

## SCHOOL SINKING FUNDS

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### House Bill 4575

**Sponsor: Rep. Barb Vander Veen**

**Committee: Education**

**Complete to 5-22-06**

## A SUMMARY OF HOUSE BILL 4575 AS INTRODUCED 3-24-05

House Bill 4575 would amend the Revised School Code to allow a school district to use a sinking fund for any purpose for which it can borrow money and issue bonds under Section 1351A of the code. (Those purposes are described later.)

Currently, the board of a school district may, with voter approval, levy a tax up to five mills on the state equalized valuation of the school district each year for a period not to exceed 20 years for the purpose of creating a sinking fund. The sinking fund can be used to purchase real estate for school construction and for the construction and repair of school buildings. If the Department of Treasury determines through an audit that a sinking fund has been used for a purpose other authorized by law, a school district must repay the misused funds from its operating funds and would then be prohibited from levying a sinking fund tax.

House Bill 4575 would, in addition to addressing the purpose of sinking funds, specify that the tax levy is on "the taxable value of the real and personal property" of the school district; require repayment of funds to the sinking fund if money is used for a purpose other than the purpose specified in the ballot language approved by voters; and allow a school district to refer to the sinking fund in the ballot language by another appropriate descriptive term, such as "infrastructure investment fund."

Permitted Bond Uses. The purposes for which school bonds can be used under Section 1351 include:

- Purchasing, erecting, completing, remodeling, or equipping or reequipping school buildings.
- Furnishing or refurbishing new or remodeled school buildings.
- Purchasing school buses.
- Acquiring, installing, equipping, or reequipping school buildings for technology.

The term "technology" is defined to mean any of the following. (1) hardware and communication devices that transmit, receive, or compute information for pupil instructional purposes; (2) the initial purchase of operating system software or customized application software, or both, accompanying the purchase of the hardware and communication devices; and (3) the costs of design and installation of the hardware,

communication devices, and initial operating system software or customized application software authorized under this section.

Prohibited Bond Uses. School districts cannot use bonds to defray all or part of the costs of any of the following:

- Upgrades to operating system or application software.
- Media, including diskettes, compact discs, videotapes, and disks, unless used for the storage of initial operating system software or customized application software included in the definition of technology.
- Training, consulting, maintenance, service contracts, software upgrades, troubleshooting, or software support.

MCL 380.1212

**FISCAL IMPACT:**

The bill would have no fiscal impact on the state and an indeterminate fiscal impact on school districts.

There are currently 126 school districts that levy sinking fund millages. A current voter-approved sinking fund millage would not be eligible for a change in use as described in the proposed legislation. The proposed changes would affect only future voter-approved sinking fund millages. If a district used a sinking fund millage in place of a bond, it could save on future interest costs by paying up front rather than borrowing.

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