

Legislative Analysis



ALLOW SINKING FUND MILLAGE TO BE USED FOR CERTAIN SCHOOL TRANSPORTATION EXPENSES

Phone: (517) 373-8080
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Senate Bill 63 (S-1) as reported from House committee
Sponsor: Sen. Dayna Polehanki
House Committee: Education
Senate Committee: Education
Complete to 4-19-23

Analysis available at
<http://www.legislature.mi.gov>

(Enacted as Public Act 26 of 2023)

SUMMARY:

Senate Bill 63 would amend the Revised School Code to allow funds raised through a sinking fund millage approved by voters to be used for certain expenses related to transportation.

Under current law, for a sinking fund millage approved before March 29, 2017, the revenue raised under that millage may be used for the purchase of real estate for sites for, and the construction or repair of, school buildings. For a millage approved after that date, revenues raised under that millage can also be used for school security improvements or for the acquisition or upgrading of technology.

The bill would allow the following additional uses of millage funds for a sinking fund millage approved after the date the bill takes effect:

- The acquisition of student transportation vehicles.
- The acquisition of parts, supplies, and equipment used for the maintenance of student transportation vehicles.
- The acquisition of trucks and vans registered under the Michigan Vehicle Code and used to carry parts, equipment, and personnel for or in the maintenance of school buildings.
- The acquisition of parts, supplies, and equipment used to maintain those trucks and vans.

The bill would take effect 90 days after it is enacted into law.

MCL 380.1212

BACKGROUND AND BRIEF DISCUSSION:

The rising costs of fuel and maintaining vehicles have contributed to schools putting an increasing share of their general fund dollars toward transportation. Unlike millages that are used to pay back bonds taken out for new school construction, a school sinking fund allows a district to collect revenue through the specified millage rate (up to the maximum allowable limit of five mills per year, with a maximum of 10 years per approved millage) and use those funds for defined purposes.

Because the sinking fund does not pay back debt, this method of raising additional school funds is preferred by districts when paying for projects and upgrades that have a multiyear lifespan of usefulness, but not the longevity of capital improvement projects such as a new school building (where debt is necessary to accommodate the longer pay-back period). Supporters of the legislation say that purchasing and maintaining school buses and other transportation vehicles fits the intended use of a sinking fund, and the bill should be approved to allow districts the option of asking voters to approve a sinking fund millage for this purpose.

Opponents of the bill object to expanding the reasons for which a school may seek a millage, pointing to increased property tax costs to businesses and other property owners who do not live within a school district's boundaries but are still bound by the vote made by resident voters.

FISCAL IMPACT:

Senate Bill 63 would have no fiscal impact on the state and an indeterminate fiscal impact on local school districts. The bill would not affect current, voter-approved sinking funds for local school districts, but would have a fiscal impact on districts for future sinking fund millages.

To the extent that expanding the allowable use of sinking funds could translate to an increase in sinking fund millage rates or the number of districts utilizing sinking funds, the bill could generate additional millage revenue for districts and allow a district to reprioritize general operating funds that would otherwise support school transportation. However, if a district that otherwise would have sought a bond millage for purchasing school buses instead uses a sinking fund for that purpose, the overall number of mills levied per district could remain the same while eliminating the legal and interest costs related to a bond that do not exist for a sinking fund. (Bonds may be used for school buses, but not other vehicles such as trucks or vans.) There is not enough information available to estimate the effect the bill would have on either school district or voter behavior.

POSITIONS:

The Michigan Association of School Boards testified in support of the bill. (3-21-23)

The following entities indicated support for the bill:

- Department of Education (4-11-23)
- Michigan Association of Secondary School Principals (4-11-23)
- Education Advocates of West Michigan (4-11-23)
- Michigan Education Association (4-11-23)
- Barry, Branch, Calhoun, Jackson, Lenawee, and Monroe Intermediate School Districts (4-11-23)
- Clean Fuels Michigan (4-11-23)
- Michigan Association of Superintendents & Administrators (3-21-23)
- Michigan Association for Pupil Transportation (3-21-23)
- School Equity Caucus (3-21-23)

The following entities indicated opposition to the bill:

- Michigan Chamber of Commerce (4-11-23)
- Mackinac Center for Public Policy (3-21-23)
- Michigan Association for Public School Academies (3-21-23)
- Grand Rapids Chamber of Commerce (3-21-23)

Legislative Analyst: Josh Roesner
Fiscal Analysts: Jacqueline Mullen
Noel Benson

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