

SUBSTITUTE FOR  
HOUSE BILL NO. 5370

A bill to amend 1976 PA 451, entitled  
"The revised school code,"  
by amending sections 629, 1225, 1351, and 1351a (MCL 380.629,  
380.1225, 380.1351, and 380.1351a), section 629 as amended by  
1991 PA 187, section 1225 as amended by 1994 PA 103, section 1351  
as amended by 1990 PA 352, and section 1351a as amended by 1994  
PA 278.

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

1       Sec. 629. (1) An intermediate school board may borrow,  
2 subject to the municipal finance act, ~~Act No. 202 of the Public~~  
3 ~~Acts of 1943, as amended, being sections 131.1 to 139.3 of the~~  
4 ~~Michigan Compiled Laws~~ 1943 PA 202, MCL 131.1 TO 139.3, sums of  
5 money on terms the intermediate school board considers necessary  
6 for 1 or more of the following purposes:

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1 (a) For temporary purposes for which the intermediate school  
2 board may give notes of the intermediate school district. The  
3 intermediate school board shall not borrow a sum that exceeds the  
4 amount that has been voted by the intermediate school board or  
5 the school electors of the intermediate school district.

6 (b) To purchase sites for buildings; to purchase, erect,  
7 complete, remodel, improve, furnish, refurnish, equip, or reequip  
8 buildings and facilities the board is authorized to acquire,  
9 including, but not limited to, general administrative, vocation-  
10 al, or special education buildings or facilities, or parts of  
11 those buildings or facilities, or additions to those buildings or  
12 facilities, and prepare, develop, or improve sites for those  
13 buildings or facilities; to purchase and install information  
14 technology systems, together with the equipment and software, as  
15 are necessary for programs conducted by the intermediate school  
16 district under section 627(2); and to issue and sell bonds of the  
17 intermediate school district in the form and on the terms the  
18 board considers advisable.

19 (2) An intermediate school board shall not borrow money or  
20 issue bonds for a term longer than 30 years or, except as other-  
21 wise provided in this subsection, for a sum which, together with  
22 the total outstanding bonded indebtedness of the intermediate  
23 school district, exceeds  $\frac{1}{9}$  of 1% of the state equalized valua-  
24 tion of the taxable property within the district, unless the  
25 question of borrowing the money or issuing bonds is submitted  
26 first to a vote of the school electors of the intermediate school  
27 district held under sections 661 and 662 and approved by the

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1 majority of the registered school electors voting on the  
2 question. Regardless of the amount of outstanding bonded indebt-  
3 edness of the intermediate school district, a vote of the school  
4 electors is not necessary in order to issue bonds for a purpose  
5 described in section 1274a OR TO ISSUE BONDS UNDER SECTION 11I OF  
6 THE STATE SCHOOL AID ACT OF 1979, MCL 388.1611I. Money may be  
7 borrowed and bonds may be issued for the purposes stated in this  
8 section in an amount equal to that provided by part 17. ~~Bonds~~  
9 FOR THE PURPOSES OF THIS SUBSECTION, BONDS authorized by vote of  
10 the school electors for special education facilities under part  
11 30 and for area vocational-technical education facilities under  
12 sections 681 to 690 AND BONDS ISSUED UNDER SECTION 11I OF THE  
13 STATE SCHOOL AID ACT OF 1979, MCL 388.1611I, shall not be  
14 included in computing the ~~1/9 of 1%~~ TOTAL OUTSTANDING bonded  
15 indebtedness OF AN INTERMEDIATE SCHOOL DISTRICT.

16 (3) Not later than 30 days after receipt of notice that the  
17 question of issuing bonds under this section to purchase and  
18 install information technology systems as are necessary for a  
19 cooperative program under section 627(2) will be submitted to the  
20 school electors of the intermediate school district, the board of  
21 a constituent school district by resolution may elect not to par-  
22 ticipate in the cooperative program and not to conduct an elec-  
23 tion on the question within the constituent school district.

24 Sec. 1225. (1) Subject to restrictions of this section, the  
25 board of a local or intermediate school district may borrow money  
26 and issue its notes for the borrowed money to secure funds for  
27 school operations or to pay previous loans ~~made~~ OBTAINED for

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1 school operations under this or any other statute. THE BOARD OF  
2 A LOCAL OR INTERMEDIATE SCHOOL DISTRICT ALSO MAY OBTAIN A LINE OF  
3 CREDIT FROM A FINANCIAL INSTITUTION TO SECURE FUNDS FOR SCHOOL  
4 OPERATIONS OR TO PAY PREVIOUS LOANS OBTAINED FOR SCHOOL OPERA-  
5 TIONS UNDER THIS OR ANY OTHER STATUTE. The school board or inter-  
6 mediate school board shall pledge money to be received by it from  
7 state school aid for the payment of notes issued under this sec-  
8 tion OR FOR REPAYMENT OF FUNDS RECEIVED PURSUANT TO A LINE OF  
9 CREDIT OBTAINED UNDER THIS SECTION. The notes are full faith and  
10 credit obligations of the school district or intermediate school  
11 district and are payable from tax levies or from unencumbered  
12 funds of the school district or intermediate school district in  
13 event of the unavailability or insufficiency of state school aid  
14 for any reason.

15 (2) Notes issued under this section shall become due not  
16 later than 12 months after the date on which they are issued,  
17 except as provided in this section. Notes issued within a fiscal  
18 year shall not exceed 70% of the difference between the total  
19 state aid funds apportioned to the school district or intermedi-  
20 ate school district for that fiscal year and the portion already  
21 received or pledged, except secondary pledges made under section  
22 1356.

23 (3) A school district or intermediate school district that  
24 is not able to redeem its notes within 12 months after the date  
25 on which the notes were issued may enter into a multi-year agree-  
26 ment with a lending institution to repay its obligation. A  
27 repayment agreement shall not be executed without the prior

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1 approval of an authorized representative of the state board or,  
2 for notes sold to the Michigan municipal bond authority only,  
3 without the approval of an authorized representative of the  
4 department of treasury.

5 (4) During the last 4 months of a fiscal year, notes may be  
6 issued pledging state school aid for the next succeeding fiscal  
7 year. ~~The~~ EXCEPT AS OTHERWISE PROVIDED IN THIS SUBSECTION, THE  
8 notes shall not exceed 50% of the state school aid apportioned to  
9 the school district or intermediate school district for the next  
10 succeeding fiscal year or, if the apportionment has not been  
11 made, 50% of the apportionment for the then current fiscal year.  
12 WITH THE APPROVAL OF THE STATE TREASURER, NOTES MAY BE ISSUED  
13 THAT SHALL NOT EXCEED 70% OF THE STATE SCHOOL AID APPORTIONED TO  
14 THE SCHOOL DISTRICT OR INTERMEDIATE SCHOOL DISTRICT FOR THE NEXT  
15 SUCCEEDING FISCAL YEAR OR, IF THE APPORTIONMENT HAS NOT BEEN  
16 MADE, 70% OF THE APPORTIONMENT FOR THE THEN CURRENT FISCAL YEAR.  
17 The notes shall mature not later than 12 months after the date of  
18 issuance. Notes sold and delivered under this section shall bear  
19 interest at a rate agreed to by the school board or intermediate  
20 school board, which rate shall not exceed the rate provided in  
21 section 1a of chapter III of the municipal finance act, ~~Act~~  
22 ~~No. 202 of the Public Acts of 1943, as amended, being section~~  
23 ~~133.1a of the Michigan Compiled Laws 1943 PA 202, MCL 133.1A,~~  
24 and may be made redeemable before maturity on the terms and con-  
25 ditions provided in the notes.

26 (5) Notes issued under this section are not subject to the  
27 municipal finance act, ~~Act No. 202 of the Public Acts of 1943,~~

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1 ~~as amended, being sections 131.1 to 139.3 of the Michigan~~  
2 ~~Compiled Laws~~ 1943 PA 202, MCL 131.1 TO 139.3. A school board  
3 or intermediate school board shall not issue notes under this  
4 section unless it applies for and receives prior approval or the  
5 school board or intermediate school board requests and receives  
6 an exception from prior approval pursuant to subsections (7),  
7 (8), and (9). An application for prior approval or for an excep-  
8 tion from prior approval shall be made to the authorized repre-  
9 sentative of the state board unless the notes are to be sold to  
10 the Michigan municipal bond authority. If the notes are to be  
11 sold to the Michigan municipal bond authority, an application for  
12 prior approval or for an exception from prior approval shall be  
13 made to the authorized representative of the department of  
14 treasury. An order of prior approval issued by the authorized  
15 representative of the state board or of the department of trea-  
16 sury or an order of exception from prior approval issued by the  
17 authorized representative of the state board or of the department  
18 of treasury shall show the estimated amount of state school aid  
19 allocated to the school district or intermediate school district  
20 for the current fiscal year and, if applicable, for the next suc-  
21 ceeding fiscal year and payments that have been distributed to  
22 the school district or intermediate school district before the  
23 date of the order. Failure of a school district or intermediate  
24 school district to receive state school aid does not affect the  
25 validity or enforceability of a note issued under this section.  
26 (6) A school board or intermediate school board may make  
27 more than 1 borrowing under this section during a school year. A

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1 school board or intermediate school board shall not contest the  
2 validity of a note issued by it under this section if an order of  
3 prior approval or of exception from prior approval had been  
4 obtained from the authorized representative of the state board or  
5 of the department of treasury and the school district or interme-  
6 diate school district has received the principal amount of the  
7 note. An order of prior approval and estimated determination of  
8 state school aid by the authorized representative of the state  
9 board or of the department of treasury is conclusive as to the  
10 authority of a school board or intermediate school board to  
11 borrow under this section. An order of prior approval shall be  
12 signed by the authorized representative of the state board or of  
13 the department of treasury.

14 (7) A school board or intermediate school board may submit a  
15 request for an exception from prior approval to the authorized  
16 representative of the state board or of the department of trea-  
17 sury, as applicable, on a form prescribed by the applicable  
18 authorized representative. The request shall be accompanied by a  
19 filing fee of \$100.00 for a request relating to notes totaling  
20 less than \$500,000.00 or \$400.00 for a request relating to notes  
21 totaling \$500,000.00 or more. If the request is not accompanied  
22 by the proper filing fee or by other information or materials  
23 required by law, the authorized representative of the state board  
24 or of the department of treasury shall not consider the request  
25 to be complete and may return the request without acting upon  
26 it.

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1 (8) Not later than 10 business days after receiving a  
2 complete request and proper filing fee under subsection (7), the  
3 authorized representative of the state board or of the department  
4 of treasury, as applicable, shall issue an order granting the  
5 exception unless the authorized representative finds that 1 or  
6 more of the following conditions exist or have occurred:

7 (a) For a school district, it appears from the information  
8 submitted by the school district under section 102 of the state  
9 school aid act of 1979, ~~being section 388.1702 of the Michigan~~  
10 ~~Compiled Laws~~ MCL 388.1702, and from other information available  
11 to the department or to the department of treasury that the  
12 school district ended its immediately preceding fiscal year with  
13 a deficit in 1 or more of its funds and does not have a plan  
14 approved under section 102(5) of the state school aid act of  
15 1979, MCL 388.1702, for eliminating the deficit.

16 (b) The school district or intermediate school district has  
17 failed to comply with the requirements of this section with  
18 regard to an outstanding note issued under this section or a note  
19 issued under this section during the 3 years immediately preced-  
20 ing the date of the request.

21 (c) The school district or intermediate school district is  
22 in default in the payment of the principal of or interest on any  
23 of its obligations.

24 (9) If the authorized representative of the state board or  
25 of the department of treasury, as applicable, finds that 1 or  
26 more of the conditions described in subsection (8)(a) to (c)  
27 applies to a request for an exception from prior approval under



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1 subsection (7), the authorized representative may issue an order  
2 denying the request or, if he or she finds that the existence of  
3 the condition is inconsequential to the request, may issue an  
4 order granting the exception from prior approval. If the autho-  
5 rized representative of the state board or of the department of  
6 treasury fails to act on a complete request within the 10-day  
7 period specified in subsection (8), the exception from prior  
8 approval shall be considered to be granted as of the expiration  
9 of the 10-day period.

10 (10) Subject to the maximum amounts for notes as specified  
11 in subsections (2) and (4), an exception from prior approval,  
12 whether granted by order of the authorized representative of the  
13 state board or of the department of treasury or because of fail-  
14 ure of the authorized representative of the state board or of the  
15 department of treasury to act on the request, is valid for 4  
16 months.

17 Sec. 1351. ~~(1) A school district may borrow money and~~  
18 ~~issue bonds of the district to defray all or a part of the cost~~  
19 ~~of purchasing, erecting, completing, remodeling, improving, fur-~~  
20 ~~nishing, refurnishing, equipping, or reequipping school build-~~  
21 ~~ings, including library buildings, structures, athletic fields,~~  
22 ~~playgrounds, or other facilities, or parts of or additions to~~  
23 ~~those facilities; acquiring, preparing, developing, or improving~~  
24 ~~sites, or parts of or additions to sites, for school buildings,~~  
25 ~~including library buildings, structures, athletic fields, play-~~  
26 ~~grounds, or other facilities; purchasing school buses;~~  
27 ~~participating in the administrative costs of an urban renewal~~

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1 ~~program through which the school district desires to acquire a~~  
2 ~~site or addition to a site for school purposes; refunding all or~~  
3 ~~part of existing bonded indebtedness; or accomplishing a combina-~~  
4 ~~tion of the purposes set forth in this subsection. In addition,~~  
5 ~~until December 31, 1991 a school district may borrow money and~~  
6 ~~issue bonds to defray all or part of the cost of purchasing~~  
7 ~~textbooks.~~

8       (1) ~~-(2)-~~ Except as otherwise provided in this subsection, a  
9 school district shall not borrow money or issue bonds for a sum  
10 that, together with the total outstanding bonded indebtedness of  
11 the district, exceeds 5% of the state equalized valuation of the  
12 taxable property within the district, unless the proposition of  
13 borrowing the money or issuing the bonds is submitted to a vote  
14 of the school electors of the district at an annual or special  
15 election and approved by the majority of the school electors  
16 voting on the question. Regardless of the amount of outstanding  
17 bonded indebtedness of the school district, a vote of the school  
18 electors is not necessary in order to issue bonds for a purpose  
19 described in section 1274a OR TO ISSUE BONDS UNDER SECTION 11I OF  
20 THE STATE SCHOOL AID ACT OF 1979, MCL 388.1611I. FOR THE PUR-  
21 POSES OF THIS SUBSECTION, BONDS ISSUED UNDER SECTION 11I OF THE  
22 STATE SCHOOL AID ACT OF 1979, MCL 388.1611I, SHALL NOT BE  
23 INCLUDED IN COMPUTING THE TOTAL OUTSTANDING BONDED INDEBTEDNESS  
24 OF A SCHOOL DISTRICT.

25       (2) ~~-(3)-~~ A school district shall not issue bonds under this  
26 part for an amount greater than 15% of the total assessed  
27 valuation of the district, except as provided in section 1356.

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1 The bonded indebtedness of a district shall not extend beyond a  
2 period of 30 years. Refunding bonds or the refunding part of a  
3 bond issue shall not be considered to be within the 15% limita-  
4 tion but shall be considered to be authorized in addition to the  
5 15% limitation. A bond qualified under section 16 of article IX  
6 of the state constitution of 1963 and implementing legislation  
7 shall not be included for purposes of calculating the 15%  
8 limitation. Bonds issued pursuant to this ~~section~~ PART are  
9 subject to the municipal finance act, ~~Act No. 202 of the Public~~  
10 ~~Acts of 1943, being sections 131.1 to 139.3 of the Michigan~~  
11 ~~Compiled Laws~~ 1943 PA 202, MCL 131.1 TO 139.3, except that bonds  
12 issued for a purpose described in section 1274a may be sold at a  
13 public or publicly negotiated sale at the time or times, at the  
14 price or prices, and at a discount as determined by the board of  
15 the school district.

16 (3) ~~(4)~~ Bonds or notes issued by a school district or  
17 intermediate school district ~~pursuant to sections 144, 251, 335,~~  
18 ~~442, or 629 for the purposes authorized by this section and~~  
19 ~~section~~ UNDER THIS PART OR SECTION 442, 629, OR 1274a shall be  
20 full faith and credit tax limited obligations of the district  
21 pledging the general funds, voted and allocated tax levies, or  
22 any other money available for such a purpose and shall not allow  
23 or provide for the levy of additional millage for payment of the  
24 bond or note without a vote of the qualified electorate of the  
25 district.

26 ~~(5) If a bond proposal for bonds to be used in whole or~~  
27 ~~part to defray all or part of the cost of purchasing textbooks~~

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1 ~~has been approved by a majority of the school electors voting on~~  
2 ~~the question before the effective date of the amendatory act that~~  
3 ~~added this subsection, and the bonds otherwise meet the require-~~  
4 ~~ments of this section, the issuance of those bonds for a period~~  
5 ~~not to exceed 5 years is ratified and confirmed and the bonds are~~  
6 ~~considered to be issued under this section.~~

7       Sec. 1351a. (1) ~~Beginning with bonds issued after May 1,~~  
8 ~~1994, a school district may not borrow money and issue bonds of~~  
9 ~~the district under section 1351(1). However, a~~ A school dis-  
10 trict may borrow money and issue bonds of the district to defray  
11 all or a part of the cost of purchasing, erecting, completing,  
12 remodeling, or equipping or reequipping, except for equipping or  
13 reequipping for technology, school buildings, including library  
14 buildings, structures, athletic fields, playgrounds, or other  
15 facilities, or parts of or additions to those facilities; fur-  
16 nishing or refurnishing new or remodeled school buildings;  
17 acquiring, preparing, developing, or improving sites, or parts of  
18 or additions to sites, for school buildings, including library  
19 buildings, structures, athletic fields, playgrounds, or other  
20 facilities; purchasing school buses; acquiring, installing, or  
21 equipping or reequipping school buildings for technology; refund-  
22 ing all or part of existing bonded indebtedness if the net  
23 present value of the principal and interest to be paid on the  
24 refunding bonds, excluding the cost of issuance, will be less  
25 than the net present value of the principal and interest to be  
26 paid on the bonds being refunded, as calculated using a method  
27 approved by the department of treasury; or accomplishing a

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1 combination of the purposes set forth in this subsection.

2 Section ~~1351(2) to (4)~~ 1351 applies to bonds issued under this  
3 section.

4 (2) The proceeds of bonds issued under this section shall be  
5 used for capital expenditures and to pay costs of bond issuance,  
6 and shall not be used for maintenance costs. ~~A~~ EXCEPT AS OTH-  
7 ERWISE PROVIDED IN THIS SUBSECTION, A school district that issues  
8 bonds under this section OR UNDER SECTION 11I OF THE STATE SCHOOL  
9 AID ACT OF 1979, MCL 388.1611I, shall have an independent audit,  
10 using generally accepted accounting principles, of its bonding  
11 activities UNDER THESE SECTIONS conducted within 120 days after  
12 completion of all projects financed by the proceeds of the bonds  
13 and shall submit the audit report to the department of treasury.  
14 THE INDEPENDENT AUDIT REQUIRED UNDER THIS SUBSECTION MAY BE CON-  
15 DUCTED AND SUBMITTED WITH THE FISCAL YEAR AUDIT REQUIRED UNDER  
16 SECTION 5 OF CHAPTER III OF THE MUNICIPAL FINANCE ACT, 1943 PA  
17 202, MCL 133.5.

18 (3) Bonds issued under this section for an asset with a  
19 useful life of less than 30 years shall not be issued for a term  
20 that is longer than the useful life of the asset.

21 (4) A school district shall not borrow money and issue notes  
22 or bonds under this section to defray all or part of the costs of  
23 any of the following:

24 (a) Upgrades to operating system or application software.

25 (b) Media, including diskettes, compact discs, video tapes,  
26 and disks, unless used for the storage of initial operating

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1 system software or customized application software included in  
2 the definition of technology under this section.

3 (c) Training, consulting, maintenance, service contracts,  
4 software upgrades, troubleshooting, or software support.

5 (5) A resident of a school district has standing to bring  
6 suit against the school district to enforce the provisions of  
7 this section in a court having jurisdiction.

8 (6) As used in this section, "technology" means any of the  
9 following:

10 (a) Hardware and communication devices that transmit,  
11 receive, or compute information for pupil instructional  
12 purposes.

13 (b) The initial purchase of operating system software or  
14 customized application software, or both, accompanying the pur-  
15 chase of hardware and communication devices under  
16 subdivision (a).

17 (c) The costs of design and installation of the hardware,  
18 communication devices, and initial operating system software or  
19 customized application software authorized under this  
20 subsection.