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SFA



BILL ANALYSIS

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Senate Bills 966 through 970 (as enrolled)
Senate Bills 971, 972, and 973 (as enrolled)
Senate Bills 974, 975, and 976 (as enrolled)
Senate Bill 977 (as enrolled)
Senate Bills 978, 979, and 980 (as enrolled)
Senate Bills 981 and 982 (as enrolled)
Senate Bills 983 through 986 (as enrolled)
Senate Bills 987 and 988 (as enrolled)

Sponsor: Senator Gary Peters (S.B. 966)
Senator Valde Garcia (S.B. 967)
Senator Bob Emerson (S.B. 968)
Senator Dianne Byrum (S.B. 969 & 973)
Senator Bill Bullard, Jr. (S.B. 970)
Senator Shirley Johnson (S.B. 971, 972, & 976)
Senator Ken DeBeaussaert (S.B. 974 & 977)
Senator Alan Sanborn (S.B. 975 & 988)
Senator Burton Leland (S.B. 978 & 982)
Senator Thaddeus G. McCotter (S.B. 979, 980, & 981)
Senator Alma Wheeler Smith (S.B. 983 & 985)
Senator Walter H. North (S.B. 984)
Senator Art Miller, Jr. (S.B. 986)
Senator Joe Young, Jr. (S.B. 987)

Senate Committee: Finance
House Committee: Tax Policy

Date Completed: 2-26-03

CONTENT

The bills amended various statutes to bring them into conformity with 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 March 1, 2002.)

Many of the bills replaced references to the Municipal Finance Act (MFA) with references to the Revised Municipal Finance Act (RMFA). Other bills specify that bonds and notes issued under various statutes are subject to the RMFA or to the Revenue Bond Act. Several of the bills also deleted requirements that local units of government obtain prior approval from the Department of Treasury before

issuing bonds. (The RMFA specifies the conditions under which all municipalities must obtain prior approval to issue notes or bonds.) Further, some bills deleted requirements that a local unit's governing body determine the rate of interest to be charged on bonds or notes it sells. (Under the RMFA, bonds, notes, or other instruments of indebtedness may bear a rate of interest established by a local unit, subject to maximum rates set forth in that Act.) Some bills repealed statutes, or portions of statutes, that pertained to bonding. The bills are described below.

Senate Bill 966 amended Public Act 79 of 1937, which allows a municipality to issue bonds and notes in anticipation of tax collections, to specify that the notes are subject to the RMFA; eliminate provisions pertaining to prior approval; and eliminate a provision that prohibited the interest rate on

notes from exceeding 6% per year. Further, the bill repealed Section 5 of Public Act 79, which required a municipality that issued notes under the Act to provide for a special sinking fund to use to retire the notes.

Senate Bill 967 amended Public Act 143 of 1943, which allows county road commissions to borrow money to obtain machinery and equipment, to specify that notes issued under the Act are subject to the RMFA; eliminate provisions pertaining to prior approval; and eliminate requirements that notes issued under Public Act 143 be payable in equal annual installments, not exceeding 10 years. Further, the bill repealed Section 3 of Public Act 143, which pertained to prior approval and required notes authorized under the Act to be advertised and sold under the provisions of the MFA.

Senate Bill 968 amended Public Act 121 of 1969, which allows local units of government to issue bonds and notes for capital improvements, to specify that bonds or notes sold under the Act are subject to the RMFA. The bill also eliminated provisions that pertained to prior approval; required bonds or notes to be in series; specified a maximum interest rate of 6%; and required bonds or notes to be sold at public sale.

Senate Bill 969 repealed Public Act 217 of 1985, which provided for the establishment of an employee-owned corporation revolving loan fund to be administered by the State and used for loans to employee-owned corporations.

Senate Bill 970 amended Section 24e of the General Property Tax Act, which deals with the authority of taxing units, to replace references to the MFA with references to the RMFA.

Senate Bill 971 amended Section 87c of the General Property Tax Act, which allows a county board of commissioners by resolution to issue notes to establish or continue a delinquent tax revolving fund, to do the following:

- Specify that the notes are not subject to the RMFA.
- Delete provisions that required a county to apply to the Department of Treasury for prior approval.
- Allow revolving fund notes to be issued at an original issue discount of not more than 2% of their face value.

The bill added to Section 87c provisions that Senate Bill 973 deleted from Section 89 of the Act. (Under Section 89, these provisions applied notwithstanding other sections of the Act, including Section 87c.) The provisions added to Section 87c do the following:

- Establish a maximum annual interest rate of 14.5% on revolving fund notes. (Section 87c had referred to a maximum rate of 11.5%.)
- Specify that interest on revolving fund notes may be payable at any time, and may be set, reset, or calculated, as provided in the resolution adopted by the county board of commissioners.
- Allow the notes to be made the subject of a put or agreement to repurchase; secured by a letter of credit issued by a bank or other collateral; callable; or reissued under any put or repurchase agreement.
- Allow the county treasurer to authorize the issuance of renewal notes, refund notes by the issuance of new notes, and buy and sell issued notes.
- Require renewal, refunding, or advance refunding notes to be sold, and the proceeds applied to the purchase redemption or payment of the notes to be renewed or refunded.
- Allow issued notes to be secured by a second lien on delinquent taxes, interest, and county property tax administration fees already subject to a first lien because of a prior note issue.
- Permit any notes issued to be secured under a trust or escrow agreement, with the treasurer's authorization.
- Specify that a county operating under a home rule charter is not restricted by the charter in connection with the powers granted to the county to issue notes by Section 87c and Sections 87b and 87d (which allow a county to create a delinquent tax revolving fund and to submit to the voters the question of issuing revolving fund notes).
- State that Section 87c controls the entitlement of a county treasurer to the fee provided for in that section.

The bill also repealed Sections 87e and 87f of the General Property Tax Act, which pertained to prior approval.

Senate Bill 972 amended Section 87b of the General Property Tax Act, which includes a requirement that a county with a delinquent

tax revolving fund pay interest on unpaid delinquent taxes, if the county does not borrow pursuant to Section 87c or 87d of the Act. Previously, that provision also referred to Section 89; the bill removed that reference.

Senate Bill 973 amended Section 89 of the General Property Tax Act, which contains provisions applicable to interest on delinquent taxes, to delete provisions that were added to Section 87c by Senate Bill 971.

Senate Bill 974 amended the County Public Improvement Act to specify that bonds issued under the Act are subject to the RMFA. The bill also eliminated provisions pertaining to prior approval, requiring the bonds to be serial bonds, and allowing a county to impose taxes without limitation for payment of principal and interest. Further, under the Act, a county may enter into a contract with other units of government for public improvements, with each unit providing payments for the improvements in annual installments for up to 40 years. The bill provides that a contract is not subject to the RMFA.

Senate Bill 975 amended Public Act 261 of 1965, which allows bonding for county and regional parks, to add references to the RMFA. The bill also deleted provisions that pertained to prior approval, required notes or bonds to be in series, allowed the collection of taxes in an amount necessary to pay the principal and interest, and established a maximum interest rate of 6%.

Senate Bill 976 amended provisions of the Home Rule City Act that deal with borrowing authority, to replace references to the MFA with references to the RMFA.

Senate Bill 977 amended Public Act 185 of 1957, which allows counties to issue bonds to finance public works, to specify that certain bonds are subject to the RMFA, and certain contracts for public works are not subject to the RMFA.

Under Section 25 of Public Act 185, bonds for public works may be issued, payable from special assessments. The bill provides that bonds issued under Section 25 are subject to the RMFA.

Under Public Act 185, a county and one or more municipalities may enter into a contract

for the acquisition or improvement of certain public works, and the electors may approve an unlimited tax pledge in support of the contract. The bill provides that if a contract or an unlimited tax pledge in support of a contract is approved by the electors, the contract is not subject to the RMFA. The bill also provides that contracts of a county for financing the acquisition of public works under Public Act 185 are not subject to the RMFA.

Senate Bill 978 amended Public Act 344 of 1945, which allows local units to issue bonds for the rehabilitation of blighted areas, to provide that bonds issued under Sections 7a and 7b of the Act are subject to the RMFA.

Under Section 7a, a municipality may issue bonds or notes to finance any project authorized by Public Act 344, and the bonds or notes may be issued without a vote of the electors and without a constitutional, statutory, or charter limitation. The bill deleted provisions that pertained to refunding bonds, prior approval, interest rates of the bonds and notes, public sale requirements, and sales to the Federal government of bonds and notes issued under Section 7a. Section 7b allows a municipality to issue general obligation bonds, without a vote of the electors, to pay for the cost of a rehabilitation project or the net cost of a project undertaken with Federal financial assistance.

Senate Bills 979, 980, and 981 amended the County Zoning Act, the Township Zoning Act, and the City and Village Zoning Act, respectively, to replace references to the MFA with references to the RMFA, in provisions that allow the various local units to issue bonds and notes to finance a purchase of development rights (PDR) program. In addition, the bills deleted provisions pertaining to refunding bonds.

Senate Bill 982 amended Public Act 18 of the Extra Session of 1933, which allows local units to issue bonds for housing projects, to provide that revenue bonds issued under Section 17 of the Act are subject to the Revenue Bond Act, and bonds and notes issued under Section 47 of Public Act 18 are subject to the RMFA.

Section 17 allows revenue bonds to be issued to defray the costs of purchasing, constructing, improving, enlarging, or repairing a housing project. Section 47 allows

bonds and notes to be issued to provide funds for expenses involved in the development of a housing project. The bill deleted provisions in Sections 17 and 47 pertaining to interest rates, maturity dates, refunding bonds, and bonds sold at public sale.

In addition, the bill repealed Sections 22, 23, and 24 of Public Act 18. Section 22 provided for the deposit of bond proceeds in special bank accounts. Section 23 prescribed the powers of a local unit or commission that issues bonds under the Act. Section 24 prescribed requirements for signatures on bonds.

Senate Bill 983 amended Sections 6a and 6b of Public Act 208 of 1949, which allow local units to issue bonds for neighborhood improvements, to specify that bonds issued under those sections are subject to the RMFA. The bill also deleted provisions pertaining to refunding bonds, prior approval, public sale requirements, and interest and maturity requirements.

Senate Bill 984 amended Public Act 118 of 1923, which allows counties to issue bonds for public improvements, to specify that bonds issued under the Act are subject to the RMFA, and to delete provisions that pertained to interest rates, required bonds to be payable in 30 years or less, and allowed a county to levy taxes without limitation to pay for the bonds.

Senate Bill 985 amended Public Act 57 of 1957, which allows cities and villages to establish a local improvement revolving fund with money from taxes and bonds, to specify that bonds issued under the Act are subject to the RMFA. The bill also deleted requirements that bonds issued under Public Act 57 be serial bonds and mature in 30 years or less.

Senate Bill 986 amended Public Act 205 of 1964, which allows municipalities to purchase fire fighting equipment under contracts or chattel mortgages, and make payments on the contracts or mortgages for no more than six years. Previously, the Act provided that the contracts or mortgages were not subject to the MFA. The bill provides that the contracts or mortgages are not subject to the RMFA, but are subject to Public Act 99 of 1933, which allows cities, villages, townships, and school districts to enter into installment contracts and agreements for the purchase of land,

property, and equipment for public purposes.

Senate Bill 987 amended the Charter Water Authority Act to specify that bonds issued by any authority under the Act are subject to the RMFA, and to delete provisions in the Charter Water Authority Act pertaining to refunding bonds, prior approval, and public sale requirements.

The bill also repealed Sections 14 and 17 of the Act. Section 14 required bonds issued under the Act to be serial bonds, and contained interest rate and term length requirements. Section 17 provided that when bonds were issued under the Act, an authority had to establish in a specified financial institution a separate debt retirement fund account.

In addition, the Act allows an authority to levy a property tax to make bond payments. The rate of the tax for cities, villages, and townships that comprise the authority was based and assessed on the State equalized valuation of those municipalities. The bill requires the tax rate to be based upon the municipalities' taxable value.

Senate Bill 988 amended the Safe Drinking Water Financial Assistance Act to specify that bonds or notes issued under the Act are subject to the RMFA, and to delete provisions that did the following: provided for refunding bonds; allowed a governmental unit to establish interest rates, prices, and discounts on bonds; allowed bonds to be secured with a pledge or assignment of school aid payments, revenue sharing, or other State payments; and permitted certain tax pledges for bond payments. The bill also eliminated a provision that the issuance of bonds or notes was not subject to any right of referendum.

MCL 141.222 et al. (S.B. 966)
141.251 et al. (S.B. 967)
141.382 & 141.383 (S.B. 968)
450.801-450.815 (S.B. 969)
211.24e (S.B. 970)
211.87c (S.B. 971)
211.87b (S.B. 972)
211.89 (S.B. 973)
46.175a & 46.175c (S.B. 974)
46.367 (S.B. 975)
117.3 et al. (S.B. 976)
123.741 et al. (S.B. 977)
125.77a & 125.77b (S.B. 978)

125.233 (S.B. 979)
125.303 (S.B. 980)
125.595 (S.B. 981)
125.667 & 125.697 (S.B. 982)
125.946a & 125.946b (S.B. 983)
141.61 (S.B. 984)
141.371 & 141.373 (S.B. 985)
141.451 (S.B. 986)
121.15 & 121.16 (S.B. 987)
141.1453 & 141.1454 (S.B. 988)

Legislative Analyst: George Towne

FISCAL IMPACT

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

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.