

Act No. 181
Public Acts of 2002
Approved by the Governor
April 23, 2002
Filed with the Secretary of State
April 23, 2002
EFFECTIVE DATE: April 23, 2002

**STATE OF MICHIGAN
91ST LEGISLATURE
REGULAR SESSION OF 2002**

Introduced by Rep. Kolb

ENROLLED HOUSE BILL No. 5415

AN ACT to amend 1976 PA 451, entitled "An act to provide a system of public instruction and elementary and secondary schools; to revise, consolidate, and clarify the laws relating to elementary and secondary education; to provide for the organization, regulation, and maintenance of schools, school districts, public school academies, and intermediate school districts; to prescribe rights, powers, duties, and privileges of schools, school districts, public school academies, and intermediate school districts; to provide for the regulation of school teachers and certain other school employees; to provide for school elections and to prescribe powers and duties with respect thereto; to provide for the levy and collection of taxes; to provide for the borrowing of money and issuance of bonds and other evidences of indebtedness; to establish a fund and provide for expenditures from that fund; to provide for and prescribe the powers and duties of certain state departments, the state board of education, and certain other boards and officials; to provide for licensure of boarding schools; to prescribe penalties; and to repeal acts and parts of acts," by amending section 1356 (MCL 380.1356), as amended by 1993 PA 312.

The People of the State of Michigan enact:

Sec. 1356. (1) Notwithstanding section 1351, a school district that has an operating or projected operating deficit in excess of \$100.00 per membership pupil may borrow and issue its negotiable interest bearing notes or bonds for the purpose of funding the deficit in accordance with this section. This authority is in addition to and not in derogation of any power granted to a school district by any other provision of this act. However, except for the purpose of funding an operating or projected operating deficit resulting from a state tax tribunal order or a court order, a school district shall not initiate the procedures to borrow money or issue notes or bonds under this section after January 1, 1994.

(2) Before a board of a school district issues notes or bonds under this section, the board shall provide by resolution for the submission of the following certified and substantiated information to the department of treasury:

(a) There exists or will exist an operating deficit in the school district in excess of \$100.00 per membership pupil.

(b) During or before the fiscal year in which the application is made, the school district has made every available effort to offset the deficit, including submission of a question to the school electors of the district to increase the rate of ad valorem property taxes levied in the school district.

(c) The school district has a plan approved by the school board that outlines actions to be taken to balance future expenditures with anticipated revenues.

(3) The existence of the operating or projected operating deficit and the amount of the operating or projected operating deficit shall be determined by the department of treasury, using normal school accounting practices. If a financial audit is required to arrive at a conclusive determination as to the amount of the deficit, the state treasurer shall charge all necessary expenses for the audit, including per diem and travel expenses, to the school district, and the school district shall make payment to the state treasurer for these expenses. The determination by the department of

treasury is final and conclusive as to the existence of an operating or projected operating deficit, the amount of the deficit, and the amount of the deficit per membership pupil.

(4) The notes or bonds may be issued in 1 or more series by resolution adopted by the school board, which resolution in each case shall make reference to the determination of the department of treasury. The amount of a note or bond issued shall not exceed the amount of the operating deficit as shown by the determination.

(5) The school district shall pledge as secondary security for the notes or bonds future state school aid payments, if any, and other funds of the district legally available as security.

(6) The notes or bonds shall mature serially with annual maturities not more than 10 years from their date and shall bear interest, payable annually or semiannually, at a rate or rates not exceeding a rate determined by the school board in the school district's borrowing resolution. The first principal installment on the notes or bonds shall be due not more than 18 months from the date of the notes or bonds, and a principal installment on the notes shall not be less than 1/3 of the principal amount of a subsequent principal installment. The notes or bonds may be made subject to redemption before maturity with or without premium in a manner and at times provided in the resolution authorizing the issuance of the notes or bonds.

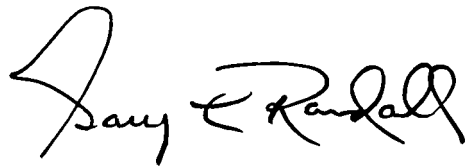
(7) Notes or bonds issued under this section are valid and binding general obligations of the school district, it being the intent and purpose that the notes or bonds and the interest on the notes or bonds be promptly paid when due from the first money available to the district not pledged for other indebtedness and except to the extent that the use is restricted by the state constitution of 1963 or the laws of the United States.

(8) Except as otherwise provided in this section, bonds and notes issued under this section are subject to the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.

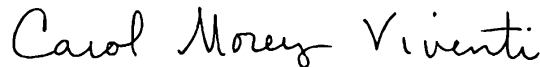
(9) The proceeds of the sale of notes authorized under this section, after payment of the costs of issuance of the notes or bonds and interest on the notes or bonds for a period not to exceed 9 months, shall be used solely for the purpose of paying necessary operating expenses of the school district, including the payment of principal of and interest on notes or bonds of the school district issued for operating purposes under this or any other act.

(10) A board of a school district that borrows pursuant to subsections (1) to (9) shall submit its budget for review and approval to the department of education. The department of education shall take necessary steps, subject to the school district's contracts and statutory obligations, to assure that the expenditures of a school district that receives money under this part shall not exceed revenues on an annual basis and that the school district maintains a balanced budget.

This act is ordered to take immediate effect.



Clerk of the House of Representatives.



Secretary of the Senate.

Approved _____

Governor.