SFA BILL ANALYSIS

Senate Fiscal Agency • Lansing, Michigan 48909 • (517) 373-5383

Senate Bill 20
Sponsor: Senator Harry Gast
Committee: Education and Mental Health

Date Completed: 2-15-89

<u>SUMMARY OF SENATE BILL 20 as introduced 1-11-89:</u>

The bill would amend Public Act 108 of 1961, which provides for loans by the State to school districts for the payment of principal and interest on school bonds, to permit the waiver under certain conditions of all or a portion of millage that must be levied by the school district to repay the State loan.

(Under Public Act 108, a school district that received a loan from the State School Bond Loans Fund is required to levy at least seven mills until all loans made to the school district by the State are repaid at interest rates annually determined by the State Administrative Board.)

Under the bill, upon a request made by a school district before June 1 of any year, the Superintendent of Public Instruction and the State Treasurer annually could jointly issue an order waiving all or a portion of the millage required to be levied by the school district if they found all of the following:

- The school board had applied to the Department of Education for permission to levy less than the required millage.
- The application specified the number of mills the school district requested permission to levy.
- The school board, by resolution, had agreed to transfer from available identified school district funds to the School Debt Retirement Fund an amount equal to the amount that would have been raised by the levy of the millage for which waiver was requested.
- The school board, by resolution, had agreed that the funds to be transferred to the School Debt Retirement Fund would be earmarked for the payment of State loans to the school district and for debt retirement purposes for qualified bonds before taxes were certified for the year the school board was requesting permission to levy less than the required millage.
- The school board, by resolution, had agreed to comply with all conditions that the Superintendent of Public Instruction and the State Treasurer considered necessary.

The bill also specifies that if a school district received a loan from the School Bond Loan Fund and failed to levy the required mills while any part of the loan was unpaid or defaulted in its repayment agreement, the district would not receive State aid until arrangements had been made with the Superintendent of Public Instruction for the payment of the amount in default. This provision currently applies to State loans for the payment of principal and interest on qualified bonds.

MCL 388.959 et al. Legislative Analyst: L. Arasim

FISCAL IMPACT

There would be an indeterminate fiscal impact on both State and local governments. The bill would likely impose a cost upon the State General Fund since it would allow school districts to lower their debt millage and transfer "from available identified funds" to the School Debt Retirement Fund an amount equal to the loss of debt millage revenue. To the extent that in-formula districts increased their operating millages to raise this replacement revenue, State membership aid would rise. (Debt millage is not equalized by the State, but operating millage is equalized through the general membership formula.)

Fiscal Analyst: M. Addonizio