

SENATE SUBSTITUTE FOR  
HOUSE BILL NO. 5370

A bill to amend 1976 PA 451, entitled  
"The revised school code,"  
by amending sections 629, 1225, 1351, and 1351a (MCL 380.629,  
380.1225, 380.1351, and 380.1351a), section 629 as amended by  
1991 PA 187, section 1225 as amended by 1994 PA 103, section 1351  
as amended by 1990 PA 352, and section 1351a as amended by 1994  
PA 278.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1       Sec. 629. (1) An intermediate school board may borrow,  
2 subject to the municipal finance act, ~~Act No. 202 of the Public~~  
3 ~~Acts of 1943, as amended, being sections 131.1 to 139.3 of the~~  
4 ~~Michigan Compiled Laws~~ 1943 PA 202, MCL 131.1 TO 139.3, sums of  
5 money on terms the intermediate school board considers necessary  
6 for 1 or more of the following purposes:

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1 (a) For temporary purposes for which the intermediate school  
2 board may give notes of the intermediate school district. The  
3 intermediate school board shall not borrow a sum that exceeds the  
4 amount that has been voted by the intermediate school board or  
5 the school electors of the intermediate school district.

6 (b) To purchase sites for buildings; to purchase, erect,  
7 complete, remodel, improve, furnish, refurnish, equip, or reequip  
8 buildings and facilities the board is authorized to acquire,  
9 including, but not limited to, general administrative, vocation-  
10 al, or special education buildings or facilities, or parts of  
11 those buildings or facilities, or additions to those buildings or  
12 facilities, and prepare, develop, or improve sites for those  
13 buildings or facilities; to purchase and install information  
14 technology systems, together with the equipment and software, as  
15 are necessary for programs conducted by the intermediate school  
16 district under section 627(2); and to issue and sell bonds of the  
17 intermediate school district in the form and on the terms the  
18 board considers advisable.

19 (2) An intermediate school board shall not borrow money or  
20 issue bonds for a term longer than 30 years or, except as other-  
21 wise provided in this subsection, for a sum which, together with  
22 the total outstanding bonded indebtedness of the intermediate  
23 school district, exceeds  $\frac{1}{9}$  of 1% of the state equalized valua-  
24 tion of the taxable property within the district, unless the  
25 question of borrowing the money or issuing bonds is submitted  
26 first to a vote of the school electors of the intermediate school  
27 district held under sections 661 and 662 and approved by the

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1 majority of the registered school electors voting on the  
2 question. Regardless of the amount of outstanding bonded indebt-  
3 edness of the intermediate school district, a vote of the school  
4 electors is not necessary in order to issue bonds for a purpose  
5 described in section 1274a OR TO ISSUE BONDS UNDER SECTION 11I OF  
6 THE STATE SCHOOL AID ACT OF 1979, MCL 388.1611I. Money may be  
7 borrowed and bonds may be issued for the purposes stated in this  
8 section in an amount equal to that provided by part 17. ~~Bonds~~  
9 FOR THE PURPOSES OF THIS SUBSECTION, BONDS authorized by vote of  
10 the school electors for special education facilities under part  
11 30 and for area vocational-technical education facilities under  
12 sections 681 to 690 AND BONDS ISSUED UNDER SECTION 11I OF THE  
13 STATE SCHOOL AID ACT OF 1979, MCL 388.1611I, shall not be  
14 included in computing the ~~1/9 of 1%~~ TOTAL OUTSTANDING bonded  
15 indebtedness OF AN INTERMEDIATE SCHOOL DISTRICT.

16 (3) Not later than 30 days after receipt of notice that the  
17 question of issuing bonds under this section to purchase and  
18 install information technology systems as are necessary for a  
19 cooperative program under section 627(2) will be submitted to the  
20 school electors of the intermediate school district, the board of  
21 a constituent school district by resolution may elect not to par-  
22 ticipate in the cooperative program and not to conduct an elec-  
23 tion on the question within the constituent school district.

24 Sec. 1225. (1) Subject to restrictions of this section, the  
25 board of a local or intermediate school district may borrow money  
26 and issue its notes for the borrowed money to secure funds for  
27 school operations or to pay previous loans ~~made~~ OBTAINED for

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1 school operations under this or any other statute. [REDACTED]

2 [REDACTED]

3 [REDACTED]

4 [REDACTED]

5 [REDACTED]

6 [REDACTED] The school board or intermediate school board  
7 shall pledge money to be received by it from state school aid for  
8 the payment of notes issued under this section. [REDACTED]

9 [REDACTED]

10 [REDACTED] The notes are full faith and credit obligations of  
11 the school district or intermediate school district and are pay-  
12 able from tax levies or from unencumbered funds of the school  
13 district or intermediate school district in event of the unavail-  
14 ability or insufficiency of state school aid for any reason.

15 (2) Notes issued under this section shall become due not  
16 later than 12 months after the date on which they are issued,  
17 except as provided in this section. ~~Notes~~ EXCEPT AS OTHERWISE  
18 PROVIDED IN THIS SUBSECTION, NOTES issued within a fiscal year  
19 shall not exceed 70% of the difference between the total state  
20 aid funds apportioned to the school district or intermediate  
21 school district for that fiscal year and the portion already  
22 received or pledged, except secondary pledges made under section  
23 1356. UNTIL JUNE 30, 1999, NOTES ISSUED AND SOLD TO THE MICHIGAN  
24 MUNICIPAL BOND AUTHORITY WITHIN A FISCAL YEAR SHALL NOT EXCEED  
25 70% OF THE DIFFERENCE BETWEEN THE TOTAL STATE AID FUNDS APPOR-  
26 TIONED TO THE SCHOOL DISTRICT OR INTERMEDIATE SCHOOL DISTRICT FOR  
27 THAT FISCAL YEAR AND THE PORTION ALREADY RECEIVED.

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1 (3) A school district or intermediate school district that  
2 is not able to redeem its notes within 12 months after the date  
3 on which the notes were issued may enter into a multi-year agree-  
4 ment with a lending institution to repay its obligation. A  
5 repayment agreement shall not be executed without the prior  
6 approval of an authorized representative of the state board or,  
7 for notes sold to the Michigan municipal bond authority only,  
8 without the approval of an authorized representative of the  
9 department of treasury.

10 (4) During the last 4 months of a fiscal year, notes may be  
11 issued pledging state school aid for the next succeeding fiscal  
12 year. ~~The~~ EXCEPT AS OTHERWISE PROVIDED IN THIS SUBSECTION, THE  
13 notes shall not exceed 50% of the state school aid apportioned to  
14 the school district or intermediate school district for the next  
15 succeeding fiscal year or, if the apportionment has not been  
16 made, 50% of the apportionment for the then current fiscal year.  
17 FOR THE 1997-98 FISCAL YEAR ONLY, WITH THE APPROVAL OF THE STATE  
18 TREASURER OR THE DEPARTMENT, NOTES MAY BE ISSUED THAT SHALL NOT  
19 EXCEED 70% OF THE STATE SCHOOL AID APPORTIONED TO THE SCHOOL DIS-  
20 TRICT OR INTERMEDIATE SCHOOL DISTRICT FOR THE NEXT SUCCEEDING  
21 FISCAL YEAR OR, IF THE APPORTIONMENT HAS NOT BEEN MADE, 70% OF  
22 THE APPORTIONMENT FOR THE THEN CURRENT FISCAL YEAR. FOR THE  
23 1998-99 FISCAL YEAR ONLY, WITH THE APPROVAL OF THE STATE TREA-  
24 SURER OR THE DEPARTMENT, NOTES MAY BE ISSUED THAT SHALL NOT  
25 EXCEED 60% OF THE STATE SCHOOL AID APPORTIONED TO THE SCHOOL DIS-  
26 TRICT OR INTERMEDIATE SCHOOL DISTRICT FOR THE NEXT SUCCEEDING  
27 FISCAL YEAR OR, IF THE APPORTIONMENT HAS NOT BEEN MADE, 60% OF

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1 THE APPORTIONMENT FOR THE THEN CURRENT FISCAL YEAR. The notes  
2 shall mature not later than 12 months after the date of  
3 issuance. Notes sold and delivered under this section shall bear  
4 interest at a rate agreed to by the school board or intermediate  
5 school board, which rate shall not exceed the rate provided in  
6 section 1a of chapter III of the municipal finance act, ~~Act~~  
7 ~~No. 202 of the Public Acts of 1943, as amended, being section~~  
8 ~~133.1a of the Michigan Compiled Laws~~ 1943 PA 202, MCL 133.1A,  
9 and may be made redeemable before maturity on the terms and con-  
10 ditions provided in the notes.

11 (5) Notes issued under this section are not subject to the  
12 municipal finance act, ~~Act No. 202 of the Public Acts of 1943,~~  
13 ~~as amended, being sections 131.1 to 139.3 of the Michigan~~  
14 ~~Compiled Laws~~ 1943 PA 202, MCL 131.1 TO 139.3. A school board  
15 or intermediate school board shall not issue notes under this  
16 section unless it applies for and receives prior approval or the  
17 school board or intermediate school board requests and receives  
18 an exception from prior approval pursuant to subsections (7),  
19 (8), and (9). An application for prior approval or for an excep-  
20 tion from prior approval shall be made to the authorized repre-  
21 sentative of the state board unless the notes are to be sold to  
22 the Michigan municipal bond authority. If the notes are to be  
23 sold to the Michigan municipal bond authority, an application for  
24 prior approval or for an exception from prior approval shall be  
25 made to the authorized representative of the department of  
26 treasury. An order of prior approval issued by the authorized  
27 representative of the state board or of the department of

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1 treasury or an order of exception from prior approval issued by  
2 the authorized representative of the state board or of the  
3 department of treasury shall show the estimated amount of state  
4 school aid allocated to the school district or intermediate  
5 school district for the current fiscal year and, if applicable,  
6 for the next succeeding fiscal year and payments that have been  
7 distributed to the school district or intermediate school dis-  
8 trict before the date of the order. Failure of a school district  
9 or intermediate school district to receive state school aid does  
10 not affect the validity or enforceability of a note issued under  
11 this section.

12       (6) A school board or intermediate school board may make  
13 more than 1 borrowing under this section during a school year. A  
14 school board or intermediate school board shall not contest the  
15 validity of a note issued by it under this section if an order of  
16 prior approval or of exception from prior approval had been  
17 obtained from the authorized representative of the state board or  
18 of the department of treasury and the school district or interme-  
19 diate school district has received the principal amount of the  
20 note. An order of prior approval and estimated determination of  
21 state school aid by the authorized representative of the state  
22 board or of the department of treasury is conclusive as to the  
23 authority of a school board or intermediate school board to  
24 borrow under this section. An order of prior approval shall be  
25 signed by the authorized representative of the state board or of  
26 the department of treasury.

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1 (7) A school board or intermediate school board may submit a  
2 request for an exception from prior approval to the authorized  
3 representative of the state board or of the department of trea-  
4 sury, as applicable, on a form prescribed by the applicable  
5 authorized representative. The request shall be accompanied by a  
6 filing fee of \$100.00 for a request relating to notes totaling  
7 less than \$500,000.00 or \$400.00 for a request relating to notes  
8 totaling \$500,000.00 or more. If the request is not accompanied  
9 by the proper filing fee or by other information or materials  
10 required by law, the authorized representative of the state board  
11 or of the department of treasury shall not consider the request  
12 to be complete and may return the request without acting upon  
13 it.

14 (8) Not later than 10 business days after receiving a com-  
15 plete request and proper filing fee under subsection (7), the  
16 authorized representative of the state board or of the department  
17 of treasury, as applicable, shall issue an order granting the  
18 exception unless the authorized representative finds that 1 or  
19 more of the following conditions exist or have occurred:

20 (a) For a school district, it appears from the information  
21 submitted by the school district under section 102 of the state  
22 school aid act of 1979, ~~being section 388.1702 of the Michigan~~  
23 ~~Compiled Laws~~ MCL 388.1702, and from other information available  
24 to the department or to the department of treasury that the  
25 school district ended its immediately preceding fiscal year with  
26 a deficit in 1 or more of its funds and does not have a plan

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1 approved under section 102(5) of the state school aid act of  
2 1979, MCL 388.1702, for eliminating the deficit.

3 (b) The school district or intermediate school district has  
4 failed to comply with the requirements of this section with  
5 regard to an outstanding note issued under this section or a note  
6 issued under this section during the 3 years immediately preced-  
7 ing the date of the request.

8 (c) The school district or intermediate school district is  
9 in default in the payment of the principal of or interest on any  
10 of its obligations.

11 (9) If the authorized representative of the state board or  
12 of the department of treasury, as applicable, finds that 1 or  
13 more of the conditions described in subsection (8)(a) to (c)  
14 applies to a request for an exception from prior approval under  
15 subsection (7), the authorized representative may issue an order  
16 denying the request or, if he or she finds that the existence of  
17 the condition is inconsequential to the request, may issue an  
18 order granting the exception from prior approval. If the autho-  
19 rized representative of the state board or of the department of  
20 treasury fails to act on a complete request within the 10-day  
21 period specified in subsection (8), the exception from prior  
22 approval shall be considered to be granted as of the expiration  
23 of the 10-day period.

24 (10) Subject to the maximum amounts for notes as specified  
25 in subsections (2) and (4), an exception from prior approval,  
26 whether granted by order of the authorized representative of the  
27 state board or of the department of treasury or because of

1 failure of the authorized representative of the state board or of  
2 the department of treasury to act on the request, is valid for 4  
3 months.

(11) IN ADDITION TO OTHER POWERS UNDER THIS SECTION, WITH THE APPROVAL OF THE STATE TREASURER, THE BOARD OF A LOCAL OR INTERMEDIATE SCHOOL DISTRICT MAY OBTAIN A LINE OF CREDIT TO SECURE FUNDS FOR SCHOOL OPERATIONS OR TO PAY PREVIOUS LOANS OBTAINED FOR SCHOOL OPERATIONS UNDER THIS OR ANY OTHER STATUTE. THE SCHOOL BOARD OR INTERMEDIATE SCHOOL BOARD SHALL PLEDGE NOT MORE THAN 30% OF THE STATE SCHOOL AID APPORTIONED TO THE SCHOOL DISTRICT OR INTERMEDIATE SCHOOL DISTRICT FOR THAT FISCAL YEAR FOR REPAYMENT OF FUNDS RECEIVED PURSUANT TO A LINE OF CREDIT OBTAINED UNDER THIS SUBSECTION. HOWEVER, THE SCHOOL BOARD OR INTERMEDIATE SCHOOL BOARD SHALL NOT BORROW AGAINST THE LINE OF CREDIT AN AMOUNT GREATER THAN THE DIFFERENCE, AS OF THE DATE OF THE BORROWING, BETWEEN THE TOTAL STATE SCHOOL AID FUNDS APPORTIONED TO THE SCHOOL DISTRICT OR INTERMEDIATE SCHOOL DISTRICT FOR THAT FISCAL YEAR AND THE PORTION ALREADY RECEIVED OR PLEDGED, EXCEPT SECONDARY PLEDGES MADE UNDER SECTION 1356. TO OBTAIN APPROVAL FOR OBTAINING A LINE OF CREDIT UNDER THIS SUBSECTION, A SCHOOL BOARD OR INTERMEDIATE SCHOOL BOARD SHALL APPLY TO THE STATE TREASURER IN THE FORM AND MANNER PRESCRIBED BY THE STATE TREASURER, AND SHALL PROVIDE INFORMATION AS REQUESTED BY THE STATE TREASURER FOR EVALUATING THE APPLICATION. THE STATE TREASURER SHALL APPROVE OR DISAPPROVE AN APPLICATION AND NOTIFY THE SCHOOL BOARD OR INTERMEDIATE SCHOOL BOARD WITHIN 20 BUSINESS DAYS AFTER RECEIVING A PROPER APPLICATION. IF THE STATE TREASURER DISAPPROVES AN APPLICATION, THE STATE TREASURER SHALL INCLUDE THE REASONS FOR DISAPPROVAL IN THE NOTIFICATION TO THE SCHOOL BOARD OR INTERMEDIATE SCHOOL BOARD.

4 Sec. 1351. (1) ~~A~~ UNTIL MAY 1, 1994, A school district may  
5 borrow money and issue bonds of the district to defray all or a  
6 part of the cost of purchasing, erecting, completing, remodeling,  
7 improving, furnishing, refurnishing, equipping, or reequipping  
8 school buildings, including library buildings, structures, ath-  
9 letic fields, playgrounds, or other facilities, or parts of or  
10 additions to those facilities; acquiring, preparing, developing,  
11 or improving sites, or parts of or additions to sites, for school  
12 buildings, including library buildings, structures, athletic  
13 fields, playgrounds, or other facilities; purchasing school  
14 buses; participating in the administrative costs of an urban  
15 renewal program through which the school district desires to  
16 acquire a site or addition to a site for school purposes; refund-  
17 ing all or part of existing bonded indebtedness; or accomplishing  
18 a combination of the purposes set forth in this subsection. In

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19 addition, until December 31, 1991 a school district may borrow  
20 money and issue bonds to defray all or part of the cost of pur-  
21 chasing textbooks.

22 (2) Except as otherwise provided in this subsection, a  
23 school district shall not borrow money or issue bonds for a sum  
24 that, together with the total outstanding bonded indebtedness of  
25 the district, exceeds 5% of the state equalized valuation of the  
26 taxable property within the district, unless the proposition of  
27 borrowing the money or issuing the bonds is submitted to a vote

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1 of the school electors of the district at an annual or special  
2 election and approved by the majority of the school electors  
3 voting on the question. Regardless of the amount of outstanding  
4 bonded indebtedness of the school district, a vote of the school  
5 electors is not necessary in order to issue bonds for a purpose  
6 described in section 1274a OR TO ISSUE BONDS UNDER SECTION 11I OF  
7 THE STATE SCHOOL AID ACT OF 1979, MCL 388.1611I. FOR THE PUR-  
8 POSES OF THIS SUBSECTION, BONDS ISSUED UNDER SECTION 11I OF THE  
9 STATE SCHOOL AID ACT OF 1979, MCL 388.1611I, SHALL NOT BE  
10 INCLUDED IN COMPUTING THE TOTAL OUTSTANDING BONDED INDEBTEDNESS  
11 OF A SCHOOL DISTRICT.

12 (3) A school district shall not issue bonds under this part  
13 for an amount greater than 15% of the total assessed valuation of  
14 the district, except as provided in section 1356. The bonded  
15 indebtedness of a district shall not extend beyond a period of 30  
16 years. Refunding bonds or the refunding part of a bond issue  
17 shall not be considered to be within the 15% limitation but shall  
18 be considered to be authorized in addition to the 15%  
19 limitation. A bond qualified under section 16 of article IX of  
20 the state constitution of 1963 and implementing legislation shall  
21 not be included for purposes of calculating the 15% limitation.  
22 Bonds issued pursuant to this ~~section~~ PART are subject to the  
23 municipal finance act, ~~Act No. 202 of the Public Acts of 1943,~~  
24 ~~being sections 131.1 to 139.3 of the Michigan Compiled Laws~~ 1943  
25 PA 202, MCL 131.1 TO 139.3, except that bonds issued for a pur-  
26 pose described in section 1274a may be sold at a public or  
27 publicly negotiated sale at the time or times, at the price or

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1 prices, and at a discount as determined by the board of the  
2 school district.

3 (4) Bonds or notes issued by a school district or intermedi-  
4 ate school district ~~pursuant to sections 144, 251, 335, 442, or~~  
5 ~~629 for the purposes authorized by this section and section~~  
6 UNDER THIS PART OR SECTION 442, 629, OR 1274a shall be full faith  
7 and credit tax limited obligations of the district pledging the  
8 general funds, voted and allocated tax levies, or any other money  
9 available for such a purpose and shall not allow or provide for  
10 the levy of additional millage for payment of the bond or note  
11 without a vote of the qualified electorate of the district.

12 ~~(5) If a bond proposal for bonds to be used in whole or~~  
13 ~~part to defray all or part of the cost of purchasing textbooks~~  
14 ~~has been approved by a majority of the school electors voting on~~  
15 ~~the question before the effective date of the amendatory act that~~  
16 ~~added this subsection, and the bonds otherwise meet the require-~~  
17 ~~ments of this section, the issuance of those bonds for a period~~  
18 ~~not to exceed 5 years is ratified and confirmed and the bonds are~~  
19 ~~considered to be issued under this section.~~

20 Sec. 1351a. (1) Beginning with bonds issued after May 1,  
21 1994, a school district may not borrow money and issue bonds of  
22 the district under section 1351(1). However, a school district  
23 may borrow money and issue bonds of the district to defray all or  
24 a part of the cost of purchasing, erecting, completing, remodel-  
25 ing, or equipping or reequipping, except for equipping or ree-  
26 quipping for technology, school buildings, including library  
27 buildings, structures, athletic fields, playgrounds, or other

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1 facilities, or parts of or additions to those facilities;  
2 furnishing or refurnishing new or remodeled school buildings;  
3 acquiring, preparing, developing, or improving sites, or parts of  
4 or additions to sites, for school buildings, including library  
5 buildings, structures, athletic fields, playgrounds, or other  
6 facilities; purchasing school buses; acquiring, installing, or  
7 equipping or reequipping school buildings for technology; refund-  
8 ing all or part of existing bonded indebtedness if the net  
9 present value of the principal and interest to be paid on the  
10 refunding bonds, excluding the cost of issuance, will be less  
11 than the net present value of the principal and interest to be  
12 paid on the bonds being refunded, as calculated using a method  
13 approved by the department of treasury; or accomplishing a combi-  
14 nation of the purposes set forth in this subsection. Section  
15 1351(2) to (4) applies to bonds issued under this section.

16 (2) The proceeds of bonds issued under this section OR UNDER  
17 SECTION 11I OF THE STATE SCHOOL AID ACT OF 1979, MCL 388.1611I,  
18 shall be used for capital expenditures and to pay costs of bond  
19 issuance, and shall not be used for maintenance costs. ~~A~~  
20 EXCEPT AS OTHERWISE PROVIDED IN THIS SUBSECTION, A school dis-  
21 trict that issues bonds under this section OR UNDER SECTION 11I  
22 OF THE STATE SCHOOL AID ACT OF 1979, MCL 388.1611I, shall have an  
23 independent audit, using generally accepted accounting princi-  
24 ples, of its bonding activities UNDER THESE SECTIONS conducted  
25 within 120 days after completion of all projects financed by the  
26 proceeds of the bonds and shall submit the audit report to the  
27 department of treasury. FOR BONDS ISSUED UNDER SECTION 11I OF

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1 THE STATE SCHOOL AID ACT OF 1979, MCL 388.1611I, THE INDEPENDENT  
2 AUDIT REQUIRED UNDER THIS SUBSECTION MAY BE CONDUCTED AND SUBMIT-  
3 TED WITH THE ANNUAL REPORT REQUIRED UNDER SECTION 5 OF CHAPTER  
4 III OF THE MUNICIPAL FINANCE ACT, 1943 PA 202, MCL 133.5.

5 (3) Bonds issued under this section OR UNDER SECTION 11I OF  
6 THE STATE SCHOOL AID ACT OF 1979, MCL 388.1611I, for an asset  
7 with a useful life of less than 30 years shall not be issued for  
8 a term that is longer than the useful life of the asset.

9 (4) A school district shall not borrow money and issue notes  
10 or bonds under this section to defray all or part of the costs of  
11 any of the following:

12 (a) Upgrades to operating system or application software.

13 (b) Media, including diskettes, compact discs, video tapes,  
14 and disks, unless used for the storage of initial operating  
15 system software or customized application software included in  
16 the definition of technology under this section.

17 (c) Training, consulting, maintenance, service contracts,  
18 software upgrades, troubleshooting, or software support.

19 (5) A resident of a school district has standing to bring  
20 suit against the school district to enforce the provisions of  
21 this section in a court having jurisdiction.

22 (6) As used in this section, "technology" means any of the  
23 following:

24 (a) Hardware and communication devices that transmit,  
25 receive, or compute information for pupil instructional  
26 purposes.

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1 (b) The initial purchase of operating system software or  
2 customized application software, or both, accompanying the  
3 purchase of hardware and communication devices under  
4 subdivision (a).

5 (c) The costs of design and installation of the hardware,  
6 communication devices, and initial operating system software or  
7 customized application software authorized under this  
8 subsection.