

STATE OF MICHIGAN
DESCRIPTIONS OF SPECIAL REVENUE FUNDS - OTHER STATE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1999

COUNTER-CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND

This fund, which is commonly referred to as the "Budget Stabilization Fund" or "Rainy Day Fund," was created by P.A. 76 of 1977 to assist in stabilizing revenue and employment during periods of economic recession and high unemployment. In general, transfers are made into this fund from the General Fund during improving economic times and funds flow from this fund to the General Fund in times of declining economy. Additional information regarding the fund is provided in Note #3 to the General Purpose Financial Statements.

MICHIGAN VETERANS' TRUST FUND

This fund was created by P.A. 9 of 1946 (First Extra Session) to finance programs to assist veterans and their beneficiaries. The fund is governed by a seven member board of trustees. Resources are provided by investment and common cash earnings and by transfers from the General Fund. Expenditures and transfers out reflect grants to veterans and their widows or dependents and administrative costs at both the State and local level. The fund is administered within the Department of Military and Veterans Affairs.

SCHOOL AID FUND

This fund was created in 1955 by an amendment to the 1908 Constitution. Its continued existence was provided for by the 1963 Constitution. Its purpose is to aid in the support of the public schools and the intermediate school districts of the State. Payments of aid to school districts are based on a statutory formula.

The fund receives State revenues restricted to local school programs, including: the constitutionally dedicated sixty percent of the collections of sales tax imposed at a rate of 4% and all of the collections of sales tax imposed at the additional rate of 2%; State Lottery Fund earnings; the real estate transfer tax; and portions of the personal income, cigarette, liquor, and industrial and commercial facilities taxes. A constitutional amendment approved by voters in 1994 made structural changes in the method of financing local school districts. The amendment authorized the levy of a statewide property tax which is deposited in the School Aid Fund. Appropriated transfers are also made from the General Fund.

SCHOOL BOND LOAN FUND

Article 9, Section 16, of the State Constitution and P.A. 74 of 1955 authorized the issuance of State general obligation bonds to provide funds for loans to school districts. Loans are made for the payment of principal and interest on school district bonds under prescribed circumstances. The proceeds of State bonds are credited to the fund as an "Other Financing Source." When loans are made, operating transfers are recorded to the General Fund, which receives loan payments and provides financing for debt service. The loans receivable are recorded as assets in the General Fund.

CHILDREN'S TRUST FUND

The Children's Trust Fund was established by P.A. 249 of 1982 to support the State Child Abuse and Neglect Prevention Board. Established under P.A. 250 of 1982, the purpose of the board is to coordinate and fund activities for the prevention of child abuse and neglect in the State. The fund is administered within the Family Independence Agency.

Revenues are derived from taxpayer donations made on the individual's income tax return, other gifts, interest earnings, and grants from the federal government. One-half of the donations made on income tax returns are placed in a trust corpus. When the total assets of the fund exceed \$20 million, the earnings credited to the fund will be available for disbursement. Until that time, the amount available for disbursement is limited to one-half of tax refund designations, all additional donations and grants, and interest earnings credited to the fund in previous years.

MICHIGAN MERIT AWARD TRUST FUND

This fund was created by P.A. 94 of 1999 to account for a portion of the revenue from the master settlement agreement between tobacco manufacturers and the State. The settlement reimbursing the State for health care costs which result from the use of tobacco products. The fund also consists of interest and earnings from trust fund investments and donations. Expenditures from the fund are primarily for the Michigan Merit Award Scholarship program.

TOBACCO SETTLEMENT TRUST FUND

This fund was administratively created to account for a portion of the revenue from the master settlement agreement between tobacco manufacturers and the State. The settlement reimbursing the State for health care costs which result from the use of tobacco products. Expenditures from the fund are for a variety of programs as determined by the Legislature.