



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536



Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 1073 (as introduced 1-20-10)
Sponsor: Senator Patricia L. Birkholz
Committee: Reforms and Restructuring

Date Completed: 5-25-10

CONTENT

The bill would add Section 168b to the State School Aid Act to cap the noninstructional spending of school districts with more than 1,000 pupils at 28% of operational expenditures, beginning in 2011-2012. Specifically, the category of spending that would be capped is "support services, excluding the instructional support category", as defined in Bulletin 1014 published by the Michigan Department of Education, which includes business and administration, operations and maintenance, and transportation.

The bill would require the Department to withhold 5% of the total school aid funds due to a district, if the district did not comply with this spending limitation, until the district complied. If the district failed to comply with Section 168b by the end of a fiscal year, the district would forfeit the total amount withheld.

Proposed MCL 388.1768b

FISCAL IMPACT

According to Senate Fiscal Agency calculations using data found in the 2008-09 Bulletin 1014, there were 185 school districts (including charter schools) with more than 1,000 pupils that spent more than 28% of their current operating funds on noninstructional support services as defined by the bill. The combined school aid paid to these districts in 2008-09 totaled more than \$3.5 billion. If all of these districts continued to spend more than 28% and did not comply with the spending restriction by the end of a given fiscal year, they would forfeit a combined \$175.0 million (5% of the \$3.5 billion in school aid payments). However, it is highly unlikely that this would occur, and more likely that districts would trim noninstructional support spending during the fiscal year in order to recoup State aid being withheld.

Fiscal Analyst: Kathryn Summers

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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.