

HOUSE BILL NO. 5151

June 24, 2021, Introduced by Reps. Tyrone Carter, O'Malley and Yaroach and referred to the Committee on Government Operations.

A bill to amend 1976 PA 451, entitled
"The revised school code,"
by amending section 1225 (MCL 380.1225), as amended by 2016 PA 192.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1225. (1) Subject to restrictions of this section, a
2 school board or intermediate school board may borrow money and
3 issue notes of the school district or intermediate school district
4 for the borrowed money to secure funds for school operations or to
5 pay previous loans obtained for school operations under this or any

1 other statute. The school board or intermediate school board shall
2 pledge money to be received by it from state school aid for the
3 payment of notes issued under this section. A pledge of state
4 school aid by a school district or intermediate school district for
5 the payment of notes issued pursuant to this section is valid and
6 binding from the time when the pledge is made. A pledge made
7 pursuant to this section for the benefit of the holders of notes or
8 for the benefit of others is perfected without delivery, recording,
9 or notice. Notes issued pursuant to this section are full faith and
10 credit obligations of the school district or intermediate school
11 district and are payable from tax levies or from unencumbered funds
12 of the school district or intermediate school district in event of
13 the unavailability or insufficiency of state school aid for any
14 reason.

15 (2) A school district or intermediate school district for
16 which an emergency manager **or a financial management team** has been
17 appointed pursuant to the local financial stability and choice act,
18 2012 PA 436, MCL 141.1541 to 141.1575, or a school district or
19 intermediate school district that has an approved deficit
20 elimination plan or an enhanced deficit elimination plan required
21 under section 102 of the state school aid act of 1979, MCL
22 388.1702, may enter into an agreement with the Michigan finance
23 authority in accordance with section 17a(4) of the state school aid
24 act of 1979, MCL 388.1617a, providing for the direct payment on
25 behalf of the school district or intermediate school district to
26 the Michigan finance authority, or to a trustee designated by the
27 Michigan finance authority, of state school aid pledged and to be
28 used for the sole purpose of paying the principal of and interest
29 on the notes issued pursuant to this section and secured by state

1 school aid.

2 (3) Notes issued under this section ~~shall become~~**are** due not
 3 later than 372 days after the date on which they are issued, except
 4 as otherwise provided in this section. Notes issued within a fiscal
 5 year ~~shall~~**must** not exceed 70% of the difference between the total
 6 state aid funds apportioned to the school district or intermediate
 7 school district for that fiscal year and the portion already
 8 received or pledged, except secondary pledges made under section
 9 1356.

10 (4) A school district or intermediate school district that is
 11 not able to redeem its notes within 372 days after the date on
 12 which the notes were issued may enter into a multi-year agreement
 13 with a lending institution to repay its obligation. A repayment
 14 agreement ~~shall~~**must** not be executed without the prior approval of
 15 an authorized representative of the state board or, for notes sold
 16 to the Michigan finance authority only, without the approval of an
 17 authorized representative of the department of treasury.

18 (5) During the last 4 months of a fiscal year, notes may be
 19 issued pledging state school aid for the next succeeding fiscal
 20 year. Except as otherwise provided in this subsection, the notes
 21 ~~shall~~**must** not exceed 50% of the state school aid apportioned to
 22 the school district or intermediate school district for the next
 23 succeeding fiscal year or, if the apportionment has not been made,
 24 50% of the apportionment for the then current fiscal year. The
 25 notes ~~shall~~**must** mature not later than 372 days after the date of
 26 issuance.

27 (6) Notes issued under this section are subject to the revised
 28 municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.
 29 Failure of a school district or intermediate school district to

1 receive state school aid does not affect the validity or
2 enforceability of a note issued under this section.

3 (7) A school board or intermediate school board, including,
4 but not limited to, the school board of a community district, may
5 make more than 1 borrowing under this section during a school year.

6 (8) In addition to other powers under this section, with the
7 approval of the state treasurer, a school board or intermediate
8 school board, including, but not limited to, the school board of a
9 community district, may obtain a line of credit to secure funds for
10 school operations or to pay previous loans obtained for school
11 operations under this or any other statute. The school board or
12 intermediate school board shall pledge not more than 30% of the
13 state school aid apportioned to the school district or intermediate
14 school district for that fiscal year for repayment of funds
15 received pursuant to a line of credit obtained under this
16 subsection. However, the school board or intermediate school board
17 shall not borrow against the line of credit an amount greater than
18 the difference, as of the date of the borrowing, between the total
19 state school aid funds apportioned to the school district or
20 intermediate school district for that fiscal year and the portion
21 already received or pledged, except secondary pledges made under
22 section 1356. To obtain approval for obtaining a line of credit
23 under this subsection, a school board or intermediate school board
24 shall apply to the state treasurer in the form and manner
25 prescribed by the state treasurer, and shall provide information as
26 requested by the state treasurer for evaluating the application.
27 The state treasurer shall approve or disapprove an application and
28 notify the school board or intermediate school board within 20
29 business days after receiving a proper application. If the state

1 treasurer disapproves an application, the state treasurer shall
2 include the reasons for disapproval in the notification to the
3 school board or intermediate school board.

4 Enacting section 1. This amendatory act takes effect 90 days
5 after the date it is enacted into law.

6 Enacting section 2. This amendatory act does not take effect
7 unless Senate Bill No. _____ or House Bill No. 5141 (request no.
8 00333'21) of the 101st Legislature is enacted into law.