

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 Bill 5836 (Substitute S-1 as reported)  
House Bills 5837 and 5838 (as reported without amendment)  
House Bills 5839 and 5840 (Substitutes S-1 as reported by the Committee of the Whole)  
House Bills 5841, 5842, and 5843 (as reported without amendment)  
House Bill 5844 (Substitute S-1 as reported)

Sponsor: 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)

House Committee: Tax Policy  
Senate 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, and to specify that bonds issued under certain statutes would (or would not) be subject 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.)

House Bill 5836 (S-1) would amend Section 16 of the Metropolitan Transportation Authorities Act, which allows a regional transportation authority to borrow money, issue bonds and notes, and enter contracts to carry out its powers under the Act. The bill provides that notes issued and contracts entered into under Section 16 would not be subject to the Revised Municipal Finance Act, but specifies that an authority's bonds would have to be issued and sold in compliance with that Act. The bill also would remove a provision that allows a private corporation or individual to advance money or property to an authority.

House Bill 5837 would amend the Public Transportation Authority Act, and House Bill 5838 would amend Public Act 111 of 1956, which allows townships and counties to enter into contracts and issue obligations to finance highways. Each bill provides that bonds and notes issued under the Act would be subject to the Revised Municipal Finance Act.

House Bill 5839 (S-1) 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, but 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 State agencies and certain municipalities 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.)

House Bill 5840 (S-1) 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 Section 6 of Public Act 175. (Section 6 requires the prior approval of the Department of Treasury to issue bonds under the Act.)

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 law would be subject to the Revised Municipal Finance Act.

House Bill 5844 (S-1) would amend 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, and allows the Michigan Department of Transportation (MDOT) to pledge State funds to meet its annual contract obligations. The bill specifies that a contract entered into under the Act would not be subject to the Revised Municipal Finance Act. The bill also would delete a provision that prohibits the Department's annual contributions, pledged to the payment of bonds or notes under Public Act 205, from exceeding \$12 million.

Further, the bill would repeal Sections 11, 12, and 13 of Public Act 205. Section 11 allows the issuance of dedicated tax bonds or notes to fund construction and completion of projects. Section 12 allows MDOT or a local unit to pay a portion of the cost of a project with dedicated tax bonds or notes. Section 13 pertains to the registration of dedicated tax bonds or notes.

MCL 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)  
252.58 & 252.64 (H.B. 5844)

Legislative Analyst: George Towne

### **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 to the Department of Treasury would no longer be required.

Date Completed: 5-6-02

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.