School Bond Qualification and Loan Program - Frequently Asked Questions

Public Act 92 of 2005, the School Bond Qualification, Approval and Loan Act, as amended ("the Act")
Revised as of October 30, 2015

Annual Millage Recalculation

1. When are school districts required to recalculate their computed millage?

An updated computed millage calculation is required any time an Order Qualifying Bonds is issued for a School Building and Site Bond or Refunding Bond. Pursuant to the Act, starting October 1, 2013, school districts will recalculate their computed millage each year after they receive updated taxable values for the new tax year. This information is typically received by May 30th.

2. If new school building and site bonds or refunding bonds are qualified and issued prior to any October 1st, does that exempt a district from completing the annual millage recalculation?

No. All school districts are expected to recalculate their computed millage based on most current information available by each October 1st, including new taxable values and any new qualified debt service or qualified loans. The recommended time to complete the millage recalculation is during the School Bond Loan Program's Annual Loan Activity process which takes place in July/August.

3. Can school districts with a decline in taxable value limit the computed millage adjustment to the decline in the rate of taxable value over the previous year?

Yes. Any millage increase may be limited to the equivalent percentage of taxable value ***decline*** (if applicable) for that school district over the immediately preceding tax year.

4. If a computed millage recalculation indicates that a lower computed millage is sufficient pursuant to the Act, can the millage rate be reduced?

Yes, but not below the computed millage established pursuant to the most recent Order Qualifying Bonds, other than refunding bonds as defined in the Act, or 7 mills, whichever is higher.

5. What taxable value rates should be used on the annual millage recalculation?

As prescribed in Section 5(1)(c) of the Act, the previous 5 year average taxable value growth or decline rate may be assumed for the first 5 years and the 20 year average taxable value growth rate, but not more than 3% or less than 0%, for years 6 and beyond.

6. ***State law requires that each school district notify the State Treasurer of the results of recalculating its computed millage. How should a school district make that notification?***

The School Bond Qualification and Loan Program will request this information as part of the Annual Loan Activity Application process. Annual Loan Activity Applications will be e-mailed to the district's SLRF contact in early July with the due date of August 1. This will provide ample time for school districts to recalculate millage based on new taxable value which is typically received by May 30th.

Ballot Language

7. ***What elements are required on the ballot per the School Bond Qualification and Loan Act and the Department of Treasury for review of preliminary qualification applications?***

Please refer to sample ballot language provided on the SBQLP website. www.michigan.gov/sblf

SBLF/SLRF Interest Rate

8. ***What is the interest rate on SBLF and SLRF loans?***

The same interest rate applies to both SBLF and SLRF loans. The interest rate is based on the average annual cost of funds used to make qualified loans plus 0.125%, with a minimum of 3%. As of October 1, 2015, that rate is 3.4%. However, as before, it is subject to change whenever new state debt is issued, principal is paid or interest rates on state debt change. The Treasurer may also further increase or decrease the rate in accordance with Section 9(8) of the Act.

9. ***What SBLF/SLRF interest rate should be used on the annual millage recalculation?***

An interest rate not lower than the current interest rate may be used in the pro forma millage projection for the annual computed millage recalculation. Pro forma millage calculations included in preliminary or final qualification applications should continue to use the suggested SBLF/SLRF interest rate of 5%, which is more indicative of the average historical interest rate over the long term.

Use of Remaining Funds

10. ***If there are funds remaining after all projects approved by the electors are complete, what can these funds be used for?***

Remaining bond proceeds can only be used to pay debt service on qualified bonds or to repay qualified loans from the state. If, in the written opinion of the school district's bond counsel, using the remaining funds to pay debt as described above would adversely affect the tax treatment of the bonds, then remaining bond proceeds sufficient to alleviate that risk may be used to pay for enhancements to the projects approved by the voters as described in the ballot language.