



**House
Legislative
Analysis
Section**

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**MUNICIPAL BONDING:
HIGHWAY PROJECTS**

**Senate Bill 1266 as passed by the Senate
First Analysis (6-5-02)**

**Sponsor: Sen. Joanne G. Emmons
House Committee: Tax Policy
Senate Committee: Finance**

THE APPARENT PROBLEM:

The Revised Municipal Finance Act took effect March 1, 2002. It was created by Public Act 34 of 2001 (Senate Bill 29). Most of the old Municipal Finance Act was repealed on the same date. The new act will govern nearly all municipal borrowing and it puts in place, among other things, a new bond approval process whereby municipalities may qualify annually with the Department of Treasury and then may issue debt without prior departmental approval. The adoption of the new act, however, requires that a great many other statutes be amended as well. Generally speaking, borrowing by governmental units takes place under a general act, such as the Revised Municipal Finance Act, and a specific act authorizing a particular kind of entity to issue debt for particular purposes. There are perhaps as many as 170 bills needed to make all the various statutes on borrowing conform to the Revised Municipal Finance Act!

THE CONTENT OF THE BILL:

Senate Bill 1266 would amend Section 18d of the Michigan Transportation Fund Act to specify that bonds issued and contracts entered into under the section would not be subject to the Revised Municipal Finance Act but would instead be subject to the Agency Financing Reporting Act. Section 18d deals with contracts entered into with the State Transportation Commission for the construction and reconstruction of highways and allows a local unit that is a party to such a contract to issue bonds to fund projects contemplated by the contracts.

MCL 247.668d

BACKGROUND INFORMATION:

The Agency Financing Reporting Act referred to in the bill is a new act that would be created by Senate Bill 1201. For a description of that act, see the

analysis of Senate Bill 841 et al. by the House Legislative Analysis Section, dated 5-16-02.

FISCAL IMPLICATIONS:

The House Fiscal Agency reports that the bill would have no significant impact on state revenues or local revenues. (HFA committee analysis dated 6-3-02)

ARGUMENTS:

For:

This bill is among a series of bills that tax specialists say are needed to make specific bonding and borrowing provisions throughout the Michigan statutes conform to the Revised Municipal Finance Act, which took effect on March 1, 2002.

POSITIONS:

There are no positions at present.

Analyst: C. Couch

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.

Senate Bill 1266 (6-5-02)