



**House
Legislative
Analysis
Section**

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**REFERENCES TO NEW
MUNICIPAL FINANCE ACT**

**Senate Bills 860 and 970 as passed
by the Senate
Sponsor: Sen. Bill Bullard, Jr.**

**Senate Bill 861 as passed by
the Senate
Sponsor: Sen. Dale Shugars**

**Senate Bill 862 as passed by
the Senate
Sponsor: Sen. Beverly S. Hammerstrom**

**Senate Bill 864 as passed by
the Senate
Sponsor: Sen. Martha Scott**

**Senate Bills 865 and 966 as passed
the Senate
Sponsor: Sen. Gary Peters**

**Senate Bills 866 and 867 as passed by
the Senate
Sponsor: Sen. Joe Young, Jr.**

**Senate Bills 868 and 974 as passed
by the Senate
Sponsor: Sen. Ken DeBeaussaert**

**Senate Bill 869 as passed by
the Senate
Sponsor: Sen. Mat Dunaskiss**

**Senate Bill 967 as passed by
the Senate
Sponsor: Sen. Valde Garcia**

**Senate Bill 968 as passed by
the Senate
Sponsor: Sen. Bob Emerson**

**Senate Bills 969 as passed by
the Senate
Sponsor: Sen. Dianne Byrum**

**Senate Bills 972 and 976 as passed
by the Senate
Sponsor: Sen. Shirley Johnson**

**Senate Bill 975 as passed by
the Senate
Sponsor: Sen. Alan Sanborn**

**Senate Bill 978 as passed by
the Senate
Sponsor: Sen. Burton Leland**

**Senate Bills 979 and 980 as passed by
the Senate
Sponsor: Sen. Thaddeus McCotter**

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

First Analysis (4-11-02)

Senate Bills 860-862, 864-869, 966-970, 972, 974-976, and 978-980 (4-10-02)

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 Most of the old Municipal Finance Act was repealed on the same date.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:

Senate Bill 860 would amend the downtown development authority act (MCL 125.1662 and 125.1666). In addition to adding references to the Revised Municipal Finance Act, the bill would eliminate provisions that pertain to obtaining prior approval, and require that bonds issued under the downtown development authority act be in single series, mature in 30 years or less, and be sold at public or private sale.

Senate Bill 861 would amend the Local Development Financing Act (MCL 125.2164). In addition to adding references to the Revised Municipal Finance Act, the bill would delete provisions that require bonds issued under the Local Development Financing Act to be in single series, and mature in 30 years or less.

Senate Bill 862 would amend the Resort District Rehabilitation Act (MCL 125.2208 and 125.2214).

Senate Bill 864 would amend the State Convention Facility Development Act (MCL 207.631 and 207.632). In addition to adding references to the Revised Municipal Finance Act, the bill would delete provisions pertaining to prior approval of the Department of Treasury, and refunding bonds. (The Revised Municipal Finance Act specifies the conditions under which all municipalities must obtain prior approval to issue notes or bonds.)

Senate Bill 865 would amend the County Development of Solid Waste Management Act (MCL 45.587 et al.). In addition to changing references, the bill would delete provisions that require bonds issued under the act to be serial bonds or term bonds, with a maturity of 40 years or less; and provisions that pertain to interest rates on the bonds.

Under the act, a county may contract with a public corporation (a county, city, village, township, district, or authority) to acquire or enlarge a solid waste system. In the contract, each public corporation must pledge its full faith and credit to pay its obligations under the contract. If a public corporation has taxing power, it may levy a tax each year to pay contract obligations. The bill specifies that if the contract, or an unlimited tax pledge in support of the contract,

were approved by the electors, the contract would be subject to the Revised Municipal Finance Act.

Senate Bill 866 would amend Public Act 298 of 1917 (MCL 123.261), which allows cities and villages to levy a tax and issue bonds for collecting garbage and constructing a garbage disposal plant or system, to specify that bonds issued under the act would be subject to the Revised Municipal Finance Act; and to delete provisions that limit the length of the bonds to five years.

In addition, Public Act 298 states that a city or village may levy a tax of up to three mills on the "dollar on" taxable property. The bill would refer, instead, to the "taxable value" of taxable property.

Senate Bill 867 would amend the Garbage Disposal Act (MCL 123.364 and 123.367) to delete references to the Municipal Finance Act and replace them with references to the Revised Municipal Finance Act. In addition, the bill would delete provisions in the Garbage Disposal Act pertaining to unspent bond proceeds remaining after completion of a garbage disposal equipment system (which, with the approval of the Department of Treasury, may be used in part to enlarge the system).

Senate Bill 868 would amend Public Act 233 of 1955 (MCL 124.287 et al.), which provides for the incorporation of municipal authorities to acquire and operate water and sewer systems, to add references to the Revised Municipal Finance Act. In addition, the bill would delete provisions pertaining to prior approval and refunding bonds. (The Revised Municipal Finance Act specifies the conditions under which all municipalities must obtain prior approval to issue notes or bonds; and prescribes the requirements for refunding bonds.)

In addition, Public Act 233 of 1955 allows municipal authorities to enter contracts for water and sewer systems, that provide for the allocation and payment of the total costs for a period of up to 40 years. The bill provides that such a contract would not be subject to the Revised Municipal Finance Act.

Senate Bill 869 would amend the Land Reclamation and Improvement Authority Act (MCL 125.2482) to delete references to the Municipal Finance Act and replace them with references to the Revised Municipal Finance Act. In addition, the bill would delete provisions pertaining to interest rates on bonds issued under the Land Reclamation and Improvement Authority Act; and a provision that requires special

assessment collections pledged for the payment of bonds or notes to be set aside in a special fund.

Senate Bill 966 would amend Public Act 79 of 1937 (MCL 141.222 et al.), which allows a municipality to issue bonds and notes in anticipation of tax collections, to specify that the notes would be subject to the Revised Municipal Finance Act; eliminate provisions pertaining to prior approval; and eliminate a provision that prohibits the interest rate on notes from exceeding 6 percent per year. Further, the bill would repeal Section 5 of Public Act 79, which requires a municipality that issues notes under the act to provide for a special sinking fund to use to retire the notes.

Senate Bill 967 would amend Public Act 143 of 1943 (MCL 141.251 and 141.252), which allows county road commissions to borrow money to obtain machinery and equipment, to specify that notes issued under the act would be subject to the Revised Municipal Finance Act; eliminate provisions pertaining to prior approval; and eliminate requirements that notes issued under Public Act 143 to be payable in equal annual installments, not exceeding 10 years. Further, the bill would repeal Section 3 of Public Act 143, which pertains to prior approval and requires notes authorized under the act to be advertised and sold under the provisions of the Municipal Finance Act.

Senate Bill 968 would amend Public Act 121 of 1969 (MCL 141.382 and 141.383), which allows local units of government to issue bonds and notes for capital improvements, to specify that bonds or notes sold under the act would be subject to the Revised Municipal Finance Act. Further, the bill would eliminate provisions that pertain to prior approval, require bonds or notes to be in series, specify a maximum interest rate of 6 percent, and require bonds or notes to be sold at public sale.

Senate Bill 969 would repeal Public Act 217 of 1985 (MCL 450.801-450.815), which allows for the establishment of an employee-owned corporation revolving loan fund to be administered by the state and used for loans to employee-owned corporations.

Senate Bill 970 would amend Section 24e of the General Property Tax Act (MCL 211.24e), which deals with the authority of taxing units.

Senate Bill 972 would amend Section 87b of the General Property Tax Act (MCL 211.87b), which allows a county to create a delinquent tax revolving fund, to update a section reference.

Senate Bill 974 would amend the County Public Improvement Act (MCL 46.175a and 46.175c) to specify that bonds issued under the act would be subject to the Revised Municipal Finance Act. Further, the bill would eliminate provisions that pertain to prior approval, and provisions that require the bonds to be serial bonds, and allow a county to impose taxes without limitation for payment of principal and interest.

Senate Bill 975 would amend Public Act 261 of 1965 (MCL 46.367), which allows bonding for county and regional parks, to add references to the Revised Municipal Finance Act. The bill also would delete provisions that pertain to prior approval, require notes or bonds to be in series, allow the collection of taxes in an amount necessary to pay the principal and interest, and establish a maximum interest rate of 6 percent. (The Revised Municipal Finance Act contains provisions that address these issues.)

Senate Bill 976 would amend provisions of the Home Rule City Act (MCL 117.3 et al.) that deal with borrowing authority, to replace references to the Municipal Finance Act with references to the Revised Municipal Finance Act.

Senate Bill 978 would amend Public Act 344 of 1945 (MCL 125.77a and 125.77b), which allows local units to issue bonds for the rehabilitation of blighted areas, to provide that bonds issued under the act would be subject to the Revised Municipal Finance Act.

Currently, Section 7a of Public Act 344 allows a municipality to issue bonds or notes to finance any project authorized by the act, and allows the bonds or notes to be issued without a vote of the electors and without a constitutional, statutory, or charter limitation. The bill specifies that bonds and notes issued under Section 7a would be subject to the Revised Municipal Finance Act. The bill would also delete provisions that pertain to refunding bonds, prior approval, interest rates of the bonds and notes, public sale requirements, and sales to the federal government of bonds and notes issued under Section 7a.

Senate Bills 979 and 980 would amend the County Zoning Act (MCL 125.233) and the Township Zoning Act (MCL 125.303), respectively, to add references to the Revised Municipal Finance Act in provisions that deal with borrowing authority. In addition, the bills would delete provisions pertaining to refunding bonds. (The Revised Municipal Finance Act regulates refunding.)

FISCAL IMPLICATIONS:

The House Fiscal Agency reports that the bills have no fiscal implications. (4-9-02)

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:

There are no positions on the bills.

Analyst: C. Couch

■ 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.