SENATE BILL No. 416

March 31, 2009, Introduced by Senator SWITALSKI and referred to the Committee on Appropriations.

A bill to amend 2005 PA 92, entitled

"School bond qualification, approval, and loan act,"

by amending section 9 (MCL 388.1929), as amended by 2006 PA 71.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

Sec. 9. (1) Except as otherwise provided in this act, a school district may borrow from the state an amount not greater than the difference between the proceeds of the school district’s computed millage and the amount necessary to pay principal and interest on its qualified bonds, including any necessary allowances for estimated tax delinquencies.

(2) For school districts having qualified loans outstanding as of July 20, 2005, the state treasurer shall review information relating to each school district regarding the taxable value of the school district and the actual debt service of outstanding

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qualified bonds as of July 20, 2005 and shall issue an order establishing the payment date for all those outstanding qualified loans and any additional qualified loans expected to be incurred by those school districts related to qualified bonds issued before July 20, 2005. The payment date shall be not later than 72 months after the date on which the qualified bonds most recently issued by the school district are due and payable.

(3) For qualified loans related to qualified bonds issued after July 20, 2005, the qualified loans shall be due not later than 72 months after the date on which the qualified bonds for which the school borrowed from this state are due and payable. This section does not preclude early repayment of qualified bonds or qualified loans.

(4) Except with regard to qualified loans described in subsection (2), each loan made or considered made to a school district under this act shall be for debt service on only a specific qualified bond issue. The state treasurer shall maintain separate accounts for each school district on the books and accounts of this state noting the qualified bond, the related qualified loans, the final payment date of the bonds, the final payment date of the qualified loans, and the interest rate accrued on the loans.

(5) For qualified loans relating to qualified bonds issued after July 20, 2005, a school district shall continue to levy the computed mills until it has completely repaid all principal and interest on its qualified loans.

(6) For qualified loans relating to qualified bonds issued

before July 20, 2005, a school district shall continue to comply with the levy and repayment requirements imposed before July 20, 2005. Not less than 90 days after July 20, 2005, the state treasurer and the school district shall enter into amended and restated repayment agreements to incorporate the levy and repayment requirements applicable to qualified loans issued before July 20, 2005.

(7) Upon the request of a school district made before June 1 of any year, the state treasurer annually may waive all or a portion of the millage required to be levied by a school district to pay principal and interest on its qualified bonds or qualified loans under this section if the state treasurer finds all of the following:

(a) The school board of the school district has applied to the state treasurer for permission to levy less than the millage required to be levied to pay the principal and interest on its qualified bonds or qualified loans under subsection (1).

(b) The application specifies the number of mills the school district requests permission to levy.

(c) The waiver will be financially beneficial to this state, the school district, or both.

(d) The waiver will not reduce the millage levied by the school district to pay principal and interest on qualified bonds or qualified loans under this act to less than 7 mills.

(e) The board of the school district, by resolution, has agreed to comply with all conditions that the state treasurer considers necessary.

(8) Except as otherwise provided in this act, **QUALIFIED** loans shall bear interest at ~~the~~ **1 OF THE FOLLOWING RATES:**

(A) THE greater of 3% or the average annual cost of funds computed **BY THE STATE TREASURER NOT LESS OFTEN THAN** annually on the basis of **1 OF THE FOLLOWING:**

(*i*) ALL NOTES OR BONDS ISSUED BY THE MICHIGAN MUNICIPAL BOND AUTHORITY TO FUND QUALIFIED LOANS OR REFINANCE THOSE NOTES OR BONDS PLUS 0.125%.

(*ii*) IF NO BONDS OR NOTES ISSUED BY THE MICHIGAN MUNICIPAL BOND AUTHORITY ARE OUTSTANDING, all ~~state general obligations issued under section~~ **BONDS OR NOTES ISSUED BY THIS STATE UNDER SECTIONS 15 AND** 16 of article IX of the state constitution of 1963 plus 0.125%. ~~In the event this state has no outstanding general obligations under section 16 of article IX of the state constitution of 1963, the average annual cost of funds shall be computed on the basis of all state general obligations issued under section 15 of article IX of the state constitution of 1963 plus 0.125%.~~

(B) A LESSER RATE DETERMINED BY THE STATE TREASURER TO BE NECESSARY TO MAINTAIN THE EXEMPTION FROM FEDERAL INCOME TAX OF INTEREST ON ANY QUALIFIED LOANS.