

HOUSE BILL No. 5194

December 1, 2011, Introduced by Reps. Durhal, Jackson and Stallworth and referred to the Committee on Appropriations.

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
2 board of a local or intermediate school district may borrow money
3 and issue its notes for the borrowed money to secure funds for
4 school operations or to pay previous loans obtained for school
5 operations under this or any other statute. The school board or
6 intermediate school board shall pledge money to be received by it
7 from state school aid for the payment of notes issued under this
8 section. ~~The notes~~ **A PLEDGE OF STATE SCHOOL AID BY A LOCAL OR**
9 **INTERMEDIATE SCHOOL DISTRICT FOR THE PAYMENT OF NOTES ISSUED**
10 **PURSUANT TO THIS SECTION IS VALID AND BINDING FROM THE TIME WHEN**
11 **THE PLEDGE IS MADE. A PLEDGE MADE PURSUANT TO THIS SECTION FOR THE**

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

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

19 (3) ~~(2)~~ Notes issued under this section shall become due not
20 later than 372 days after the date on which they are issued, except
21 as OTHERWISE provided in this section. Notes issued within a fiscal
22 year shall not exceed 70% of the difference between the total state
23 aid funds apportioned to the school district or intermediate school
24 district for that fiscal year and the portion already received or
25 pledged, except secondary pledges made under section 1356.

26 (4) ~~(3)~~ A school district or intermediate school district that
27 is not able to redeem its notes within 372 days after the date on

1 which the notes were issued may enter into a multi-year agreement
2 with a lending institution to repay its obligation. A repayment
3 agreement shall not be executed without the prior approval of an
4 authorized representative of the state board or, for notes sold to
5 the Michigan ~~municipal bond~~ **FINANCE** authority only, without the
6 approval of an authorized representative of the department of
7 treasury.

8 (5) ~~(4)~~—During the last 4 months of a fiscal year, notes may
9 be issued pledging state school aid for the next succeeding fiscal
10 year. Except as otherwise provided in this subsection, the notes
11 shall not exceed 50% of the state school aid apportioned to the
12 school district or intermediate school district for the next
13 succeeding fiscal year or, if the apportionment has not been made,
14 50% of the apportionment for the then current fiscal year. The
15 notes shall mature not later than 372 days after the date of
16 issuance.

17 (6) ~~(5)~~—Notes issued under this section are subject to the
18 revised municipal finance act, 2001 PA 34, MCL 141.2101 to
19 141.2821. Failure of a school district or intermediate school
20 district to receive state school aid does not affect the validity
21 or enforceability of a note issued under this section.

22 (7) ~~(6)~~—A school board or intermediate school board may make
23 more than 1 borrowing under this section during a school year.

24 (8) ~~(7)~~—In addition to other powers under this section, with
25 the approval of the state treasurer, the board of a local or
26 intermediate school district may obtain a line of credit to secure
27 funds for school operations or to pay previous loans obtained for

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

23 Enacting section 1. This amendatory act does not take effect
24 unless Senate Bill No. _____ or House Bill No. 5195 (request no.
25 03906'11) of the 96th Legislature is enacted into law.