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House Bill 4860 (Substitute S-4)
Sponsor: Representative Terry Brown
House Committee: Appropriations
Senate Committee: Appropriations

CONTENT

House Bill 4860 (S-4) is a fiscal year (FY) 2010-11 school aid supplemental, adjusting appropriations for several line items, appropriating funds for three new items, and clarifying the policy of deficit district reporting requirements. Specifically, this bill would reduce funding for the School Loan Bond Redemption Fund (reflecting \$40.0 million in savings due to the refinancing of bonds), reduce Renaissance Zone Reimbursement (reflecting a decision to eliminate \$9.2 million in GF/GP reimbursement to the School Aid Fund for lost Renaissance Zone revenue), and increase funding for the Federal Rural and Low Income School Funds (from \$898,300 to \$1.76 million).

In addition, the bill would appropriate funding for two items that were vetoed from Public Act 110 of 2010 (the FY 2010-11 school aid budget enacted in July), namely \$500,000 to Pontiac Schools to reimburse the district for changes in the Michigan Business Tax; and, \$300,000 for an Agricultural Education program at Saginaw Valley State University. The bill also would fund a categorical line new to the School Aid budget: \$1.5 million GF/GP for State Aid to Libraries payments. This line item currently receives a \$6.0 million appropriation in the Department of Education budget, and the funding in this school aid supplemental would be in addition to whatever is appropriated under the Department of Education budget bill for FY 2010-11. The bill also increases funding to the Youth ChalleNGe program by \$100,000, for total funding of \$742,300.

The supplemental bill includes new language regarding deficit districts. Currently, districts that end the year in deficit are bound by requirements in Section 102 of the State School Aid Act, but districts that end the year in deficit but adopt a deficit budget for the upcoming year are not necessarily required to submit the same reports and conform to the other requirements of Section 102. This bill includes language to treat in the same manner districts in deficit and those that adopt deficit budgets.

Finally, the bill includes several technical adjustments to correctly implement PA 110 of 2010. Specifically, the bill would adjust Sections 11 (total spending), 94a (Center for Educational Performance and Information), and 104 (assessments) to implement the contingency spending previously appropriated, since Michigan was not awarded Race to the Top funds. These changes totaled \$26.2 million in School Aid Fund money, along with reductions in GF/GP and Federal funds (that will be transferred to the Department of Education budget). The bill also includes a technical date change in Section 81 related to the baseline guarantee of funding for intermediate school districts, and technical clarifying language for Section 166b related to treating charter schools and local districts in the same manner when it comes to their educating and counting in membership nonpublic students.

MCL 388.1611 et al.

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FISCAL IMPACT

Overall, the bill would reduce spending for FY 2010-11 from enacted levels by \$46.8 million Gross, \$9.2 million GF/GP. The bulk of this reduction stems from the savings realized through the refinancing of School Loan Bond Fund Redemption debt, along with the elimination of GF reimbursement to the School Aid Fund for foregone Renaissance Zone property tax revenue. The dollar changes in the bill are itemized below:

- Refinancing Debt Service of School Loan Bond Redemption Fund: (\$40.0 million)
- Elimination of GF reimbursement to SAF for Renaissance Zones: (\$9.2 million)
- State Aid to Libraries Payments: \$1.5 million
- Pontiac Schools Reimbursement for MBT Changes: \$0.5 million
- Saginaw Valley State University Agricultural Education Program: \$0.3 million
- Youth ChalleNGe Program Increase: \$0.1 million

Date Completed: 9-22-10 Fiscal Analyst: Kathryn Summers

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.