

SFA

BILL ANALYSIS

Senate Fiscal Agency

Lansing, Michigan 48909

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Senate Bill 976 (as passed by the Senate)
Sponsor: Senator John J. H. Schwarz, M.D.
Committee: Education and Mental Health

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RATIONALE

Public Act 124 of 1983 permits school districts, upon completion of a project, to use up to 15% of the unspent balance of the proceeds of sale of any school bonds, for school construction, equipment and site acquisition, and development if that use is permitted by the State Superintendent of Public Instruction. The Stephenson Area Schools in Menominee County had sold bonds to finance construction of a new high school. Upon completion of the high school, the school district realized a substantial unexpended balance from the bonds. School district officials would like to use up to 40% of the funds to add extra facilities and equipment to the new high school, but are restricted by the Act to using up to only 15% of the funds.

CONTENT

The bill would amend Public Act 124 of 1983 to permit a fourth class school district, located in a county with a population of up to 27,000, to use up to 40% of the amount of the unspent balance of proceeds from the sale of school bonds that remained after completion of a project.

MCL 388.954a

FISCAL IMPACT

The bill would have no fiscal impact on the State. A school district that opted to spend the unexpended balance of proceeds of bonds would have to pay interest rather than paying back the loan on the bonds. The interest for the first year on a 20-year bond at 7% for \$1,000,000 with two payments per year would be \$69,585.95.

ARGUMENTS**Supporting Argument**

The Stephenson Area Schools recently completed construction of a new high school. Plans for the facility had been scaled back to keep down the cost of construction. Upon completion of the project, however, the school district realized that it was able to build the new facility for an amount that was much less than had been anticipated. While it is unusual to have a great difference between the estimated and actual cost of construction, according to bonding attorneys, the school district in this case did end up with a substantial amount of funds from the bond proceeds after construction was completed. School officials wish to use a greater proportion of the funds than the amount that is allowed under Public Act 124 to add to the new high school facilities and equipment that had been left out of the original construction plans in order to keep the project within the estimated cost.

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