

# SENATE BILL No. 1005

January 25, 2006, Introduced by Senators JELINEK, ALLEN, GARCIA, SWITALSKI and BIRKHOLZ and referred to the Committee on Appropriations.

A bill to amend 2005 PA 92, entitled "School bond qualification, approval, and loan act," by amending section 9 (MCL 388.1929).

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1           Sec. 9. (1) Except as otherwise provided in this act, a school  
2 district may borrow from the state an amount not greater than the  
3 difference between the proceeds of the school district's computed  
4 millage and the amount necessary to pay principal and interest on  
5 its qualified bonds, including any necessary allowances for  
6 estimated tax delinquencies.

7           (2) For school districts having qualified loans outstanding as  
8 of ~~the effective date of this act~~ **JULY 20, 2005**, the state  
9 treasurer shall review information relating to each school district  
10 regarding the taxable value of the school district and the actual

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1 debt service of outstanding qualified bonds as of ~~the effective~~  
2 ~~date of this act~~ **JULY 20, 2005** and shall issue an order  
3 establishing the payment date for all those outstanding qualified  
4 loans and any additional qualified loans expected to be incurred by  
5 those school districts related to qualified bonds issued before  
6 ~~the effective date of this act~~ **JULY 20, 2005**. The payment date  
7 shall be not later than 72 months after the date on which the  
8 qualified bonds most recently issued by the school district are due  
9 and payable.

10 (3) For qualified loans related to qualified bonds issued  
11 after ~~the effective date of this act~~ **JULY 20, 2005**, the qualified  
12 loans shall be due not later than 72 months after the date on which  
13 the qualified bonds for which the school borrowed from this state  
14 are due and payable. This section does not preclude early repayment  
15 of qualified bonds or qualified loans.

16 (4) Except with regard to qualified loans described in  
17 subsection (2), each loan made or considered made to a school  
18 district under this act shall be for debt service on only a  
19 specific qualified bond issue. The state treasurer shall maintain  
20 separate accounts for each school district on the books and  
21 accounts of this state noting the qualified bond, the related  
22 qualified loans, the final payment date of the bonds, the final  
23 payment date of the qualified loans, and the interest rate accrued  
24 on the loans.

25 (5) For qualified loans relating to qualified bonds issued  
26 after ~~the effective date of this act~~ **JULY 20, 2005**, a school  
27 district shall continue to levy the computed mills until it has

1 completely repaid all principal and interest on its qualified  
2 loans.

3 (6) For qualified loans relating to qualified bonds issued  
4 before ~~the effective date of this act~~ **JULY 20, 2005**, a school  
5 district shall continue to comply with the levy and repayment  
6 requirements imposed before ~~the effective date of this act~~ **JULY**  
7 **20, 2005**. Not less than 90 days after ~~the effective date of this~~  
8 ~~act~~ **JULY 20, 2005**, the state treasurer and the school district  
9 shall enter into amended and restated repayment agreements to  
10 incorporate the levy and repayment requirements applicable to  
11 qualified loans issued before ~~the effective date of this act~~ **JULY**  
12 **20, 2005**.

13 (7) Upon the request of a school district made before June 1  
14 of any year, the state treasurer annually may waive all or a  
15 portion of the millage required to be levied by a school district  
16 to pay principal and interest on its qualified bonds or qualified  
17 loans under this section if the state treasurer finds all of the  
18 following:

19 (a) The school board of the school district has applied to the  
20 state treasurer for permission to levy less than the millage  
21 required to be levied to pay the principal and interest on its  
22 qualified bonds or qualified loans under subsection (1).

23 (b) The application specifies the number of mills the school  
24 district requests permission to levy.

25 (c) The waiver will be financially beneficial to this state,  
26 the school district, or both.

27 (d) The waiver will not reduce the millage levied by the

1 school district to pay principal and interest on qualified bonds or  
2 qualified loans under this act to less than 7 mills.

3 (e) The board of the school district, by resolution, has  
4 agreed to comply with all conditions that the state treasurer  
5 considers necessary.

6 (8) Except as otherwise provided in this act, loans shall bear  
7 interest at the greater of 3% or the average annual cost of funds  
8 computed annually on the basis of all state general obligations  
9 issued under section 16 of article IX of the state constitution of  
10 1963 PLUS 0.125%. IN THE EVENT THIS STATE HAS NO OUTSTANDING  
11 GENERAL OBLIGATIONS UNDER SECTION 16 OF ARTICLE IX OF THE STATE  
12 CONSTITUTION OF 1963, THE AVERAGE ANNUAL COST OF FUNDS SHALL BE  
13 COMPUTED ON THE BASIS OF ALL STATE GENERAL OBLIGATIONS ISSUED UNDER  
14 SECTION 15 OF ARTICLE IX OF THE STATE CONSTITUTION OF 1963 PLUS  
15 0.125%.