

Senate Fiscal Agency
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SFA



BILL ANALYSIS

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Senate Bills 829 through 832 (as enrolled)
Senate Bills 833, 834, and 835 (as enrolled)
Senate Bills 837, 838, and 839 (as enrolled)
Senate Bills 840 and 841 (as enrolled)
Senate Bills 842 through 845 (as enrolled)
Senate Bills 846, 847, and 848 (as enrolled)
Senate Bills 849, 850, and 851 (as enrolled)
Senate Bills 852, 853, and 854 (as enrolled)
Senate Bills 855, 856, and 857 (as enrolled)
Senate Bills 858 and 859 (as enrolled)
Senate Bills 860, 861, and 862 (as enrolled)
Senate Bill 863 (as enrolled)
Senate Bills 864 through 869 (as enrolled)
Senate Bill 870 (as enrolled)

PUBLIC ACTS 186-189 of 2002
PUBLIC ACTS 545, 403, & 190 of 2002
PUBLIC ACTS 256, 257, & 250 of 2002
PUBLIC ACTS 404 & 444 of 2002
PUBLIC ACTS 223-226 of 2002
PUBLIC ACTS 273, 227, & 274 of 2002
PUBLIC ACTS 228-230 of 2002
PUBLIC ACTS 275-277 of 2002
PUBLIC ACTS 231, 306, & 232 of 2002
PUBLIC ACTS 233 & 445 of 2002
PUBLIC ACTS 234-236 of 2002
PUBLIC ACT 405 of 2002
PUBLIC ACTS 237-242 of 2002
PUBLIC ACT 406 of 2002

Sponsor: Senator Valde Garcia (S.B. 829, 831, 835, & 838)

Senator Burton Leland (S.B. 830)

Senator Alma Smith (S.B. 832 & 852)

Senator Dianne Byrum (S.B. 833)

Senator Bill Bullard, Jr. (S.B. 834, 841, 847, 849, & 860)

Senator Bob Emerson (S.B. 837 & 840)

Senator Harry Gast (S.B. 839)

Senator Bev Hammerstrom (S.B. 842 & 862)

Senator William Van Regenmorter (S.B. 843, 845, & 857)

Senator John J. H. Schwarz, M.D. (S.B. 844)

Senator Joe Young, Jr. (S.B. 846, 856, 866, & 867)

Senator Ken DeBeaussaert (S.B. 848, 854, & 868)

Senator Shirley Johnson (S.B. 850, 858, & 859)

Senator Thaddeus G. McCotter (S.B. 851)

Senator Walter H. North (S.B. 853 & 855)

Senator Dale L. Shugars (S.B. 861)

Senator Art Miller (S.B. 863)

Senator Martha G. Scott (S.B. 864)

Senator Gary Peters (S.B. 865)

Senator Mat Dunaskiss (S.B. 869)

Senator George A. McManus, Jr. (S.B. 870)

Senate Committee: Finance

House Committee: Tax Policy

Date Completed: 2-11-03

CONTENT

The bills amended various statutes to bring them into conformity with the Revised Municipal Finance Act. (Public Act 34 of 2001 created the Revised Municipal Finance Act to regulate borrowing by municipalities, and their issuance of securities; repeal the Municipal Finance Act; and prescribe the powers and duties of the Department of Treasury to protect the credit

of the State and its municipalities. The Act took effect March 1, 2002.)

Many of the bills replaced references to the Municipal Finance Act (MFA) with references to the Revised Municipal Finance Act (RMFA). Other bills specify that bonds and notes issued under various statutes are subject to the RMFA or to the Agency Financing Reporting

Act. (That Act, Public Act 470 of 2002, requires a State agency or authority, or a municipality issuing debt exempt from the RMFA or Revenue Bond Act, to file certain information with the Department of Treasury after issuing a security.) Several of the bills also deleted requirements that local units of government obtain prior approval from the Department of Treasury before issuing bonds. (The RMFA specifies the conditions under which all municipalities must obtain prior approval to issue notes or bonds.) Further, some bills deleted requirements that a local unit's governing body determine the rate of interest to be charged on bonds or notes it sells. (Under the RMFA, bonds, notes, or other instruments of indebtedness may bear a rate of interest established by a local unit, subject to maximum rates set forth in that Act.) Some bills repealed statutes, or portions of statutes, that pertained to bonding. The bills are described below.

Senate Bill 829 amended Public Act 55 of 1967, which provides for the management of State funds by the State Treasurer and the State Administrative Board, to replace references to the MFA with references to the RMFA.

Senate Bill 830 repealed Section 88 of the Executive Organization Act, which transferred the Municipal Finance Commission to the Department of Treasury.

The following bills replaced references to the MFA with references to the RMFA. Senate Bill 831 amended the Management and Budget Act. Senate Bill 832 amended Public Act 70 of 1955, which allows cities to issue bonds to finance the acquisition and operation of exhibition areas. Senate Bill 833 amended Public Act 99 of 1933, which allows local units of government and school districts to enter into contracts to purchase property. Senate Bill 834 amended Public Act 53 of 1994, which allows local units to hold pooled investments.

Senate Bill 835 amended Section 15 of the Tax Increment Finance Authority Act, which allows a tax increment finance authority to sell tax increment bonds to finance a development program, to specify that the bonds are subject to the RMFA and are considered single series bonds for purposes of that Act. In addition, the bill deleted provisions that required bonds issued under Section 15 to mature in 30 years

or less, and provisions that pertained to refunding bonds. (The RMFA prescribes term limits for bonds, and requirements for refunding bonds.)

The following bills replaced references to the MFA with references to the RMFA. Senate Bill 837 amended Public Act 280 of 1995, which allows local units of government to accept financial transaction device payments. Senate Bill 838 amended Public Act 266 of 1995, which authorizes and regulates the use of credit cards by local units and their officers and employees. Senate Bill 839 amended the Uniform Budgeting and Accounting Act to eliminate a provision that pertains to reporting requirements for local units under the Municipal Finance Act. Senate Bill 840 amended the State Revenue Sharing Act.

Senate Bill 841 amended the Fiscal Stabilization Act, which allows certain cities and counties to issue bonds or obligations to fund an existing or projected operating deficit. In addition to adding references to the RMFA, the bill provides that the issuance of bonds or obligations under the Act is subject to the Agency Financing Reporting Act.

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

Senate Bill 843 amended the Revised Judicature Act. In addition to adding references to the RMFA, the bill deleted 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 repealed two statutes and a section of the Income Tax Act that provided for the development and funding of a Federal facility. The bill repealed the Federal Facility Development Act, which allowed 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 repealed the Federal Data Facility Act,

which established the Federal Data Facility Fund and allowed certain local units to receive money from the Fund to pay for bonds used to develop a Federal facility. Further, the bill repealed Section 483 of the Income Tax Act, which dedicated the State income taxes of employees of a Federal facility to the Fund.

Senate Bill 845 amended Revised Statute 16 of 1846, which allows a township to provide for energy conservation improvements. In addition to adding references to the RMFA, the bill deleted a provision pertaining to interest rates on a township's notes as determined by the township board.

Senate Bill 846 amended Public Act 246 of 1931, which allows certain local units of government to issue bonds for pavements, sidewalks, and elevated structures, to specify that bonds issued under the Act are subject to the RMFA. In addition, the bill eliminated a provision that prohibited bonds issued under Public Act 246 to exceed total assessments levied in an assessment district, and a provision that required all assessments to be paid to an assessment district sinking fund to retire the bonds at maturity.

Senate Bill 847 amended Public Act 107 of 1941, which allows townships to provide water and sewer services, to specify that notes issued under the Act for the installation of a township's water supply facility are subject to the RMFA; and to delete provisions pertaining to prior approval.

Senate Bill 848 amended the Township and Village Public Improvement and Public Service Act, and Senate Bill 849 amended Public Act 157 of 1905, which allows townships to acquire parks and recreation facilities, to replace references to the MFA with references to the RMFA.

Senate Bill 850 amended Public Act 188 of 1954, which allows townships to issue bonds to pay for certain improvements. In addition to adding references to the RMFA, the bill deleted provisions that: provided for the collection of special assessments, to the extent they were pledged for bond payments, to be set aside in a special fund; allowed a township to levy a property tax, without limitation, for bond payments; and required bonds to be executed by the township supervisor and clerk.

Senate Bill 851 amended the Charter Township Act to replace references to the MFA with references to the RMFA.

Senate Bill 852 amended Public Act 156 of 1851, which allows counties to issue notes to provide for energy conservation improvements. In addition to adding references to the RMFA, the bill deleted provisions pertaining to interest rates on notes as determined by a county board of commissioners.

Senate Bill 853 amended the General Law Village Act to specify that bonds issued under the Act are subject to the RMFA. Further, the bill deleted provisions that did the following: required 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; required that bonds issued by a village council for lighting have a maximum interest rate of 6% per year, and prohibited the bonds from being sold for less than par value; required the prior approval of the Department of Treasury for certain contracts that villages may enter into for lighting; and required a village council to determine the interest rate on notes (issued for energy conservation improvements) subject to the limitation on rates provided in the MFA.

Senate Bill 854 amended the Home Rule Village Act to add references to the RMFA and delete provisions pertaining to interest rates on notes issued by a village. Senate Bill 855 amended the Fourth Class City Act to add references to the RMFA and delete provisions regarding prior approval.

Senate Bill 856 amended Public Act 31 of 1948, 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 are subject to the RMFA; specify that the principal and interest on bonds issued under Public Act 31 are exempt from taxation by the State or any other taxing authority in the State; delete requirements pertaining to the sale of bonds under the Act; and repeal Sections 11c, 11i, and 11k. Section 11c prescribed the type of bonds that had to be issued under the Act and limited their term to 40 years or less; Section 11i pertained to obtaining prior approval. Section 11k pertained to refunding bonds of an authority.

Senate Bill 857 amended Public Act 425 of 1994, 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 RMFA, the bill deleted provisions pertaining to refunding bonds and bond discounts (matters that the RMFA regulates).

Senate Bill 858 amended the Recreational Authorities Act to add references to the RMFA and delete provisions pertaining to prior approval and bond discounts.

Senate Bill 859 amended the Urban Cooperation Act, which allows local units of government to enter into an interlocal agreement to share property tax revenue. An interlocal agreement may provide for a separate legal or administrative entity to administer the agreement, and may allow the entity to issue bonds for local public improvements or economic development. The bill specifies that bonds and notes issued under the Act are subject to the RMFA. The bill eliminated a provision under which bonds and notes issued by the legal or administrative entity were not a general obligation of the entity or the local units. The bill provides instead that bonds or notes of the entity are a debt of the entity, and not of the local units. In addition, the bill prohibits an entity from borrowing money or issuing bonds or notes for a sum that, together with the total outstanding bonded indebtedness of the entity, exceeds two mills of the taxable value of the taxable property within the local units participating in the agreement.

Senate Bill 860 amended the downtown development authority Act to add references to the Revised Municipal Finance Act, and to eliminate provisions that pertained to refunding bonds, and that required bonds to mature in 30 years or less and be sold at public or private sale. Further, Section 16 of the downtown development authority Act allows a municipality to sell tax increment bonds to finance a development program, and requires certain tax increment revenues from a development area to be pledged for payment of the bonds. Previously, except for prior approval requirements, the bonds were not subject to the MFA. The bill provides that tax increment bonds sold under Section 16 are subject to the RMFA.

Senate Bill 861 amended the Local

Development Financing Act to add references to the RMFA, and to delete provisions that required bonds issued under the Local Development Financing Act to mature in 30 years or less and provisions pertaining to refunding bonds.

Senate Bill 862 amended the Resort District Rehabilitation Act to replace references to the MFA with references to the RMFA.

Senate Bill 863 amended the Emergency Municipal Loan Act to add references to the RMFA. Further, under the Act, a municipality that requests a loan from the Emergency Municipal Loan Board must fulfill certain conditions specified in the Act. The bill deleted provisions that required the prior approval of the Department of Treasury for a municipality to issue tax anticipation notes or revenue sharing anticipation notes. Under the bill, for a municipality to be eligible for a loan, one or both of the following must have occurred within the six months preceding the loan request: 1) the municipality has issued tax anticipation or revenue sharing notes under the RMFA; or 2) the Department of Treasury has acted upon a request by the municipality to issue tax anticipation or revenue sharing notes under the RMFA.

Senate Bill 864 amended the State Convention Facility Development Act to add references to the RMFA, and to delete provisions pertaining to prior approval and refunding bonds.

Senate Bill 865 amended the County Development of Solid Waste Management Act to add references to the RMFA; to delete provisions that required bonds issued under the Act to be serial bonds or term bonds, and provisions pertaining to interest rates on the bonds; and to require that bonds issued under the Act be issued pursuant to the RMFA or the Revenue Bond Act.

Under the amended 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 the contract is not subject to the RMFA.

Further, the Act prescribes several methods a county may use to finance a solid waste system. Previously, a county could use money advanced by a private corporation, firm, or individual, and had to reimburse the corporation, firm, or individual with interest. The bill deleted these provisions. The bill retained provisions that allow a county to use money advanced by a public corporation.

Senate Bill 866 amended Public Act 298 of 1917, 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 are subject to the RMFA and to delete provisions that limit the length of the bonds to five years. In addition, Public Act 298 stated that a city or village could levy a tax of up to three mills on the "dollar on" taxable property. The bill refers, instead, to the "taxable value" of taxable property.

Senate Bill 867 amended the Garbage Disposal Act to delete references to the MFA and replace them with references to the RMFA. In addition, the bill deleted provisions in the Garbage Disposal Act pertaining to unspent bond proceeds remaining after completion of a garbage disposal equipment system.

Senate Bill 868 amended Public Act 233 of 1955, which provides for the incorporation of municipal authorities to acquire and operate water and sewer systems, to add references to the RMFA. The bill also deleted provisions pertaining to prior approval and refunding bonds. In addition, Public Act 233 allows municipal authorities to enter into 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 specifies that such a contract is not subject to the RMFA.

Senate Bill 869 amended the Land Reclamation and Improvement Authority Act to replace references to the MFA with references to the RMFA. The bill also deleted provisions pertaining to interest rates on bonds issued under the Land Reclamation and Improvement Authority Act; and a provision that required special assessment collections pledged for the payment of bonds or notes to be set aside in a special fund.

Senate Bill 870 amended the Drain Code to

replace references to the MFA with references to the Revised Municipal Finance Act, and to delete provisions pertaining to prior approval of bonds issued under the Code. Further, the Code required that bonds be sold by the drain commissioner in a manner provided for in the advertisement and sale of bonds under the MFA. The bill requires, instead, that bonds sold under the Code be sold subject to the RMFA.

In addition, the Drain Code allows a drainage district to reimburse a public or private corporation, for various work or material, through a contract or note that pledges the full faith and credit of the drainage district. Previously, the contract or note was not considered an obligation under the MFA, unless the principal amount exceeded \$300,000. The bill provides that a contract or note is not subject to the RMFA unless the principal amount of the obligation exceeds \$300,000; however, if the obligation is \$300,000 or less, its issuance is subject to the Agency Financing Reporting Act.

MCL 12.51 (S.B. 829)
16.188 (S.B. 830)
18.1389 (S.B. 831)
123.655 (S.B. 832)
123.721 (S.B. 833)
123.931 (S.B. 834)
125.1815 (S.B. 835)
129.221 (S.B. 837)
129.241 & 129.242 (S.B. 838)
141.424 (S.B. 839)
141.917a (S.B. 840)
141.1004 & 141.1007 (S.B. 841)
211.921-211.941 (S.B. 842)
600.6097 (S.B. 843)
3.931-3.940 et al. (S.B. 844)
41.75b (S.B. 845)
41.283a (S.B. 846)
41.338 et al. (S.B. 847)
41.416c (S.B. 848)
41.426d (S.B. 849)
41.735 (S.B. 850)
42.14a (S.B. 851)
46.11c (S.B. 852)
68.36 et al. (S.B. 853)
78.24b (S.B. 854)
107.10 & 110.25 (S.B. 855)
123.961j et al. (S.B. 856)
123.1069 & 123.1071 (S.B. 857)
123.1151 (S.B. 858)

124.507 (S.B. 859)
125.1662 & 125.1666 (S.B. 860)
125.2164 (S.B. 861)
125.2208 & 125.2214 (S.B. 862)
141.934 (S.B. 863)
207.631 & 207.632 (S.B. 864)
45.587-45.589 (S.B. 865)
123.261 (S.B. 866)
123.364 & 123.367 (S.B. 867)
124.287 et al. (S.B. 868)
125.2482 (S.B. 869)
280.275 et al. (S.B. 870)

Legislative Analyst: George Towne

FISCAL IMPACT

The bills will have no fiscal impact on State or local government.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.