

SENATE BILL No. 343

May 29, 1991, Introduced by Senators GAST and DE GROW
and referred to the Committee on Finance.

A bill to amend the title and sections 2, 6, and 9 of Act
No. 108 of the Public Acts of 1961, entitled as amended

"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 powers and duties of the superintendent of public instruction and the state treasurer in relation to such loans; to provide for the repayment of such loans; and to provide for other matters in respect to such loans,"

section 6 as amended by Act No. 124 of the Public Acts of 1983
and section 9 as amended by Act No. 6 of the Public Acts of 1989,
being sections 388.952, 388.956, and 388.959 of the Michigan
Compiled Laws; and to add sections 9a and 9b.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

- 1 Section 1. The title and sections 2, 6, and 9 of Act
- 2 No. 108 of the Public Acts of 1961, section 6 as amended by Act
- 3 No. 124 of the Public Acts of 1983 and section 9 as amended by

1 Act No. 6 of the Public Acts of 1989, being sections 388.952,
2 388.956, and 388.959 of the Michigan Compiled Laws, are amended
3 and sections 9a and 9b are added to read as follows:

4 TITLE

5 An act to provide for loans by the state of Michigan to
6 school districts for the payment of principal and interest upon
7 school bonds; to prescribe the terms and conditions ~~thereof,~~ OF
8 THE LOANS and the conditions upon which levies for bond principal
9 and interest shall be included in computing the amount to be so
10 loaned by the state; to prescribe the powers and duties of the
11 superintendent of public instruction and the state treasurer in
12 relation to such loans; to provide for the repayment of such
13 loans; ~~and~~ TO PROVIDE INCENTIVES FOR REPAYMENT OF SUCH LOANS;
14 to provide for other matters in respect to such loans; AND TO
15 MAKE AN APPROPRIATION.

16 Sec. 2. (1) If the minimum amount which it would otherwise
17 be necessary for a school district to levy in any year to pay
18 principal and interest on its qualified bonds, including any nec-
19 essary allowances for estimated tax delinquencies, exceeds ~~7~~ 13
20 mills OR THE COMPUTED MILLAGE UNDER SUBSECTION (2), WHICHEVER IS
21 LESS, on each dollar of its assessed valuation as last equalized
22 by the state, then the school district may elect to borrow all or
23 any part ~~of but not more than 90%~~ of the excess from the
24 state. In that event the state shall loan the excess amount to
25 the school district for the payment of principal and interest.
26 For bond issues sold before ~~May 1, 1971~~ OCTOBER 1, 1991,
27 schools shall be allowed to borrow at least the percentage over 7

1 mills allowed them in the ~~1970-71~~ 1990-91 fiscal year. The
2 school district shall levy not less than 12 mills or its equiva-
3 lent for operating purposes.

4 (2) THE COMPUTED MILLAGE REFERRED TO IN SUBSECTION (1) IS
5 THE NUMBER OF MILLS AS COMPUTED BY THE STATE TREASURER THAT THE
6 SCHOOL DISTRICT WOULD HAVE TO LEVY IN THE YEAR THE COMPUTATION IS
7 MADE AND EACH SUCCEEDING YEAR TO BE ABLE TO PAY THE PRINCIPAL AND
8 INTEREST ON ALL OF ITS QUALIFIED BONDS AND LOANS MADE TO THE
9 SCHOOL DISTRICT UNDER THIS ACT, TAKING INTO ACCOUNT LOANS MADE TO
10 THE SCHOOL DISTRICT UNDER THIS ACT FOR DEBT SERVICE, BY NOT LATER
11 THAN 60 MONTHS AFTER THE FINAL MATURITY DATE OF ALL OF ITS QUALI-
12 FIED BONDS OUTSTANDING AS OF THE DATE OF THE COMPUTATION, BUT
13 SHALL BE NOT LESS THAN 7 MILLS. THE STATE TREASURER SHALL MAKE
14 THE COMPUTATION BASED ON THE FOLLOWING ASSUMPTIONS:

15 (A) AN ASSUMED INTEREST RATE ON LOANS MADE UNDER THIS ACT
16 EQUAL TO THE AVERAGE INTEREST RATE ON SCHOOL BOND LOAN FUND NOTES
17 AND BONDS OVER THE IMMEDIATELY PRECEDING 5-YEAR PERIOD.

18 (B) A PROJECTED TOTAL STATE EQUALIZED VALUATION FOR THE
19 SCHOOL DISTRICT THAT ASSUMES A STATE EQUALIZED VALUATION GROWTH
20 RATE OR DECLINE RATE EQUAL TO THE SCHOOL DISTRICT'S AVERAGE
21 YEARLY STATE EQUALIZED VALUATION GROWTH RATE OR DECLINE RATE OVER
22 THE IMMEDIATELY PRECEDING 5-YEAR PERIOD.

23 (3) UPON REQUEST MADE BY A SCHOOL DISTRICT BEFORE JUNE 1 OF
24 ANY YEAR, THE SUPERINTENDENT OF PUBLIC INSTRUCTION AND THE STATE
25 TREASURER ANNUALLY MAY JOINTLY ISSUE AN ORDER WAIVING ALL OR A
26 PORTION OF THE MILLAGE REQUIRED TO BE LEVIED BY A SCHOOL DISTRICT

1 TO PAY PRINCIPAL AND INTEREST ON ITS QUALIFIED BONDS PURSUANT TO
2 SUBSECTION (1) IF THEY FIND ALL OF THE FOLLOWING:

3 (A) THE SCHOOL BOARD OF THE SCHOOL DISTRICT HAS APPLIED TO
4 THE DEPARTMENT OF EDUCATION FOR PERMISSION TO LEVY LESS THAN THE
5 MILLAGE REQUIRED TO BE LEVIED TO PAY THE PRINCIPAL AND INTEREST
6 ON ITS QUALIFIED BONDS PURSUANT TO SUBSECTION (1).

7 (B) THE APPLICATION SPECIFIES THE NUMBER OF MILLS THE SCHOOL
8 DISTRICT REQUESTS PERMISSION TO LEVY.

9 (C) THE WAIVER WILL BE FINANCIALLY BENEFICIAL TO THE STATE
10 OR TO THE SCHOOL DISTRICT, OR BOTH.

11 (D) THE WAIVER WILL NOT REDUCE THE MILLAGE LEVIED BY THE
12 SCHOOL DISTRICT TO PAY PRINCIPAL AND INTEREST ON QUALIFIED BONDS
13 UNDER SUBSECTION (1) TO LESS THAN 7 MILLS.

14 (E) THE SCHOOL BOARD, BY RESOLUTION, HAS AGREED TO COMPLY
15 WITH ALL CONDITIONS THAT THE SUPERINTENDENT OF PUBLIC INSTRUCTION
16 AND THE STATE TREASURER CONSIDER ARE NECESSARY.

17 Sec. 6. In any school district where the amount necessary
18 to be levied in any year for principal and interest on qualified
19 bonds, including any necessary allowance for estimated tax delin-
20 quencies but excluding any funds pledged to and available for the
21 payment of ~~such~~ THE principal and interest, exceeds that amount
22 stipulated in section 2, ~~such~~ THE school district, on or before
23 60 days prior to the time of the certification of its tax levy to
24 the assessing officer, shall file with the superintendent of
25 public instruction and the municipal finance commission or its
26 successor agency a preliminary application for a loan from the
27 state in the amount of any part of such excess over that amount

1 stipulated in section 2 which it does not propose to levy in such
2 year. If the excess over that amount stipulated in section 2 is
3 reached or increased by reason of bonds authorized by resolution
4 of the board of education of ~~such~~ THE school district within
5 ~~such~~ THE 60-day period, an original or amended application
6 shall be filed within ~~said~~ THAT period. ~~Such~~ AN application
7 shall set forth the amount of the last state equalized valuation
8 of the school district AND, FOR EACH OF THE 5 YEARS IMMEDIATELY
9 PRECEDING THE APPLICATION, the amount of principal and interest
10 on qualified bonds necessary to be levied upon the tax roll of
11 ~~such~~ THAT year, the amount of any moneys on hand pledged to and
12 available for the payment of ~~such~~ THE principal and interest,
13 the probable delinquency in tax collections at the times ~~such~~
14 THE principal and interest will become due, the estimated amount
15 of the loan which will be required from the state, and any other
16 pertinent facts which may be required to be included ~~therein~~ IN
17 THE APPLICATION by the superintendent of public instruction. The
18 superintendent of public instruction shall examine ~~said~~ THE
19 application AND SHALL REQUEST THE STATE TREASURER TO COMPUTE THE
20 COMPUTED MILLAGE UNDER SECTION 2(2), IF APPLICABLE, as soon as
21 possible and notify the school district of any erroneous state-
22 ments or assumptions ~~therein~~ IN THE APPLICATION and within
23 ~~said~~ THE 60-day period shall approve or deny ~~said~~ THE prelim-
24 inary application in whole or in part and shall notify the school
25 district of ~~such~~ HIS OR HER action. The school district shall
26 include in its tax levy any amount otherwise required to be
27 levied for the payment of principal and interest on qualified

1 bonds for which it does not secure approval for a state loan as
2 aforesaid.

3 Sec. 9. (1) Except as provided in this section, SECTION 2,
4 and section 10a, any school district having received 1 or more
5 loans from "the school bond loan funds" under sections 27 and 28
6 of article X of the state constitution of 1908 or section 16 of
7 article IX of the state constitution of 1963 and implementing
8 acts shall continue to levy on its tax rolls not less than ~~7~~ 13
9 mills OR THE COMPUTED MILLAGE UNDER SECTION 2(2), WHICHEVER IS
10 LESS, on each dollar of its assessed valuation as last equalized
11 by the state, exclusive of any levy for unqualified bonds or for
12 school operating purposes, until all loans made to the school
13 district by the state are repaid with interest at rates to be
14 annually determined by the state ~~administrative board~~
15 TREASURER. Except as provided in this section, these rates shall
16 represent NOT MORE THAN 1-1/2 PERCENTAGE POINTS MORE THAN the
17 average interest rate paid by the state on obligations issued
18 under sections 27 and 28 of article X of the state constitution
19 of 1908 and section 16 of article IX of the state constitution of
20 1963 and implementing acts AND, EXCEPT TO THE EXTENT REQUIRED TO
21 MAINTAIN THE TAX-EXEMPT STATUS OF BONDS OR NOTES ISSUED BY THE
22 STATE PURSUANT TO THIS ACT AND ACT NO. 112 OF THE PUBLIC ACTS OF
23 1961, BEING SECTIONS 388.981 TO 388.985 OF THE MICHIGAN COMPILED
24 LAWS, NOT LESS THAN THAT AVERAGE INTEREST RATE, computed to the
25 nearest 1/8 of 1%. The state treasurer shall annually certify to
26 the several borrowing districts the rate of interest to be
27 currently collected. The proceeds of each such levy shall be

1 used first for the payment of the minimum principal and interest
2 requirements on the qualified bonds that shall become due before
3 the next tax collection, and any balance shall be paid to the
4 state until the principal and interest due the state are paid.

5 (2) Before the adoption of a resolution approving annexation
6 and transfer of a school district to be divided pursuant to
7 part 10a of the school code of 1976, Act No. 451 of the Public
8 Acts of 1976, being sections 380.941 to 380.949 of the Michigan
9 Compiled Laws, the superintendent of public instruction and the
10 state treasurer may issue a joint order determining that, upon
11 division of a school district pursuant to part 10a of the school
12 code of 1976, the divided district or any other school district
13 affected by the division, or all, may cease levying on its tax
14 rolls for all or a portion, as shall be determined in the joint
15 order by the superintendent of public instruction and the state
16 treasurer, of the amount required by subsection (1) for repayment
17 of all or a portion of the principal of or interest on, or both,
18 the loans received before the issuance of the joint order from
19 the school bond loan fund for a number of years to be determined
20 in the joint order by the superintendent of public instruction
21 and the state treasurer, not to exceed 5 years, beginning with
22 the first tax levy after the election approving the division or
23 until the bonded indebtedness of the district for which loans
24 have been received has been paid in full or provision for the
25 payment has been made, whichever occurs first. During the period
26 in which the levy is waived pursuant to this subsection, the
27 school district payments due to the state pursuant to subsection

1 (1) from that waived levy shall be waived. After expiration of
2 the period of waiver, each school district shall levy each year
3 for repayment of loans an amount designated in the order of the
4 superintendent of public instruction and the state treasurer,
5 which amount, when added to the amount required for debt service,
6 shall not be more than the amount required by subsection (1)
7 until all loans to the school district by the state are repaid
8 with interest at rates to be determined annually by the state
9 ~~administrative board~~ TREASURER. A school district determining
10 not to levy for loan repayment during the following year shall
11 notify before December 15 of each year the state treasurer of its
12 determination not to levy and shall supply the superintendent of
13 public instruction or the state treasurer with any additional
14 related information the superintendent of public instruction or
15 the state treasurer shall require.

16 (3) During any year in which a school district levy is
17 waived, an amount equal to the annual interest for that year on
18 the amount owed by the school district to the school bond loan
19 fund shall be added to the amount of loans to the school district
20 by the state.

21 (4) Any repayment of principal or interest that was waived
22 pursuant to subsection (2) shall be transferred to the general
23 fund if general fund revenue supplements were required to pay
24 obligations issued under sections 27 and 28 of article X of the
25 state constitution of 1908 or section 16 of article IX of the
26 state constitution of 1963 during the period of the waiver.

1 SEC. 9A. (1) NOTWITHSTANDING ANY OTHER SECTION OF THIS ACT,
2 IF A SCHOOL DISTRICT AGREES TO REPAY THE OUTSTANDING BALANCE ON A
3 LOAN MADE UNDER THIS ACT NOT LATER THAN SEPTEMBER 30, 1991 OR,
4 FOR A SCHOOL DISTRICT THAT HAS COVENANTED NOT TO ISSUE ADDITIONAL
5 OBLIGATIONS DURING CALENDAR YEAR 1991, NOT LATER THAN MARCH 31,
6 1992, AND IF THE SCHOOL DISTRICT SUBMITS TO THE STATE TREASURER
7 NOT LATER THAN AUGUST 1, 1991 A BOARD-ADOPTED RESOLUTION INDICAT-
8 ING THAT THE SCHOOL DISTRICT INTENDS TO REPAY AN OUTSTANDING BAL-
9 ANCE IN ACCORDANCE WITH THIS SECTION, THE STATE TREASURER SHALL
10 REDUCE THE TOTAL LOAN AMOUNT DUE FROM THE SCHOOL DISTRICT AS PRO-
11 VIDED IN SUBSECTION (2) AND SHALL CALCULATE AND PAY TO THE SCHOOL
12 DISTRICT A GENERAL FUND INCENTIVE PAYMENT AS PROVIDED IN SUBSEC-
13 TION (3). THERE ARE HEREBY APPROPRIATED SUFFICIENT FUNDS TO PAY
14 THE GENERAL FUND INCENTIVE PAYMENTS UNDER SUBSECTION (3):

15 (2) THE AMOUNT OF THE LOAN REPAYMENT REDUCTION TO BE MADE BY
16 THE STATE TREASURER FOR THE PURPOSES OF SUBSECTION (1) SHALL BE
17 AN AMOUNT EQUAL TO THE SUM OF THE AMOUNTS DESCRIBED IN SUBDIVI-
18 SIONS (A) AND (B) AS FOLLOWS, BUT SHALL NOT EXCEED 10% OF THE
19 TOTAL OUTSTANDING BALANCE ON THE LOAN AS CALCULATED WITHOUT
20 REDUCTION ON THE SETTLEMENT DATE:

21 (A) THE COST TO THE SCHOOL DISTRICT OF OBTAINING THE FUNDS
22 TO USE FOR THE REPAYMENT OF THE OUTSTANDING BALANCE OF THE LOAN.

23 (B) THE AMOUNT BY WHICH THE SCHOOL DISTRICT'S PAYMENTS OF
24 PRINCIPAL AND INTEREST ON THE OBLIGATIONS ISSUED BY THE SCHOOL
25 DISTRICT TO OBTAIN THE FUNDS TO USE FOR THE REPAYMENT OF THE OUT-
26 STANDING BALANCE OF THE LOAN EXCEED THE PROJECTED PAYMENTS OF

1 PRINCIPAL AND INTEREST THE SCHOOL DISTRICT OTHERWISE WOULD HAVE
2 PAID TO REPAY THE LOAN BASED ON THE FOLLOWING ASSUMPTIONS:

3 (i) AN ASSUMED INTEREST RATE EQUAL TO THE AVERAGE INTEREST
4 RATE ON SCHOOL BOND LOAN FUND NOTES AND BONDS OVER THE IMMEDI-
5 ATELY PRECEDING 5-YEAR PERIOD.

6 (ii) A PROJECTED TOTAL STATE EQUALIZED VALUATION FOR THE
7 SCHOOL DISTRICT THAT ASSUMES A STATE EQUALIZED VALUATION GROWTH
8 RATE EQUAL TO THE SCHOOL DISTRICT'S AVERAGE YEARLY STATE EQUAL-
9 IZED VALUATION GROWTH RATE OVER THE IMMEDIATELY PRECEDING 5-YEAR
10 PERIOD.

11 (3) THE AMOUNT OF THE GENERAL FUND INCENTIVE PAYMENT TO BE
12 MADE BY THE STATE TREASURER FOR THE PURPOSES OF SUBSECTION (1)
13 SHALL EQUAL THE LESSER OF EITHER 5% OF THE REDUCED LOAN AMOUNT
14 AFTER THE REDUCTION MADE UNDER SUBSECTION (2) OR AN AMOUNT CALCU-
15 LATED BY SUBTRACTING THE AMOUNT OF THE REDUCTION MADE UNDER SUB-
16 SECTION (2) FROM AN AMOUNT EQUAL TO 10% OF THE SCHOOL DISTRICT'S
17 TOTAL OUTSTANDING BALANCE ON THE LOAN AS CALCULATED WITHOUT
18 REDUCTION ON THE SETTLEMENT DATE. THE STATE TREASURER SHALL PAY
19 THE GENERAL FUND INCENTIVE PAYMENT TO THE SCHOOL DISTRICT ON THE
20 SETTLEMENT DATE. TO RECEIVE A GENERAL FUND INCENTIVE PAYMENT, A
21 SCHOOL DISTRICT SHALL AGREE TO USE THE GENERAL FUND INCENTIVE
22 PAYMENT ONLY FOR CAPITAL EXPENDITURES.

23 (4) A SCHOOL DISTRICT THAT ISSUES ITS OBLIGATIONS TO OBTAIN
24 THE FUNDS TO USE FOR THE REPAYMENT UNDER THIS SECTION OF THE OUT-
25 STANDING BALANCE OF A LOAN UNDER THIS ACT SHALL SELL THOSE OBLI-
26 GATIONS ONLY TO THE MICHIGAN MUNICIPAL BOND AUTHORITY CREATED IN
27 THE SHARED CREDIT RATING ACT, ACT NO. 227 OF THE PUBLIC ACTS OF

1 1985, BEING SECTIONS 141.1051 TO 141.1078 OF THE MICHIGAN
2 COMPILED LAWS, UNLESS THE MICHIGAN MUNICIPAL BOND AUTHORITY NOTI-
3 FIES THE SCHOOL DISTRICT AND THE STATE TREASURER IN WRITING THAT
4 THE AUTHORITY IS UNWILLING OR UNABLE TO PURCHASE THOSE
5 OBLIGATIONS.

6 (5) AS USED IN THIS SECTION, "SETTLEMENT DATE" MEANS THE
7 DATE ON WHICH A SCHOOL DISTRICT REPAYS THE OUTSTANDING BALANCE OF
8 A LOAN MADE UNDER THIS ACT, AS REDUCED UNDER THIS SECTION.

9 SEC. 9B. TO RECEIVE A LOAN UNDER THIS ACT OR A GENERAL FUND
10 INCENTIVE PAYMENT UNDER SECTION 9A, A SCHOOL DISTRICT SHALL AGREE
11 TO TAKE ACTIONS AND TO REFRAIN FROM TAKING ACTIONS AS NECESSARY
12 TO MAINTAIN THE TAX-EXEMPT STATUS OF BONDS OR NOTES ISSUED BY THE
13 STATE PURSUANT TO THIS ACT AND ACT NO. 112 OF THE PUBLIC ACTS OF
14 1961, BEING SECTIONS 388.981 TO 388.985 OF THE MICHIGAN COMPILED
15 LAWS. THE STATE TREASURER SHALL TAKE THE ACTIONS PERMITTED BY
16 LAW THAT ARE NECESSARY TO MAINTAIN THE TAX-EXEMPT STATUS OF OBLI-
17 GATIONS ISSUED BY SCHOOL DISTRICTS TO PROVIDE THE FUNDS TO REPAY
18 A LOAN MADE UNDER THIS ACT.

19 Section 2. This amendatory act shall not take effect unless
20 Senate Bill No. 342

21 of the 86th Legislature is enacted into law.