



**House
Legislative
Analysis
Section**

Manufacturer's Bank Building, 12th Floor
Lansing, Michigan 48909
Phone: 517/373-6466

DISTRICTS IN ISD CAN SHARE TAX GROWTH

House Bills 5885 and 5886
Sponsor: Rep. William R. Keith
Committee: Education

RECEIVED

Complete to 8-28-90

OCT 08 1990

A SUMMARY OF HOUSE BILLS 5885 AND 5886 AS INTRODUCED 6-18-90

Mich. State Law Library

House Bill 5885 would amend the School Code (MCL 380.622) to allow an intermediate school district (ISD) to adopt a commercial and industrial property tax base sharing plan under which its constituent districts would share the growth in value of commercial and industrial property throughout the intermediate district. Tax base sharing could be approved in two ways: (1) by resolution of the school board in each constituent district; or (2) by approval of a ballot proposal by a majority of voters in each constituent district. House Bill 5886 would amend the School Aid Act (MCL 388.1621) to specify that if a school district was part of an intermediate district that adopted tax base sharing, the local district's per pupil state aid allocation would be based on the local tax yield the district would have received if the ISD had not adopted the plan. The bills are tie-barred to each other.

Under House Bill 5885, beginning on July 1 after tax base sharing was adopted by an ISD, each constituent school district would have to deliver to the ISD an amount equal to its commercial and industrial SEV growth times its school operating millage. ("Commercial and industrial SEV growth" refers to the positive difference between a district's commercial and industrial SEV in the school fiscal year in which the calculation was made compared to the SEV in the school fiscal year prior to the first school fiscal year in which the tax base sharing plan was in effect.) No later than three days after receipt of the revenue payments, the ISD would have to calculate the per pupil allocation by dividing the total amount of the revenue by the total membership in all of its constituent districts as of the latest pupil membership count day. No later than five days after receiving the revenue, the ISD would have to distribute it to local districts on a per pupil basis (or on another basis if agreed to by the local school boards). However, distributions to districts would have to be adjusted to ensure that each district that received state aid payments under the School Aid Act was funded to at least the same extent as it would have been if tax base sharing had not been adopted.

As mentioned above, a tax base sharing plan could be adopted by resolutions from the board of each constituent local district or by a vote of the electorate. If the first method was used, the local resolutions would all have to be made during a six-month period. If adopted, tax base sharing would be effective for five school fiscal years. However, tax base sharing would not be in effect in any year in which one or more local boards withdrew from participation by resolution adopted by April 1.

An ISD board could submit to voters in each local district the question of adopting tax base sharing. Such a proposal could be placed before voters by resolution of the ISD board or by resolution of a majority of the boards of constituent districts provided they represented more than half of the total number of pupils in the ISD. The proposal would be on the ballot at the next annual election or at a special election no earlier than 90 days or later than 120 days after the ISD resolution was adopted or the local resolutions

House Bills 5885 and 5886 (8-28-90)

received. If the proposal was approved by a majority of voters in each local district, it would be adopted. An adopted plan would be effective for five school fiscal years, beginning on the first day of the next school fiscal year after the official declaration of the vote. A tax base sharing plan could be proposed and voted on by the electorate even though one was already in place as a result of local board resolutions. If the proposal was approved by the voters it would supersede the previous plan; if not, it would have no effect.