

HOUSE BILL No. 5405

November 1, 2001, Introduced by Rep. Bishop and referred to the Committee on Commerce.

A bill to amend 1961 PA 108, entitled

"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,"

by amending section 4 (MCL 388.954), as amended by 1992 PA 228.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

- 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 made by the school district,
- 4 if the superintendent finds the following:

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

4 (i) Except for bonds issued for a purpose described in sec-
5 tion 1274a of the ~~school code of 1976, Act No. 451 of the Public~~
6 ~~Acts of 1976, being section 380.1274a of the Michigan Compiled~~
7 ~~Laws~~ REVISED SCHOOL CODE, 1976 PA 451, MCL 380.1274A, or as oth-
8 erwise provided in this subparagraph, if the ratio of debt to
9 valuation of the school district exceeds 4%, the last maturity
10 date of the issue of bonds shall be not less than 15 years from
11 the issuance date appearing on the bonds; if the ratio of debt to
12 valuation of the school district exceeds 7%, the last maturity
13 date of the issue of bonds shall be not less than 25 years from
14 the issuance date appearing on the bonds; or if the ratio of debt
15 to valuation of the school district exceeds 12%, the last matu-
16 rity date of the issue of bonds shall be not less than 29 years
17 from the issuance date appearing on the bonds. Regardless of the
18 ratio of debt to valuation of a school district, the state trea-
19 surer may authorize the last maturity date of an issue of bonds
20 of that school district to be not less than 10 years from the
21 issuance date appearing on the bonds if the state treasurer
22 determines it is financially beneficial to the state or to the
23 school district. As used in this section, "ratio of debt to
24 valuation" means that ratio arrived at by dividing the total tax
25 supported bonded indebtedness of the school district outstanding
26 as of the date of the filing of the application required by this
27 act, including the bonds proposed to be qualified, by the

1 assessed valuation of the school district as last equalized by
2 the state. The refunding part of any proposed issue of bonds
3 shall not be included in the total indebtedness of the school
4 district for the purposes of this section.

5 (ii) If the bonds are issued for a purpose described in sec-
6 tion 1274a of ~~Act No. 451 of the Public Acts of 1976~~ THE
7 REVISED SCHOOL CODE, 1976 PA 451, MCL 380.1274A, the last matu-
8 rity of the issue of bonds may be less than 10 years from the
9 issuance date appearing on the bonds but not less than the number
10 of years approved by the superintendent of public instruction in
11 the certificate of qualification. The certificate of qualifica-
12 tion of the superintendent of public instruction shall contain a
13 certification and approval that the bonds are issued for such a
14 purpose, which approval shall be final and conclusive and shall
15 set forth the minimum number of years for the last maturity of
16 the bonds.

17 (b) That the yearly principal maturity date is not less than
18 5 months after the major part of the taxes for the bonds becomes
19 by law a lien upon the property assessed.

20 (c) Except as otherwise provided in this subdivision, that
21 the amount of principal maturing in any calendar year is not less
22 than the amount of principal maturing in any prior calendar year
23 and, except for bonds issued for a purpose described in section
24 1274a of ~~Act No. 451 of the Public Acts of 1976~~ THE REVISED
25 SCHOOL CODE, 1976 PA 451, MCL 380.1274A, if the ratio of debt to
26 valuation of the school district exceeds 12%, that the first 10
27 principal maturities do not in the aggregate exceed 25% of the

1 total principal amount of the bonds proposed to be qualified.
2 Regardless of the amount of principal maturing in any calendar
3 year and regardless of the ratio of debt to valuation of the
4 school district, the state treasurer may authorize principal
5 maturities in any amount if the state treasurer determines it is
6 financially beneficial to the state or to the school district.
7 At the request of the school district, the state treasurer may
8 grant that authorization as part of the procedure of preliminary
9 qualification under subdivision (f).

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~~ THE
17 REVISED SCHOOL CODE, 1976 PA 451, MCL 380.1274A, that there
18 exists a need for the project based upon current and probable
19 future enrollment and that the project is designed to provide
20 school facilities reasonably adequate to meet that need.

21 (f) Subject to subsection (3), if a bond issue requires an
22 election, that a bond issue that a school district wishes to
23 qualify has been given preliminary qualification prior to the
24 official action of the board of education calling for the elec-
25 tion on the bond issue.

26 (g) If the bonds are issued for a purpose described in
27 section 1274a of ~~Act No. 451 of the Public Acts of 1976~~ THE

1 REVISED SCHOOL CODE, 1976 PA 451, MCL 380.1274A, and if the bonds
2 have not been approved by a majority of the school electors
3 voting on the question, that the school district has demonstrated
4 and the state treasurer has approved the method of payment for,
5 and the ability to pay, the bonds. ~~and that the school district~~
6 ~~has received the prior approval of the department of treasury for~~
7 ~~the issuance of the bonds under the municipal finance act, Act~~
8 ~~No. 202 of the Public Acts of 1943, being sections 131.1 to 139.3~~
9 ~~of the Michigan Compiled Laws.~~

10 (2) For refunding bonds issued to refund bonds issued before
11 May 4, 1955, the superintendent of public instruction shall issue
12 the certificate of qualification if the superintendent finds that
13 the refunding bonds comply with the requirements set forth in
14 subsection (1)(c). For refunding bonds issued to refund bonds
15 issued on or after May 4, 1955, or issued to refund loans from
16 the state made under the authority of this act, the superinten-
17 dent shall issue the certificate of qualification if the superin-
18 tendent finds that the refunding bonds comply with the require-
19 ments set forth in subsection (1)(c) and also that the refunding
20 bonds are being issued to refund loans from the state made under
21 the authority of this act or that the bonds representing the
22 original indebtedness either were qualified or satisfied the
23 requirements for qualification set forth in subsection (1)(d) and
24 (e) in effect when issued or would have satisfied the require-
25 ments set forth in subsection (1)(d) and (e) had those require-
26 ments been in effect when the bonds were issued. Refunding bonds
27 issued to refund loans from the state made under the authority of

1 this act shall be considered as refunding bonds for all purposes
2 including section 16 of article IX of the state constitution of
3 1963.

4 (3) The requirement of subsection (1)(f) does not apply to a
5 bond issue that is approved by the school district electors
6 between December 31, 1990 and July 1, 1991 and that is in part
7 ineligible for qualification. A series of bonds for such a bond
8 issue may be qualified by the superintendent of public instruc-
9 tion if it is limited to either a project or projects eligible
10 for qualification or refunding of obligations issued for a pur-
11 pose described in section 1274a of ~~Act No. 451 of the Public~~
12 ~~Acts of 1976~~ THE REVISED SCHOOL CODE, 1976 PA 451, MCL
13 380.1274A, or both.