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BILL ANALYSIS

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Senate Bill 1411 (as introduced 7-1-10)
Sponsor: Senator Gerald Van Woerkom
Committee: Education

Date Completed: 9-16-10

## CONTENT

**The bill would amend the State Education Tax (SET) Act to reduce SET levies over four years, in the intermediate school district (ISD) with the lower millage, if two ISDs with four or fewer local school districts reorganized by combining, annexation, or disorganization under the Revised School Code.**

Under the SET Act, a six-mill State Education Tax is levied on all property not exempt by law. Under the bill, for taxes levied after December 31, 2010, if two eligible ISDs reorganized by combining, annexation, or disorganization under the Revised School Code, for property located in the eligible ISD that levied the lower millage rate before the reorganization, the SET would be reduced as described below.

In the first year after the reorganization, the SET would be reduced by the difference between the millage levied by the ISD before and after the reorganization or six mills, whichever was less. In the second year, the SET would be reduced by 75% of that difference or six mills, whichever was less. In the third year, the SET would be reduced by 50% of the difference or six mills, whichever was less. In the fourth year, the SET would be reduced by 25% of the difference or six mills, whichever was less.

"Eligible intermediate school district" would mean an ISD in which there are not more than four local school districts.

(Section 701 of the Revised School Code allows two or more adjoining ISDs to combine to form a single ISD when the reorganization is approved by a majority of the school electors of each ISD voting on the question in the regular school elections of the constituent districts. Section 702 allows an ISD to be annexed to another ISD if the annexing ISD board approves the annexation by resolution, and a majority of the school electors of the ISD to be annexed voting on the question at a regular or special school election approves the annexation. Section 703 allows an ISD that has fewer than five constituent districts and has no bonded indebtedness to be disorganized and its constituent districts attached to contiguous ISDs.)

MCL 211.903 Legislative Analyst: Patrick Affholter

## FISCAL IMPACT

The bill would decrease State Education Tax revenue to the School Aid Fund by approximately $2.6 million during the first year the bill would be in effect. Because only

ISDs with four or fewer school districts would be subject to the bill, the bill would affect only nine ISDs. It is unknown which ISDs would choose to combine under the bill, or if combinations would be possible (or occur) across ISDs that are not contiguous. Of the nine ISDs eligible under the bill, only two are contiguous: Alpena/Montmorency/Alcona and Iosco.

Millage rates levied by eligible ISDs range from 8.2 mills (Branch) to 0.8 mill (Iosco), with most levying approximately 2.2 mills. If only the two contiguous ISDs combined, the bill would reduce SET revenue by approximately $2.6 million in the first year, and less in later years. If noncontiguous ISDs were allowed to combine, the reduction in SET revenue would be greater and could be significant, depending on which ISDs combined.

Combined ISDs would receive greater revenue than the sum of the separate ISDs, assuming that the highest rates of any component ISD would be levied in the combined ISD.

The bill does not define school district or millage, in the context of the other changes under the bill. The analysis above assumes that the definition of school district does not include charter schools and that millage is restricted to millage levied by an ISD (so SET reductions would not occur due to variations in tax rates by other taxing authorities) but that it includes all ISD-levied mills, whether for special education, debt, vocational education, enhancement mills, etc.

Fiscal Analyst: David Zin

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