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BILL ANALYSIS



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Senate Bills 539 and 540 (as introduced 10-1-15)  
Sponsor: Senator Goeff Hansen (S.B. 539)  
Senator Jim Ananich (S.B. 540)  
Committee: Economic Development and International Investment

Date Completed: 10-8-15

**CONTENT**

**Senate Bill 539 would repeal the Michigan Promise Zone Act and amend the Michigan Promise Zone Authority Act to do the following:**

- Reenact provisions of the Michigan Promise Zone Act related to the establishment of a promise zone.
- Increase from 10 to 15 the maximum number of eligible entities that may be certified by the Department of Treasury to establish promise zones.
- Require a promise zone development plan to include provisions regarding the assessment and reporting of student's performance.
- Allow the Department of Treasury to adjust the calculation of captured State Education Tax revenue if the boundaries of a promise zone would be changed by a merger or other circumstance.
- Require the property and assets of a dissolved promise zone authority to be used solely for the purposes of promoting access to postsecondary education.

**Senate Bill 540 would amend the State Education Tax Act to make an exception to the requirement that State Education Tax revenue be deposited in the State School Aid Fund.**

Senate Bill 539 is tie-barred to Senate Bill 540.

Both the Michigan Promise Zone Act and the Michigan Promise Zone Authority Act permit the governing body of an eligible entity to establish a promise zone and provide a promise of financial assistance for postsecondary education to students who graduate from a public or nonpublic high school within the zone. Under each Act, "eligible entity" means a city, township, county, local school district, or intermediate school district in which the percentage of families with minor children who are living at or below the Federal poverty level is greater than or equal to the State average, as determined by the Department of Treasury.

**Senate Bill 539**

**Proposal to Establish Promise Zone**

Under the Michigan Promise Zone Act, if the governing body of an eligible entity determines that it is necessary for the best interest of the public to promote access to postsecondary education, the governing body, by resolution, may declare its intention to establish a promise zone.

The governing body must set a date for a public hearing on the adoption of a proposed resolution establishing a promise zone, and publish notice of the public hearing as required. The notice must describe the proposed promise zone, the details of the promise of financial assistance, and the criteria for eligibility to receive that financial assistance.

The bill would include these provisions in the Michigan Promise Zone Authority Act.

#### Application Submission & Deadline

The Michigan Promise Zone Act requires the governing body of an eligible entity to submit an application to the Department of Treasury 30 days after the public hearing, if the governing body intends to proceed with the establishment of a promise zone.

The Department must review the application and determine if the governing body is eligible to establish a promise zone. If so, the Department must certify the eligibility of that governing body to establish a promise zone. If the Department certifies the governing body's eligibility, the governing body, by resolution, must establish a promise zone.

The bill would include these provisions in the Michigan Promise Zone Authority Act, but would change the deadline for a governing body to submit an application from 30, to 15, days after the public hearing.

#### Option to Create a Separate Promise Zone

Under the Michigan Promise Zone Act, within 90 days after the governing body of an eligible entity approves a resolution to establish a promise zone, a local school district may elect by resolution not to participate in the establishment of the promise zone. The resolution must provide that the local school district will establish a separate promise zone. If the local school district does not establish a promise zone within a reasonable period of time, the Department of Treasury may include that local school district in the promise zone established by the eligible entity where the district is located.

The bill would include these provisions in the Michigan Promise Zone Authority Act.

#### Maximum Allowed Promise Zones

The Michigan Promise Zone Act requires the Department to certify not more than 10 governing bodies of eligible entities as eligible to establish a promise zone. A local unit that is not an eligible entity may still create a promise zone as detailed in the Act, but may not capture revenue from the State Education Tax.

The bill would include these provisions in the Michigan Promise Zone Authority Act, but would increase to 15 the maximum number of eligible entities the Department may certify.

#### Promise Zone Authority & Development Plans

The Michigan Promise Zone Authority Act requires the governing body of an eligible entity to create a promise zone authority if the Department of Treasury certifies the eligibility of the governing body to establish a promise zone and the governing body establishes a zone.

A promise zone authority must be under the supervision and control of a board consisting of 11 members, nine of whom must be appointed by the eligible entity's chief executive officer with the advice and consent of the governing body. One member must be appointed by the Senate Majority Leader and one by the Speaker of the House.

The promise zone authority is required to prepare a promise zone development plan and submit it to the Department of Treasury. The plan must contain the following:

- A complete description of the proposed promise of financial assistance, which must be extended to all eligible students within the promise zone and be in an amount established by the board to reflect the amount available for disbursement to eligible students and included in the annual budget.
- A complete description of any limitations on that assistance.
- A requirement that graduates of a public high school or nonpublic high school exhaust all other known and available restricted grants for qualified educational expenses for postsecondary education provided by a Federal, State, or local government entity, as determined by the promise zone authority board.
- How the funds necessary to accomplish the promise of financial assistance will be raised.
- An actuarial model of how much the proposed plan is estimated to cost, based on actuarial formulas developed by the Department of Treasury.

The bill also would require a development plan to include a complete description of the criteria and procedures by which the performance of the students receiving financial assistance would be assessed and reported. The assessment and reporting methodology would have to include the submission of a written report by February 15 of each year to the Department. The report would have to include the number of students who received financial assistance from the promise zone plan in the last calendar year; of those who received assistance, the number of students who successfully completed a certificate or associate program, bachelor's program, or a postgraduate or professional program; the number of students receiving financial aid who withdrew from classes in the past calendar year; of the students who initially reached successful completion of more than the equivalent of 23 semester credits during the prior calendar year, the average time to successfully complete the equivalent of 24 semester credits; and the graduation rate for students who first received financial assistance from the promise zone development plan during each of the six prior calendar years.

#### SET Capture

The Act provides for the State to "capture" half of the incremental growth in the State Education Tax (SET) revenue following a "base year", and pay that revenue to a promise zone authority that makes payments according to its promise of financial assistance.

If the authority continues to make annual payments in accordance with the promise of financial assistance, in the year following the base year and in each subsequent year, the State must capture half of the increase in revenue, if any, from the collection of the SET. If the authority continues to make annual payments of qualified educational expenses in accordance with the promise of financial assistance, two years after the authority's initial payment of that assistance and each year after that, the State must pay to the authority the captured SET revenue. If the boundaries of two or more promise zones created under the Act overlap, payments will be made only to the first authority eligible for payment under the Act. The bill would allow the Department of Treasury to adjust the calculation of the tax revenue capture if the boundaries of a promise zone were changed by merger or other reasons.

#### Dissolution of Authority

A promise zone authority that has completed its purposes must be dissolved by resolution of the governing body. The property and assets of the authority remaining after the dissolution belong to the eligible entity. The bill would require that the remaining assets be used solely for the purposes of promoting access to postsecondary education pursuant to the resolution of the governing body of the eligible entity.

Also, under the bill, the dissolved promise zone would no longer count against the limit of 15 certifications by the Department of Treasury.

#### No Cause of Action

The Act states that the establishment of a promise zone development plan does not create a cause of action in law or in equity against the State, an eligible entity, or a promise zone authority, if the proposed promise of financial assistance is not paid to an eligible student.

The bill also provides that the establishment of a promise zone would not create a cause of action in law or in equity against the State, an eligible entity, or a promise zone authority.

#### **Senate Bill 540**

The State Education Tax Act requires the State Treasurer to deposit collections from the tax into the State Treasury to the credit of the State School Aid Fund. Under the bill, this requirement would apply except as otherwise provided by law.

MCL 390.1665 et al. (S.B. 539)  
211.905 (S.B. 540)

Legislative Analyst: Drew Krogulecki

#### **FISCAL IMPACT**

The bills would have no fiscal impact on State or local government. The proposed amendments mostly would recodify statutory provisions or make preemptive changes for situations where promise zone boundaries are modified due to school district boundary changes, such as with the dissolution of Buena Vista. None of the amendments would have an impact or require any changes to operations or current practice.

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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.