of an existing enhancement millage, or until approval of a new millage, then there would be no change in per-pupil payments to local constituent districts until that time.

Fiscal Analyst: Kathryn Summers

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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.