

HOUSE SUBSTITUTE FOR
SENATE BILL NO. 770

A bill to amend 2005 PA 92, entitled
"School bond qualification, approval, and loan act,"
by amending sections 3, 4, 5, 6, 7, 8, 9, 11, 13, 16, and 18 (MCL
388.1923, 388.1924, 388.1925, 388.1926, 388.1927, 388.1928,
388.1929, 388.1931, 388.1933, 388.1936, and 388.1938), section 9 as
amended by 2009 PA 50.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 3. As used in this act:

2 (a) "Computed millage" means the number of mills in any year,
3 not less than 7 mills and not more than 13 mills, determined on the
4 date of issuance of the order qualifying the bonds or on a later
5 date if requested by the school district and approved by the state
6 treasurer, that, if levied by the school district, will generate
7 sufficient annual proceeds to pay principal and interest on all the

1 school district's qualified bonds plus principal and interest on
2 all **QUALIFIED** loans related to those qualified bonds no later than
3 the **FINAL MANDATORY REPAYMENT** date. ~~specified in the note and~~
4 ~~repayment agreement entered into by the school district under this~~
5 ~~act.~~ **BASED ON CHANGES OF CIRCUMSTANCES, INCLUDING, BUT NOT LIMITED**
6 **TO, ADDITIONAL BOND QUALIFICATION, REFUNDINGS, CHANGES IN QUALIFIED**
7 **LOAN INTEREST RATES, CHANGES IN TAXABLE VALUES, AND ASSUMPTIONS**
8 **CONTAINED IN ANY THEN CURRENTLY EFFECTIVE GUIDELINES ISSUED BY THE**
9 **STATE TREASURER PURSUANT TO SECTION 5(2)(C), THE SCHOOL DISTRICT**
10 **SHALL NOT LESS THAN ANNUALLY, BEGINNING ON OCTOBER 1, 2013, USING**
11 **METHODS PRESCRIBED IN THIS ACT, RECALCULATE THE COMPUTED MILLAGE**
12 **NECESSARY TO GENERATE SUFFICIENT ANNUAL LEVY PROCEEDS TO PAY**
13 **PRINCIPAL AND INTEREST ON ALL OF THE SCHOOL DISTRICT'S QUALIFIED**
14 **BONDS AND PRINCIPAL AND INTEREST ON ALL QUALIFIED LOANS RELATED TO**
15 **THOSE QUALIFIED BONDS NOT LATER THAN THE FINAL MANDATORY REPAYMENT**
16 **DATE. IF THE SCHOOL DISTRICT DETERMINES THAT THE RECALCULATED**
17 **COMPUTED MILLAGE IS LOWER THAN ITS CURRENT MILLAGE LEVY RATE, THE**
18 **SCHOOL DISTRICT SHALL PROMPTLY NOTIFY THE STATE TREASURER IN**
19 **WRITING OF THE RECALCULATED COMPUTED MILLAGE. IMMEDIATELY**
20 **THEREAFTER, THE SCHOOL DISTRICT SHALL DECREASE ITS MILLAGE LEVY**
21 **RATE TO THE RECALCULATED COMPUTED MILLAGE, BUT NOT BELOW THE**
22 **COMPUTED MILLAGE ESTABLISHED PURSUANT TO THE MOST RECENT ORDER**
23 **QUALIFYING BONDS FOR THAT SCHOOL DISTRICT, OR TO THE MINIMUM LEVY**
24 **PRESCRIBED BY LAW FOR RECEIPT OF QUALIFIED LOANS, WHICHEVER RATE IS**
25 **HIGHER. IF THE SCHOOL DISTRICT DETERMINES THAT THE RECALCULATED**
26 **COMPUTED MILLAGE IS HIGHER THAN ITS CURRENT MILLAGE LEVY RATE, THE**
27 **SCHOOL DISTRICT SHALL PROMPTLY NOTIFY THE STATE TREASURER IN**

Senate Bill No. 770 (H-2) as amended December 13, 2012

1 WRITING OF THE RECALCULATED COMPUTED MILLAGE. IMMEDIATELY

2 THEREAFTER, THE SCHOOL DISTRICT SHALL INCREASE ITS MILLAGE LEVY

3 RATE [TO THE RECALCULATED COMPUTED MILLAGE, SUBJECT TO] 1 OF THE
FOLLOWING [EXCEPTIONS, AND] SUBJECT TO ANY MAXIMUM MILLAGE

4 LEVY RATE OTHERWISE PRESCRIBED FOR BY LAW:

5 (i) FOR EACH SCHOOL DISTRICT'S FIRST RECALCULATED COMPUTED
6 MILLAGE REQUIRED AS OF OCTOBER 1, 2013, INCREASE ITS MILLAGE LEVY
7 BY A PERCENTAGE AMOUNT EQUAL TO THE EQUIVALENT PERCENTAGE OF
8 TAXABLE VALUE [CHANGE] FOR THAT SCHOOL DISTRICT OVER THE IMMEDIATELY
9 PRECEDING 5 YEARS, BUT NOT HIGHER THAN THE RECALCULATED COMPUTED
10 MILLAGE.

11 (ii) FOR EACH SCHOOL DISTRICT'S SUBSEQUENT RECALCULATED
12 COMPUTED MILLAGE BEGINNING OCTOBER 1, 2014 AND EACH YEAR
13 THEREAFTER, INCREASE ITS MILLAGE LEVY BY A PERCENTAGE AMOUNT EQUAL
14 TO THE PERCENTAGE OF TAXABLE VALUE DECLINE FOR THE IMMEDIATELY
15 PRECEDING YEAR ENDING SEPTEMBER 30, BUT NOT TO A RATE HIGHER THAN
16 THE RECALCULATED COMPUTED MILLAGE.

17 (iii) IF IT IS DETERMINED THAT A DISTRICT'S CURRENT COMPUTED
18 MILLAGE IS SUFFICIENT TO PAY ALL QUALIFIED LOANS BY THE MANDATORY
19 FINAL LOAN REPAYMENT DATE, NO [RECALCULATION] OF THE COMPUTED
20 MILLAGE IS REQUIRED.

21 (B) "FINAL MANDATORY REPAYMENT DATE" MEANS THE FINAL MANDATORY
22 REPAYMENT DATE DETERMINED BY THE STATE TREASURER UNDER SECTION 9.

23 (C) "MICHIGAN FINANCE AUTHORITY" MEANS THE MICHIGAN FINANCE
24 AUTHORITY CREATED UNDER EXECUTIVE REORGANIZATION ORDER NO. 2010-2,
25 MCL 12.194.

26 (D) ~~(b)~~—"Qualified bond" means a bond that is qualified under
27 this act for state loans as provided in section 16 of article IX of

1 the state constitution of 1963. A qualified bond includes the
 2 interest amount required for payment of a school district's net
 3 interest obligation under an interest rate exchange or swap, hedge,
 4 or other agreement entered into pursuant to the revised municipal
 5 finance act, 2001 PA 34, MCL 141.2101 to 141.2821, but does not
 6 include a termination payment or similar payment related to the
 7 termination or cancellation of an interest rate exchange or swap,
 8 hedge, or other similar agreement. A qualified bond may include a
 9 bond issued to refund loans owed to the state under this act.

10 (E) ~~(e)~~ "Qualified loan" means a loan made under this act or
 11 **FORMER** 1961 PA 108, ~~MCL 388.951 to 388.963~~, from this state to a
 12 school district to pay debt service on a qualified bond.

13 (F) ~~(d)~~ "Revolving loan fund" means the school loan revolving
 14 fund created under section 16c of the shared credit rating act,
 15 1985 PA 227, MCL 141.1066c.

16 (G) ~~(e)~~ "School district" means a general powers school
 17 district organized under the revised school code, 1976 PA 451, MCL
 18 380.1 to 380.1852, or a school district of the first class as
 19 described in the revised school code, 1976 PA 451, MCL 380.1 to
 20 380.1852, having the power to levy ad valorem property taxes.

21 (H) ~~(f)~~ "State treasurer" means the state treasurer or his or
 22 her duly authorized designee.

23 ~~(g) "Superintendent of public instruction" means the~~
 24 ~~superintendent of public instruction appointed under section 3 of~~
 25 ~~article VIII of the state constitution of 1963.~~

26 (I) ~~(h)~~ "Taxable value" means the value determined under
 27 section 27a of the general property tax act, 1893 PA 206, MCL ~~211.1~~

1 ~~to 211.157-211.27A.~~

2 Sec. 4. (1) A school district may issue and market bonds as
3 qualified bonds if the state treasurer has issued an order granting
4 qualification under this act.

5 (2) Except with regard to qualification of new bonds, nothing
6 in this act shall be construed to alter the terms and conditions
7 applicable to outstanding qualified bonds issued in accordance with
8 **FORMER** 1961 PA 108. ~~, MCL 388.951 to 388.963, and the loans~~
9 ~~associated with those qualified bonds.~~ Unless otherwise amended as
10 permitted by this act, outstanding qualified loans incurred in
11 association with outstanding qualified bonds described in this
12 subsection shall ~~continue to bear interest and~~ **AS PROVIDED IN**
13 **SECTION 9(8) BUT OTHERWISE SHALL** be due and payable as provided in
14 the repayment agreements entered into between the school district
15 and the state before the effective date of this act.

16 (3) The state treasurer may qualify bonds for which the state
17 treasurer has received an application for prequalification on or
18 before May 25, 2005 without regard to the requirements of section
19 5(2)(f) if the electors of the school district approve the bonds at
20 an election held during 2005.

21 Sec. 5. (1) A school district may apply to the state treasurer
22 for preliminary qualification of a proposed school bond issue by
23 filing an application in the form and containing the information
24 required by this act.

25 (2) An application for preliminary qualification of a school
26 bond shall contain all of the following information:

27 (a) The proposed ballot language to be submitted to the

1 electors.

2 (b) A description of the project or projects proposed to be
3 financed.

4 (c) A pro forma debt service projection showing the estimated
5 mills the school district will levy to provide revenue the school
6 district will use to pay the qualified bonds, **ANY OUTSTANDING**
7 **QUALIFIED BONDS, AND ANY OUTSTANDING OR PROJECTED QUALIFIED LOANS**
8 **OF THE SCHOOL DISTRICT.** For the purpose of the pro forma debt
9 service projection, the school district may assume for the first 5
10 years following the date of the application the average growth **OR**
11 **DECLINE** in taxable value for the 5 years **OR SUCH OTHER PERIOD OF**
12 **TIME REQUESTED BY THE SCHOOL DISTRICT IF APPROVED BY THE STATE**
13 **TREASURER** preceding the date of the application and the ~~lesser of~~
14 ~~that~~ average growth **OR DECLINE** rate ~~or 3%~~ **FOR THE 20 YEARS**
15 **IMMEDIATELY PRECEEDING THE DATE OF THE APPLICATION BUT NOT MORE**
16 **THAN 3% OR LESS THAN 0% GROWTH RATE,** for the remaining term of the
17 proposed bonds.

18 (d) Evidence that the rate of utilization of each project to
19 be financed will be at least 85% for new buildings and 60% for
20 renovated facilities. If the projected enrollment of the district
21 would not otherwise support utilization at the rates described in
22 this subsection, the school district may include an explanation of
23 the actions the school district intends to take to address the
24 underutilization, including, if applicable, actions to close school
25 buildings or other actions designed to assure continued assured use
26 of the facilities being financed.

27 (e) Evidence that the cost per square foot of the project or

1 projects will be reasonable in light of economic conditions
2 applicable to the geographic area in which the school district is
3 located.

4 (f) Evidence that the school district will repay all
5 outstanding **QUALIFIED BONDS, THE PROPOSED QUALIFIED BONDS, ALL**
6 **OUTSTANDING** qualified loans, ~~at the times described in section~~
7 ~~9-AND ALL QUALIFIED LOANS EXPECTED TO BE INCURRED WITH RESPECT TO~~
8 **ALL QUALIFIED BONDS OF THE SCHOOL DISTRICT, INCLUDING THE PROPOSED**
9 **QUALIFIED BOND ISSUE, NOT LATER THAN THE APPLICABLE FINAL MANDATORY**
10 **REPAYMENT DATE.**

11 ~~—— (g) The weighted average age of all school buildings in the~~
12 ~~school district based on square footage.~~

13 (G) ~~(h)~~ The overall utilization rate of all school buildings
14 in the school district, excluding special education purposes.

15 ~~—— (i) The taxable value per pupil.~~

16 (H) ~~(j)~~ The total bonded debt outstanding of the school
17 district and the total taxable value of property in the school
18 district for the school district fiscal year in which the
19 application is filed.

20 (I) ~~(k)~~ A statement describing any environmental or usability
21 problems to be addressed by the project or projects.

22 (J) ~~(l)~~ An architect's analysis of the overall condition of the
23 facilities to be renovated or replaced as a part of the project or
24 projects.

25 (K) ~~(m)~~ An amortization schedule demonstrating that the
26 weighted average maturity of the qualified bond issue does not
27 exceed 120% of the average reasonably expected useful life of the

1 facilities, excluding land and site improvements, being financed or
2 refinanced with the proceeds of the qualified bonds, determined as
3 of the later of the date on which the qualified bonds will be
4 issued or the date on which each facility is expected to be placed
5 in service.

6 (I) AN AGREEMENT THAT THE SCHOOL DISTRICT WILL KEEP BOOKS AND
7 RECORDS DETAILING THE INVESTMENT AND EXPENDITURE OF THE PROCEEDS OF
8 THE QUALIFIED BONDS AND, AT THE REQUEST OF THE STATE TREASURER, THE
9 SCHOOL DISTRICT WILL PROMPTLY, BUT NOT LATER THAN THE DATE
10 SPECIFIED IN THE REQUEST, WHICH DATE SHALL BE NOT LESS THAN 5
11 BUSINESS DAYS AFTER THE DATE OF THE REQUEST, SUBMIT INFORMATION
12 REQUESTED BY THE STATE TREASURER RELATED TO THE DETAILED
13 INFORMATION MAINTAINED BY THE SCHOOL DISTRICT AS TO THE INVESTMENT
14 AND EXPENDITURE OF THE PROCEEDS OF ITS QUALIFIED BONDS.

15 Sec. 6. The state treasurer shall prequalify bonds of a school
16 district if the state treasurer determines all of the following:

17 (a) The issuance of additional qualified bonds will not
18 prevent the school district from repaying its outstanding **QUALIFIED**
19 **BONDS, THE PROPOSED BONDS, ALL OUTSTANDING** qualified loans, ~~on the~~
20 ~~earlier of the dates described in section 9.~~ **AND ALL QUALIFIED LOANS**
21 **EXPECTED TO BE INCURRED WITH RESPECT TO ALL QUALIFIED BONDS OF THE**
22 **SCHOOL DISTRICT, INCLUDING THE PROPOSED BOND ISSUE, NOT LATER THAN**
23 **THE APPLICABLE FINAL MANDATORY REPAYMENT DATE.**

24 (b) The form **AND LANGUAGE** of the ballot conforms with the
25 requirements of this act.

26 (C) **THE SCHOOL DISTRICT HAS FILED AN APPLICATION COMPLYING**
27 **WITH THE REQUIREMENTS OF SECTION 5.**

1 (D) IF THE PROPOSED BOND ISSUE IS APPROVED BY THE VOTERS AFTER
2 SEPTEMBER 30, 2012 AND WILL RESULT IN ADDITIONAL QUALIFIED LOANS,
3 THE OUTSTANDING BALANCE OF ALL QUALIFIED LOANS ON THE MOST RECENT
4 MAY 1 OR NOVEMBER 1 DID NOT EXCEED \$1,800,000,000.00. THE
5 \$1,800,000,000.00 LIMITATION DESCRIBED IN THE IMMEDIATELY PRECEDING
6 SENTENCE DOES NOT APPLY AFTER JUNE 30, 2016.

7 (E) THE ISSUANCE OF ADDITIONAL QUALIFIED BONDS APPROVED BY
8 VOTERS AFTER SEPTEMBER 30, 2012 WILL NOT HAVE AN ADVERSE FINANCIAL
9 IMPACT ON THE SCHOOL DISTRICT, THIS STATE, OR THE SCHOOL LOAN
10 REVOLVING FUND. IN MAKING THIS DETERMINATION, THE STATE TREASURER
11 SHALL CONSIDER RELEVANT FACTORS, INCLUDING, BUT NOT LIMITED TO,
12 WHETHER THE ISSUANCE OF THE PROPOSED BOND ISSUE WILL CAUSE THE
13 AGGREGATE OUTSTANDING AMOUNT OF QUALIFIED AND NONQUALIFIED BONDS,
14 INCLUDING THE PROPOSED BOND ISSUE, AND CURRENTLY OUTSTANDING
15 QUALIFIED LOANS OF THE SCHOOL DISTRICT TO EXCEED 25% OF THE TAXABLE
16 VALUE OF THE SCHOOL DISTRICT AT THE TIME THE PROPOSED BONDS ARE
17 ISSUED.

18 Sec. 7. (1) The state treasurer shall qualify bonds of a
19 school district if the state treasurer determines all of the
20 following:

21 (a) A majority of the school district electors have approved
22 the bonds.

23 (b) The terms of the bond issue comply with applicable
24 provisions of the revised school code, 1976 PA 451, MCL 380.1 to
25 380.1852.

26 (c) The school district is in compliance with the revised
27 municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.

1 (d) The weighted average maturity of the qualified bond issue
2 does not exceed 120% of the average reasonably expected useful life
3 of the facilities, excluding land and site improvements, being
4 financed or refinanced with the proceeds of the bonds, determined
5 as of the later of the date on which the qualified bonds will be
6 issued or the date on which each facility is expected to be placed
7 in service.

8 (e) The school district has filed any information necessary to
9 update the contents of the original application to reflect changes
10 in any of the information approved in the preliminary qualification
11 process.

12 ~~(f) The school district has paid a qualification fee of not~~
13 ~~less than \$3,000.00 or the amount determined by the state~~
14 ~~treasurer, which shall be approximately equal to the amount~~
15 ~~required to pay the estimated administrative expenses incurred~~
16 ~~under this act for the fiscal year in which the state treasurer~~
17 ~~imposes the fee.~~ **THE SCHOOL DISTRICT HAS AGREED THAT THE SCHOOL**
18 **DISTRICT WILL KEEP BOOKS AND RECORDS DETAILING THE INVESTMENT AND**
19 **EXPENDITURE OF THE PROCEEDS OF THE QUALIFIED BONDS AND, AT THE**
20 **REQUEST OF THE STATE TREASURER, THE SCHOOL DISTRICT WILL PROMPTLY,**
21 **BUT NOT LATER THAN THE DATE SPECIFIED IN THE REQUEST, WHICH DATE**
22 **SHALL BE NOT LESS THAN 5 BUSINESS DAYS AFTER THE DATE OF THE**
23 **REQUEST, SUBMIT INFORMATION REQUESTED BY THE STATE TREASURER**
24 **RELATED TO THE DETAILED INFORMATION MAINTAINED BY THE SCHOOL**
25 **DISTRICT AS TO THE INVESTMENT AND EXPENDITURE OF THE PROCEEDS OF**
26 **ITS QUALIFIED BONDS.**

27 (2) An order qualifying bonds shall specify the principal and

1 interest payment dates for all the bonds, the maximum principal
2 amount of and maximum interest rate on the bonds, the computed
3 millage, if any, the final **MANDATORY** repayment date, ~~for any loans~~
4 ~~made with respect to those bonds,~~ and other matters as the state
5 treasurer shall determine or as are required by this act.

6 (3) If the application for prequalification demonstrates that
7 the school district will borrow from this state in accordance with
8 this act, the state treasurer and the school district shall enter
9 into a loan agreement setting forth the terms and conditions of any
10 qualified loans to be made to the school district under this act.

11 (4) If a school district does not issue its qualified bonds
12 within 180 days after the date of the order qualifying bonds, **THE**
13 **ORDER SHALL NO LONGER BE EFFECTIVE. HOWEVER,** the school district
14 may reapply for qualification by filing an application and
15 information necessary to update the contents of the original
16 application for prequalification or qualification.

17 (5) The state treasurer shall qualify refunding bonds issued
18 to refund qualified **LOANS OR QUALIFIED** bonds if the state treasurer
19 finds that ~~the~~ **ALL OF THE FOLLOWING ARE MET:**

20 (A) **THE** refunding bonds comply with the provisions of the
21 revised municipal finance act, 2001 PA 34, MCL 141.2101 to
22 141.2821.

23 (B) **THAT THE SCHOOL DISTRICT WILL REPAY ALL OUTSTANDING**
24 **QUALIFIED BONDS, THE PROPOSED QUALIFIED BONDS, ALL OUTSTANDING**
25 **QUALIFIED LOANS, AND ALL QUALIFIED LOANS EXPECTED TO BE INCURRED**
26 **WITH RESPECT TO ALL QUALIFIED BONDS OF THE SCHOOL DISTRICT,**
27 **INCLUDING THE PROPOSED QUALIFIED BOND ISSUE, NOT LATER THAN THE**

Senate Bill No. 770 (H-2) as amended December 13, 2012
1 APPLICABLE FINAL MANDATORY REPAYMENT DATE.

2 [
3]

4 Sec. 8. A ballot submitted to the school electors of a school
5 district after November 8, 2005 requesting authorization to issue
6 unlimited tax general obligations that will be guaranteed by this
7 state in accordance with section 16 of article IX of the state
8 constitution of 1963 shall inform the electors that if the school
9 district ~~borrow~~**EXPECTS TO BORROW** from this state to pay debt
10 service on the bonds, ~~the school district may be required to~~
11 ~~continue to levy mills beyond the term of the bonds to repay this~~
12 ~~state.~~**THE ESTIMATED TOTAL AMOUNT OF THE PRINCIPAL OF THAT BORROWING**
13 **AND THE INTEREST TO BE PAID ON THAT BORROWING, THE ESTIMATED**
14 **DURATION OF THE MILLAGE LEVY, AND THE ESTIMATED COMPUTED MILLAGE**
15 **RATE FOR THAT LEVY. THE BALLOT SHALL ALSO INFORM THE ELECTORS OF**
16 **THE TOTAL AMOUNT OF QUALIFIED BOND AND LOAN DEBT CURRENTLY**
17 **OUTSTANDING AND THAT THE ESTIMATED COMPUTED MILLAGE RATE MAY CHANGE**
18 **BASED ON CHANGES IN CERTAIN CIRCUMSTANCES.**

19 Sec. 9. (1) Except as otherwise provided in this act, a school
20 district may borrow from the state an amount not greater than the
21 difference between the proceeds of the school district's computed
22 millage and the amount necessary to pay principal and interest on
23 its qualified bonds, including any necessary allowances for
24 estimated tax delinquencies.

25 (2) For school districts having qualified loans outstanding as
26 of July 20, 2005, the state treasurer shall review information
27 relating to each school district regarding the taxable value of the

1 school district and the actual debt service of outstanding
2 qualified bonds as of July 20, 2005 and shall issue an order
3 establishing the payment date for all those outstanding qualified
4 loans and any additional qualified loans expected to be incurred by
5 those school districts related to qualified bonds issued before
6 July 20, 2005. The payment date shall be not later than 72 months
7 after the date on which the qualified bonds most recently issued by
8 the school district are due and payable. **THE PAYMENT DATE**
9 **ESTABLISHED PURSUANT TO THIS SUBSECTION FOR A SCHOOL DISTRICT IS A**
10 **FINAL MANDATORY REPAYMENT DATE.**

11 (3) For qualified loans related to qualified bonds issued
12 after July 20, 2005, the qualified loans shall be due ~~not later~~
13 ~~than~~ 72 months after the date on which the qualified bonds for
14 which the school borrowed from this state are due and payable. **THE**
15 **DUE DATE DETERMINED PURSUANT TO THIS SUBSECTION FOR A SCHOOL**
16 **DISTRICT IS A FINAL MANDATORY REPAYMENT DATE.** This section does not
17 preclude early repayment of qualified bonds or qualified loans.

18 ~~(4) Except with regard to qualified loans described in~~
19 ~~subsection (2), each loan made or considered made to a school~~
20 ~~district under this act shall be for debt service on only a~~
21 ~~specific qualified bond issue.~~ The state treasurer shall maintain
22 separate accounts for each school district on the books and
23 accounts of this state noting the qualified bond, the related
24 qualified loans, the final payment date of the bonds, the final
25 ~~payment~~ **MANDATORY REPAYMENT** date of the qualified loans, and the
26 interest rate accrued on the loans.

27 (5) For qualified loans relating to qualified bonds issued

1 after July 20, 2005, a school district shall continue to levy the
2 computed ~~mills~~**MILLAGE** until it has completely repaid all principal
3 and interest on its qualified loans.

4 (6) For qualified loans relating to qualified bonds issued
5 before July 20, 2005, a school district shall continue to comply
6 with the levy and repayment requirements imposed before July 20,
7 2005. Not less than 90 days after July 20, 2005, the state
8 treasurer and the school district shall enter into amended and
9 restated repayment agreements to incorporate the levy and repayment
10 requirements applicable to qualified loans issued before July 20,
11 2005.

12 (7) Upon the request of a school district made before June 1
13 of any year, the state treasurer annually may waive all or a
14 portion of the millage required to be levied by a school district
15 to pay principal and interest on its qualified bonds or qualified
16 loans under this section if the state treasurer finds all of the
17 following:

18 (a) The school board of the school district has applied to the
19 state treasurer for permission to levy less than the millage
20 required to be levied to pay the principal and interest on its
21 qualified bonds or qualified loans under subsection (1).

22 (b) The application specifies the number of mills the school
23 district requests permission to levy.

24 (c) The waiver will be financially beneficial to this state,
25 the school district, or both.

26 (d) The waiver will not reduce the millage levied by the
27 school district to pay principal and interest on qualified bonds or

1 qualified loans under this act to less than 7 mills.

2 (e) The board of the school district, by resolution, has
3 agreed to comply with all conditions that the state treasurer
4 considers necessary.

5 (8) ~~Except as otherwise provided in this act, ALL~~ qualified
6 loans shall bear interest at 1 of the following rates:

7 (a) The greater of 3% or the average annual cost of funds **USED**
8 **TO MAKE QUALIFIED LOANS PLUS 0.125%, BUT NOT LESS THAN THE COST OF**
9 **FUNDS ON OUTSTANDING QUALIFIED NOTES AND BONDS ISSUED BY THE**
10 **MICHIGAN FINANCE AUTHORITY TO FINANCE LOANS** computed by the state
11 treasurer not less often than annually. ~~on the basis of 1 of the~~
12 ~~following:~~

13 ~~—— (i) All notes or bonds issued by the Michigan municipal bond~~
14 ~~authority to fund qualified loans or refinance those notes or bonds~~
15 ~~plus 0.125%.~~

16 ~~—— (ii) If no bonds or notes issued by the Michigan municipal bond~~
17 ~~authority are outstanding, all bonds or notes issued by this state~~
18 ~~under sections 15 and 16 of article IX of the state constitution of~~
19 ~~1963 plus 0.125%.~~

20 (b) A lesser rate determined by the state treasurer to be
21 necessary to maintain the exemption from federal income tax of
22 interest on any ~~qualified loans.~~ **BONDS OR NOTES ISSUED TO FUND**
23 **QUALIFIED LOANS.**

24 (C) **A HIGHER RATE DETERMINED BY THE STATE TREASURER TO BE**
25 **NECESSARY TO PREVENT THE IMPAIRMENT OF ANY CONTRACT OF THIS STATE**
26 **OR THE MICHIGAN FINANCE AUTHORITY IN EXISTENCE ON THE EFFECTIVE**
27 **DATE OF THE AMENDATORY ACT THAT ADDED THIS SUBDIVISION.**

1 (9) A PAYMENT DATE DETERMINED UNDER SUBSECTION (2) OR A DUE
2 DATE DETERMINED UNDER SUBSECTION (3) IS A FINAL MANDATORY REPAYMENT
3 DATE. ONCE ESTABLISHED FOR A SCHOOL DISTRICT AS PROVIDED IN THIS
4 SECTION, A FINAL MANDATORY REPAYMENT DATE SHALL APPLY TO ALL
5 QUALIFIED LOANS OF THE SCHOOL DISTRICT, WHENEVER MADE, UNTIL 30
6 DAYS AFTER THE DATE THE SCHOOL DISTRICT HAS NO OUTSTANDING
7 QUALIFIED LOANS AND NO OUTSTANDING DEBT INCURRED TO REFUND
8 QUALIFIED LOANS. NOTWITHSTANDING THIS SUBSECTION, THE STATE
9 TREASURER MAY DETERMINE A LATER MANDATORY REPAYMENT DATE FOR A
10 SCHOOL DISTRICT THAT AGREES TO LEVY A HIGHER MILLAGE, ACCEPTABLE TO
11 THE STATE TREASURER, NOT TO EXCEED 13 MILLS, THAN ITS EXISTING
12 COMPUTED MILLAGE.

13 Sec. 11. The state treasurer ~~shall~~**MAY** promulgate rules to
14 implement this act pursuant to the administrative procedures act of
15 1969, 1969 PA 306, MCL 24.201 to 24.328, **AND MAY ISSUE BULLETINS AS**
16 **AUTHORIZED BY THIS ACT.**

17 Sec. 13. (1) If a school district owes a balance due to the
18 revolving loan fund or has been identified as a potential borrower,
19 the school district shall file an annual loan activity application
20 with the state treasurer no less than 60 days before certifying its
21 annual tax levy. The annual loan activity application shall be
22 submitted in a format prescribed by the state treasurer and shall
23 provide the taxable value, debt service, and any other information
24 necessary to determine the proper required millage levy required
25 under this act. The application shall contain a resolution passed
26 by the local school board authorizing a designated school district
27 official to complete all necessary documents to obtain a loan from

1 the revolving loan fund or for making repayment to the revolving
2 loan fund for the year.

3 (2) If a school district is eligible to borrow for debt
4 service on qualified bonds, the school district shall file a draw
5 request with the state treasurer not less than 30 days before each
6 date on which the school district owes the debt service. The draw
7 request shall include all of the following:

8 (a) A statement of the debt service owed in the next 6 months.

9 (b) A copy of the most recent bank statement showing the
10 amount on hand in the debt service accounts for all qualified
11 bonds.

12 (c) A statement of any revenue received for payment of the
13 debt service since the date of the bank statement.

14 (d) A statement of any withdrawals made from the debt service
15 account since the date of the bank statement.

16 (3) Not more than 7 days before the date established by the
17 state treasurer for making qualified loans, the school district
18 shall confirm in writing the final qualified loan amount to be
19 drawn on a certificate in the form prescribed by the state
20 treasurer.

21 (4) Upon receipt of a qualified loan confirmation described in
22 subsection (3), the state treasurer shall determine the amount of
23 the draw, which shall be the difference between the funds on hand
24 in all debt service accounts and the amount of the debt service,
25 and shall make a qualified loan in that amount to the school
26 district no later than 6 days before the date the debt service is
27 due.

(5) When a school district's **CURRENT** computed millage **LEVY** is sufficient to pay principal and interest on its qualified bonds, a school district shall ~~file a loan activity statement with the state treasurer no later than 30 days before the date set for payment of the qualified bonds setting forth all of the following:~~ **NOTIFY THE STATE TREASURER IN WRITING OF NO NEED TO BORROW NO LATER THAN 30 DAYS BEFORE THE DATE SET FOR PAYMENT OF THE QUALIFIED BONDS.**

~~_____ (a) A statement of the debt service owed in the next 6 months.~~

~~_____ (b) A copy of the most recent bank statement showing the amount on hand in the debt service account for the qualified bonds.~~

~~_____ (c) A statement of any revenue received for payment of the debt service since the date of the bank statement.~~

~~_____ (d) A statement of any withdrawals made from the debt service account since the date of the bank statement.~~

(6) Within 30 days after receipt of the ~~loan~~ **ANNUAL** activity ~~statement~~ **APPLICATION** under subsection ~~(5)~~ **(1)**, the state treasurer shall send an invoice to the school district for the amount of repayment the school district owes on its outstanding qualified loans, which shall be the difference between the debt service payable or paid to bondholders and the funds on hand at the school district, less a reasonable amount of funds on hand, as determined by the state treasurer, to cover minimum balance requirements or potential tax disputes. The school district shall remit the amount specified in the invoice within 30 days after the dated date of the invoice.

Sec. 16. (1) THE STATE TREASURER MAY CHARGE A PREQUALIFICATION APPLICATION FEE, A QUALIFICATION APPLICATION FEE, AND AN ANNUAL

1 LOAN ACTIVITY FEE IN THE AMOUNTS DETERMINED BY THE STATE TREASURER
 2 TO BE REQUIRED TO PAY THE ESTIMATED ADMINISTRATIVE EXPENSES
 3 INCURRED UNDER THIS ACT FOR THE FISCAL YEAR IN WHICH THE STATE
 4 TREASURER IMPOSES THE FEE.

5 (2) The state treasurer shall deposit all fees collected under
 6 this act into a separate fund established within the state
 7 treasury, and shall use the proceeds of the fees solely for the
 8 purpose of administering and enforcing this act. The unexpended and
 9 unobligated balance of this fund at the end of each state fiscal
 10 year shall be carried forward over to the succeeding state fiscal
 11 year and shall not lapse to the general fund but shall be available
 12 for reappropriation for the next state fiscal year.

13 Sec. 18. If a school district has completed the projects
 14 approved by the school electors of the school district to be funded
 15 from proceeds of qualified bonds, a school district may use any
 16 remaining proceeds of the qualified bonds as follows:

17 ~~—— (a) To pay for enhancements to the projects approved by the~~
 18 ~~school electors as described in the ballot proposing the qualified~~
 19 ~~bonds.~~

20 (A) ~~(b)~~ To pay debt service on the qualified bonds.

21 (B) ~~(c)~~ To repay this state.

22 (C) IF IN THE OPINION OF THE SCHOOL DISTRICT'S BOND COUNSEL
 23 USE OF THE REMAINING PROCEEDS FOR THE PURPOSES DESCRIBED IN
 24 SUBDIVISIONS (A) AND (B) WOULD ADVERSELY AFFECT THE FEDERAL TAX
 25 TREATMENT OF INTEREST ON THE QUALIFIED BONDS, TO PAY FOR
 26 ENHANCEMENTS TO THE PROJECTS APPROVED BY THE SCHOOL ELECTORS AS
 27 DESCRIBED IN THE BALLOT LANGUAGE PROPOSING THE QUALIFIED BONDS.

1 Enacting section 1. This amendatory act does not take effect
2 unless all of the following bills of the 96th Legislature are
3 enacted into law:

4 (a) Senate Bill No. 771.

5 (b) Senate Bill No. 772.