

**SUBSTITUTE FOR
HOUSE BILL NO. 4495**

A bill to amend 2001 PA 34, entitled
"Revised municipal finance act,"
by amending section 701 (MCL 141.2701), as amended by 2002 PA 500.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 701. (1) Subject to subsection (3), if a municipality has
2 municipal securities outstanding, or with the approval of its
3 electors has authorized the issuance of municipal securities to be
4 paid from collections of its next tax levy, an officer or official
5 body charged with a duty in connection with the determination of
6 the amount of the next taxes to be raised or with the levying of
7 the next taxes, shall include all of the following in the amount of
8 taxes levied each year:

9 (a) An amount such that the estimated collections will be
10 sufficient to promptly pay, when due, the interest on all municipal

1 securities and the portion of the principal falling due whether by
2 maturity or by mandatory redemption before the time of the
3 following year's tax collection.

4 (b) An amount, if there are outstanding mandatory redemption
5 refunding securities, sufficient to provide the sum required to be
6 deposited, by the ordinance or resolution authorizing the issue,
7 into the sinking fund for that purpose before the time of the
8 following year's tax collection.

9 (c) An amount, if there are outstanding mandatory redemption
10 municipal securities other than refunding securities not required
11 to be redeemed in annual amounts before the maturity of the
12 outstanding mandatory redemption municipal securities, that if
13 deposited annually into a sinking fund will, with the existing
14 sinking fund pertaining to the municipal securities and the
15 increment of the municipal securities, be sufficient to pay the
16 municipal securities at maturity.

17 (d) An amount necessary to pay debt service charges or
18 obligations on municipal securities or agreements described in
19 section 317(5) falling due in the immediately preceding fiscal
20 year, to the extent that the tax levy in the preceding fiscal year
21 was inadequate to pay, when due, the debt service charges or
22 obligations on municipal securities or agreements described in
23 section 317(5). The municipality shall do 1 or more of the
24 following with the proceeds of the tax levy:

25 (i) Deposit in the debt retirement fund established for the
26 municipal securities and used to pay debt service charges or
27 obligations on municipal securities or agreements described in

1 section 317(5).

2 (ii) Use to pay debt service on short-term municipal
3 securities issued under section 403(5).

4 (iii) Use to reimburse the municipality for any advances of
5 funds used for the purposes described in subparagraph (i) or (ii).

6 (2) Subsection (1) does not limit the amount required to be
7 levied in a year for the purposes prescribed in that subsection, by
8 the terms of an ordinance or resolution authorizing the issuance of
9 the municipal securities.

10 (3) If the municipal securities were authorized or issued
11 before December 23, 1978, or were approved by the electors of a
12 municipality, the municipality shall levy the full amount of taxes
13 required by this section for the payment of the municipal
14 securities without limitation as to rate or amount and in addition
15 to other taxes that the municipality may be authorized to levy, **AND**
16 **AN UNLIMITED TAX PLEDGE BY THAT MUNICIPALITY DESCRIBED IN THE**
17 **UNLIMITED TAX ELECTION ACT, 1979 PA 189, MCL 141.161 TO 141.168,**
18 **SHALL CONSTITUTE, WITHOUT THE REQUIREMENT OF FURTHER ACTION OR**
19 **AGREEMENT, A STATUTORY FIRST LIEN ON ALL TAXES SUBJECT TO THE**
20 **UNLIMITED TAX PLEDGE. THIS SUBSECTION APPLIES TO AN UNLIMITED TAX**
21 **PLEDGE MADE PRIOR TO OR AFTER THE DATE OF ENACTMENT OF THE**
22 **AMENDATORY ACT THAT ADDED THIS SENTENCE.** If the municipal
23 securities were authorized or issued by a municipality after
24 December 22, 1978, and were not approved by the electors of the
25 municipality, the municipality shall set aside each year from the
26 levy and collection of ad valorem taxes as required by this section
27 as a first budget obligation for the payment of the municipal

1 securities. However, the ad valorem taxes shall be subject to
2 applicable charter, statutory, or constitutional rate limitations.

3 (4) If there is surplus money on hand for the payment of
4 principal or interest at the time of making an annual tax levy, and
5 provision has not been made in the authorizing resolution for the
6 disposition of that money, the annual levy for principal or
7 interest shall be adjusted to reflect available funds.

8 (5) Money remaining in a debt retirement fund from the levy of
9 a tax or an account within a debt retirement fund from the levy of
10 a tax after the retirement of all municipal securities payable from
11 that fund shall be used in the following order of priority:

12 (a) To pay other outstanding unlimited tax full faith and
13 credit municipal securities.

14 (b) To pay other outstanding limited tax full faith and credit
15 municipal securities.

16 (c) To be deposited in the general fund of the municipality.

17 (6) As taxes are collected, there shall be set aside that
18 portion of the collections that is allocable to the payment of the
19 principal and interest on the municipal securities. **FOR MUNICIPAL**
20 **SECURITIES THAT ARE AN UNLIMITED TAX PLEDGE BY THAT MUNICIPALITY**
21 **DESCRIBED IN THE UNLIMITED TAX ELECTION ACT, 1979 PA 189, MCL**
22 **141.161 TO 141.168, THAT PORTION SET ASIDE SHALL BE HELD IN TRUST**
23 **FOR THE OWNERS OF THE MUNICIPAL SECURITY. THE IMMEDIATELY PRECEDING**
24 **SENTENCE DOES NOT ALTER ANY LEGAL OR EQUITABLE RIGHT OR REQUIREMENT**
25 **THAT EXISTS TO IMPOSE A TRUST ON THAT PORTION OF TAX COLLECTIONS**
26 **SET ASIDE WITH RESPECT TO ANY OTHER MUNICIPAL SECURITY.** The portion
27 set aside shall be divided pro rata among the various sinking funds

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1 and debt retirement funds in accordance with the amount levied for
2 that purpose. Tax collections paid into a debt retirement fund, if
3 the fund is for the payment of more than 1 issue of municipal
4 securities, shall be allocated on the books and records of the
5 municipality between the various issues in accordance with the
6 amounts levied for that purpose.

7 (7) An officer who willfully fails to perform duties required
8 by this section is personally liable to the municipality or to a
9 holder of a municipal security for loss or damage arising from his
10 or her failure.

11 (8) As used in this section, "tax levy" includes special
12 assessments.

[Enacting section 1. This amendatory act takes effect 90 days after
the date it is enacted into law.]