

SENATE BILL No. 78

January 27, 2011, Introduced by Senator GREGORY and referred to the Committee on Local Government and Elections.

A bill to amend 1981 PA 80, entitled "Fiscal stabilization act," by amending sections 3, 4, 5, and 9 (MCL 141.1003, 141.1004, 141.1005, and 141.1009), sections 3, 4, and 9 as amended by 2010 PA 4 and section 5 as amended by 1987 PA 279, and by adding section 4a.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 3. A city or county that meets the applicable conditions
2 described in section 4 may borrow money and issue its bonds or
3 obligations either for funding an operating deficit for a past
4 fiscal year or years or for funding a projected operating deficit
5 in the current fiscal year, or for funding both. **A CITY OR COUNTY**
6 **THAT MEETS THE APPLICABLE CONDITIONS DESCRIBED IN SECTION 4A MAY**
7 **BORROW MONEY AND ISSUE ITS BONDS OR OBLIGATIONS EITHER FOR FUNDING**

1 AN OPERATING DEFICIT FOR A PAST FISCAL YEAR OR YEARS OR FOR FUNDING
2 A PROJECTED OPERATING DEFICIT IN THE CURRENT FISCAL YEAR OR IN A
3 FUTURE FISCAL YEAR OR YEARS. The bonds or obligations may be issued
4 as general obligation bonds or obligations, as bonds or obligations
5 payable solely from a specified source or sources of revenues
6 lawfully available to the city or county, or as a combination of
7 general obligation bonds or obligations and bonds or obligations
8 payable from a specified source or sources of revenues. The
9 authority granted by this act is in addition to any power granted
10 to a city or county by its charter or any other provision of law.

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

15 (a) The city had an accumulated operating deficit as of the
16 end of the last completed fiscal year or is projected to have an
17 accumulated operating deficit at the end of the current fiscal
18 year. The determination of the existence of an accumulated
19 operating deficit or a projected accumulated operating deficit
20 shall be made in accordance with generally accepted accounting
21 principles.

22 (b) The amount of the deficit exceeds the amount that the city
23 may borrow from the emergency municipal loan fund pursuant to the
24 emergency municipal loan act, 1980 PA 243, MCL 141.931 to 141.942.

25 (c) The amount of the deficit is more than the city can fund
26 by issuing tax anticipation notes under the revised municipal
27 finance act, 2001 PA 34, MCL 141.2101 to 141.2821.

1 (2) Before a county may make application to the board for
2 approval to issue bonds or obligations under this ~~act~~, **SECTION**, the
3 legislative body of the county shall determine by resolution that
4 the county had an accumulated operating deficit as of the end of
5 the last completed fiscal year or is projected to have an
6 accumulated operating deficit at the end of the current fiscal
7 year. The determination of the existence of an accumulated
8 operating deficit or a projected accumulated operating deficit
9 shall be made in accordance with generally accepted accounting
10 principles.

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

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

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

21 (4) Before adopting a resolution authorizing the issuance of
22 the bonds or obligations **PURSUANT TO AN APPLICATION UNDER THIS**
23 **SECTION**, the city or county shall apply to the secretary of the
24 board for an order approving issuance of the bonds or obligations
25 by the city or county and shall attach to the application a copy of
26 the resolution described in this section.

27 (5) The board shall require that the city or county **FILING AN**

1 **APPLICATION UNDER THIS SECTION** provide the board with a statement
2 signed by the chief executive officer of the city or county, if a
3 charter county, or the chairperson of the board of county
4 commissioners, which statement indicates how the city or county
5 intends to avoid future deficits. The statement is a condition that
6 shall be met as part of the application **UNDER THIS SECTION** by the
7 city or county to the board for issuance of bonds or obligations
8 under this act.

9 (6) Within 7 days after receipt of a full and complete
10 application **UNDER THIS SECTION** as determined by the board, the
11 board shall issue an order approving issuance of bonds or
12 obligations by the city or county in an amount not exceeding the
13 amount determined to be necessary by the legislative body of the
14 city or county under subsection (3) or denying the application.

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

18 (8) The maximum amount of bonds or obligations that are
19 unlimited or limited tax bonds or obligations that may be issued by
20 a city or county under this ~~act~~**SECTION** shall not exceed 3% of the
21 state equalized valuation of real and personal property located
22 within the territorial boundaries of the city or county,
23 respectively, or the maximum principal amount of all bonds or
24 obligations that may be issued by a city or county under this ~~act~~
25 **SECTION** shall not exceed \$125,000,000.00, or for bonds or
26 obligations issued by a city under this ~~act~~**SECTION** after January
27 1, 2010 and before September 1, 2010, the maximum principal amount

1 of all bonds or obligations issued by a city shall not exceed
2 \$250,000,000.00. The limitations provided by this subsection do not
3 include bonds or obligations or portions of bonds or obligations
4 used to pay for any of the following:

5 (a) Amounts set aside for a reserve for payment of principal,
6 interest, and redemption premiums.

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

8 (c) The amount of any discount.

9 (d) Bonds or obligations issued to refund outstanding bonds or
10 obligations.

11 (9) Except as provided in section 7, the issuance of bonds or
12 obligations under this act are not subject to the revised municipal
13 finance act, 2001 PA 34, MCL 141.2101 to 141.2821. The issuance of
14 bonds or obligations described in this subsection is subject to the
15 agency financing reporting act, 2002 PA 470, MCL 129.171 to
16 129.177.

17 **SEC. 4A. (1) A CITY WITH A POPULATION OF NOT LESS THAN 50,000**
18 **OR A COUNTY MAY MAKE APPLICATION TO THE BOARD UNDER THIS SECTION**
19 **FOR APPROVAL TO ISSUE 1 OR MORE SERIES OF BONDS OR OBLIGATIONS**
20 **UNDER THIS ACT.**

21 (2) BEFORE A CITY OR COUNTY MAY MAKE APPLICATION TO THE BOARD
22 UNDER THIS SECTION FOR APPROVAL TO ISSUE BONDS OR OBLIGATIONS UNDER
23 THIS ACT, THE LEGISLATIVE BODY OF THE CITY OR COUNTY SHALL
24 DETERMINE BY RESOLUTION THAT ALL OF THE FOLLOWING CONDITIONS EXIST:

25 (A) THE CITY OR COUNTY HAD AN ACCUMULATED OPERATING DEFICIT AS
26 OF THE END OF THE LAST COMPLETED FISCAL YEAR OR IS PROJECTED TO
27 HAVE AN ACCUMULATED OPERATING DEFICIT EITHER AT THE END OF THE

1 CURRENT FISCAL YEAR OR AT THE END OF 1 OR MORE OF THE NEXT 5 FISCAL
2 YEARS. THE DETERMINATION OF THE EXISTENCE OF AN ACCUMULATED
3 OPERATING DEFICIT OR A PROJECTED ACCUMULATED OPERATING DEFICIT
4 SHALL BE MADE IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING
5 PRINCIPLES, AND FOR A CITY MAKING APPLICATION TO ISSUE BONDS UNDER
6 THIS SECTION, THE DETERMINATION OF THE EXISTENCE OF AN ACCUMULATED
7 OR PROJECTED ACCUMULATED OPERATING DEFICIT SHALL BE NET OF AMOUNTS
8 APPROPRIATED FOR THE REPAYMENT OF ADVANCES MADE BY THE COUNTY TO
9 THE CITY PURSUANT TO SECTIONS 87 TO 87C OF THE GENERAL PROPERTY TAX
10 ACT, 1893 PA 206, MCL 211.87 TO 211.87C, FOR DELINQUENT TAX
11 COLLECTIONS CLAIMED BY THE CITY.

12 (B) THE AMOUNT OF THE ACCUMULATED OPERATING DEFICIT OR
13 PROJECTED ACCUMULATED OPERATING DEFICIT IS MORE THAN THE CITY OR
14 COUNTY CAN REASONABLY FUND BY ISSUING TAX ANTICIPATION NOTES UNDER
15 THE REVISED MUNICIPAL FINANCE ACT, 2001 PA 34, MCL 141.2101 TO
16 141.2821, OR FUNDING THE ACCUMULATED OPERATING DEFICIT OR PROJECTED
17 ACCUMULATED OPERATING DEFICIT WILL REQUIRE 2 OR MORE CONSECUTIVE
18 YEARS OF ISSUING TAX ANTICIPATION NOTES.

19 (C) THE CITY OR COUNTY MAINTAINED A REASONABLE GENERAL FUND
20 BALANCE RESERVE IN AN AMOUNT NOT LESS THAN 10% OF THE OPERATING
21 REVENUES OF THE CITY OR COUNTY FOR THE MOST RECENTLY COMPLETED
22 FISCAL YEAR.

23 (3) IF THE LEGISLATIVE BODY OF A CITY OR COUNTY DETERMINES
24 THAT ALL OF THE CONDITIONS DESCRIBED IN SUBSECTION (2) EXIST, IT
25 SHALL ALSO IN THE SAME RESOLUTION MAKE THE FOLLOWING
26 DETERMINATIONS:

27 (A) THE AMOUNT OF THE ACCUMULATED OPERATING DEFICIT THAT WAS

1 INCURRED OR IS PROJECTED TO EXIST AT THE END OF THE FISCAL YEAR OR
2 YEARS IN WHICH THE DEFICIT IS PROJECTED TO EXIST.

3 (B) THE MAXIMUM AMOUNT OF BONDS OR OBLIGATIONS NECESSARY TO
4 FUND THE DEFICIT AND PROVIDE FUNDS FOR THE PURPOSES DESCRIBED IN
5 SECTION 5.

6 (C) THE APPROVAL OF A MULTIYEAR FISCAL TRANSITION PLAN, OR AN
7 AMENDMENT TO AN EXISTING FISCAL TRANSITION PLAN, WHICH SHALL, AT A
8 MINIMUM, INCLUDE ALL OF THE FOLLOWING:

9 (i) OPERATING EXPENDITURE DATA FOR THE 3 MOST RECENTLY
10 COMPLETED FISCAL YEARS AND ESTIMATED EXPENDITURES FOR EACH OF THE
11 FISCAL YEARS COVERED BY THE FISCAL TRANSITION PLAN.

12 (ii) REVENUE DATA FOR THE 3 MOST RECENTLY COMPLETED FISCAL
13 YEARS AND ESTIMATED REVENUES, BY SOURCE OF REVENUE, FOR EACH OF THE
14 FISCAL YEARS COVERED BY THE FISCAL TRANSITION PLAN.

15 (iii) THE AMOUNT OF OPERATING SURPLUS OR DEFICIT THAT HAS
16 ACCUMULATED FROM PRIOR FISCAL YEARS, TOGETHER WITH AN ESTIMATE OF
17 THE AMOUNT OF OPERATING SURPLUS OR DEFICIT EXPECTED IN EACH OF THE
18 FISCAL YEARS COVERED BY THE FISCAL TRANSITION PLAN, NET OF ANY
19 PROCEEDS FROM BONDS OR OBLIGATIONS ISSUED PURSUANT TO THIS SECTION
20 TO FUND THE ACCUMULATED OPERATING DEFICIT OR PROJECTED ACCUMULATED
21 OPERATING DEFICIT, AND NET OF A REASONABLE GENERAL FUND BALANCE
22 RESERVE IN AN AMOUNT NOT TO EXCEED 20% OF THE OPERATING REVENUES OF
23 THE CITY OR COUNTY FOR THE MOST RECENTLY COMPLETED FISCAL YEAR.

24 (iv) SPECIFIC GOALS, POLICIES, OBJECTIVES, AND ACTIONS FOR THE
25 REDUCTION OF OPERATING EXPENSES AND THE RESTRUCTURING OF GOVERNMENT
26 TO REFLECT ANTICIPATED ACTUAL OPERATING REVENUES OVER THE LIFE OF
27 THE FISCAL TRANSITION PLAN AND A STRUCTURAL OPERATING SURPLUS BY

1 THE END OF THE LAST FISCAL YEAR COVERED BY THE FISCAL TRANSITION
2 PLAN.

3 (v) THAT THE ASSESSED VALUE OF THE TAXABLE PROPERTY IN THE
4 CITY OR COUNTY HAS DECLINED DURING 2 OF THE LAST 3 COMPLETED FISCAL
5 YEARS.

6 (vi) OTHER DATA RELATING TO FISCAL CONDITIONS OF THE CITY OR
7 COUNTY THAT THE CITY OR COUNTY CONSIDERS RELEVANT TO THE FISCAL
8 TRANSITION PLAN.

9 (D) THE CITY OR COUNTY SHALL REVIEW THE FISCAL TRANSITION PLAN
10 NOT LESS THAN ANNUALLY AND SHALL MODIFY THE FISCAL TRANSITION PLAN
11 TO REFLECT ACTUAL OPERATING RESULTS OVER THE FISCAL YEARS COVERED
12 BY THE FISCAL TRANSITION PLAN, AND A CITY OR COUNTY SHALL SUBMIT
13 WHEN MODIFIED, AND IN ANY EVENT NOT LESS THAN ANNUALLY, A COPY OF
14 THE MODIFIED FISCAL TRANSITION PLAN TO THE BOARD.

15 (E) THE FISCAL TRANSITION PLAN SHALL BE PREPARED IN ACCORDANCE
16 WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.

17 (4) BEFORE ADOPTING A RESOLUTION AUTHORIZING THE ISSUANCE OF
18 THE BONDS OR OBLIGATIONS PURSUANT TO AN APPLICATION UNDER THIS
19 SECTION, THE CITY OR COUNTY SHALL APPLY TO THE SECRETARY OF THE
20 BOARD FOR AN ORDER APPROVING ISSUANCE OF THE BONDS OR OBLIGATIONS
21 BY THE CITY OR COUNTY AND SHALL ATTACH TO THE APPLICATION A COPY OF
22 THE RESOLUTION DESCRIBED IN THIS SECTION.

23 (5) THE BOARD SHALL REQUIRE THAT THE CITY OR COUNTY FILING AN
24 APPLICATION UNDER THIS SECTION PROVIDE THE BOARD WITH A STATEMENT
25 SIGNED BY THE CHIEF EXECUTIVE OFFICER OF THE CITY OR COUNTY, IF A
26 CHARTER COUNTY, OR THE CHAIRPERSON OF THE BOARD OF COUNTY
27 COMMISSIONERS, WHICH STATEMENT INDICATES HOW THE CITY OR COUNTY

1 INTENDS TO IMPLEMENT THE FISCAL TRANSITION PLAN SO AS TO AVOID
2 FUTURE DEFICITS. THE STATEMENT IS A CONDITION THAT SHALL BE MET AS
3 PART OF THE APPLICATION UNDER THIS SECTION BY THE CITY OR COUNTY TO
4 THE BOARD FOR ISSUANCE OF BONDS OR OBLIGATIONS UNDER THIS ACT.

5 (6) WITHIN 7 DAYS AFTER RECEIPT OF A FULL AND COMPLETE
6 APPLICATION UNDER THIS SECTION AS DETERMINED BY THE BOARD, THE
7 BOARD SHALL ISSUE AN ORDER APPROVING THE ISSUANCE OF BONDS OR
8 OBLIGATIONS BY THE CITY OR COUNTY IN AN AMOUNT NOT EXCEEDING THE
9 AMOUNT DETERMINED TO BE NECESSARY BY THE LEGISLATIVE BODY OF THE
10 CITY OR COUNTY UNDER SUBSECTION (3) OR DENYING THE APPLICATION.

11 (7) AFTER APPROVAL OF THE BOARD, THE DETERMINATIONS AND
12 FINDINGS MADE BY THE LEGISLATIVE BODY OF THE CITY OR COUNTY
13 PURSUANT TO THIS SECTION ARE CONCLUSIVE.

14 (8) THE MAXIMUM AMOUNT OF BONDS OR OBLIGATIONS THAT ARE
15 UNLIMITED OR LIMITED TAX BONDS OR OBLIGATIONS THAT MAY BE ISSUED BY
16 A CITY OR COUNTY UNDER THIS SECTION SHALL NOT EXCEED 3% OF THE
17 STATE EQUALIZED VALUATION OF REAL AND PERSONAL PROPERTY LOCATED
18 WITHIN THE TERRITORIAL BOUNDARIES OF THE CITY OR COUNTY,
19 RESPECTIVELY. THE LIMITATIONS PROVIDED BY THIS SUBSECTION DO NOT
20 INCLUDE BONDS OR OBLIGATIONS OR PORTIONS OF BONDS OR OBLIGATIONS
21 USED TO PAY FOR ANY OF THE FOLLOWING:

22 (A) AMOUNTS SET ASIDE FOR A RESERVE FOR PAYMENT OF PRINCIPAL,
23 INTEREST, AND REDEMPTION PREMIUMS.

24 (B) EXPECTED COSTS OF ISSUANCE OF THE BONDS OR OBLIGATIONS.

25 (C) THE AMOUNT OF ANY DISCOUNT.

26 (D) BONDS OR OBLIGATIONS ISSUED TO REFUND OUTSTANDING BONDS OR
27 OBLIGATIONS.

1 (9) EXCEPT AS PROVIDED IN SECTION 7, THE ISSUANCE OF BONDS OR
2 OBLIGATIONS UNDER THIS ACT IS NOT SUBJECT TO THE REVISED MUNICIPAL
3 FINANCE ACT, 2001 PA 34, MCL 141.2101 TO 141.2821. THE ISSUANCE OF
4 BONDS OR OBLIGATIONS DESCRIBED IN THIS SUBSECTION IS SUBJECT TO THE
5 AGENCY FINANCING REPORTING ACT, 2002 PA 470, MCL 129.171 TO
6 129.177.

7 Sec. 5. Subject to the ~~limitation~~**LIMITATIONS** of ~~section~~
8 **SECTIONS 4(8) AND 4A(8)**, the amount of bonds or obligations issued
9 pursuant to this act may include the amount necessary to fund the
10 accumulated operating deficit of the city or county or projected
11 accumulated operating deficit of the city or county as determined
12 pursuant to section 4 **OR 4A, RESPECTIVELY**, a reserve to secure
13 payment of principal or interest on the bonds or obligations in an
14 amount not exceeding the maximum amount of principal and interest
15 becoming due on the bonds or obligations in any fiscal year, a
16 discount of not to exceed 10% of the principal amount of the bonds
17 or obligations, and an amount sufficient to pay all legal,
18 financial, accounting, **LETTER OF CREDIT, BOND INSURANCE, FINANCIAL**
19 **GUARANTY, SURETY, OR OTHER CREDIT ENHANCEMENT FEES**, election,
20 printing, and other expenses related to the issuance of the bonds
21 or obligations.

22 Sec. 9. (1) All bonds or obligations issued pursuant to this
23 act before April 11, 1988 are subject to the requirements of former
24 1981 PA 97.

25 (2) Unless otherwise provided by the city or county in the
26 resolution required by section 4, bonds or obligations issued
27 pursuant to this act on or after April 11, 1988 and before January

1 1, 2010 are not subject to the requirements of former 1981 PA 97,
2 notwithstanding that distributable aid is pledged or assigned to
3 secure bonds or obligations under this act.

4 (3) In the resolution authorizing the bonds or obligations,
5 the legislative body of the city or county may provide for
6 appointment of a trustee, escrow agent, or other person to hold
7 funds or reserves for payment of the bonds or obligations and to
8 perform other duties as the city or county determines, may provide
9 for the vesting in the trustee, escrow agent, or other designated
10 person the property, rights, powers, and remedies as the city or
11 county determines, may pledge and create a lien upon any
12 unencumbered revenues or taxes of the city or county, and may
13 provide for payment of pledged revenues or taxes directly to a
14 paying agent, trustee, escrow agent, the state treasurer, or other
15 person to be held and used solely for payment of principal and
16 interest on the bonds or obligations. A pledge pursuant to this act
17 for benefit of bondholders or others is perfected without delivery,
18 recording, or notice. The resolution authorizing the bonds or
19 obligations also may provide for covenants and promises with
20 respect to fiscal, budget, and accounting matters that are
21 considered necessary or appropriate in the judgment of the city or
22 county to sell the bonds or obligations to the best advantage of
23 the city or county.

24 (4) In the resolution authorizing the bonds or obligations for
25 the payment of the bonds or obligations, the city or county may
26 provide for the payment of the bonds or obligations with
27 distributable aid received or to be received by the city or county

1 derived from the imposition of taxes by the state and returned or
2 to be returned to the city or county as provided by law except for
3 money that the state constitution of 1963 prohibits for use for
4 such a pledge. The city or county and the state treasurer may enter
5 into an agreement providing for the direct payment of distributable
6 aid to a paying agent, trustee, escrow agent, or other person to be
7 used for the sole purpose of paying principal or interest on bonds
8 or obligations issued pursuant to this act, and that money may be
9 pledged by the city or county for the payment of bonds or
10 obligations issued under this act. If the city or county and the
11 state treasurer enter into such an agreement, notwithstanding any
12 other provision of this act to the contrary, for bonds or
13 obligations issued after ~~the effective date of the 2010 amendatory~~
14 ~~act that amended this subsection~~ **FEBRUARY 5, 2010** and made payable
15 from distributable aid in the resolution authorizing those bonds or
16 obligations a statutory lien and trust is created applicable to
17 distributable aid received or to be received from the state
18 treasurer by a paying agent, escrow agent, or a trustee, after the
19 distributable aid has been appropriated but subject to any
20 subsequent reduction of that appropriation by operation of law or
21 executive order. The distributable aid paid or to be paid to a
22 paying agent, trustee, escrow agent, or other person for the
23 purpose of paying the principal of and interest on the bonds or
24 obligations issued pursuant to this act shall be subject to a lien
25 and trust, which for bonds or obligations issued pursuant to this
26 act after ~~the effective date of the 2010 amendatory act that~~
27 ~~amended this subsection~~ **FEBRUARY 5, 2010** and after bonds are issued

1 subject to the statutory lien created by this subsection, is hereby
2 made a statutory lien and trust paramount and superior to all other
3 liens and interests of any kind, for the sole purpose of paying the
4 principal of and interest on bonds and obligations issued pursuant
5 to this act **AND ANY OTHER BONDS SUBSEQUENTLY ISSUED BY THE CITY OR**
6 **COUNTY SHARING A PARITY OR SUBORDINATE PLEDGE OF SUCH DISTRIBUTABLE**
7 **AID.** The lien created under this subsection for the benefit of
8 bondholders or others is perfected without delivery, recording, or
9 notice. The distributable aid held or to be held by a paying agent,
10 trustee, escrow agent, or other person shall be held in trust for
11 the sole benefit of the holders of the bonds or obligations issued
12 pursuant to this act and **ANY OTHER BONDS SUBSEQUENTLY ISSUED BY THE**
13 **CITY OR COUNTY SHARING A PARITY OR SUBORDINATE PLEDGE OF SUCH**
14 **DISTRIBUTABLE AID** shall be exempt from being levied upon, taken,
15 sequestered, or applied toward paying the debts or liabilities of
16 the city or county other than for payment of debt service on the
17 bonds or obligations to which the lien applies and the holders of
18 bonds or obligations issued pursuant to this act ~~after January 1,~~
19 ~~2010, but before September 1, 2010,~~ **AFTER JANUARY 1, 2010** shall
20 have a first priority lien that is paramount and superior to all
21 other liens and interests of any kind that arise or are created
22 after ~~the effective date of the 2010 amendatory act that amended~~
23 ~~this subsection~~ **FEBRUARY 5, 2010** and after bonds are issued subject
24 to the statutory lien created by this subsection. However, nothing
25 in the **FEBRUARY 5, 2010** amendatory act that amended this subsection
26 shall abridge or reduce the ability of the state treasurer to
27 withhold distributable aid from a city or county as provided by the

1 Glenn Steil state revenue sharing act of 1971, 1971 PA 140, MCL
2 141.901 to 141.921. ~~For bonds or obligations issued pursuant to~~
3 ~~this act after January 1, 2010 and before September 1, 2010, the~~
4 ~~maximum principal and interest becoming due on the bonds or~~
5 ~~obligations in any fiscal year shall not exceed the amount of~~
6 ~~shared revenues received by the city for the state fiscal year~~
7 ~~ending September 30, 2009 as provided for in the Glenn Steil state~~
8 ~~revenue sharing act of 1971, 1971 PA 140, MCL 141.901 to 141.921,~~
9 ~~and as provided in the state constitution of 1963.~~ This subsection
10 shall not be construed to do any of the following:

11 (a) Create or constitute state indebtedness.

12 (b) Require the state to continue to impose and collect taxes
13 from which distributable aid is paid or to make payments of
14 distributable aid.

15 (c) Limit or prohibit the state from repealing or amending a
16 law enacted for the imposition of taxes from which distributable
17 aid is paid, for the payment or apportionment of distributable aid,
18 or for the manner, time, or amount of distributable aid.

19 (5) With respect to bonds or obligations issued on or before
20 September 30, 1988, in the resolution authorizing the bonds or
21 obligations, the legislative body of the city or county may provide
22 that, from each collection of ad valorem property taxes after the
23 issuance of the bonds or obligations, there shall be set aside in a
24 special fund, to be used for the payment of principal and interest
25 on the bonds or obligations, an amount equal to the total amount of
26 the collection multiplied by a fraction determined as follows:

27 (a) The numerator of the fraction is 125% of the amount of

1 principal and interest coming due on the bonds or obligations in
2 the current fiscal year.

3 (b) The denominator of the fraction is the total amount of the
4 tax levied for the current fiscal year multiplied by a fraction,
5 the numerator of which is the total of the taxes collected during
6 the 5 prior fiscal years and the denominator of which is the total
7 of taxes levied during the 5 prior fiscal years.

8 (6) An authorizing resolution under subsection (4) or (5) may
9 provide that all or any portion of the taxes collected and set
10 aside as provided in subsection (5) shall not be used for any other
11 purpose.

12 (7) As used in this section, "distributable aid" means state
13 shared revenues provided for in the Glenn Steil state revenue
14 sharing act of 1971, 1971 PA 140, MCL 141.901 to 141.921, any other
15 law providing for distribution of state shared revenues which are
16 derived from the same taxes distributed under the Glenn Steil state
17 revenue sharing act of 1971, 1971 PA 140, MCL 141.901 to 141.921,
18 and any law providing reimbursement to a municipality under the
19 state constitution of 1963 as reimbursement for revenue which would
20 otherwise be collected from taxes imposed by the municipality.