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BILL ANALYSIS

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**House Bill 4312 (Substitute H-4 as reported without amendment)****Sponsor: Representative Dominic Jacobetti****First House Committee: Education****Second House Committee: Appropriations****Senate Committee: Education and Mental Health****Date Completed. 6-13-88****RATIONALE**

School districts in which Federal installations, such as military bases, are located are eligible for Federal "impact aid" because the districts must serve an increased number of students without an increase in the schools' tax base. State aid to such school districts is decreased by the amount of Federal aid received by the district up to a maximum deduction of \$160 per pupil. Currently, any supplemental Federal impact aid received by a school district also results in a State aid deduction, because the State School Aid Act's reduction provision cites the entire Federal Act. Some people believe that the State aid reductions should apply only to the standard Federal impact aid and not to supplemental Federal aid.

**CONTENT**

The bill would amend the State School Aid Act to specify that State aid deductions for aid received by a school district under the Federal impact aid law (20 U.S.C. 236-244) could be applied only against aid received under one section of the Federal Act, rather than the entire Act. The section to which the bill would restrict deductions from State aid payments provides for the standard impact aid distribution to school districts. Under the bill, supplemental Federal impact aid could not be deducted from State allocations to school districts.

MCL 388.1621

**FISCAL IMPACT**

The bill would have no fiscal impact on State government.

Federal impact aid is paid to local school districts which sustain reduced property tax collections due to the presence of Federally-owned property in the district. The corresponding reduction of State membership aid under Section 21(3) of the School Aid Act, which is limited to a maximum of \$160/pupil, is designed to avoid double compensation to local districts with Federal property.

House Bill 4312 (H-4) would properly narrow the reference in Section 21(3) of the School Aid Act to the basic Federal impact aid grant program against which this State aid deduction is applied. (Section 21(3) currently refers to the entire Federal statute, although the State aid deduction is applied only to the basic Federal aid cited in the bill.) Thus, the bill would allow the Gwinn Area Community School District in Marquette County to apply for supplementary Federal impact aid with no cost or saving to the State.

**ARGUMENTS****Supporting Argument**

In addition to the standard impact aid that the Federal government pays to school districts in which Federal installations are located, the Federal law contains provisions that allow for various types of supplemental aid. The Gwinn and Oscoda school districts may meet the eligibility criteria for some of this supplementary aid. The recapture provision in the State School Aid Act, however, disqualifies them from applying for such aid, even though the State Act contains a cap on the amount of aid that can be recaptured. Since both districts receive more in Federal Aid than the \$160 per-pupil cap on the deduction, supplemental aid that was available it would not be subject to recapture under the State Act, anyway. The bill simply would remove a technical roadblock that prohibits the districts from applying for supplementary Federal 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.

H.B. 4312 (6-13-88)

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