



AN ANALYSIS OF THE KIDS FIRST! YES! INITIATIVE PETITION UPDATE

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The analysis that follows is an update to portions of the November 1999 Senate Fiscal Agency Issue Paper, An Analysis of the Kids First! Yes! Initiative Petition. Since the publication of this paper last year, the Fiscal Year 1998-99 calculated graduation rates were released by the Michigan Department of Education. These newer data reveal seven public school districts with graduation rates below two thirds; the previous analysis was based upon data in which 33 districts had graduation rates below two thirds (the criterion established by this ballot proposal to trigger the mandate that vouchers be made available to resident pupils). For further detail on the entire proposal, please refer to the original publication or a document entitled, November 2000 Ballot Proposal 1: An Overview.

PART II: FISCAL IMPLICATIONS

The **Kids First! Yes!** proposal to amend the Constitution has many fiscal implications for the State and for local school districts. What follows below is an **updated** cost estimate of the voucher portion of the measure. The amendment does offer more possibilities for indirect aid beyond the voucher program for school choice in certain districts. As discussed above in the **Implications** of Paragraph 2 of Article VIII, Sec. 2, the removal of the prohibition against indirect aid to nonpublic education agencies would allow for other types of assistance to families with children currently enrolled in private schools. However, since other activities beyond the voucher program would not be required by the proposal, cost estimates provided here are only for the voucher system for initially-qualifying districts. This analysis does not attempt to predict how many additional districts would choose to participate in the school choice voucher program, either through a vote of the school board or via a general election.

ASSUMPTIONS

Qualifying Districts and Graduation Rates

The **Kids First! Yes!** proposed amendments specify that vouchers would have to be made available to K-12 pupils who reside in a "qualifying district". For purposes of this amendment, a "qualifying district" is one whose four-year graduation rate calculated for Fiscal Year (FY) 1998-99 is less than two thirds.

In order to calculate four-year graduation rates, the Department of Education collects enrollment and transfer data and applies a formula. For a given year, the four-year graduation rate is calculated by multiplying together the retention rate of each grade (9-12). Retention rates are calculated by comparing the actual enrollment of each grade to the adjusted enrollment, which is the enrollment from the previous year adjusted by transfers into and out of the district, pupils retained in a grade, and pupils who graduated.

If each pupil is accounted for, then the retention rate will be 100%; if the actual enrollment is less than the "expected" or adjusted enrollment, then some pupils are unaccounted for (dropouts) and the

retention rate mirrors the percentage of those pupils remaining in school. One caution with this method of calculating graduation/retention rates is that districts that do better jobs of tracking and reporting transfers into and out of their district will probably have higher calculated rates than those that do not, all else being equal. If districts do not monitor this activity closely, their rates may not accurately reflect true graduation rates.

This **updated** analysis is based upon the FY 1998-99 published graduation rates. Table 1 below illustrates the schools with FY 1998-99 graduation rates below two-thirds.

Table 1

FY 1998-99 QUALIFYING DISTRICTS		
<u>District Code</u>	<u>District Name</u>	<u>FY 1998-99 Calculated Graduation Rate</u>
16070	Mackinaw City Public Schools	54.45
56030	Coleman Community School District	52.30
61120	Holton Public Schools	54.39
69040	Vanderbilt Area School	60.61
73080	Buena Vista School District	51.77
82010	Detroit City School District	46.06
82080	Inkster City School District	20.57

Source: Michigan Department of Education

Value of the Voucher

The proposed Constitutional amendment will be placed before the voters in November 2000. If the measure were adopted, it is reasonable to conclude that the voucher program would be implemented for the 2001-02 school year. The amendment states that the maximum value of the voucher would be based upon the previous fiscal year's average per-pupil State and local operating revenue for operating purposes or actual tuition. For purposes of this analysis, it is assumed that the maximum 2001-02 value of the voucher would be one-half of the average FY 2000-01 foundation allowance (the year prior to 2001-02). Public Act 297 of 2000 increased the established FY 2000-01 foundation allowances. The estimated maximum value of a 2001-02 voucher using enacted foundation allowances is \$3,218 (one-half of the average FY 2000-01 foundation allowance of \$6,436).

The Department of Education provided data that matched up the geographical location of private schools with their corresponding public school district boundaries, and enrollment in each private school. The data included only those private schools that report to the Department. This analysis then linked the seven qualifying districts with the private schools located within their district lines. This was done to approximate the number of resident pupils already attending private schools.

The total number of full-time public school students attending the seven qualifying districts in FY 1998-99 was 180,005. The total number of known private school students whose schools are located within the qualifying districts' boundaries was 13,110. This analysis also matched up those home-schooled students who reported to the Department with the intermediate school district boundary in which they reside. From there, the home-schooled students were assigned to school districts based on school district enrollment. The total number of home-schooled students residing in qualifying districts is estimated at 333.

COST ESTIMATE

Based upon the assumptions and data as outlined above, the estimate of the cost of the voucher proposal to the State ranges from \$22.9 million to \$42.7 million (see Table 2 below). The lower number (\$22.9 million) assumes a 3% migration of public school pupils to private schools, meaning that 3% of the 180,005 eligible pupils (5,400) would transfer to non-public educating agencies. The 3% migration would yield a savings to the State of \$19.8 million or an average \$3,667 per migrated pupil, which would offset some of the costs of paying for tuition vouchers to resident pupils already in private schools. That would occur because the State would be paying the voucher amount of \$3,218 rather than the district's foundation allowance. Further, this assumes that all 13,110 private school students plus 50% of the home-schooled students (167) would request and be able to redeem vouchers.

The higher cost (\$42.7 million) assumes 0% migration of public school students and payment of vouchers to all 13,110 pupils residing in qualified districts and currently attending private schools, plus 50% of the currently home-schooled students (167) who are assumed to transfer to private schools.

Table 2

STATE FISCAL IMPACT OF VOUCHER PROPOSAL (in millions)			
<u>Assumption</u>	<u>Private and Home-Schooled Student Cost</u>	<u>Public Student Cost (Savings)</u>	<u>Total Cost</u>
0% Public Migration	\$42.7	\$0	\$42.7
3% Public Migration	\$42.7	(\$19.8)	\$22.9

The cost to the local districts would depend upon the number of pupils leaving the districts through migration to private schools. For each pupil who redeemed a voucher and attended a private school, the public school that pupil attended would lose an amount equal to the district's foundation allowance.

For example, if 3% of Detroit Public Schools' FY 1998-99 enrollment of 173,557 (equal to 5,207) migrated to private schools, the cost to Detroit Schools would be \$35.8 million, based on its FY 2001-02 foundation allowance. The estimated total cost to all seven qualifying local school districts would range from \$0 (if no pupils migrated to private schools using vouchers) to \$37.2 million (if 3% of the districts' enrollment transferred out of the districts).