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BILL ANALYSIS

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Senate Bills 1480 and 1481 (as introduced 9-10-08)
Sponsor: Senator Nancy Cassis
Committee: Finance

Date Completed: 9-10-08

CONTENT

Senate Bill 1480 would enact the "Michigan Higher Education Fund Act" and create the "Michigan Higher Education Fund" to supplement appropriations to institutions of higher education. Senate Bill 1481 would amend the Income Tax Act to add the Michigan Higher Education Fund to the funds listed on the schedule of contribution designations (check-offs) included with a taxpayer's income tax return.

The bills are tie-barred to each other and are described in detail below.

Senate Bill 1480

The bill would create the Michigan Higher Education Fund in the Department of Treasury to provide funds to supplement State appropriations for the State institutions of higher education and certain State purposes related to education each fiscal year.

The Department would be the administrator of the Fund for auditing purposes and the State Treasurer would have to direct the investment of the Fund. The Treasurer would have to credit to the Fund all amounts appropriated for this purpose under Section 435 of the Income Tax Act (which provides for tax check-offs) and money from any other source for deposit into the Fund. The Fund would consist of the money credited to it from income tax check-off contributions, any interest and earnings accruing from the saving and investment of that money, and money from any other source. Money in the Fund at the close of the year would have to remain in the Fund and could not lapse to the General Fund. The money, interest, and earnings of the Fund could be spent solely to supplement State appropriations for the State institutions of higher education and certain State purposes related to education.

The money in the Fund that was available for distribution would have to be appropriated each year. Money granted or received as a gift or donation to the Fund would be available for distribution upon appropriation.

"Institution of higher education" would mean an institution of higher education or a community or junior college as described in Article VIII of the State Constitution, or an independent nonprofit degree-granting institution of postsecondary education in this State that is approved by the State Board of Education.

Senate Bill 1481

Under the Income Tax Act, an individual may designate on his or her annual tax return that contributions of $5, $10, or more of his or her State income tax refund (or additional tax liability) be credited to any of the funds specified in the Act. The Department of Treasury must create a schedule of the specified check-offs to be included with an annual income tax return. New check-offs must be incorporated as soon as practical on the schedule, and the Department may discontinue a check-off that fails to raise $100,000 in a tax year for two consecutive years.

Currently, check-offs on the schedule include the Children of Veterans Tuition Grant Program, the Children's Trust Fund, the Prostate Cancer Research Fund, Amanda's Fund For Breast Cancer Prevention and Treatment, the Animal Welfare Fund, and the Michigan Housing and Community Development Fund.

The bill would add a check-off for the proposed Michigan Higher Education Fund.

MCL 206.435 (S.B.1481) Legislative Analyst: Craig Laurie

FISCAL IMPACT

The bills would have an indeterminate fiscal impact on State government. Each time a check-off is added, the Department of Treasury incurs administrative costs for implementing the necessary changes to the forms, and for processing the various contributions, including the administration of any special funds created. In 2005, the Department of Treasury received $2.2 million in total contributions to the three check-offs then available. On average, the total amount of contributions in a given tax year has ranged from $1.5 million to $3.5 million, and the amount per check-off has varied from $300,000 to $2.1 million. It is difficult to predict the popularity of a new check-off and whether the addition of choices for check-off contributions would increase the total amount of contributions, or reduce the distribution to any given fund.

Fiscal Analyst: Joe Carrasco