

THE REVISED SCHOOL CODE (EXCERPT)
Act 451 of 1976

380.1225 Power of board to borrow money and issue notes; purpose; pledging money to be received from state school aid; notes as full faith and credit obligations; agreement with Michigan finance authority; due date; limitation; school district not able to redeem notes within 372 days of issuance; multi-year repayment agreement; notes issued for next succeeding fiscal year; maturity; failure to receive state school aid; number of borrowings; obtaining line of credit.

Sec. 1225. (1) Subject to restrictions of this section, a school board or intermediate school board may borrow money and issue notes of the school district or intermediate school district for the borrowed money to secure funds for school operations or to pay previous loans obtained for school operations under this or any other statute. The school board or intermediate school board shall pledge money to be received by it from state school aid for the payment of notes issued under this section. A pledge of state school aid by a school district or intermediate school district for the payment of notes issued pursuant to this section is valid and binding from the time when the pledge is made. A pledge made pursuant to this section for the benefit of the holders of notes or for the benefit of others is perfected without delivery, recording, or notice. Notes issued pursuant to this section are full faith and credit obligations of the school district or intermediate school district and are payable from tax levies or from unencumbered funds of the school district or intermediate school district in event of the unavailability or insufficiency of state school aid for any reason.

(2) A school district or intermediate school district for which an emergency manager has been appointed pursuant to the local financial stability and choice act, 2012 PA 436, MCL 141.1541 to 141.1575, or a school district or intermediate school district that has an approved deficit elimination plan or an enhanced deficit elimination plan required under section 102 of the state school aid act of 1979, MCL 388.1702, may enter into an agreement with the Michigan finance authority in accordance with section 17a(4) of the state school aid act of 1979, MCL 388.1617a, providing for the direct payment on behalf of the school district or intermediate school district to the Michigan finance authority, or to a trustee designated by the Michigan finance authority, of state school aid pledged and to be used for the sole purpose of paying the principal of and interest on the notes issued pursuant to this section and secured by state school aid.

(3) Notes issued under this section shall become due not later than 372 days after the date on which they are issued, except as otherwise provided in this section. Notes issued within a fiscal year shall not exceed 70% of the difference between the total state aid funds apportioned to the school district or intermediate school district for that fiscal year and the portion already received or pledged, except secondary pledges made under section 1356.

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

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

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

(7) A school board or intermediate school board, including, but not limited to, the school board of a community district, may make more than 1 borrowing under this section during a school year.

(8) In addition to other powers under this section, with the approval of the state treasurer, a school board or intermediate school board, including, but not limited to, the school board of a community district, may obtain a line of credit to secure funds for school operations or to pay previous loans obtained for school operations under this or any other statute. The school board or intermediate school board shall pledge not more than 30% of the state school aid apportioned to the school district or intermediate school district for that fiscal year for repayment of funds received pursuant to a line of credit obtained under this subsection. However, the school board or intermediate school board shall not borrow against the line of credit an amount greater than the difference, as of the date of the borrowing, between the total state school aid funds apportioned to the school

district or intermediate school district for that fiscal year and the portion already received or pledged, except secondary pledges made under section 1356. To obtain approval for obtaining a line of credit under this subsection, a school board or intermediate school board shall apply to the state treasurer in the form and manner prescribed by the state treasurer, and shall provide information as requested by the state treasurer for evaluating the application. The state treasurer shall approve or disapprove an application and notify the school board or intermediate school board within 20 business days after receiving a proper application. If the state treasurer disapproves an application, the state treasurer shall include the reasons for disapproval in the notification to the school board or intermediate school board.

History: 1976, Act 451, Imd. Eff. Jan. 13, 1977;—Am. 1977, Act 43, Imd. Eff. June 29, 1977;—Am. 1980, Act 88, Imd. Eff. Apr. 8, 1980;—Am. 1981, Act 42, Imd. Eff. May 13, 1981;—Am. 1981, Act 226, Imd. Eff. Jan. 7, 1982;—Am. 1982, Act 306, Imd. Eff. Oct. 13, 1982;—Am. 1992, Act 14, Imd. Eff. Mar. 10, 1992;—Am. 1994, Act 103, Imd. Eff. Apr. 18, 1994;—Am. 1997, Act 152, Imd. Eff. Dec. 22, 1997;—Am. 2002, Act 246, Eff. May 1, 2002;—Am. 2006, Act 285, Imd. Eff. July 10, 2006;—Am. 2012, Act 1, Imd. Eff. Feb. 7, 2012;—Am. 2016, Act 192, Imd. Eff. June 21, 2016.

Compiler's note: For creation of Michigan public educational facilities authority within department of treasury; transfer of certain powers and duties from Michigan strategic fund and Michigan strategic fund board of directors to Michigan public educational facilities authority and Michigan public educational facilities authority board of trustees; transfer of certain powers and duties of Michigan municipal bond authority and Michigan municipal bond authority board of trustees to Michigan public and educational facilities authority and Michigan public education facilities authority board of trustees, see E.R.O. No. 2002-3, compiled at MCL 12.192 of the Michigan Compiled Laws.

Popular name: Act 451