

SFA

BILL ANALYSIS

Senate Fiscal Agency

Lansing, Michigan 48909

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Senate Bills 61 and 295 (as reported without amendment)

Sponsor: Senator Rudy J. Nichols

Committee: Regulatory Affairs

Date Completed: 5-26-87

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RATIONALE

Public Act 40 of 1981 amended the lottery Act to require that the net proceeds from the lottery be deposited in the State School Aid Fund. Before that money is transferred to the School Aid Fund, however, it is first deposited in the State Treasurer's common cash fund. Interest earned on the lottery proceeds in the common cash fund is not credited to the Lottery Bureau, but instead reverts to the State General Fund. It has been suggested that the interest also be credited to the School Aid Fund.

CONTENT

Senate Bill 61 would amend the McCauley-Traxler-Law-Bowman-McNeely Lottery Act to require that any interest earned on the net revenue from the State lottery while the revenue was held in the State Treasurer's common cash fund be credited to the State School Aid Fund. The bill would not change the current provisions under which net revenue earned after the payment of prizes to the holders of winning lottery tickets and after paying the Lottery Bureau's expenses for operating the lottery is to be deposited in the School Aid Fund.

Senate Bill 295 would amend the State School Aid Act to provide that, in appropriating any deficiency from the General Fund, the Legislature would have to disregard any revenue in the School Aid Fund that was attributable to interest on net revenue from the State lottery, and would have to calculate the amount of the deficiency as if the interest on net revenue from the lottery had not been credited to the School Aid Fund.

The bills are tie-barred.

FISCAL IMPACT

The passage of Senate Bill 295 would have no effect on the level of General Fund/General Purpose revenues paid to fulfill the requirements of the School Aid Act in FY 1987-88. This bill is tie-barred to Senate Bill 61, which would increase restricted School Aid Fund revenues by approximately \$7.0 million in FY 1987-88, and consequently reduce General Fund/General Purpose revenues by the same amount. Since the total level of State support for K-12 public schools, which exceeds \$2 billion in FY 1986-87, is determined by overall State revenues and spending priorities, it is impossible to ensure that total K-12 State aid would be \$7 million higher with the passage of Senate Bills 61 and 295 than without their passage.

ARGUMENTS**Supporting Argument**

The bills would guarantee that all net lottery earnings, including interest, were used exclusively for the purposes of the School Aid Fund. In doing so, the bills would finally

fulfill the public's expectation, which led to Public Act 40, that the lottery proceeds would be applied to school aid. Reportedly, if this had been done in recent years, the School Aid Fund would have received \$12.1 million in 1984 and \$10.6 million in 1985.

Opposing Argument

Michigan's school aid appropriations invariably exceed revenue collected in the School Aid Fund and, to cover this shortfall, the Fund receives an annual appropriation from the General Fund. Thus, increasing the School Aid Fund through lottery interest earnings could simply reduce the appropriation required from the General Fund, rather than actually increasing the total amount of school aid.

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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.

S.B. 61 & 295 (5-26-87)