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BILL ANALYSIS

Senate Fiscal Agency

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Senate Bill 42

Sponsor: Senator John J. H. Schwarz, M.D.

Committee: Education and Mental Health

Date Completed: 3-1-89

SUMMARY OF SENATE BILL 42 as introduced 1-11-89:

The bill would amend the State School Aid Act to establish the fourth Friday in April of each school year as a second per-pupil membership count day, in addition to the fourth Friday following Labor Day as currently designated in the Act, for purposes of allocating State school aid funds.

Beginning with the 1988-89 fiscal year, the August payment to each district and intermediate district would have to be adjusted, if appropriate, to reflect a yearly membership based on the sum of .87 times the fall membership, plus .13 times the spring membership.

If a district superintendent failed to file a sworn and certified copy of the district's enrollment by the third Friday following the spring pupil membership count day or pursuant to rules promulgated by the State Board of Education, State aid due to be distributed on August 1 would have to be withheld from the defaulting district.

The Act currently outlines a similar withholding process, but only for the current pupil membership count day (the fourth Friday following Labor Day). That process would remain under the bill, but would apply only to the current count day, which would be considered the "fall" per-pupil membership count day under the bill.

MCL 388.1606 et al.

Legislative Analyst: L. Arasim

FISCAL IMPACT

Senate Bill 42 would generally reduce State general membership aid for in-formula school districts that have dropout rates in excess of the average for in-formula districts. Specifically, for a fixed amount of State general membership aid, in-formula districts with below-average dropout rates would benefit from a second count and those with an above-average rate would receive less State aid than they would with a single fall count date. However, since the April count would be assigned the relatively low weight of 13% in computing district membership, the

gains and losses in membership aid imposed on the districts would generally amount to less than 1% of total district membership aid (examples attached).

A second count date also would provide the same relatively small adjustment in district membership aid in cases of mid-year transfers of pupils across school districts.

Local district membership aid initially would be adjusted for a second count in the August 1989 school aid payment, which is the last payment of the State's 1988-89 fiscal year and the first payment of the local districts' 1989-90 fiscal year.

The bill also would have an indeterminate fiscal impact on the State in the form of increased uncertainty in the projected cost of the general membership formula for the current year. For a fixed amount of general membership aid, a decrease in projected membership for the coming fiscal year due to the second count would result in a proportionate increase in per-pupil membership aid. If the State underestimated total district membership and established a correspondingly high per-pupil State aid guarantee in the membership formula, actual formula cost would exceed the statutory estimate and this "excess" cost would be paid from the State's General Fund. Alternatively, an overestimate of membership would result in total formula payments below the projected level and a consequent GF/GP savings. Since the FY 1988-89 membership formula was enacted on the basis of a single count, which would likely exceed any membership estimate made on the basis of two counts, the bill would result in an indeterminate State savings in GF/GP if the membership formula remains unchanged.

Fiscal Analyst: M. Addonizio

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