



**House
Legislative
Analysis
Section**

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SCHOOL AID; FEDERAL IMPACT AID

House Bill 4312 (Substitute H-4) RECEIVED
First Analysis (5-23-88)

JUL 06 1988

Sponsor: Rep. Dominic Jacobetti

First Committee: Education

Second Committee: Appropriations

Mich. State Law Library

THE APPARENT PROBLEM:

Generally, school districts in which federal installations are located, such as military bases or low income housing projects, are eligible for federal "impacted-area aid," because such a project results in additional students for the school district but not in an equivalent increase in the district's tax base. However, because Michigan's yield equalizing school aid formula is designed to automatically compensate for decreased local revenues by the guarantee of a set per-pupil amount in state-local revenue, the state aid allocation of school districts that receive federal impact aid is adjusted by subtracting the amount of federal aid received, up to a maximum of \$160 per pupil.

The Gwinn Area Community School District in Marquette County and the Oscoda School District receive federal impact aid due to the presence of the Sawyer and Wurtsmith Air Force bases in those districts. These two districts are considered "Super A" districts because more than 50 percent of their students are considered to be associated with the military bases, and thus to have a negative impact on local school revenues. Both receive federal impact aid in excess of the \$160 per pupil recapture limit. The Gwinn Area Community School District has requested an amendment to the impact aid provisions of the school aid act which it contends could make the district, and possibly Oscoda, eligible for certain supplemental federal aid in addition to the standard impact aid, with no affect on state expenditures.

THE CONTENT OF THE BILL:

The bill would amend the impact aid provisions of the State School Aid Act to change the reference to the federal impact aid law so that state aid deductions would only be applied against aid received under one section of the federal law, (the section which provides for the standard impact aid distributions to school districts), rather than the entire law. This change would have the effect of exempting supplemental federal impact aid from the state deduction.

MCL 388.1621

FISCAL IMPLICATIONS:

According to the Department of Education, the bill would not affect the amount of federal aid recaptured by the state, because both of the affected districts receive federal aid in excess of the \$160 per pupil eligible for recapture. Thus, the bill has no fiscal implications for the state. (5-18-88)

ARGUMENTS:

For:

In addition to the standard impact aid that the federal government pays to school districts with federal installations in lieu of taxes, the federal law contains

several provisions for various types of supplemental aid. The Gwinn and Oscoda school districts may otherwise meet the eligibility criteria for some of this supplementary aid, except that the recapture provision in the state aid act disqualifies them from applying, even though the state aid act contains a cap on the amount of aid recaptured. Both districts receive far in excess of \$160 per pupil in federal impact aid, so if supplemental aid were available, it would not be subject to recapture anyway. The bill, then, would simply remove a technical roadblock that prohibits the districts from applying for supplementary federal impact aid. In the case of Gwinn, the additional federal aid could mean as much as \$600,000 in extra revenue to the financially strapped district.

POSITIONS:

The Gwinn Area Community School District supports the bill. (5-18-88)

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