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BILL ANALYSIS



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Senate Bill 98 (as passed by the Senate)  
Sponsor: Senator Jim Ananich  
Committee: Government Operations

Date Completed: 5-19-17

### **RATIONALE**

It is common knowledge that the City of Flint's municipal water supply was contaminated after the city discontinued its water supply contract with the Detroit Water and Sewerage Department early in 2013, and for a period of time used the Flint River at its water source. As a result, declarations of emergency were made at the local, State, and Federal levels. The water contamination presented health risks for individuals, particularly children who were exposed to high levels of lead, and added to the economic challenges of the city, which was experiencing a financial emergency at the time the water supply was switched. To date, the State has appropriated approximately \$247.0 million to remedy the situation. In March 2016, the State released an action plan to address the water supply and infrastructure, health and human services, education, and economic development. More recently, additional suggestions have been made to improve the situation in Flint.

One suggestion is that the State should certify a "promise zone" for the city, in order to assist Flint high school graduates with the costs of college or career training. The Michigan Promise Zone Authority Act allows the governing body of an eligible entity, if certified by the Department of Treasury, to establish a promise zone and provide a promise of financial assistance for postsecondary education to students who graduate from a public or nonpublic high school within the zone. (An eligible entity is a city, township, county, local school district, or intermediate school district in which the percentage of families with minor children who are living at or below the Federal poverty level is greater than or equal to the State average.) With certification by the Department, an eligible entity's governing body qualifies to receive captured revenue from the State Education Tax. Since the Department may certify a maximum of 10 promise zones, and they already have been designated, it has been suggested that the cap be increased in order to accommodate Flint.

### **CONTENT**

**The bill would amend the Michigan Promise Zone Authority Act to permit the Department of Treasury to certify up to 11, rather than 10, governing bodies of eligible entities to establish a promise zone; and require the additional eligible entity to be a city with a population of more than 80,000 and less than 120,000 in which a declaration of emergency was issued for drinking water contamination.**

If the governing body of an eligible entity submits an application to the Department according to procedures in the Act, and the Department determines that the governing body is eligible to establish a promise zone, the Department must certify the eligibility. The governing body then must establish the zone and is eligible to receive captured revenue from the State Education Tax. (A local unit that is not an eligible entity also may create a promise zone but may not receive that revenue.)

The Act authorizes the Department to certify not more than 10 governing bodies of eligible entities as eligible to establish a promise zone. The bill would increase that number to 11.

For the additional promise zone, the bill would require the Department to review, on a first-come, first-served basis, only those applications submitted by the governing bodies of eligible entities that are cities meeting both of the following:

- The city would have to have a population of more than 80,000 and less than 120,000 according to the most recent decennial census.
- The city would have to be one in which a declaration of emergency was issued for drinking water contamination within the immediately preceding three years.

MCL 390.1664

## **ARGUMENTS**

*(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)*

### **Supporting Argument**

The City of Flint and its residents are still experiencing the aftermath of their municipal water contamination. Although the city returned to the Detroit Water and Sewerage Department for its drinking water after high lead levels were confirmed, Flint's water had been unsafe for more than a year. The recovery may take years, especially for children who were exposed to dangerously high levels of lead. The State has appropriated nearly \$250.0 million to ensure safe drinking water, improve nutrition, pay residents' water bills, expand health care, and otherwise address the challenges presented by the municipal water emergency. In addition, private individuals, community foundations, and charitable organizations have invested considerable resources to help Flint's recovery. These efforts are ongoing and likely to continue indefinitely.

The bill proposes an additional approach to help Flint recover and ensure a strong future for the city. By permitting the Treasury Department to certify a promise zone for Flint, the bill would help local high school graduates pay for postsecondary education, including college or career training. According to Committee testimony, there is broad support for a promise zone in Flint and donations of approximately \$5.0 million already have been committed, subject to the designation of the promise zone. With the enactment of the bill, the structure for Flint's promise zone would be in place and the financial commitments could be activated. Certification as a promise zone also would enable Flint to receive captured State Education Tax revenue.

Many students in Flint have been exposed to contaminated water and their health may have been compromised, and they are growing up in an environment with serious economic challenges. In addition to giving these students a deserved promise of financial assistance, and a measure of hope, the bill would encourage families to remain in the city, so their children would be able to take advantage of this assistance.

### **Supporting Argument**

In addition to pooling financial contributions, promise zones can make the most of a community's resources through coordination and communication. According to a recent report of the National Consortium for School Counseling and Postsecondary Education, efforts to make higher education accessible are often impeded because "internal school staff, who have existing relationships with students and families, and external partners, who have resources and information, do not function as a collaborative team".<sup>1</sup> Promise zones can overcome this fragmentation by enabling all of the parties to broaden students' awareness of postsecondary options. Collaboration between schools and the community also can create opportunities for students to prepare for college, such as through internships, job shadowing, and assistance with applications for admission and financial aid.

Legislative Analyst: Suzanne Lowe

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<sup>1</sup> "The State of School Counseling: Revisiting the Path Forward", January 2017.

## **FISCAL IMPACT**

The bill would have an indeterminate impact on the State School Aid Fund and the City of Flint. By allowing the City to be certified as eligible to establish a promise zone, the bill could reduce the amount of potential revenue available to the School Aid Fund from the State Education Tax based on the property value increase in the City of Flint. The initial loss would be relatively small if a zone were established, because the loss of revenue would be equal to one-half of the revenue from increased property value in the City. The potential allocation of revenue to the promise zone and loss of revenue to the State would depend on the level of growth and increase in property value over time.

The bill also would increase local revenue in the City of Flint in the form of potential private contributions to the promise zone, minus the amount of tuition payments made to eligible students. The City would have reporting and administrative costs associated with the promise zone that would be covered by up to 15% of the revenue capture from the State Education Tax; any costs beyond that amount would need to be covered by other sources.

Fiscal Analyst: Cory Savino

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.