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Senate Bills 966 through 973 (as reported without amendment)

Sponsor: 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)

Committee: Finance

CONTENT

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

(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 The Municipal Finance Act will be repealed on that day, except for two sections that will be repealed on April 30, 2002.)

Senate Bill 966 would amend Public Act 79 of 1937, 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% 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, 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, 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 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 would amend Section 24e of the General Property Tax Act, which deals with the authority of taxing units.

Senate Bill 971 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 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 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.

The bill would remove provisions that would be added to Section 87c (under Senate Bill 971).

MCL 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)

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.

Date Completed: 2-6-02

Fiscal Analyst: D. 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.