

Act No. 103  
Public Acts of 1994  
Approved by the Governor  
April 17, 1994  
Filed with the Secretary of State  
April 18, 1994

**STATE OF MICHIGAN  
87TH LEGISLATURE  
REGULAR SESSION OF 1994**

Introduced by Senator DeGrow

# **ENROLLED SENATE BILL No. 1061**

AN ACT to amend section 1225 of Act No 451 of the Public Acts of 1976 entitled as amended An act to provide a system of public instruction and elementary and secondary schools to revise consolidate and classify the laws relating to elementary and secondary education to provide for the classification organization regulation and maintenance of schools school districts and intermediate school districts to prescribe rights powers duties and privileges of schools school districts and intermediate school districts to provide for the regulation of school teachers and school administrators to provide for school elections and to prescribe powers and duties with respect thereto to provide for the levy and collection of taxes to provide for the borrowing of money and issuance of bonds and other evidences of indebtedness to establish a fund and provide for expenditures from that fund to provide for and prescribe the powers and duties of certain state departments the state board of education and certain other boards and officials to provide for licensure of boarding schools to prescribe penalties and to repeal certain acts and parts of acts as amended by Act No 14 of the Public Acts of 1992 being section 380 1225 of the Michigan Compiled Laws

*The People of the State of Michigan enact*

Section 1 Section 1225 of Act No 451 of the Public Acts of 1976 as amended by Act No 14 of the Public Acts of 1992 being section 380 1225 of the Michigan Compiled Laws is amended to read as follows

Sec 1225 (1) Subject to restrictions of this section the board of a local or intermediate school district may borrow money and issue its notes for the borrowed money to secure funds for school operations or to pay previous loans made for school operations under this or any other statute The school board or intermediate school board shall pledge money to be received by it from state school aid for the payment of notes issued under this section The notes are full faith and credit obligations of the school district or intermediate school district and are payable from tax levies or from unencumbered funds of the school district or intermediate school district in event of the unavailability or insufficiency of state school aid for any reason

(2) Notes issued under this section shall become due not later than 12 months after the date on which they are issued except as provided in this section Notes issued within a fiscal year shall not exceed 70% of the difference between the total state aid funds apportioned to the school district or intermediate school district for that fiscal year and the portion already received or pledged except secondary pledges made under section 1356

(3) A school district or intermediate school district that is not able to redeem its notes within 12 months after the date on which the notes were issued may enter into a multi year agreement with a lending institution to repay its obligation A repayment agreement shall not be executed without the prior approval of an authorized representative of the state board or for notes sold to the Michigan municipal bond authority only without the approval of an authorized representative of the department of treasury

(4) During the last 4 months of a fiscal year notes may be issued pledging state school aid for the next succeeding fiscal year. The notes shall not exceed 50% of the state school aid apportioned to the school district or intermediate school district for the next succeeding fiscal year or if the apportionment has not been made 50% of the apportionment for the then current fiscal year. The notes shall mature not later than 12 months after the date of issuance. Notes sold and delivered under this section shall bear interest at a rate agreed to by the school board or intermediate school board which rate shall not exceed the rate provided in section 1a of chapter III of the municipal finance act, Act No. 202 of the Public Acts of 1943, as amended, being section 133.1a of the Michigan Compiled Laws, and may be made redeemable before maturity on the terms and conditions provided in the notes.

(5) Notes issued under this section are not subject to the municipal finance act, Act No. 202 of the Public Acts of 1943, as amended, being sections 131.1 to 139.3 of the Michigan Compiled Laws. A school board or intermediate school board shall not issue notes under this section unless it applies for and receives prior approval or the school board or intermediate school board requests and receives an exception from prior approval pursuant to subsections (7), (8), and (9). An application for prior approval or for an exception from prior approval shall be made to the authorized representative of the state board unless the notes are to be sold to the Michigan municipal bond authority. If the notes are to be sold to the Michigan municipal bond authority, an application for prior approval or for an exception from prior approval shall be made to the authorized representative of the department of treasury. An order of prior approval issued by the authorized representative of the state board or of the department of treasury or an order of exception from prior approval issued by the authorized representative of the state board or of the department of treasury shall show the estimated amount of state school aid allocated to the school district or intermediate school district for the current fiscal year and, if applicable, for the next succeeding fiscal year and payments that have been distributed to the school district or intermediate school district before the date of the order. Failure of a school district or intermediate school district to receive state school aid does not affect the validity or enforceability of a note issued under this section.

(6) A school board or intermediate school board may make more than 1 borrowing under this section during a school year. A school board or intermediate school board shall not contest the validity of a note issued by it under this section if an order of prior approval or of exception from prior approval had been obtained from the authorized representative of the state board or of the department of treasury and the school district or intermediate school district has received the principal amount of the note. An order of prior approval and estimated determination of state school aid by the authorized representative of the state board or of the department of treasury is conclusive as to the authority of a school board or intermediate school board to borrow under this section. An order of prior approval shall be signed by the authorized representative of the state board or of the department of treasury.

(7) A school board or intermediate school board may submit a request for an exception from prior approval to the authorized representative of the state board or of the department of treasury, as applicable, on a form prescribed by the applicable authorized representative. The request shall be accompanied by a filing fee of \$100.00 for a request relating to notes totaling less than \$500,000.00 or \$400.00 for a request relating to notes totaling \$500,000.00 or more. If the request is not accompanied by the proper filing fee or by other information or materials required by law, the authorized representative of the state board or of the department of treasury shall not consider the request to be complete and may return the request without acting upon it.

(8) Not later than 10 business days after receiving a complete request and proper filing fee under subsection (7), the authorized representative of the state board or of the department of treasury, as applicable, shall issue an order granting the exception unless the authorized representative finds that 1 or more of the following conditions exist or have occurred:

(a) For a school district, it appears from the information submitted by the school district under section 102 of the state school aid act of 1979, being section 388.1702 of the Michigan Compiled Laws, and from other information available to the department or to the department of treasury that the school district ended its immediately preceding fiscal year with a deficit in 1 or more of its funds and does not have a plan approved under section 102(5) of the state school aid act of 1979 for eliminating the deficit.

(b) The school district or intermediate school district has failed to comply with the requirements of this section with regard to an outstanding note issued under this section or a note issued under this section during the 3 years immediately preceding the date of the request.

(c) The school district or intermediate school district is in default in the payment of the principal of or interest on any of its obligations.

(9) If the authorized representative of the state board or of the department of treasury, as applicable, finds that 1 or more of the conditions described in subsection (8)(a) to (c) applies to a request for an exception from prior approval under subsection (7), the authorized representative may issue an order denying the request or, if he or she finds that the existence of the condition is inconsequential to the request, may issue an order granting the exception from prior approval. If the authorized representative of the state board or of the department of treasury fails to act on a complete request within the 10-day period specified in subsection (8), the exception from prior approval shall be considered to be granted as of the expiration of the 10-day period.

(10) Subject to the maximum amounts for notes as specified in subsections (2) and (4) an exception from prior approval whether granted by order of the authorized representative of the state board or of the department of treasury or because of failure of the authorized representative of the state board or of the department of treasury to act on the request is valid for 4 months

This act is ordered to take immediate effect

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Secretary of the Senate

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Co Clerk of the House of Representatives

Approved - - - - -

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Governor

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