

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

House Bills 5821, 5822, and 5823 (as passed by the House)
House Bills 5836 through 5844 (as passed by the House)
House Bills 5846 through 5849 (as passed by the House)
House Bills 5851 through 5855 (as passed by the House)

Sponsor: Representative Ron Jelinek (H.B. 5821)
Representative Brian Palmer (H.B. 5822)
Representative Clark Bisbee (H.B. 5823)
Representative Judith Scranton (H.B. 5836)
Representative Larry Julian (H.B. 5837)
Representative Doug Hart (H.B. 5838)
Representative Gary Newell (H.B. 5839)
Representative Marc Shulman (H.B. 5840)
Representative John Hansen (H.B. 5841)
Representative John Pappageorge (H.B. 5842)
Representative Andrew Richner (H.B. 5843)
Representative Ruth Ann Jamnick (H.B. 5844)
Representative Ken Daniels (H.B. 5846)
Representative Dale Sheltroun (H.B. 5847)
Representative Douglas Bovin (H.B. 5848)
Representative Sandra Caul (H.B. 5849)
Representative Patricia Birkholz (H.B. 5851)
Representative Lauren Hager (H.B. 5852)
Representative Randy Richardville (H.B. 5853)
Representative John Stewart (H.B. 5854)
Representative Barb Vander Veen (H.B. 5855)

House Committee: Tax Policy

Senate Committee: Finance

Date Completed: 4-30-02

CONTENT

The bills would amend various statutes to replace references to the Municipal Finance Act with references to the Revised Municipal Finance Act, and to specify that bonds issued under certain statutes would be subject to the Revised Municipal Finance Act; and would repeal certain statutes that allow bonding for various purposes.

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 The Municipal Finance Act was repealed on that day, except for two sections that will be repealed on April 30, 2002.)

House Bill 5821 would amend the Revised School Code to provide that bonds issued under the Code would be subject to the Revised Municipal Finance Act.

House Bill 5822 would amend Public Act 159 of 1993, which allowed the Governor to create by executive order a base conversion authority for a Federal military installation, to provide that

bonds or notes issued by an authority would be subject to the Revised Municipal Finance Act.

House Bill 5823 would amend Part 43 of the Natural Resources and Environmental Protection Act, which pertains to public utilities that are water and sewer systems, transfer stations, or garbage and refuse processing systems, to provide that bonds issued by a local unit for such purposes would be subject to the Revenue Bond Act. (The Revenue Bond Act allows public corporations to issue revenue bonds, and pay for the bonds with revenue generated by fees and charges for public improvements, as well as taxes and special assessments.)

House Bill 5836 would amend the Metropolitan Transportation Authorities Act, which provides for the creation of regional transportation authorities. In addition to adding references to the Revised Municipal Finance Act, the bill would remove a provision that allows a public or private corporation or individual to advance money or property to an authority, and allows an authority to repay an advance from its bonds proceeds.

House Bill 5837 would amend the Public Transportation Authority Act.

House Bill 5838 would amend Public Act 111 of 1956, which allows townships and counties to enter contracts and issue obligations to finance highways, to provide that bonds and notes issued under the Act would be subject to the Revised Municipal Finance Act.

House Bill 5839 would amend Section 10n of the Michigan Transportation Fund law, which pertains to the issuance of notes by an eligible authority in anticipation of the payment of proceeds from the Comprehensive Transportation Fund. Currently, such notes are subject to the Municipal Finance Act. The bill would eliminate this requirement, and instead provide that the notes would not be subject to the Revised Municipal Finance Act.

House Bill 5840 would amend Public Act 175 of 1952, which allows cities and villages to borrow money and issue bonds in anticipation of receiving payments from the Motor Vehicle Highway Fund. In addition to adding references to the Revised Municipal Finance Act, the bill would repeal Sections 5 and 6 of Public Act 175. (Section 5 requires a local treasurer to set aside in a separate fund amounts sufficient to pay principal and interest on indebtedness incurred under the Act. Section 6 requires the prior approval of the Department of Treasury to issue bonds under Public Act 175.)

House Bill 5841 would amend Public Act 55 of 1963, which provides for the incorporation of public authorities to acquire and operate mass transportation systems, to provide that if an authority issued self-liquidating revenue bonds with a pledge of full faith and credit of a municipality, the bonds would be subject to the Revised Municipal Finance Act.

House Bill 5842 would amend Public Act 28 of 1911, which allows counties to levy taxes and issue bonds to finance public buildings and bridges, to specify that bonds issued under the Act would be subject to the Revised Municipal Finance Act.

House Bill 5843 would amend the county road law, which allows counties to issue bonds for the construction and maintenance of county roads, to specify that contract indebtedness incurred or bonds issued under the county road law would be subject to the Revised Municipal Finance Act.

House Bill 5844 would repeal Public Act 205 of 1941, which allows the State and local units to issue dedicated tax bonds to finance limited access highways and highway facilities; acquire private property by purchase or condemnation; and eliminate intersections of limited access highways with existing roads and private driveways. The Act also allows the Department of Transportation to enter into agreements for logo signage.

House Bill 5846 would repeal Public Act 109 of 1927, which allows cities to borrow money and issue bonds to construct and maintain bridges.

House Bill 5847 would repeal Public Act 6 of 1911, which allows cities to issue bonds to construct and maintain interstate bridges.

House Bill 5848 would amend Section 131 of the Aeronautics Code, which allows a local unit to submit to its electors for approval the issuance of general obligation bonds for airports, to specify that general obligation bonds issued under the Code would be subject to the Revised Municipal Finance Act.

House Bill 5849 would amend Section 205 of the Mental Health Code, which pertains to the bonding authority of community mental health agencies.

House Bill 5851 would repeal Public Act 305 of 1919, which allows cities, villages, and school districts to issue bonds to establish and maintain free public libraries. (Under the Act, a city, village, or school district may not borrow more than .25% of the assessed valuation of the city, village, or school district to provide for a library.)

House Bill 5852 would amend the District Library Financing Act. In addition to adding references to the Revised Municipal Finance Act, the bill would eliminate a current provision that allows a district library to issue refunding bonds without a vote of the district's electors.

House Bill 5853 would repeal Public Act 60 of 1923, which allows a county, in conjunction with a city or village with a population over 5,000, to issue bonds to establish and operate a public agricultural produce market.

House Bill 5854 would amend Public Act 261 of 1913, which allows certain city boards of education to issue bonds (with voter approval) to operate free public libraries, to provide that the bonds would be subject to the Revised Municipal Finance Act.

House Bill 5855 would amend Public Act 5 of 1917, which allows certain townships and villages to issue bonds (with voter approval) to establish free public libraries, to specify that the bonds would be subject to the Revised Municipal Finance Act. The bill also would repeal Section 5 of Public Act 5, which prohibits the bonds from being negotiated at less than par value.

MCL 380.445 (H.B. 5821)
3.578 (H.B. 5822)
324.4302 (H.B. 5823)
124.416 (H.B. 5836)
124.473 (H.B. 5837)
247.354 & 247.355 (H.B. 5838)
247.660n (H.B. 5839)
247.701 et al. (H.B. 5840)
124.357 (H.B. 5841)
141.71 (H.B. 5842)
224.22 (H.B. 5843)
252.51-252.64 (H.B. 5844)
254.81-254.83 (H.B. 5846)
254.91-254.94 (H.B. 5847)
259.131 (H.B. 5848)
330.1205 (H.B. 5849)
397.241-397.246 (H.B. 5851)
397.284 et al. (H.B. 5852)

Legislative Analyst: George Towne

46.101-46.104 (H.B. 5853)
397.262 (H.B. 5854)
397.324 (H.B. 5855)

FISCAL IMPACT

Most of the bills would have no fiscal impact on either the State or local units. However, House Bill 5839 would reduce the expenses of an eligible authority by a minimal amount. Under current statute, bonds issued by an authority are subject to certain notification and approval procedures, including certain fees associated with these procedures. The bill would exempt the authority from the Revised Municipal Finance Act, and would eliminate the reference to the section of the old Municipal Finance Act that established the fees and procedures. Consequently, an authority would need to seek prior approval only from the State Transportation Commission. Fees and notifications, particularly to the Department of Treasury, would no longer be required.

House Bills 5844, 5846 and 5847 all would repeal statutes associated with transportation issues. These bills not only would repeal the bond-related provisions of statutes pertaining to local units' powers regarding limited access highways and certain bridges, but would repeal the entire acts granting local units these powers. According to the Department of Transportation, the bills could remove local units' powers and authority over these types of transportation issues rather than just eliminating the bond provisions associated with these powers. As a result, local units could have reduced authority and some reduced expenses. The bills are unclear about what entities would have responsibility for the affected transportation infrastructure were the bills to become law.

Fiscal Analyst: David Zin

S0102\s5821sa

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.