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Senate Bill 173 (Substitute S-2 as reported by the Committee of the Whole)
Sponsor: Senator Ken Horn
Committee: Appropriations

CONTENT

The bill would amend the State School Aid Act to do the following:

- Count a portion of an existing work project as payment toward the operating debt of Buena Vista Schools (which was dissolved in 2013).
- Give Saginaw Schools and Bridgeport-Spaulling until December 2016 to pass a renewal of the 18-mill school district levy that incorporates property transferred as a result of the dissolution of Buena Vista.

Operating Debt

In 2013, the Buena Vista Schools district was dissolved and its students and property were transferred to three receiving districts: Saginaw Schools, Bridgeport-Spaulling, and Frankenmuth. At present, there is still outstanding debt for Buena Vista in an amount estimated at \$725,000. The bill would appropriate \$725,000 from the School Aid Fund and would effectively take it from the \$2.5 million work project set aside in fiscal year (FY) 2013-14 for Saginaw Intermediate School District, which was established for demolition, maintenance, security, insurance, etc. on the buildings transferred to the receiving districts. The bill would appropriate in FY 2014-15 that \$725,000 to pay off the remaining operating debt of Buena Vista Schools. It was previously anticipated that Buena Vista would continue to levy its 18 mills on nonhomestead property until this debt was paid off, but the renewal of these mills failed in 2014. If no action is taken, a judgment levy likely will be imposed on all property owners to pay off the debt.

18-Mill Collection

Without a change in law, once Buena Vista's outstanding debt is repaid, the calculation of the State portion of the foundation allowance will assume that the property that was transferred from Buena Vista to the three receiving districts is taxable. However, the taxation cannot occur until the millage is renewed in each district to reflect the territory received. Therefore, Senate Bill 173 (S-2) would exclude the transferred property from the calculation of the State share of the foundation allowance until December 2016, which would allow Saginaw Schools and Bridgeport-Spaulling to have until that time to seek a renewal of their 18-mill levy on nonhomestead property that includes the property transferred to the receiving districts. (Frankenmuth successfully renewed its 18-mill levy last fall.)

The cost of this part of the bill is estimated at \$1.6 million, and the bill proposes to use money set aside in Section 11r to pay the cost of this proposal. Section 11r contains \$4.0 million for the distressed districts emergency grant fund and none of the funding has yet been spent.

MCL 388.1611 et al.

FISCAL IMPACT

The bill proposes to indirectly use a portion of an existing work project to pay for a current-year spending item. Therefore, while there would be a cost from paying off the debt, there also would be a lapse to the School Aid Fund of the same amount because the new spending would be "counted against" the work project, and the net effect of this portion of the bill would be zero. Similarly, the \$1.6 million cost to ensure that foundation allowance funding for Saginaw and Bridgeport-Spaulding is not reduced (due to the inability to collect mills on transferred property until a successful millage renewal) would come from money already set aside in the distressed districts emergency fund, and would not be a new net cost, although it would diminish funds under that section available for other purposes in the future.

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