

# SENATE BILL No. 557

November 10, 1987, Introduced by Senators SCHWARZ, J. HART and SHINKLE and referred to the Committee on Finance.

A bill to amend section 4 of Act No. 108 of the Public Acts of 1961, entitled as amended

"An act to provide for loans by the state of Michigan to school districts for the payment of principal and interest upon school bonds; to prescribe the terms and conditions thereof, and the conditions upon which levies for bond principal and interest shall be included in computing the amount to be so loaned by the state; to prescribe the powers and duties of the superintendent of public instruction and the state treasurer in relation to such loans; to provide for the repayment of such loans; and to provide for other matters in respect to such loans,"

as amended by Act No. 25 of the Public Acts of 1985, being section 388.954 of the Michigan Compiled Laws.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Section 1. Section 4 of Act No. 108 of the Public Acts of  
2 1961, as amended by Act No. 25 of the Public Acts of 1985, being  
3 section 388.954 of the Michigan Compiled Laws, is amended to read  
4 as follows:

1       Sec. 4. (1) The superintendent of public instruction shall  
2 issue his or her certificate qualifying an issue of bonds, upon  
3 application for a certificate being duly made by the school dis-  
4 trict, if the superintendent finds ~~as follows~~ THE FOLLOWING:

5       (a) That the last maturity date of the issue of bonds is not  
6 less than 10 years from the issuance date appearing on the bonds  
7 subject to the following qualifications and exceptions:

8       (i) Except for bonds issued for a purpose described in sec-  
9 tion 1274a of the school code of 1976, Act No. 451 of the Public  
10 Acts of 1976, being section 380.1274a of the Michigan Compiled  
11 Laws, or as otherwise provided in this subparagraph, if the ratio  
12 of debt to valuation of the school district exceeds 4%, the last  
13 maturity date of the issue of bonds shall be not less than 15  
14 years from the issuance date appearing on the bonds; ~~—~~ if the  
15 ratio of debt to valuation of the school district exceeds 7%, the  
16 last maturity date of the issue of bonds shall be not less than  
17 25 years from the issuance date appearing on the bonds; ~~—~~ or if  
18 the ratio of debt to valuation of the school district exceeds  
19 12%, the last maturity date of the issue of bonds shall be not  
20 less than 29 years from the issuance date appearing on the  
21 bonds. Regardless of the ratio of debt to valuation of a school  
22 district, the state treasurer may authorize the last maturity  
23 date of an issue of bonds of that school district to be not less  
24 than 10 years from the issuance date appearing on the bonds if  
25 the state treasurer determines it is financially beneficial to  
26 the state or to the school district. As used in this section,  
27 "ratio of debt to valuation" means that ratio arrived at by

1 dividing the total tax supported bonded indebtedness of the  
2 school district outstanding as of the date of the filing of the  
3 application required by this act, including the bonds proposed to  
4 be qualified, by the assessed valuation of the school district as  
5 last equalized by the state, provided that the refunding part of  
6 any proposed issue of bonds shall not be included in the total  
7 indebtedness of the school district for the purposes of this  
8 section.

9       (ii) If the bonds are issued for a purpose described in sec-  
10 tion 1274a of Act No. 451 of the Public Acts of 1976, the last  
11 maturity of the issue of bonds may be less than 10 years from the  
12 issuance date appearing on the bonds but not less than the number  
13 of years approved by the superintendent of public instruction in  
14 the certificate of qualification. The certificate of qualifica-  
15 tion of the superintendent of public instruction shall contain a  
16 certification and approval that the bonds are issued for such a  
17 purpose which approval shall be final and conclusive and shall  
18 set forth the minimum number of years for the last maturity of  
19 the bonds.

20       (b) That the yearly principal maturity date ~~shall be~~ IS  
21 not less than 5 months after the major part of the taxes for the  
22 bonds ~~become~~ BECOMES by law a lien upon the property assessed.

23       (c) ~~That~~ EXCEPT AS OTHERWISE PROVIDED IN THIS SUBDIVISION,  
24 THAT the amount of principal maturing in any calendar year is not  
25 less than the amount of principal maturing in any prior calendar  
26 year and, except for bonds issued for a purpose described in  
27 section 1274a of Act No. 451 of the Public Acts of 1976, if the

1 ratio of debt to valuation of the school district ~~as defined~~  
2 ~~in subdivision (a)~~, exceeds 12%, that the first 10 principal  
3 maturities do not in the aggregate exceed 25% of the total prin-  
4 cipal amount of the bonds proposed to be qualified. REGARDLESS  
5 OF THE AMOUNT OF PRINCIPAL MATURING IN ANY CALENDAR YEAR AND  
6 REGARDLESS OF THE RATIO OF DEBT TO VALUATION OF THE SCHOOL DIS-  
7 TRICT, THE STATE TREASURER MAY AUTHORIZE PRINCIPAL MATURITIES IN  
8 ANY AMOUNT IF THE STATE TREASURER DETERMINES IT IS FINANCIALLY  
9 BENEFICIAL TO THE STATE OR TO THE SCHOOL DISTRICT.

10 (d) That the cost of the project for which the bonds are to  
11 be issued is within reasonable standards of cost as established  
12 by the state board of education, which standards may vary as to  
13 different localities in accordance with any variance in construc-  
14 tion costs between localities.

15 (e) Except for bonds issued for a purpose described in sec-  
16 tion 1274a of Act No. 451 of the Public Acts of 1976, that there  
17 exists a need for the project based upon current and probable  
18 future enrollment and that the project is designed to provide  
19 school facilities reasonably adequate to meet that need.

20 (f) If a bond issue requires an election, that a bond issue  
21 which a school district wishes to qualify has been given prelimi-  
22 nary qualification prior to the official action of the board of  
23 education calling for the election on the bond issue.

24 (g) If the bonds are issued for a purpose described in sec-  
25 tion 1274a of Act No. 451 of the Public Acts of 1976, and if the  
26 bonds have not been approved by a majority of the school electors  
27 voting on the question, that the school district has demonstrated

1 and the state treasurer has approved the method of payment for,  
2 and the ability to pay, the bonds and that the school district  
3 has received the prior approval of the department of treasury for  
4 the issuance of the bonds under the municipal finance act, Act  
5 No. 202 of the Public Acts of 1943, being sections 131.1 to 139.3  
6 of the Michigan Compiled Laws.

7       (2) For refunding bonds issued to refund bonds issued before  
8 May 4, 1955, the superintendent of public instruction shall issue  
9 the certificate of qualification if the superintendent finds that  
10 the refunding bonds comply with the requirements set forth in  
11 subsection (1)(c). For refunding bonds issued to refund bonds  
12 issued on or after May 4, 1955, OR ISSUED TO REFUND LOANS FROM  
13 THE STATE MADE UNDER THE AUTHORITY OF THIS ACT, the superinten-  
14 dent shall issue the certificate of qualification if the superin-  
15 tendent finds that the refunding bonds comply with the require-  
16 ments set forth in subsection (1)(c) and also that the REFUNDING  
17 BONDS ARE BEING ISSUED TO REFUND LOANS FROM THE STATE MADE UNDER  
18 THE AUTHORITY OF THIS ACT OR THAT THE bonds representing the  
19 original indebtedness either were qualified or satisfied the  
20 requirements for qualification in effect when issued or would  
21 have satisfied the requirements set forth in subsection  
22 (1)(d), (e), and (f) had those requirements been in effect when  
23 the bonds were issued. REFUNDING BONDS ISSUED TO REFUND LOANS  
24 FROM THE STATE MADE UNDER THE AUTHORITY OF THIS ACT SHALL BE CON-  
25 sidered AS REFUNDING BONDS FOR ALL PURPOSES INCLUDING SECTION 16  
26 OF ARTICLE IX OF THE STATE CONSTITUTION OF 1963.