



**House
Legislative
Analysis
Section**

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DRIVER'S ED. FUNDING

**Senate Bill 337 (Substitute H-1)
First Analysis (9-30-92)**

**Sponsor: Senator Dan L. DeGrow
Senate Committee: Appropriations
House Committee: Appropriations**

THE APPARENT PROBLEM:

The Michigan Vehicle Code allocates a portion of driver's license fee revenues (\$4 per renewal, \$2 per two-year license) to a driver education fund, which the Department of Education uses for the administration of the driver education program and for disbursement to local school districts for their driver education programs. The statute limits the amount disbursed to local school districts to \$45 per student, and provides for the legislature to annually appropriate \$100,000 to the Department of Education for state administration of the program.

For at least the past two years, excess money has been transferred out of the driver education fund to the general fund; in 1991, that amount was \$4.7 million, and in 1992, \$3.5 million. Rather than continue to deal with the matter of unexpended driver education funds on a year-by-year basis, it has been proposed that the law be amended to provide for excess funds to lapse to the general fund at the end of a fiscal year. In addition, the per pupil payment to school districts has not been increased since 1980, and is well below local costs that average around \$120 to \$130 per student. The \$100,000 departmental appropriation figure has remained long unchanged as well; it dates at least to 1972.

Amendments have been proposed to bring the law on driver education funding up-to-date and to balance funding provisions against budget needs.

THE CONTENT OF THE BILL:

The bill would amend the Michigan Vehicle Code to require that any unexpended and unencumbered balance remaining in the driver education fund at the end of a fiscal year in excess of \$150,000 revert to the general fund. Rather than \$45 per student, the state would disburse to local school districts 50 percent of the previous fiscal year's statewide

average cost per student, as determined by the Department of Education. If money appropriated from the driver education fund was not sufficient to provide for state administration of the driver education program and to reimburse local school districts for each student completing an approved driver education course, payments made to school districts would be prorated to the amount that was appropriated and available in the fund. The bill would take effect October 1, 1992.

MCL 257.811

FISCAL IMPLICATIONS:

The House Fiscal Agency reports that the change in per pupil reimbursement will increase the reimbursement amount from \$45 to about \$60 or \$65 (the figure would change according to changes in school districts' costs). However, total state reimbursement would remain subject to annual legislative appropriation; for the past three fiscal years, \$7.25 million has been appropriated to the Department of Education for driver education. (9-22-92)

ARGUMENTS:

For:

The bill would adapt statute to budgetary reality and provide for the lapse to the general fund of money in the driver education fund that was unexpended at the end of a fiscal year. The state budget would not be the only beneficiary, however: school districts would have their per-pupil allocation significantly increased.

Against:

Whether the unexpended money in the fund can rightly be considered excess funds is a matter of some dispute. The state requires school districts to offer driver education, but state reimbursement for

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local expenses is woefully inadequate, and would remain so under the bill, especially considering that the total amount of money available to school districts would continue to be subject to annual appropriation. The bill would be contrary to the law's underlying concept that a portion of driver license revenues should be used to promote safe driving.

POSITIONS:

The Department of Education supports the bill. (9-28-92)

The Department of Management and Budget supports the concept of the bill. (9-29-92)

The Michigan Association of Secondary School Principals supports increased funding for driver education programs. (9-28-92)

The Michigan Driver and Traffic Safety Education Association supports increased funding for driver education programs, but opposes transferring unexpended driver education funds to the general fund. (9-29-92)

The Michigan Association of School Boards has no position at this time. (9-28-92)