STATE LOANS TO SCHOOL DISTRICTS

Act 151 of 1955

AN ACT to provide for loans by the state of Michigan to school districts for the payment of principal and interest upon school bonds; to prescribe the terms and conditions thereof, and the conditions upon which levies for bond principal and interest shall be included in computing the amount to be so loaned by the state; to prescribe the duties of the superintendent of public instruction in relation to such loans; to provide for the repayment of such loans; and to provide for other matters in respect to such loans.

History: 1955, Act 151, Imd. Eff. June 7, 1955

The People of the State of Michigan enact:

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388.931 Purpose of act.

Sec. 1.

This act is for the purpose of implementing section 27 of article 10 of the Michigan constitution, adopted by the electors of the state at the election held on the fourth day of April, 1955, hereinafter referred to as section 27.

History: 1955, Act 151, Imd. Eff. June 7, 1955
Compiler's Notes: In this section, "section 27 of article 10 of the Michigan constitution" refers to the Constitution of 1908. See now Const. 1963, Art. IX, § 16.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 MCL 388.990 of the Michigan Compiled Laws.

388.932 State loans to school districts; basis; limitations.

Sec. 2.

If the minimum amount necessary to be levied in any calendar year for the payment of principal and interest on the bonds of a school district issued prior to July 1, 1962, after deducting any funds pledged to and available for the payment thereof, shall exceed 13 mills on each dollar of its assessed valuation as last equalized by the state, then the state of Michigan shall loan such school district the amount of such excess, but all loans so made shall not exceed in the aggregate the sum of $100,000,000.00 and shall be subject to the terms and conditions prescribed in this act.

History: 1955, Act 151, Imd. Eff. June 7, 1955

388.933 State loans to school districts; qualification of bonds by superintendent of public instruction.

Sec. 3.

The principal and interest on any issue of school district bonds issued prior to May 4, 1955, shall be automatically included in computing the amount to be loaned by the state under said section 27 and this act, but the principal and interest on any issue of school district bonds issued on or after May 4, 1955, shall not be included in making such computation, unless the said bonds have been qualified therefor by the superintendent of public instruction, which bonds, including both those automatically qualified and those qualified by the superintendent of public instruction, are sometimes hereinafter referred to as "qualified bonds". No issue of bonds shall be qualified by the superintendent of public instruction unless he shall find as follows, to-wit:

1. That the last maturity date on such issue of bonds is not less than 25 years from the issuance date appearing thereon and that the yearly principal maturity date is not less than 6 months after the major part of the taxes therefor become by law a lien upon the property assessed.

2. That the amount of principal maturing in any calendar year is not less than two-thirds of the amount of principal maturing in any prior calendar year.

3. That the cost of the project for which the bonds are to be issued is within such reasonable standards of costs as shall have been established by the state board of education, which standards may vary as to different localities in accordance with any variance in construction costs as between such localities.

4. That the project is designed to provide classrooms and furnishings, with the facilities necessarily connected therewith, including site, and is adequate for that purpose. A classroom is a room primarily used for teaching courses of study. Without limiting the foregoing, swimming pools, athletic fields and athletic stadiums shall not be deemed to be classrooms or primarily used for teaching courses of study. In addition, gymnasiums and auditoriums shall not be deemed to be classrooms except in those cases in which the school district provides adequate proof that the gymnasium and/or auditorium is necessary and will be used primarily for regularly scheduled instructional purposes.

5. That there exists a need for the project based upon current and probable future enrollment.

6. That there is reasonable evidence that the project will not hinder school district reorganization in the area in the foreseeable future.

7. That the project shall be for the purpose of construction of 6 or more classrooms, unless the superintendent of public instruction shall determine and certify that circumstances of location, or topography, or transportation, or population density are clearly such as to warrant construction of a school building or addition of a lesser number of classrooms.

Provided, That if any project shall exceed the above limitations as to cost and/or purpose, the bonds therefor may be qualified by the superintendent of public instruction to the extent of that percentage which represents the percentage of the project cost which is within such limitations. If the superintendent of public instruction shall find as aforesaid, then he shall issue his certificate setting forth such findings and certifying that the bonds, or such percentage thereof, are qualified under the terms of said section 27 and this act, and that the minimum amount necessary to be levied in any calendar year for principal and interest on the bonds or such portion as may be qualified after deducting any funds pledged to and available for the payment thereof, shall be included in computing the amount, if any, to be loaned by the state under said section 27 and this act. In the case of refunding bonds issued on or after May 4, 1955, to refund bonds issued prior to May 4, 1955, the superintendent of public instruction shall issue his certificate of qualification if he finds that such refunding bonds comply with the qualifications set forth in paragraphs numbered 1 and 2 of this section.

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In the case of refunding bonds to refund obligations originally incurred on or after May 4, 1955, the superintendent of public instruction shall not issue his certificate of qualification therefor unless the bonds representing the original indebtedness had been qualified by him. All such certificates shall be kept in a permanent file in the office of the superintendent of public instruction, and copies thereof shall be delivered to the school district and to the office of the municipal finance commission. Application for such a certificate of qualification shall be made on forms prepared and supplied by the superintendent of public instruction. He shall prescribe reasonable rules and regulations in respect thereto. If prior to the issuance of bonds, the school district does not secure such certificate of qualification from the superintendent of public instruction, it shall be deemed to have waived the right to have such bonds so qualified.

History: 1955, Act 151, Imd. Eff. June 7, 1955
Admin Rule: R 390.631 of the Michigan Administrative Code.

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388.934 State loans to school districts; procedure; receipts.

Sec. 4.

In any school district where the amount necessary to be levied in any calendar year for principal and interest on qualified bonds, shall exceed 13 mills on each dollar of its assessed valuation as last equalized by the state, such school district on or before 60 days prior to the time of the certification of its tax levy to the assessing officer, may file with the superintendent of public instruction a preliminary application for a loan from the state: Provided, That if the excess over 13 mills is reached or increased by reason of bonds voted within said 60 day period, an original or amended application shall be filed within said period. Such application shall set forth the amount of the last state equalized valuation of the school district, the amount of principal and interest on qualified bonds necessary to be levied upon the tax roll of such year, the amount of any moneys on hand pledged to and available for the payment of such principal and interest, the probable delinquency in tax collections at the times such principal and interest will become due, the estimated amount of the loan which will be required from the state and any other pertinent facts which may be required to be included therein by the superintendent of public instruction. The superintendent of public instruction shall examine said application as soon as possible and notify the school district of any erroneous statements or assumptions therein. If a loan from the state shall become necessary for the payment of such principal and interest, then the school district shall file a supplemental application with the superintendent of public instruction setting forth the amount of the tax collections to the date of said application, an estimate of probable collections prior to the time when such principal and interest will become due and the amount of the loan necessary from the state. Such supplemental application shall be made not less than 30 days prior to the time when the proceeds of the loan will be necessary in order to pay maturing principal and/or interest. Upon receipt of such supplemental application it shall be the duty of the superintendent of public instruction after auditing the same, to forward to the state treasurer a statement setting forth the amount to be loaned to the school district for the payment of principal and interest and the date on or before which such loan shall be made. He shall also prepare the proper voucher as a basis for the issuance of the necessary warrant in accordance with state accounting practices. Upon receipt of such statement and warrant, it shall be the duty of the state treasurer to loan to the school district from "the school bond loan fund" the amount set forth in the statement of the superintendent of public instruction on or before the date specified therein. The state treasurer upon the making of said loan shall obtain from the school district a receipt for the amount so loaned, which receipt shall specify the terms of repayment in accordance with the

provisions of said section 27 and this act. Upon receipt by any school district of such a loan it shall be the duty of the treasurer thereof to cause the same to be deposited in the debt retirement fund and used solely for the payment of principal and interest on qualified bonds.

History: 1955, Act 151, Imd. Eff. June 7, 1955

388.935 State loans to school districts; repayment to state; interest.

Sec. 5.

Any school district having received a loan from "the school bond loan fund" under the provisions of this act, shall continue thereafter to levy on its tax rolls not less than 13 mills on each dollar of its assessed valuation as last equalized by the state, exclusive of any levy for unqualified bonds, until all loans made to the school district by the state are repaid with interest rates to be annually adjusted by the state administrative board which shall represent the average interest cost to the state on the outstanding bonds issued under said section 27 and any implementing act, computed to the nearest 1/8 of 1%. The superintendent of public instruction shall annually certify to the several borrowing districts the rate of interest to be currently collected. The proceeds of each such levy shall be used first, for the payment of the minimum principal and interest requirements on the qualified bonds which shall become due prior to the time of the next tax collection, and any balance shall be paid to the state until the principal and interest due the state shall have been paid.

History: 1955, Act 151, Imd. Eff. June 7, 1955 ;-- Am. 1956, Act 96, Imd. Eff. Apr. 5, 1956

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388.936 State loans to school district; false statements, concealment; penalty.

Sec. 6.

Any person who shall knowingly make any false statement or conceal any material information for the purpose of obtaining a loan under the provisions of this act, or use the proceeds of a loan or any portion thereof for any purpose not authorized by this act shall be guilty of a felony.

History: 1955, Act 151, Imd. Eff. June 7, 1955

388.937 State loans to school district; levy; default, nondistribution of primary school interest or school aid funds.

Sec. 7.

In case any school district obtaining a loan pursuant to this act shall fail to levy at least 13 mills upon its state equalized valuation for debt retirement purposes while any part of such loan is unpaid, or shall default in its agreement to repay the loan or any installment thereof, no money shall be distributed to such school district out of the primary school interest fund or out of the state school aid fund until satisfactory arrangements have been made with the superintendent of public instruction for the payment of the amount in default.

History: 1955, Act 151, Imd. Eff. June 7, 1955

388.938 State loans to school districts; qualification fee; rules and regulations.

Sec. 8.

Any school district applying for qualification of bonds, such bonds having been issued on or after May 4, 1955, shall pay a fee for such qualification, which fee shall be used toward defraying the administrative expenses in connection with this act. The fee shall be paid to the superintendent of public instruction within 30 days after the moneys obtained through the sale of bonds so qualified have been received by the treasurer of the board of education of the school district. The amount of the fee to be paid by the school district shall be based upon the total amount of the bond issue included in the application for qualification, and shall be determined by the superintendent of public instruction. The superintendent of public instruction shall prescribe necessary rules and regulations, in accordance with Act No. 88 of the Public Acts of 1943, as amended, being sections 24.71 to 24.82, inclusive, of the Compiled Laws of 1948, and subject to Act No. 197 of the Public Acts of 1952, as amended, being sections 24.101 to 24.110, inclusive, of the Compiled Laws of 1948. The amount of the fee to be charged to the school district may vary according to the amount of the bond issue, except that in no case shall this amount be less than $100.00, and the total amount to be charged to all school districts in any one fiscal year shall be approximately equal to the estimated administrative expenses in connection with this act for the same fiscal year. Upon failure of any school district to pay such qualification fee within the time specified, the superintendent of public instruction is hereby authorized to withhold the amount of such fee from the payment of state school aid money next due the district: Provided, That the provisions of this section shall not apply to any issue of school district bonds qualified by the superintendent of public instruction prior to July 1, 1956.

History: Add. 1956, Act 96, Imd. Eff. Apr. 5, 1956

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