

**HOUSE SUBSTITUTE FOR
SENATE BILL NO. 841**

A bill to amend 1981 PA 80, entitled
"Fiscal stabilization act,"
by amending sections 4 and 7 (MCL 141.1004 and 141.1007), as
amended by 1987 PA 279.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 4. (1) Before a city may make application to the board
2 for approval to issue bonds or obligations under this act, the
3 legislative body of the city shall determine by resolution that
4 all of the following conditions exist:

5 (a) The city had an accumulated operating deficit as of the
6 end of the last completed fiscal year or is projected to have an
7 accumulated operating deficit at the end of the current fiscal
8 year. The determination of the existence of an accumulated
9 operating deficit or a projected accumulated operating deficit

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1 shall be made in accordance with generally accepted accounting
2 principles.

3 (b) The amount of the deficit exceeds the amount that the
4 city may borrow from the emergency municipal loan fund pursuant
5 to the emergency municipal loan act, ~~Act No. 243 of the Public~~
6 ~~Acts of 1980, as amended, being sections 141.931 to 141.942 of~~
7 ~~the Michigan Compiled Laws~~ 1980 PA 243, MCL 141.931 TO 141.942.

8 (c) The amount of the deficit is more than the city can fund
9 by issuing tax anticipation notes ~~pursuant to section 2 of chap-~~
10 ~~ter IV of the municipal finance act, Act No. 202 of the Public~~
11 ~~Acts of 1943, as amended, being section 134.2 of the Michigan~~
12 ~~Compiled Laws~~ UNDER THE REVISED MUNICIPAL FINANCE ACT, 2001
13 PA 34, MCL 141.2101 TO 141.2821.

14 (2) Before a county may make application to the board for
15 approval to issue bonds or obligations under this act, the legis-
16 lative body of the county shall determine by resolution that the
17 county had an accumulated operating deficit as of the end of the
18 last completed fiscal year or is projected to have an accumulated
19 operating deficit at the end of the current fiscal year. The
20 determination of the existence of an accumulated operating defi-
21 cit or a projected accumulated operating deficit shall be made in
22 accordance with generally accepted accounting principles.

23 (3) If the legislative body of a city or county determines
24 that all of the conditions described in subsection (1) or (2)
25 exist, respectively, it shall also in the same resolution make
26 the following determinations:

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1 (a) The amount of the accumulated operating deficit that was
2 incurred or is projected to exist at the end of the current
3 fiscal year.

4 (b) The maximum amount of bonds or obligations necessary to
5 fund the deficit and provide funds for the purposes described in
6 section 5.

7 (4) Before adopting a resolution authorizing the issuance of
8 the bonds or obligations, the city or county shall apply to the
9 secretary of the board for an order approving issuance of the
10 bonds or obligations by the city or county and shall attach to
11 the application a copy of the resolution described in this
12 section.

13 (5) The board shall require that the city or county provide
14 the board with a statement signed by the chief executive officer
15 of the city or county, if a charter county, or the chairperson of
16 the board of county commissioners, which statement indicates how
17 the city or county intends to avoid future deficits. The state-
18 ment is a condition that shall be met as part of the application
19 by the city or county to the board for issuance of bonds or obli-
20 gations under this act.

21 (6) Within 7 days after receipt of a full and complete
22 application as determined by the board, the board shall issue an
23 order approving issuance of bonds or obligations by the city or
24 county in an amount not exceeding the amount determined to be
25 necessary by the legislative body of the city or county under
26 subsection (3) or denying the application.

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1 (7) After approval of the board, the determinations and
2 findings made by the legislative body of the city or county
3 pursuant to this section are conclusive.

4 (8) The maximum amount of bonds or obligations that are
5 unlimited or limited tax bonds or obligations that may be issued
6 by a city or county under this act shall not exceed 3% of the
7 state equalized valuation of real and personal property located
8 within the territorial boundaries of the city or county, respec-
9 tively, or the maximum principal amount of all bonds or obliga-
10 tions that may be issued by a city or county under this act shall
11 not exceed \$125,000,000.00. The limitations provided by this
12 subsection do not include bonds or obligations or portions of
13 bonds or obligations used to pay for any of the following:

14 (a) Amounts set aside for a reserve for payment of princi-
15 pal, interest, and redemption premiums.

16 (b) Expected costs of issuance of the bonds or obligations.

17 (c) The amount of any discount.

18 (d) Bonds or obligations issued to refund outstanding bonds
19 or obligations.

20 (9) Except as provided in section 7, THE issuance of bonds
21 or obligations ~~pursuant to~~ UNDER this act are not subject to
22 the ~~municipal finance act, Act No. 202 of the Public Acts of~~
23 ~~1943, as amended, being sections 131.1 to 139.3 of the Michigan~~
24 ~~Compiled Laws~~ REVISED MUNICIPAL FINANCE ACT, 2001 PA 34,
25 MCL 141.2101 TO 141.2821. THE ISSUANCE OF BONDS OR OBLIGATIONS
26 DESCRIBED IN THIS SUBSECTION IS SUBJECT TO THE AGENCY FINANCING
27 REPORTING ACT.

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1 Sec. 7. A city or county that issues bonds or obligations
2 that are unlimited or limited tax bonds or obligations ~~pursuant~~
3 ~~to~~ UNDER this act shall annually levy sufficient ad valorem
4 property taxes for payment of principal and interest coming due
5 on the bonds or obligations prior to the next collection of taxes
6 as required by ~~section 1a of chapter VII of the municipal~~
7 ~~finance act, Act No. 202 of the Public Acts of 1943, as amended,~~
8 ~~being section 137.1a of the Michigan Compiled Laws~~ THE REVISED
9 MUNICIPAL FINANCE ACT, 2001 PA 34, MCL 141.2101 TO 141.2821. In
10 determining the amount of the annual levy necessary for the pay-
11 ment of the principal and interest, credit may be taken for other
12 revenues available and pledged for payment of the bonds or
13 obligations. If the bonds or obligations have been approved by a
14 majority vote of the qualified electors of the city or county
15 voting on the question, the levy of taxes for payment of princi-
16 pal and interest on the bonds or obligations is not subject to
17 limitation as to rate or amount, and taxes for the payment of the
18 principal and interest are in addition to all other taxes that
19 the city or county may otherwise be authorized to levy.