

## EXPAND USE OF SCHOOL SINKING FUNDS

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**House Bill 5709**

**Sponsor: Rep. Tom Casperson**

**Committee: Education**

**Complete to 5-22-06**

## A SUMMARY OF HOUSE BILL 5709 AS INTRODUCED 2-16-06

House Bill 5709 would amend the Revised School Code to revise the purposes for which sinking funds could be used by school districts.

The bill specifies that in addition to the purposes already specified in the law, a school district that created a sinking fund and levied a sinking fund tax could use the fund for the purchase of school buses, or the acquisition, installation, or equipping or re-equipping of school buildings for technology. Under the bill, "technology" would be defined to mean any of the following.

- Hardware and communication devices that transmit, receive, or compute information for pupil instructional purposes.
- The initial purchase of operating system software or customized application software, or both, accompanying the purchase of hardware and communication devices described above.
- The costs of design and installation of the hardware, communication devices, and initial operating system software or customized application software authorized under this section.

The bill would *prohibit* a school district from using its sinking fund 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.

[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.]

MCL 380.1212a

**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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