



**House
Legislative
Analysis
Section**

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MICHIGAN STATE LAW LIBRARY

BONDING FOR SCHOOL TEXTBOOKS

**Senate Bill 1142 with House committee
amendments
First Analysis (12-5-90)**

**Sponsor: Sen. John J.H. Schwarz
Senate Committee: Education & Mental Health
House Committee: Education**

THE APPARENT PROBLEM:

Fiscal troubles in the Pontiac Public School District have threatened to push the district into bankruptcy, forcing state education officials to consider placing an emergency manager over the district. As the district has already reached its constitutional tax limitation of 50 mills it has had to postpone the purchase of badly needed new textbooks. Some feel this problem could be solved if the district were allowed to hold a vote on whether to issue bonds specifically to pay for textbooks. Though the School Code apparently permits bonds to be issued to pay for library books, it is not clear whether this can be done for textbooks. The district plans to hold an election on the question in February of 1991 and has requested legislation that would specifically authorize this.

THE CONTENT OF THE BILL:

The bill would amend the School Code to allow school districts, in addition to borrowing money and issuing bonds to finance the costs of activities such as purchasing, remodeling, and equipping school buildings, to borrow money and issue notes to defray all or part of the cost of purchasing textbooks until December 31, 1991. If a bond proposal for this purpose were approved by a majority of electors voting on the question before the bill took effect and the bonds otherwise met the act's bonding requirements, the issuance of bonds would be considered ratified and confirmed and the bonds would be considered issued under the bill.

380.1351

FISCAL IMPLICATIONS:

According to the Senate Fiscal Agency, the bill would not affect state or local government budget expenditures. (11-9-90)

ARGUMENTS:

For:

The bill is aimed at helping the Pontiac School District raise enough money to pay the cost of new textbooks through the issuance of bonds, as the district has already reached its constitutional 50-mill tax limit. The School Code currently does not allow bonds to be issued specifically for this purpose though some people feel the act permits bonds to be issued to pay for library "furnishings," i.e. books. The bill would simply add textbooks to the list of things for which school districts could borrow money or issue notes.

Against:

Though it is meant to apply only to the Pontiac situation other districts could decide to issue bonds for this purpose. As more and more districts struggle to pay their operating costs, while moving closer to the 50-mill limit, they have begun to rely on

long-term bonding to solve their fiscal troubles. Borrowing in this way may provide immediate solutions but threatens districts' future fiscal stability. Instead of encouraging some districts to go further into debt, the state should follow through on its responsibility to ensure that all public schools are adequately funded.

POSITIONS:

There are no positions on the bill.