

Legislative Analysis



COMMUNITY DISTRICT EDUCATION TRUST FUND

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 5382 as introduced
Sponsor: Rep. Al Pscholka

Analysis available at
<http://www.legislature.mi.gov>

House Bill 5383 as introduced
Sponsor: Rep. Amanda Price

Committee: Appropriations
Complete to 2-22-16

SUMMARY:

House Bills 5382 and 5383 would divert \$72.0 million per year, for a period of 10 years, from the state General Fund to replace local 18-mill property tax revenue that will be used instead to pay off debt associated with the Detroit Public Schools (DPS), as described in more detail below.

House Bill 5383 would amend the Michigan Trust Fund Act to create a new Community District Education Trust Fund. The State Treasurer could receive money or other assets from any source for deposit in the fund, would direct the investment of the fund, and would credit to the fund interest and earnings from the fund's investments. Money in the fund at the close of the fiscal year would remain in the fund and not lapse to the General Fund. The Department of Treasury would be the administrator of the fund for auditing purposes.

Under the bill, the department could expend money from the fund, upon appropriation, only to offset the absence of local school operating revenue when funding the foundation allowance for a community district organized under Part 5B of the Revised School Code. Under the provisions of House Bill 5384 as introduced, DPS would become such a district.

House Bill 5382 would amend the Income Tax Act of 1967 to provide for \$72.0 million per year in revenue currently distributed to the state General Fund to instead be deposited into the new Community District Education Trust Fund created under House Bill 5382. This deposit would occur each October 1 for a period of 10 years, beginning October 1, 2016. Of the total annual deposit, \$36.0 million would be from individual income tax collections and \$36.0 million would be from corporate income tax collections.

House Bill 5382 is tie-barred to House Bill 5383.

FISCAL IMPACT:

The bills would have no net impact on state revenues. They would reduce the amount of GF/GP revenue available by \$72.0 million per year for a period of 10 years: fiscal years (FYs) 2016-17 through 2025-26. Those funds would instead be available for appropriation from the Community District Education Trust Fund.

Under the larger package of bills related to DPS being considered (House Bills 5384-5387), the bills would redirect local revenues in order to pay off debt totaling approximately \$715 million. The appropriations from the trust fund are anticipated to be made in the School Aid budget to backfill revenue from Detroit's 18-mill levy that would be utilized to pay down debt over time (by the "old" DPS district) and would, therefore, no longer be available to support the new Detroit community district's foundation allowance. The estimated total debt would include approximately \$515.0 million in accumulated operating deficits as well as \$200.0 million to finance start-up costs and school building reinvestment for the new district.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.