STATE LOANS TO SCHOOL DISTRICTS

Act 112 of 1961

AN ACT to authorize and provide for the issuance, sale, and refunding of bonds, notes, or commercial paper of the state; to provide funds for making loans to school districts for payment of principal and interest on certain school bonds; to provide for use of moneys repaid to the state by school districts; and to make an appropriation.

History: 1961, Act 112, Eff. Sept. 8, 1961 ;-- Am. 1991, Act 64, Imd. Eff. July 3, 1991 ;-- Am. 2000, Act 245, Imd. Eff. June 29, 2000

The People of the State of Michigan enact:

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388.981 State loans to school districts; bonds, notes, or commercial paper.

Sec. 1.

(1) The people of this state by virtue of the provisions of section 16 of article IX of the state constitution of 1963 having authorized the state to borrow from time to time such amounts as shall be required, pledge its faith and credit, and issue its notes or bonds for the purpose of making loans to school districts as provided in that constitutional provision and legislation enacted to implement that constitutional provision, the state administrative board is authorized and directed to borrow on the full faith and credit of the state from time to time such sums of money as may be necessary for these purposes, including such sums as may be necessary to reimburse funds advanced or loaned by this state or the Michigan finance authority to the school bond loan fund or the school loan revolving fund established under section 16c of the shared credit rating act, 1985 PA 227, MCL 141.1066c, to make loans to school districts or to refund bonds, notes, or commercial paper issued under this act or to pay the principal of and interest on any notes or renewals of notes issued pursuant to the provisions of section 5 to provide temporary financing of sums used for the purpose of making loans to school districts. The amount to be borrowed from time to time shall be not less than an amount certified in writing by the state treasurer as being in his or her opinion necessary to provide funds for the purposes of this act.

(2) The bonds, notes, or commercial paper issued under this act shall be designated school loan bonds, notes, or commercial paper, respectively, and may be issued in series from time to time as money is needed for purposes of this act, with different dates of issuance for each series. The state administrative board may from time to time determine, and by resolution prescribe, the date of issue of each series, the amount of bonds, notes, or commercial paper to be included in each series, the maturities of the bonds, notes, or commercial paper so included, the maximum rate or rates of interest on the bonds, notes, or commercial paper, the dates of payment of interest, the place or places of payment of principal and interest, and provisions relative to registration of bonds, notes, or commercial paper, if any. The bonds, notes, or commercial paper, or any portion thereof, may be made subject to redemption before maturity upon such terms as may be prescribed before the issuance of the bonds, notes, or commercial paper by resolution of the state administrative board.

(3) The bonds, notes, or commercial paper issued under this act shall be executed for and on behalf of this state by the state treasurer or a deputy state treasurer, and a facsimile of the seal of the state treasurer shall be printed or impressed on or affixed to the bonds, notes, or

commercial paper. Interest coupons, if any, evidencing accrued interest to the respective dates of maturity of the bonds, notes, or commercial paper shall bear the facsimile signature of the state treasurer.

(4) The bonds, notes, or commercial paper issued under this act shall be sold by the state administrative board at a price determined by or pursuant to a resolution of the state administrative board. The sales shall be public or private sales, as determined by the state administrative board.

(5) The state administrative board may authorize payment of the costs of issuance from the proceeds of the bonds, notes, or commercial paper issued under this act, including, but not limited to, fees for placement and fees and charges for insurance, letters of credit, purchase of sale agreements or commitments, or agreements to provide security to assure timely payment of the bonds, notes, or commercial paper.

(6) As used in this act, except for this subsection, "state treasurer" means the state treasurer or his or her designee. This designation shall be in a written instrument signed by the state treasurer and maintained in a permanent file. The signature of any designee shall have the same force and effect as the signature of the state treasurer for all purposes of all other provisions of this act.

(7) As used in this act, "Michigan finance authority" means the Michigan finance authority created under MCL 12.194.

History: 1961, Act 112, Eff. Sept. 8, 1961 ;-- Am. 1963, 2nd Ex. Sess., Act 66, Eff. Jan. 1, 1964 ;-- Am. 1971, Act 14, Imd. Eff. Apr. 28, 1971 ;-- Am. 2000, Act 245, Imd. Eff. June 29, 2000 ;-- Am. 2012, Act 438, Eff. Mar. 28, 2013

Compiler's Notes: For transfer of authority, powers, duties, functions, and responsibilities of the Department of Education under Act No. 108 of Public Acts of 1961, as amended, being Section 388.951 et seq. of the Michigan Compiled Laws, Act No. 74 of the Public Acts of 1955, as amended, being Section 388.921 et seq. of the Michigan Compiled Laws, Act No. 112 of the Public Acts of 1961, as amended, being Section 388.981 et seq. of the Michigan Compiled Laws, and Act No. 151 of the Public Acts of 1955, as amended, being Section 388.931 et seq. of the Michigan Compiled Laws, to the Department of Treasury, see E.R.O. No. 1993-10, compiled at MCL 388.990 of the Michigan Compiled Laws.

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388.981a Issuance of bonds by state administrative board.

Sec. 1a.

The state administrative board may issue bonds, notes, or commercial paper to refund bonds, notes, or commercial paper issued under this act by the issuance of new bonds, notes, or commercial paper, whether or not the bonds, notes, or commercial paper to be refunded have matured or are subject to prior redemption. The state administrative board may issue bonds, notes, or commercial paper partly to refund bonds, notes, or commercial paper issued under this act and partly for any other purpose provided by this act.

History: Add. 2000, Act 245, Imd. Eff. June 29, 2000

388.981b Security for payment or purchase of bonds, notes, or commercial paper; authorization and approval by state administrative board; authority of state treasurer or deputy treasurer.

Sec. 1b.

(1) The state administrative board may authorize and approve insurance contracts; agreements for lines of credit; letters of credit; commitments to purchase bonds, notes, or

commercial paper; and any other transaction to provide security to assure timely payment or purchase of any bonds, notes, or commercial paper issued under this act. The state administrative board may authorize and approve an interest rate exchange or swap, hedge, or similar agreement or agreements in connection with the issuance of bonds, notes, or commercial paper issued under this act or in connection with outstanding bonds, notes, or commercial paper, or other obligations or evidence of indebtedness of this state under this act.

(2) The state administrative board may authorize the state treasurer or a deputy treasurer, but only within limitations that are contained in the authorizing resolution of the state administrative board, to do 1 or more of the following:

(a) Sell and deliver and receive payment for bonds, notes, or commercial paper issued under this act.

(b) Deliver bonds, notes, or commercial paper partly to refund bonds, notes, or commercial paper and partly for other authorized purposes.

(c) Select which outstanding bonds, notes, or commercial paper will be refunded, if any, by the new issue of bonds, notes, or commercial paper.

(d) Buy bonds, notes, or commercial paper issued under this act.

(e) Approve interest rates, if any, or methods for determining interest rates, including fixed or variable rates; prices; discounts; maturities; principal amounts; purchase prices; purchase dates; remarketing dates; denominations; dates of issuance; interest payment dates; redemption rights at the option of the state or the owner; the place and time of delivery and payment; and other matters and procedures necessary to complete the authorized transactions.

(f) Execute, deliver, and pay the cost of remarketing agreements; insurance contracts; agreements for lines of credit; letters of credit; commitments to purchase bonds, notes, or commercial paper; and any other transaction to provide security to assure timely payments or purchase of any bonds, notes, or commercial paper issued under this act.

(g) Determine the details of, execute, deliver, and pay the cost of any interest rate exchange or swap, hedge, or similar agreement or agreements.

History: Add. 2000, Act 245, Imd. Eff. June 29, 2000

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388.981c Bonds and notes; revised municipal finance act inapplicable; agency financing reporting act applicable.

Sec. 1c.

(1) Bonds and notes issued under this act are not subject to the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.

(2) The issuance of bonds or notes under this act is subject to the agency financing reporting act.

History: Add. 2002, Act 449, Imd. Eff. June 17, 2002

388.982 Sale of refunding bonds, notes, or commercial paper; disposition of proceeds; payment.

Sec. 2.

The proceeds of sale of refunding bonds, notes, or commercial paper issued under this act shall be applied as determined by the state administrative board. The proceeds of sale of bonds, notes, or commercial paper issued under this act for the purpose of reimbursing this state or the Michigan finance authority shall be applied as determined by the state

administrative board. The proceeds of sale of other bonds, notes, or commercial paper issued under this act shall be deposited in the school loan revolving fund established under section 16c of the shared credit rating act, 1985 PA 227, MCL 141.1066c, and shall be paid out in no other manner or for any other purpose than provided in section 16 of article IX of the state constitution of 1963 and laws enacted pursuant to that section.

History: 1961, Act 112, Eff. Sept. 8, 1961 ;-- Am. 1963, 2nd Ex. Sess., Act 66, Eff. Jan. 1, 1964 ;-- Am. 1991, Act 64, Imd. Eff. July 3, 1991 ;-- Am. 2000, Act 245, Imd. Eff. June 29, 2000 ;-- Am. 2005, Act 94, Imd. Eff. July 20, 2005 ;-- Am. 2012, Act 438, Eff. Mar. 28, 2013

388.983 Appropriation for payment of principal and interest on bonds or notes.

Sec. 3.

(1) For the prompt payment of the principal and interest upon each bond or note issued under this act, the full faith and credit of the state are pledged, and there is appropriated each year during the life of these bonds or notes from the general fund a sufficient amount to pay the principal and interest on the bonds or notes maturing each year.

(2) For the 1990-91 state fiscal year only, there is appropriated from the general fund a sufficient amount to pay in full the principal and interest upon each of the bonds or notes issued under this act, including the defeasance of the principal and interest and any redemption premium on each bond or note that matures after September 30, 1991. However, the state treasurer shall expend money from this appropriation for the defeasance of the principal and interest and any redemption premium on a bond or note that matures after September 30, 1991 only to the extent the state administrative board provides by resolution for that defeasance to be made from this appropriation.

(3) Loan repayments deposited in the general fund pursuant to section 4 on the settlement date, as determined under section 9c of 1961 PA 108, MCL 388.959c, shall be used as follows:

(a) For fiscal year 2003-2004, an amount determined by the state treasurer to be equal to the difference between the outstanding amount of general obligation debt incurred pursuant to this act and the outstanding amount of loans under 1961 PA 108, MCL 388.951 to 388.963, immediately preceding the settlement date, as reduced in accordance with section 9c(1) of 1961 PA 108, MCL 388.959c, is appropriated to the state school aid fund. This appropriation shall be used to make state school aid payments to school districts within 90 days after the settlement date.

(b) For fiscal year 2003-2004, there is appropriated from the general fund to the state school aid fund an amount equal to the amount of all school bond loan fund repayments that are received by the state treasurer from June 1, 2003 through the settlement date, that are determined by the state treasurer not to have been paid from proceeds of bonds of the school district, and that represent the difference between the outstanding amount of general obligation debt incurred by this state under this act and the outstanding amount of loans under 1961 PA 108, MCL 388.951 to 388.963, at the time of repayment. This appropriation shall be used to make state school aid payments to school districts within 90 days after the settlement date.

(c) The state treasurer shall use the balance of the deposits, if any, within 90 days after the settlement date to pay or prepay outstanding general obligation debt incurred under this act.

History: 1961, Act 112, Eff. Sept. 8, 1961 ;-- Am. 1991, Act 28, Eff. Mar. 30, 1992 ;-- Am. 1991, Act 64, Imd. Eff. July 3, 1991 ;-- Am. 2003, Act 110, Imd. Eff. July 24, 2003

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388.984 Money repaid by school districts on loans from school loan revolving fund; deposit; assignment of loans or repayments on loans.

Sec. 4.

Any money repaid by school districts on loans made from the school loan revolving fund established under section 16c of the shared credit rating act, 1985 PA 227, MCL 141.1066c, other than loans or repayments that have been assigned to this state by the Michigan finance authority, shall be deposited in the school loan revolving fund. Unless amounts on deposit in the school loan revolving fund are insufficient for the purpose of making loans to school districts, the state treasurer may satisfy the requirements of section 16 of article IX of the state constitution of 1963 and laws enacted pursuant to that section by causing loans to be made from the school loan revolving fund. The state treasurer may assign repayments on loans previously made from the school bond loan fund before July 20, 2005 to require the deposit of proceeds of sale to the school loan revolving fund. The state treasurer may accept the assignment to this state of loans or repayments on loans made from or payable to the school loan revolving fund.

History: 1961, Act 112, Eff. Sept. 8, 1961 ;-- Am. 1963, 2nd Ex. Sess., Act 66, Eff. Jan. 1, 1964 ;-- Am. 1991, Act 28, Eff. Mar. 30, 1992 ;-- Am. 1991, Act 64, Imd. Eff. July 3, 1991 ;-- Am. 2005, Act 94, Imd. Eff. July 20, 2005 ;-- Am. 2012, Act 438, Eff. Mar. 28, 2013

388.985 State loans to school districts; notes.

Sec. 5.

In addition to issuing bonds under section 1 for the purpose of making loans to school districts for the payment of principal and interest on school bonds heretofore or hereafter issued as provided by section 16 of article 9 of the state constitution, and legislation enacted to implement the constitutional provision, the state administrative board is authorized and empowered on behalf of the state of Michigan to borrow on a temporary basis from time to time upon the full faith and credit of this state, such sums of money as may be necessary therefor, and as evidence of such loan or loans, the state administrative board may by resolution direct and cause to be issued notes of the state of Michigan and to renew the same. The notes or any renewals thereof shall mature not more than 5 years from the date thereof and may be made redeemable prior to maturity at the option of the state administrative board at such times and in such a manner as shall be determined by the state administrative board. They shall bear interest at such a rate as may be approved by the state administrative board and shall be in the form approved by the state administrative board. The notes shall be executed for and on behalf of the state by the state treasurer. The notes issued under the provisions of this section may be sold at either public or private sale as shall be determined by the state administrative board. The principal of any notes or renewals thereof heretofore or hereafter issued pursuant to the provisions of this section may be paid either upon maturity or prior redemption from the proceeds of the sale of bonds issued pursuant to the provisions of section 1 to provide long-term financing of sums used for the purpose of making loans to school districts.

History: 1961, Act 112, Eff. Sept. 8, 1961 ;-- Am. 1963, 2nd Ex. Sess., Act 66, Eff. Jan. 1, 1964 ;-- Am. 1971, Act 14, Imd. Eff. Apr. 28, 1971

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