

HOUSE BILL No. 5584

March 3, 1992, Introduced by Reps. Profit, Jacobetti, O'Neill, Hood, Mathieu, Griffin, Knight, McBryde, Brown, Jondahl and Kosteva and referred to the Committee on Colleges and Universities.

A bill to implement the Michigan education savings bond authorization act; to create the Michigan education savings bond fund; to provide for the use of the fund; to finance improvements at institutions of higher education and community colleges; to provide for the issuance of general obligation bonds pledging the full faith and credit of this state; and to prescribe the powers and duties of certain state agencies.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1. This act shall be known and may be cited as the
2 "Michigan education savings bond implementation act".

3 Sec. 2. As used in this act:

4 (a) "Bonds" means the bonds issued under the Michigan educa-
5 tion savings bond authorization act.

6 (b) "Community college" means a community college or a
7 junior college established under section 7 of article VIII of the

1 state constitution of 1963 or part 25 of the school code of 1976,
2 Act No. 451 of the Public Acts of 1976, being sections 380.1601
3 to 380.1607 of the Michigan Compiled Laws.

4 (c) "Department" means the department of treasury.

5 (d) "Educational facilities" means facilities used, in whole
6 or in part, as classrooms, laboratories, student housing, or
7 other facilities that provide educational services for students.

8 (e) "Fund" means the Michigan education savings bond fund
9 created in section 6.

10 (f) "Institution of higher education" means a state univer-
11 sity described in section 4, 5, or 6 of article VIII of the state
12 constitution of 1963.

13 (g) "Rule" means a rule promulgated pursuant to the adminis-
14 trative procedures act of 1969, Act No. 306 of the Public Acts of
15 1969, being sections 24.201 to 24.328 of the Michigan Compiled
16 Laws.

17 (h) "Treasurer" means the state treasurer.

18 Sec. 3. (1) The bonds issued under the Michigan education
19 savings bond authorization act shall be issued in 1 or more
20 series, each series to be in a principal amount, to be dated, to
21 have the maturities that may be either serial, term, or term and
22 serial, to bear interest at a rate or rates, to be subject or not
23 subject to prior redemption and, if subject to prior redemption
24 with or without call premiums, to be payable at a place or
25 places, to have or not have provisions for registration as to
26 principal only or as to both principal and interest, to be in a
27 form, to be executed in a manner, and to be subject to or

1 granting those covenants, directions, restrictions, or rights
2 necessary to ensure marketability, insurability, or tax exempt
3 status as shall be determined by resolution to be adopted by the
4 state administrative board. The state administrative board shall
5 rotate legal counsel when issuing bonds.

6 (2) The state administrative board by resolution may autho-
7 rize the treasurer to provide for the sale of the bonds at a dis-
8 count, the investment and reinvestment of bond sales proceeds,
9 the costs of issuance, the security for the bonds, and other
10 details for the bonds as are necessary and advisable.

11 (3) The state administrative board shall provide that at
12 least 10% of the bonds issued shall be sold in increments of
13 \$100.00 and \$250.00. The state administrative board shall pro-
14 vide that the treasurer make available a portion of the bonds
15 described in this subsection to individuals through a payroll
16 deduction system. The treasurer shall implement this subsection
17 by rule.

18 (4) The bonds shall be approved by the treasurer before
19 their issuance but are not subject to the municipal finance act,
20 Act No. 202 of the Public Acts of 1943, being sections 131.1 to
21 139.3 of the Michigan Compiled Laws.

22 (5) The bonds or any series of the bonds shall be sold at
23 the price and at a publicly advertised sale or a competitively
24 negotiated sale as determined by the state administrative board.
25 If bonds are issued at a competitively negotiated sale, the state
26 administrative board shall use its best efforts to include firms
27 based in this state in the sale of the bonds.

1 (6) Except as provided in subsection (7), the bonds shall be
2 sold in accordance with the following schedule, beginning during
3 the first year after the effective date of this act:

4 (a) Not more than 34% shall be sold during the first year.

5 (b) Not more than 33% shall be sold during the second year.

6 (c) Not more than 33% shall be sold during the third year.

7 (d) After the third year any remaining bonds may be sold at
8 the discretion of the state administrative board.

9 (7) The state administrative board may alter the schedule
10 for issuance of the bonds provided in subsection (6) if amend-
11 ments to the internal revenue code of 1986 would impair the tax
12 exempt status of the bonds.

13 Sec. 4. Bonds issued under the Michigan education savings
14 bond authorization act are fully negotiable under the uniform
15 commercial code, Act No. 174 of the Public Acts of 1962, being
16 sections 440.1101 to 440.11102 of the Michigan Compiled Laws.
17 The bonds and the interest on the bonds are exempt from all taxa-
18 tion by this state or any political subdivisions of this state.

19 Sec. 5. Bonds issued under the Michigan education savings
20 bond authorization act are securities in which banks, savings and
21 loan associations, investment companies, credit unions, and other
22 persons carrying on a banking business; insurance companies,
23 insurance associations, and other persons carrying on an insur-
24 ance business; and administrators, executors, guardians, trust-
25 ees, and other fiduciaries may properly and legally invest funds,
26 including capital, belonging to them or within their control.

1 Sec. 6. (1) The Michigan education savings bond fund is
2 created in the state treasury.

3 (2) The fund shall consist of all of the following:

4 (a) The proceeds of sales of general obligation bonds issued
5 pursuant to the Michigan education savings bond authorization act
6 and any premium and accrued interest received on the delivery of
7 the bonds.

8 (b) Any interest, premiums, or earnings generated by the
9 proceeds described in subdivision (a).

10 (c) Any federal or private funds received.

11 (3) The department may establish restricted subaccounts
12 within the fund as necessary to administer the fund.

13 Sec. 7. (1) The proceeds of the bonds issued under the
14 Michigan education savings bond authorization act and any premium
15 or accrued interest shall be deposited into the fund.

16 (2) The treasurer shall direct the investment of the fund.
17 Except as otherwise may be required by the resolution authorizing
18 the issuance of the bonds in order to maintain the exclusion from
19 gross income of the interest paid on the bonds or to comply with
20 state or federal law, interest and earnings from investment of
21 the proceeds of any bond issue shall be allocated in the same
22 proportion as earned on the investment of the proceeds of the
23 bond issue.

24 (3) The unencumbered balance in the fund at the close of the
25 fiscal year shall remain in the fund and shall not revert to the
26 general fund.

1 (4) The legislature shall appropriate prospective or actual
2 bond proceeds for projects proposed to be funded. Appropriations
3 shall be carried over to succeeding fiscal years pursuant to the
4 management and budget act, Act No. 431 of the Public Acts of
5 1984, being sections 18.1101 to 18.1594 of the Michigan Compiled
6 Laws.

7 Sec. 8. (1) Except as otherwise provided in this section,
8 money in the fund shall be used as follows:

9 (a) \$800,000,000.00 of the bond revenues shall be used for
10 new construction and special maintenance, remodeling, and renova-
11 tion of education facilities for institutions of higher
12 education.

13 (b) \$200,000,000.00 of the bond revenues shall be used for
14 new construction and special maintenance, remodeling, and renova-
15 tion of education facilities for community colleges.

16 (2) Money in the fund described in subsection (1)(a) and (b)
17 shall be allocated equally between new construction and special
18 maintenance, remodeling, and renovation.

19 (3) Money in the fund may be used by the department to pay
20 for the costs directly associated with issuing the bonds under
21 the Michigan education savings bond authorization act and to
22 market the bonds for sale. Not more than 3% of the total amount
23 specified in this section shall be available for appropriation to
24 the department to pay department costs directly associated with
25 issuing the bonds and marketing the sale of the bonds. It is the
26 intent of the legislature that general fund appropriations to the

1 department shall not be reduced as a result of department costs
2 funded pursuant to this subsection.

3 Sec. 9. (1) Total grants under this act to a single insti-
4 tution of higher education or community college shall not exceed
5 10% of the amount of bonds issued under this act.

6 (2) Total grants for a single project at an institution of
7 higher education or community college shall not exceed 5% of the
8 amount of bonds issued under this act.

9 Sec. 10. This act shall take effect August 1, 1992.

10 Sec. 11. This act shall not take effect unless Senate Bill
11 No. _____ or House Bill No. 5585 (request no. 03825'91) of
12 the 86th Legislature is enacted into law.