



HOUSE BILL No. 4083

February 2, 1993, Introduced by Rep. Profit and referred to the Committee on Taxation.

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 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 authorized under the Michigan
5 education 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
8 state constitution of 1963 or part 25 of the school code of 1976,

1 Act No. 451 of the Public Acts of 1976, being sections 380.1601
2 to 380.1607 of the Michigan Compiled Laws.

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

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

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

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

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

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

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

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

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

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

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

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

1 Sec. 4. Bonds issued under this act are fully negotiable
2 under the uniform commercial code, Act No. 174 of the Public Acts
3 of 1962, being sections 440.1101 to 440.11102 of the Michigan
4 Compiled Laws. The bonds and the interest on the bonds are
5 exempt from all taxation by this state or any political subdivi-
6 sions of this state.

7 Sec. 5. Bonds issued under this act are securities in which
8 banks, savings and loan associations, investment companies,
9 credit unions, and other persons carrying on a banking business;
10 insurance companies, insurance associations, and other persons
11 carrying on an insurance business; and administrators, executors,
12 guardians, trustees, and other fiduciaries may properly and
13 legally invest funds, including capital, belonging to them or
14 within their control.

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

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

18 (a) The proceeds of sales of general obligation bonds autho-
19 rized pursuant to the Michigan education savings bond authoriza-
20 tion act and any premium and accrued interest received on the
21 delivery of the bonds.

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

24 (c) Any federal or private funds received.

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

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

4 (2) The treasurer shall direct the investment of the fund.
5 Except as otherwise may be required by the resolution authorizing
6 the issuance of the bonds in order to maintain the exclusion from
7 gross income of the interest paid on the bonds or to comply with
8 state or federal law, interest and earnings from investment of
9 the proceeds of any bond issue shall be allocated in the same
10 proportion as earned on the investment of the proceeds of the
11 bond issue.

12 (3) The unencumbered balance in the fund at the close of the
13 fiscal year shall remain in the fund and shall not revert to the
14 general fund.

15 (4) The legislature shall appropriate prospective or actual
16 bond proceeds for projects proposed to be funded. Appropriations
17 shall be carried over to succeeding fiscal years pursuant to the
18 management and budget act, Act No. 431 of the Public Acts of
19 1984, being sections 18.1101 to 18.1594 of the Michigan Compiled
20 Laws.

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

23 (a) \$400,000,000.00 of the bond revenues shall be used for
24 special maintenance, remodeling, and renovation of education
25 facilities for institutions of higher education.

1 (b) \$100,000,000.00 of the bond revenues shall be used for
2 special maintenance, remodeling, and renovation of education
3 facilities for community colleges.

4 (2) Money in the fund may be used by the department to pay
5 for the costs directly associated with issuing the bonds under
6 the Michigan education savings bond authorization act and to
7 market the bonds for sale. Not more than 3% of the total amount
8 specified in this section shall be available for appropriation to
9 the department to pay department costs directly associated with
10 issuing the bonds and marketing the sale of the bonds. It is the
11 intent of the legislature that general fund appropriations to the
12 department shall not be reduced as a result of department costs
13 funded pursuant to this subsection.

14 Sec. 9. Total grants under section 8(1)(a) and (b) to a
15 single institution of higher education or community college shall
16 not exceed 10% of the amount of bonds issued under this act.

17 Sec. 10. This act shall take effect August 1, 1993.

18 Sec. 11. This act shall not take effect unless Senate Bill
19 No. _____ or House Bill No. _____ (request no. 01744'93 *) of the
20 87th Legislature is enacted into law.