

A SUMMARY OF THE GOVERNOR'S PLAN TO REFORM PUBLIC ELEMENTARY AND SECONDARY EDUCATION IN MICHIGAN

On October 5, 1993, the Governor submitted to the state Legislature a plan to restructure the public school system in Michigan. The proposed plan consists of both constitutional and statutory changes involving: education program reform, revenue changes, and changes in allocation of revenues among school districts. The major features are summarized below.

Proposed Constitutional Changes

- The state sales and use taxes would be increased from four to six cents.
- A statewide property tax of up to 16 mills would be imposed upon non-homestead property.
- School operating property taxes would be eliminated for local and intermediate school districts, except K-12 districts spending over \$6,500 in 1993-94 could levy sufficient voter approved local millage to "hold themselves harmless" (plus one percent) and intermediate districts could continue to levy existing voter approved millages for special education.
- The 15 or 18 mill limitations would be decreased by the millage previously levied by school districts and the overall 50 mill limitation would be further decreased by the extra-voted millage previously authorized for school districts.
- Units of local government (other than school districts) would be authorized to levy, without voter approval, the following additional millage to replace state revenue sharing: counties, two mills; cities, six mills; villages, two mills; and townships, three mills. Millage remaining after any outstanding tax increment finance authority bond obligation had been paid and revenue sharing had been replaced could be used for transportation or economic development.
- The state board of education would be increased to 12 members. Nine would be elected from separate regions and three members and the superintendent of public instruction would be appointed by the governor.
- County equalization would replace state equalization.
- The amendment would earmark to the state school aid fund all new tax revenues raised under the plans net lottery revenues, and 38.5 percent of existing income tax revenues.

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In addition to the proposed constitutional changes there are a number of statutory changes recommended in the Governor's plan.

School Program Reform

- Both inter- and intra-district school choice would be authorized, but school districts could decide to not admit nonresidents.
- Charter schools created by any public body would be authorized.
- A student education account would be established for each public student. Annual deposits of a state grant and of any local tax revenue would be made on behalf of students and withdrawals made to cover annual educational costs. Any balance could be used to defray the cost of additional public education, including post-secondary education.
- Dollars received by a resident district would be available to a student for use in another district or in a charter school.
- A state endorsed high school diploma would be required by 2001.
- A governors report card would be issued, beginning in 1993, to provide parents with reliable information concerning the quality of individual schools.
- Preschool programs would be expanded.
- Teachers could not be required to pay "agency shop" dues. The scope of items subject to bargaining would be reduced.
- School building councils would be created and by 1997 would begin to assume control of a portion of the basic foundation grant.
- A boundary commission would be created to develop a plan for reorganizing regional services provided by intermediate school districts, community colleges, and state service regions to provide more effective services, subject to legislative disapproval.

Allocation Changes (See Table 1)

- In 1994-95, a minimum per pupil state basic foundation grant of \$4,500 would be established. The state grant could be as much as \$6,500 depending on current spending levels. Districts spending between \$4,500 and \$5,500 per pupil in 1993-94 would receive a two percent per pupil increase, and districts between \$5,501 and \$6,500 would receive a one percent per pupil increase. Under the constitutional provision districts spending over \$6,500 in 1993-94 could levy previously authorized mills to increase spending by one percent in 1994-95.
- The basic foundation grant would include all state funds, except special education, adult education and early childhood education.
- Future increases in the basic \$4,500 foundation grant would be indexed to increases in school aid fund revenues. Those districts levying a local property tax would be limited to an inflationary increase.

Revenue Changes (See Table 2)

- The sales and use taxes would be increased by two cents (constitutional).
- A statewide 16 mill property tax would be imposed on non-homestead property (constitutional).
- A real estate transfer tax would be imposed on residential and agricultural property, generating approximately \$479 million.
- The rate of the single business tax would be increased by half a percentage point, generating approximately \$419 million.
- The rates of the cigarette tax and other tobacco taxes would be increased, generating approximately \$350 million.
- Various tax credits would be reduced or eliminated, generating a net revenue increase of \$910 million.
- State revenue sharing to units of local government of approximately \$409 million would be redirected to school aid.
- A local property tax, for special education, would be authorized for intermediate school districts, generating \$383 million.
- A local property tax would be authorized, with voter approval, for local school districts that spend more than \$6,500 per pupil in 1993-94, generating approximately \$190 million.

Table 1

**EFFECT OF GOVERNOR'S PER PUPIL ALLOCATION
PROPOSAL ON SELECTED DISTRICTS***

School District	Estimated Revenue Per Pupil			Local Millage**
	1993-94	1994-95	Increase	
Alpena	\$ 3,975	\$ 4,500	\$ 525	
Bloomfield Hills	10,938	11,047	109	11.3
Detroit	5,488	5,598	110	
Flint	5,640	5,696	56	
Grand Rapids	5,210	5,314	104	
Grosse Pointe	8,229	8,312	83	7.2
Kalamazoo	5,311	5,418	107	
Kalkaska	3,768	4,500	732	
Lansing	5,457	5,566	109	
Marquette	4,107	4,500	393	
Traverse City	4,488	4,577	89	
Utica	5,340	4,446	106	
Warren Consolidated	7,246	7,319	73	4.0

Source: Michigan Department of Treasury. *Includes all state school aid for both years minus special education, adult education, and preschool. The 1993-94 figures include local property tax revenue; the 1994-95 figures are state funds except as noted. **Millage necessary to achieve the one percent per pupil increase.

Table 2

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**GOVERNOR'S PROPOSED REVENUES FOR SCHOOL OPERATIONS, 1994-95
(IN MILLIONS)**

State Tax Changes		
Sales and Use Tax Rate Increase	\$1,830	
Non-Homestead Property Tax	1,202	
Real Estate Transfer Tax	479	
Single Business Tax Rate Increase	419	
Cigarette and Other Tobacco Taxes	<u>350</u>	
Subtotal		\$4,280
State Tax Credit Changes		
Homestead Credit Reduction	\$850	
Elimination of Remaining Homestead Credits	203	
Senior Citizen Credit	(120)	
Elimination of Pension Marriage Penalty	<u>(23)</u>	
Subtotal		910
State Revenue Sharing Changes		
Eliminate Statutory Revenue Sharing	<u>\$ 409</u>	
Subtotal		\$ 409
Existing K-12 Revenues		
State School Aid Fund	\$2,412	
State General Fund	843	
Intermediate School District Property Tax	383	
Local School District Property Tax	190	
Local School District Specific Tax	<u>29</u>	
Subtotal		<u>\$3,857</u>
GRAND TOTAL		\$9,456