



SENATE BILL No. 1061

March 10, 1994, Introduced by Senator DE GROW and referred
to the Committee on Finance

A bill to amend section 1225 of Act No 451 of the Public
Acts of 1976, entitled as amended

"The school code of 1976,"

as amended by Act No 14 of the Public Acts of 1992, being sec-
tion 380 1225 of the Michigan Compiled Laws

THE PEOPLE OF THE STATE OF MICHIGAN ENACT

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

5 Sec 1225 (1) Subject to restrictions of this section, the
6 board of a local or intermediate school district may borrow money
7 and issue its notes for the borrowed money to secure funds for
8 school operations or to pay previous loans made for school
9 operations under this or any other statute The SCHOOL board OR

1 INTERMEDIATE SCHOOL BOARD shall pledge money to be received by it
2 from state school aid for the payment of notes issued under this
3 section The notes are full faith and credit obligations of the
4 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) Notes issued under this section shall become due not
9 later than 12 months after the date on which they are issued,
10 except as provided in this section Notes issued within a fiscal
11 year shall not exceed ~~100%~~ 70% of the difference between the
12 total state aid funds apportioned to the school district OR
13 INTERMEDIATE SCHOOL DISTRICT for that fiscal year and the portion
14 already received or pledged, except secondary pledges made under
15 section 1356

16 (3) A school district OR INTERMEDIATE SCHOOL DISTRICT that
17 is not able to redeem its notes within 12 months after the date
18 on which the notes were issued may enter into a multi-year agree-
19 ment with a lending institution to repay its obligation A
20 repayment agreement shall not be executed without the prior
21 approval of an authorized representative of the state board

22 (4) During the last ~~3~~ 4 months of a fiscal year,
23 ~~additional~~ notes may be issued pledging state school aid for
24 the next succeeding fiscal year The ~~additional~~ notes shall
25 not exceed ~~15%~~ 50% of the state school aid apportioned to the
26 school district OR INTERMEDIATE SCHOOL DISTRICT for the next
27 succeeding fiscal year or, if the apportionment has not been

1 made, ~~15%~~ 50% of the apportionment for the then current fiscal
 2 year The ~~additional~~ notes shall mature not later than 12
 3 months after the date of issuance Notes sold and delivered
 4 under this section shall bear interest at a rate agreed to by the
 5 SCHOOL board OR INTERMEDIATE SCHOOL BOARD, which rate shall not
 6 exceed the rate provided in section 1a of chapter III of the
 7 municipal finance act, Act No 202 of the Public Acts of 1943, as
 8 amended, being section 133 1a of the Michigan Compiled Laws, and
 9 may be made redeemable before maturity on the terms and condi-
 10 tions provided in the notes

11 (5) Notes issued under this section are not subject to the
 12 municipal finance act, Act No 202 of the Public Acts of 1943,
 13 as amended being sections 131 1 to 139 3 of the Michigan
 14 Compiled Laws A ~~local~~ SCHOOL BOARD or intermediate school
 15 board shall not issue notes under this section unless it applies
 16 for and receives ~~the~~ prior approval ~~of the authorized repre-~~
 17 ~~sentative of the state board~~ or ~~a~~ THE school board OR INTERME-
 18 DIATE SCHOOL BOARD requests and receives an exception from prior
 19 approval pursuant to subsections (7) (8) and (9) ~~A~~
 20 ~~certificate~~ AN APPLICATION FOR PRIOR APPROVAL OR FOR AN EXCEP-
 21 TION FROM PRIOR APPROVAL SHALL BE MADE TO THE AUTHORIZED REPRE-
 22 SENTATIVE OF THE STATE BOARD UNLESS THE NOTES ARE TO BE SOLD TO
 23 THE MICHIGAN MUNICIPAL BOND AUTHORITY IF THE NOTES ARE TO BE
 24 SOLD TO THE MICHIGAN MUNICIPAL BOND AUTHORITY, AN APPLICATION FOR
 25 PRIOR APPROVAL OR FOR AN EXCEPTION FROM PRIOR APPROVAL SHALL BE
 26 MADE TO THE AUTHORIZED REPRESENTATIVE OF THE DEPARTMENT OF
 27 TREASURY AN ORDER of PRIOR approval issued by the authorized

1 representative of the state board OR OF THE DEPARTMENT OF
 2 TREASURY OR AN ORDER OF EXCEPTION FROM PRIOR APPROVAL ISSUED BY
 3 THE AUTHORIZED REPRESENTATIVE OF THE STATE BOARD OR OF THE
 4 DEPARTMENT OF TREASURY shall show the estimated amount of state
 5 school aid allocated to the school district OR INTERMEDIATE
 6 SCHOOL DISTRICT for the current fiscal year and, if applicable,
 7 for the next succeeding fiscal year and payments that have been
 8 distributed to the school district OR INTERMEDIATE SCHOOL
 9 DISTRICT before the date of the ~~certificate~~ ORDER Failure of
 10 a school district OR INTERMEDIATE SCHOOL DISTRICT to receive
 11 state school aid ~~shall~~ DOES not affect the validity or enforce-
 12 ability of a note issued under this section

13 (6) A ~~local~~ SCHOOL BOARD or intermediate school board may
 14 make more than 1 borrowing under this section during a school
 15 year A SCHOOL board OR INTERMEDIATE SCHOOL BOARD shall not con-
 16 test the validity of a note issued by it under this section if
 17 ~~the note has been approved by~~ AN ORDER OF PRIOR APPROVAL OR OF
 18 EXCEPTION FROM PRIOR APPROVAL HAD BEEN OBTAINED FROM the autho-
 19 rized representative of the state board OR OF THE DEPARTMENT OF
 20 TREASURY and the SCHOOL district OR INTERMEDIATE SCHOOL DISTRICT
 21 has received the principal amount of the note ~~The certificate~~
 22 AN ORDER of approval and estimated determination of state school
 23 aid by the authorized representative of the state board ~~shall~~
 24 ~~be~~ OR OF THE DEPARTMENT OF TREASURY IS conclusive as to the
 25 authority of a SCHOOL board OR INTERMEDIATE SCHOOL BOARD to
 26 borrow under this section ~~The certificate~~ AN ORDER OF

1 APPROVAL shall be signed by the authorized representative of the
2 state board OR OF THE DEPARTMENT OF TREASURY

3 (7) A ~~local~~ school board OR INTERMEDIATE SCHOOL BOARD may
4 submit a request FOR AN EXCEPTION FROM PRIOR APPROVAL to the
5 authorized representative of the state board ~~for an exception~~
6 ~~from prior approval~~ OR OF THE DEPARTMENT OF TREASURY, AS
7 APPLICABLE, on a form prescribed by the APPLICABLE authorized
8 representative The request shall be accompanied by a filing fee
9 of \$100 00 for a request relating to notes totaling less than
10 \$500,000 00 or \$400 00 for a request relating to notes totaling
11 \$500,000 00 or more If the request is not accompanied by the
12 proper filing fee or by other information or materials required
13 by law, the authorized representative OF THE STATE BOARD OR OF
14 THE DEPARTMENT OF TREASURY shall not consider the request to be
15 complete and may return the request without acting upon it

16 (8) Not later than 10 business days after receiving a com-
17 plete request and proper filing fee under subsection (7), the
18 authorized representative of the state board OR OF THE DEPARTMENT
19 OF TREASURY AS APPLICABLE shall issue an order granting the
20 exception unless the AUTHORIZED representative finds that 1 or
21 more of the following conditions exist or have occurred

22 (a) ~~It~~ FOR A SCHOOL DISTRICT IT appears from the informa-
23 tion submitted by the school district under section 102 of the
24 state school aid act of 1979, being section 388 1702 of the
25 Michigan Compiled Laws, and from other information available to
26 the department OR TO THE DEPARTMENT OF TREASURY that the school
27 district ended its immediately preceding fiscal year with a

1 deficit in 1 or more of its funds and does not have a plan
2 approved under section 102(5) of the state school aid act of 1979
3 for eliminating the deficit

4 (b) The school district OR INTERMEDIATE SCHOOL DISTRICT has
5 failed to comply with the requirements of this section with
6 regard to an outstanding note issued under this section or a note
7 issued under this section during the 3 years immediately preced-
8 ing the date of the request

9 (c) The school district OR INTERMEDIATE SCHOOL DISTRICT is
10 in default in the payment of the principal of or interest on any
11 of its obligations

12 (9) If the authorized representative of the state board OR
13 OF THE DEPARTMENT OF TREASURY, AS APPLICABLE, finds that 1 or
14 more of the conditions described in subsection (8)(a) to (c)
15 applies to a request for an exception FROM PRIOR APPROVAL under
16 subsection (7) the AUTHORIZED representative may issue an order
17 denying the request or, ~~may grant the exception~~ if he or she
18 finds that the existence of the condition is inconsequential to
19 the request, MAY ISSUE AN ORDER GRANTING THE EXCEPTION FROM PRIOR
20 APPROVAL If the AUTHORIZED representative OF THE STATE BOARD OR
21 OF THE DEPARTMENT OF TREASURY fails to act on a complete request
22 within the 10-day period specified in subsection (8), the excep-
23 tion FROM PRIOR APPROVAL shall be considered to be granted as of
24 the expiration of the 10-day period

25 (10) Subject to the maximum amounts for notes as specified
26 in subsections (2) and (4), an exception from prior approval,
27 whether granted by order of the authorized representative of the

1 state board OR OF THE DEPARTMENT OF TREASURY or because of
2 failure of the AUTHORIZED representative OF THE STATE BOARD OR OF
3 THE DEPARTMENT OF TREASURY to act on the request, is valid for 4
4 months