

# REVISIONS TO CHARTER SCHOOL LAW



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## FISCAL ANALYSIS

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### HOUSE BILL 4800 SUBSTITUTE H-4 DRAFT 3

**Sponsor:** Rep. Wayne Kuipers

**House Committee:** Education

### REVISED COMMITTEE ANALYSIS - 4/29/02

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### SUMMARY

The current cap on the number of public school academies (PSAs) that may be chartered by public universities is 150 schools, a cap that was reached in the fall of 2000. HB 4800 (H-4) would raise the cap on university-chartered schools by 130 schools from CY 2002 to CY 2007 and by an additional 100 from CY 2008 to CY 2017, as shown below. The bill would create a new category of schools called "special purpose" PSAs, in which at least 50 percent of the students would meet certain at-risk eligibility requirements.

Number of Additional PSAs Allowed Under HB 4800 (H-4)				
Calendar Year	Non-Special Purpose PSAs	Special Purpose PSAs	Total New PSAs Per Year	Cumulative New PSAs
2002	5 in 2002	0	5	5
2003 to 2007	10 per year	15 per year	25	125
2008 to 2017	0	10 per year	10	100
<b>Total, 2002-2017</b>	55	175		<b>230</b>

### Assumptions

The average size of a new public school academy is estimated to be 250 students, and it is assumed that schools will open in the fall, so that, for example, schools opening in CY 2002 would receive a FY 2003 foundation allowance. It is also assumed that the cap will be reached each year. While it is unknown how many new PSA students would transfer from non-public schools, it could reasonably be assumed that between 20% and 40% would transfer from nonpublic or home schools or, in the case of kindergarten students, would have otherwise enrolled in a nonpublic school. (To the extent that larger percentages transfer from nonpublic schools, the estimate of state costs will be low.) It is assumed that the remaining 60% to 80% of students in new PSAs would transfer from existing public schools, creating no additional cost to the state, but creating a local fiscal impact to the school districts.

**Fiscal Impact**

If these assumptions hold true, there would be approximately 250 to 500 additional students in the public school system enrolling in new PSAs in CY 2002 (FY 2003). Multiplying these new enrollments by the FY 2003 PSA maximum foundation allowance of \$7,000 gives an additional state cost of \$1.8 million to \$3.5 million. (The PSAs foundation is the lower of either the maximum PSA foundation allowance or the foundation allowance of the district in which they are located, which could be as low as \$6,700 in FY 2003. To the extent that the new PSAs have lower foundation allowances than \$7,000, the estimated state cost could be high.) There would also be a subsequent revenue loss to the local school districts from which the 60% to 80% of public school students transferred of between approximately \$5.3 million and \$7.0 million.

The cost in future years will depend on the level of the foundation allowance, which is set annually by the legislature. Assuming that the foundation allowance would increase by 3.1% in FY 2004 (the same percent increase as in FY 2003), the cost of the additional 25 schools in FY 2004 plus the ongoing cost of the schools created in FY 2003 would be \$10.8 million if 20% transfer from nonpublic schools and \$21.6 million if 40% transfer. There would also be a subsequent revenue loss to the local school districts from which the 60% to 80% of new PSA students transferred of between approximately \$32.5 million and \$43.3 million. A similar impact would be realized annually through FY 2008 (CY 2007) due to the creation of new schools and continuing support of schools already created under the higher cap. Beginning in FY 2009 through FY 2018, the additional annual cost would be reduced, as the limit is increased by 10 school annually rather than 25 schools.