

SUBSTITUTE FOR  
HOUSE BILL NO. 5566

A bill to amend 1980 PA 243, entitled  
"Emergency municipal loan act,"  
by amending the title and sections 1, 2, 3, 4, 5, 6, and 7 (MCL  
141.931, 141.932, 141.933, 141.934, 141.935, 141.936, and 141.937),  
the title as amended by 1988 PA 198, section 1 as amended by 2007  
PA 178, sections 2, 3, 6, and 7 as amended by 1998 PA 528, and  
sections 4 and 5 as amended by 2007 PA 198, and by adding sections  
3a and 6a.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 TITLE

2 An act to provide emergency financial assistance for certain  
3 ~~municipalities;~~ **POLITICAL SUBDIVISIONS OF THIS STATE;** to create a  
4 local emergency financial assistance loan board and to prescribe  
5 the powers and duties of this board; to prescribe conditions for

granting and receiving loans, to prescribe terms and conditions for the repayment of loans, and to allow the limiting of repayment by a county from specified revenue sources; to impose certain requirements and duties on certain state departments, ~~municipalities~~ **POLITICAL SUBDIVISIONS** of this state, and officials of the ~~THIS~~ state and ~~municipalities~~ **POLITICAL SUBDIVISIONS** of this state; and to prescribe remedies and penalties.

Sec. 1. As used in this act:

(a) "Board" means the local emergency financial assistance loan board created under ~~this act~~. **SECTION 2.**

(b) "Fiscal year" means, unless otherwise provided in this act, the fiscal year of the municipality applying for a loan under this act.

(c) "Income tax collections" means the total collection of a municipality under the city income tax act, 1964 PA 284, MCL 141.501 to 141.787, in any calendar year.

(d) "Income tax revenue growth rate" means the quotient of the following:

(i) The numerator is the income tax collections of the municipality for the calendar year immediately preceding the municipality's application for a loan under this act.

(ii) The denominator is the income tax collections for the municipality for the calendar year preceding the calendar year used in determining the numerator.

(e) "Municipality" means a county, city, village, ~~or~~ township, ~~or~~ **SCHOOL DISTRICT IN** this state.

(f) "Local tax base growth rate" for a municipality means the

1 state equalized valuation of the real and personal property of the  
2 municipality for the most recent year for which data is available  
3 divided by the state equalized valuation of real and personal  
4 property of the municipality for the fifth year preceding the most  
5 recent year for which data is available.

6 (g) "Statewide tax base growth rate" means the total state  
7 equalized valuation for real and personal property for the most  
8 recent year for which data is available divided by the total state  
9 equalized valuation for the fifth year preceding the most recent  
10 year for which data is available.

11 (h) "State equalized valuation of real and personal property  
12 of the municipality" means the valuation determined under 1911 PA  
13 44, MCL 209.1 to 209.8, of real and personal property within the  
14 municipality plus an amount equal to the state equalized valuation  
15 equivalent of certain revenues of the municipality as determined  
16 under this subdivision. The state equalized valuation equivalent  
17 shall be calculated by dividing the sum of the following amounts by  
18 the municipality's millage rate for the fiscal year:

19 (i) The amount levied by the municipality for its own use  
20 during the municipality's fiscal year from the specific tax levied  
21 under 1974 PA 198, MCL 207.551 to 207.572.

22 (ii) The amount levied by the municipality for its own use  
23 during the municipality's fiscal year from the specific tax levied  
24 under the commercial redevelopment act, 1978 PA 255, MCL 207.651 to  
25 207.668.

26 Sec. 2. (1) There is created a local emergency financial  
27 assistance loan board within the department of treasury. This board

1 shall consist of the state treasurer, the director of the  
2 department of ~~consumer and industry services~~, **LICENSING AND**  
3 **REGULATORY AFFAIRS**, and the director of the department of  
4 **TECHNOLOGY**, management, and budget. Except for budgeting,  
5 procurement, and related functions of the board that shall be  
6 performed under the direction and supervision of the state  
7 treasurer, the board shall exercise its prescribed statutory  
8 powers, duties, and functions independently of the department of  
9 treasury.

10 (2) The board has the powers necessary to carry out and  
11 effectuate the purposes and provisions of this act, **AND POWERS**  
12 **VESTED IN THE BOARD UNDER OTHER LAWS OF THIS STATE**, including, **BUT**  
13 **NOT LIMITED TO**, all of the following powers:

14 (a) To act by an order issued in the name of the board and  
15 signed by the members of the board. The signature of the designee  
16 of a member, when the designee is acting for his or her principal,  
17 has the same force and effect as the signature of the member.

18 (b) To authorize and make loans; to renegotiate the terms of  
19 outstanding loans; and to make, execute, and deliver contracts and  
20 other instruments necessary or convenient to the exercise of its  
21 powers.

22 (c) To aid, advise, and consult with a municipality with  
23 respect to fiscal questions arising from and relating to its  
24 proposed or outstanding loans.

25 (d) To promulgate rules under the administrative procedures  
26 act of 1969, 1969 PA 306, MCL 24.201 to 24.328, that it considers  
27 necessary.

1           (e) To examine the books and records of a municipality  
2     applying for or receiving a loan under this act for the purpose of  
3     ascertaining if the municipality is complying, in relation to a  
4     loan under this act, with the requirements of the board, the laws  
5     of this state, and the charter, ordinances, and resolutions of the  
6     municipality. Additionally, for effectuating this purpose, the  
7     board may require sworn statements from any officer or employee of  
8     the municipality and may require the municipality to furnish a  
9     statement of its financial condition. The board has full power, in  
10    furtherance of its investigations, to examine witnesses on oath, to  
11    compel the attendance of witnesses, to compel the giving of  
12    testimony, and to compel the production of books, papers, and  
13    records. Witnesses may be summoned by the board by its process upon  
14    the payment of the same fees as are allowed to witnesses attending  
15    in the circuit court for the county in which a hearing is held. A  
16    person duly subpoenaed under this section who fails to attend or  
17    testify at the place named in the subpoena served for that purpose  
18    is guilty of a misdemeanor.

19           (f) To serve notice upon a municipality of an order relating  
20    to the municipality issued by the board. A municipality has prima  
21    facie notice of and is bound by an order of the board if notice has  
22    been served upon it by registered mail addressed to any officer of  
23    the municipality upon whom legal process may be served.

24           (g) To enforce compliance with its orders; with the terms of  
25    outstanding loans; with any provision of this act; or, in relation  
26    to a loan under this act, with any law of this state or with the  
27    charter, ordinances, or resolutions of a municipality that received

1 a loan under this act. As 1 method to enforce compliance, the board  
2 may institute appropriate proceedings in the courts of this state,  
3 including proceedings for writs of mandamus and injunctions.

4 (h) To subject a loan to the terms and conditions the board  
5 considers necessary to ensure compliance with the uniform budgeting  
6 and accounting act, 1968 PA 2, MCL 141.421 to 141.440a, and to  
7 ensure timely repayment of the loan, including, but not limited to,  
8 requiring the direct assignment for repayment of a loan of any  
9 state money appropriated to the municipality **OR, FOR A MUNICIPALITY**  
10 **THAT IS A SCHOOL DISTRICT, OTHER REVENUE OR MONEY THAT MAY BE**  
11 **PLEDGED BY A SCHOOL DISTRICT UNDER SECTION 1211 OF THE REVISED**  
12 **SCHOOL CODE, 1976 PA 451, MCL 380.1211, OR OTHER LAW.**

13 (i) To provide loan terms specifying conditions and events of  
14 default and remedies available upon default by a municipality.

15 (j) To impose loan terms upon the disbursement of a loan  
16 authorized to be made under section 3(2)(b) or (3).

17 (3) The board shall review each application for a loan from a  
18 municipality to determine if the municipality satisfies the  
19 requirements of this act. Except for loans authorized under section  
20 3(2) or (3), upon determining those applications that satisfy the  
21 application eligibility requirements of section 4 and, for  
22 subsequent annual loans, section 8, the board may authorize an  
23 annual loan to 1 or more of those eligible applicants upon  
24 declaring that a local fiscal emergency exists in the municipality.  
25 For loans authorized under section 3(2) or (3), the board may  
26 authorize a loan upon determining that the municipality has  
27 satisfied the requirements of this act applicable to loans under

1 section 3(2) or (3).

2 (4) All actions of the board shall be approved by all members  
3 of the board. All meetings of the board shall be conducted at a  
4 public meeting held in compliance with the open meetings act, 1976  
5 PA 267, MCL 15.261 to 15.275.

6 (5) Subject to the requirements of this act, the board has the  
7 sole authority to determine all of the following:

8 (a) The amount of a loan.

9 (b) The rate or rates of interest on a loan.

10 (c) Any other condition related to a loan including, but not  
11 limited to, requiring that the proceeds of a loan be used for  
12 specified purposes.

13 (6) The department of treasury shall provide staff services to  
14 the board to carry out this act.

15 (7) A municipality may do 1 or more of the following:

16 (a) Borrow money under this act, **AND ISSUE EVIDENCES OF**  
17 **INDEBTEDNESS FOR REPAYMENT OF OBLIGATIONS, INCLUDING, BUT NOT**  
18 **LIMITED TO, MONEY ADVANCED OR PREVIOUSLY ADVANCED TO A SCHOOL**  
19 **DISTRICT OR APPROVED OR PREVIOUSLY APPROVED FOR ADVANCEMENT TO A**  
20 **SCHOOL DISTRICT UNDER SECTION 15(2) OF THE STATE SCHOOL AID ACT OF**  
21 **1979, 1979 PA 94, MCL 388.1615, OR MONEY BORROWED BY THE SCHOOL**  
22 **DISTRICT UNDER SECTION 1225 OF THE REVISED SCHOOL CODE, 1976 PA**  
23 **451, MCL 380.1225.**

24 (b) Enter into a loan agreement with the board.

25 (c) Issue its notes evidencing the loan.

26 (d) Assign and convey any revenues allocated to it for  
27 repayment of the loan.

1 (e) Take any other action necessary to receive, secure, or  
2 repay a loan under this act.

3 Sec. 3. (1) Except as provided in subsection (2) **AND SUBJECT**  
4 **TO THE PROVISIONS OF THIS SUBSECTION, FOR STATE FISCAL YEARS ENDING**  
5 **BEFORE OCTOBER 1, 2011,** the board shall not authorize loans under  
6 this act to municipalities that total an amount greater than  
7 \$5,000,000.00 in a state fiscal year. **EXCEPT AS PROVIDED IN**  
8 **SUBSECTION (2) AND SUBJECT TO THE PROVISIONS OF THIS SUBSECTION,**  
9 **FOR THE PERIOD BEGINNING ON OCTOBER 1, 2011 AND ENDING ON SEPTEMBER**  
10 **30, 2018, THE BOARD SHALL NOT AUTHORIZE LOANS UNDER THIS ACT TO**  
11 **MUNICIPALITIES THAT TOTAL AN AMOUNT GREATER THAN \$100,000,000.00.**  
12 **EXCEPT AS PROVIDED IN SUBSECTION (2), FOR STATE FISCAL YEARS**  
13 **BEGINNING AFTER SEPTEMBER 30, 2018, THE BOARD SHALL NOT AUTHORIZE**  
14 **LOANS UNDER THIS ACT TO MUNICIPALITIES THAT TOTAL AN AMOUNT GREATER**  
15 **THAN \$15,000,000.00 IN A STATE FISCAL YEAR. THE BOARD SHALL NOT**  
16 **AUTHORIZE A LOAN TO A MUNICIPALITY UNDER THIS ACT UNTIL 30 DAYS**  
17 **AFTER THE EFFECTIVE DATE OF THE AMENDATORY ACT THAT ADDED THIS**  
18 **SENTENCE.**

19 (2) The board may authorize loans under this act to a county  
20 within the following limitations:

21 (a) In the 1998-99 state fiscal year, the board may authorize  
22 loans under this act to a county with a population greater than  
23 1,500,000.

24 (b) For a state fiscal year in which the block grant  
25 appropriated to a county with a population of more than 1,500,000  
26 that is organized under 1966 PA 293, MCL 45.501 to 45.521, and that  
27 is a county juvenile agency is less than the amount required to be



1 distributed to that county in that year under the social welfare  
2 act, 1939 PA 280, MCL 400.1 to 400.119b, the board may authorize a  
3 loan to that county in an amount not greater than the difference  
4 between the amount of the block grant and the amount required to be  
5 distributed to that county for that fiscal year under the social  
6 welfare act, 1939 PA 280, MCL 400.1 to 400.119b. The board is not  
7 required to authorize loans under this subdivision to a county for  
8 more than 1 state fiscal year.

9 (3) If in a state fiscal year the block grant appropriated to  
10 a county other than a county described in subsection (2) that is a  
11 county juvenile agency is less than the amount required to be  
12 distributed to that county in that year under the social welfare  
13 act, 1939 PA 280, MCL 400.1 to 400.119b, the board may authorize a  
14 loan to that county in an amount not greater than the difference  
15 between the amount of the block grant and the amount required to be  
16 distributed to that county under the social welfare act, 1939 PA  
17 280, MCL 400.1 to 400.119b, in that state fiscal year.

18 (4) Sections 6(2), 7, and 8 and the conditions listed in  
19 section 4(1) do not apply to a loan authorized under subsection (2)  
20 or (3).

21 (5) The proceeds of a loan made under subsection (2) or (3)  
22 shall be maintained in a separate account and shall not be  
23 ~~commingled~~ **COMMINGLED** with the county's general fund or any other  
24 special fund or account.

25 (6) The state treasurer or his or her designee shall monitor  
26 the expenditure of the proceeds of any loan made under subsection  
27 (2) or (3).

House Bill No. 5566 (H-2) as amended June 7, 2012

(7) The proceeds of a loan made under subsection (2) or (3) are subject to the requirements of the county juvenile agency act, 1998 PA 518, MCL 45.621 TO 45.631.

(8) ~~[Revenue~~EXCEPT AS OTHERWISE PROVIDED IN THIS SUBSECTION, REVENUE] for loans made under this act shall be provided from the surplus funds of this state under authorization granted under section 1 of 1855 PA 105, MCL 21.141[. ALTERNATIVELY, FOR A SCHOOL DISTRICT, REVENUE FOR A LOAN MADE UNDER THIS ACT MAY BE PROVIDED FROM MONEY ADVANCED TO THE SCHOOL DISTRICT BY THIS STATE FROM MONEY APPROPRIATED FROM THE STATE SCHOOL AID FUND ESTABLISHED UNDER SECTION 11 OF ARTICLE IX OF THE STATE CONSTITUTION OF 1963 AND PAYABLE TO THE SCHOOL DISTRICT UNDER THE STATE SCHOOL AID ACT OF 1979, 1979 PA 94, MCL 388.1601 TO 388.1896.

(9) AFTER SEPTEMBER 30, 2012, THE BOARD MAY RESTRUCTURE PAYMENTS, BUT NOT THE OUTSTANDING PRINCIPAL BALANCE OR INTEREST, ON A LOAN TO A MUNICIPALITY UNDER SUBSECTION (1) IF ALL OF THE FOLLOWING APPLY:

(A) FOR A MUNICIPALITY THAT IS A SCHOOL DISTRICT, IN A STATE FISCAL YEAR AFTER THE STATE FISCAL YEAR IN WHICH THE LOAN TO THE SCHOOL DISTRICT WAS AUTHORIZED BY THE BOARD, THE FOUNDATION ALLOWANCE FOR THE SCHOOL DISTRICT UNDER THE STATE SCHOOL AID ACT OF 1979, 1979 PA 94, MCL 388.1601 TO 388.1896, IS LESS THAN THE FOUNDATION ALLOWANCE FOR THE SCHOOL DISTRICT IN THE STATE FISCAL YEAR IN WHICH THE LOAN WAS AUTHORIZED.

(B) FOR A MUNICIPALITY OTHER THAN A SCHOOL DISTRICT, IN A STATE FISCAL YEAR AFTER THE STATE FISCAL YEAR IN WHICH THE LOAN TO THE MUNICIPALITY WAS AUTHORIZED BY THE BOARD, STATUTORY REVENUE SHARING FOR THE MUNICIPALITY UNDER THE GLENN STEIL STATE REVENUE SHARING ACT OF 1971, 1971 PA 140, MCL 141.901 TO 141.921, COMBINED WITH ANY ECONOMIC VITALITY INCENTIVE PROGRAM MONEY PAYABLE TO THE MUNICIPALITY IS LESS THAN THE STATUTORY REVENUE SHARING FOR THE MUNICIPALITY COMBINED WITH ANY ECONOMIC VITALITY INCENTIVE PROGRAM MONEY PAYABLE TO THE MUNICIPALITY IN THE STATE FISCAL YEAR IN WHICH THE LOAN WAS AUTHORIZED.

(C) THE MUNICIPALITY IS IN COMPLIANCE WITH THE TERMS OF THE LOAN AND ANY OTHER REQUIREMENTS APPLICABLE TO THE MUNICIPALITY UNDER THIS ACT.

(D) THE MUNICIPALITY IS IN COMPLIANCE WITH ANY REQUIREMENTS RELATING TO A DEFICIT ELIMINATION PLAN UNDER STATE LAW.

(E) THE MUNICIPALITY IS IN COMPLIANCE WITH ANY APPLICABLE CONSENT AGREEMENT OR ORDER OF AN EMERGENCY MANAGER UNDER THE LOCAL GOVERNMENT AND

House Bill No. 5566 (H-2) as amended June 7, 2012  
SCHOOL DISTRICT FISCAL ACCOUNTABILITY ACT, 2011 PA 4, MCL 141.1501 TO 141.1531.

(F) FOR A MUNICIPALITY THAT IS A SCHOOL DISTRICT, THE SCHOOL DISTRICT IS IN COMPLIANCE WITH ALL REQUIREMENTS FOR RECEIPT OF THE FOUNDATION ALLOWANCE AND ANY OTHER REQUIREMENTS APPLICABLE TO THE SCHOOL DISTRICT UNDER THE STATE SCHOOL AID ACT OF 1979, 1979 PA 94, MCL 388.1601 TO 388.1896.

(G) FOR A MUNICIPALITY OTHER THAN A SCHOOL DISTRICT, THE MUNICIPALITY IS IN COMPLIANCE WITH ALL CONDITIONS FOR ECONOMIC VITALITY INCENTIVE PROGRAM MONEY OR STATUTORY REVENUE SHARING OR OTHER REQUIREMENTS APPLICABLE TO THE MUNICIPALITY UNDER THE GLENN STEIL STATE REVENUE SHARING ACT OF 1971, 1971 PA 140, MCL 141.901 TO 141.921.

(H) THE RESTRUCTURING OF PAYMENTS COMPLIES WITH APPLICABLE LAW.

(I) THE LOAN HAS NOT BEEN SOLD OR TRANSFERRED UNDER SECTION 6A.

16 (10) ~~(9)~~] As used in this section, "county juvenile agency" means  
17 that term as defined in section 2 of the county juvenile agency  
18 act, 1998 PA 518, MCL 45.622.

19 SEC. 3A. THE PROCEEDS OF A LOAN ISSUED UNDER THIS ACT TO A  
20 MUNICIPALITY SHALL NOT BE USED BY THE MUNICIPALITY TO FINANCE ANY  
21 COSTS ASSOCIATED WITH A SPECIAL ASSESSMENT OR SPECIAL ASSESSMENT  
22 DISTRICT ESTABLISHED AFTER THE EFFECTIVE DATE OF THE AMENDATORY ACT  
23 THAT ADDED THIS SECTION.

24 Sec. 4. (1) If the governing body of a municipality desires to  
25 request a loan, it shall provide by resolution for the submission  
26 of an application to the board for a loan made under this act. The  
27 municipality shall certify and substantiate all of the following

1 information and conditions to be eligible for consideration for a  
2 loan authorization by the board:

3 (a) A deficit for the municipality's general fund is projected  
4 for the current fiscal year.

5 (b) That 1 or both of the following have occurred within the 6  
6 18 months immediately preceding the loan request:

7 (i) The municipality has issued tax anticipation notes or  
8 revenue sharing notes under the revised municipal finance act, 2001  
9 PA 34, MCL 141.2101 to 141.2821, **OR FOR A SCHOOL DISTRICT, ISSUED**  
10 **NOTES UNDER SECTION 1225 OF THE REVISED SCHOOL CODE, 1976 PA 451,**  
11 **MCL 380.1225.**

12 (ii) The department of treasury has acted upon a request by the  
13 municipality to issue tax anticipation notes or revenue sharing  
14 notes under the revised municipal finance act, 2001 PA 34, MCL  
15 141.2101 to 141.2821.

16 (c) The municipality meets 1 or more of the following  
17 conditions:

18 (i) Its income tax revenue growth rate is .90 or less, or the  
19 municipality has 2 or more emergency loans outstanding at the time  
20 its application is submitted and its income tax revenue growth rate  
21 is 1.3 or less.

22 (ii) Its local tax base growth rate is 75% or less of the  
23 statewide tax base growth rate.

24 (iii) The state equalized valuation of real and personal  
25 property within the municipality at the time the loan application  
26 is made is less than the state equalized valuation of real and  
27 personal property within the municipality in the immediately

1 preceding year.

2 (iv) THE MUNICIPALITY IS LEVYING THE MAXIMUM NUMBER OF MILLS IT  
3 IS AUTHORIZED TO LEVY AS APPROVED BY THE VOTERS AND HAS EITHER OF  
4 THE FOLLOWING:

5 (A) ONE OR MORE DELINQUENT SPECIAL ASSESSMENTS.

6 (B) OUTSTANDING BONDS, NOTES, OR OTHER EVIDENCES OF  
7 INDEBTEDNESS THAT WERE ISSUED IN ANTICIPATION OF A CONTRACT  
8 OBLIGATION WITH, OR AN ASSESSMENT OBLIGATION AGAINST, ANOTHER  
9 MUNICIPALITY THAT HAS 1 OR MORE DELINQUENT SPECIAL ASSESSMENTS THAT  
10 WERE LEVIED TO SATISFY, IN WHOLE OR IN PART, THE CONTRACT OR  
11 ASSESSMENT OBLIGATION.

12 (v) FOR A SCHOOL DISTRICT, THE SCHOOL DISTRICT'S MEMBERSHIP  
13 UNDER SECTION 6 OF THE STATE SCHOOL AID ACT OF 1979, 1979 PA 94,  
14 MCL 388.1606, AT THE TIME THE LOAN APPLICATION IS MADE HAS DECLINED  
15 OVER A PRECEDING 3-STATE-FISCAL-YEAR PERIOD BY A TOTAL OF 15% OR  
16 MORE, AS DETERMINED BY THE DEPARTMENT OF TREASURY.

17 (vi) THE MUNICIPALITY IS IN RECEIVERSHIP OR IS SUBJECT TO A  
18 CONSENT AGREEMENT UNDER THE LOCAL GOVERNMENT AND SCHOOL DISTRICT  
19 FISCAL ACCOUNTABILITY ACT, 2011 PA 4, MCL 141.1501 TO 141.1531, OR  
20 A SUCCESSOR STATUTE, AND LOAN AUTHORIZATION BY THE BOARD IS  
21 NECESSARY TO IMPLEMENT A FINANCIAL AND OPERATING PLAN, A CONSENT  
22 AGREEMENT, OR A CONTINUING OPERATIONS PLAN OR RECOVERY PLAN FOR THE  
23 MUNICIPALITY UNDER THE LOCAL GOVERNMENT AND SCHOOL DISTRICT FISCAL  
24 ACCOUNTABILITY ACT, 2011 PA 4, MCL 141.1501 TO 141.1531, OR A  
25 SUCCESSOR STATUTE.

26 (vii) THE MUNICIPALITY IS A MUNICIPALITY FOR WHICH A FINANCIAL  
27 EMERGENCY HAS BEEN CONFIRMED TO EXIST AND RESPONSIBILITIES FOR THE

House Bill No. 5566 (H-2) as amended June 7, 2012

1 MUNICIPALITY ARE VESTED IN AN EMERGENCY FINANCIAL MANAGER UNDER  
2 FORMER 1990 PA 72 OR IS A MUNICIPALITY FOR WHICH A CONSENT  
3 AGREEMENT, INCLUDING A PLAN TO ADDRESS A SERIOUS FINANCIAL PROBLEM,  
4 IS IN PLACE FOR THE MUNICIPALITY UNDER FORMER 1990 PA 72. THIS  
5 SUBPARAGRAPH APPLIES ONLY IF THE LOCAL GOVERNMENT AND SCHOOL  
6 DISTRICT FISCAL ACCOUNTABILITY ACT, 2011 PA 4, MCL 141.1501 TO  
7 141.1531, IS REPEALED OR OTHERWISE NOT EFFECTIVE AND FORMER 1990 PA  
8 72 IS AGAIN IN EFFECT OR APPLICABLE.

9 (d) The municipality submits a [~~long-range~~5-YEAR] plan, that has  
10 been approved by the governing body of the municipality, [~~outlining~~  
11 ~~actions to be taken to~~ AND THAT WILL] balance future expenditures with  
12 anticipated revenues.

13 (2) If the board determines it necessary, the board may  
14 inspect, copy, or audit the books and records of a municipality.

15 (3) Subsection (1) does not apply to a loan authorized under  
16 section 3(2) or (3).

17 Sec. 5. (1) Except for a county subject to section 3(2) AND  
18 SUBJECT TO SUBSECTION (4), UNTIL SEPTEMBER 30, 2011, the board may  
19 authorize loans to any 1 municipality in an amount not to exceed  
20 \$3,000,000.00 in any 1 fiscal year of the municipality. Except for  
21 a county subject to section 3(2), a municipality is not eligible to  
22 receive loans in more than 5 fiscal years in any 10-year period.

23 (2) SUBJECT TO SUBSECTION (4), FOR THE PERIOD BEGINNING ON  
24 OCTOBER 1, 2011 AND ENDING ON SEPTEMBER 30, 2018, THE BOARD SHALL  
25 NOT AUTHORIZE LOANS UNDER THIS ACT THAT TOTAL MORE THAN  
26 \$20,000,000.00 FOR A SINGLE MUNICIPALITY.

27 (3) FOR STATE FISCAL YEARS BEGINNING AFTER SEPTEMBER 30, 2018,

House Bill No. 5566 (H-2) as amended June 7, 2012

1 THE BOARD SHALL NOT AUTHORIZE LOANS UNDER THIS ACT FOR A SINGLE  
2 MUNICIPALITY THAT TOTAL MORE THAN \$5,000,000.00 IN A STATE FISCAL  
3 YEAR.

4 (4) THE BOARD SHALL NOT AUTHORIZE A LOAN TO A MUNICIPALITY  
5 UNDER THIS ACT UNTIL 30 DAYS AFTER THE EFFECTIVE DATE OF THE  
6 AMENDATORY ACT THAT ADDED THIS SUBSECTION.

7 Sec. 6. (1) A loan made under this act shall bear an annual  
8 rate or rates of interest, if any, as established by the board  
9 under section 2(5). The board may establish interest for a loan  
10 under this act either at a rate or rates that are fixed for the  
11 term of the loan or, if the formula is approved by the board at the  
12 time the loan is made or renegotiated as authorized in section 2,  
13 at a rate calculated upon a formula that varies the rate annually.

14 ~~IF THE BOARD MAY PROVIDE THAT THE INTEREST RATE OR RATES FOR A LOAN~~  
15 ~~UNDER THIS ACT MAY ADJUST TO AN INTEREST RATE OR RATES DETERMINED~~  
16 ~~AT THE TIME OF THE SALE OR TRANSFER BY THE STATE TREASURER TO BE~~  
17 ~~SUFFICIENT TO FACILITATE THE SALE OF THE LOANS UNDER SECTION 6A.~~

18 ~~EXCEPT FOR LOANS SOLD OR TRANSFERRED UNDER SECTION 6A, IF the~~  
19 ~~interest rate for a loan under this act is a single fixed rate, the~~  
20 ~~annual rate of interest for the term of a loan shall not [exceed the~~  
21 ~~average rate of interest earned at the time the loan is approved by~~  
22 ~~the board on the investment of surplus funds, other than those~~  
23 ~~surplus funds invested under this act and section 1 of 1855 PA 105,~~

24 ~~MCL 21.141. BE LESS THAN THE MUNICIPAL 10 YEAR RATE AS DETERMINED BY THE~~  
~~STATE TREASURER. THE BOARD MAY CONSIDER A HIGHER INTEREST RATE BASED ON~~  
~~BOTH THE MARKET INTEREST RATES AND THE RISK OF THE MUNICIPALITY~~  
~~REQUESTING THE LOAN.]~~

25 (2) Interest payments are due and payable annually, beginning  
26 1 year after the loan is issued to the municipality. Notes of  
27 indebtedness executed to the state by a municipality for a loan

1 ~~made under this act shall not require payment of principal until 10~~  
 2 ~~years after the loan is issued to the municipality~~ **AS DETERMINED BY**  
 3 **THE BOARD OR THE STATE TREASURER UNDER SECTION 6A.** Repayment of **ALL**  
 4 **OF** the principal shall be made ~~in not less than 10 equal annual~~  
 5 ~~installments,~~ **NOT MORE THAN 30 YEARS FROM THE DATE OF ISSUANCE**  
 6 **DETERMINED BY THE BOARD OR STATE TREASURER UNDER SECTION 6A,** except  
 7 as provided in subsection (5). This subsection, sections 7 and 8,  
 8 and the conditions listed in section 4(1) do not apply to a loan  
 9 authorized under section 3(2) or (3).

10 (3) The loan agreement between the board and a county for a  
 11 loan authorized under section 3(2) or (3) shall establish the  
 12 schedule for payment of the principal of and interest on the loan,  
 13 the nature of the obligation of the county to repay a loan made  
 14 under this act, and any security for that loan. Payments of  
 15 principal and interest for a loan authorized by section 3(2) shall  
 16 be limited to revenues allocated to the county under the health and  
 17 safety fund act, 1987 PA 264, MCL 141.471 to 141.479, minus those  
 18 revenues authorized by the board in the loan agreement for use in  
 19 the payment of other county obligations.

20 (4) Unless other state appropriations to a municipality are  
 21 pledged or assigned in an amount sufficient for the municipality to  
 22 make a required principal or interest payment, if the  
 23 municipality's payment of required principal or interest is  
 24 delinquent, the state treasurer shall withhold the amount of all  
 25 delinquent payments that are due on a loan issued under this act  
 26 from state payments to the municipality under the **GLENN STEIL** state  
 27 revenue sharing act of 1971, 1971 PA 140, MCL 141.901 to 141.921.



(5) ~~Notwithstanding~~ **EXCEPT FOR LOANS SOLD OR TRANSFERRED UNDER SECTION 6A OR AS OTHERWISE DETERMINED BY THE BOARD, NOTWITHSTANDING** the payment schedules and methods established by this section or by the terms of a loan agreement, a municipality may initiate repayment of all or part of a loan made under this act at an earlier date or may make repayment in fewer installment payments, or both. The board shall not condition either eligibility for consideration for a loan or the grant of a loan under this act on repayment schedules and terms other than those required by subsections (1), (2), (3), and (4). In addition, failure of a municipality to make repayments under terms or a schedule it has instituted under this subsection does not disqualify the municipality from eligibility for consideration for loans in subsequent fiscal years.

(6) A loan issued under this act shall be a general obligation of the municipality except that a loan issued under section 3(2) shall not be a general obligation of the municipality and shall be repaid solely from specific revenues pledged for repayment of the loan.

**SEC. 6A. (1) THE STATE TREASURER MAY SELL OR TRANSFER A LOAN UNDER THIS ACT AND ENTER INTO AN AGREEMENT RELATED TO THE SALE OR TRANSFER OF THE LOAN. THE STATE TREASURER ALSO MAY ASSIGN TO THE PURCHASER OR TRANSFEREE OF A LOAN UNDER THIS ACT ALL SECURITY PLEDGED FOR THE LOAN BY A MUNICIPALITY. A LOAN SOLD OR TRANSFERRED UNDER THIS SECTION SHALL BE SECURED IN THE SAME MANNER AS A LOAN UNDER THIS ACT NOT SOLD OR TRANSFERRED, INCLUDING, BUT NOT LIMITED TO, BENEFITING FROM THE SECURITY PROVIDED BY SECTION 6(4).**

1           (2) THE STATE TREASURER MAY ENTER INTO AN AGREEMENT WITH THE  
2 PURCHASER OR TRANSFEREE OF A LOAN UNDER THIS ACT TO REPURCHASE THE  
3 LOAN AT A PRICE AND TIME OR UPON THE OCCURRENCE OF AN EVENT  
4 PROVIDED IN THE AGREEMENT.

5           (3) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBSECTION, AT THE  
6 TIME A LOAN IS SOLD OR TRANSFERRED UNDER THIS SECTION, THE STATE  
7 TREASURER MAY SET THE INTEREST RATE, OR METHOD OF DETERMINING THE  
8 INTEREST RATE, ON THE LOAN BEING SOLD OR TRANSFERRED, INCLUDING,  
9 BUT NOT LIMITED TO, A LOAN MADE BEFORE THE EFFECTIVE DATE OF THE  
10 AMENDATORY ACT THAT ADDED THIS SECTION, AT A RATE THE STATE  
11 TREASURER DETERMINES NECESSARY AND ADVISABLE TO ACCOMPLISH THE SALE  
12 OR TRANSFER. A RATE DETERMINED BY THE STATE TREASURER SHALL NOT  
13 EXCEED THE MAXIMUM RATE OTHERWISE AUTHORIZED BY LAW.

14           (4) WHEN A LOAN IS SOLD OR TRANSFERRED UNDER THIS SECTION, THE  
15 STATE TREASURER MAY MAKE CHANGES TO THE TERMS OF THE LOAN,  
16 INCLUDING A LOAN MADE BEFORE THE EFFECTIVE DATE OF THE AMENDATORY  
17 ACT THAT ADDED THIS SECTION, AS THE STATE TREASURER DETERMINES  
18 NECESSARY AND ADVISABLE TO PERMIT A PURCHASER OR TRANSFEREE TO SELL  
19 OBLIGATIONS SECURED BY THE LOANS AS TAX-EXEMPT UNDER FEDERAL LAW,  
20 INCLUDING, BUT NOT LIMITED TO, MODIFYING REDEMPTION PROVISIONS,  
21 PRINCIPAL AMORTIZATION, AND INTEREST AND PRINCIPAL PAYMENT DATES OF  
22 THE LOAN. THE STATE TREASURER ALSO MAY REQUIRE A MUNICIPALITY TO  
23 MAKE CERTAIN COVENANTS THE STATE TREASURER DETERMINES NECESSARY OR  
24 ADVISABLE RELATING TO THE TAX-EXEMPT STATUS OF THE OBLIGATIONS OF A  
25 PURCHASER OR TRANSFEREE.

26           (5) AT ANY TIME, THE STATE TREASURER MAY REQUIRE A  
27 MUNICIPALITY TO ENTER INTO AN AGREEMENT WITH A PURCHASER OR

1 TRANSFEREE OF A LOAN REGARDING CONTINUING DISCLOSURE OBLIGATIONS  
 2 UNDER FEDERAL LAW OR ANY OTHER MATTERS THE STATE TREASURER  
 3 DETERMINES ARE NECESSARY AND ADVISABLE. THE STATE TREASURER MAY  
 4 REQUIRE ENTRY INTO AN AGREEMENT WITH A RECIPIENT OF A LOAN ISSUED  
 5 BEFORE THE EFFECTIVE DATE OF THE AMENDATORY ACT THAT ADDED THIS  
 6 SECTION.

7 (6) IF A LOAN IS SOLD OR TRANSFERRED UNDER THIS SECTION, THE  
 8 STATE TREASURER SHALL NOTIFY ALL OF THE FOLLOWING THAT THE LOAN WAS  
 9 SOLD OR TRANSFERRED:

- 10 (A) GOVERNOR.
- 11 (B) SENATE MAJORITY LEADER.
- 12 (C) SENATE MINORITY LEADER.
- 13 (D) SPEAKER OF THE HOUSE OF REPRESENTATIVES.
- 14 (E) HOUSE MINORITY LEADER.
- 15 (F) SENATE FISCAL AGENCY.
- 16 (G) HOUSE FISCAL AGENCY.

17 Sec. 7. (1) A municipality that receives a loan under this act  
 18 shall perform all of the following:

- 19 (a) ~~Employ~~ EXCEPT AS OTHERWISE PROVIDED IN THIS SUBDIVISION,
- 20 EMPLOY a full-time professional administrator OR CONTRACT WITH A
- 21 PERSON WITH EXPERTISE IN MUNICIPAL FINANCE AND ADMINISTRATION to
- 22 direct or participate directly in the management of the
- 23 municipality's operations until otherwise ordered by the board. IF
- 24 THE MUNICIPALITY IS IN RECEIVERSHIP UNDER THE LOCAL GOVERNMENT AND
- 25 SCHOOL DISTRICT FISCAL ACCOUNTABILITY ACT, 2011 PA 4, MCL 141.1501
- 26 TO 141.1531, OR A SUCCESSOR STATUTE, COMPENSATE THE EMERGENCY
- 27 MANAGER FOR THE MUNICIPALITY AND REIMBURSE THE EMERGENCY MANAGER'S

1 ACTUAL AND NECESSARY EXPENSES AS PROVIDED UNDER SECTION 15(5)(E) OF  
2 THE LOCAL GOVERNMENT AND SCHOOL DISTRICT FISCAL ACCOUNTABILITY ACT,  
3 2011 PA 4, MCL 141.1515, OR A SUCCESSOR STATUTE. IF THE  
4 MUNICIPALITY IS UNDER A CONSENT AGREEMENT AS PROVIDED UNDER THE  
5 LOCAL GOVERNMENT AND SCHOOL DISTRICT FISCAL ACCOUNTABILITY ACT,  
6 2011 PA 4, MCL 141.1501 TO 141.1531, OR A SUCCESSOR STATUTE,  
7 COMPENSATE THOSE OFFICIALS WHO ARE REQUIRED TO BE COMPENSATED UNDER  
8 THE CONSENT AGREEMENT WITH THE MUNICIPALITY AND REIMBURSE THOSE  
9 OFFICIALS' ACTUAL AND NECESSARY EXPENSES AS PROVIDED UNDER THE  
10 CONSENT AGREEMENT.

11 (B) IF THE LOCAL GOVERNMENT AND SCHOOL DISTRICT FISCAL  
12 ACCOUNTABILITY ACT, 2011 PA 4, MCL 141.1501 TO 141.1531, IS  
13 REPEALED OR OTHERWISE NOT EFFECTIVE AND FORMER 1990 PA 72 IS AGAIN  
14 IN EFFECT OR APPLICABLE AND AN EMERGENCY FINANCIAL MANAGER IS IN  
15 PLACE FOR THE MUNICIPALITY UNDER FORMER 1990 PA 72, COMPENSATE THE  
16 EMERGENCY FINANCIAL MANAGER AND REIMBURSE THE EMERGENCY FINANCIAL  
17 MANAGER'S ACTUAL AND NECESSARY EXPENSES. IF THE LOCAL GOVERNMENT  
18 AND SCHOOL DISTRICT FISCAL ACCOUNTABILITY ACT, 2011 PA 4, MCL  
19 141.1501 TO 141.1531, IS REPEALED OR OTHERWISE NOT EFFECTIVE AND  
20 FORMER 1990 PA 72 IS AGAIN IN EFFECT OR APPLICABLE AND A CONSENT  
21 AGREEMENT IS IN PLACE FOR THE MUNICIPALITY UNDER FORMER 1990 PA 72,  
22 COMPENSATE THOSE OFFICIALS WHO ARE REQUIRED TO BE COMPENSATED UNDER  
23 THE CONSENT AGREEMENT WITH THE MUNICIPALITY AND REIMBURSE THOSE  
24 OFFICIALS' ACTUAL AND NECESSARY EXPENSES AS PROVIDED UNDER THE  
25 CONSENT AGREEMENT.

26 (C) ~~(b)~~ Not more than 6 months after receiving a loan and  
27 semiannually after that date for the period the loan is

House Bill No. 5566 (H-2) as amended June 7, 2012

1 outstanding, submit to the board an evaluation of the performance  
2 of the municipality against the ~~[long-range]~~5-YEAR plan submitted under  
3 section 4(1).

4 (D) ~~(e)~~—Submit all of the following to the board on a  
5 quarterly basis:

6 (i) A statement of actual revenues received in the last quarter  
7 and in the current fiscal year to date.

8 (ii) A statement of total revenues estimated to be received by  
9 the municipality in the current fiscal year.

10 (iii) A statement of expenditures made and encumbrances entered  
11 into by the municipality in the last quarter and in the current  
12 fiscal year to date.

13 (iv) A statement of revenues that were estimated to be received  
14 and expenditures that were estimated to be made during the current  
15 fiscal year and through the end of the last quarter.

16 (v) A balance sheet indicating whether total estimated  
17 expenditures for the current fiscal year and for the last quarter  
18 exceed the total estimated revenues for the current fiscal year and  
19 for the last quarter, respectively.

20 (E) ~~(d)~~—Submit the general appropriations act of the  
21 municipality, and any amendments to that act, adopted under the  
22 uniform budgeting and accounting act, 1968 PA 2, MCL 141.421 to  
23 141.440a, or any equivalent report as may be required by the board  
24 if the municipality is not required to adopt a general  
25 appropriations act.

26 (F) ~~(e)~~—Submit any budget change in the current fiscal year or  
27 any amendment to the general appropriations act of the municipality

House Bill No. 5566 (H-2) as amended June 7, 2012

for the current fiscal year to the board before adoption.

(G) ~~(F)~~ Submit any budget for the ensuing fiscal year or the general appropriations act of the municipality for the ensuing fiscal year to the board before adoption.

(H) ~~(G)~~ Certify that the municipality has fully complied with all statutory requirements concerning use of the uniform chart of accounts and audits.

**[(I) COMPLY WITH THE REQUIREMENTS OF BOTH OF THE FOLLOWING:**

**(i) SECTION 3 OR 4 OF THE PUBLICLY FUNDED HEALTH INSURANCE CONTRIBUTION ACT, 2011 PA 152, MCL 15.563 AND 15.564.**

**(ii) SECTION 5 OF THE PUBLICLY FUNDED HEALTH INSURANCE CONTRIBUTION ACT, 2011 PA 152, MCL 15.565.**

**(2) IF THE STATE TREASURER DETERMINES THAT A MUNICIPALITY IS NOT IN COMPLIANCE WITH ALL OF THE REQUIREMENTS UNDER SUBSECTION (1) AND WITH THE 5-YEAR PLAN SUBMITTED UNDER SECTION 4(1), THE STATE TREASURER MAY MODIFY THE TERMS OF THE LOAN TO REQUIRE A HIGHER INTEREST RATE OR TO ACCELERATE THE REPAYMENT OF THE LOAN.**

(3) ~~(2)~~ As used in this section, "expenditure" and "revenue" mean those terms as defined in sections 2c and 2d of the uniform budgeting and accounting act, 1968 PA 2, MCL 141.422c and 141.422d.

**[(4) ~~(3)~~] Subsection (1) does not apply to a loan authorized under section 3(2) or (3).**

Enacting section 1. This amendatory act does not take effect unless all of the following bills of the 96th Legislature are enacted into law:

(a) House Bill No. 5567.

(b) House Bill No. 5568.

(c) House Bill No. 5569.

(d) House Bill No. 5570.