

Legislative Analysis



RESTORE SCHOOL AID FUND EARMARK

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 4125 (proposed substitute H-2)

Sponsor: Rep. Scott VanSingel

Committee: Tax Policy

Complete to 9-17-19

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

House Bill 4125 would amend the Income Tax Act to adjust the School Aid Fund (SAF) earmark from 0.954% to 1.012%.

2018 PA 588 reduced the SAF earmark, beginning December 1, 2018, in order to put more revenue in the state's general fund, an increase that saw \$69.0 million earmarked for the Renew Michigan Fund and distributions sent to the Michigan Transportation Fund (MTF).

HB 4125 would return the SAF earmark, beginning October 1, 2019, to its level before 2018 PA 588 was enacted. The bill would retain the distributions for the MTF and keep the dollar amounts directed to the fund at \$264.0 million for 2018-19 and \$468.0 million for 2019-20, unless the minimum foundation allowance fell below a certain level as determined under the School Aid Act. The bill would also retain \$69.0 million in funding for the Renew Michigan Fund.

MCL 206.51 and 206.51d

FISCAL IMPACT:

As written, the bill would increase the SAF earmark from about 22.4% of gross income tax revenue (income tax revenue before refunds are subtracted) to roughly 23.8% of gross income tax revenue. As a result, SAF revenue is expected to increase (and therefore reduce GF/GP revenue) by about \$172 million in FY 2019-20 and \$177 million in FY 2020-21.

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