



Senate Fiscal Agency
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BILL ANALYSIS

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House Bill 4657 (as reported without amendment)
 Sponsor: Representative Glenn Oxender
 House Committee: Tax Policy
 Senate Committee: Education

CONTENT

The bill would amend the Income Tax Act to increase from 14.4% to 29% the amount of gross collections before refunds from the income tax that is deposited in the State School Aid Fund. The increase would take effect after September 30, 1996.

MCL 206.51

Legislative Analyst: L. Arasim

FISCAL IMPACT

This bill would have a fiscal impact on both the School Aid Fund (SAF) and the General Fund beginning in FY 1996-97. Since revenue and spending estimates for FY 1996-97 have not yet been made, to help illustrate the fiscal impact this bill would have, this analysis uses data for FY 1995-96. Under current law, 14.4% of income tax revenue is earmarked to the SAF; the earmarked revenue is estimated to total \$916.2 million in FY 1995-96. Increasing the earmarking to 29% of income tax collections, would allocate an additional \$929 million to the SAF, for a total of \$1,845.2 million. The additional earmarking of \$929 million would be large enough to replace the GF/GP grant to the SAF, plus several one-time revenue items that are being used in FY 1995-96, but will not be available in FY 1996-97. These items are summarized in Table 1. Increasing the amount of the income tax that is earmarked to the SAF, would have a negative impact on the GF/GP budget. While the GF/GP grant to the SAF, which will total \$589.1 million in FY 1995-96, would be able to be eliminated, GF/GP revenue would be reduced by \$929 million due to the increase in the earmarking. As a result, the GF/GP budget would experience a net negative impact of \$339.9 million. This estimated impact on the GF/GP budget is summarized in Table 2.

Table 1
 FY 1995-96 School Aid Budget
 Items That Could be Replaced with Increased
 Income Tax Earmarking Proposed in HB 4657
 (millions of dollars)

Carry-forward Balance from FY 1994-95	\$283.5
General Fund Grant	589.1
Excess Lottery Revenue Transfer	25.0
Health & Safety Fund Transfer	<u>26.0</u>
Subtotal	\$923.6
Addendum:	
HB 4657 estimated increase in income tax earmarking	\$929.0

Table 2
 Impact of House Bill 4657
 on FY 1995-96 GF/GP Budget
 (millions of dollars)

Existing Income Tax Earmarking-14.4%	(\$916.2)
H.B. 4657 Income Tax Earmarking-29.0%	<u>(1,845.2)</u>
Proposed New Earmarking to SAF	(929.0)
Eliminate General Fund Grant to SAF	<u>589.1</u>
Net GF/GP Budget Impact	(\$339.9)

Date Completed: 6-6-95

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