

Legislative Analysis



SCHOOL DISTRICT SINKING FUNDS

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House Bill 4313

Sponsor: Rep. Mark Meadows

Committee: Education

Complete to 2-19-09

A SUMMARY OF HOUSE BILL 4313 AS INTRODUCED 2-17-09

Under Section 1212 of the Revised School Code, the board of a school district can, if approved by the voters, levy up to five mills on the district's state equalized valuation, for up to 20 years, in order to create a sinking fund. Currently, the code says a sinking fund is to be used only to purchase real estate for school buildings and for the construction or repair of school buildings. House Bill 4313 would amend the Revised School Code to allow a school district to use a sinking fund for "any purpose for which a school district can borrow money and issue bonds under Section 1351a" of the code.

The bill also would amend the code so that it would allow a levy of up to five mills on the "taxable value of the real and personal property" of the school district rather than five mills on "the state equalized valuation of the school district."

Section 1351a says that a school district may borrow money and issue bonds of the district to defray all or a part of the cost of purchasing, erecting, completing, remodeling, or equipping or reequipping school buildings (except for equipping or reequipping for technology), including library buildings, structures, athletic fields, playgrounds, or other facilities, or parts of or additions to those facilities; furnishing or refurnishing new or remodeled school buildings; acquiring, preparing, developing, or improving sites, or parts of or additions to sites, for school buildings, including library buildings, structures, athletic fields, playgrounds, or other facilities; purchasing school buses; acquiring, installing, or equipping or reequipping school buildings for technology; or a combination of those purposes. The section also says that the bond proceeds are to be used for capital expenditures and to pay costs of bond issuance, and are not to be used for maintenance costs.

Under Section 1351a, a school district is not allowed to borrow money and issue notes or bonds to defray all or part of the costs of any of the following: (1) upgrades to operating system or application software; (2) media, including diskettes, compact discs, video tapes, and disks, unless used for the storage of initial operating system software or customized application software included in the definition of technology; or (3) 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 but could create savings for school districts. If a district could use a sinking fund to pay up front for costs they otherwise would have to bond for, it would allow them to avoid both interest costs and legal fees associated with bonding.

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