

Legislative Analysis



This revised summary replaces the summary dated 3-14-03.

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SEPARATION FROM COMMUNITY COLLEGE DISTRICT

House Bill 4228

Sponsor: Rep. Edward Gaffney

Committee: Higher Education

Complete to 6-23-04

A REVISED SUMMARY OF HOUSE BILL 4228 AS INTRODUCED 2-13-03

The bill would amend the Community College Act to permit a school district, city, village, or township to separate from a community college district by a majority vote of its electors. The question of separation could be placed on the ballot by resolution of the appropriate governing body or by petition signed by not less than 500 electors of the district, city, village, or township. The separation would be effective on the date of the election or on the date specified in the resolution or petition, whichever was later.

If a local jurisdiction separated from the community college district, its territory would no longer be subject to operating taxes levied by the district as of the next succeeding tax year after the effective date of the separation. However, the jurisdiction's territory would remain as a separate assessing unit for the purpose of any outstanding bonded indebtedness of the community college district until it was retired or refunded. If the community college owned property within the territory of the local unit that was separating, the local unit would have to purchase the real property and any fixtures within six months after the separation, if so requested by the community college district. The purchase would have to be made at fair market value; any dispute over fair market value could be appealed to the state board of education.

The bill would amend four sections of the act in essentially the same way, each section dealing with a different kind of community college district: one composed of counties; one composed of school districts; one composed of intermediate school districts; and one composed of an intermediate school district with a population of more than 1.5 million.

MCL 389.22 et al.

FISCAL ANALYSIS:

The bill would have an indeterminate fiscal impact on community colleges, depending on the number of local jurisdictions that separated from community college districts under the bill's provisions. To the extent that a local jurisdiction did so, there would be a reduction in property tax revenue to the affected community college district. The impact of such action on tuition revenue is unclear; tuition revenue could increase from students

within the separating local jurisdiction who would continue enrollment at the higher out-of-district tuition rate, while tuition revenue could decrease if such students discontinued enrollment--which would also reduce community college expenditures. The reduction in property tax revenue would almost certainly be substantially greater than any increase in tuition revenue or reduction in expenditures.

As background, the 28 public community colleges in Michigan received 40.5 percent of their \$1.1 billion in total general fund revenue from property taxes in fiscal year (FY) 2002-03. Additional revenue is received by the colleges from tuition and fees (28.8 percent), state aid (27.8 percent), and various other sources (2.9 percent). The percentage contribution to total revenue from these sources varies considerably among the 28 colleges. For example, property tax revenue constituted 13.6 percent of total revenue for Gogebic Community College in FY 2002-03, compared to 64.2 percent of total revenue for Wayne County Community College.

The bill would have no direct fiscal impact on state government.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.