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House Bill 4804 (Substitute S-2 as reported)
Sponsor: Representative Marc Shulman
House Committee: Appropriations
Senate Committee: Appropriations

CONTENT

House Bill 4804 (S-1) would amend the Management and Budget Act to make a series of changes regarding the Countercyclical Budget and Economic Stabilization Fund (BSF) and to provide a new requirement for the Office of the State Budget to report to the Legislature.

The bill would eliminate two current statutory withdrawals from the BSF, provide for a new withdrawal from the BSF to the School Aid Fund, and transfer General Fund/General Purpose (GF/GP) appropriation lapses to the BSF as part of the State's book-closing process. The first statutory withdrawal that the bill would eliminate is a \$32.0 million annual withdrawal from the BSF to be deposited in the School Aid Fund. This \$32.0 million is used to finance a portion of the State's legal obligation to local and intermediate school districts in the consolidated cases known as *Durant v State of Michigan*. Under current law, these withdrawals are to continue through FY 2007-08. The second statutory withdrawal that would be eliminated is a \$35.0 million annual withdrawal from the BSF to the State Trunk Line Fund. Under current law, these withdrawals for road construction projects are to continue through FY 2015-16.

The bill would add a new automatic statutory withdrawal and transfer to the School Aid Fund to cover any potential pro rata reduction in State School Aid payments that might occur as a result of a downward revision in the FY 2003-04 School Aid Fund consensus revenue estimate. The final provision in the bill concerning the BSF would transfer from the General Fund to the BSF any GF/GP appropriation lapses at the close of the fiscal year. This new deposit would become effective beginning in FY 2003-04.

The bill's new reporting language would require the State Budget Director to report to the Legislature within 30 days after the State's credit rating had been changed by any major credit rating agency. This report would have to include a summary of the reasons for the change.

MCL 18.1344 et al.

FISCAL IMPACT

Due to the fact that the BSF currently contains no balance, the initial impact of House Bill 4804 (S-2) would be zero. Eliminating the statutory withdrawals from the BSF earmarked to fund the *Durant* lawsuit settlement in School Aid means that this settlement instead would be paid from State School Aid Fund revenues. This is consistent with the treatment of the settlement in the FY 2003-04 School Aid appropriation bill. Eliminating the withdrawal from the BSF earmarked to the State Trunk Line Fund means that other existing transportation restricted revenues would have to be used to replace BSF funds for the financing of transportation projects. The potential impact of the proposed withdrawal to avoid pro rata reductions in the School Aid Fund is unknown. The impact of this withdrawal would depend on actual School Aid Fund revenue collections along with the amount of any potential balance in the BSF. The impact of depositing GF/GP appropriation lapses into the BSF beginning in FY 2003-04 would depend on the actual level of final GF/GP appropriation lapses.

Date Completed: 7-7-03

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