

ADD FLINT TO MICHIGAN'S PROMISE ZONES

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Senate Bill 98 (passed by the Senate w/o amendment)

Sponsor: Sen. Jim Ananich

House Committee: Education Reform

Senate Committee: Government Operations

Complete to 6-4-17

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

Senate Bill 98 would amend the Michigan Promise Zone Authority Act (MCL 390.1664) to allow for the creation of an 11th promise zone, in addition to the existing 10. The criteria for the 11th zone are strictly tailored to include only the city of Flint as an eligible entity.

Beginning in 2008, the Promise Zone Act allowed communities to establish economic development "promise zones," and accompanying "promise zone development plans" to ensure financial assistance for postsecondary education to high school graduates who both live and go to school within the zone's boundaries.

In order to be eligible to apply to the Michigan Department of Treasury for certification as a promise zone, communities had to have a percentage of children under age 18 living at or below the federal poverty level greater than or equal to the state average. The maximum number of promise zones in the state was capped at 10. Currently, the ten spots allowed for promise zones are filled by the following communities:

Baldwin Community Schools	Lansing School District
Battle Creek Public Schools	Muskegon Area ISD
Benton Harbor Area Schools	Newaygo ISD
City of Detroit	School District of the City of Pontiac
School District of the City of Hazel Park	Saginaw School District

The bill proposes to allow an eleventh promise zone, which is described in such a manner as to designate only the city of Flint:

- The city must have a population of more than 80,000 and less than 120,000 according to the most recent decennial census.¹
- The city must be one in which a declaration of emergency was issued for drinking water contamination within the immediately preceding three years. [The only community which fits this criterion is the city of Flint, with a state declaration of emergency on January 5, 2016, and a federal declaration of emergency on January 16, 2016.]

¹ The communities which fit this requirement are the city of Flint (102,434 in the 2010 census); the city of Lansing (part) (109,563); Clinton charter township (96,796); Troy city (80,980); Ann Arbor city (113,934); Canton charter township (90,173); Dearborn city (98,153); Livonia city (96,942); and Westland city (84,094). See: <https://www.census.gov/prod/cen2010/cph-2-24.pdf>

BACKGROUND INFORMATION:

A promise zone development plan submitted by a community must include all of the following:

- A complete description of the proposed promise of financial assistance (which, at a minimum, would have to provide sufficient funding to cover tuition necessary to obtain an associate's degree at a community college, and at most, sufficient funding to obtain a bachelor's degree or its equivalent at a public or private state institution—capped at the cost in a public institution—and could also be used for education improvement activities designed to increase college readiness).
- A complete description of any limitation on the promise of financial assistance (including whether the assistance would be prorated based on residency length; would require public or non-public high school attendance in the zone; would be predicated on a minimum college grade point average and class load; or would be restricted to attendance at one or more institutions of post-secondary education).
- Whether graduates of a public or non-public high school would be required to exhaust all other available publicly funded scholarship before receiving finance assistance.
- How funds necessary to accomplish the promise of financial assistance would be raised, and actuarial model of how much the proposed plan was estimated to cost (based on actuarial formulas developed by the Department of Treasury).

Under the act, a portion of the annual growth in the State Education Tax within the zone may be captured, to augment the work of promise zone authorities which successfully raise the revenue necessary to fund a locally designed college promise for their students.

FISCAL IMPACT:

Senate Bill 98 would create an indeterminate cost increase for the state and would have an indeterminate fiscal impact for the city of Flint.

If the new promise zone authority successfully makes tuition assistance payments in accordance with its promise of financial assistance, the state would have to pay to the authority one-half of the increase in revenue, if any, from the collection of the State Education Tax (SET)—which would otherwise be deposited into the School Aid Fund—due to growth in the local property tax values compared to a base year.

Currently under the act, the base year is the amount of SET revenue collected in the promise zone in the year immediately preceding the year in which an authority makes its initial tuition payments or the amount of SET revenue collected in the promise zone in any one of the five immediately succeeding years, whichever is less.

Payments are currently made to promise zone authorities as part of the annual School Aid budget in Section 26c of the State School Aid Act. The cost of the newly proposed promise zone in Flint would depend on the base year, but based on current Treasury estimates of SET growth in Flint from FY 2015-16 to FY 2016-17, half the growth would equal approximately \$30,400. The cost would increase each year as property values continue to increase compared to the base year.

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