

# HOUSE BILL No. 4495

April 21, 2015, Introduced by Reps. Forlini, Theis, Lucido, Webber, Kelly and Victory and referred to the Committee on Financial Liability Reform.

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  
11 securities and the portion of the principal falling due whether by

1 maturity or by mandatory redemption before the time of the  
2 following year's tax collection.

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

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

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

24 (i) Deposit in the debt retirement fund established for the  
25 municipal securities and used to pay debt service charges or  
26 obligations on municipal securities or agreements described in  
27 section 317(5).

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

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

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

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

1 applicable charter, statutory, or constitutional rate limitations.

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

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

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

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

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

16 (6) As taxes are collected, there shall be set aside that  
17 portion of the collections that is allocable to the payment of the  
18 principal and interest on the municipal securities. The portion set  
19 aside shall be **HELD IN TRUST FOR THE OWNERS OF THE MUNICIPAL**  
20 **SECURITIES AND** divided pro rata among the various sinking funds and  
21 debt retirement funds in accordance with the amount levied for that  
22 purpose. Tax collections paid into a debt retirement fund, if the  
23 fund is for the payment of more than 1 issue of municipal  
24 securities, shall be allocated on the books and records of the  
25 municipality between the various issues in accordance with the  
26 amounts levied for that purpose.

27 (7) An officer who willfully fails to perform duties required

1 by this section is personally liable to the municipality or to a  
2 holder of a municipal security for loss or damage arising from his  
3 or her failure.

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