

Legislative Analysis



SINKING FUND MILLAGES

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House Bill 4388 (H-3) Committee Substitute

Sponsor: Rep. Michael McCready

Committee: Appropriations

Analysis available at
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Complete to 2-12-16

House Bill 4388 would amend section 1212 of the Revised School Code (MCL 380.1212) to revise sinking fund millages by decreasing the maximum allowable number of mills and duration, as well as expand allowable uses. A more detailed description of the bill follows.

BACKGROUND:

A sinking fund is a savings account into which a local school district can deposit voter-approved local millage revenue in order to pay cash for projects or repairs as they arise rather than having to borrow through short-term notes or long-term bonds. Sinking funds provide districts with a cost-effective alternative to borrowing or bonding for some expenditures because they require none of the associated interest costs nor legal fees. Presently there are 170 districts out of 545 local districts levying sinking fund millages, and they generate an estimated \$131.0 million in revenue statewide. (See Appendix for a list of districts and their current sinking fund mills.)

Currently under statute, the board of a school district may, with voter approval, levy a property tax (millage) in the school district each year under the following conditions:

- Millage and Duration: A sinking fund may be authorized up to a *maximum of 5 mills* for a period *not to exceed 20 years*.
- Allowable Use: A sinking fund may be used for the purchase of real estate for school construction and for the construction and repair (but not maintenance) of school buildings.

SUMMARY:

House Bill 4388 would grandfather in all sinking funds authorized prior to its enactment with regard to millage amount, duration, and purpose as described above. However, for any sinking fund authorized after the bill's enactment, the following would apply:

- Millage and Duration: A sinking fund could be authorized up to a *maximum of 3 mills* for a period *not to exceed 10 years*.
- Allowable Use: In addition to existing purposes, a sinking fund could be used for school security improvements, or the acquisition or upgrading of technology. The additional purposes would be defined by the bill as follows:

- School security improvements would be defined as any capital improvement or purchase designed to deter unauthorized persons or items onto school premises or to otherwise promote security, including, but not limited to, metal detectors, locks, doors, lighting, cameras, and enhancements to entryways. It would also include a mobile telephone application that provides the ability to communicate with personnel on site while also connecting an emergency telephone call to a 911 center. It would not include personnel costs or operation costs related to a capital improvement or purchase or related to a mobile telephone application.
- Technology would be defined as it is under section 1351a of the Revised School Code (MCL 380.1351a) and would mean hardware and communication devices that transmit, receive, or compute information for pupil instructional purposes, along with the accompanying initial purchase of operating system software or custom application software and their design and installation.

FISCAL IMPACT:

House Bill 4388 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.

First, the bill would reduce potential sinking fund revenue by reducing the maximum allowable millage levied from 5 mills to 3 mills. Currently, of the 170 districts that levy sinking funds, 12 districts levy more than 3 mills (See Appendix for a list of districts and their current millage rates). If the revised cap were in effect today, it would have reduced overall sinking fund revenue in those 12 districts by approximately \$2.8 million.

Second, the bill could reduce potential sinking fund revenue by reducing the maximum duration of the levy from 20 years to 10 years. However, rather than an actual revenue reduction, the likely impact of this would be that a district would choose instead to incur the costs of having an additional ballot question to renew it after 10 years rather than 20.

Third, 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 security and technology for other activities. However, if a district that otherwise would have sought a bond millage for security and technology, instead uses a sinking fund for those purposes, 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. There is not enough information available with which to estimate the effect the bill would have on either school district or voter behavior.

For background, the table below shows the growth in the number of districts levying sinking funds and the change in the average sinking fund millage rates since 1997 (the years for which

we have data readily available). The number of districts utilizing this financing mechanism has grown from 36 districts in FY 1997 to 170 districts in FY 2016 (See [Appendix](#) for a list of districts and their current sinking fund mills). While the number of districts has quadrupled in that time, the number using sinking funds today represents approximately one-third of all local districts.

Additionally, while the *average sinking fund millage rate for districts with sinking funds* initially rose during the first few years of this time period, it has gradually decreased since from a high of 1.791 in 1999 to 1.355 today. In FY 2016, 59 percent of districts levy 1.0 mill or fewer, another 34 percent levy between 1.0 and 3.0 mills, and 7 percent levy more than 3.0 mills.

The [table](#) below also includes data on the growth of the *statewide average sinking fund millage across all districts*, which has grown from 0.101 in FY 1997 to 0.423 in FY 2016. The growth in the statewide average among all districts is due to the growth in the number of districts using sinking funds despite the fact that they have been levying a decreasing average number of mills.

Table: Historical Sinking Fund Average Millage Rates

Fiscal Year	Number of Districts Levying Sinking Fund Millage	Average Millage Rate of Districts with Sinking Funds	Total Number of Local Districts	Average Millage Rate Across All Local Districts
1997	36	1.558	555	0.101
1998	57	1.632	555	0.168
1999	77	1.791	555	0.248
2000	79	1.723	555	0.245
2001	91	1.608	554	0.264
2002	98	1.633	554	0.289
2003	106	1.650	553	0.316
2004	106	1.650	553	0.316
2005	126	1.445	552	0.330
2006	132	1.389	552	0.332
2007	132	1.389	552	0.332
2008	141	1.388	552	0.355
2009	141	1.388	551	0.355
2010	142	1.344	551	0.346
2011	143	1.395	551	0.362
2012	144	1.442	549	0.378
2013	147	1.363	549	0.365
2014	154	1.366	548	0.384
2015	171	1.358	548	0.424
2016	170	1.355	545	0.423

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.

APPENDIX: FY 2015-16 Sinking Fund Millage Rates

District Code	District	County	Millage Rate
02080	SUPERIOR CENTRAL SCHOOL DISTRICT	ALGER	2.5000
03050	FENNVILLE PUBLIC SCHOOLS	ALLEGAN	0.5000
03080	SAUGATUCK PUBLIC SCHOOLS	ALLEGAN	0.5000
05010	ALBA PUBLIC SCHOOLS	ANTRIM	0.5000
05035	CENTRAL LAKE PUBLIC SCHOOLS	ANTRIM	0.4500
05065	ELLSWORTH COMMUNITY SCHOOL	ANTRIM	1.5000
05070	MANCELONA PUBLIC SCHOOLS	ANTRIM	0.4000
11010	BENTON HARBOR AREA SCHOOLS	BERRIEN	2.0000
11020	ST. JOSEPH PUBLIC SCHOOLS	BERRIEN	0.9946
11030	LAKESHORE SCHOOL DISTRICT (BERRIEN)	BERRIEN	1.4971
11240	BERRIEN SPRINGS PUBLIC SCHOOLS	BERRIEN	1.0000
11300	NILES COMMUNITY SCHOOLS	BERRIEN	1.0000
11310	BUCHANAN COMMUNITY SCHOOLS	BERRIEN	0.8000
11340	BRIDGMAN PUBLIC SCHOOLS	BERRIEN	0.1000
12010	COLDWATER COMMUNITY SCHOOLS	BRANCH	0.9744
12020	BRONSON COMMUNITY SCHOOL DISTRICT	BRANCH	2.0000
12040	QUINCY COMMUNITY SCHOOLS	BRANCH	1.5000
13010	ALBION PUBLIC SCHOOLS	CALHOUN	4.0000
13020	BATTLE CREEK PUBLIC SCHOOLS	CALHOUN	2.0000
13095	MAR LEE SCHOOL DISTRICT	CALHOUN	0.7500
13110	MARSHALL PUBLIC SCHOOLS	CALHOUN	1.0000
13130	TEKONSHA COMMUNITY SCHOOLS	CALHOUN	1.0000
13135	UNION CITY COMMUNITY SCHOOLS	BRANCH	4.5000
14010	CASSOPOLIS PUBLIC SCHOOLS	CASS	0.8379
14050	MARCELLUS COMMUNITY SCHOOLS	CASS	1.2500
15060	EAST JORDAN PUBLIC SCHOOLS	CHARLEVOIX	0.3943
16015	CHEBOYGAN AREA SCHOOLS	CHEBOYGAN	0.5603
16070	MACKINAW CITY PUBLIC SCHOOLS	EMMET	0.7500
16100	WOLVERINE COMMUNITY SCHOOL DISTRICT	CHEBOYGAN	0.6000
17140	BRIMLEY AREA SCHOOLS	CHIPPEWA	1.5000
19100	BATH COMMUNITY SCHOOLS	CLINTON	1.0000
21065	BIG BAY DE NOC SCHOOL DISTRICT	DELTA	1.9000
22045	NORTH DICKINSON COUNTY SCHOOLS	DICKINSON	1.9645
23060	GRAND LEDGE PUBLIC SCHOOLS	EATON	0.8000
23090	POTTERVILLE PUBLIC SCHOOLS	EATON	4.9905
24020	HARBOR SPRINGS SCHOOL DISTRICT	EMMET	0.5399
24030	ALANSON PUBLIC SCHOOLS	EMMET	0.7500
24070	PUBLIC SCHOOLS OF PETOSKEY	EMMET	1.3193
25010	FLINT, SCHOOL DISTRICT OF THE CITY OF	GENESEE	4.0000
25030	GRAND BLANC COMMUNITY SCHOOLS	GENESEE	1.0000
25040	MT. MORRIS CONSOLIDATED SCHOOLS	GENESEE	2.5000
25060	BENDLE PUBLIC SCHOOLS	GENESEE	2.0000
25070	GENESEE SCHOOL DISTRICT	GENESEE	1.0000
25080	CARMAN-AINSWORTH COMMUNITY SCHOOLS	GENESEE	0.5000

District Code	District	County	Millage Rate
25100	FENTON AREA PUBLIC SCHOOLS	GENESEE	0.9362
25110	KEARSLEY COMMUNITY SCHOOL DISTRICT	GENESEE	3.3000
25120	FLUSHING COMMUNITY SCHOOLS	GENESEE	0.7500
25140	DAVISON COMMUNITY SCHOOLS	GENESEE	1.4016
25150	CLIO AREA SCHOOL DISTRICT	GENESEE	2.0000
25180	SWARTZ CREEK COMMUNITY SCHOOLS	GENESEE	1.8059
25200	LAKE FENTON COMMUNITY SCHOOLS	GENESEE	1.0000
25210	WESTWOOD HEIGHTS SCHOOLS	GENESEE	3.2000
25250	LINDEN COMMUNITY SCHOOLS	GENESEE	1.3185
27070	WAKEFIELD-MARENISCO SCHOOL DISTRICT	GOGEBIC	1.0000
29050	FULTON SCHOOLS	GRATIOT	3.0000
29060	ITHACA PUBLIC SCHOOLS	GRATIOT	2.0000
30010	CAMDEN-FRONTIER SCHOOL	HILLSDALE	3.5000
30020	HILLSDALE COMMUNITY SCHOOLS	HILLSDALE	1.9988
30040	LITCHFIELD COMMUNITY SCHOOLS	HILLSDALE	0.7500
30050	NORTH ADAMS-JEROME PUBLIC SCHOOLS	HILLSDALE	0.7000
30070	READING COMMUNITY SCHOOLS	HILLSDALE	1.9000
30080	WALDRON AREA SCHOOLS	HILLSDALE	1.0000
31050	CHASSELL TOWNSHIP SCHOOL DISTRICT	HOUGHTON	0.1931
32010	BAD AXE PUBLIC SCHOOLS	HURON	0.8000
32050	ELKTON-PIGEON-BAY PORT LAKER SCHOOLS	HURON	1.0000
33010	EAST LANSING SCHOOL DISTRICT	INGHAM	1.2860
33020	LANSING PUBLIC SCHOOL DISTRICT	INGHAM	1.5000
33040	DANSVILLE SCHOOLS	INGHAM	1.0000
33060	HASLETT PUBLIC SCHOOLS	INGHAM	2.0283
33130	MASON PUBLIC SCHOOLS (INGHAM)	INGHAM	1.0000
33170	OKEMOS PUBLIC SCHOOLS	INGHAM	0.9919
33220	WEBBERVILLE COMMUNITY SCHOOLS	INGHAM	0.9807
33230	WILLIAMSTON COMMUNITY SCHOOLS	INGHAM	1.0000
35010	OSCODA AREA SCHOOLS	IOSCO	1.0000
35030	TAWAS AREA SCHOOLS	IOSCO	0.5000
36025	WEST IRON COUNTY PUBLIC SCHOOLS	IRON	0.4447
38080	CONCORD COMMUNITY SCHOOLS	JACKSON	2.0000
38100	HANOVER-HORTON SCHOOL DISTRICT	JACKSON	1.0000
39065	GULL LAKE COMMUNITY SCHOOLS	KALAMAZOO	0.6500
39140	PORTAGE PUBLIC SCHOOLS	KALAMAZOO	0.5000
40020	FOREST AREA COMMUNITY SCHOOLS	KALKASKA	1.0000
41010	GRAND RAPIDS PUBLIC SCHOOLS	KENT	1.0000
41025	NORTHVIEW PUBLIC SCHOOLS	KENT	1.2056
41040	BYRON CENTER PUBLIC SCHOOLS	KENT	1.0000
41070	CEDAR SPRINGS PUBLIC SCHOOLS	KENT	1.0000
41080	COMSTOCK PARK PUBLIC SCHOOLS	KENT	0.4784
41090	EAST GRAND RAPIDS PUBLIC SCHOOLS	KENT	0.4874
41120	GODFREY-LEE PUBLIC SCHOOLS	KENT	1.9976
41130	GRANDVILLE PUBLIC SCHOOLS	KENT	1.4000
41150	KENT CITY COMMUNITY SCHOOLS	KENT	1.0000

District Code	District	County	Millage Rate
41160	KENTWOOD PUBLIC SCHOOLS	KENT	1.6000
41170	LOWELL AREA SCHOOLS	KENT	1.0000
41240	SPARTA AREA SCHOOLS	KENT	1.1552
44020	ALMONT COMMUNITY SCHOOLS	LAPEER	1.0000
45020	LELAND PUBLIC SCHOOL DISTRICT	LEELANAU	0.3000
45050	SUTTONS BAY PUBLIC SCHOOLS	LEELANAU	0.2500
46040	BLISSFIELD COMMUNITY SCHOOLS	LENAAWEE	1.7500
46060	CLINTON COMMUNITY SCHOOLS	LENAAWEE	1.0000
46090	MADISON SCHOOL DISTRICT (LENAAWEE)	LENAAWEE	1.2500
46130	SAND CREEK COMMUNITY SCHOOLS	LENAAWEE	1.8454
49010	ST. IGNACE AREA SCHOOLS	MACKINAC	0.9747
50050	ARMADA AREA SCHOOLS	MACOMB	0.8394
50190	ROMEO COMMUNITY SCHOOLS	MACOMB	1.2500
52015	NICE COMMUNITY SCHOOL DISTRICT	MARQUETTE	1.7438
52090	NEGAUNEE PUBLIC SCHOOLS	MARQUETTE	1.9926
52170	MARQUETTE AREA PUBLIC SCHOOLS	MARQUETTE	0.9500
52180	ISHPEMING PUBLIC SCHOOL DISTRICT NO. 1	MARQUETTE	2.4870
53020	MASON COUNTY EASTERN SCHOOLS	MASON	0.7500
53040	LUDINGTON AREA SCHOOL DISTRICT	MASON	0.2500
54010	BIG RAPIDS PUBLIC SCHOOLS	MECOSTA	0.7500
55100	MENOMINEE AREA PUBLIC SCHOOLS	MENOMINEE	2.0000
55120	STEPHENSON AREA PUBLIC SCHOOLS	MENOMINEE	0.9200
57020	LAKE CITY AREA SCHOOL DISTRICT	MISSAUKEE	1.5000
58010	MONROE PUBLIC SCHOOLS	MONROE	1.0000
58080	JEFFERSON SCHOOLS (MONROE)	MONROE	0.9500
58090	MASON CONSOLIDATED SCHOOLS (MONROE)	MONROE	2.0000
58110	WHITEFORD AGRICULTURAL SCHOOL DISTRICT	MONROE	1.0000
59045	MONTABELLA COMMUNITY SCHOOLS	MONTCALM	1.5000
61060	MONA SHORES PUBLIC SCHOOL DISTRICT	MUSKEGON	1.0000
63040	ROYAL OAK SCHOOLS	OAKLAND	1.0000
63050	BERKLEY SCHOOL DISTRICT	OAKLAND	0.7353
63070	AVONDALE SCHOOL DISTRICT	OAKLAND	0.6000
63080	BLOOMFIELD HILLS SCHOOLS	OAKLAND	0.7388
63090	CLARENCEVILLE SCHOOL DISTRICT	WAYNE	4.5000
63100	NOVI COMMUNITY SCHOOL DISTRICT	OAKLAND	0.4932
63130	HAZEL PARK, SCHOOL DISTRICT OF THE CITY OF	OAKLAND	1.0000
63160	WEST BLOOMFIELD SCHOOL DISTRICT	OAKLAND	1.2500
63220	HURON VALLEY SCHOOLS	OAKLAND	0.9513
63250	OAK PARK, SCHOOL DISTRICT OF THE CITY OF	OAKLAND	3.0000
63280	LAMPHERE PUBLIC SCHOOLS	OAKLAND	0.5000
63290	WALLED LAKE CONSOLIDATED SCHOOLS	OAKLAND	0.5000
64040	HART PUBLIC SCHOOL DISTRICT	OCEANA	0.8000
68030	FAIRVIEW AREA SCHOOL DISTRICT	OSCODA	1.0000
69020	GAYLORD COMMUNITY SCHOOLS	OTSEGO	1.1378
69040	VANDERBILT AREA SCHOOLS	OTSEGO	0.7500
70020	HOLLAND CITY SCHOOL DISTRICT	OTTAWA	0.7500

District Code	District	County	Millage Rate
70070	WEST OTTAWA PUBLIC SCHOOL DISTRICT	OTTAWA	0.3000
70190	HUDSONVILLE PUBLIC SCHOOL DISTRICT	OTTAWA	1.0000
70350	ZEELAND PUBLIC SCHOOLS	OTTAWA	1.0000
71060	POSEN CONSOLIDATED SCHOOL DISTRICT NO. 9	PRESQUE ISLE	0.5000
71080	ROGERS CITY AREA SCHOOLS	PRESQUE ISLE	1.1519
73110	CHESANING UNION SCHOOLS	SAGINAW	1.3100
73190	FRANKENMUTH SCHOOL DISTRICT	SAGINAW	0.5000
73200	FREELAND COMMUNITY SCHOOL DISTRICT	SAGINAW	1.0000
74050	EAST CHINA SCHOOL DISTRICT	ST. CLAIR	0.4000
74130	YALE PUBLIC SCHOOLS	ST. CLAIR	1.0000
75070	WHITE PIGEON COMMUNITY SCHOOLS	ST. JOSEPH	3.0000
76180	PECK COMMUNITY SCHOOL DISTRICT	SANILAC	1.5000
77010	MANISTIQUE AREA SCHOOLS	SCHOOLCRAFT	1.5000
78020	BYRON AREA SCHOOLS	SHIAWASSEE	3.0000
78110	OWOSSO PUBLIC SCHOOLS	SHIAWASSEE	3.0000
79100	MILLINGTON COMMUNITY SCHOOLS	TUSCOLA	3.7400
79110	REESE PUBLIC SCHOOLS	TUSCOLA	1.5000
81010	ANN ARBOR PUBLIC SCHOOLS	WASHTENAW	1.0000
81040	CHELSEA SCHOOL DISTRICT	WASHTENAW	0.2500
81120	SALINE AREA SCHOOLS	WASHTENAW	0.3500
82040	DEARBORN HEIGHTS SCHOOL DISTRICT #7	WAYNE	4.6682
82050	GARDEN CITY PUBLIC SCHOOLS	WAYNE	2.0000
82055	GROSSE POINTE PUBLIC SCHOOLS	WAYNE	1.0000
82060	HAMTRAMCK, SCHOOL DISTRICT OF THE CITY OF	WAYNE	4.0000
82080	SCHOOL DISTRICT OF THE CITY OF INKSTER	WAYNE	5.0000
82090	LINCOLN PARK, SCHOOL DISTRICT OF THE CITY OF	WAYNE	1.4436
82095	LIVONIA PUBLIC SCHOOLS SCHOOL DISTRICT	WAYNE	1.1200
82130	ROMULUS COMMUNITY SCHOOLS	WAYNE	0.7500
82140	SOUTH REDFORD SCHOOL DISTRICT	WAYNE	2.0000
82160	WAYNE-WESTLAND COMMUNITY SCHOOL DISTRICT	WAYNE	0.9922
82300	GROSSE ILE TOWNSHIP SCHOOLS	WAYNE	1.0000
82365	WOODHAVEN-BROWNSTOWN SCHOOL DISTRICT	WAYNE	0.9778
82390	NORTHVILLE PUBLIC SCHOOLS	WAYNE	0.9978
82430	VAN BUREN PUBLIC SCHOOLS	WAYNE	1.1300