

Act No. 1  
Public Acts of 2012  
Approved by the Governor  
February 7, 2012  
Filed with the Secretary of State  
February 7, 2012  
EFFECTIVE DATE: February 7, 2012

**STATE OF MICHIGAN**  
**96TH LEGISLATURE**  
**REGULAR SESSION OF 2012**

Introduced by Reps. Durhal, Jackson and Stallworth

# ENROLLED HOUSE BILL No. 5194

AN ACT to amend 1976 PA 451, entitled "An act to provide a system of public instruction and elementary and secondary schools; to revise, consolidate, and clarify the laws relating to elementary and secondary education; to provide for the organization, regulation, and maintenance of schools, school districts, public school academies, intermediate school districts, and other public school entities; to prescribe rights, powers, duties, and privileges of schools, school districts, public school academies, intermediate school districts, and other public school entities; to provide for the regulation of school teachers and certain other school employees; to provide for school elections and to prescribe powers and duties with respect thereto; to provide for the levy and collection of taxes; to provide for the borrowing of money and issuance of bonds and other evidences of indebtedness; to establish a fund and provide for expenditures from that fund; to provide for and prescribe the powers and duties of certain state departments, the state board of education, and certain other boards and officials; to provide for licensure of boarding schools; to prescribe penalties; and to repeal acts and parts of acts," by amending section 1225 (MCL 380.1225), as amended by 2006 PA 285.

*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 has been appointed pursuant to the local government and school district fiscal accountability act, 2011 PA 4, MCL 141.1501 to 141.1531, or a school district or intermediate school district that has an approved deficit elimination plan 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.

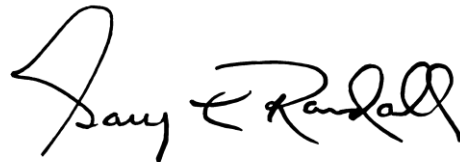
(6) Notes issued under this section are subject to the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821. Failure of a school district or intermediate school district to receive state school aid does not affect the validity or enforceability of a note issued under this section.

(7) A school board or intermediate school board may make more than 1 borrowing under this section during a school year.

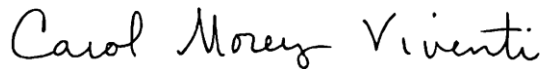
(8) In addition to other powers under this section, with the approval of the state treasurer, a school board or intermediate school board may obtain a line of credit to secure funds for school operations or to pay previous loans obtained for school operations under this or any other statute. The school 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 does not take effect unless House Bill No. 5195 of the 96th Legislature is enacted into law.

This act is ordered to take immediate effect.



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Clerk of the House of Representatives



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Secretary of the Senate

Approved .....

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Governor

**Compiler's note:** House Bill No. 5195, referred to in enacting section 1, was filed with the Secretary of State February 7, 2012, and became 2012 PA 2, Imd. Eff. Feb. 7, 2012.