

Legislative Analysis



SCHOOL NOTES DUE IN 13 MONTHS

Mitchell Bean, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 6069

Sponsor: Rep. Rick Baxter

Committee: Education

Complete to 5-16-06

A SUMMARY OF HOUSE BILL 6069 AS INTRODUCED 5-16-06

House Bill 6069 would amend the Revised School Code to extend by one-month the date that notes would be due when school districts borrow money in anticipation of state school aid to secure funds for school operations.

Currently under the law, school districts are allowed to pledge money to be received from state school aid for the payment of notes issued. The notes are full faith and credit obligations of the school district, and are payable from tax levies or from unencumbered funds of the district, in the event of the unavailability or insufficiency of state school aid. The law now requires that notes be repaid not later than 12 months after the date on which they are issued. Under House Bill 6069, notes would have to be repaid not later than 13 months after they were issued.

MCL 380.1225

FISCAL IMPACT:

The bill would create minimal additional borrowing costs for school districts, but according to the Department of Treasury, it would allow school districts to avoid potential fines estimated at up to \$225,000 for the current year.

Legislative Analyst: J. Hunault
Fiscal Analyst: Mary Ann Cleary
Bethany Wicksall

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