



**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

2

1 (a) "Assessed value", "assessed valuation", "valuation as  
2 assessed", and "valuation as shown by the last preceding tax  
3 assessment roll", or similar terms, used in this act, any stat-  
4 ute, or charter as a basis for computing limitations upon the  
5 taxing or borrowing power of any municipality, mean the state  
6 equalized valuation as determined under the general property tax  
7 act, 1893 PA 206, MCL 211.1 to 211.157.

8 (b) "Chief administrative officer" means that term as  
9 defined in section 2b of the uniform budgeting and accounting  
10 act, 1968 PA 2, MCL 141.422b.

11 (c) "Debt" means all borrowed money, loans, and other  
12 indebtedness, including principal and interest, evidenced by  
13 bonds, obligations, refunding obligations, notes, contracts,  
14 securities, refunding securities, municipal securities, or cer-  
15 tificates of indebtedness that are lawfully issued or assumed, in  
16 whole or in part, by a municipality, or will be evidenced by a  
17 judgment or decree against the municipality.

18 (d) "Debt retirement fund" means a segregated account or  
19 group of accounts used to account for the payment of, interest  
20 on, or principal and interest on a municipal security.

21 (e) "Deficit" means a situation for any fund of a municipal-  
22 ity in which, at the end of a fiscal year, total expenditures,  
23 including an accrued deficit, exceeded total revenues for the  
24 fiscal year, including any surplus carried forward.

25 (f) "Department" means the department of treasury.

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

3

1 (g) "Fiscal year" means a 12-month period fixed by statute,  
2 charter, or ordinance, or if not so fixed, then as determined by  
3 the department.

4 (h) "Governing body" means the county board of commissioners  
5 of a county; the township board of a township; the council,  
6 common council, or commission of a city; the council, commission,  
7 or board of trustees of a village; the board of education or dis-  
8 trict board of a school district; the board of an intermediate  
9 school district; the board of a public school academy; the board  
10 of trustees of a community college district; the county drain  
11 commissioner or drainage board of a drainage district; the board  
12 of the district library; the legislative body of a metropolitan  
13 district; the port commission of a port district; and, in the  
14 case of another governmental authority or agency, that official  
15 or official body having general governing powers over the author-  
16 ity or agency.

17 (i) "Municipal security" means a security that when issued  
18 was not exempt from this act or the municipal finance act, 1943  
19 PA 202, MCL 131.1 to 139.3, by the provisions of this act or by  
20 the provisions of the municipal finance act, 1943 PA 202, MCL  
21 131.1 to 139.3, or by the provisions of the law authorizing its  
22 issuance and that is payable from or secured by any of the  
23 following:

24 (i) Ad valorem real and personal property taxes.

25 (ii) Special assessments.

26 (iii) The limited or unlimited full faith and credit pledge  
27 of the municipality.

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

4

1 (iv) Other sources of revenue described in this act for debt  
2 or securities authorized by this act.

3 (j) "Municipality" means a county, township, city, village,  
4 school district, intermediate school district, public school  
5 academy, community college district, metropolitan district, port  
6 district, drainage district, district library, or another govern-  
7 mental authority or agency in this state that has the power to  
8 issue a security. Municipality does not include this state or  
9 any authority, agency, fund, commission, board, or department of  
10 this state.

11 (k) "Outstanding security" means a security that has been  
12 issued, but not defeased or repaid, including a security that  
13 when issued was exempt from this act or the municipal finance  
14 act, 1943 PA 202, MCL 131.1 to 139.3, by the provisions of this  
15 act or by the provisions of the municipal finance act, 1943 PA  
16 202, MCL 131.1 to 139.3, or by the provisions of the law autho-  
17 rizing its issuance.

18 (l) "Qualified status" means a municipality that has filed a  
19 qualifying statement under section 303 and has been determined by  
20 the department to be qualified to issue municipal securities  
21 without further approval by the department.

22 (m) "Refunding security" means a municipal security issued  
23 to refund an outstanding security.

24 (n) "Security" means an evidence of debt such as a bond,  
25 note, contract, obligation, refunding obligation, certificate of  
26 indebtedness, or other similar instrument issued by a

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

5

1 municipality, which pledges payment of the debt by the  
2 municipality from an identified source of revenue.

3 (o) "Sinking fund" means a fund for the payment of principal  
4 only of a mandatory redemption security.

5 (p) "Taxable value" means the taxable value of the property  
6 as determined under section 27a of the general property tax act,  
7 1893 PA 206, MCL 211.27a.

8 Sec. 105. A municipal security does not include any of the  
9 following:

10 (a) A contract for the purchase of real or personal  
11 property.

12 (b) A contract for the lease of real or personal property  
13 with or without an option to purchase.

14 (c) A contract, lease, note, or other security given in con-  
15 nection with a contract described in subdivision (a) or (b).

16 (d) A security that is evidence of an emergency loan under  
17 section 1 of 1855 PA 105, MCL 21.141, in conjunction with the  
18 emergency municipal loan act, 1980 PA 243, MCL 141.931 to  
19 141.942, or qualified agricultural loans under section 2a of 1855  
20 PA 105, MCL 21.142a.

21 (e) A mortgage secured by real property and its correspond-  
22 ing security to the extent secured by the mortgage.

23 PART II

24 POWERS

25 Sec. 201. The department is authorized and directed to pro-  
26 tect the credit of this state and its municipalities, and to

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

6

1 enforce the provisions of this act, and has the following general  
2 powers:

3       (a) To aid, advise, and consult with any municipality with  
4 respect to fiscal questions arising from and relating to its pro-  
5 posed or outstanding securities.

6       (b) To issue bulletins or adopt rules as necessary to carry  
7 out the purposes of this act. A bulletin issued under this sub-  
8 division shall include a statement of the department's specific  
9 statutory authority for any substantive requirement contained  
10 within the bulletin. A rule adopted under this subdivision shall  
11 be adopted in accordance with the provisions of the administra-  
12 tive procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328.

13       (c) To examine the books and records of any municipality for  
14 the purpose of ascertaining if the municipality is complying with  
15 the requirements of the department, the statutes of this state,  
16 and its charter, ordinances, and resolutions, in relation to its  
17 municipal securities. For those purposes, it may require sworn  
18 statements from any officer or employee of the municipality or  
19 may require the municipality to furnish it with a statement of  
20 its financial condition. The department has full power in fur-  
21 therance of its investigations to examine witnesses under oath  
22 and compel the attendance of witnesses, the giving of testimony,  
23 and the production of books, papers, and records. Witnesses may  
24 be summoned by the department by its process upon the payment of  
25 the same fees as are allowed to witnesses attending in the cir-  
26 cuit court of the county in which the hearing is held. Any  
27 person duly subpoenaed under this section who neglects to attend

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

7

1 or testify at the place named in the subpoena, served for that  
2 purpose, is guilty of a misdemeanor.

3 (d) To enforce compliance with any provision of this act or  
4 with any provisions of any law, charter, ordinance, or resolution  
5 with respect to debts or securities subject to its jurisdiction,  
6 including the levy and collection of taxes and the segregation,  
7 safekeeping, investment, and application of money for the payment  
8 of debt. The department may institute appropriate proceedings in  
9 the courts of this state, including those for a writ of mandamus  
10 and injunctive relief.

11 (e) To render financial advisory, paying agent, registra-  
12 tion, and transfer services and materials, including assistance  
13 in the preparation and issuance of a municipality's municipal  
14 securities; prepare explanatory manuals; conduct training semi-  
15 nars; and, upon request of the municipality, assist a municipal-  
16 ity in issuing its municipal securities under this act. The  
17 department may impose a fee upon municipalities requesting its  
18 services or materials, which fee shall be limited to the cost  
19 incurred by the department in providing the service. The paying  
20 agent, registration, and transfer services authorized by this  
21 subdivision, if requested by a municipality, shall be performed  
22 solely by the department with respect to the requesting  
23 municipalities.

24 Sec. 203. If a municipality feels aggrieved by a determina-  
25 tion of the department, it may notify the department and appeal  
26 the determination of the department as a contested case pursuant  
27 to the administrative procedures act of 1969, 1969 PA 306,

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

8

1 MCL 24.201 to 24.328. This section does not permit the issuance,  
2 amendment, or modification of any order or determination of the  
3 department in respect to the issuance of a municipal security,  
4 after the municipal security has been issued, if that action  
5 would affect the municipal security interests of the holders of  
6 the municipal security adversely.

7 PART III

8 GENERAL

9 Sec. 301. A municipality shall not issue a municipal secur-  
10 ity except in accordance with this act.

11 Sec. 303. (1) Each municipality shall file an audit report  
12 annually with the department within 6 months from the end of its  
13 fiscal year or as otherwise provided in the uniform budgeting and  
14 accounting act, 1968 PA 2, MCL 141.421 to 141.440a.

15 (2) Accompanying the audit report described in subsection  
16 (1), a municipality shall file a qualifying statement, on a form  
17 and in the manner provided by the department, which shall be cer-  
18 tified by the chief administrative officer. Within 30 business  
19 days of the receipt of the qualifying statement, the department  
20 shall determine if the municipality complies with the require-  
21 ments of subsection (3). If the department determines that the  
22 municipality complies with the provisions of subsection (3) or if  
23 the department fails to notify the municipality of its determina-  
24 tion under this subsection within 30 business days of receipt of  
25 the qualifying statement, the municipality may proceed to issue  
26 municipal securities under this act without further approval from  
27 the department until 30 business days after the next qualifying



**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29 as amended May 16, 2001

9

1 statement is due or a new determination is made by the  
2 department, whichever occurs first.

3 (3) To qualify to issue municipal securities without further  
4 approval from the department, the municipality shall be in mate-  
5 rial compliance with all of the following requirements, as deter-  
6 mined by the department:

7 (a) The municipality is not operating under the provisions  
8 of the local government fiscal responsibility act, 1990 PA 72,  
9 MCL 141.1201 to 141.1291.

10 (b) The municipality did not issue securities in the immedi-  
11 ately preceding 5 fiscal years or current fiscal year that were  
12 authorized by either the emergency municipal loan act, 1980 PA  
13 243, MCL 141.931 to 141.942, other than a security issued for a  
14 loan authorized under section 3(2)(a) of the emergency municipal  
15 loan act, 1980 PA 243, MCL 141.933, or the fiscal stabilization  
16 act, 1981 PA 80, MCL 141.1001 to 141.1011.

17 (c) The municipality was not required by the terms of a  
18 court order or judgment other than an order or judgment entered in  
19 U.S. et al v City of Detroit. et al. United States District Court  
for the Eastern District of Michigan, docket no. 77-71100, to levy a  
tax in the preceding fiscal  
year.

20 (d) The most recent audit report, as required by the uniform  
21 budget and accounting act, 1968 PA 2, MCL 141.421 to 141.440a,  
22 was filed with the department within 6 months from the end of the  
23 fiscal year of the municipality.

24 (e) The debt retirement fund balance for any municipal  
25 security that is funded from an unlimited tax levy does not  
26 exceed 150% of the amount required for principal and interest

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

10

1 payments due for that municipal security in the next fiscal  
2 year.

3 (f) The municipality is not currently exceeding its statu-  
4 tory or constitutional debt limits.

5 (g) The municipality has no outstanding securities that were  
6 not authorized by statute.

7 (h) The municipality is not currently and during the preced-  
8 ing fiscal year was not in violation of any provisions in the  
9 covenants for an outstanding security.

10 (i) The municipality was not delinquent more than 1 time in  
11 the preceding fiscal year in transferring employee taxes withheld  
12 to the appropriate agency, transferring taxes collected as agent  
13 for another taxing entity to that taxing unit, or making all  
14 required pension, retirement, or benefit plan contributions.

15 (j) The most recent delinquent property taxes of the munici-  
16 pality, without regard to payments received from the county under  
17 the general property tax act, 1893 PA 206, MCL 211.1 to 211.157,  
18 did not exceed 15% of the amount levied.

19 (k) The municipality did not submit a qualifying statement  
20 or an application for any other municipal security in the preced-  
21 ing 12 months that was materially false or incorrect.

22 (l) The municipality is not in default on the payment of any  
23 debt, excluding industrial development revenue bonds issued under  
24 the industrial development revenue bond act of 1963, 1963 PA 62,  
25 MCL 125.1251 to 125.1267, economic development corporation bonds  
26 issued under the economic development corporations act, 1974 PA  
27 338, MCL 125.1601 to 125.1636, bonds issued by a local hospital

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

11

1 finance authority for a private hospital under the hospital  
2 finance authority act, 1969 PA 38, MCL 331.31 to 331.84, or any  
3 other debt for which the municipality is not financially liable.

4 (m) The municipality did not end the immediately preceding  
5 fiscal year with a deficit in any fund, unless the municipality  
6 has filed a financial plan to correct that deficit condition  
7 under section 21 of the Glen Steil state revenue sharing act of  
8 1971, 1971 PA 140, MCL 141.921, that is acceptable to the  
9 department.

10 (n) The municipality has not been found by a court of compe-  
11 tent jurisdiction to be in violation of any finance or  
12 tax-related state or federal statutes during the preceding fiscal  
13 year.

14 (o) The municipality has not been determined by the depart-  
15 ment to be in violation of this act during the preceding fiscal  
16 year.

17 (p) The municipality did not issue a refunding security in  
18 the preceding fiscal year to avoid a potential default on an out-  
19 standing security.

20 (4) If a municipality is notified within 30 business days of  
21 the filing of the qualifying statement that it does not comply  
22 with 1 or more of the requirements of subsection (3), the munici-  
23 pality may correct the noncompliant requirements and request a  
24 reconsideration of the determination from the department as pro-  
25 vided in subsection (5).

26 (5) A municipality may request a reconsideration of the  
27 determination from the department. That request shall indicate

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

12

1 the requirements that the department determined the municipality  
2 to be not in compliance with and the action taken by the munic-  
3 pality to correct the noncompliance. Within 30 business days of  
4 the receipt of the request for reconsideration, the department  
5 shall determine if the municipality complies with the require-  
6 ments of subsection (3) or, if the department fails to notify the  
7 municipality of its determination under this subsection within 30  
8 business days of receipt of the request for reconsideration, the  
9 municipality will be granted qualified status.

10 (6) If a municipality is notified within 30 business days  
11 after filing a request for reconsideration that it does not  
12 comply with the requirements of subsection (3), the municipality  
13 shall not issue municipal securities under this act without the  
14 prior written approval of the department to issue a municipal  
15 security as provided in subsections (7) and (8).

16 (7) If a municipality has not been granted qualified status,  
17 the municipality must obtain, for each municipal security, the  
18 prior written approval of the department to issue a municipal  
19 security. To request prior written approval to issue a municipal  
20 security, the municipality shall submit an application and sup-  
21 porting documentation to the department on a form and in a manner  
22 prescribed by the department, which shall be certified by the  
23 chief administrative officer. A filing fee equal to 0.03% of the  
24 principal amount of the municipal security to be issued, but not  
25 less than \$800.00 and not greater than \$2,000.00 as determined by  
26 the department, shall accompany each application. If the  
27 qualifying statement required by section 303(2) was received by

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

13

1 the department more than 6 months after the end of the  
2 municipality's fiscal year, a late fee of \$100.00 shall accompany  
3 the first application filed after that date. Within 30 business  
4 days of receiving an application, the fee, and supporting docu-  
5 mentation from a municipality, the department shall make a deter-  
6 mination whether the municipality has met all of the following  
7 requirements:

8 (a) Has indicated the authority to issue the municipal  
9 security requested.

10 (b) Is projected to be able to repay the municipal security  
11 when due.

12 (c) Has filed information with the department indicating  
13 compliance with the requirements of subsection (3) or adequately  
14 addressed any noncompliance with subsection (3) as determined by  
15 the department.

16 (d) If required by the department, has obtained an invest-  
17 ment grade rating for the municipal security or has purchased  
18 insurance for payment of the principal and interest on the munic-  
19 ipal security to the holders of the municipal security, or has  
20 otherwise enhanced the creditworthiness of the municipal  
21 security.

22 (8) If the department determines that the requirements in  
23 subsection (7) have been met, the department shall approve the  
24 issuance of the proposed municipal security. If the department  
25 determines that the requirements in subsection (7) have not been  
26 met, the department shall issue a notice of deficiency to the  
27 municipality that prevents the issuance of the proposed municipal

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

14

1 security. The notice of deficiency shall state the specific  
2 deficiencies and problems with the proposed issuance. After the  
3 deficiencies and problems have been addressed as determined by  
4 the department, the department shall approve the issuance of the  
5 proposed municipal security.

6 (9) This state or any state authority, agency, fund, commis-  
7 sion, board, or department of this state is not required to  
8 obtain approval under this section before issuing securities or  
9 required to file any qualifying or audit reports under this  
10 section.

11 (10) A state authority, agency, fund, commission, board, or  
12 department of this state that is required to obtain approval or  
13 an exception from prior approval from the department under the  
14 municipal finance act, 1943 PA 202, MCL 131.1 to 139.3, shall  
15 instead file a statement with the department of intent to issue a  
16 security on a form prescribed by the department. Within 10 days  
17 of receipt of that statement, the department shall issue that  
18 authority, agency, fund, commission, board, or department an  
19 order granting exception from prior approval. If the department  
20 fails to comply with the requirements of this subsection, the  
21 state authority, agency, fund, commission, board, or department  
22 of this state shall be considered to have obtained any required  
23 approval or exception from prior approval.

24 (11) A determination by the department that a municipality  
25 has been granted qualified status constitutes an order granting  
26 exception from prior approval under the municipal finance act,

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

15

1 1943 PA 202, MCL 131.1 to 139.3, of that municipality's  
2 securities.

3       Sec. 305. (1) A municipal security authorized by law to be  
4 issued by a municipality may, notwithstanding the provisions of a  
5 charter, bear no interest as provided in this section or a rate  
6 of interest not to exceed a maximum rate established by the gov-  
7 erning body of the issuing municipality as set forth in its reso-  
8 lution or ordinance authorizing the issuance of the municipal  
9 security, which rate shall not exceed 18% per annum or a per  
10 annum rate determined by the department at the request of the  
11 municipality, whichever is higher. In making its determination,  
12 the department shall establish a rate that shall bear a reason-  
13 able relationship to 80% of the adjusted prime rate determined by  
14 the department under section 23 of 1941 PA 122, MCL 205.23.  
15 Except as otherwise provided in this section, the rate determined  
16 by the department shall be conclusive as to the maximum rate of  
17 interest permitted for a municipal security issued under this  
18 act.

19       (2) Except as provided in subsection (3), a municipal secur-  
20 ity issued under this act shall not be sold at a discount exceed-  
21 ing 10% of the principal amount of the municipal security. The  
22 amortization of the discount shall be considered interest and  
23 shall be within the interest rate limitation set forth in subsec-  
24 tion (1).

25       (3) A municipal security may be sold at a discount exceeding  
26 10% of the principal amount of the municipal security only if 1

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

16

1 or more of the following conditions apply, as determined by the  
2 department:

3 (a) The sale will result in the more even distribution for  
4 the municipality of total debt service on proposed and outstand-  
5 ing municipal securities.

6 (b) The sale will result in an interest cost savings when  
7 compared to the best available alternative that does not include  
8 a municipal security being sold at a discount exceeding 10% of  
9 the principal amount.

10 (c) The issuance is based on the availability of specific  
11 revenues previously pledged for another purpose and lawfully  
12 available for this purpose.

13 (d) The municipal security is issued to this state or the  
14 federal government to secure a loan or agreement.

15 (4) A municipal security issued in accordance with subsec-  
16 tion (3)(a), (b), or (c) shall be rated investment grade by a  
17 nationally recognized rating agency or have insurance for payment  
18 of the principal and interest on the municipal security to the  
19 holders of the municipal security.

20 (5) Notwithstanding any other provision of this section, a  
21 municipal security meeting the requirements of subsection (2)  
22 that is a refunding security shall not have a maturity that  
23 exceeds the maturity of the existing municipal security.

24 (6) Not more than 25% of the total principal amount of any  
25 authorized issue of a municipal security shall meet the qualifi-  
26 cations under subsection (3)(a), (b), and (c).



**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

17

1 (7) A municipal security may bear no interest if sold in  
2 accordance with a federal program by which the holder of the  
3 municipal security, as a result of holding the municipal securi-  
4 ty, may declare a credit against a federal tax.

5 Sec. 307. Before any bulletin issued by the department can  
6 take effect that addresses the filings, approvals, or determina-  
7 tions under section 303, or any modification of an existing bul-  
8 letin that addresses the filings, approvals, or determinations  
9 under section 303, the department shall issue the bulletin or  
10 modification as a proposed bulletin with not less than a 30-day  
11 public comment period.

12 Sec. 309. (1) A municipality may sell an authorized municipi-  
13 pal security at a competitive sale or a negotiated sale as deter-  
14 mined in the authorizing resolution. If a municipality deter-  
15 mines to sell a municipal security at a negotiated sale, the gov-  
16 erning body shall expressly state the method and reasons for  
17 choosing a negotiated sale instead of a competitive sale in the  
18 resolution or ordinance authorizing the issuance or sale of the  
19 municipal security.

20 (2) If a municipality determines to sell a municipal secur-  
21 ity at a competitive sale, the municipality shall publish a  
22 notice of sale at least 7 days before the date set for the sale,  
23 in a publication printed in the English language and circulated  
24 in this state that carries as a part of its regular service the  
25 notices of the sale of municipal securities.

26 (3) A municipality shall award a municipal security sold at  
27 a competitive sale to the bidder whose bid meets all

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

18

1 specifications and requirements and results in the lowest  
2 interest cost to the municipality, unless all bids are rejected.

3 (4) A municipality may accept bids for the purchase of a  
4 municipal security made in person, by mail, by facsimile, by  
5 electronic means, or by any other means authorized by the  
6 municipality.

7 Sec. 311. (1) A municipal security may be registrable as to  
8 principal alone or as to both principal and interest under terms  
9 and conditions determined by the governing body of the issuing  
10 municipality.

11 (2) A municipality may authorize a trustee or other authen-  
12 ticating agent to authenticate any municipal security executed by  
13 the facsimile signatures of the officials of the municipality in  
14 lieu of manual signatures of the officials of the issuing  
15 municipality.

16 (3) Officials of a municipality may sign and seal a municipi-  
17 pal security in facsimile form if so authorized by the governing  
18 body of the issuing municipality.

19 (4) If authorized by the governing body of the issuing  
20 municipality, ownership of a municipal security may be trans-  
21 ferred by means of a recorded entry in a record maintained by the  
22 issuing municipality, trustee, or other agent in lieu of printing  
23 and transferring a new municipal security. However, this subsec-  
24 tion does not preclude a municipality from the delivery of, and a  
25 municipality shall have the authority to deliver, new municipal  
26 securities as evidence of the originally issued municipal  
27 security.

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

19

1 (5) If an individual acting in an official capacity signs or  
2 affixes his or her signature to a municipal security under this  
3 act and that individual ceases to be an officer before delivery  
4 of the municipal security, the municipal security is valid the  
5 same as if the individual had remained in office until delivery  
6 of that municipal security.

7 Sec. 313. If a municipal security has become mutilated,  
8 then the governing body of the municipality may by resolution  
9 provide for the issuance of a new municipal security with like  
10 terms, in exchange for and substitution of the mutilated municipi-  
11 pal security. In all such cases the holder shall pay the reason-  
12 able expenses and charges of such an exchange.

13 Sec. 315. (1) In determining to issue a municipal security,  
14 a municipality may do 1 or more of the following:

15 (a) Authorize and enter into insurance contracts, agreements  
16 for lines of credit, letters of credit, commitments to purchase  
17 municipal securities, remarketing agreements, reimbursement  
18 agreements, and any other transactions to enhance timely payment  
19 of any municipal security.

20 (b) Authorize payment from the proceeds of the municipal  
21 security, or from other funds available, of the cost of issuance,  
22 including, but not limited to, fees for placement, fees or  
23 charges for insurance, letters of credit, lines of credit, remar-  
24 keting agreements, reimbursement agreements, or purchase or sales  
25 agreements or commitments, or agreements to enhance timely pay-  
26 ment of municipal securities.

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

20

1 (c) Authorize principal and interest to be payable from 1 or  
2 more of the following:

3 (i) Taxes or other revenues of the municipality.

4 (ii) Proceeds of the municipal security.

5 (iii) Earnings on proceeds of the municipal security or  
6 other funds held for payment of the municipal security.

7 (iv) Proceeds of any other transaction described in subdivi-  
8 sion (a).

9 (d) Authorize or provide for an officer of the municipality,  
10 but only within limitations that shall be contained in the autho-  
11 rizing resolution of the governing body, to do 1 or more of the  
12 following:

13 (i) Sell, deliver, and receive payment for the municipal  
14 securities.

15 (ii) Refund the municipal securities in accordance with part  
16 VI of this act.

17 (iii) Deliver a municipal security partly to refund another  
18 security and partly for any other authorized purposes.

19 (iv) Buy the municipal security so issued at not more than  
20 the face value of the municipal security.

21 (v) Approve fixed interest rates, variable interest rates,  
22 or methods for fixing interest rates, prices, discounts, maturi-  
23 ties, principal amounts, denominations, dates of issuance, inter-  
24 est payment date, redemption rights at the option of the munici-  
25 pality or the holder, the place of delivery and payment, and  
26 other matters and procedures necessary to complete the  
27 transactions authorized.

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

21

1           (2) A municipality may provide that a municipal security  
2 additionally secured as provided in subsection (1) may be payable  
3 on demand or before maturity at the option of the holder only at  
4 the time and in the manner determined by the governing body as  
5 provided in the resolution authorizing the municipal security.

6           (3) The authority granted by this section may be exercised  
7 notwithstanding any ordinance or charter provision to the  
8 contrary.

9           Sec. 317. (1) For the purpose of more effectively managing  
10 its debt service, a municipality may enter into an interest rate  
11 exchange or swap, hedge, or similar agreement or agreements in  
12 connection with the issuance of municipal securities or in con-  
13 nection with its then outstanding municipal securities.

14           (2) In connection with entering into an interest rate  
15 exchange or swap, hedge, or similar agreement, a municipality may  
16 create a reserve fund for the payment of the exchange or swap,  
17 hedge, or similar agreement.

18           (3) An agreement entered into pursuant to this section shall  
19 not be included within the total debt of a municipality for any  
20 statutory or charter debt limitation purpose and shall be payable  
21 as a limited tax full faith and credit pledge from general funds  
22 of the municipality or, subject to any existing contracts, from  
23 any available money or revenue sources, including revenues that  
24 shall be specified by the agreement, securing the municipal  
25 security in connection with which the agreement is entered into.

26           Sec. 319. (1) Within 15 business days of completing the  
27 issuance of any municipal security qualified under section

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

22

1 303(3), the municipality, other than a state authority or agency,  
2 shall file a copy of all of the following with the department in  
3 a form and manner prescribed by the department:

4 (a) A copy of the municipal security.

5 (b) A proof of publication of the notice of sale, if  
6 applicable.

7 (c) A copy of the award resolution or certificate of award  
8 including a detail of the annual interest rate and call features  
9 on the municipal security.

10 (d) A copy of the legal opinion regarding the legality and  
11 tax status of the municipal security.

12 (e) A copy of the notice of rating of the municipal security  
13 received from a recognized rating agency, if any.

14 (f) A copy of the resolution or ordinance authorizing the  
15 issuance of the municipal security.

16 (g) A copy of the official statement, if any.

17 (h) For a refunding security, documentation indicating com-  
18 pliance with section 611.

19 (i) A filing fee equaling 0.02% of the principal amount of  
20 the municipal security issued, but in an amount not less than  
21 \$100.00 and not greater than \$1,000.00, as determined by the  
22 department.

23 (j) If the qualifying statement required by section 303(2)  
24 was received by the department more than 6 months after the end  
25 of the municipality's fiscal year, a late fee of \$100.00 with the  
26 first filing thereafter.

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

23

1 (k) For a municipal security issued under section 305(2),  
2 documentation indicating compliance with section 305(2).

3 (2) Within 15 business days of completing the issuance of  
4 any municipal security approved under section 303(7), the munici-  
5 pality shall file all of the following with the department in a  
6 form and manner prescribed by the department:

7 (a) A copy of the municipal security.

8 (b) A proof of publication of the notice of sale, if  
9 applicable.

10 (c) A copy of the award resolution including a detail of the  
11 annual interest rate and call features on the municipal  
12 security.

13 (d) A copy of the legal opinion regarding the legality and  
14 tax status of the municipal security.

15 (e) A copy of the notice of rating of the municipal security  
16 received from a recognized rating agency, if any.

17 (f) A copy of the resolution or ordinance authorizing the  
18 issuance of the municipal security.

19 (g) A copy of the official statement, if any.

20 (h) For a refunding security, documentation indicating com-  
21 pliance with section 611.

22 (i) For a municipal security issued under section 305(2),  
23 documentation indicating compliance with section 305(2).

24 (3) Within 15 business days of completing the issuance of  
25 any security approved under section 303(10), this state or any  
26 authority, agency, fund, commission, board, or department of this

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

24

1 state shall file all of the following with the department in a  
2 form and manner prescribed by the department:

3 (a) A copy of the security.

4 (b) A proof of publication of the notice of sale, if  
5 applicable.

6 (c) A copy of the award resolution including a detail of the  
7 annual interest rate and call features on the security.

8 (d) A copy of the legal opinion regarding the legality and  
9 tax status of the security.

10 (e) A copy of the notice of rating of the security received  
11 from a recognized rating agency, if any.

12 (f) A copy of the resolution or ordinance authorizing the  
13 issuance of the security.

14 (g) A copy of the official statement, if any.

15 (h) For a refunding security, documentation indicating com-  
16 pliance with section 611.

17 (4) The failure to comply with subsection (1), (2), or (3)  
18 does not invalidate any of the securities issued or reported  
19 under this act.

20 Sec. 321. The department may require that the filings to  
21 the department required by this act be filed in an electronic  
22 format prescribed by the department.

23 Sec. 323. Except as provided in section 305(4), a rating is  
24 not required for a municipal security that may be issued without  
25 approval of the department as provided in section 303(3).



**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

25

1

PART IV

2

SHORT-TERM MUNICIPAL SECURITIES

3

Sec. 401. A municipality may, by resolution of its governing body, and without a vote of the electors, issue short-term municipal securities in anticipation of and payable from taxes to be collected by the municipality for its then next succeeding fiscal year or the taxes for a current fiscal year, or if the taxes for the next succeeding fiscal year and the taxes for the current fiscal year are both levied in the same calendar year, then in anticipation of and payable from the collection of both of the taxes.

12 Sec. 403. (1) If a municipality issues a municipal security in anticipation of the collection of the taxes for the next succeeding fiscal year, the resolution authorizing a municipal security shall contain an irrevocable provision for the levying of a tax in the next succeeding fiscal year for the purpose for which the municipal security is to be made and the repayment of the municipal security from the receipt of taxes.

19 (2) A municipality may issue the short-term municipal security described in subsection (1) to pay for operating expenditures. As used in this section, "operating expenditures" means 1 or more of the following:

23 (a) Necessary operating expenditures of the municipality that could not reasonably have been foreseen and adequately provided for in the tax levy for the then current fiscal year.

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

26

1 (b) Payment of an expenditure in the then current fiscal  
2 year that cannot be funded because of a delay in or failure of  
3 receipt of budgeted revenue.

4 (c) Payment of budgeted expenditures in the then current  
5 fiscal year that precede budgeted revenues.

6 (3) The amount of the municipal securities issued under this  
7 section to pay operating expenditures shall not exceed 50% of the  
8 operating tax levy for the current fiscal year, or if the operat-  
9 ing tax levy for the next succeeding fiscal year is determined,  
10 then 50% of the levy for the next succeeding fiscal year. The  
11 authorizing resolution shall provide that from the first collec-  
12 tions of the operating taxes for the next succeeding fiscal year,  
13 there shall be set aside in a special fund to be used for the  
14 payment of principal and interest on the tax anticipation municipi-  
15 pal security, a portion of each dollar that is not less than 125%  
16 of the percentage that the principal amount of the municipal  
17 security bears to the amount of the operating taxes until the  
18 amount set aside is sufficient for the payment. If a municipal-  
19 ity collects its taxes in installments and issues a municipal  
20 security in anticipation of more than 1 installment, the require-  
21 ments of the preceding sentence shall apply to each installment  
22 of taxes. The collection of the taxes to be set aside shall not  
23 be used for any other purpose. If the municipality determines  
24 that issuing municipal securities for this purpose will result in  
25 a deficiency in the funds available to pay the necessary operat-  
26 ing expenditures of the next succeeding fiscal year, the  
27 municipality shall levy additional taxes in the future from

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

27

1 within constitutional, charter, and statutory limits to prevent a  
2 continuation of the deficiency from year to year.

3       (4) A municipality may issue a short-term municipal security  
4 described in subsection (1) to pay for 1 or more capital improve-  
5 ments that can be legally and properly provided for in the budget  
6 of the municipality for the fiscal year in which the municipality  
7 issues the short-term municipal security. The principal amount  
8 of the municipal security issued for this purpose shall not  
9 exceed the sum set forth in the authorizing resolution to be  
10 levied for the improvement. The authorizing resolution shall  
11 provide that from the first collection of taxes for the next suc-  
12 ceeding fiscal year, there shall be set aside in a special fund  
13 to be used for the payment of principal and interest on the  
14 short-term municipal security that percentage of the collection  
15 that the tax levied for capital outlay bears to the total levy,  
16 and until the amount set aside is sufficient for the payment,  
17 collection of the taxes to be set aside shall not be used for any  
18 other purpose.

19       Sec. 405. (1) A municipality may issue short-term municipal  
20 securities in anticipation of the collection of the taxes for a  
21 current fiscal year for the payment of 1 or more of the  
22 following:

23       (a) Operating expenditures.

24       (b) Debt service charges.

25       (c) Capital improvements.

26       (2) If the municipality issues short-term municipal  
27 securities described in subsection (1) to pay operating

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

28

1 expenditures or debt service charges, the principal amount of  
2 that municipal security issued under this section shall not  
3 exceed 75% of the amount of the debt service taxes, if the pro-  
4 ceeds of the municipal security are to pay debt service charges,  
5 or 75% of the amount of the operating taxes, if the proceeds of  
6 the municipal security are to pay operating expenditures, as pro-  
7 vided for in the budget of the current fiscal year and that  
8 remain to be collected at the time the authorizing resolution is  
9 passed. However, if the resolution is passed before the day upon  
10 which taxes for the year become due and payable, the principal  
11 amount of the municipal security shall not exceed 50% of the tax  
12 levy made for debt service or operating expenditures, respective-  
13 ly, for the preceding fiscal year.

14       (3) The authorizing resolution shall provide that, from the  
15 date of the authorizing resolution, from the collection of the  
16 taxes remaining to be collected for the current fiscal year there  
17 shall be set aside in a special fund, to be used for the payment  
18 of principal and interest on the short-term municipal security, a  
19 portion of each dollar of taxes remaining to be collected for the  
20 current fiscal year not less than 125% of the percentage that the  
21 principal amount of the municipal security bears to the amount of  
22 the tax levied for debt service or operating expenditures,  
23 respectively, that remain to be collected from the date of the  
24 authorizing resolution until the amount set aside is sufficient  
25 for that payment. The collection of the taxes to be set aside  
26 shall not be used for any other purpose.

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

29

1           (4) A municipality may issue short-term municipal securities  
2 in anticipation of the collection of taxes for the current fiscal  
3 year for the payment of 1 or more capital improvements that are  
4 legally and properly provided for in the tax levy of the current  
5 fiscal year. The principal amount of the municipal security  
6 issued for this purpose shall not exceed the anticipated collec-  
7 tion, based on the delinquency in collections of the levy of the  
8 preceding fiscal year, of the sum included in the tax levy for  
9 that purpose and remaining unpaid at the time the authorizing  
10 resolution is passed. The authorizing resolution shall provide  
11 that from the collections of the taxes for the current fiscal  
12 year there shall be set aside in a special fund to be used for  
13 the payment of principal and interest on the municipal security  
14 that percentage of the collections that the tax levied for capi-  
15 tal outlay bears to the total levy, and until the amount set  
16 aside is sufficient for that payment, collection of the taxes to  
17 be set aside shall be used for no other purpose.

18           (5) The principal amount outstanding of any municipal secur-  
19 ity issued under section 403 shall be deducted from the total  
20 principal amount of any municipal security that may be issued  
21 under this section.

22           Sec. 407. (1) A municipality may, by resolution of its gov-  
23 erning body, and without a vote of the electors, issue short-term  
24 municipal securities in anticipation of revenue sharing payments  
25 under the Glenn Steil state revenue sharing act of 1971, 1971 PA  
26 140, MCL 141.901 to 141.921, for its next succeeding fiscal year,

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

30

1 or for a current fiscal year, in accordance with the provisions  
2 of this part.

3       (2) When a municipality issues municipal securities in  
4 anticipation of the receipt of revenue sharing payments under the  
5 Glenn Steil state revenue sharing act of 1971, 1971 PA 140,  
6 MCL 141.901 to 141.921, for the current or next succeeding fiscal  
7 year, the proceeds of the municipal securities shall be used only  
8 for the payment of operating expenditures. The principal amount  
9 of the municipal securities issued in accordance with this sec-  
10 tion shall not exceed 50% of the total payments received in the  
11 last preceding fiscal year of the municipality, as certified by  
12 the department. The authorizing resolution shall provide that  
13 from the first receipts of the payments for that fiscal year in  
14 anticipation of which the municipality issued the municipal  
15 security, there shall be set aside in a special fund to be used  
16 for the payment of principal and interest on the municipal secur-  
17 ity a portion of each dollar that is not less than 125% of the  
18 percentage that the principal amount of the municipal security  
19 bears to the amount of payments remaining to be collected, until  
20 the amount set aside is sufficient for the payment of principal  
21 and interest on the municipal security. The amount set aside  
22 shall be used only for the payment of the principal and interest  
23 on the municipal security until the municipal security is paid as  
24 to both principal and interest.

25       Sec. 409. A municipal security issued pursuant to this part  
26 shall bear no interest or interest at a rate not to exceed that  
27 provided in part III and shall be payable not later than the

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

31

1 estimated time of collection of an amount sufficient for its  
2 payment out of the taxes or revenues pledged for the municipal  
3 security, as determined by the governing body of the  
4 municipality.

5       Sec. 411. The money in each special fund required by this  
6 part shall be deposited in a bank account separate from any other  
7 money of the municipality and shall be used for no purpose other  
8 than to retire the municipal security for which the special fund  
9 was established.

10       Sec. 413. (1) A municipality may by resolution of its gov-  
11 erning body, and without a vote of its electors, issue a  
12 short-term municipal security in anticipation of the proceeds of  
13 a long-term municipal security it proposes to issue, or that will  
14 be issued in its behalf. However, if required by law, issuance  
15 of the long-term municipal security has been approved by the  
16 electors of the municipality or, if required by law, a notice of  
17 intent to issue the long-term municipal security or enter into a  
18 contract has been published and all rights of referendum relating  
19 to the notice have expired. The municipality shall pledge for  
20 the payment of the principal, interest, and redemption premiums,  
21 if any, on the short-term municipal security from 1 or more of  
22 the sources and on the terms described in section 315 and from  
23 any of the additional sources identified in subsection (2).

24       (2) The municipality, in determining to issue a short-term  
25 municipal security under this section, may authorize principal,  
26 interest, and redemption premiums, if any, on the short-term  
27 municipal security to be payable from and secured by a pledge of

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

32

1 the proceeds of the long-term municipal security issued to refund  
2 the short-term municipal security.

3       (3) The principal amount of a short-term municipal security  
4 issued in anticipation of the issuance of long-term municipal  
5 securities shall not exceed 50% of the principal amount of the  
6 proposed long-term municipal security. The municipality shall in  
7 the resolution authorizing the short-term municipal security  
8 declare the necessity of the short-term municipal security and  
9 state its purpose, the principal amount of the short-term munici-  
10 pal security to be issued, and an estimated principal payment  
11 schedule for and an estimated or maximum average annual interest  
12 rate on the short-term municipal security. The issuance and  
13 delivery of the short-term municipal security shall be conclusive  
14 as to the existence of the facts entitling the short-term munici-  
15 pal security to be issued in the principal amount of the  
16 short-term municipal security and shall not be subject to attack  
17 in any proceeding. A short-term municipal security shall mature  
18 not more than the earlier of 3 years from the date of issuance or  
19 60 days after the expected date of issuance of the long-term  
20 municipal security in anticipation of which it is issued and may  
21 bear no interest or interest at a fixed or variable rate or rates  
22 of interest per annum, subject to the limitations in section  
23 305.

24       (4) The proceeds of a short-term municipal security issued  
25 under this section shall be used only for the purpose to which  
26 the proceeds of the long-term municipal security may be applied,  
27 the costs of issuance of the short-term municipal security and to



**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

33

1 the payment of principal and interest on the short-term municipal  
2 security.

3       Sec. 415. (1) A municipality may by resolution of its gov-  
4 erning body, and without a vote of its electors, issue a  
5 short-term municipal security in anticipation of the receipt of  
6 grants from the United States, this state, or any agency or  
7 instrumentality of the United States or this state and shall  
8 pledge for the payment of the principal, interest, and redemption  
9 premiums, if any, on that municipal security from 1 or more of  
10 the sources and on the terms described in section 315 and from  
11 any of the additional sources identified in subsection (2).

12       (2) The municipality that issues a short-term municipal  
13 security under this section may pledge the proceeds of federal or  
14 state grants for the payment of the interest and redemption pre-  
15 miums, if any, on the municipal security.

16       (3) The principal amount of a municipal security issued  
17 under this section shall not exceed 50% of the amount remaining  
18 to be received by the municipality that is not still subject to  
19 an appropriation from the granting agency under a written con-  
20 tract from that granting agency that has been accepted by resolu-  
21 tion by the municipality. The issuance and delivery of the  
22 municipal security shall be conclusive evidence of the facts  
23 entitling the municipality to issue the municipal security in the  
24 principal amount issued and shall not be subject to attack in any  
25 proceeding. The pledge of 100% of the funds the municipality  
26 expects to receive from the granting agency may be secured by a  
27 direct transfer of the committed funds from the granting agency

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

34

1 to a trustee or the Michigan municipal bond authority, if the  
2 municipal security is sold to the Michigan municipal bond author-  
3 ity, that is authorized to receive the funds by the authorizing  
4 resolution adopted by the municipality. The municipal security  
5 issued under this section shall mature not more than the earlier  
6 of 18 months from the date of issuance or 6 months after the  
7 expected date of receipt of grant proceeds and may bear no inter-  
8 est or interest at a fixed or variable rate or rates of interest  
9 per annum, subject to the limitations of section 305.

10 (4) The proceeds of the municipal security issued under this  
11 section shall be used only for the purpose to which the proceeds  
12 of the grant may be applied, the costs of issuance of the munici-  
13 pal security, and the payment of principal and interest on the  
14 municipal security.

15 PART V

16 LONG-TERM MUNICIPAL SECURITIES

17 Sec. 501. (1) Except as otherwise provided for by law, or  
18 as otherwise provided in part VI, a municipal security issued by  
19 a municipality under this act shall not mature later than the  
20 estimated period of usefulness of the property or improvement for  
21 which the municipal security is issued.

22 (2) In addition to the requirements of subsection (1), a  
23 municipal security shall not mature later than the following time  
24 periods:

25 (a) A municipal security issued in anticipation of special  
26 assessments shall mature no later than 2 years after the time

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

35

1 fixed by law for the payment of the last installment of the  
2 assessments from which the municipal security is payable.

3 (b) A municipal security issued to meet an emergency for  
4 relief from fire, flood, or other calamity shall mature no later  
5 than 5 years after the date of issuance.

6 (c) A municipal security issued to pay judgments against the  
7 municipality, except judgments in condemnation proceedings, and  
8 municipal securities issued for the purchase of personal proper-  
9 ty, other than material for permanent construction, machinery for  
10 public utilities, or original furnishings and equipment of new  
11 buildings, shall mature no later than 10 years after the date of  
12 issuance.

13 (d) All other municipal securities shall mature no later  
14 than 30 years after the date of issuance.

15 Sec. 503. (1) Municipal securities of a single issue may  
16 mature serially or be subject to mandatory redemptions, or both,  
17 with maturities as fixed by the governing body of the  
18 municipality. In any case, the first maturity or mandatory  
19 redemption date shall occur not later than 5 years after the date  
20 of issuance, and the total principal amount maturing or subject  
21 to mandatory redemption in any year after 4 years from the date  
22 of issuance shall not be less than 1/5 of the total principal  
23 amount maturing or subject to mandatory redemption in any subse-  
24 quent year.

25 (2) In the resolution authorizing the issuance of a munici-  
26 pal security, the governing body of the municipality may provide  
27 that the municipality may purchase municipal securities in the

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

36

1 open market at a price not greater than that payable on the next  
2 redemption date in order to satisfy all or part of the next suc-  
3 ceeding scheduled mandatory redemption.

4 (3) The governing body of the municipality may provide that  
5 some or all of the principal amounts maturing in any year may be  
6 redeemed at the option of the municipality at the times, on the  
7 terms and conditions, and at the price as provided by resolution  
8 of the governing body, except that a municipality shall not agree  
9 to pay a premium exceeding 3% of the principal amount being  
10 redeemed.

11 (4) All outstanding and authorized municipal securities of a  
12 school district payable out of taxes may be treated as a single  
13 issue for the purpose of fixing maturities. Several series of  
14 municipal securities issued under the same authorization may be  
15 treated as a single issue for the purpose of fixing maturities.

16 Sec. 505. The total amount of municipal securities secured  
17 by special assessments and pledging the limited tax full faith  
18 and credit of the municipality shall at no time by reason of  
19 future issues, other than issues of refunding securities, exceed  
20 12% of the assessed value of the taxable property in the  
21 municipality. A municipality shall not issue municipal securi-  
22 ties secured by special assessments in any calendar year in an  
23 amount greater than 3% of the assessed value of the municipality  
24 unless authorized by majority vote of the electors or by a larger  
25 vote as may be provided by statute or charter.

26 Sec. 507. A municipality issuing a municipal security in  
27 anticipation of special assessments may, notwithstanding any

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

37

1 charter or ordinance provisions to the contrary, charge a rate of  
2 interest on the unpaid balance of the special assessments in  
3 excess of the charter or ordinance limit on the municipal securi-  
4 ty, but not in excess of a rate of more than 1% above the average  
5 rate of interest borne by the municipal security.

6       Sec. 509. A municipality may pay interest that accrues on a  
7 municipal security during the first 3 years after the date of  
8 issuance of the municipal security from the proceeds of the sale  
9 of the municipal security. In addition, a municipality may  
10 establish a reserve fund, in an amount not exceeding 15% of the  
11 principal amount of the municipal security issued from the pro-  
12 ceeds of the sale of the municipal security which shall be held  
13 solely for the payment of principal and interest on the municipal  
14 security.

15       Sec. 511. Any county, township, city, or village, by reso-  
16 lution of its governing body and without a vote of its electors,  
17 may issue municipal securities for the purpose of funding any  
18 part or all of a county or intercounty drain special assessment  
19 made against the county, township, city, or village at large  
20 under the provisions of the drain code of 1956, 1956 PA 40,  
21 MCL 280.1 to 280.630. A municipal security described in this  
22 section shall mature serially, the first annual maturity of which  
23 shall fall due not more than 2 years from the date of issuance  
24 and the last of which shall fall due not more than 10 years from  
25 the date of issuance or not more than 1 year after the due date  
26 of the last installment of the special assessment, whichever is  
27 later. No maturity shall be less than 1/2 of the amount of any

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

38

1 subsequent maturity. A municipal security issued in accordance  
2 with this section may be issued in 1 or more series and may fund  
3 1 or more drain special assessments. The principal amount of a  
4 municipal security that may be issued under this section shall  
5 not exceed the principal amount of the special assessments to be  
6 funded under this section. If any interest is to mature upon the  
7 municipal security prior to the time of the next county, town-  
8 ship, city, or village tax collection, then the governing body of  
9 the county, township, city, or village shall make provision for  
10 the payment of that amount when due. The debt evidenced by a  
11 municipal security issued under this section shall not be  
12 included within the debt of a township, city, or village for any  
13 statutory or charter debt limitation purpose. No installment or  
14 installments of a special assessment shall be funded under this  
15 section unless payable in advance of the due date or due dates,  
16 and if the drainage district has issued municipal securities, an  
17 equal amount of the principal amount of the municipal securities  
18 must be redeemable within 90 days from the delivery of the munic-  
19 ipal securities to the purchaser of those municipal securities.  
20 The provisions of this part together with the general provisions  
21 of this act shall govern the issuance of a municipal security  
22 authorized in this section except where inapplicable or inconsis-  
23 tent with this section. All municipal securities issued under  
24 this section shall be legal and valid, notwithstanding any ille-  
25 gality in the special assessments funded by those municipal  
26 securities.

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

39

1       Sec. 513. (1) A municipality by resolution of its governing  
2 body or by entry into an intergovernmental contract pursuant to  
3 section 5 of 1951 PA 35, MCL 124.5, or pursuant to an amendment  
4 to a contract adopted and made effective in accordance with the  
5 terms of the contract, and without a vote of its electors, may  
6 incur debt that shall not be considered debt of the municipality  
7 for statutory, charter, or constitutional debt limits, and may  
8 issue municipal securities secured by a limited tax full faith  
9 and credit pledge for the purpose of either of the following:

10       (a) Paying premiums and other charges for coverages provided  
11 by a pool established pursuant to 1951 PA 35, MCL 124.1 to  
12 124.13, or evidencing fixed payment securities or securities to  
13 make payments under specified contingencies pursuant to an inter-  
14 governmental self-insurance pool contract approved by the state  
15 treasurer, which contract is authorized under 1951 PA 35,  
16 MCL 124.1 to 124.13.

17       (b) Establishing funds, reserves, or accounts in amounts  
18 determined by the municipality to defray losses for which insur-  
19 ance coverage could be provided by an insurer pursuant to the  
20 insurance code of 1956, 1956 PA 218, MCL 500.100 to 500.8302, but  
21 for which the municipality has determined to self-insure.

22       (2) Notwithstanding any provision of this act to the con-  
23 trary, the municipal security issued under this section shall be  
24 issued for the period of time determined by the governing body of  
25 the municipality or pursuant to the contract, but not to exceed  
26 30 years.

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

40

1 (3) A municipal security authorized under subsection (1)(a),  
2 other than a municipal security to make payments under specified  
3 contingencies, shall not be of a term exceeding the coverage pro-  
4 vided in consideration for receipt of the proceeds of the municipi-  
5 pal security. A municipal security, other than a municipal  
6 security issued to make payments under specified contingencies,  
7 may mature annually or be subject to mandatory redemption  
8 requirements, with the first annual maturity or mandatory redemp-  
9 tion requirement to fall due 10 years or less from the date of  
10 issuance. Annual maturity or redemption requirements, or a com-  
11 bination of both, of a municipal security issued under this sec-  
12 tion other than a municipal security issued to make payments  
13 under specified contingencies, after 10 years from the date of  
14 issuance shall not be less than 1/10 of the amount of any subse-  
15 quent annual maturity or redemption requirement, or combination  
16 of both. A municipal security issued pursuant to  
17 subsection (1)(b) shall be subject to the provisions of this act  
18 relating to the municipal security. A municipal security issued  
19 or incurred under subsection (1)(a) shall be subject to this sec-  
20 tion only and not to any other section or part of this act. The  
21 self-insurance pool shall submit for approval by the state trea-  
22 surer a copy of the intergovernmental contract pursuant to which  
23 a municipal security is to be issued or incurred under  
24 subsection (1)(a) prior to the effectiveness of the municipal  
25 security.

26 Sec. 515. (1) A municipality may deliver a municipal  
27 security to this state or the federal government for the purpose



**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

41

1 of defraying the whole or part of the cost of purchasing,  
2 acquiring, constructing, improving, enlarging, extending, or  
3 repairing any water supply or sewage disposal system or public  
4 building or other public improvement.

5 (2) Parts IV, V, and VI do not apply to any municipal secur-  
6 ity delivered to this state or the federal government to the  
7 extent the requirements of this state or the federal government  
8 relating to any of the terms of the debt conflict with the provi-  
9 sions of this act.

10 (3) As used in this section:

11 (a) "Federal government" means the federal government or any  
12 agency of the federal government.

13 (b) "This state" means this state or any department, agency,  
14 board, commission, fund, corporation, or authority of this  
15 state.

16 Sec. 517. (1) A county, city, village, or township may by  
17 resolution of its governing body, and without a vote of its elec-  
18 tors, issue a municipal security to pay the cost of any capital  
19 improvement items, provided that the amount of taxes necessary to  
20 pay the principal and interest on that municipal security,  
21 together with the taxes levied for the same year, shall not  
22 exceed the limit authorized by law.

23 (2) If a county, city, village, or township issues a munici-  
24 pal security under this section, before issuance, the county,  
25 city, village, or township shall publish a notice of intent to  
26 issue the municipal security. The notice of intent shall be  
27 directed to the electors of the county, city, village, or

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

42

1 township, shall be published in a newspaper that has general  
2 circulation in the county, city, village, or township, and shall  
3 state the maximum amount of municipal securities to be issued,  
4 the purpose of the municipal securities, the source of payment,  
5 the right of referendum on the issuance of the municipal securi-  
6 ties, and any other information the county, city, village, or  
7 township determines necessary to adequately inform the electors  
8 of the nature of the issue. The notice of intent shall not be  
9 less than 1/4 page in size in the newspaper. If, within 45 days  
10 after the publication of the notice of intent, a petition, signed  
11 by not less than 10% or 15,000 of the registered electors, which-  
12 ever is less, residing within the county, city, village, or town-  
13 ship, is filed with the governing body of the county, city, vil-  
14 lage, or township, requesting a referendum upon the question of  
15 the issuance of the municipal securities, then the municipality  
16 shall not issue the municipal securities until authorized by the  
17 vote of a majority of the electors of the county, city, village,  
18 or township qualified to vote and voting on the question at a  
19 general or special election. A special election called for this  
20 purpose shall not be included in a statutory or charter limita-  
21 tion as to the number of special elections to be called within a  
22 period of time. Signatures on the petition shall be verified by  
23 a person under oath as the actual signatures of the persons whose  
24 names are signed to the petition, and the governing body of the  
25 county, city, village, or township shall have the same power to  
26 reject signatures and petitions as city clerks under section 25  
27 of the home rule city act, 1909 PA 279, MCL 117.25. The number

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

43

1 of registered electors in the county, city, village, or township  
2 shall be determined by the governing body of the county, city,  
3 village, or township.

4 (3) Municipal securities issued under subsection (1) by a  
5 county, city, village, or township shall not exceed 5% of the  
6 state equalized valuation of the property assessed in that  
7 county, city, village, or township.

8 PART VI

9 REFUNDING

10 Sec. 601. (1) Subject to this act, a municipality may, by  
11 resolution or ordinance adopted by its governing body and without  
12 a vote of its electors, refund all or any part of its outstanding  
13 securities by issuing refunding securities as described in this  
14 part.

15 (2) A municipality may issue a refunding security whether  
16 the outstanding security to be refunded has or has not matured,  
17 is or is not redeemable on the date of issuance of the refunding  
18 security, exceeds the original estimated period of usefulness but  
19 not to exceed the current period of usefulness as determined by  
20 the project engineer or architect, or is or is not subject to  
21 redemption before maturity.

22 (3) A refunding security may be issued in a principal amount  
23 greater than the principal amount of the outstanding securities  
24 to be refunded as necessary to effect the refunding under the  
25 refunding plan.

26 (4) A municipality may use the proceeds of a refunding  
27 security to pay interest accrued, or to accrue, to the earliest

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

44

1 or any subsequent date of redemption, purchase, or maturity of  
2 the outstanding security to be refunded, redemption premium, if  
3 any, and any commission, service fee, and other expense necessary  
4 to be paid in connection with the outstanding security to be  
5 refunded. A municipality may also use the proceeds of a refund-  
6 ing security to pay part of the cost of issuance of the refunding  
7 security, interest on the refunding security, a reserve for the  
8 payment of principal, interest, and redemption premiums on the  
9 refunding security, and other necessary incidental expenses,  
10 including, but not limited to, placement fees and fees or charges  
11 for insurance, letters of credit, lines of credit, or commitments  
12 to purchase the outstanding security to be refunded.

13 (5) A municipality may invest the proceeds of a refunding  
14 security as provided in section 607(2).

15 (6) To the extent provided by the proceedings authorizing  
16 the refunding security, principal, interest, and redemption pre-  
17 miums on the refunding security shall be secured by and payable  
18 from any or all of the following sources:

19 (a) Taxes or special assessments pledged for payment of a  
20 municipal security being refunded.

21 (b) The proceeds of the refunding security.

22 (c) The reserve, if any, established for the payment of the  
23 principal, interest, and redemption premiums on, the refunding  
24 security or the outstanding security to be refunded.

25 (d) The proceeds of any insurance, letter of credit, or line  
26 of credit acquired as security for the refunding security.

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

45

1 (e) The proceeds of any refunding securities issued to  
2 refund the refunding security.

3 (f) Revenues pledged for the outstanding security being  
4 refunded.

5 (g) Investment earnings or profits on any of the sources  
6 described in subdivisions (a) to (f).

7 Sec. 603. (1) Any outstanding security of a municipality  
8 that has been assumed in part by another municipality may be  
9 refunded by the municipalities as to their respective  
10 liabilities.

11 (2) This act shall not be construed to prohibit a municipal-  
12 ity from refunding any of its outstanding securities even though  
13 some other municipality may be required to contribute to the pay-  
14 ment of those outstanding securities, and that refunding is  
15 hereby expressly authorized. Refunding authorized under this  
16 subsection does not relieve any other municipality from a pledge  
17 to make a contribution to the payment of an outstanding  
18 security.

19 Sec. 605. The debt evidenced by a refunding security and  
20 the tax levies used to repay the refunding security shall not be  
21 deemed to be within any statutory or charter limitation of tax  
22 rate or of outstanding debt limit, but shall be deemed to be  
23 authorized in addition to any statutory or charter limitation of  
24 tax rate or outstanding debt limit.

25 Sec. 607. (1) Money on hand applicable to the retirement of  
26 outstanding securities to be refunded, or from proceeds of

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

46

1 revenues pledged for these purposes, or both, shall be applied as  
2 provided in the authorizing resolution.

3       (2) The proceeds of a refunding security and other available  
4 money may be applied to payment of the principal, interest, or  
5 redemption premiums, if any, on the refunded outstanding securi-  
6 ties at maturity or on any prior redemption date or may be depos-  
7 ited in trust for use to purchase and deposit in trust direct  
8 obligations of the United States, direct noncallable and nonpre-  
9 payable obligations that are unconditionally guaranteed by the  
10 United States government as to full and timely payment of princi-  
11 pal and interest, noncallable and nonprepayable coupons from the  
12 above obligations that are stripped pursuant to United States  
13 treasury programs, and resolution funding corporation bonds and  
14 strips, the principal and interest on which when due, together  
15 with other available money, will provide funds sufficient to pay  
16 principal, interest, and redemption premiums, if any, on the  
17 refunded outstanding securities as the refunded outstanding  
18 securities become due, whether by maturity or on a prior redemp-  
19 tion date, as provided in the authorizing resolution.

20       (3) The pledge and covenants of a municipality related to  
21 refunded outstanding securities for which the municipality has  
22 deposited in trust proceeds of a refunding security and other  
23 available money as described in subsection (2) is considered to  
24 have been fully and legally performed and defeased.

25       Sec. 609. A refunding security issued to refund municipal  
26 securities issued under the terms of the drain code of 1956, 1956  
27 PA 40, MCL 280.1 to 280.630, shall be of the same character as

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

47

1 the refunded outstanding municipal security and shall be  
2 construed to be a continuation of the refunded outstanding munic-  
3 ipal security. Also, a refunding security issued to refund an  
4 outstanding municipal security secured by an unlimited tax full  
5 faith and credit pledge shall be secured by an unlimited tax full  
6 faith and credit pledge. All other refunding securities issued  
7 under this part shall be secured by a limited tax full faith and  
8 credit pledge of the issuing municipality.

9       Sec. 611. (1) Except as provided in section 515 or subsec-  
10 tion (2), a municipality shall not refund all or any part of its  
11 outstanding securities by issuing a refunding security unless the  
12 net present value of the principal and interest to be paid on the  
13 refunding security, including the cost of issuance, is less than  
14 the net present value of the principal and interest to be paid on  
15 the outstanding security being refunded as calculated using a  
16 method approved by the department.

17       (2) A municipality may, under procedures established by the  
18 department, obtain an exception from the requirements of  
19 subsection (1) if the department determines a reasonable basis  
20 for that exception exists. As used in this subsection, reason-  
21 able basis means 1 or more of the following:

22       (a) The refunding is required by a state or federal agency.

23       (b) The refunding is necessary to reduce or eliminate  
24 requirements of ordinances or covenants applicable to the exist-  
25 ing outstanding security.

26       (c) The refunding is necessary to avoid a potential default  
27 on an outstanding security.

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

48

1 (d) The refunding of a short-term municipal security issued  
2 under section 413.

3 Sec. 613. Refunding securities are not subject to section  
4 503(1), (2), and (3).

5 PART VII

6 TAX LEVIES, DEBT RETIREMENT, AND SINKING FUND

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

15 (a) An amount such that the estimated collections will be  
16 sufficient to promptly pay, when due, the interest on all munici-  
17 pal securities and the portion of the principal falling due  
18 whether by maturity or by mandatory redemption before the time of  
19 the following year's tax collection.

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

25 (c) An amount, if there are outstanding mandatory redemption  
26 municipal securities other than refunding securities not required  
27 to be redeemed in annual amounts before the maturity of the



**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

49

1 outstanding mandatory redemption municipal securities, that if  
2 deposited annually into a sinking fund will, with the existing  
3 sinking fund pertaining to the municipal securities and the  
4 increment of the municipal securities, be sufficient to pay the  
5 municipal securities at maturity.

6 (2) Subsection (1) does not limit the amount required to be  
7 levied in a year for the purposes prescribed in that subsection,  
8 by the terms of an ordinance or resolution authorizing the issu-  
9 ance of 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  
13 taxes required by this section for the payment of the municipal  
14 securities without limitation as to rate or amount and in addi-  
15 tion to other taxes that the municipality may be authorized to  
16 levy. If the municipal securities were authorized or issued by a  
17 municipality after December 22, 1978, and were not approved by  
18 the electors of the municipality, the municipality shall set  
19 aside each year from the levy and collection of ad valorem taxes  
20 as required by this section as a first budget obligation for the  
21 payment of the municipal securities. However, the ad valorem  
22 taxes shall be subject to applicable charter, statutory, or con-  
23 stitutional rate limitations.

24 (4) If there is surplus money on hand for the payment of  
25 principal or interest at the time of making an annual tax levy,  
26 and provision has not been made in the authorizing resolution for

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

50

1 the disposition of that money, the annual levy for principal or  
2 interest shall be adjusted to reflect available funds.

3 (5) Money remaining in a debt retirement fund from the levy  
4 of a tax or an account within a debt retirement fund from the  
5 levy of a tax after the retirement of all municipal securities  
6 payable from that fund shall be used to pay any other outstanding  
7 municipal securities of the municipality. After all other out-  
8 standing municipal securities of the municipality are paid, money  
9 remaining in a retirement fund shall be deposited in the general  
10 fund of the municipality.

11 (6) As taxes are collected, there shall be set aside that  
12 portion of the collections that is allocable to the payment of  
13 the principal and interest on the municipal securities. The por-  
14 tion set aside shall be divided pro rata among the various sink-  
15 ing funds and debt retirement funds in accordance with the amount  
16 levied for that purpose. Tax collections paid into a debt  
17 retirement fund, if the fund is for the payment of more than 1  
18 issue of municipal securities, shall be allocated on the books  
19 and records of the municipality between the various issues in  
20 accordance with the amounts levied for that purpose.

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

25 Sec. 705. (1) Debt retirement funds, except in the case of  
26 a common debt retirement fund maintained by a school district  
27 pursuant to section 1223 of the revised school code, 1976 PA 451,

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

51

1 MCL 380.1223, shall be accounted for separately and, debt  
2 retirement funds, except as provided in section 701(5), shall be  
3 used only to retire the municipal securities of the municipality  
4 for which the debt retirement fund was created. Debt retirement  
5 funds created for the following categories of debt evidenced by a  
6 municipal security may be pooled or combined for deposit or  
7 investment purposes only with other debt retirement funds created  
8 for the same category of debt evidenced by a municipal security:

9 (a) Voted debt.

10 (b) Nonvoted debt, other than special assessment debt.

11 (c) Special assessment debt.

12 (2) When any municipality completes the retirement of a debt  
13 evidenced by a municipal security or accumulates sufficient funds  
14 in the debt retirement fund for the retirement of the debts evi-  
15 denced by a municipal security, the governing body of the munici-  
16 pality shall certify that the debt evidenced by a municipal  
17 security is retired or that the debt retirement fund is of suffi-  
18 cient amount to retire the debt evidenced by a municipal security  
19 to the county treasurer of the county in which the municipality  
20 is located, and the county treasurer shall no longer be required  
21 to recognize a levy for the debt or municipal security issue.

22 Sec. 707. Any municipality issuing a mandatory redemption  
23 refunding security under the provisions of part VI shall provide  
24 a sinking fund or funds for the retirement of the refunding  
25 security, and there shall be deposited in each sinking fund annu-  
26 ally an amount sufficient to pay the principal of that refunding  
27 security at or before maturity. All sinking fund money for the

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

52

1 retirement of a refunding security shall be accounted for  
2 separately and shall be used only for the payment or purchase of  
3 the refunding security.

4

CHAPTER VIII

5 Sec. 801. This act takes effect March 1, 2002.

6 Sec. 803. (1) The following are repealed effective March 1,  
7 2002:

8 (a) Chapters I, II, IV, V, VI, VII, VIII, and IX of the  
9 municipal finance act, 1943 PA 202, MCL 131.1 to 132.4 and 134.1  
10 to 139.3.

11 (b) Sections 1 to 9 and sections 12 to 15 of chapter III of  
12 the municipal finance act, 1943 PA 202, MCL 133.1 to 133.9 and  
13 133.12 to 133.15.

14 (2) The municipal finance act, 1943 PA 202, 133.10 to  
15 133.11, is repealed effective April 30, 2002.

16 Sec. 805. The administrative rules of the municipal finance  
17 division are repealed effective March 1, 2002.

18 Sec. 807. All orders granting exceptions from prior  
19 approval of debts or securities issued by the department shall  
20 continue in force and effect until the expiration date expressly  
21 contained in the order. The terms of the municipal finance act,  
22 1943 PA 202, MCL 131.1 to 139.3, shall apply with respect to any  
23 security issued pursuant to an order of the department that was  
24 issued before May 1, 2002.

25 Sec. 809. All orders approving the issuance of securities  
26 issued by the department shall continue in force and effect until  
27 October 31, 2002. The terms of the municipal finance act, 1943

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

53

1 PA 202, MCL 131.1 to 139.3, shall apply with respect to any  
2 security issued pursuant to an order of the department that was  
3 issued before May 1, 2002.

4 Sec. 811. Except as provided by sections 807 and 809, sec-  
5 tion 303 replaces and reenacts sections 10 and 11 of chapter III  
6 of the municipal finance act, 1943 PA 202, MCL 133.10 and  
7 133.11.

8 Sec. 813. Except as provided by sections 807 and 809, sec-  
9 tion 319 replaces and reenacts section 15 of chapter III of the  
10 municipal finance act, 1943 PA 202, MCL 133.15.

11 Sec. 815. Any security that, by the terms of the act that  
12 authorizes its issuance, is exempt from the terms of the munici-  
13 pal finance act, 1943 PA 202, MCL 131.1 to 139.3, is exempt from  
14 the terms of this act.

15 Sec. 817. Except as provided by sections 807 and 809, sec-  
16 tion 305 replaces and reenacts section 1a of chapter III of the  
17 municipal finance act, 1943 PA 202, MCL 133.1a.

18 Sec. 819. Any securities previously issued under or in  
19 accordance with the authority contained in the municipal finance  
20 act, 1943 PA 202, MCL 131.1 to 139.3, are hereby validated.

21 Sec. 821. (1) Beginning March 1, 2002 and ending April 30,  
22 2002, a municipality planning to issue a municipal security may  
23 do either of the following:

24 (a) Seek approval or exception from prior approval of the  
25 municipal security from the department in accordance with sec-  
26 tions 10 and 11 of chapter III of the municipal finance act, 1943  
27 PA 202, MCL 133.10 and 133.11.

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

54

1 (b) Seek qualified status in accordance with section 303, by  
2 filing a qualifying statement referencing the most recent audit  
3 report of the municipality previously filed with the department  
4 prior to the effective date of this act, or if not previously  
5 timely filed, by attaching a copy of the audit report for the  
6 most recently completed fiscal year for which an audit has been  
7 completed.

8 (2) If a municipality elects to seek qualified status as  
9 described in subsection (1) during the period between March 1,  
10 2002 and May 1, 2002, the department shall determine within 30  
11 business days of receipt of the qualifying statement whether the  
12 municipality complies with the requirements of section 303(3).  
13 If the department determines that the municipality complies with  
14 the provisions of section 303(3) or if the department fails to  
15 notify the municipality of its determination under this subsec-  
16 tion within 30 business days of receipt of the qualifying state-  
17 ment, the municipality may proceed to issue municipal securities  
18 in accordance with this act without further approval from the  
19 department until 30 business days after the next qualifying  
20 statement is due or received by the department, whichever occurs  
21 first.

22 (3) If a municipality is not granted qualified status pursu-  
23 ant to subsection (2), or if a municipality does not file a qual-  
24 ifying statement as described in subsection (1), the municipality  
25 shall comply with section 303(7) for each municipal security  
26 issued until the municipality obtains qualified status based on

**SB 29, As Passed Senate, May 16, 2001**

Senate Bill No. 29

55

1 the audit report and qualifying statement next duly filed by the  
2 municipality in accordance with section 303.