

Senate Fiscal Agency
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SFA



BILL ANALYSIS

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Senate Bills 1059 through 1084 (as introduced 2-5-02)

Sponsor: Senator Joanne G. Emmons (S.B. 1059, 1063, & 1070)
Senator Bill Bullard, Jr. (S.B. 1060, 1071, 1074, & 1083)
Senator Burton Leland (S.B. 1061, 1065, & 1066)
Senator Valde Garcia (S.B. 1062)
Senator Alan Sanborn (S.B. 1064 & 1072)
Senator Martha G. Scott (S.B. 1067)
Senator John J.H. Schwarz, M.D. (S.B. 1068)
Senator William Van Regenmorter (S.B. 1069)
Senator Alma Wheeler Smith (S.B. 1073)
Senator Dale L. Shugars (S.B. 1075-1077)
Senator Ken Sikkema (S.B. 1078, 1079, 1081, 1082, & 1084)
Senator John D. Cherry, Jr. (S.B. 1080)

Committee: Finance

Date Completed: 2-12-02

CONTENT

Most of the bills would amend various statutes to replace references to the Municipal Finance Act with references to the "Revised Municipal Finance Act". Several of the bills would repeal statutes that authorize local units of government to borrow money or issue bonds for specific purposes.

(Public Act 34 of 2001 creates 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 will take effect March 1, 2002. The Municipal Finance Act will be repealed on that day, except for two sections that will be repealed on April 30, 2002.)

Following is a description of each bill. In general, each bill would delete references to the Municipal Finance Act and replace them with references to the Revised Municipal Finance Act. Several of the bills would delete provisions that require local units of government to obtain the prior approval of the Department of Treasury. (The Revised Municipal Finance Act specifies the conditions under which all municipalities must obtain prior approval to issue notes or bonds.)

Further, some statutes currently require a local unit's governing body to determine the rate of interest to be charged on bonds or notes it sells. The bills would delete these provisions. (Under the Revised Municipal Finance Act, municipal securities (bonds, notes, or other instruments of indebtedness) may bear a rate of interest established by a local unit, subject to maximum rates as provided in that Act.) Some of the bills would require revenue bonds issued under various statutes to comply with the provisions of the Revenue Bond Act. (That Act allows public corporations to issue revenue bonds, and pay for the bonds with revenue generated by fees and charges for public improvements, and taxes and special assessments. Several of the bills would make additional changes, as described below.)

Senate Bill 1059

The bill would amend the Industrial Development Revenue Bond Act to specify that revenue bonds issued under the Act would be subject to the Revenue Bond Act.

The bill also would delete provisions in the Industrial Development Revenue Bond Act that establish limits on interest rates. Further, the bill would repeal Sections 13 and 14 of the Act. Section 13 contains requirements



pertaining to prior approval; Section 14 requires that bonds be sold at public or private sale upon terms fixed by a municipality's governing body.

Senate Bill 1060

The bill would repeal Public Act 5 of the Extra Session of 1870, which allows a city or village to borrow money to acquire or improve waterworks.

Senate Bill 1061

The bill would repeal Public Act 60 of 1923, which allows a county, in participation with certain cities or villages, to issue bonds to purchase and equip buildings for a public agricultural produce market.

Senate Bill 1062

The bill would amend Public Act 380 of 1913, which allows a local unit to use a Federal, State, or local grant to make a loan to a private person, corporation, or other business association, and issue revenue bonds secured by repayment of the loans. The bill provides that revenue bonds issued under the Act would be subject to the Revenue Bond Act. The bill also would delete provisions pertaining to prior approval.

Senate Bill 1063

The bill would amend the Michigan Municipal Distributable Aid Bond Act to prohibit a municipality from issuing or refunding an obligation under the Act beginning on March 1, 2002. The bill would repeal the Act on January 1, 2010.

Senate Bill 1064

The bill would amend the Local Government Fiscal Responsibility Act. Currently, the Act requires the State Treasurer to conduct a preliminary review to determine the existence of a local government financial problem if a local unit has violated the Municipal Finance Act. The bill would require a review if a local unit violated the Revised Municipal Finance Act, or the Revenue Bond Act.

Further, the Superintendent of Public Instruction currently may determine that a school district has a serious financial problem if he or she finds a school district in violation

of the Municipal Finance Act. The bill would require a determination if a school district were found in violation of the Revised Municipal Finance Act or the Revenue Bond Act.

Senate Bill 1065

The bill would amend Public Act 206 of 1957, which allows a local unit or combination of local units to incorporate an airport authority that may issue bonds and notes to obtain airport facilities. Section 9 of the Act allows an airport authority to issue notes for the purpose of meeting airport operation and maintenance expenses, and allows the authority to pledge its income and revenue to pay the notes. The bill specifies that notes issued under Section 9 would be subject to the Revenue Bond Act. The bill would delete provisions pertaining to the note's interest rate as allowed under the Municipal Finance Act.

Senate Bill 1066

The bill would amend the Michigan Export Development Act. In addition to adding references to the Revised Municipal Finance Act, the bill would delete provisions that pertain to prior approval.

Senate Bill 1067

The bill would amend Public Act 182 of 1971, which allows a city or village operating a public utility to borrow money to acquire, improve, or repair a public utility facility, to specify that bonds, notes, or other evidences of indebtedness would be subject to the Revenue Bond Act. Further, the bill would eliminate provisions pertaining to prior approval.

Senate Bill 1068

The bill would repeal Public Act 325 of 1919, which allows cities to borrow money and issue bonds to provide for soldiers and sailors memorials.

Senate Bill 1069

The bill would amend Public Act 33 of 1951, which allows certain local units to provide police and fire protection, to specify that bonds issued under the Act would be subject to the Revised Municipal Finance Act.

Senate Bill 1070

The bill would repeal Public Act 228 of 1911, which allows counties to issue bonds for county fairs and exhibitions.

Senate Bill 1071

The bill would repeal Public Act 26 of 1911, which provides bonding authority for certain villages for water service and lighting.

Senate Bill 1072

The bill would repeal Public Act 209 of 1925, which allows a village with a population under 1,000 to issue bonds to provide a courthouse and a jail.

Senate Bill 1073

The bill would amend the Metropolitan District Act, which allows an incorporated district to issue bonds to provide public utilities and parks, to specify that a revenue bond issued under the Act would be subject to the Revenue Bond Act. Further, the bill provides that all other bonds issued under the Metropolitan District Act would be subject to the Revised Municipal Finance Act.

Senate Bill 1074

The bill would amend Public Act 234 of 1925, which allows port districts to borrow money to fund various projects. Section 32 of the Act allows a port commission to borrow money and issue warrants in anticipation of tax revenue. The bill provides that bonds, notes, or warrants issued under Section 32 would be subject to the Revised Municipal Finance Act.

Senate Bill 1075

The bill would amend Public Act 150 of 1923, which allows a local unit, or combination of local units, to acquire, construct, or lease public buildings, to specify that general obligation bonds issued under the Act would be subject to the Revised Municipal Finance Act.

Senate Bill 1076

The bill would amend the Metropolitan Council Act to specify that bonds issued under the Act would be subject to the Revised Municipal Finance Act.

Senate Bill 1077

The bill would amend the Economic Development Corporations Act to provide that revenue bonds issued under the Act would be subject to the Revenue Bond Act; and to delete provisions that pertain to refunding bonds.

Senate Bill 1078

The bill would amend the Port Authority Act. Section 14 of the Act allows an authority to issue revenue bonds to pay for port facilities. The bill provides that revenue bonds issued under Section 14 would be subject to the Revenue Bond Act. Section 18 of the Port Authority Act allows bonds to be issued to acquire port facilities. The bill provides that bonds or notes issued under Section 18 would be subject to the Revised Municipal Finance Act. Further, the bill would delete from Sections 14 and 18 provisions pertaining to interest rates on bonds; prior approval; refunding bonds; requirements that bonds be issued in series with specified maturity dates; and requirements that bonds be sold at public or private sale.

Senate Bill 1079

The bill would amend the Brownfield Redevelopment Financing Act. In addition to adding references to the Revised Municipal Finance Act, the bill provides that revenue bonds and notes issued under the Brownfield Redevelopment Financing Act would be subject to the Revenue Bond Act.

Currently, Section 17 of the Brownfield Redevelopment Financing Act allows the issuance of tax increment bonds and notes to finance a brownfield plan. The bill provides that bonds and notes issued under Section 17 would be subject to the Revised Municipal Finance Act. Further, the bill would delete provisions in Section 17 that pertain to interest rates; term limits of bonds; prior approval; discount limits; and refunding bonds.

Senate Bill 1080

The bill would amend the Low-Level Radioactive Waste Authority Act to specify that bonds issued under the Act would be subject to the Revised Municipal Finance Act. In addition, the bill would delete provisions

that do the following: require bonds to be serial or term bonds; establish requirements for interest rates on the bonds; allow bonds to be sold at public or private sale, and at a discount not exceeding 10% or the maximum rate allowed under the Municipal Finance Act; allow an authority to enter into certain transactions to provide security for the bonds; and provide for refunding bonds.

Senate Bill 1081

The bill would repeal Public Act 316 of 1931, which allows certain cities and villages to issue revenue bonds to own, operate, and improve sewage disposal facilities.

Senate Bill 1082

The bill would amend Public Act 235 of 1947, which allows two or more public corporations to own, operate, and improve public water and sewer systems, to provide that bonds issued under the Act, excluding revenue bonds, would be subject to the Revised Municipal Finance Act.

Senate Bill 1083

The bill would repeal Public Act 66 of 1941, which grants bonding authority to cities for waterfront improvements.

Senate Bill 1084

The bill would amend the Michigan Energy Employment Act to specify that bonds issued under the Act would be subject to the Revised Municipal Finance Act; and to delete provisions pertaining to prior approval.

Currently, a member municipality of a joint agency formed under the Michigan Energy Employment Act may contract to make payments to the joint agency of the municipality's taxes, charges, or special assessments. The bill provides that if the contract had been approved by the municipality's electors, it would be subject to the Revised Municipal Finance Act.

Currently, under the Michigan Energy Employment Act, a municipality, governmental unit, private corporation, firm, or individual may advance money or property to a joint agency to enable it to carry out or finance its powers and duties. The bill would eliminate the authority for a private corporation, firm, or

individual to advance money or property to a joint agency.

MCL 125.1254 & 125.1259 (S.B. 1059)
123.111-123.130 (S.B. 1060)
46.101-46.104 (S.B. 1061)
123.872 (S.B. 1062)
141.1030 et al. (S.B. 1063)
141.1212 et al. (S.B. 1064)
259.629 (S.B. 1065)
447.160 (S.B. 1066)
460.461 & 460.462 (S.B. 1067)
35.871-35.873 (S.B. 1068)
41.801 (S.B. 1069)
46.111 (S.B. 1070)
79.1 & 79.2 (S.B. 1071)
79.41-79.43 (S.B. 1072)
119.4 & 119.5 (S.B. 1073)
120.32 (S.B. 1074)
123.925 (S.B. 1075)
124.669 (S.B. 1076)
125.1606a et al. (S.B. 1077)
120.114 & 120.118 (S.B. 1078)
125.2657 et al. (S.B. 1079)
333.26220a (S.B. 1080)
123.201-123.220 (S.B. 1081)
123.336 (S.B. 1082)
123.601-123.604 (S.B. 1083)
460.842 (S.B. 1084)

Legislative Analyst: George Towne

FISCAL IMPACT

The bills would 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.