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BILL ANALYSIS

Senate Fiscal Agency

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MICHIGAN STATE LAW LIBRARY

Senate Bill 1142 (as reported without amendment)

Sponsor: Senator John J. H. Schwarz, M.D.

Committee: Education and Mental Health

Date Completed: 1-3-91

RATIONALE

A number of school districts across the State face the dilemma of improving their academic programs with inadequate financial resources. One district grappling with this problem is the Pontiac School District, which has a high operating millage rate but a low debt millage (which repays the debt incurred as the result of issuing bonds for the acquisition of sites and facilities). Consequently, the district is looking for alternative means of raising revenues for educational purposes, such as the issuance of bonds. The School Code allows school districts to issue bonds to finance the costs of various activities such as purchasing, remodeling, and equipping school buildings; acquiring and developing sites for school facilities; and, purchasing school buses. Some people believe that school districts seeking funds for improvements in their academic program should be able to issue bonds for textbooks, also.

CONTENT

The bill would amend the School Code to allow school districts to borrow money and issue bonds to defray the costs of purchasing textbooks. Further, the bill specifies that if a bond proposal for bonds to defray the costs of purchasing textbooks were approved by a majority of the electors voting on the question before the bill took effect and the bonds otherwise met the bonding requirements of the Act, the issuance of bonds would be considered ratified and confirmed and the bonds would be considered issued under the Act.

MCL 380.1351

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

ARGUMENTS**Supporting Argument**

Pontiac school representatives estimate that it will cost between \$2 million and \$2.5 million to upgrade the textbooks used in the district. While the school district has a relatively low debt millage, the district's operating millage rate is high. Consequently, it would be difficult for the district to obtain voter approval to increase the millage rate further in order to raise money for buying textbooks. The Pontiac School District, as well as other school districts in a similar situation, should be able to seek alternatives to funding needed improvements in instructional programs, such as new textbooks. Furthermore, voters in a school district still would have to approve the sale of bonds, as currently required in the Code, before a district could issue any bonds.

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