

SENATE SUBSTITUTE FOR
HOUSE BILL NO. 5194

A bill to amend 1976 PA 451, entitled
"The revised school code,"
by amending section 1225 (MCL 380.1225), as amended by 2006 PA 285.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1225. (1) Subject to restrictions of this section, ~~the~~**A**
2 **SCHOOL** board ~~of a local or intermediate school district~~**BOARD** may
3 borrow money and issue ~~its~~ notes **OF THE SCHOOL DISTRICT OR**
4 **INTERMEDIATE SCHOOL DISTRICT** for the borrowed money to secure funds
5 for school operations or to pay previous loans obtained for school
6 operations under this or any other statute. The school board or
7 intermediate school board shall pledge money to be received by it
8 from state school aid for the payment of notes issued under this
9 section. ~~The notes~~**A PLEDGE OF STATE SCHOOL AID BY A SCHOOL**
10 **DISTRICT OR INTERMEDIATE SCHOOL DISTRICT FOR THE PAYMENT OF NOTES**

1 ISSUED PURSUANT TO THIS SECTION IS VALID AND BINDING FROM THE TIME
2 WHEN THE PLEDGE IS MADE. A PLEDGE MADE PURSUANT TO THIS SECTION FOR
3 THE BENEFIT OF THE HOLDERS OF NOTES OR FOR THE BENEFIT OF OTHERS IS
4 PERFECTED WITHOUT DELIVERY, RECORDING, OR NOTICE. NOTES ISSUED
5 PURSUANT TO THIS SECTION are full faith and credit obligations of
6 the school district or intermediate school district and are payable
7 from tax levies or from unencumbered funds of the school district
8 or intermediate school district in event of the unavailability or
9 insufficiency of state school aid for any reason.

10 (2) A SCHOOL DISTRICT OR INTERMEDIATE SCHOOL DISTRICT FOR
11 WHICH AN EMERGENCY MANAGER HAS BEEN APPOINTED PURSUANT TO THE LOCAL
12 GOVERNMENT AND SCHOOL DISTRICT FISCAL ACCOUNTABILITY ACT, 2011 PA
13 4, MCL 141.1501 TO 141.1531, OR A SCHOOL DISTRICT OR INTERMEDIATE
14 SCHOOL DISTRICT THAT HAS AN APPROVED DEFICIT ELIMINATION PLAN UNDER
15 SECTION 102 OF THE STATE SCHOOL AID ACT OF 1979, MCL 388.1702, MAY
16 ENTER INTO AN AGREEMENT WITH THE MICHIGAN FINANCE AUTHORITY IN
17 ACCORDANCE WITH SECTION 17A(4) OF THE STATE SCHOOL AID ACT OF 1979,
18 MCL 388.1617A, PROVIDING FOR THE DIRECT PAYMENT ON BEHALF OF THE
19 SCHOOL DISTRICT OR INTERMEDIATE SCHOOL DISTRICT TO THE MICHIGAN
20 FINANCE AUTHORITY, OR TO A TRUSTEE DESIGNATED BY THE MICHIGAN
21 FINANCE AUTHORITY, OF STATE SCHOOL AID PLEDGED AND TO BE USED FOR
22 THE SOLE PURPOSE OF PAYING THE PRINCIPAL OF AND INTEREST ON THE
23 NOTES ISSUED PURSUANT TO THIS SECTION AND SECURED BY STATE SCHOOL
24 AID.

25 (3) ~~(2)~~ Notes issued under this section shall become due not
26 later than 372 days after the date on which they are issued, except
27 as OTHERWISE provided in this section. Notes issued within a fiscal

1 year shall not exceed 70% of the difference between the total state
2 aid funds apportioned to the school district or intermediate school
3 district for that fiscal year and the portion already received or
4 pledged, except secondary pledges made under section 1356.

5 (4) ~~(3)~~—A school district or intermediate school district that
6 is not able to redeem its notes within 372 days after the date on
7 which the notes were issued may enter into a multi-year agreement
8 with a lending institution to repay its obligation. A repayment
9 agreement shall not be executed without the prior approval of an
10 authorized representative of the state board or, for notes sold to
11 the Michigan ~~municipal bond~~ **FINANCE** authority only, without the
12 approval of an authorized representative of the department of
13 treasury.

14 (5) ~~(4)~~—During the last 4 months of a fiscal year, notes may
15 be issued pledging state school aid for the next succeeding fiscal
16 year. Except as otherwise provided in this subsection, the notes
17 shall not exceed 50% of the state school aid apportioned to the
18 school district or intermediate school district for the next
19 succeeding fiscal year or, if the apportionment has not been made,
20 50% of the apportionment for the then current fiscal year. The
21 notes shall mature not later than 372 days after the date of
22 issuance.

23 (6) ~~(5)~~—Notes issued under this section are subject to the
24 revised municipal finance act, 2001 PA 34, MCL 141.2101 to
25 141.2821. Failure of a school district or intermediate school
26 district to receive state school aid does not affect the validity
27 or enforceability of a note issued under this section.

1 (7) ~~(6)~~—A school board or intermediate school board may make
2 more than 1 borrowing under this section during a school year.

3 (8) ~~(7)~~—In addition to other powers under this section, with
4 the approval of the state treasurer, ~~the~~ **A SCHOOL** board ~~of a local~~
5 or intermediate school ~~district~~ **BOARD** may obtain a line of credit
6 to secure funds for school operations or to pay previous loans
7 obtained for school operations under this or any other statute. The
8 school board or intermediate school board shall pledge not more
9 than 30% of the state school aid apportioned to the school district
10 or intermediate school district for that fiscal year for repayment
11 of funds received pursuant to a line of credit obtained under this
12 subsection. However, the school board or intermediate school board
13 shall not borrow against the line of credit an amount greater than
14 the difference, as of the date of the borrowing, between the total
15 state school aid funds apportioned to the school district or
16 intermediate school district for that fiscal year and the portion
17 already received or pledged, except secondary pledges made under
18 section 1356. To obtain approval for obtaining a line of credit
19 under this subsection, a school board or intermediate school board
20 shall apply to the state treasurer in the form and manner
21 prescribed by the state treasurer, and shall provide information as
22 requested by the state treasurer for evaluating the application.
23 The state treasurer shall approve or disapprove an application and
24 notify the school board or intermediate school board within 20
25 business days after receiving a proper application. If the state
26 treasurer disapproves an application, the state treasurer shall
27 include the reasons for disapproval in the notification to the

1 school board or intermediate school board.

2 Enacting section 1. This amendatory act does not take effect
3 unless House Bill No. 5195 of the 96th Legislature is enacted into
4 law.