

# Legislative Analysis

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## RESTORE SCHOOL AID FUND EARMARK

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<http://www.house.mi.gov/hfa>

**House Bill 4125 (proposed substitute H-1)**  
**Sponsor: Rep. Scott VanSingel**  
**Committee: Tax Policy**  
**Revised 9-17-19**

Analysis available at  
<http://www.legislature.mi.gov>

### SUMMARY:

House Bill 4125 would amend the Income Tax Act to adjust the School Aid Fund (SAF) earmark from .954% to 1.012%.

2018 PA 588 reduced the SAF earmark in order to put more revenue in the state's general fund, an increase which saw \$69.0 million earmarked for the Renew Michigan Fund and distributions sent to the Michigan Transportation Fund (MTF).

HB 4125 would return the SAF earmark to its pre-2018 levels after the 2018-19 fiscal year. The bill would retain the distributions for the MTF and keep the dollar amounts directed to the fund at \$264.0 million for 2018-19 and \$468.0 million for 2019-20, unless the minimum foundation allowance falls below a certain level as determined under the School Aid Act. The bill would retain \$69.0 million in funding for the Renew Michigan Fund.

MCL 206.51 and 206.51d

### FISCAL IMPACT:

As written, the bill would increase the SAF earmark from about 22.4% of gross income tax revenue (income tax revenue before refunds are subtracted) to roughly 23.8% of gross income tax revenue. As a result, SAF revenue is expected to increase (and therefore reduce GF/GP revenue) by about \$172 million in FY 2019-20 and \$177 million in FY 2020-21.

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