STATE INDEBTEDNESS
Act 266 of 1967

AN ACT to authorize and provide for the issuance of notes of the state, including refunding notes and commercial paper; to provide funds to meet obligations incurred pursuant to appropriations for fiscal years; to provide for the payment of such notes from revenues received during the same fiscal years; and to exempt certain notes and interest on those notes from taxation.

History: 1967, Act 266, Imd. Eff. July 19, 1967;—Am. 1982, Act 196, Imd. Eff. June 30, 1982.

The People of the State of Michigan enact:

17.451 Borrowing money and issuing notes in anticipation of undedicated revenues; purpose.

Sec. 1. The state administrative board is authorized to borrow money and refund that borrowing, in whole or in part, when necessary, from time to time, on the full faith and credit of the state and issue notes, including refunding notes and commercial paper, of the state in anticipation of the receipt of undedicated revenues in the same fiscal year when in its judgment such money is needed to meet obligations incurred pursuant to appropriations in that fiscal year.

History: 1967, Act 266, Imd. Eff. July 19, 1967;—Am. 1982, Act 196, Imd. Eff. June 30, 1982.

17.452 Aggregate principal amount of outstanding notes; limitation; repayment of indebtedness; pledge and deposit of undedicated revenues; validity of pledge; transactions to provide security; costs and fees; authorization of state treasurer to do certain acts; revenues, proceeds, and earnings from which principal and interest payable.

Sec. 2. (1) The aggregate principal amount of outstanding notes shall not exceed 15% of undedicated revenues received by the state during the preceding fiscal year. Notes are not outstanding if issued and if paid or redeemed or if provision for payment or redemption has been made by the deposit in trust of sufficient money or sufficient direct obligations of the United States of America or obligations, the principal and interest of which is guaranteed by the United States of America with a trustee or paying agent for payment of the notes. In addition, if notes are issued to refund outstanding notes, the notes to be refunded are not outstanding. Indebtedness shall be repaid at the time the revenues pledged for that purpose are received but not later than the end of the same fiscal year. In addition, a provision for setting aside of undedicated revenues in an amount sufficient to pay principal and interest on the notes shall be made not later than 10 days before the end of the fiscal year.

(2) The state administrative board shall pledge for the repayment of the notes, undedicated revenues of the fiscal year in which the notes are issued and may provide for deposit of any undedicated revenues so pledged in a segregated fund in the state treasury or with a bank or trust company.

(3) A pledge of undedicated revenues shall be valid and binding without recording from the time the pledge is made. Money or property pledged received by the state after the pledge shall immediately be subject to the lien of the pledge without any physical delivery or further act.

(4) The board may authorize and approve insurance contracts, agreements for lines of credit, letters of credit, commitments to purchase notes, and any other transactions to provide security to assure timely payment of any note.

(5) The board may authorize payment from the proceeds of the notes or other funds available, the cost of issuance, including, but not limited to, fees for placement, fees for charges for insurance, letters of credit, lines of credit, or purchase or sales agreements or commitments, or agreements to provide security to assure timely payment of notes.

(6) The board may authorize the state treasurer but only within limitations which shall be contained in the issuance or authorization resolution of the board to do 1 or more of the following:

(a) Sell and deliver and receive payment for notes.

(b) Refund notes by the delivery of new notes, whether or not the notes to be refunded have matured.

(c) Deliver notes partly to refund notes and partly for any other authorized purposes.

(d) Buy notes so issued at not more than the face value of the notes.

(e) Approve interest rates or methods for fixing interest rates, prices, discounts, maturities, principal amounts, denominations, dates of issuance, interest payment dates, redemption rights at the option of the state or the holder, the place of delivery and payment, and other matters and procedures necessary to complete the transactions authorized.

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(7) The board may authorize principal and interest to be payable from any 1 or more of the following:
(a) Undedicated revenues of the state for the fiscal year for which the notes were issued.
(b) Proceeds of notes.
(c) Earnings on proceeds of notes or other funds held for the payment of notes.
(d) Proceeds of any other security provided to assure timely payment of the notes.

History: 1967, Act 266, Imd. Eff. July 19, 1967;—Am. 1982, Act 196, Imd. Eff. June 30, 1982.

17.453 Payment of notes; interest; discount; execution and sale of notes and coupons; authentication; commercial paper dealer agreements; signature of former state treasurer.

Sec. 3. Subject to the provisions of section 2, the notes shall become due at such time or times as determined by the state administrative board, and may be made payable prior to maturity at the option of the board or the holder of a note at such times and in such a manner as determined by the board. The notes may bear no interest or interest at a rate or rates which may be variable to be determined as provided in the issuance or authorization resolution and may be in a form, with or without interest coupons, as approved by the board. The notes may be sold at a discount. The notes and coupons, if any, shall be executed for and on behalf of the state of Michigan by the manual or facsimile signature of the state treasurer and may be sold at either public or private sale as authorized by the board. The board may approve commercial paper dealer agreements. If any note is executed with the facsimile signature of the state treasurer, authentication of the notes shall take place in accordance with an agreement or indenture entered into with an issuing agent or trustee approved by the board. In case the state treasurer whose signature appears on the note or coupon issued under this act ceases to be the state treasurer before delivery of the notes or coupons, his or her signature shall be valid and sufficient for all purposes as if the person held the office of state treasurer until the delivery of the notes or coupons.

History: 1967, Act 266, Imd. Eff. July 19, 1967;—Am. 1982, Act 196, Imd. Eff. June 30, 1982.

17.454 Use of proceeds of loan restricted; revised municipal finance act inapplicable; issuance of bonds and notes subject to agency financing reporting act.

Sec. 4. (1) The proceeds of any loan under this act shall not be used to pay in advance appropriations to any municipality as defined in section 103 of the revised municipal finance act, 2001 PA 34, MCL 141.2103.

(2) Bonds, notes, and loans issued under this act are not subject to the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.

(3) The issuance of bonds and notes under this act is subject to the agency financing reporting act.

History: 1967, Act 266, Imd. Eff. July 19, 1967;—Am. 2002, Act 416, Imd. Eff. June 3, 2002.

17.455 Notes and interest exempt from taxation.

Sec. 5. Notes issued under this act before or after the effective date of this section and the interest on those notes shall be exempt from all taxation by the state or political subdivisions of the state.

History: Add. 1982, Act 196, Imd. Eff. June 30, 1982.

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