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SFA**BILL ANALYSIS**

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Senate Bill 1265 (Substitute S-1 as reported)
Senate Bills 1266 through 1269 (as reported without amendment)
Sponsor: Senator Joanne G. Emmons
Committee: Finance

CONTENT

The bills would amend various sections of the Michigan Transportation Fund law to provide that certain bonds or contracts issued under the law would not be subject to the Revised Municipal Finance Act; and to replace references to the Municipal Finance Act with references to 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 on March 1, 2002.)

Senate Bill 1265 (S-1) would amend Section 18c, which allows a county to issue bonds to pay for the construction or reconstruction of highways, and pledge for payment of the bonds distributions from the Michigan Transportation Fund (MTF). The bill specifies that the bonds would be subject to the Revised Municipal Finance Act.

Senate Bill 1266 would amend Section 18d, which allows the State Transportation Commission, a county road commission, and a city or village to enter into a contract providing for the construction or reconstruction of highways, including limited access highways; and allows a governmental unit that is a party to a contract to issue bonds in order to fund projects contemplated by the contract. The bill provides that bonds issued and contracts entered into under Section 18d would not be subject to the Revised Municipal Finance Act, but that bonds issued under Section 18d would be subject to the Agency Financing Reporting Act. (Senate Bill 1201 (S-1), as passed by the Senate, would create the "Agency Financing Reporting Act" to require an agency to file a statement of intent with the Department of Treasury before issuing a security, and to file certain information with the Department after issuing a security. In addition to State agencies, the Act would apply to municipalities issuing debt exempt from the Revised Municipal Finance Act or the Revenue Bond Act.)

Senate Bill 1267 would amend Section 11, which establishes the State Trunk Line Fund and prescribes and regulates distributions from the Fund. In addition to adding references to the Revised Municipal Finance Act, the bill would do the following:

- Specify that contracts entered into by the Department of Transportation to advance money to a county road commission, city, or village to pay costs of improving railroad grade crossings would not be subject to the Revised Municipal Finance Act.
- Provide that the current requirement in the MTF law, that the Department each year spend 90% of Federal revenue credited to the State Trunk Line Fund to maintain highways, streets, and bridges, would not apply to Federal revenue spent for the payment of notes issued under Section 18(b)(9) (which allows the State Transportation Commission to borrow money and issue notes and bonds in anticipation of receiving Federal grants).

-- Provide that loans made by the Department to county road commissions, cities, and villages for certain capital costs for transportation purposes would not be subject to the Revised Municipal Finance Act.

Senate Bill 1268 would amend Section 18e, which prescribes redemption periods, interest rates, and types of bonds that may be issued by a governmental unit under the MTF law, to exempt from these requirements bonds issued under Section 18c (the section that Senate Bill 1265 would amend).

Senate Bill 1269 would amend Section 18f, which prohibits the issuance of certain county bonds for highway construction and reconstruction until the Department has approved the construction to be financed by the bond proceeds. The bill would delete provisions pertaining to prior approval, public sale, and notification requirements for these bonds and other bonds issued under the MTF law.

MCL 247.668c (S.B. 1265)
247.668d (S.B. 1266)
247.661 (S.B. 1267)
247.668e (S.B. 1268)
247.668f (S.B. 1269)

Legislative Analyst: George Towne

FISCAL IMPACT

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

Date Completed: 5-8-02

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.