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**SFA****BILL ANALYSIS**

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Senate Bill 52 (Substitute S-2 as reported)  
Sponsor: Senator Gast  
Committee: Appropriations

## **CONTENT**

Senate Bill 52 (S-2) proposes to make a series of amendments to the Management and Budget Act (Public Act 431 of 1984). The series of amendments cover three major areas. The first area is a number of technical amendments which would update existing sections of the Act. The second area is an amendment that would transfer funds from the Budget Stabilization Fund (BSF) to the School Aid Fund. The third area is proposed new language which would establish the State Public School Facilities Authority.

The technical amendments contained in Senate Bill 52 (S-2) involve Sections 237, 305, 350a, 350e, 384, 396, 404, 484, 485, 486, 488, 492 and 493. In addition, Senate Bill 52 (S-2) also would repeal existing Sections 206, 207, 223, 225, 253, 254, 271, 282, 353a, 362, 362a and 456. The proposed changes in these sections can all be viewed as technical amendments to the Act. They involve the removal of one-time provisions in the Act, changes in the distribution of required reports and other similar technical changes.

The first major policy change in Senate Bill 52 (S-2) is Sec. 353e. This section proposes to appropriate \$70.4 million during FY 1997-98, FY 1998-99 and FY 1999-2000 from the Budget Stabilization Fund to the School Aid Fund. These funds totaling \$211.2 million then would be appropriated to the school districts who were awarded damages by the Supreme Court in the recent case Durant v State of Michigan.

The second major policy change contained in Senate Bill 52 (S-2) proposes to establish the State Public School Facilities Authority. This Authority, which is patterned after the State Building Authority, would be utilized as a mechanism to pay funds to school districts that were not a party to the Durant v State of Michigan lawsuit.

The State Public School Facilities Authority would be a nongovernmental authority which would have the power to sell bonds to raise funds to be distributed to school districts. School districts would be eligible to receive portions of the bond proceeds if they agreed to not bring legal action against the State relating to the issues raised in the Durant case. If school districts agree to this provision, they would be eligible to receive an amount of revenue equal to the states underfunding of special education payments during FY 1991-92, FY 1992-93 and FY 1993-94. The Department of Treasury would calculate the amount of funds that each school district would be eligible to receive.

Once the school district is determined to be eligible to receive funds the district would submit an application to the Authority to use the funds for a specific purpose. These projects could include capital projects, infrastructure projects or technology upgrades.

The Authority would evaluate the submitted projects and then sell revenue bonds to be used to pay for the projects. The Legislature would be required to approve the projects through the passage of a concurrent resolution. The bonds, not to exceed \$800 million, would be financed by State General Fund appropriations. The length of the bonds would depend on the useful life of the projects being

funded.

MCL 18.1237, et al.

**FISCAL IMPACT**

Senate Bill 52 (S-2) would result in two primary fiscal impacts on State Government. The first is the transfer of \$211.2 million from the Budget Stabilization Fund to the School Aid Fund over the next three State fiscal years. Based on current estimates, these withdrawals would leave \$1.14 billion in the Fund at the close of FY 1999-2000. The second fiscal impact involves the General Fund debt service on the bonds issued by the State Public School Facilities Authority. The debt service on these bonds would be approximately \$76.0 million annually for the next 15 years. The level of debt service requirements on the bonds could increase if the duration of the bonds is less than 15 years.

Date Completed: 10-1-97

Fiscal Analyst: G. Olson

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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.