



**House
Legislative
Analysis
Section**

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ALLOCATED MILLAGE; 4TH CLASS SCHOOLS

House Bill 4332 (Substitute H-1) **RECEIVED**
First Analysis (4-1-87)

MAY 07 1987

Sponsor: Rep. Thomas L. Hickner
Committee: Education

Mich. State Law Library

THE APPARENT PROBLEM:

The School Code classifies school districts into first, second, third and fourth class districts according to various criteria, most notably by the number of pupils enrolled. Each class of school district is governed by a separate section of the code (in addition to general provisions governing all school districts), and the powers granted to each class of district vary. Of the state's approximately 565 school districts, 405 are fourth class districts, with less than 2,400 pupils.

The Pinconning Area School District, a fourth class school district, needs to add classroom space to an existing school building, and has sufficient resources within the district's county-allocated millage to fund the construction project. However, under the school code, a fourth class district is not authorized to use its allocated millage for capital improvement projects. In order to levy taxes for capital improvement purposes, a fourth class district must either establish a Building and Site Sinking Fund (which requires a vote of the electorate), or use the provision of the State School Aid Act that allows a district to spend up to five percent of its state aid for capital costs or debt service. (This option is, of course, not available to "out-of-formula" districts.) The board of a first, second or third class school district is authorized under the code to make use of the district's county-allocated millage for any purpose within the board's power, and some people believe that this authority should be extended to fourth class school districts as well.

THE CONTENT OF THE BILL:

The bill would add a new section to Part 3 of the School Code, which governs fourth class school districts, to require the board of a fourth class district to annually estimate the amount of taxes necessary for the ensuing year for expenditures the board was empowered to make, specifying the amounts necessary for different purposes. The board would be required to certify the taxes to be levied to the proper assessing officer, who would apportion the school taxes in the same manner as the other taxes of the local unit of government. The amount apportioned also would be assessed and collected in the same manner as the other taxes of the unit. The board of a district located in more than one county would certify the school taxes to the county board of commissioners for apportionment (MCL 380.126).

FISCAL IMPLICATIONS:

According to the Department of Education, the bill has no fiscal implications for the state (3-31-87).

ARGUMENTS:

For:

The bill would extend to fourth class school districts the authority to spend a portion of their county-allocated millage for capital improvements, thereby eliminating the need for an election to pay for small projects that are within the existing resources of such districts. This authority is already granted to other classes of school districts; in fact, the language proposed in the bill is identical to that in the section governing third class districts. Prior to the 1978 tax limitation amendment to the state constitution, all school districts were authorized by law to issue bonds of up to five percent of their state equalized valuation for capital improvement purposes without a vote of the electorate. Since that option is no longer available, fourth class districts are rather limited in their options for funding capital improvements, and it makes sense to allow some flexibility in cases such as the Pinconning example, where the project in question is too small to justify a bond issue requiring voter approval. The great majority of school districts in Michigan are classified as fourth class districts; it would seem that many districts other than Pinconning would be able to make use of the bill's provisions.

POSITIONS:

The Department of Education supports the bill (3-31-87).

The Michigan Association of School Boards supports the bill (3-31-87).

H.B. 4332 (4-1-87)