

# SENATE BILL No. 751

February 4, 2014, Introduced by Senators CASWELL and PAPPAGEORGE and referred to the Committee on Education.

A bill to amend 1976 PA 451, entitled  
"The revised school code,"  
by amending section 1225 (MCL 380.1225), as amended by 2012 PA 1.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Sec. 1225. (1) Subject to restrictions of this section, a  
2 school board or intermediate school board may borrow money and  
3 issue notes of the school district or intermediate school district  
4 for the borrowed money to secure funds for school operations or to  
5 pay previous loans obtained for school operations under this or any  
6 other statute. The school board or intermediate school board shall  
7 pledge money to be received by it from state school aid for the  
8 payment of notes issued under this section. A pledge of state  
9 school aid by a school district or intermediate school district for  
10 the payment of notes issued pursuant to this section is valid and

1 binding from the time when the pledge is made. A pledge made  
2 pursuant to this section for the benefit of the holders of notes or  
3 for the benefit of others is perfected without delivery, recording,  
4 or notice. Notes issued pursuant to this section are full faith and  
5 credit obligations of the school district or intermediate school  
6 district and are payable from tax levies or from unencumbered funds  
7 of the school district or intermediate school district in event of  
8 the unavailability or insufficiency of state school aid for any  
9 reason.

10 (2) A school district or intermediate school district for  
11 which an emergency manager has been appointed pursuant to the ~~local~~  
12 ~~government and school district fiscal accountability act, 2011 PA~~  
13 ~~4, MCL 141.1501 to 141.1531,~~ **LOCAL FISCAL STABILITY AND CHOICE ACT,**  
14 **2012 PA 436, MCL 141.1541 TO 141.1575,** or a school district or  
15 intermediate school district that has an approved deficit  
16 elimination plan under section 102 of the state school aid act of  
17 1979, MCL 388.1702, may enter into an agreement with the Michigan  
18 finance authority in accordance with section 17a(4) of the state  
19 school aid act of 1979, MCL 388.1617a, providing for the direct  
20 payment on behalf of the school district or intermediate school  
21 district to the Michigan finance authority, or to a trustee  
22 designated by the Michigan finance authority, of state school aid  
23 pledged and to be used for the sole purpose of paying the principal  
24 of and interest on the notes issued pursuant to this section and  
25 secured by state school aid.

26 (3) Notes issued under this section shall become due not later  
27 than 372 days after the date on which they are issued, except as

1 otherwise provided in this section. Notes issued within a fiscal  
2 year shall not exceed ~~70%~~ **60%** of the difference between the total  
3 state aid funds apportioned to the school district or intermediate  
4 school district for that fiscal year and the portion already  
5 received or pledged, except secondary pledges made under section  
6 1356.

7 (4) A school district or intermediate school district that is  
8 not able to redeem its notes within 372 days after the date on  
9 which the notes were issued may enter into a multi-year agreement  
10 with a lending institution to repay its obligation. A repayment  
11 agreement shall not be executed without the prior approval of an  
12 authorized representative of the ~~state board or, for notes sold to~~  
13 ~~the Michigan finance authority only, without the approval of an~~  
14 ~~authorized representative of the department of treasury.~~

15 (5) During the last 4 months of a fiscal year, notes may be  
16 issued pledging state school aid for the next succeeding fiscal  
17 year. Except as otherwise provided in this subsection, the notes  
18 shall not exceed ~~50%~~ **43%** of the state school aid apportioned to the  
19 school district or intermediate school district for the next  
20 succeeding fiscal year or, if the apportionment has not been made,  
21 ~~50%~~ **43%** of the apportionment for the then current fiscal year. The  
22 notes shall mature not later than 372 days after the date of  
23 issuance.

24 (6) Notes issued under this section are subject to the revised  
25 municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.  
26 Failure of a school district or intermediate school district to  
27 receive state school aid does not affect the validity or

1 enforceability of a note issued under this section.

2 (7) A school board or intermediate school board may make more  
3 than 1 borrowing under this section during a school year.

4 (8) In addition to other powers under this section, with the  
5 approval of the state treasurer, a school board or intermediate  
6 school board may obtain a line of credit to secure funds for school  
7 operations or to pay previous loans obtained for school operations  
8 under this or any other statute. The school board or intermediate  
9 school board shall pledge not more than 30% of the state school aid  
10 apportioned to the school district or intermediate school district  
11 for that fiscal year for repayment of funds received pursuant to a  
12 line of credit obtained under this subsection. However, the school  
13 board or intermediate school board shall not borrow against the  
14 line of credit an amount greater than the difference, as of the  
15 date of the borrowing, between the total state school aid funds  
16 apportioned to the school district or intermediate school district  
17 for that fiscal year and the portion already received or pledged,  
18 except secondary pledges made under section 1356. To obtain  
19 approval for obtaining a line of credit under this subsection, a  
20 school board or intermediate school board shall apply to the state  
21 treasurer in the form and manner prescribed by the state treasurer,  
22 and shall provide information as requested by the state treasurer  
23 for evaluating the application. The state treasurer shall approve  
24 or disapprove an application and notify the school board or  
25 intermediate school board within 20 business days after receiving a  
26 proper application. If the state treasurer disapproves an  
27 application, the state treasurer shall include the reasons for

- 1 disapproval in the notification to the school board or intermediate
- 2 school board.