

Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

SFA



BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bills 965 through 988 (as introduced 12-13-01)

Sponsor: Senator Joanne G. Emmons (S.B. 965)
Senator Gary Peters (S.B. 966)
Senator Valde Garcia (S.B. 967)
Senator Bob Emerson (S.B. 968)
Senator Dianne Byrum (S.B. 969 & 973)
Senator Bill Bullard, Jr. (S.B. 970)
Senator Shirley Johnson (S.B. 971, 972, & 976)
Senator Ken DeBeaussaert (S.B. 974 & 977)
Senator Alan Sanborn (S.B. 975 & 988)
Senator Burton Leland (S.B. 978 & 982)
Senator Thaddeus G. McCotter (S.B. 979-981)
Senator Alma Wheeler Smith (S.B. 983 & 985)
Senator Walter H. North (S.B. 984)
Senator Art Miller, Jr. (S.B. 986)
Senator Joe Young, Jr. (S.B. 987)

Committee: Finance

Date Completed: 2-5-02

CONTENT

The bills would amend various statutes to replace references to the Municipal Finance Act with references to the "Revised Municipal Finance Act".

(Public Act 34 of 2001 creates 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 will take effect March 1, 2002. The Municipal Finance Act will be repealed on that day, except for two sections that will be repealed on April 30, 2002.)

Following is a description of each bill. 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 (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 965

The bill would amend the Revenue Bond Act to specify that a public corporation could issue bonds under the Act only if it were qualified or approved to issue obligations under the Revised Municipal Finance Act. Under the Revenue Bond Act, a public corporation may issue bonds or notes for public improvements. (A "public corporation" is a municipality, school district, port district, or metropolitan district or a combination of these entities, or an authority created by the Legislature.)

The bill would eliminate provisions in the Act pertaining to the sale of bonds at public sale, and add provisions pertaining to the sale of

bonds at competitive or negotiated sale as required under the Revised Municipal Finance Act.

Currently, the Revenue Bond Act allows the governing body of a public corporation to designate where the money in various accounts may be deposited, and lists various investment instruments in which money may be invested. The bill would delete this list, and instead provide that money in the various accounts would have to be invested in accordance with the public corporation's investment policy adopted by the public corporation under Public Act 20 of 1943. (Public Act 20 requires a public corporation to adopt an investment policy, prescribes the minimum requirements that the policy must contain, and lists the investment instruments that a public corporation may use.)

The bill would eliminate provisions pertaining to prior approval.

Senate Bill 966

The bill would amend Public Act 79 of 1937, which allows a municipality to issue bonds and notes in anticipation of tax collections, 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 a provision that prohibits the interest rate on notes from exceeding 6% 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

The bill would amend Public Act 143 of 1943, 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

The bill would amend Public Act 121 of 1969, 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 do the following: pertain to prior approval; require bonds or notes to be in series; specify a maximum interest rate of 6%; and require bonds or notes to be sold at public sale.

Senate Bill 969

The bill would repeal Public Act 217 of 1985, 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

The bill would amend Section 24e of the General Property Tax Act, which deals with the authority of taxing units.

Senate Bill 971

The bill would amend Section 87c of the General Property Tax Act, which allows a county to issue notes to establish or continue a delinquent tax revolving fund, to specify that the notes would be subject to the Revised Municipal Finance Act. Further, the bill would delete provisions that do the following: require a county to apply to the Department of Treasury for prior approval and prescribe the content of the application; require the notes to bear an interest rate of 11.5%; require the notes to be subject to prepayment; and require the notes to be sold at public or private sale, and prescribe requirements if a public sale is held.

The bill would repeal Sections 87e and 87f of the General Property Tax Act, which pertain to prior approval.

The bill would add provisions to Section 87c pertaining to exceptions to restrictions placed on notes issued by a home rule (county) charter; delinquent tax fees; notes secured by a second lien; and notes secured by a trust or

escrow agreement. (Each of these provisions would be deleted from Section 89 of the Act, as provided in Senate Bill 973.)

Senate Bill 972

The bill would amend Section 87b of the General Property Tax Act, which allows a county to create a delinquent tax revolving fund. Section 87b includes a requirement that a county pay interest on unpaid delinquent taxes, in a county with a delinquent tax revolving fund in which the county does not borrow money pursuant to certain provisions in the Act, including Section 89. The bill would remove the reference to Section 89.

Senate Bill 973

The bill would amend Section 89 of the General Property Tax Act to delete provisions that do the following: establish a maximum interest rate of 14.5% on notes issued for a delinquent tax revolving fund; allow notes to be subject to a repurchase agreement, secured by a letter of credit, callable as determined in an authorizing resolution, and reissued pursuant to a repurchase agreement; allow a county treasurer to authorize issuance of renewal notes, refund notes, buy and sell notes, and issue notes to refund notes partially; and prescribe requirements for refunding notes.

Further, the bill would eliminate provisions that would be added to Section 87c (under Senate Bill 971).

Senate Bill 974

The bill would amend the County Public Improvement Act 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 with a maturity date of up to 40 years, exempt the bonds from taxation, and allow a county to impose taxes without limitation for payment of principal and interest.

Senate Bill 975

The bill would amend Public Act 261 of 1965, which allows bonding for county and regional parks. In addition to adding references to the

Revised Municipal Finance Act, the bill would delete provisions that pertain to prior approval, and that require notes or bonds to be in series and mature in 40 years or less, exempt the bonds from taxation, allow for the collection of taxes in an amount necessary to pay the principal and interest, and establish a maximum interest rate of 6%.

Senate Bill 976

The bill would amend provisions of the Home Rule City Act that deal with borrowing authority.

Senate Bill 977

The bill would amend Public Act 185 of 1957, which allows counties to issue bonds to finance public works, to specify that bonds issued under the Act would be subject to the Revised Municipal Finance Act. Further, the bill would delete provisions that pertain to interest rate requirements, and that require bonds to be in series and mature in 40 years or less.

Under Public Act 185, a county and one or more municipalities may enter into a contract for the acquisition or improvement of certain public works, and the electors may approve an unlimited tax pledge in support of the contract. The bill provides that if a 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 978

The bill would amend Public Act 344 of 1945, 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 Revenue Bond Act, and would delete a provision that requires the approval of the Department of Treasury as a condition of

issuance. The bill also would delete provisions that pertain to interest rates, public sale requirements, and sales to the Federal government of bonds or notes issued under Section 7a.

Senate Bill 979

The bill would amend provisions of the County Zoning Act that deal with borrowing authority. In addition to adding references to the Revised Municipal Finance Act, the bill would delete provisions pertaining to refunding bonds. (The Revised Municipal Finance Act regulates refunding.)

Senate Bill 980

The bill would amend provisions of the Township Zoning Act that deal with borrowing authority.

Senate Bill 981

The bill would amend provisions of the City and Village Zoning Act that deal with borrowing authority. In addition to adding references to the Revised Municipal Finance Act, the bill would delete provisions pertaining to refunding bonds.

Senate Bill 982

The bill would amend Public Act 18 of the Extra Session of 1933, which allows local units to issue bonds for housing projects. Section 47 of the Act allows bonds to be issued to provide funds for expenses involved in the development of a housing project. The bill specifies that bonds issued under Section 47 would be subject to the Revised Municipal Finance Act, and would delete provisions in Section 47 pertaining to interest rates, maturity dates, and refunding bonds.

Section 17 of Public Act 18 allows bonds to be issued to defray the costs of purchasing, constructing, improving, enlarging, or repairing a housing project. The bill specifies that bonds issued under Section 17 would be subject to the Revenue Bond Act. Further, the bill would delete from Section 17 provisions pertaining to refunding bonds, bonds sold at public sale, and interest and maturity requirements.

The bill also would repeal Sections 22, 23, and 24 of Public Act 18. Section 22 provides for the deposit of bond proceeds in special bank accounts. Section 23 prescribes the powers of a local unit or commission that issues bonds under the Act. Section 24 prescribes requirements for signatures on bonds.

Senate Bill 983

The bill would amend Public Act 208 of 1949, which allows local units to issue bonds for neighborhood improvements, to specify that bonds issued under the Act would be subject to the Revised Municipal Finance Act. Further, the bill would delete provisions pertaining to refunding bonds, prior approval, public sale requirements, and interest and maturity requirements.

Senate Bill 984

The bill would amend Public Act 118 of 1923, which allows counties to issue bonds for public improvements, to specify that bonds issued under the Act would be subject to the Revised Municipal Finance Act. Further, the bill would delete provisions that pertain to interest rates, require bonds to be payable in 30 years or less, and allow a county to levy taxes without limitation to pay for the bonds.

Senate Bill 985

The bill would amend Public Act 57 of 1957, which allows cities and villages to establish a local improvement revolving fund with money from taxes and bonds, to specify that bonds issued under the Act would be subject to the Revised Municipal Finance Act. Further, the bill would delete provisions that require bonds issued under Public Act 57 to be serial bonds and mature in 30 years or less.

Senate Bill 986

The bill would amend Public Act 205 of 1964, which allows municipalities to purchase fire fighting equipment under contracts or chattel mortgages, and make payments on the contracts or mortgages for no more than six years. Currently, the Act provides that the contracts or mortgages are not subject to the Municipal Finance Act. The bill provides that the contracts or mortgages would not be subject to the Revised Municipal Finance Act, but would be subject to Public Act 99 of 1933,

which allows cities, villages, townships, and school districts to enter into installment contracts and agreements for the purchase of land, property, and equipment for public purposes.

Senate Bill 987

The bill would amend the Charter Water Authority Act to specify that bonds issued by any authority under the Act would be subject to the Revised Municipal Finance Act, and delete provisions in the Charter Water Authority Act pertaining to refunding bonds, prior approval, and public sale requirements.

The bill would repeal Sections 14 and 17 of the Act. Section 14 requires bonds issued under the Act to be serial bonds, and contains interest rate and term length requirements. Section 17 provides that when bonds are issued under the Act, an authority must establish in a specified financial institution a separate debt retirement fund account.

Senate Bill 988

The bill would amend the Safe Drinking Water Financial Assistance Act to specify that bonds or notes issued under the Act would be subject to the Revised Municipal Finance Act, and delete provisions that do the following: allow for refunding bonds; allow a governmental unit to establish interest rates, prices, and discounts on bonds; allow bonds to be secured with a pledge or assignment of school aid payments, revenue sharing, or other State payments; and allow certain tax pledges for bond payments.

Section 5 of the Safe Drinking Water Financial Assistance Act provides that the Act does not authorize a governmental unit to levy taxes in excess of constitutional, statutory, or charter limitations without approval of the electors. Further, the Act provides that subject to Section 5, the issuance of bonds or notes is not subject to any right of referendum. The bill would eliminate this provision.

MCL 141.103 et al. (S.B. 965)
141.222 et al. (S.B. 966)
141.251 et al. (S.B. 967)
141.382 & 141.383 (S.B. 968)
450.801-450.815 (S.B. 969)
211.24e (S.B. 970)
211.87c et al. (S.B. 971)

211.87b (S.B. 972)
211.89 (S.B. 973)
46.175a & 46.175c (S.B. 974)
46.367 (S.B. 975)
117.3 et al. (S.B. 976)
123.741 et al. (S.B. 977)
125.77a & 125.77b (S.B. 978)
125.233 (S.B. 979)
125.303 (S.B. 980)
125.595 (S.B. 981)
125.667 et al. (S.B. 982)
125.946a & 125.946b (S.B. 983)
141.61 (S.B. 984)
141.371 & 141.373 (S.B. 985)
141.451 (S.B. 986)
121.15 et al. (S.B. 987)
141.1453 & 141.1454 (S.B. 988)

Legislative Analyst: G. Towne

FISCAL IMPACT

The bills would have no fiscal impact on State or local government. Senate Bill 973 would have no fiscal impact unless Senate Bill 971 is not enacted.

Fiscal Analyst: D. Zin

S0102\s965sa

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.