

SENATE BILL No. 956

May 21, 2014, Introduced by Senators PAPPAGEORGE and KAHN and referred to the Committee on Appropriations.

A bill to amend 1976 PA 451, entitled
"The revised school code,"
by amending section 1356 (MCL 380.1356), as amended by 2002 PA 181.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1356. (1) Notwithstanding section 1351, a school district
2 that has an operating or projected operating deficit ~~in excess of~~
3 ~~\$100.00 per membership pupil may borrow and issue its negotiable~~
4 ~~interest bearing notes or bonds for the purpose of funding the~~
5 ~~deficit in accordance with this section.~~ **OR THAT HAS OUTSTANDING**
6 **STATE AID ANTICIPATION NOTES ISSUED UNDER SECTION 1225 THROUGH THE**
7 **MICHIGAN FINANCE AUTHORITY MAY, WITH THE APPROVAL OF THE STATE**
8 **TREASURER, BORROW AND ISSUE NOTES OR BONDS FOR THE PURPOSE OF**
9 **ELIMINATING THE DEFICIT OR REFUNDING OR REFINANCING THE STATE AID**
10 **ANTICIPATION NOTES IN ACCORDANCE WITH THIS SECTION. NOTES OR BONDS**

1 ISSUED UNDER THIS SECTION SHALL BE KNOWN AS SCHOOL FINANCING
 2 STABILITY BONDS AND MAY BE ISSUED ONLY THROUGH THE MICHIGAN FINANCE
 3 AUTHORITY. This authority is in addition to and not in derogation
 4 of any power granted to a school district by any other provision of
 5 this act. ~~However, except for the purpose of funding an operating~~
 6 ~~or projected operating deficit resulting from a state tax tribunal~~
 7 ~~order or a court order, a school district shall not initiate the~~
 8 ~~procedures to borrow money or issue notes or bonds under this~~
 9 ~~section after January 1, 1994.~~

10 (2) Before a ~~board of a~~ school district issues notes or bonds
 11 under this section, the board **OF THE SCHOOL DISTRICT** shall provide
 12 by resolution for the submission of the following certified and
 13 substantiated information to the department of treasury:

14 (a) There exists or will exist an operating deficit in the
 15 school district in excess of \$100.00 per membership pupil **OR THE**
 16 **SCHOOL DISTRICT HAS OUTSTANDING STATE AID ANTICIPATION NOTES ISSUED**
 17 **UNDER SECTION 1225 THROUGH THE MICHIGAN FINANCE AUTHORITY.**

18 (b) ~~During~~ **IF THE SCHOOL DISTRICT HAS A DEFICIT, DURING** or
 19 before the fiscal year in which the application is made, the school
 20 district has made every available effort to offset the deficit. ~~7~~
 21 ~~including submission of a question to the school electors of the~~
 22 ~~district to increase the rate of ad valorem property taxes levied~~
 23 ~~in the school district.~~

24 (c) The school district has a plan approved by the ~~school~~
 25 ~~board~~ **STATE TREASURER** that outlines actions to be taken to balance
 26 future expenditures with anticipated revenues **AND TO REPAY ANY**
 27 **BONDS OR NOTES ISSUED UNDER THIS SECTION, AND THAT DEMONSTRATES**

1 THAT THE FINANCES OF THE SCHOOL DISTRICT ARE STRUCTURALLY BALANCED.
2 THE STATE TREASURER MAY RECOGNIZE A DEFICIT ELIMINATION PLAN OR
3 ENHANCED DEFICIT ELIMINATION PLAN UNDER SECTION 1220 AS SATISFYING
4 THE REQUIREMENTS FOR AN APPROVED PLAN UNDER THIS SUBDIVISION.

5 (3) The existence of ~~the~~**AN** operating or projected operating
6 deficit, ~~and~~ the amount of the operating or projected operating
7 deficit, **AND THE AMOUNT NECESSARY TO REFUND OR REFINANCE ANY SCHOOL**
8 **AID ANTICIPATION NOTES ISSUED UNDER SECTION 1225 THROUGH THE**
9 **MICHIGAN FINANCE AUTHORITY** shall be determined by the department of
10 treasury, using normal school accounting practices. If a financial
11 audit is required to arrive at a conclusive determination as to the
12 amount of ~~the~~**A** deficit, the state treasurer shall charge all
13 necessary expenses for the audit, including per diem and travel
14 expenses, to the school district, and the school district shall
15 make payment to the state treasurer for these expenses. ~~The~~**A**
16 determination by the department of treasury **UNDER THIS SUBSECTION**
17 is final and conclusive. ~~as to the existence of an operating or~~
18 ~~projected operating deficit, the amount of the deficit, and the~~
19 ~~amount of the deficit per membership pupil.~~

20 (4) The notes or bonds may be issued in 1 or more series by
21 resolution adopted by the school board, which resolution in each
22 case shall make reference to the determination of the department of
23 treasury **UNDER SUBSECTION (3)**. The amount of a note or bond issued
24 shall not exceed the amount ~~of the operating deficit as shown by~~
25 ~~the determination.~~**DETERMINED BY THE DEPARTMENT OF TREASURY UNDER**
26 **SUBSECTION (3)**.

27 (5) The school district ~~shall~~**MAY** pledge as ~~secondary~~ security

1 for the REPAYMENT OF PRINCIPAL AND INTEREST ON notes or bonds
2 ~~future~~ ISSUED UNDER THIS SECTION MONEY FROM state school aid
3 payments ~~, if any, and other funds~~ PAID OR PAYABLE TO THE SCHOOL
4 DISTRICT, REVENUE FROM TAXES LEVIED BY THE SCHOOL DISTRICT FOR
5 SCHOOL OPERATING PURPOSES UNDER SECTION 1211, AND OTHER TAX REVENUE
6 OR OTHER MONEY of the SCHOOL district legally available as
7 security. A PLEDGE UNDER THIS SUBSECTION IS VALID AND BINDING FROM
8 THE TIME THE PLEDGE IS MADE. A PLEDGE UNDER THIS SUBSECTION FOR THE
9 BENEFIT OF THE HOLDERS OF NOTES OR BONDS OR FOR THE BENEFIT OF
10 OTHERS IS PERFECTED WITHOUT DELIVERY, RECORDING, OR NOTICE. A
11 SCHOOL DISTRICT MAY ENTER INTO AN AGREEMENT WITH THE DEPARTMENT OF
12 TREASURY OR THE MICHIGAN FINANCE AUTHORITY, OR BOTH, PROVIDING FOR
13 THE DIRECT PAYMENT ON BEHALF OF THE SCHOOL DISTRICT TO THE MICHIGAN
14 FINANCE AUTHORITY OR A DESIGNATED TRUSTEE OF STATE SCHOOL AID
15 PLEDGED FOR THE REPAYMENT OF PRINCIPAL AND INTEREST ON NOTES OR
16 BONDS ISSUED UNDER THIS SECTION IN THE SAME MANNER AS AN AGREEMENT
17 UNDER SECTION 17A(4) OF THE STATE SCHOOL AID ACT OF 1979, MCL
18 388.1617A.

19 (6) The notes or bonds shall mature serially with annual
20 maturities not more than 10 years from their date and shall bear
21 interest, payable annually or semiannually, at a rate or rates not
22 exceeding a rate determined by the school board in the school
23 district's borrowing resolution. The first principal installment on
24 the notes or bonds shall be due not more than 18 months from the
25 date of the **ISSUANCE OF THE** notes or bonds. ~~, and a principal~~
26 ~~installment on the notes shall not be less than 1/3 of the~~
27 ~~principal amount of a subsequent principal installment.~~ The notes

1 or bonds may be made subject to redemption before maturity with or
2 without premium in a manner and at times provided in the resolution
3 authorizing the issuance of the notes or bonds.

4 (7) Notes or bonds issued under this section are valid and
5 binding general obligations of the school district, it being the
6 intent and purpose that the notes or bonds and the interest on the
7 notes or bonds be promptly paid when due from the first money
8 available to the **SCHOOL** district not pledged for other indebtedness
9 and except to the extent that the use is restricted by the state
10 constitution of 1963 or the laws of the United States. **IF A SCHOOL**
11 **DISTRICT DOES NOT RECEIVE STATE SCHOOL AID, THE VALIDITY OF A NOTE**
12 **OR BOND ISSUED UNDER THIS SECTION IS NOT AFFECTED.**

13 (8) Except as otherwise provided in this section, bonds and
14 notes issued under this section are subject to the revised
15 municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.

16 (9) The proceeds of the sale of notes **OR BONDS** authorized
17 under this section, after payment of the costs of issuance of the
18 notes or bonds and interest on the notes or bonds, ~~for a period not~~
19 ~~to exceed 9 months,~~ shall be used solely for the purpose of paying
20 necessary operating expenses of the school district, including the
21 payment of principal of and interest on notes or bonds of the
22 school district issued for operating purposes under this or any
23 other act.

24 (10) A board of a school district that borrows ~~pursuant to~~
25 ~~subsections (1) to (9)~~ **UNDER THIS SECTION** shall submit its budget
26 for review and approval to the department of ~~education.~~ **TREASURY.**
27 The department of ~~education~~ **TREASURY** shall take necessary steps,

1 subject to the school district's contracts and statutory
2 obligations, to assure that the expenditures of a school district
3 that receives money under this part shall not exceed revenues on an
4 annual basis and that the school district maintains a balanced
5 budget.

6 Enacting section 1. This amendatory act does not take effect
7 unless all of the following bills of the 97th Legislature are
8 enacted into law:

9 (a) Senate Bill No.953

10 .

11 (b) Senate Bill No.955

12 .

13 (c) Senate Bill No.952

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