



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL



ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986

House Bill 4517 (as passed by the House)
Sponsor: Representative Rutledge
House Committee: Appropriations
Senate Committee: Appropriations

Date Completed: 9-16-15

CONTENT

The bill would amend the Revised School Code to allow the bonded indebtedness of a school district that consolidated with another school district to be refunded (refinanced) by the consolidated district, and for the territory of the original school district to remain as an assessing unit until the refunding (refinanced) bonds are retired or assumed by the consolidated district.

Under current law, a district that consolidated with another district and has bonded indebtedness retains its identity for the purpose of paying off the outstanding bonds by taxing the property of the original district, or until the outstanding bonds are refunded (refinanced) and assumed by the consolidated district (where the refinanced bond debt would be spread uniformly across the territory of the consolidated district). Current law does not allow for a district that consolidated with another district to refund (refinance) any outstanding debt and retain its identity for the purpose of paying off the refinanced debt. House Bill 4517 would allow for this situation, so the original district could refinance its debt and continue taxing only the property in the original district to pay down the debt, and not spread the refinanced debt burden across the property of the entire consolidated district.

MCL 380.863

FISCAL IMPACT

The bill would have no fiscal impact on the State, and could lead to savings for affected local school taxpayers, along with an indeterminate beneficial impact for local school districts. One barrier to consolidating school districts may be the lack of ability for an original district to refinance existing debt on its own after consolidation. This bill would allow for that occurrence, and therefore the remainder of a consolidated district territory could look more favorably on consolidation without the burden of assuming the original district's refinanced debt. Allowing the option for an original district to refinance its debt with potentially lower interest rates could lead to a lower debt mill levy and potential savings to taxpayers.

Fiscal Analyst: Kathryn Summers

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