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Senate Bill 964 (Substitute S-2 as reported)
Sponsor: Senator Ron Jelinek
Committee: Appropriations

CONTENT

Senate Bill 964 (S-2) would amend Section 102 of the State School Aid Act, which prohibits districts from adopting or operating under a deficit budget or incurring an operating deficit in a fund during a school fiscal year. There apparently is some lack of clarity whether districts choosing to adopt budgets projecting a deficit would be required to comply with the requirements of Section 102, which include the submission of deficit elimination plans and monthly reporting on revenue and expenditures. The proposed change in Section 102 would clarify that districts that adopt a budget projecting a deficit fund balance would be subject to the same requirements as districts that either currently have a deficit fund balance, or adopt a balanced budget but incur a deficit fund balance during the year.

The bill also would make a technical change to Section 17b of the Act.

MCL 388.1617b & 388.1702

FISCAL IMPACT

The bill would have no fiscal impact on the State, as there already is a process in place to monitor deficit districts. The requirement that districts adopting a deficit budget be subject to the same guidelines as districts already in deficit could mean additional costs to those districts, related to the creation and submission of deficit elimination plans and monthly spending/revenue reports. However, under current law, these districts will have to submit those reports and plans by the next year, when the books are closed showing a deficit fund balance, if the deficit does, in fact, occur as predicted by the adopted deficit budget. Under the bill, the districts would have to comply with the requirements of Section 102 in the current school year.

At the end of the 2008-2009 school fiscal year, there were 41 school districts in deficit. At this time, the Department of Education is aware of seven new districts with a deficit fund balance projected for the upcoming year.

Date Completed: 6-30-10

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