

Senate Fiscal Agency
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SFA**BILL ANALYSIS**

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Senate Bills 1008 and 1009 (as enrolled)
Sponsor: Senator Joel D. Gougeon (Senate Bill 1008)
Senator Shirley Johnson (Senate Bill 1009)
Senate Committee: Families, Mental Health and Human Services
House Committee: Health Policy

PUBLIC ACTS 169 and 228 of 2000

Date Completed: 3-7-01

CONTENT

Senate Bills 1008 and 1009 amended Public Act 266 of 1995 and the Mental Health Code, respectively, to authorize a community mental health (CMH) authority to obtain credit cards, borrow money and enter into installment purchase agreements to finance the purchase of property, and issue notes of the authority.

Senate Bill 1008

Public Act 266 of 1995 authorizes and regulates credit card transactions involving local units of government. The bill amended the Act to include a CMH authority created under the Mental Health Code in the Act's definitions of "governing body" and "local unit".

Senate Bill 1009**Purchase of Property**

The bill provides that a CMH authority may borrow money to finance or refinance the purchase of real property or tangible personal property of the authority. These contractual obligations must be secured by a mortgage on the real property or a security interest or other lien on the personal property, and may not be for longer than the useful life of the collateral. The obligations must be authorized by a resolution approved by a majority of the CMH board. Unless an exception to prior approval is available under the Municipal Finance Act, a mortgage given by a CMH authority to finance the purchase of real property must be approved by the Department of Treasury, but is not otherwise subject to that Act.

The bill also permits a CMH authority to enter into an installment purchase agreement for the purchase or refinancing of tangible personal property for public purposes. The agreement may not be for a term longer than the useful life of the property. The total of all outstanding installment purchase agreements may not exceed 1% of the taxable value of all

property located within the area served by that CMH authority. These installment purchase agreements are not subject to the Municipal Finance Act.

The bill specifies that if a CMH had financed the purchase of property in a manner substantially similar to either of those described above, before the bill's effective date (i.e., before June 27, 2000), that purchase is ratified as if it were made under the bill.

Issuance of Notes

The bill allows a CMH authority to borrow money and issue notes by resolution of a majority vote of its governing board. The notes may not exceed 20% of the previous year's annual income and must mature within 18 months from the date of their issuance. The notes must be issued for the purpose of meeting the expenses of operating and maintaining the authority's facilities, and payments due to its contracted service providers. The authorizing resolution must pledge income and revenues of the CMH authority for the payment of the notes. The resolution may provide for a special sinking fund into which there may be paid, as collected, a sufficient fund from the authority's revenues to retire both the principal of and interest on the notes at or before maturity. The resolution also may authorize one or more officers or board members of the authority to provide for the mortgage, pledge, or grant of security interests or other liens in other assets of the CMH authority as additional security for the payment of the notes.

Unless an exception from prior approval is available under the Municipal Finance Act, notes issued by a CMH authority under these provisions must be approved by the Department of Treasury, but are not otherwise subject to that Act. Before approving the issuance of a note, the Department must determine that the amount of the proposed note is sufficient but not excessive, that the revenue and income pledged for the payment of the note are sufficient, and that the note and the proceedings authorizing it comply

with the Mental Health Code and other applicable law.

MCL 129.241 (S.B. 1008)
330.1205 (S.B. 1009)

Legislative Analyst: S. Lowe

FISCAL IMPACT

The bills expand the ability of local CMH authorities to borrow money to purchase facilities and equipment, to purchase land, property, and equipment, and to lease facilities and equipment. As the State has moved to a capitated payment system for CMH, the bills will not offset State or local finances.

Fiscal Analyst: S. Angelotti

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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.