# HOUSE BILL No. 6069

A bill to amend 1976 PA 451, entitled

"The revised school code,"

by amending section 1225 (MCL 380.1225), as amended by 2002 PA 246.

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

1     Sec. 1225. (1) Subject to restrictions of this section, the

2 board of a local or intermediate school district may borrow money

3 and issue its notes for the borrowed money to secure funds for

4 school operations or to pay previous loans obtained for school

5 operations under this or any other statute. The school board or

6 intermediate school board shall pledge money to be received by it

7 from state school aid for the payment of notes issued under this

8 section. The notes are full faith and credit obligations of the

9 school district or intermediate school district and are payable

10 from tax levies or from unencumbered funds of the school district

1 or intermediate school district in event of the unavailability or

2 insufficiency of state school aid for any reason.

3 (2) Notes issued under this section shall become due not later

4 than ~~12~~ **13** months after the date on which they are issued, except

5 as provided in this section. ~~Except as otherwise provided in this~~

6 ~~subsection, notes~~ **NOTES** issued within a fiscal year shall not

7 exceed 70% of the difference between the total state aid funds

8 apportioned to the school district or intermediate school district

9 for that fiscal year and the portion already received or pledged,

10 except secondary pledges made under section 1356. ~~Until June 30,~~

11 ~~1999, notes issued and sold to the Michigan municipal bond~~

12 ~~authority within a fiscal year shall not exceed 70% of the~~

13 ~~difference between the total state aid funds apportioned to the~~

14 ~~school district or intermediate school district for that fiscal~~

15 ~~year and the portion already received.~~

16 (3) A school district or intermediate school district that is

17 not able to redeem its notes within ~~12~~ **13** months after the date

18 on which the notes were issued may enter into a multi-year

19 agreement 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 or, for

22 notes sold to the Michigan municipal bond authority only, without

23 the approval of an authorized representative of the department of

24 treasury.

25 (4) During the last 4 months of a fiscal year, notes may be

26 issued pledging state school aid for the next succeeding fiscal

27 year. Except as otherwise provided in this subsection, the notes

**1**   shall not exceed 50% of the state school aid apportioned to the

**2**   school district or intermediate school district for the next

**3**   succeeding fiscal year or, if the apportionment has not been made,

**4**   50% of the apportionment for the then current fiscal year. ~~For the~~

**5**   ~~1997-98 fiscal year only, with the approval of the state treasurer~~

**6**   ~~or the department, notes may be issued that shall not exceed 70% of~~

**7**   ~~the state school aid apportioned to the school district or~~

**8**   ~~intermediate school district for the next succeeding fiscal year~~

**9**   ~~or, if the apportionment has not been made, 70% of the~~

**10**   ~~apportionment for the then current fiscal year. For the 1998-99~~

**11**   ~~fiscal year only, with the approval of the state treasurer or the~~

**12**   ~~department, notes may be issued that shall not exceed 60% of the~~

**13**   ~~state school aid apportioned to the school district or intermediate~~

**14**   ~~school district for the next succeeding fiscal year or, if the~~

**15**   ~~apportionment has not been made, 60% of the apportionment for the~~

**16**   ~~then current fiscal year.~~ The notes shall mature not later than

**17**   ~~12~~ **13** months after the date of issuance.

**18**   (5) Notes issued under this section are subject to the revised

**19**   municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.

**20**   Failure of a school district or intermediate school district to

**21**   receive state school aid does not affect the validity or

**22**   enforceability of a note issued under this section.

**23**   (6) A school board or intermediate school board may make more

**24**   than 1 borrowing under this section during a school year.

**25**   (7) In addition to other powers under this section, with the

**26**   approval of the state treasurer, the board of a local or

**27**   intermediate school district may obtain a line of credit to secure

1 funds for school operations or to pay previous loans obtained for

2 school operations under this or any other statute. The school board

3 or intermediate school board shall pledge not more than 30% of the

4 state school aid apportioned to the school district or intermediate

5 school district for that fiscal year for repayment of funds

6 received pursuant to a line of credit obtained under this

7 subsection. However, the school board or intermediate school board

8 shall not borrow against the line of credit an amount greater than

9 the difference, as of the date of the borrowing, between the total

10 state school aid funds apportioned to the school district or

11 intermediate school district for that fiscal year and the portion

12 already received or pledged, except secondary pledges made under

13 section 1356. To obtain approval for obtaining a line of credit

14 under this subsection, a school board or intermediate school board

15 shall apply to the state treasurer in the form and manner

16 prescribed by the state treasurer, and shall provide information as

17 requested by the state treasurer for evaluating the application.

18 The state treasurer shall approve or disapprove an application and

19 notify the school board or intermediate school board within 20

20 business days after receiving a proper application. If the state

21 treasurer disapproves an application, the state treasurer shall

22 include the reasons for disapproval in the notification to the

23 school board or intermediate school board.