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House Bill 5839 (Substitute H-5 as passed by the House)
Sponsor: Representative Ruth Johnson
House Committee: Education
Senate Committee: Education

Date Completed: 9-29-04

CONTENT

The bill would amend the Revised School Code to do the following:

- Set a maximum of 20 years on the duration of a tax, or renewal of a tax, levied by an intermediate school district (ISD) for operating purposes.**
- Require an ISD levying a tax for special education or vocational-technical education operating purposes to submit a copy of its audit report to the Department of Treasury.**
- Require the Department to notify the ISD if it determined that the proceeds from the tax had been used for other purposes; and allow the ISD to appeal that determination.**
- Allow the ISD electors to reconsider the proportion of the tax equal to the proportion of the misused proceeds, upon a petition of at least 10% of the electors.**
- Prohibit an ISD from using the proceeds of bonds issued for vocational-education or special education facilities, or levying a tax to repay those bonds, for any other purpose.**

Duration of Tax

For a tax authorized after the bill's effective date for ISD operating purposes, the duration of the authorization could not exceed 20 years. With the approval of the intermediate school electors, the authorization could be renewed for a maximum of 20 years. The duration of the authorization would have to be stated in the ballot question concerning the levy or renewal of the tax.

The Code authorizes an ISD, with voter approval, to levy mills for vocational-technical education program operating purposes, and/or special education program operating purposes, subject to certain limitations. Under the bill, these millage levies also would be subject to the proposed 20-year maximum duration.

Audit Reports; Millage Reconsideration

The bill would require an ISD levying a tax for vocational-technical education or special education to submit to the Department of Treasury a copy of the audit report from the audit of the ISD under Section 622 or 622a for the applicable time period. (Section 622 requires ISDs to have their books audited annually. Section 622a, which is proposed by House Bill 5457, would require additional random audits, as directed by the Department.)

If the Department determined from the audit report that the proceeds from the tax had been used for a purpose other than vocational-technical education or special education program operating purposes, as applicable, the Department would have to notify the ISD of that determination. If the ISD disputed the determination or claimed that the situation had been corrected, the ISD could submit an appeal of the determination to the Department within 15 days after receiving it. The Department would have to consider the appeal within 30 days.

If the Department did not make an affirmative finding within the 30-day period that the determination was inaccurate or that the situation had been corrected, then the authorization for the proportion of the tax that was the same as the proportion of the proceeds that were misused, could be reconsidered at the next regular ISD election if at least 10% of the intermediate school electors petitioned the district to reconsider the authorization. If the proceeds from the tax were being used to repay debt secured by bonds issued by the ISD, however, the election would have to be held at the next regular ISD election occurring after the debt had been retired.

Bond Proceeds

The Code authorizes an ISD, with voter approval, to issue bonds to defray the cost of buildings and other facilities for vocational-technical education and/or special education. The bill would prohibit an ISD from using the proceeds from these bonds for any purpose other than facilities used for vocational-technical education or special education purposes, as applicable. If a facility were to be used for a different purpose, proceeds from the bonds or millage levied to repay the bonds could be used only for that portion of the facility that was used for providing vocational-technical education or special education programs and services.

MCL 380.681 et al.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

There potentially could be an indeterminate cost to the Department of Treasury for administrative expenses if the Department did not have the personnel in place to conduct the audit reviews and/or appeals process as prescribed in the bill. Though the costs are indeterminate, they would be minimal.

If an audit review disclosed that funds were misused and the electors then decided not to authorize that portion of the millage, the ISD would lose revenue equal to the amount of the reduced millage rate approved by the electors.

Fiscal Analyst: Joe Carrasco

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.