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BILL ANALYSIS

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Senate Bill 517 (Substitute S-1 as passed by the Senate)
Sponsor: Senator Rosemary Bayer
Committee: Education

Date Completed: 7-14-26

RATIONALE

Under current law, school districts may use bond funds for certain technology-related purposes. For example, schools may bond to purchase hardware, such as laptops; however, their ability to purchase software is limited. Testimony before the Senate Committee on Education indicates that this limitation can create issues, such as schools being unable to purchase software for teaching or cybersecurity purposes. Accordingly, it has been suggested that the Revised School Code be modified to grant schools greater flexibility in spending bond revenue for technology.

CONTENT

The bill would amend the Revised School Code to specify the technology a school district could and could not purchase using borrowed money and notes or bonds.

Among other things, the Code establishes the uses and things for which a school district may borrow money and issue notes or bonds. The bill specifies that a school district could *not* borrow money and issue notes or bonds to pay for any of the following:

-- Consumables, including storage media, ink, toner, or batteries.
-- Repair of end-user devices that were outside of the initially purchased warranty.
-- Curriculum-specific software or training in the use of curriculum-specific software.

The bill's prohibited uses of borrowed money and notes and bonds described above would replace the Code's current prohibited uses, which include the following:

-- Upgrades to operating systems or application software.
-- Physical media, unless that media is used for the storage of initial operating system software or customized application software included in the definition of technology (see below).
-- Training, consulting, maintenance, service contracts, software upgrades, troubleshooting, or software support.

Currently, "technology" means any of the following:

-- Hardware and communication devices that transmit, receive, or compute information for pupil instructional purposes.
-- The initial purchase of operating system software or customized application software, or both, accompanying the purchase of hardware and communication devices.
-- The costs of design and installation of the hardware, communication devices, and initial operating system software or authorized customized application software.

Instead, under the bill, "technology" would mean the following:

-- Hardware, software, cloud-hosted software as a service, technological infrastructure, software licenses, software support and warranties, and relevant consulting in the initial implementation and deployment of hardware and software.
-- The initial implementation and deployment of technology equipment, building systems management, cybersecurity, physical security, and voice communication software.
-- Relevant consulting related to the initial implementation and deployment of cybersecurity.
-- The design or installation of any hardware, software, communication device, operating system software, or customized application software authorized under the Code.

Finally, among other things, the Code allows a district to borrow money and issue bonds to pay for the acquisition of, installation of, or equipping or reequipping of school buildings with technology. The bill instead would specify that a district could borrow money and issue bonds to purchase technology. Bonds to fund technology could be issued only to the extent allowed under Federal laws governing tax-exempt debt issuance.

MCL 380.1351a

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

Allowing school districts to bond for cybersecurity technology would protect student data. School districts often possess a significant amount of student data, such as demographic, financial, and medical information. According to testimony, cybercriminals may target student data because it is valuable and because school districts often lack the capacity to invest in cybersecurity. Cybercriminals also may target the programs that schools rely on for teaching and grading. For example, in May 2026 a group of hackers targeted Canvas, an online platform used for assignments and grades, temporarily halting courses.[1] Schools cannot afford to lose instructional time, which cybercriminals can use to their advantage. Schools facing a data breach often are forced to pay expensive ransom demands to recover data. By allowing school districts to bond for cybersecurity technology, the bill would protect school district funding and student data.

Supporting Argument

The bill would improve school districts' technological and financial efficiency by modernizing the definition of technology. Schools may use technology for a variety of purposes, such as teaching or for administrative tasks. According to testimony, because the definition of technology under the Code has not kept pace with innovation, school districts may only bond for outdated technology, such as diskettes and CDs, and are unable to bond for modern technology, such as cloud computing subscriptions. As a result, school districts must use their general funds to purchase this technology, which could be better used for other purposes. School districts with fewer resources may be forced to choose between technology acquisition and other priorities, delaying updates and putting their students at a disadvantage. The bill would modernize the definition of technology to include the technology school districts actually use. In effect, this would allow a school district to issue bonds for the purchase and installation of this technology. This would improve school districts' efficiency by allowing school districts to invest in modern technology without sacrificing general fund money.

Legislative Analyst: Abby Schneider

[1] de Guzman, Chad, "What to Know About the Canvas Cyberattack That's Affected Thousands of Schools", *Time*, May 8, 2026.

FISCAL IMPACT

The bill would have no fiscal impact on the State and no direct fiscal impact on districts. The provisions of the bill would not require any action from districts, although they would give flexibility to ask voters to approve bonds for previously disallowed uses. If a district chose to issue bonds for items that would otherwise have been paid for from general operating budgets, it would reduce current operating expenditures and increase debt service expenditures. The fiscal impact on any given district would depend on choices made by the district and voters in the district.

Fiscal Analyst: Ryan Bergan

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.