

**BORROWING FROM MOTOR VEHICLE HIGHWAY FUND**  
**Act 175 of 1952**

AN ACT to authorize incorporated cities and villages to borrow money and issue bonds in anticipation of future payments from the motor vehicle highway fund, for any purpose or purposes for which said funds may be used and for the purpose of refunding such bonds; authorizing the pledging of the faith and credit of the issuing city or village, upon proper resolution of its governing body, as additional security for the payment of said bonds; and to prescribe procedures and conditions relative to the issuance of such bonds.

**History:** 1952, Act 175, Imd. Eff. Apr. 25, 1952;—Am. 1964, Act 37, Eff. Aug. 28, 1964.

*The People of the State of Michigan enact:*

**247.701 Borrowing money and issuing bonds; purposes; bonds subject to revised municipal finance act; refunding bonds; sale; refund prohibited under certain conditions.**

Sec. 1. (1) Subject to subsections (2) and (3), any incorporated city or village in this state is authorized to borrow money and issue its bonds for the purposes enumerated in section 13 of 1951 PA 51, MCL 247.663, and to refund bonds issued under this act or in part to refund bonds issued under this act and in part for the purposes enumerated in section 13 of 1951 PA 51, MCL 247.663, without a vote of the electors. Any bonds issued under this act are subject to the requirements of the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821, and all procedures for issuing bonds under this act shall conform to the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821. Any refunding bonds issued under this act may include the amount of any premium to be paid upon the calling of the bonds to be refunded or, if the bonds are not callable, any premium necessary to be paid in order to secure the surrender of the bonds to be refunded, but, in either case, the amount of the premium included shall not exceed 3% of the principal amount of the bonds to be refunded. Nothing in this section shall be construed to provide for the refunding of noncallable unmatured bonds without the consent of the holder or holders of those bonds. Refunding bonds may be sold at any time to refund any outstanding bonds.

(2) A city or village shall not issue or refund a bond under this act if the bond or authorizing resolution does 1 or more of the following:

(a) Provides that the proceeds of the bond are used for operational expenses of the city or village, other than engineering or design expenses related to the project for which the bond was issued.

(b) Provides that the weighted average maturity of the bond exceeds the useful life of the asset.

(c) Provides that the bond, in whole or in part, appreciates in principal amount or is sold at a discount in an amount greater than 10%.

**History:** 1952, Act 175, Imd. Eff. Apr. 25, 1952;—Am. 1964, Act 37, Eff. Aug. 28, 1964;—Am. 1983, Act 117, Imd. Eff. July 18, 1983;—Am. 1998, Act 506, Imd. Eff. Jan. 8, 1999;—Am. 2002, Act 330, Imd. Eff. May 23, 2002.

**247.702 Authorization of bonds; cities and villages; resolution, approval, publication, contents.**

Sec. 2. When the governing body of any incorporated city or village shall determine to borrow money under the provisions of this act, they shall by resolution approved by a 2/3 majority of the members-elect of said governing body so declare, which resolution shall be published once in a daily or weekly newspaper of general circulation in said incorporated city or village before the same becomes effective, and such resolution shall briefly describe the contemplated project or projects, the estimated cost thereof, and the amount, maximum rate of interest and maturity dates of the bonds to be issued and the form thereof, and such resolution shall contain an irrevocable appropriation providing for the payment of the principal and interest thereof from the moneys to be derived from state collected taxes returned to such city or village for highway purposes pursuant to law, which have not been theretofore specially allocated and pledged for the payment of indebtedness.

**History:** 1952, Act 175, Imd. Eff. Apr. 25, 1952;—Am. 1960, Act 16, Eff. Aug. 17, 1960.

**247.703 Bonds; principal and interest; payment; additional security; existing contract rights; priority.**

Sec. 3. (1) The principal of and interest upon the bonds shall be payable primarily from the proceeds of revenues derived from state collected taxes returned to the city or village for road purposes pursuant to law. As additional security for the payment of the bonds, a city or village, upon proper resolution of its governing body, is authorized to pledge its full faith and credit for the payment of the bonds. If a pledge of its full faith and credit is made and the revenues pledged to the payment of the bonds are at any time insufficient for the

payment, the city or village shall be obligated to pay the bonds and coupons to the same extent as other general obligation bonds of the city or village, and shall be reimbursed from subsequent revenues received by the city or village from the state collected taxes returned to the city or village for road purposes pursuant to law.

(2) Nothing contained in this act shall be construed to violate or impair contract rights existing in the holders of outstanding bonds issued under the provisions of 1941 PA 205, MCL 252.51 to 252.64, but pledges of the revenues or taxes made by a city or village under the provisions of that act shall retain their priority of lien or charge against the revenues as contemplated by the provisions of that act and as provided in the contract or resolution authorizing the issuance of bonds under that act.

**History:** 1952, Act 175, Imd. Eff. Apr. 25, 1952;—Am. 1960, Act 16, Eff. Aug. 17, 1960;—Am. 1964, Act 37, Eff. Aug. 28, 1964;—Am. 1968, Act 70, Imd. Eff. May 28, 1968;—Am. 1973, Act 71, Imd. Eff. July 23, 1973;—Am. 1988, Act 152, Imd. Eff. June 14, 1988;—Am. 2002, Act 330, Imd. Eff. May 23, 2002.

#### **247.704 Issuance of bonds for highway purposes; cities and villages; successive borrowing.**

Sec. 4. A city or village shall not pledge, for annual debt service requirements, in excess of 50% of the revenues received, during the fiscal year next preceding any borrowings, from the motor vehicle highway fund pursuant to 1951 PA 51, MCL 247.651 to 247.675. This act does not prohibit successive borrowings if the total amount of revenues pledged for annual debt service requirements does not exceed 50% and if the total aggregate amount of borrowing does not exceed an amount which 50% of the revenues will service as to annual principal and interest requirements. Debt service on any bonds that have been refunded under this act shall not be included in the calculation of annual debt service requirements under this section.

**History:** 1952, Act 175, Imd. Eff. Apr. 25, 1952;—Am. 1958, Act 62, Imd. Eff. Apr. 9, 1958;—Am. 1961, Act 142, Imd. Eff. May 31, 1961;—Am. 1996, Act 125, Imd. Eff. Mar. 13, 1996;—Am. 1998, Act 506, Imd. Eff. Jan. 8, 1999.

#### **247.705 Revenues set aside; source.**

Sec. 5. After any indebtedness shall be incurred under the provisions of this act, it shall be the duty of the treasurer of the city or village, during each year such indebtedness shall continue, to set aside in a separate fund from such revenues as shall be received during such year from the motor vehicle highway fund an amount sufficient to pay the interest and principal upon the installment on such indebtedness next maturing.

**History:** 1952, Act 175, Imd. Eff. Apr. 25, 1952.

#### **247.706 Repealed. 2002, Act 330, Imd. Eff. May 23, 2002.**

**Compiler's note:** The repealed section pertained to approval or denial of bonds.

#### **247.707 Prohibition of pledges.**

Sec. 7. Nothing in this act contained shall be construed as permitting any city or village to pledge such portion of the future revenues derived from state collected taxes returned to such city or village for road purposes which are pledged by law, ordinance, resolution or contract for the payment of bonds.

**History:** 1952, Act 175, Imd. Eff. Apr. 25, 1952.