June 20, 2019, Introduced by Reps. Greig and Yaroch and referred to the Committee on Government Operations.


THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

Sec. 1225. (1) Subject to restrictions of this section, a school board or intermediate school board may borrow money and issue notes of the school district or intermediate school district for the borrowed money to secure funds for school operations or to pay previous loans obtained for school operations under this or any
other statute. The school board or intermediate school board shall pledge money to be received by it from state school aid for the payment of notes issued under this section. A pledge of state school aid by a school district or intermediate school district for the payment of notes issued pursuant to this section is valid and binding from the time when the pledge is made. A pledge made pursuant to this section for the benefit of the holders of notes or for the benefit of others is perfected without delivery, recording, or notice. Notes issued pursuant to this section are full faith and credit obligations of the school district or intermediate school district and are payable from tax levies or from unencumbered funds of the school district or intermediate school district in event of the unavailability or insufficiency of state school aid for any reason.

(2) A school district or intermediate school district for which an emergency manager or a financial management team has been appointed pursuant to the local financial stability and choice act, 2012 PA 436, MCL 141.1541 to 141.1575, or a school district or intermediate school district that has an approved deficit elimination plan or an enhanced deficit elimination plan required under section 102 of the state school aid act of 1979, MCL 388.1702, may enter into an agreement with the Michigan finance authority in accordance with section 17a(4) of the state school aid act of 1979, MCL 388.1617a, providing for the direct payment on behalf of the school district or intermediate school district to the Michigan finance authority, or to a trustee designated by the Michigan finance authority, of state school aid pledged and to be used for the sole purpose of paying the principal of and interest on the notes issued pursuant to this section and secured by state
school aid.

(3) Notes issued under this section shall become due not later than 372 days after the date on which they are issued, except as otherwise provided in this section. Notes issued within a fiscal year shall not exceed 70% of the difference between the total state aid funds apportioned to the school district or intermediate school district for that fiscal year and the portion already received or pledged, except secondary pledges made under section 1356.

(4) A school district or intermediate school district that is not able to redeem its notes within 372 days after the date on which the notes were issued may enter into a multi-year agreement with a lending institution to repay its obligation. A repayment agreement shall not be executed without the prior approval of an authorized representative of the state board or, for notes sold to the Michigan finance authority only, without the approval of an authorized representative of the department of treasury.

(5) During the last 4 months of a fiscal year, notes may be issued pledging state school aid for the next succeeding fiscal year. Except as otherwise provided in this subsection, the notes shall not exceed 50% of the state school aid apportioned to the school district or intermediate school district for the next succeeding fiscal year or, if the apportionment has not been made, 50% of the apportionment for the then current fiscal year. The notes shall mature not later than 372 days after the date of issuance.

(6) Notes issued under this section are subject to the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821. Failure of a school district or intermediate school district to
receive state school aid does not affect the validity or enforceability of a note issued under this section.

(7) A school board or intermediate school board, including, but not limited to, the school board of a community district, may make more than 1 borrowing under this section during a school year.

(8) In addition to other powers under this section, with the approval of the state treasurer, a school board or intermediate school board, including, but not limited to, the school board of a community district, may obtain a line of credit to secure funds for school operations or to pay previous loans obtained for school operations under this or any other statute. The school board or intermediate school board shall pledge not more than 30% of the state school aid apportioned to the school district or intermediate school district for that fiscal year for repayment of funds received pursuant to a line of credit obtained under this subsection. However, the school board or intermediate school board shall not borrow against the line of credit an amount greater than the difference, as of the date of the borrowing, between the total state school aid funds apportioned to the school district or intermediate school district for that fiscal year and the portion already received or pledged, except secondary pledges made under section 1356. To obtain approval for obtaining a line of credit under this subsection, a school board or intermediate school board shall apply to the state treasurer in the form and manner prescribed by the state treasurer, and shall provide information as requested by the state treasurer for evaluating the application. The state treasurer shall approve or disapprove an application and notify the school board or intermediate school board within 20 business days after receiving a proper application. If the state
treasurer disapproves an application, the state treasurer shall include the reasons for disapproval in the notification to the school board or intermediate school board.

Enacting section 1. This amendatory act takes effect 90 days after the date it is enacted into law.

Enacting section 2. This amendatory act does not take effect unless Senate Bill No.____ or House Bill No.4751 (request no. 01329'19) of the 100th Legislature is enacted into law.