

Expanded Permitted Uses for School District Sinking Funds

December 6, 2023

Under the Michigan Revised School Code, a school district with voter approval may levy a sinking fund tax to pay for certain allowable capital improvement projects and purchases, which include the construction and renovation of school buildings, the purchase of real property, the repair of school buildings, and the purchase of certain equipment.

In the past, a major drawback of the sinking fund was that it could not be used for the purchase of equipment or furnishings. In 2016 and again in 2023, legislation was enacted that expanded the permitted use of a sinking fund, authorized by the voters after the effective date of these legislative changes to include various equipment items. The new permitted uses include school security improvements, technology, student transportation vehicles (e.g., school buses), trucks, vans, and parts, supplies and equipment to maintain these vehicles.

The 2016 legislative changes also reduced the maximum sinking fund mills from 5 mills to 3 mills and the allowable term for the sinking fund from 20 years to 10 years. These changes are only effective for sinking fund millages approved after 2016.

We have prepared a comprehensive summary of the sinking fund requirements including the effective dates for the expanded permitted uses and other information which can be found on our website at the following link: **[School Building and Site Sinking Fund for Michigan Public Schools](#)**

Replacement of Existing Sinking Fund Authorizations?

The expanded permitted uses for a sinking fund for various equipment, approved in 2016 and 2023, are only effective for sinking fund proposals approved by voters after the effective date of these changes. A school district with an existing sinking fund approved prior to the effective dates for the 2016 and 2023 legislative changes may want to consider requesting voter approval for a replacement sinking fund authorization to take advantage of the expanded permitted uses for sinking funds. A school district could target an election date at which it would not have to pay for the election, such as its General School Election date or other state or federal general or primary election date. The replacement proposal must stay within the 3 mill and 10-year term limitations. If the voters do not approve the replacement proposal, the existing proposal would continue.

If you have questions about this development or other school funding matters, please contact your Miller Canfield attorney or one of the authors of this alert.