

**SENATE SUBSTITUTE FOR
HOUSE BILL NO. 5195**

A bill to amend 1979 PA 94, entitled
"The state school aid act of 1979,"
by amending section 17a (MCL 388.1617a), as amended by 2006 PA 342.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 17a. (1) The department may withhold all or part of any
2 payment that a district or intermediate district is entitled to
3 receive under this act to the extent the withholdings are a
4 component part of a plan, developed and implemented pursuant to the
5 revised municipal finance act, 2001 PA 34, MCL 141.2101 to
6 141.2821, or other statutory authority, for financing an
7 outstanding obligation upon which the district or intermediate
8 district defaulted. Amounts withheld shall be used to pay, on
9 behalf of the district or intermediate district, unpaid amounts or

1 subsequently due amounts, or both, of principal and interest on the
2 outstanding obligation upon which the district or intermediate
3 district defaulted.

4 (2) The state treasurer may withhold all or part of any
5 payment that a district or intermediate district is entitled to
6 receive under this act to the extent authorized or required under
7 section 15 of the school bond qualification, approval, and loan
8 act, 2005 PA 92, MCL 388.1935.

9 (3) Under an agreement entered into by a district or
10 intermediate district assigning all or a portion of the payment
11 that it is eligible to receive under this act to the Michigan
12 ~~municipal bond~~-**FINANCE** authority or to the trustee of a pooled
13 arrangement or pledging the amount for payment of an obligation it
14 incurred with the Michigan ~~municipal bond~~-**FINANCE** authority or with
15 the trustee of a pooled arrangement, the state treasurer shall
16 transmit to the Michigan ~~municipal bond~~-**FINANCE** authority or a
17 trustee designated by the **MICHIGAN FINANCE** authority or to the
18 trustee of a pooled arrangement the amount of the payment that is
19 assigned or pledged under the agreement.

20 (4) **IF A DISTRICT OR INTERMEDIATE DISTRICT FOR WHICH AN**
21 **EMERGENCY MANAGER HAS BEEN APPOINTED PURSUANT TO THE LOCAL**
22 **GOVERNMENT AND SCHOOL DISTRICT FISCAL ACCOUNTABILITY ACT, 2011 PA**
23 **4, MCL 141.1501 TO 141.1531, OR THAT HAS AN APPROVED DEFICIT**
24 **ELIMINATION PLAN UNDER SECTION 102, ENTERS INTO OR HAS ENTERED INTO**
25 **AN AGREEMENT DESCRIBED IN SUBSECTION (3) PURSUANT TO SECTION**
26 **1225(2) OF THE REVISED SCHOOL CODE, MCL 380.1225, WHETHER THE**
27 **OBLIGATION WAS ISSUED BEFORE OR AFTER THE EFFECTIVE DATE OF THIS**

1 SUBSECTION, THE PORTION OF STATE SCHOOL AID PAID OR TO BE PAID ON
2 BEHALF OF THE DISTRICT OR INTERMEDIATE DISTRICT DIRECTLY TO THE
3 MICHIGAN FINANCE AUTHORITY, OR TO A TRUSTEE DESIGNATED BY THE
4 MICHIGAN FINANCE AUTHORITY, FOR THE SOLE PURPOSE OF PAYING THE
5 PRINCIPAL OF AND INTEREST ON THE OBLIGATION IS SUBJECT TO A LIEN
6 AND TRUST THAT IS A STATUTORY LIEN AND TRUST, PARAMOUNT AND
7 SUPERIOR TO ALL OTHER LIENS AND INTERESTS OF ANY KIND, FOR THE SOLE
8 PURPOSE OF PAYING THE PRINCIPAL OF AND INTEREST ON THE OBLIGATION.
9 THE STATUTORY LIEN AND TRUST APPLIES TO THE STATE SCHOOL AID
10 RECEIVED OR TO BE RECEIVED BY THE MICHIGAN FINANCE AUTHORITY, OR
11 TRUSTEE DESIGNATED BY THE MICHIGAN FINANCE AUTHORITY, ON BEHALF OF
12 THE DISTRICT OR INTERMEDIATE DISTRICT, IMMEDIATELY UPON THE LATER
13 OF THE EFFECTIVE DATE OF THIS SUBSECTION OR THE TIME WHEN THE STATE
14 SCHOOL AID IS ALLOCATED TO THE DISTRICT OR INTERMEDIATE DISTRICT,
15 BUT IS SUBJECT TO ANY SUBSEQUENT REDUCTION OF THE STATE SCHOOL AID
16 ALLOCATION BY OPERATION OF LAW OR EXECUTIVE ORDER. THE LIEN AND
17 TRUST IMPOSED BY THIS SECTION WITH RESPECT TO STATE SCHOOL AID HAS
18 A PRIORITY AS ESTABLISHED IN THE AGREEMENT, EXCEPT THAT THE
19 AGREEMENT SHALL NOT IMPAIR ANY EXISTING LIEN AND TRUST PREVIOUSLY
20 CREATED PURSUANT TO THIS SECTION, INCLUDING ANY LIEN AND TRUST
21 APPLICABLE TO A MULTI-YEAR REPAYMENT AGREEMENT UNDER SECTION 1225
22 OF THE REVISED SCHOOL CODE, 1976 PA 451, MCL 380.1225. EXCEPT AS
23 OTHERWISE PROVIDED IN THIS SUBSECTION, THE LIEN AND TRUST CREATED
24 UNDER THIS SUBSECTION FOR THE BENEFIT OF HOLDERS OF THE OBLIGATION
25 ISSUED PURSUANT TO THIS SECTION IS VALID AND BINDING AGAINST A
26 PARTY HAVING A CLAIM OF ANY KIND IN TORT, CONTRACT, OR OTHERWISE
27 AGAINST THE DISTRICT OR INTERMEDIATE DISTRICT THAT HAS ISSUED THE

1 OBLIGATION SECURED BY A PLEDGE OF STATE SCHOOL AID PURSUANT TO THIS
2 SECTION, REGARDLESS OF WHETHER THAT PARTY HAS NOTICE OF THE PLEDGE.
3 A PLEDGE MADE PURSUANT TO THIS SECTION FOR THE BENEFIT OF THE
4 HOLDERS OF OBLIGATIONS OR OTHERS IS PERFECTED WITHOUT DELIVERY,
5 RECORDING, OR NOTICE. THE STATE SCHOOL AID PAID OR TO BE PAID ON
6 BEHALF OF A DISTRICT OR INTERMEDIATE DISTRICT TO THE MICHIGAN
7 FINANCE AUTHORITY, OR TRUSTEE DESIGNATED BY THE MICHIGAN FINANCE
8 AUTHORITY, SHALL BE HELD IN TRUST FOR THE SOLE BENEFIT OF THE
9 HOLDERS OF THE OBLIGATION ISSUED PURSUANT TO THIS SECTION OR
10 SECTION 1225 AND IS EXEMPT FROM BEING LEVIED UPON, TAKEN,
11 SEQUESTERED, OR APPLIED TOWARD PAYING THE DEBTS OR LIABILITIES OF
12 THE DISTRICT OR INTERMEDIATE DISTRICT OTHER THAN FOR PAYMENT OF THE
13 OBLIGATION TO WHICH THE LIEN APPLIES. HOWEVER, NOTHING IN THIS
14 SUBSECTION ALTERS THE ABILITY OF THE STATE TREASURER TO WITHHOLD
15 STATE SCHOOL AID FROM A DISTRICT OR INTERMEDIATE DISTRICT AS
16 PROVIDED BY LAW.

17 (5) Notwithstanding the payment dates prescribed by this act
18 for distributions under this act, the state treasurer may advance
19 all or part of a payment that is dedicated for distribution or for
20 which the appropriation authorizing the payment has been made if
21 and to the extent, under the terms of an agreement entered into by
22 a district or intermediate district and the Michigan ~~municipal bond~~
23 **FINANCE** authority, the payment that the district or intermediate
24 district is eligible to receive has been assigned to or pledged for
25 payment of an obligation it incurred with the Michigan ~~municipal~~
26 ~~bond~~ **FINANCE** authority.

27 (6) This ~~subsection~~ **SECTION** does not require the state to make

1 an appropriation to any school district or intermediate school
2 district and shall not be construed as creating an indebtedness of
3 the state, and any agreement made pursuant to this ~~subsection~~
4 **SECTION** shall contain a statement to that effect.

5 (7) As used in this ~~subsection~~, **SECTION**, "trustee of a pooled
6 arrangement" means the trustee of a trust approved by the state
7 treasurer and, subject to the conditions and requirements of that
8 approval, established for the purpose of offering for sale, as part
9 of a pooled arrangement, certificates representing undivided
10 interests in notes issued by districts or intermediate districts
11 under section 1225 of the revised school code, 1976 PA 451, MCL
12 380.1225.

13 (8) If a trustee applies to the state treasurer for approval
14 of a trust for the purposes of this ~~subsection~~, **SECTION**, the state
15 treasurer shall approve or disapprove the trust within 10 days
16 after receipt of the application.

17 Enacting section 1. This amendatory act does not take effect
18 unless House Bill No. 5194 of the 96th Legislature is enacted into
19 law.