

Legislative Analysis



ELIMINATE HOLD HARMLESS MILLAGES FOR CERTAIN DISTRICTS

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House Bill 6212 (Substitute H-1)
Sponsor: Rep. Marc Corriveau
Committee: Floor

Complete to 7-28-10

A SUMMARY OF HOUSE BILL 6212 (H-1)

HB 6212 (H-1) would amend the Revised School Code, MCL 380.1211, to eliminate the ability of certain hold harmless school districts to levy hold harmless millages and effectively remove them from hold harmless status beginning in FY 2011-12.

This change is necessary to implement changes made in SB 1163 (PA 110 of 2010, the FY 2010-11 School Aid Budget) to the State School Aid Act. SB 1163 made the foundation allowances of these districts equal to the basic foundation or the state maximum guaranteed level, currently \$8,489, beginning in FY 2011-12. The six applicable school districts are Avondale, Clarenceville, East Lansing, Harper Woods, Livonia, and Northville.

Current Law

Hold harmless districts are districts that had foundation allowances above the state maximum guaranteed level of \$6,500 when Proposal A was implemented in FY 1994-95. They were allowed to continue generating additional revenue through hold harmless millages to maintain foundation allowances higher than \$6,500. Section 1211 of the Revised School Code allows hold harmless districts to levy the locally-approved hold harmless millage on property which is otherwise exempted from the 18-mill school operating property tax. (This property includes a principal residence (or homestead), qualified agricultural property, qualified forest property, supportive housing property, and industrial personal property.) Hold harmless districts may levy a maximum of the number of mills required to generate a per-pupil revenue equal to the difference between the district's foundation allowance and the basic foundation allowance (adjusted for each district's reduction due to the Section 20J veto in FY 2009-10).

House Bill 6212

HB 6212 (H-1) would revise the statute to prohibit these six districts from levying hold harmless millages beginning in 2011. These six districts are unique in that they were hold harmless districts with a foundation above \$6,500 in FY 1994-95, but their foundation allowances have since dropped below the current basic foundation allowance of \$8,489, due to the inflationary cap on growth which applies only to the foundation allowances of districts levying hold harmless millages.

Background

Former Section 20j of the State School Aid Act which was vetoed in FY 2009-10, previously made up the difference between the growth allowed under the inflationary cap and the annual

growth in the basic foundation allowance for all hold harmless districts. With the elimination of Section 20j payments, the foundation allowances of these six districts fell below the basic foundation allowance, while the remaining 44 hold harmless districts' foundation allowances remained above the basic foundation allowance.

SB 1163 amended the State School Aid Act to remedy this situation by partially restoring the foundation allowances of these six districts up to the basic foundation allowance. In effect, the changes made in Section 20(3) of SB 1163 create a floor at the basic foundation allowance for these six hold harmless districts rather than allowing the inflationary cap to push them below the basic foundation allowance. These six districts would no longer be treated as hold harmless districts but would instead be treated like other districts with a foundation allowances equal to the basic. The change to Section 20(3) in SB 1163 will not take effect unless the ability of these six districts to levy hold harmless millages is eliminated under HB 6212.

FISCAL IMPACT:

House Bill 6212 (H-1) would eliminate the ability of the applicable districts to levy hold harmless millages beginning in 2011. Property taxes collected in 2011 support the 2011-12 school fiscal year, so in isolation, the bill would eliminate approximately \$3.5 million in local hold harmless property tax millage revenue for these districts. However, because SB 1163 changes the foundation allowances of these six districts to the basic foundation beginning in FY 2011-12, the State will make up the lost hold harmless millage revenue through this future foundation allowance adjustment. The total estimated State cost in FY 2011-12 of increasing the foundation allowances of the six districts is approximately \$10.2 million. The net increase over FY 2010-11 funding levels for the school districts is estimated at \$6.7 million.

District	County	FY 2009 Foundation	FY 2010 and FY 2011 Foundation	SB 1163 Proposed FY 2012 Foundation
Avondale School District	Oakland	\$8,755	\$8,451	\$8,489
East Lansing School District	Ingham	\$8,621	\$8,307	\$8,489
Livonia Public Schools	Wayne	\$8,594	\$8,277	\$8,489
Clarenceville School District	Oakland	\$8,564	\$8,245	\$8,489
Northville Public Schools	Wayne	\$8,539	\$8,218	\$8,489
Harper Woods Schools	Wayne	\$8,497	\$8,173	\$8,489

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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.