

Act No. 65
Public Acts of 1991
Approved by the Governor
July 3, 1991
Filed with the Secretary of State
July 3, 1991

**STATE OF MICHIGAN
86TH LEGISLATURE
REGULAR SESSION OF 1991**

Introduced by Senators Gast and DeGrow

ENROLLED SENATE BILL No. 343

AN ACT to amend the title and sections 2, 6, 9, and 9a 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," section 6 as amended by Act No. 124 of the Public Acts of 1983, section 9 as amended by Act No. 6 of the Public Acts of 1989, and section 9a as added by Act No. 27 of the Public Acts of 1991, being sections 388.952, 388.956, 388.959, and 388.959a of the Michigan Compiled Laws; and to add section 9b.

The People of the State of Michigan enact:

Section 1. The title and sections 2, 6, 9, and 9a of Act No. 108 of the Public Acts of 1961, section 6 as amended by Act No. 124 of the Public Acts of 1983, section 9 as amended by Act No. 6 of the Public Acts of 1989, and section 9a as added by Act No. 27 of the Public Acts of 1991, being sections 388.952, 388.956, 388.959, and 388.959a of the Michigan Compiled Laws, are amended and section 9b is added to read as follows:

TITLE

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 of the loans 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; to provide incentives for repayment of such loans; to provide for other matters in respect to such loans; and to make an appropriation.

Sec. 2. (1) If the minimum amount which it would otherwise be necessary for a school district to levy in any year to pay principal and interest on its qualified bonds, including any necessary allowances for estimated tax delinquencies, exceeds 13 mills or the computed millage under subsection (2), whichever is less, on each dollar of its assessed valuation as last equalized by the state, then the school district may elect to borrow all or any part of the excess from the state. In that event the state shall loan the excess amount to the school district for the payment of principal and interest. For bond issues sold before October 1, 1991, schools shall be allowed to borrow at least the percentage over 7 mills allowed them in the 1990-91 fiscal year. The school district shall levy not less than 12 mills or its equivalent for operating purposes.

(2) The computed millage referred to in subsection (1) is the number of mills as computed by the state treasurer that the school district would have to levy in the year the computation is made and each succeeding year to be able to pay the principal and interest on all of its qualified bonds and loans made to the school district under this act, taking into account loans made to the school district under this act for debt service, by not later than 60 months after the final maturity date of all of its qualified bonds outstanding as of the date of the computation, but shall be not less than 7 mills. The state treasurer shall make the computation based on the following assumptions:

(a) An assumed interest rate on loans made under this act equal to the average interest rate on school bond loan fund notes and bonds over the immediately preceding 5-year period.

(b) A projected total state equalized valuation for the school district that assumes a state equalized valuation growth rate or decline rate equal to the school district's average yearly state equalized valuation growth rate or decline rate over the immediately preceding 5-year period.

(3) Upon request made by a school district before June 1 of any year, the superintendent of public instruction and the state treasurer annually may jointly issue an order waiving all or a portion of the millage required to be levied by a school district to pay principal and interest on its qualified bonds pursuant to subsection (1) if they find all of the following:

(a) The school board of the school district has applied to the department of education for permission to levy less than the millage required to be levied to pay the principal and interest on its qualified bonds pursuant to 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 the state or to 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 under subsection (1) to less than 7 mills.

(e) The school board, by resolution, has agreed to comply with all conditions that the superintendent of public instruction and the state treasurer consider are necessary.

Sec. 6. In any school district where the amount necessary to be levied in any year for principal and interest on qualified bonds, including any necessary allowance for estimated tax delinquencies but excluding any funds pledged to and available for the payment of the principal and interest, exceeds that amount stipulated in section 2, the school district, on or before 60 days prior to the time of the certification of its tax levy to the assessing officer, shall file with the superintendent of public instruction and the municipal finance commission or its successor agency a preliminary application for a loan from the state in the amount of any part of such excess over that amount stipulated in section 2 which it does not propose to levy in such year. If the excess over that amount stipulated in section 2 is reached or increased by reason of bonds authorized by resolution of the board of education of the school district within the 60-day period, an original or amended application shall be filed within that period. An application shall set forth the amount of the last state equalized valuation of the school district and, for each of the 5 years immediately preceding the application, the amount of principal and interest on qualified bonds necessary to be levied upon the tax roll of that year, the amount of any moneys on hand pledged to and available for the payment of the principal and interest, the probable delinquency in tax collections at the times the principal and interest will become due, the estimated amount of the loan which will be required from the state, and any other pertinent facts which may be required to be included in the application by the superintendent of public instruction. The superintendent of public instruction shall examine the application and shall request the state treasurer to compute the computed millage under section 2(2), if applicable, as soon as possible and notify the school district of any erroneous statements or assumptions in the application and within the 60-day period shall approve or deny the preliminary application in whole or in part and shall notify the school district of his or her action. The school district shall include in its tax levy any amount otherwise required to be levied for the payment of principal and interest on qualified bonds for which it does not secure approval for a state loan as aforesaid.

Sec. 9. (1) Except as provided in this section, section 2, and section 10a, any school district having received 1 or more loans from "the school bond loan funds" under sections 27 and 28 of article X of the state constitution of 1908 or section 16 of article IX of the state constitution of 1963 and implementing acts shall continue to levy on its tax rolls not less than 13 mills or the computed millage under section 2(2), whichever is less, on each dollar of its assessed valuation as last equalized by the state, exclusive of any levy for unqualified bonds or for school operating purposes, until all loans made to the school district by the state are repaid with interest at rates to be annually determined by the state treasurer. Except as provided in this section, these rates shall represent not more than the average interest rate paid by the state on obligations issued under sections 27 and 28 of article X of the state constitution of 1908 and section 16 of article IX of the state constitution of 1963 and implementing acts and, except to the extent required to maintain the tax-exempt status of bonds or notes issued by the state pursuant to this act and Act No. 112 of the Public Acts of 1961, being sections 388.981 to 388.985 of the Michigan Compiled Laws, not less than that average interest rate, computed to the nearest 1/8 of 1%. The state treasurer shall annually certify to the several borrowing districts the rate of interest to be currently collected. The proceeds of each such levy shall be used first for the payment of the minimum principal and interest requirements on the qualified bonds that shall become due before the next tax collection, and any balance shall be paid to the state until the principal and interest due the state are paid.

(2) Before the adoption of a resolution approving annexation and transfer of a school district to be divided pursuant to part 10a of the school code of 1976, Act No. 451 of the Public Acts of 1976, being sections 380.941 to 380.949 of the Michigan Compiled Laws, the superintendent of public instruction and the state treasurer may issue a joint order determining that, upon division of a school district pursuant to part 10a of the school code of 1976, the divided district or any other school district affected by the division, or all, may cease levying on its tax rolls for all or a portion, as shall be determined in the joint order by the superintendent of public instruction and the state treasurer, of the amount required by subsection (1) for repayment of all or a portion of the principal of or interest on, or both, the loans received before the issuance of the joint order from the school bond loan fund for a number of years to be determined in the joint order by the superintendent of public instruction and the state treasurer, not to exceed 5 years, beginning with the first tax levy after the election approving the division or until the bonded indebtedness of the district for which loans have been received has been paid in full or provision for the payment has been made, whichever occurs first. During the period in which the levy is waived pursuant to this subsection, the school district payments due to the state pursuant to subsection (1) from that waived levy shall be waived. After expiration of the period of waiver, each school district shall levy each year for repayment of loans an amount designated in the order of the superintendent of public instruction and the state treasurer, which amount, when added to the amount required for debt service, shall not be more than the amount required by subsection (1) until all loans to the school district by the state are repaid with interest at rates to be determined annually by the state treasurer. A school district determining not to levy for loan repayment during the following year shall notify before December 15 of each year the state treasurer of its determination not to levy and shall supply the superintendent of public instruction or the state treasurer with any additional related information the superintendent of public instruction or the state treasurer shall require.

(3) During any year in which a school district levy is waived, an amount equal to the annual interest for that year on the amount owed by the school district to the school bond loan fund shall be added to the amount of loans to the school district by the state.

(4) Any repayment of principal or interest that was waived pursuant to subsection (2) shall be transferred to the general fund if general fund revenue supplements were required to pay obligations issued under sections 27 and 28 of article X of the state constitution of 1908 or section 16 of article IX of the state constitution of 1963 during the period of the waiver.

Sec. 9a. (1) Notwithstanding any other section of this act, if a school district agrees to repay the outstanding balance on a loan made under this act not later than September 30, 1991 or, for a school district that has covenanted not to issue additional obligations during calendar year 1991, not later than March 31, 1992, and if the school district submits to the state treasurer not later than August 1, 1991 a board-adopted resolution indicating that the school district intends to repay an outstanding balance in accordance with this section, the state treasurer shall reduce the total loan amount due from the school district as provided in subsection (2) and shall calculate and pay to the school district a general fund incentive payment as provided in subsection (3). There are hereby appropriated sufficient funds to pay the general fund incentive payments under subsection (3).

(2) The amount of the loan repayment reduction to be made by the state treasurer for the purposes of subsection (1) shall be an amount equal to the sum of the amounts described in subdivisions (a) and (b) as follows, but shall not exceed 10% of the total outstanding balance on the loan as calculated without reduction on the settlement date:

(a) The cost to the school district of obtaining the funds to use for the repayment of the outstanding balance of the loan.

(b) The amount by which the school district's payments of principal and interest on the obligations issued by the school district to obtain the funds to use for the repayment of the outstanding balance of the loan exceed the projected payments of principal and interest the school district otherwise would have paid to repay the loan based on the following assumptions:

(i) An assumed interest rate equal to the average interest rate on school bond loan fund notes and bonds over the immediately preceding 5-year period.

(ii) A projected total state equalized valuation for the school district that assumes a state equalized valuation growth rate equal to the school district's average yearly state equalized valuation growth rate over the immediately preceding 5-year period.

(3) The amount of the general fund incentive payment to be made by the state treasurer for the purposes of subsection (1) shall equal the lesser of either 5% of the reduced loan amount after the reduction made under subsection (2) or an amount calculated by subtracting the amount of the reduction made under subsection (2) from an amount equal to 10% of the school district's total outstanding balance on the loan as calculated without reduction on the settlement date. The state treasurer shall pay the general fund incentive payment to the school district on the settlement date. To receive a general fund incentive payment, a school district shall agree to use the general fund incentive payment only for capital expenditures.

(4) A school district that issues its obligations to obtain the funds to use for the repayment under this section of the outstanding balance of a loan under this act shall sell those obligations only to the Michigan municipal bond authority created in the shared credit rating act, Act No. 227 of the Public Acts of 1985, being sections 141.1051 to 141.1078 of the Michigan Compiled Laws, unless the Michigan municipal bond authority notifies the school district and the state treasurer in writing that the authority is unwilling or unable to purchase those obligations.

(5) As used in this section, "settlement date" means the date on which a school district repays the outstanding balance of a loan made under this act, as reduced under this section.

Sec. 9b. To receive a loan under this act or a general fund incentive payment under section 9a, a school district shall agree to take actions and to refrain from taking actions as necessary to maintain the tax-exempt status of bonds or notes issued by the state pursuant to this act and Act No. 112 of the Public Acts of 1961, being sections 388.981 to 388.985 of the Michigan Compiled Laws. The state treasurer shall take the actions permitted by law that are necessary to maintain the tax-exempt status of obligations issued by school districts to provide the funds to repay a loan made under this act.

Section 2. This amendatory act shall not take effect unless Senate Bill No. 342 of the 86th Legislature is enacted into law.

This act is ordered to take immediate effect.

.....
Secretary of the Senate.

.....
Clerk of the House of Representatives.

Approved

.....
Governor.