



**House  
Legislative  
Analysis  
Section**

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**REFERENCES TO THE REVISED  
MUNICIPAL FINANCE ACT**

**Senate Bills 829, 831, 835, and 838 as  
passed by the Senate  
Sponsor: Sen. Valde Garcia**

**Senate Bill 830 as passed by the Senate  
Sponsor: Sen. Burton Leland**

**Senate Bills 832 and 852 as passed  
by the Senate  
Sponsor: Sen. Alma Wheeler Smith**

**Senate Bill 833 as passed by the Senate  
Sponsor: Sen. Dianne Byrum**

**Senate Bill 836 as passed by the Senate  
Sponsor: Sen. Gary Peters**

**Senate Bill 837 as passed by the Senate  
Sponsor: Sen. Bob Emerson**

**Senate Bill 839 as passed by the Senate  
Sponsor: Sen. Harry Gast**

**Senate Bill 842 as passed by the Senate  
Sponsor: Sen. Bev Hammerstrom**

**Senate Bills 843, 845, and 857 as  
passed by the Senate  
Sponsor: Sen. William Van Regenmorter**

**Senate Bill 844 as passed by the Senate  
Sponsor: Sen. John J.H. Schwarz, M.D.**

**Senate Bills 846 and 856 as passed  
by the Senate  
Sponsor: Sen. Joe Young, Jr.**

**Senate Bills 847 and 849 as passed  
by the Senate  
Sponsor: Sen. Bill Bullard, Jr.**

**Senate Bill 848 as passed by the Senate  
Sponsor: Sen. Ken DeBeaussaert**

**Senate Bill 850 and 858 as passed  
by the Senate  
Sponsor: Sen. Shirley Johnson**

**Senate Bill 851 as passed by the Senate  
Sponsor: Sen. Thaddeus G. McCotter**

**Senate Bills 853 and 855 as passed  
by the Senate**

**Sponsor: Sen. Walter H. North**

**House Committee: Tax Policy  
Senate Committee: Finance**

**First Analysis (3-14-02)**

**Senate Bills 829-833, 835-839, 842-858 (3-14-02)**

***THE APPARENT PROBLEM:***

The Revised Municipal Finance Act took effect March 1, 2002. It was created by Public Act 34 of 2001 (Senate Bill 29). Most of the old Municipal Finance Act was repealed on the same date. The new act will govern nearly all municipal borrowing and it puts in place, among other things, a new bond

approval process whereby municipalities may qualify annually with the Department of Treasury and then may issue debt without prior departmental approval. The adoption of the new act, however, requires that a great many other statutes be amended as well. Generally speaking, borrowing by governmental

units takes place under a general act, such as the Revised Municipal Finance Act, and a specific act authorizing a particular kind of entity to issue debt for particular purposes. There are perhaps as many as 170 bills needed to make all the various statutes on borrowing conform to the Revised Municipal Finance Act!

### ***THE CONTENT OF THE BILLS:***

In general, each bill would delete references to the Municipal Finance Act and replace them with references to the Revised Municipal Finance Act. Several of the bills would delete provisions that require local units of government to obtain the prior approval of the Department of Treasury. (The Revised Municipal Finance Act specifies the conditions under which all municipalities must obtain prior approval to issue notes or bonds.) Further, some statutes currently require a local unit's governing body to determine the rate of interest to be charged on bonds or notes it sells. The bills would delete these provisions. (Under the Revised Municipal Finance Act, municipal securities, such as bonds, notes, or other instruments of indebtedness, may bear a rate of interest established by a local unit, subject to maximum rates as provided in that act.) Several of the bills would make additional changes, as described below.

Senate Bill 829 would amend Public Act 55 of 1967 (MCL 12.51), which provides for the management of state funds by the state treasurer and the State Administrative Board.

Senate Bill 830 would repeal Section 88 of the Executive Organization Act (MCL 16.188), which transferred the Municipal Finance Commission to the Department of Treasury.

Senate Bill 831 would amend the Management and Budget Act (MCL 18.1389).

Senate Bill 832 would amend Public Act 70 of 1955 (MCL 123.655), which allows cities to issue bonds to finance the acquisition and operation of exhibition areas.

Senate Bill 833 would amend Public Act 99 of 1933 (MCL 123.721), which allows local units of government and school districts to enter into contracts to purchase property.

Senate Bill 836 would amend the International Tradeport Development Authority Act (MCL 125.2536). In addition to specifying that the bonds of

an authority would be subject to the Revised Municipal Finance Act, the bill would delete provisions that: allow an authority's bonds to be sold at public or private sales at a time and price determined by the authority; allow the bonds to be sold without the approval of the state treasurer, and state that the bonds do not have to be registered; and allow an authority to issue obligations for the payment, funding, or refunding of the principal and interest on bonds. In addition, the bill would repeal Section 19 of the International Tradeport Development Authority Act, which authorizes an authority to enter into insurance contracts, lines of credit, and other obligations to assure timely payment of a bond.

Senate Bill 837 would amend Public Act 280 of 1995 (MCL 129.221), which allows local units of government to accept financial transaction device payments.

Senate Bill 838 would amend Public Act 266 of 1995 (129.241 and 129.242), which authorizes and regulates the use of credit cards by local units of government and their officers and employees.

Senate Bill 839 would amend the Uniform Budgeting and Accounting Act (MCL 141.424) to eliminate a provision that pertains to reporting requirements for local units of government under the Municipal Finance Act.

Senate Bill 842 would repeal the Michigan Tax Lien Sale and Collateralized Securities Act (MCL 211.921-211.941), which allows Detroit to sell tax liens that are placed on property for which taxes, special assessments, and/or other levies or charges are delinquent; allows the city to create a tax lien entity to purchase the city's tax liens; and allows the entity to issue bonds, secured by the tax liens.

Senate Bill 843 would amend the Revised Judicature Act (MCL 600.6097). In addition to adding references to the Revised Municipal Finance Act, the bill would delete provisions pertaining to the maximum interest rate of bonds or certificates of indebtedness issued by a municipality to pay a judgment rendered against it.

Senate Bill 844 would repeal two statutes and a section of the Income Tax Act (MCL 3.931-3.940, MCL 3.951-3.961, and 206.483) that provided for the development and funding of a federal facility. The bill would repeal the Federal Facility Development Act, which allows certain local units of government to receive money to develop a facility to house

certain federal employees; and to pay for bonds or other debt incurred in the development of a facility. The bill also would repeal the Federal Data Facility Act, which established the Federal Data Facility Fund and allows certain local units to receive money from the fund to pay for bonds used to develop a federal facility. Further, the bill would repeal Section 483 of the Income Tax Act, which dedicates the state income taxes of employees of a federal facility to the fund.

Senate Bill 845 would amend Revised Statute 16 of 1846 (MCL 41.75b), which allows a township to provide for energy conservation improvements. In addition to adding references to the Revised Municipal Finance Act, the bill would delete a provision that pertains to interest rates on a township's notes as determined by the township board.

Senate Bill 846 would amend Public Act 246 of 1931 (MCL 41.283a), which allows certain local units of government to issue bonds for pavements, sidewalks, and elevated structures, to specify that bonds issued under the act would be subject to the Revised Municipal Finance Act.

Senate Bill 847 would amend Public Act 107 of 1941 (MCL 41.338 et al.), which allows townships to provide water and sewer services, to specify that notes issued under the act would be subject to the Revised Municipal Finance Act; and delete provisions pertaining to prior approval.

Senate Bill 848 would amend the Township and Village Public Improvement and Public Service Act (MCL 41.416c).

Senate Bill 849 would amend Public Act 157 of 1905 (MCL 41.426d), which allows townships to acquire parks and recreation facilities.

Senate Bill 850 would amend Public Act 188 of 1954 (MCL 41.735), which allows townships to issue bonds to pay for certain improvements. In addition to adding references to the Revised Municipal Finance Act, the bill would delete provisions that: provide for the collection of special assessments, to the extent they are pledged for bond payments, to be set aside in a special fund; allow a township to levy a property tax, without limitation, for bond payments; and require bonds to be executed by the township supervisor and clerk.

Senate Bill 851 would amend the Charter Township Act (MCL 42.14a).

Senate Bill 852 would amend Public Act 156 of 1851 (MCL 46.11c), which allows counties to issue notes to provide for energy conservation improvements. In addition to adding references to the Revised Municipal Finance Act, the bill would delete provisions that pertain to interest rates on notes as determined by a county board of commissioners.

Senate Bill 853 would amend the General Law Village Act (MCL 68.36 et al.) to specify that bonds issued under the act would be subject to the Revised Municipal Finance Act. Further, the bill would delete provisions that do the following: require that money raised by special assessment to defray the expense of a local improvement be held as a special fund or to repay borrowed money; require that bonds issued by a village council for lighting have a maximum interest rate of 6 percent per year, and prohibit the bonds from being sold for less than par value; require the prior approval of the Department of Treasury for certain contracts that villages may enter into for lighting; and require a village council to determine the interest rate on notes (issued for energy conservation improvements) subject to the limitation on rates as provided in the Municipal Finance Act.

Senate Bill 854 would amend the Home Rule Village Act (MCL 78.24b). In addition to adding references to the Revised Municipal Finance Act, the bill would delete provisions pertaining to interest rates on notes issued by a village.

Senate Bill 855 would amend the Fourth Class City Act (MCL 107.10 and 107.25). In addition to adding references to the Revised Municipal Finance Act, the bill would delete provisions pertaining to obtaining prior approval.

Senate Bill 856 would amend Public Act 31 of 1948 (MCL 123.961j and 123.961k), which provides for the incorporation of local government authorities to acquire buildings, parking lots, and recreational facilities, to specify that all bonds issued under the act would be subject to the Revised Municipal Finance Act; delete requirements pertaining to the sale of bonds under Public Act 31; and repeal Sections 11c, 11i, and 11k. Section 11c prescribes the type of bonds that must be issued under the act and limits their term to 40 years or less; Section 11i pertains to obtaining prior approval. Section 11k pertains to refunding bonds of an authority.

Senate Bill 857 would amend Public Act 425 of 1994 (MCL 123.1069 and 123.1071), which allows local units of government to create an authority with the power to issue bonds to develop a community

swimming pool. In addition to adding references to the Revised Municipal Finance Act, the bill would delete provisions pertaining to refunding bonds and bond discounts. (The Revised Municipal Finance Act regulates refunding and discounts.)

Senate Bill 858 would amend the Recreational Authorities Act (MCL 123.1151). In addition to adding references to the Revised Municipal Finance Act, the bill would delete provisions pertaining to prior approval and bond discounts.

***FISCAL IMPLICATIONS:***

The Senate Fiscal Agency reports that the bills would have no fiscal impact on state or local government. (SFA committee summary dated 1-29-02)

***ARGUMENTS:***

***For:***

These are among a series of bills that tax specialists say are needed to make specific bonding and borrowing provisions throughout the Michigan statutes conform to the Revised Municipal Finance Act, which took effect on March 1, 2002.

***POSITIONS:***

The Michigan Municipal League supports the package of bills. (3-13-02)

Analyst: C. Couch

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.