

# Legislative Analysis



## REVISE MICHIGAN PROMISE ZONES

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### House Bill 6283

Sponsor: Rep. Tim Melton

Committee: Education

Complete to 6-23-10

## A SUMMARY OF HOUSE BILL 6283 AS INTRODUCED 6-23-10

The Promise Zone program, created by Public 549 of 2008, allows communities where the number of children living at or below the federal poverty level is at or above the state average to create special authorities whose purpose is to raise funds to provide tuition for postsecondary education to high school graduates who both live and go to school within the zone's boundaries. Authorities that can successfully raise money privately to fund tuition assistance are eligible to capture a portion of the incremental growth in revenue within the zone from the State Education Tax (SET). There is a cap of ten such authorities.

House Bill 6283 would amend five sections of the Michigan Promise Zone Authority Act to revise the board composition, student eligibility, annual budget, and state education tax capture requirements. A more detailed description of the House Bill 6283 follows.

Board Composition. Now under the law, a Promise Zone Authority is created by a governing body certified by the Department of Treasury and consisting of 11 people. Nine of the members are appointed by the chief executive officer of the "eligible entity." Further, the Senate Majority Leader and the Speaker of the House of Representatives each appoint a member. ("Eligible entity" is defined to mean a city, township, county, local school district, or intermediate school district, in which the percentage of families with children under age 18 that are living at or below the federal poverty level is greater than or equal to the state average of families with children under age 18 living at or below the federal poverty level, as determined by the Department of Treasury).

Currently the act specifies that not more than three members of a Promise Zone Authority can be government officials. House Bill 6283 would modify this provision to require instead that "not more than three members shall be elected officials or employees of the government body." The bill then specifies that an "elected official" means an individual who holds an elective federal office or an elective office in any state or local government.

Now the act makes the proceedings and rules of the board subject to the Open Meetings Act, and specifies that the board must adopt rules governing its procedure and the holding of regular meetings, *subject to the approval of the governing body*. House Bill 6283 would retain the provision, but eliminate the phrase "subject to the approval of the governing body."

Now under the act, a member of the board may be removed for cause by the governing body, after having been given notice and an opportunity to be heard. House Bill 6283 would retain this provision, but modify it to say: a "board *by a majority vote of its members then in office*, may remove a member of the board for cause."

Promise Zone Development Plan. All Promise Zone Authorities must create Promise Zone Development Plans, and submit them to the Department of Treasury for review and possible revision. The Plans must describe the promise of financial assistance that will be given to students, and the law describes in detail the required components of a plan. Among the components is one that requires "a complete description of any limitations on the promise of financial assistance; if the promise of financial assistance will be pro-rated based on the number of years the student has resided within the promise zone; if the promise of financial assistance will be restricted to students who have resided within or attended a public high school or non-public high school within the promise zone for a minimum number of years; if the promise of financial assistance is predicated on the student maintaining a minimum college grade point average and carrying a minimum college credit hour class-load; or if the promise of financial assistance is restricted to attendance at one or more public or private post-secondary institutions in Michigan.

House Bill 6283 would retain the need for a complete description, in the plan, of the limitations noted above, and also require a complete description "if the promise of financial assistance is limited to students whose cumulative high school grade point average exceeded a certain minimum." The bill continues: "However, a limitation described in this subparagraph may not include a minimum cumulative high school grade point average of more than 2.5."

Further, the bill specifies that the approval of the Department of Treasury would be required if an authority included in its Development Plan any limitations on the promise of financial assistance that is not described above.

Funding. Now the law requires that a Promise Zone Development Plan be financed by (1) donations; (2) revenues; and (3) money obtained from other sources approved by the governing body or otherwise authorized by law. House Bill 6283 would remove the phrase in (3): "approved by the governing body."

Annual Authority Budget. Currently the law requires that the director of an authority submit a budget to the board at the beginning of each fiscal year, and that that budget contain the information customarily required of municipal departments. House Bill 6283 would retain this provision, but remove the requirement that the governing body (defined as the elected body of an eligible entity having legislative powers) approve the budget before the board adopted it. Specifically, the bill would eliminate the provision that follows: *After review by the board, the budget shall be submitted to the governing body. The governing body must approve the budget before the board may adopt the budget. Unless authorized by the governing body, funds of the eligible entity shall not be included in the budget of the authority.*

Incremental Tax Growth. House Bill 6283 would rewrite the provision that describes how a Promise Zone Authority calculates the amount of incremental growth for the capture of the state education tax. The bill specifies that the initial base year would be the calendar year immediately preceding the year in which an authority made its initial tuition payment under the Promise Zone Development Plan. The bill further specifies that the Authority could only change the base year to one of the three immediately succeeding calendar years.

In addition, House Bill 6283 specifies that if an authority continued to make annual payments under the Promise Zone Development Plan, then each year the Department of Treasury would be required to determine the amount by which the state education tax revenue from the Promise Zone exceeded the revenue in the base year, for each tax collecting unit that collected state education tax in the zone, and then authorize the authority to capture one-half of that amount from the proceeds of the state education tax in each of those tax collecting units.

Currently the law requires that proceeds from the capture of the state education tax under this section be deposited in the state treasury and credited to a restricted fund to be used solely for the purposes of this act. House Bill 6283 would eliminate this provision.

House Bill 6283 would also eliminate the provision that specifies "if the authority continues to make annual tuition payments in accordance with the promise of financial assistance, two years after the authority's initial payment of financial assistance and each year thereafter, this state shall pay to the authority the state education tax captured under subsection (2)."

In addition, House Bill 6283 would eliminate the provision that specifies that "if at any time an authority does not make annual tuition payments in accordance with the promise for financial assistance, any amount captured from that promise zone in the restricted fund created under subsection (2) shall be paid into the School Aid Fund established in Section 11 of Article IX of the State Constitution of 1963." Instead, the bill specifies that if an authority did not make annual tuition payments under the Promise Zone Development Plan, then the Department of Treasury would discontinue authorizing the capture of state education tax revenue.

Definitions. Currently the act defines "nonpublic high school" to mean a high school operated by a nonpublic school that includes grades 9 to 12 or 10 to 12 and that awards a high school diploma. Nonpublic high school also includes a general education development (GED) test. House Bill 6283 would revise the definition to remove the second sentence; the bill would eliminate: "nonpublic high school also includes a general education development test."

MCL 390.1663 et al

## **FISCAL IMPACT:**

The bill would potentially accelerate the loss of state education tax revenue received by the State School Aid Fund by eliminating the requirement of two years of payment prior to SET capture. The amount of accelerated revenue loss is currently indeterminate.

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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.