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## SCHOOL DISTRICT BONDED INDEBTEDNESS

House Bill 4171  
Sponsor: Rep. Valde Garcia  
Committee: Education

Complete to 4-11-01

### A SUMMARY OF HOUSE BILL 4171 AS INTRODUCED 2-8-01

House Bill 4171 would amend the Revised School Code to change the current law that governs responsibility for bonded indebtedness when school districts transfer a portion of their territory from one district to another.

Currently, if territory is detached from a school district that has bonded indebtedness and transferred to another school district, the territory remains as part of the district from which it was detached for the purpose of levying debt retirement taxes for the bonded indebtedness incurred while attached, until the bonds are redeemed, or until sufficient funds are available in the debt retirement fund to redeem the bonds. Further, the territory is not subject to debt retirement tax levies for existing bonded indebtedness of the school district to which the territory is transferred. Under the law, the board of the school district to which the property is attached can, by resolution, exempt the property from the debt tax levies for not more than three years.

Under the bill, if the board of the school district from which territory was transferred adopted a resolution releasing the territory from its bonded indebtedness, and stated in the resolution that it had determined that the release would not impact its ability to pay off its indebtedness, then all of the following would apply (effective on the date of the resolution):

- the territory would not be part of the school district from which it was transferred for any purpose, and would not be subject to further taxation by that school district for any purpose; and,
- the territory would immediately be subject to all existing debt retirement tax levies for bonded indebtedness of the school district to which the territory was transferred.

Further, the bill specifies that this provision would apply to any transfer of territory that occurred either before or after the effective date of the bill.

MCL 380.961

Analyst: J. Hunault

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