

SUBSTITUTE FOR  
SENATE BILL NO. 407

A bill to amend 1985 PA 227, entitled  
"Shared credit rating act,"  
by amending the title and sections 3, 7, and 8 (MCL 141.1053,  
141.1057, and 141.1058), the title and sections 3 and 7 as amended  
by 2000 PA 416 and section 8 as amended by 2003 PA 109, and by  
adding section 16c.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

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TITLE

An act to create the Michigan municipal bond authority and to  
prescribe its powers and duties; to provide for the issuance of,  
and terms and conditions for, notes and bonds of the authority; to  
authorize certain forms of assistance to governmental units  
including the creation and management of investments; to impose  
conditions on, grant certain powers to political subdivisions of  
~~the~~ **THIS** state and water suppliers regarding, and allow certain

1 agreements regarding obligations of **THIS STATE**, political  
2 subdivisions of this state, and water suppliers purchased by the  
3 authority **OR ASSIGNED TO THE AUTHORITY**; to exempt the property,  
4 income, and operation of the authority, its bonds and notes, and  
5 the interest on its bonds and notes from certain taxes; to grant  
6 powers and impose duties on officers and agencies of ~~the~~ **THIS**  
7 state, political subdivisions of this state, and water suppliers;  
8 to accept and expend certain appropriations; and to repeal acts and  
9 parts of acts.

10 Sec. 3. As used in this act:

11 (a) "Authority" means the Michigan municipal bond authority  
12 created in section 4.

13 (b) "Board" means the board of trustees of the authority  
14 established in section 5.

15 (c) "Bonds" means bonds of the authority issued under this act  
16 with a maturity greater than 3 years.

17 (d) "Capitalization grant" means the federal grant made to  
18 this state by the United States environmental protection agency for  
19 either of the following purposes:

20 (i) For the purpose of establishing a state water pollution  
21 control revolving fund, as provided in title VI of the federal  
22 water pollution control act, ~~chapter 758, 101 Stat. 22, 33~~  
23 ~~U.S.C.~~ **USC** 1381 to 1387.

24 (ii) For the purpose of establishing a state drinking water  
25 revolving fund, as provided in section 1452 ~~of part E of title XIV~~  
26 of the public health service act, 42 ~~U.S.C.~~ **USC** 300j-12.

27 (e) "Community water supply" means a community water supply as

1 defined in part 54 of the natural resources and environmental  
2 protection act, 1994 PA 451, MCL 324.5401 to 324.5418.

3 (f) "Federal safe drinking water act" means title XIV of the  
4 public health service act, chapter 373, 88 Stat. 1660.

5 (g) "Federal water pollution control act" means ~~chapter 758,~~  
6 ~~86 Stat. 816,~~ 33 ~~U.S.C.~~ **USC** 1251 to ~~1252, 1253 to 1254, 1255 to~~  
7 ~~1257, 1258 to 1263, 1265 to 1270, 1281, 1282 to 1293, 1294 to 1299,~~  
8 ~~1311 to 1313, 1314 to 1330, 1341 to 1345, 1361 to 1377, and 1381 to~~  
9 1387.

10 (h) "Fully marketable form" means a municipal obligation duly  
11 executed and accompanied by all of the following:

12 (i) An approving legal opinion of a bond counsel approved by  
13 the authority and of nationally recognized standing in the field of  
14 municipal law.

15 (ii) Closing documents in a form and substance satisfactory to  
16 the authority. The **EXECUTED** municipal obligation ~~so executed~~ need  
17 not be printed or lithographed nor be in more than 1 denomination.

18 (iii) Evidence that the pledge for payment of the municipal  
19 obligation will be sufficient to pay the principal of and interest  
20 on the municipal obligation when due.

21 (iv) For purposes of a project funded under section 16a, an  
22 order of approval issued by the department of environmental quality  
23 under part 53 of the natural resources and environmental protection  
24 act, 1994 PA 451, MCL 324.5301 to 324.5316. The order shall state  
25 that the project proposed by the governmental unit has been  
26 approved for assistance by the department of environmental quality.

27 (v) For purposes of a community water supply or a noncommunity

1 water supply funded under section 16b, an order of approval issued  
2 by the department of environmental quality under part 54 of the  
3 natural resources and environmental protection act, 1994 PA 451,  
4 MCL 324.5401 to 324.5418. The order shall state that the community  
5 water supply or the noncommunity water supply proposed by the  
6 governmental unit has been approved for assistance by the  
7 department of environmental quality.

8 (i) "Governmental unit" means **THIS STATE**, a county, city,  
9 township, village, school district, intermediate school district,  
10 community college, public university, authority, district, any  
11 other body corporate and politic or other political subdivision,  
12 any agency or instrumentality of the foregoing, or any group self-  
13 insurance pool formed pursuant to 1951 PA 35, MCL 124.1 to 124.13.  
14 For purposes of a project funded under section 16a, governmental  
15 unit includes an Indian tribe that has jurisdiction over  
16 construction and operation of a project qualifying under ~~section~~  
17 ~~319 of title III of the federal water pollution control act,~~ 33  
18 ~~U.S.C.~~ USC 1329. For purposes of a community water supply or a  
19 noncommunity water supply funded under section 16b, governmental  
20 unit includes a community water supplier. A governmental unit does  
21 not include a self-insurance pool unless the self-insurance pool  
22 has filed a certification by an independent actuary that the  
23 reserves set aside under section 7a of 1951 PA 35, MCL 124.7a, are  
24 adequate for the payment of claims. A school district shall include  
25 a public school academy established under the revised school code,  
26 1976 PA 451, MCL 380.1 to 380.1852. Funds loaned to a public school  
27 academy or a school district may not be used to finance the

1 purchase, construction, lease, or renovation of property owned,  
2 directly or indirectly, by any officer, board member, or employee  
3 of that public school.

4 (j) "Municipal obligation" means a bond or note or evidence of  
5 debt issued by a governmental unit for a purpose authorized by law.  
6 **A MUNICIPAL OBLIGATION INCLUDES LOAN REPAYMENT OBLIGATIONS FROM A**  
7 **SCHOOL DISTRICT TO THIS STATE WITH RESPECT TO A QUALIFIED LOAN MADE**  
8 **UNDER A SCHOOL LOAN ACT THAT IS ASSIGNED OR OTHERWISE TRANSFERRED**  
9 **BY THIS STATE TO THE AUTHORITY.**

10 (k) "Noncommunity water supply" means a noncommunity water  
11 supply as defined in part 54 of the natural resources and  
12 environmental protection act, 1994 PA 451, MCL 324.5401 to  
13 324.5418.

14 (l) "Notes" means an obligation of the authority issued as  
15 provided in this act, including commercial paper, with a maturity  
16 of 3 years or less.

17 (m) "Project" means a sewage treatment works project or a  
18 nonpoint source project, or both, as defined in ~~the state clean~~  
19 ~~water assistance act~~ **PART 53 OF THE NATURAL RESOURCES AND**  
20 **ENVIRONMENTAL PROTECTION ACT, 1994 PA 451, MCL 324.5301 TO**  
21 **324.5316.**

22 (n) "Reserve fund" means a bond reserve fund or note reserve  
23 fund created and established under section 16.

24 (o) "Revenues" means all fees, charges, money, profits,  
25 payments of principal of or interest on municipal obligations and  
26 other investments, gifts, grants, contributions, and all other  
27 income derived or to be derived by the authority under this act.

1           (P) "SCHOOL LOAN ACT" MEANS AN ACT TO IMPLEMENT SECTION 16 OF  
2 ARTICLE IX OF THE STATE CONSTITUTION OF 1963, INCLUDING, BUT NOT  
3 LIMITED TO, 1961 PA 108, MCL 388.951 TO 388.963, 1961 PA 112, MCL  
4 388.981 TO 388.985, AND THE SCHOOL BOND QUALIFICATION, APPROVAL,  
5 AND LOAN ACT. FOR A QUALIFIED BOND, AS DEFINED IN 1961 PA 108, MCL  
6 388.951 TO 388.963, WITH A CERTIFICATE OF QUALIFICATION FROM THE  
7 STATE TREASURER ISSUED PRIOR TO THE EFFECTIVE DATE OF THE  
8 AMENDATORY ACT THAT ADDED THIS SUBDIVISION, "SCHOOL LOAN ACT" MEANS  
9 1961 PA 108, MCL 388.951 TO 388.963. FOR A QUALIFIED BOND AS  
10 DEFINED IN THE SCHOOL BOND QUALIFICATION, APPROVAL, AND LOAN ACT  
11 WITH A CERTIFICATE OF QUALIFICATION OR APPROVAL ISSUED BY THE STATE  
12 TREASURER AFTER THE EFFECTIVE DATE OF THE SCHOOL BOND  
13 QUALIFICATION, APPROVAL, AND LOAN ACT, SCHOOL LOAN ACT MEANS THE  
14 SCHOOL BOND QUALIFICATION, APPROVAL, AND LOAN ACT.

15           (Q) ~~(P)~~ "Water supplier" means a water supplier as defined  
16 in part 54 of the natural resources and environmental protection  
17 act, 1994 PA 451, MCL 324.5401 to 324.5418.

18           Sec. 7. The board has all of the following powers:

19           (a) To adopt bylaws for the regulation of its affairs.

20           (b) To adopt an official seal.

21           (c) To maintain a principal office at a place within this  
22 state.

23           (d) To sue and be sued in its own name and to plead and be  
24 impleaded.

25           (e) To loan money to a governmental unit, or to a nonprofit  
26 corporation, trust, or similar entity for the benefit of a public  
27 school academy, at a rate or rates as the authority determines and

1 to purchase and sell, and to commit to purchase and sell, municipal  
2 obligations pursuant to this act.

3 (f) To borrow money and issue negotiable revenue bonds and  
4 notes pursuant to this act.

5 (g) To make and enter into contracts and other instruments  
6 necessary or incidental to the performance of its duties and the  
7 exercise of its powers. By rotating the services of legal counsel,  
8 the authority shall seek to increase the pool of nationally  
9 recognized bond counsel.

10 (h) To receive and accept from any source grants or  
11 contributions of money, property, or other things of value,  
12 excluding appropriations from the general fund of this state except  
13 for appropriations to be used for the benefit of public schools,  
14 except for appropriations to a reserve fund established under  
15 section 16, except for appropriations to the state water pollution  
16 control revolving fund established under section 16a and except for  
17 appropriations to the state drinking water revolving fund  
18 established under section 16b, **AND EXCEPT FOR APPROPRIATIONS TO THE**  
19 **SCHOOL LOAN REVOLVING FUND ESTABLISHED UNDER SECTION 16C,** to be  
20 used, held, and applied only for the purposes for which the grants  
21 and contributions were made.

22 (i) To do all acts necessary or convenient to carry out the  
23 powers expressly granted.

24 (j) To require that final actions of the board are entered in  
25 the journal for the board and that all writings prepared, owned,  
26 used, in the possession of, or retained by the board in the  
27 performance of an official function be made available to the public

1 in compliance with the freedom of information act, 1976 PA 442, MCL  
2 15.231 to 15.246.

3 (k) To engage the services of private consultants on a  
4 contract basis for rendering professional and technical assistance  
5 and advice.

6 (l) To investigate and assess the infrastructure needs of this  
7 state, current methods of financing infrastructure rehabilitation  
8 and improvements, and resources and financing options currently  
9 available and potentially useful to improve this state's  
10 infrastructure and lower the costs of those improvements.

11 (m) To indemnify and procure insurance indemnifying members of  
12 the board from personal loss or accountability from liability  
13 asserted by a person on bonds or notes of the authority or from any  
14 personal liability or accountability by reason of the issuance of  
15 the bonds or notes, or by reason of any other action taken or the  
16 failure to act by the authority.

17 (n) To investigate and assess short-term and long-term  
18 borrowing requirements for operating, capital improvements, and  
19 delinquent taxes.

20 (o) To provide assistance, as that term is defined in section  
21 5301 of the natural resources and environmental protection act,  
22 1994 PA 451, MCL 324.5301, to any municipality for a revolving fund  
23 project and to perform all functions necessary or incident to  
24 providing that assistance and to the operation of the state water  
25 pollution control revolving fund established under section 16a.

26 (p) To enter into agreements with the federal government to  
27 implement the establishment and operation of the state water



1 pollution control revolving fund established under section 16a  
2 pursuant to the provisions of the federal water pollution control  
3 act and the rules and regulations promulgated under that act.

4 (q) To provide assistance, as that term is defined in part 54  
5 of the natural resources and environmental protection act, 1994 PA  
6 451, MCL 324.5401 to 324.5418, to any governmental unit for a  
7 revolving fund community water supply or noncommunity water supply  
8 and to perform all functions necessary or incident to providing  
9 that assistance and to the operation of the state drinking water  
10 revolving fund established under section 16b, including, but not  
11 limited to, using funding allocated in the federal safe drinking  
12 water act for any of the purposes authorized in section 5417(c) of  
13 the natural resources and environmental protection act, 1994 PA  
14 451, MCL 324.5417.

15 (r) To enter into agreements with the federal government to  
16 establish and operate the state drinking water revolving fund under  
17 section 16b pursuant to the provisions of the federal safe drinking  
18 water act and the rules and regulations promulgated under that act.

19 **(S) TO ENTER INTO AGREEMENTS WITH THE STATE TREASURER TO ACT**  
20 **AS THIS STATE'S AGENT TO IMPLEMENT THE ESTABLISHMENT AND OPERATION**  
21 **OF THE SCHOOL LOAN REVOLVING FUND ESTABLISHED UNDER SECTION 16C,**  
22 **INCLUDING PROVISIONS RELATING TO THE RETURN TO THIS STATE OF**  
23 **CONTRIBUTIONS MADE BY THIS STATE FOR DEPOSIT IN THE SCHOOL LOAN**  
24 **REVOLVING FUND THAT ARE NO LONGER NEEDED FOR SCHOOL LOAN REVOLVING**  
25 **FUND PURPOSES.**

26 Sec. 8. (1) The authority may lend money to a governmental  
27 unit through the purchase by the authority of municipal obligations

1 of the governmental unit in fully marketable form. The authority  
2 may authorize and issue its bonds or notes payable solely from the  
3 revenues or funds available to the authority, and to otherwise  
4 assist governmental units.

5 (2) Bonds and notes of the authority shall not be in any way a  
6 debt or liability of this state and shall not create or constitute  
7 any indebtedness, liability, or obligations of this state or be or  
8 constitute a pledge of the faith and credit of this state but all  
9 authority bonds and notes, unless funded or refunded by bonds or  
10 notes of the authority, shall be payable solely from revenues or  
11 funds pledged or available for their payment as authorized in this  
12 act. Each bond and note shall contain on its face a statement to  
13 the effect that the authority is obligated to pay the principal of  
14 and the interest on the bond or note only from revenues or funds of  
15 the authority and that this state is not obligated to pay the  
16 principal or interest and that neither the faith and credit nor the  
17 taxing power of this state is pledged to the payment of the  
18 principal of or the interest on the bond or note.

19 (3) All expenses incurred in carrying out ~~the provisions of~~  
20 this act shall be payable solely from revenues or funds provided or  
21 to be provided under the provisions of this act, and nothing in  
22 this act shall be construed to authorize the authority to incur any  
23 indebtedness or liability on behalf of or payable by this state.

24 (4) Unless approved by a concurrent resolution of the  
25 legislature and except as permitted by section 16a, ~~or~~ 16b, **OR**  
26 **16C**, the authority shall not provide preferential treatment in the  
27 rate of interest for a particular municipal obligation purchased by

1 the authority that is based upon other than financial and credit  
2 considerations and shall not forgive or relinquish all or part of  
3 the interest or principal of a particular municipal obligation or  
4 of municipal obligations of a particular purpose.

5 (5) The authority may purchase bonds issued by school  
6 districts that are qualified bonds under ~~1961 PA 108, MCL 388.951~~  
7 ~~to 388.963~~ **A SCHOOL LOAN ACT**. Except as provided in subsection  
8 (6), the principal amount of the qualified bonds purchased by the  
9 authority in any calendar year shall not exceed 7.5% of the  
10 principal amount of qualified bonds issued by school districts in  
11 the immediately preceding calendar year. **THE AUTHORITY MAY ALSO**  
12 **PURCHASE OR ACCEPT BY ASSIGNMENT FROM THIS STATE MUNICIPAL**  
13 **OBLIGATIONS THAT ARE LOAN REPAYMENT OBLIGATIONS FROM A SCHOOL**  
14 **DISTRICT ON A QUALIFIED LOAN MADE BY THIS STATE UNDER A SCHOOL LOAN**  
15 **ACT. MUNICIPAL OBLIGATIONS ACQUIRED BY THE AUTHORITY UNDER THIS**  
16 **SUBSECTION ARE NOT REQUIRED TO BE IN FULLY MARKETABLE FORM.**

17 (6) In addition to qualified bonds purchased under subsection  
18 (5), the authority may purchase qualified bonds issued by school  
19 districts not later than September 30, 2004 to obtain funds to  
20 repay all or a portion of the outstanding balance of a loan under  
21 1961 PA 108, MCL 388.951 to 388.963, on the terms and conditions  
22 and subject to the requirements provided by or pursuant to a  
23 resolution of the authority. Bonds issued by the authority to  
24 purchase school district qualified bonds under this subsection  
25 shall be issued in an amount sufficient to provide and pay the  
26 reasonable costs of issuance incurred by the school districts as  
27 determined by or pursuant to a resolution of the authority.

1           SEC. 16C. THE AUTHORITY SHALL ESTABLISH A SCHOOL LOAN  
2 REVOLVING FUND AND SHALL ESTABLISH ACCOUNTS AND SUBACCOUNTS WITH  
3 THE SCHOOL LOAN REVOLVING FUND AS IT DETERMINES IS NECESSARY OR  
4 APPROPRIATE TO OPERATE THE SCHOOL LOAN REVOLVING FUND. THE  
5 AUTHORITY MAY FUND THE SCHOOL LOAN REVOLVING FUND WITH PROCEEDS OF  
6 BONDS OR NOTES ISSUED BY THE AUTHORITY, REVENUES OF THE AUTHORITY,  
7 CONTRIBUTIONS FROM THIS STATE INCLUDING CONTRIBUTIONS RESULTING  
8 FROM THE ASSIGNMENT OF THE RIGHT TO RECEIVE LOAN REPAYMENTS ON  
9 QUALIFIED LOANS MADE OR AUTHORIZED BY THIS STATE UNDER A SCHOOL  
10 LOAN ACT, OR REPAYMENTS OF LOANS MADE FROM THE SCHOOL LOAN  
11 REVOLVING FUND. FUNDS DEPOSITED IN THE SCHOOL LOAN REVOLVING FUND  
12 MAY BE USED ONLY BY THE AUTHORITY TO MAKE QUALIFIED LOANS TO SCHOOL  
13 DISTRICTS AT THE TIMES AND IN THE AMOUNTS APPROVED BY THIS STATE  
14 UNDER THE PROVISIONS OF A SCHOOL LOAN ACT, FOR THE PURPOSE OF  
15 FUNDING A RESERVE FUND ESTABLISHED BY THE AUTHORITY, FOR THE  
16 PURPOSE OF SECURING BONDS OR NOTES ISSUED BY THE AUTHORITY TO  
17 PROVIDE FUNDS FOR THE SCHOOL LOAN REVOLVING FUND, FOR THE PURPOSE  
18 OF ACTING AS A SURETY FOR THE PAYMENT OF BONDS OR NOTES THAT  
19 PROVIDE DIRECT OR INDIRECT STATE SPONSORSHIP OR SUPPORT TO A SCHOOL  
20 DISTRICT, AND FOR THE PURPOSE OF PAYING THE COSTS OF THE AUTHORITY  
21 TO ADMINISTER THE FUND. LOANS TO SCHOOL DISTRICTS FROM THE SCHOOL  
22 LOAN REVOLVING FUND WITH RESPECT TO QUALIFIED BONDS AS DEFINED IN A  
23 SCHOOL LOAN ACT SHALL BE TREATED AS STATE LOANS AS DESCRIBED IN  
24 SECTION 16 OF ARTICLE IX OF THE STATE CONSTITUTION OF 1963.

25           Enacting section 1. This amendatory act does not take effect  
26 unless all of the following bills of the 93rd Legislature are  
27 enacted into law:

- 1 (a) Senate Bill No. 406.
- 2 (b) Senate Bill No. 408.
- 3 (c) Senate Bill No. 410.
- 4 (d) Senate Bill No. 411.