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House Bill 6212 (Substitute H-1 as passed by the House)
Sponsor: Representative Marc Corriveau
House Committee: Appropriations
Senate Committee: Appropriations

Date Completed: 11-8-10

CONTENT

The bill would amend Section 1211 of the Revised School Code to prohibit, beginning with taxes collected in 2011, certain "hold harmless" districts from levying hold harmless mills as allowed under that section. Under current law, "hold harmless" districts (the 52 districts with per-pupil foundation allowances above \$6,500 in fiscal year 1994-95) are allowed to levy hold harmless millages on homes and, in some cases, nonhomesteads, in order to generate enough revenue to fully fund their foundation allowances. With the veto of Section 20j funding in fiscal year (FY) 2009-10, the foundation allowances of six of these hold harmless districts fell below the basic foundation allowance and State maximum funding level, currently at \$8,489 per pupil. Therefore, while these six districts levy additional operating mills, they receive less in per-pupil funding than other comparably-funded districts that do not levy hold harmless mills, simply by virtue of being a hold-harmless district. The six affected districts are East Lansing, Avondale, Clarenceville, Livonia, Harper Woods, and Northville.

This bill would prohibit these six districts from levying hold harmless mills, beginning with taxes collected in calendar year 2011. Taxes collected in 2011 help to support the FY 2011-12 school budget. If this bill were enacted, these six districts would no longer be considered "hold-harmless" districts.

MCL 380.1211

BACKGROUND

All districts levy operating mills on nonhomesteads, and the State funds the difference between what is generated locally and a district's per-pupil foundation allowance, capped at the basic (or State maximum) of \$8,489 per pupil. In other words, for a district with a foundation allowance of \$7,800 per pupil, if the district's operating millage revenue brings in \$5,000 per pupil, the State would pay the difference of \$2,800 per pupil. However, a hold harmless district levies additional mills to generate the difference between its foundation allowance and the basic. This principle fails in the cases of the six districts whose foundation allowances started out above the State maximum in 1994-95 but are now below that level due to the veto of 20j funding in FY 2009-10.

FISCAL IMPACT

Taken on its own, this bill would reduce local millage revenue collected by the affected school districts by an estimated \$2.5 million. However, a provision was enacted in the School Aid budget, Public Act 110 of 2010, to provide for an adjustment to these districts' foundation allowances if House Bill 6212 is enacted – namely, their foundation allowances would increase to the basic foundation allowance, or \$8,489 per pupil, beginning with the 2011-12 school year. Therefore, if this bill were enacted, State costs would increase by an estimated \$10.2 million yearly, while local millage revenue would decline by \$2.5 million. The net impact on the affected schools would be an increase in funding of \$7.7 million, beginning in FY 2011-12. It should be noted that this process would not restore these districts to their per-pupil funding prior to the veto of Sec. 20j funds. However, this is a method to address the inequity wherein voters in these six districts are paying more mills than voters in comparably-funded non-hold harmless districts.

District	FY 2008-09 Foundation*	FY 2010-11 Foundation	FY 2011-12 Proposed Foundation	Estimated Additional Funding
East Lansing	\$8,621	\$8,307	\$8,489	\$660,000
Avondale	8,755	8,451	8,489	374,000
Clarenceville	8,564	8,245	8,489	453,000
Livonia	8,594	8,277	8,489	3,533,000
Harper Woods	8,497	8,173	8,489	412,000
Northville	8,539	8,218	8,489	2,226,000

* including 20j funding

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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.