

FY 2014-15 SCHOOL AID SUPPLEMENTAL
Summary: As Passed by the Senate
Senate Bill 173 (S-2)



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	FY 2014-15 YTD as of 3/11/15	FY 2014-15 Executive	FY 2014-15 Senate	FY 2014-15 House	FY 2014-15 Enacted	<i>Difference: Senate From FY 2014-15 YTD</i>	
						<i>Amount</i>	<i>%</i>
IDG/IDT	\$0	N/A	\$0			\$0	--
Federal	1,808,162,700	N/A	1,808,162,700			0	0.0
Local	0	N/A	0			0	--
Private	0	N/A	0			0	--
Restricted	11,845,097,400	N/A	11,845,822,400			725,000	0.0
GF/GP	33,700,000	N/A	33,700,000			0	0.0
Gross	\$13,686,960,100	N/A	\$13,687,685,100			\$725,000	0.0

Overview

Senate Bill 173 (S-2) would resolve an issue with the repayment of remaining debt obligations associated with the now dissolved Buena Vista School District. When the district was dissolved by PA 96 of 2013, its 18-mill local school operating taxes continued to be levied on all of the nonhomestead property within the boundaries of the former district despite the transfer of that property into 3 surrounding districts (Saginaw, Bridgeport-Spaulding, and Frankenmuth). The revenue generated from those local operating taxes was statutorily dedicated to paying of the dissolved district's remaining debt. However, with approximately \$725,000 in debt remaining, the renewal of Buena Vista's 18-mill local school operating tax failed in 2014. If a renewal is not approved, a judgment levy could be imposed on all property owners (rather than only nonhomestead property owners) to generate the necessary revenue to pay the debt.

PA 96 also provided that once that debt had been paid, each receiving district would begin to assess its local levy on the transferred nonhomestead property; however, this would not be allowed until after each receiving district renewed its own local 18-mills, such that the electors in the transferred areas had the opportunity to vote on the renewal. While Frankenmuth has renewed its mills since the transfer, the other two receiving districts have not. If those 2 receiving districts do not renew their 18 mills by the time the debt has been paid, the state will assume each is collecting revenue on 100% of their nonhomestead property (including the transferred property) and will calculate its local foundation allowance share accordingly. The district would face a shortfall in the local share of its foundation allowance associated to the transferred nonhomestead property, and the state would not make up that difference. [Generally a district's local 18-mill nonhomestead tax revenue generates the district's local portion of the foundation allowance, and the state makes up difference to fully fund the foundation allowance.]

SB 173 (S-2) would address both the issues described above by 1) providing School Aid Fund revenue from a prior year work project for dissolved district building costs to pay off the remaining Buena Vista debt and 2) transferring funds from a district emergency grant program to foundation allowance costs, to give Saginaw and Bridgeport-Spaulding time to renew their 18-mills and offset the local loss in foundation allowance that would be triggered otherwise once that debt has been paid.

<u>FY 2014-15 Supplemental Appropriation Items</u>		<u>FY 2014-15 Year-To-Date</u>	<u>Supplemental Appropriation Change</u>
1. Dissolved District Transition Grants (Sec. 20g)	Gross	\$2,200,000	\$725,000
Increases by \$725,000 SAF for an ISD to pay the outstanding operating debt of a dissolved district (Buena Vista) if the authorization for that dissolved district to levy school operating mills was not renewed after the district was dissolved. Provides that the \$725,000 shall be considered to be a part of and counted against the \$2.5 million share of a \$5.0 million appropriation under this section in FY 2013-14 for maintenance and demolition costs related to Buena Vista buildings transferred to other districts. The \$5.0 million appropriation was approved as a work project to allow unexpended funds to be carried forward after the end of fiscal year. Presumably Saginaw will not need full reimbursement because the district will recoup its costs through the sale of the two of the buildings.	Restricted	2,200,000	725,000

<u>FY 2014-15 Supplemental Appropriation Items</u>		<u>FY 2014-15 Year-To-Date</u>	<u>Supplemental Appropriation Change</u>	
2. Distressed Districts Emergency Grant Fund (Sec. 11r)		Gross	\$4,000,000	(\$1,600,000)
Reduces by \$1.6 million SAF to transfer funding to Sec. 22a below.		Restricted	4,000,000	(1,600,000)
3. Foundation Allowances – Proposal A Obligation (Sec. 22a)		Gross	\$5,380,000,000	\$1,600,000
Increases by \$1.6 million SAF to pay for the estimated increased state share of foundation allowance for a district described in the Sec. 20 boilerplate changes below.		Restricted	5,380,000,000	1,600,000

FY 2014-15 Supplemental Boilerplate Items

Sec. 20. Foundation Allowance Calculation – REVISED

Revises the calculation of the taxable value per pupil used to calculate a district's foundation allowance local share, for a district that has not renewed its authorization to levy local school operating mills since receiving property from a dissolved district, until either December 2016 or the successful renewal of that authorization, whichever happens first, to exclude the taxable value of the property attributable to the dissolved district. This would lower the assumed foundation allowance local share and would increase the offsetting state share of the foundation allowance.