

HOUSE BILL No. 5370

November 13, 1997, Introduced by Rep. Emerson and referred to the Committee on Appropriations.

A bill to amend 1976 PA 451, entitled "The revised school code," by amending sections 1272a, 1272c, and 1225 (MCL 380.1272a, 380.1272c, and 380.1225), section 1272a as amended by 1995 PA 289 and section 1225 as amended by 1994 PA 103.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1272a. (1) ~~The~~ EXCEPT AS OTHERWISE PROVIDED IN SEC-
2 TION 1272C, THE board of a K to 12 school district shall, and the
3 board of another school district may, establish and operate a
4 program under which lunch is made available to all full-time
5 pupils enrolled and in regular daily attendance at each public
6 school of the school district.

7 (2) The board of a K to 12 school district shall establish
8 and operate a program under which breakfast is made available to
9 all full-time pupils enrolled and in regular daily attendance at

1 each public school of the school district unless no more than 20%
2 of the pupils enrolled in the school building in the immediately
3 preceding school year met the income eligibility criteria for
4 free or reduced-price lunch under the federally funded school
5 lunch program, as determined using October claims reported to the
6 department by December 31 of the immediately preceding school
7 year, and, after a public hearing on the issue, which shall be
8 held annually with notice to parents and pupils, the board
9 decides not to operate such a program in that school building and
10 publishes a public justification report explaining its decision.
11 The board of another school district may establish and operate a
12 school breakfast program.

13 (3) To the extent permitted by federal law, the department
14 shall encourage innovative cost effective models of breakfast
15 distribution designed to maximize pupil participation.

16 Sec. 1272c. The requirements of section 1272a ~~shall~~ DO
17 not apply IN ANY OF THE FOLLOWING CIRCUMSTANCES:

18 (a) In a school year in which the federal subsidy per meal
19 falls below the 1975-76 level or the state subsidy per meal
20 served is less than the figures specified in section 1272d(b) and
21 (c).

22 (b) In a school district during a school year when the state
23 board finds that a financial emergency exists ~~which~~ THAT
24 renders the school district unable to comply fully with the
25 requirements. The board of the school district may apply, in
26 writing, to the state board, not later than July 1 for a
27 subsequent school year, demonstrating the need for noncompliance

1 and describing the programs and services that can be provided and
2 the efforts being undertaken to alleviate the emergency. If the
3 state board finds that an emergency exists, it shall approve the
4 noncompliance or prescribe conditions for partial compliance.

5 The state board may extend the filing date for good cause.

6 (C) RELATING ONLY TO THE REQUIREMENT TO ESTABLISH AND OPER-
7 ATE A PROGRAM TO MAKE LUNCH AVAILABLE, IN A SCHOOL YEAR IN WHICH
8 THE STATE TO LOCAL FUNDING RATIO FOR THE LUNCH PROGRAM FALLS
9 BELOW THE 1996-97 STATE TO LOCAL FUNDING RATIO.

10 Sec. 1225. (1) Subject to restrictions of this section, the
11 board of a local or intermediate school district may borrow money
12 and issue its notes for the borrowed money to secure funds for
13 school operations or to pay previous loans made for school opera-
14 tions under this or any other statute. The school board or
15 intermediate school board shall pledge money to be received by it
16 from state school aid for the payment of notes issued under this
17 section. The notes are full faith and credit obligations of the
18 school district or intermediate school district and are payable
19 from tax levies or from unencumbered funds of the school district
20 or intermediate school district in event of the unavailability or
21 insufficiency of state school aid for any reason.

22 (2) Notes issued under this section shall become due not
23 later than 12 months after the date on which they are issued,
24 except as provided in this section. Notes issued within a fiscal
25 year shall not exceed 70% of the difference between the total
26 state aid funds apportioned to the school district or
27 intermediate school district for that fiscal year and the portion

1 already received or pledged, except secondary pledges made under
2 section 1356.

3 (3) A school district or intermediate school district that
4 is not able to redeem its notes within 12 months after the date
5 on which the notes were issued may enter into a multi-year agree-
6 ment with a lending institution to repay its obligation. A
7 repayment agreement shall not be executed without the prior
8 approval of an authorized representative of the state board or,
9 for notes sold to the Michigan municipal bond authority only,
10 without the approval of an authorized representative of the
11 department of treasury.

12 (4) During the last 4 months of a fiscal year, notes may be
13 issued pledging state school aid for the next succeeding fiscal
14 year. ~~The~~ EXCEPT AS OTHERWISE PROVIDED IN THIS SUBSECTION, THE
15 notes shall not exceed 50% of the state school aid apportioned to
16 the school district or intermediate school district for the next
17 succeeding fiscal year or, if the apportionment has not been
18 made, 50% of the apportionment for the then current fiscal year.
19 WITH THE APPROVAL OF THE STATE TREASURER, NOTES MAY BE ISSUED
20 THAT SHALL NOT EXCEED 70% OF THE STATE SCHOOL AID APPORTIONED TO
21 THE SCHOOL DISTRICT OR INTERMEDIATE SCHOOL DISTRICT FOR THE NEXT
22 SUCCEEDING FISCAL YEAR OR, IF THE APPORTIONMENT HAS NOT BEEN
23 MADE, 70% OF THE APPORTIONMENT FOR THE THEN CURRENT FISCAL YEAR.
24 The notes shall mature not later than 12 months after the date of
25 issuance. Notes sold and delivered under this section shall bear
26 interest at a rate agreed to by the school board or intermediate
27 school board, which rate shall not exceed the rate provided in

1 section 1a of chapter III of the municipal finance act, ~~Act~~
2 ~~No. 202 of the Public Acts of 1943, as amended, being section~~
3 ~~133.1a of the Michigan Compiled Laws~~ 1943 PA 202, MCL 133.1A,
4 and may be made redeemable before maturity on the terms and con-
5 ditions provided in the notes.

6 (5) Notes issued under this section are not subject to the
7 municipal finance act, ~~Act No. 202 of the Public Acts of 1943,~~
8 ~~as amended, being sections 131.1 to 139.3 of the Michigan~~
9 ~~Compiled Laws~~ 1943 PA 202, MCL 131.1 TO 139.3. A school board
10 or intermediate school board shall not issue notes under this
11 section unless it applies for and receives prior approval or the
12 school board or intermediate school board requests and receives
13 an exception from prior approval pursuant to subsections (7),
14 (8), and (9). An application for prior approval or for an excep-
15 tion from prior approval shall be made to the authorized repre-
16 sentative of the state board unless the notes are to be sold to
17 the Michigan municipal bond authority. If the notes are to be
18 sold to the Michigan municipal bond authority, an application for
19 prior approval or for an exception from prior approval shall be
20 made to the authorized representative of the department of
21 treasury. An order of prior approval issued by the authorized
22 representative of the state board or of the department of trea-
23 sury or an order of exception from prior approval issued by the
24 authorized representative of the state board or of the department
25 of treasury shall show the estimated amount of state school aid
26 allocated to the school district or intermediate school district
27 for the current fiscal year and, if applicable, for the next

1 succeeding fiscal year and payments that have been distributed to
2 the school district or intermediate school district before the
3 date of the order. Failure of a school district or intermediate
4 school district to receive state school aid does not affect the
5 validity or enforceability of a note issued under this section.

6 (6) A school board or intermediate school board may make
7 more than 1 borrowing under this section during a school year. A
8 school board or intermediate school board shall not contest the
9 validity of a note issued by it under this section if an order of
10 prior approval or of exception from prior approval had been
11 obtained from the authorized representative of the state board or
12 of the department of treasury and the school district or interme-
13 diate school district has received the principal amount of the
14 note. An order of prior approval and estimated determination of
15 state school aid by the authorized representative of the state
16 board or of the department of treasury is conclusive as to the
17 authority of a school board or intermediate school board to
18 borrow under this section. An order of prior approval shall be
19 signed by the authorized representative of the state board or of
20 the department of treasury.

21 (7) A school board or intermediate school board may submit a
22 request for an exception from prior approval to the authorized
23 representative of the state board or of the department of trea-
24 sury, as applicable, on a form prescribed by the applicable
25 authorized representative. The request shall be accompanied by a
26 filing fee of \$100.00 for a request relating to notes totaling
27 less than \$500,000.00 or \$400.00 for a request relating to notes

1 totaling \$500,000.00 or more. If the request is not accompanied
2 by the proper filing fee or by other information or materials
3 required by law, the authorized representative of the state board
4 or of the department of treasury shall not consider the request
5 to be complete and may return the request without acting upon
6 it.

7 (8) Not later than 10 business days after receiving a com-
8 plete request and proper filing fee under subsection (7), the
9 authorized representative of the state board or of the department
10 of treasury, as applicable, shall issue an order granting the
11 exception unless the authorized representative finds that 1 or
12 more of the following conditions exist or have occurred:

13 (a) For a school district, it appears from the information
14 submitted by the school district under section 102 of the state
15 school aid act of 1979, ~~being section 388.1702 of the Michigan~~
16 ~~Compiled Laws~~ MCL 388.1702, and from other information available
17 to the department or to the department of treasury that the
18 school district ended its immediately preceding fiscal year with
19 a deficit in 1 or more of its funds and does not have a plan
20 approved under section 102(5) of the state school aid act of
21 1979, MCL 388.1702 for eliminating the deficit.

22 (b) The school district or intermediate school district has
23 failed to comply with the requirements of this section with
24 regard to an outstanding note issued under this section or a note
25 issued under this section during the 3 years immediately preced-
26 ing the date of the request.

1 (c) The school district or intermediate school district is
2 in default in the payment of the principal of or interest on any
3 of its obligations.

4 (9) If the authorized representative of the state board or
5 of the department of treasury, as applicable, finds that 1 or
6 more of the conditions described in subsection (8)(a) to (c)
7 applies to a request for an exception from prior approval under
8 subsection (7), the authorized representative may issue an order
9 denying the request or, if he or she finds that the existence of
10 the condition is inconsequential to the request, may issue an
11 order granting the exception from prior approval. If the autho-
12 rized representative of the state board or of the department of
13 treasury fails to act on a complete request within the 10-day
14 period specified in subsection (8), the exception from prior
15 approval shall be considered to be granted as of the expiration
16 of the 10-day period.

17 (10) Subject to the maximum amounts for notes as specified
18 in subsections (2) and (4), an exception from prior approval,
19 whether granted by order of the authorized representative of the
20 state board or of the department of treasury or because of fail-
21 ure of the authorized representative of the state board or of the
22 department of treasury to act on the request, is valid for 4
23 months.