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SFA**BILL ANALYSIS**

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House Bill 5998 (Substitute S-5 as reported by the Committee of the Whole)

Sponsor: Representative Patricia Birkholz

House Committee: Appropriations

Senate Committee: Appropriations

CONTENT

The Community College Act provides for the creation of community college districts and allows the districts to be organized generally in one of three ways--according to the boundaries of a school district, an intermediate school district (ISD), or a county. There are currently four colleges organized by school district, 12 by ISD, and 12 by county boundaries. The Act allows community colleges to expand their districts through annexation of contiguous territory. Given that community colleges also are authorized to levy and collect property taxes for operation, voters in the area proposed for expansion must approve of the annexation. Under current law, however, annexation is essentially limited to districts of similar organization, e.g., a district organized by ISD may annex a contiguous ISD or a contiguous school district, but may not annex a contiguous county.

House Bill 5998 (S-1) would amend the Community College Act to allow a community college to annex any contiguous county, school district or intermediate school district not already included in the community college district, upon approval of the voters in the new district regardless of its current organization. Therefore, the bill would enable those college districts organized by ISD that may want to annex a contiguous county to avoid the potentially cumbersome, costly, and time-consuming process of annexing each individual ISD in the county one by one in order to ensure that each new election meets the "contiguous" annexation and similar organization requirements. Similarly, college districts organized by county or school district boundaries could annex contiguous ISDs, school districts, or counties. The bill also would allow an individual school district to opt out of county annexation if the district is not part of an ISD that has at least 80% of its territory in the county to be annexed, or if the board of education of that school district adopted a resolution electing to be excluded from annexation. In addition, ISDs along with contiguous local school districts could be annexed at the same time, with local school district approval.

While the bill would apply to all community colleges, the bill specifically would assist Kalamazoo Valley Community College (organized by ISD), which has been in negotiations with representatives of Allegan County (a contiguous county northwest of the current district) to provide full community college services in the county. Under current law, however, in order for Kalamazoo Valley Community College (KVCC) to annex Allegan County, separate elections in each of the several ISDs or local school districts would need to be held. Also, while KVCC may be the particular beneficiary of the proposed legislation, given that nearly 50% of the State's geographic area is not part of any community college district, it is conceivable that other colleges organized by ISD also would want to expand their territories under the proposed legislation in the future.

MCL 389.54 et al.

FISCAL IMPACT

State appropriations for Michigan community colleges are typically allocated either through a formula (the Gast-Mathieu fairness in funding formula) or through equal percentage increases for each college ("across-the-board" increases), or by some combination of both methods. The overall funding level for the entire community college system, however, is usually set by legislative leadership and is capped by a certain

dollar, or percentage increase, with the Legislature distributing the increase to each college by one of the methods described above.

The Gast-Mathieu formula incorporates a number of cost and revenue factors, including enrollments, course taxonomy, local property tax effort and value, physical plant needs, tuition, and others. The formula, therefore, is responsive to changes in enrollments and tax base that would likely result from an annexation effort. While it is difficult to predict the actual impact on the formula of an annexation effort, overall State appropriations for operations would likely not change, as changes in the formula factors under the recent legislative allocation process, would tend to result in a redistribution of the existing appropriation, rather than a change in the total appropriation. It is reasonable to assume, however, that an annexation effort may result in a request for additional capital outlay funds for the construction or renovation of appropriate teaching and support space that may be needed in the newly annexed area.

Finally, the college may lose some tuition revenue through annexation, as previous out-of-district tuition students who would have paid higher tuition, now become in-district tuition students paying a lower tuition. This tuition revenue loss may be offset, however, by an increase in enrollment due to the lower in-district tuition level. In addition, the 2000 estimated taxable value of property in Allegan County is \$2.6 billion. Since KVCC currently levies 2.4102 mills for operation, the college would see an increase in property tax revenue of approximately \$6.2 million.

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