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SFA



BILL ANALYSIS

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Senate Bill 1265 (as enrolled)
Senate Bill 1266 (as enrolled)
Senate Bill 1267 (as enrolled)
Senate Bill 1268 (as enrolled)
Senate Bill 1269 (as enrolled)
Sponsor: Senator Joanne G. Emmons
Senate Committee: Finance
House Committee: Tax Policy

PUBLIC ACT 451 of 2002
PUBLIC ACT 557 of 2002
PUBLIC ACT 466 of 2002
PUBLIC ACT 493 of 2002
PUBLIC ACT 448 of 2002

Date Completed: 3-21-03

CONTENT

The bills amended various sections of the Michigan Transportation Fund law to provide that certain bonds issued under the law are subject to the Revised Municipal Finance Act (RMFA); specify that various bonds and contracts issued under the law are not subject to the RMFA; replace references to the Municipal Finance Act with references to the RMFA; and make other changes pertaining to bonds and notes issued under the law.

(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 RMFA took effect March 1, 2002.)

Senate Bill 1265 specifies that bonds issued under Section 18c of the Michigan Transportation Fund law are subject to the RMFA. Section 18c allows a county to issue bonds to pay for the construction or reconstruction of highways and pledge for payment of the bonds distributions from the Michigan Transportation Fund (MTF).

Senate Bill 1266 amended Section 18d, which allows the State Transportation Commission, a county road commission, and a city or village to enter into a contract providing for the construction or reconstruction of highways; and allows a governmental unit that is a party to a contract to issue bonds in order to fund projects contemplated by the contract. The bill provides that bonds issued and

contracts entered into under Section 18d are not subject to the Revised Municipal Finance Act, but bonds issued under Section 18d are subject to the Agency Financing Reporting Act. (That Act, Public Act 470 of 2002, requires a State agency or authority, or a municipality issuing debt exempt from the RMFA or the Revenue Bond Act, to file certain information with the Department of Treasury after issuing a security.)

Senate Bill 1267 amended Section 11, which establishes the State Trunk Line Fund and regulates distributions from it. In addition to adding references to the Revised Municipal Finance Act, the bill does the following:

- Specifies that contracts entered into by the Michigan Department of Transportation (MDOT) to advance money to a county road commission, city, or village to pay costs of improving railroad grade crossings are not subject to the RMFA.
- Provides that the requirement in the MTF law, that MDOT each year spend 90% of Federal revenue credited to the State Trunk Line Fund to maintain highways, streets, and bridges, does not apply to Federal revenue spent for the payment of notes issued under Section 18b(9) (which allows the State Transportation Commission to borrow money and issue notes and bonds in anticipation of receiving Federal grants).
- Provides that loans made by MDOT to county road commissions, cities, and villages for certain capital costs for transportation purposes are not subject to the RMFA.

Senate Bill 1268 amended Section 18e, which prescribes redemption periods, interest rates, and types of bonds that a governmental unit may issue under the MTF law, to exempt from these requirements bonds issued under Section 18c (the section that Senate Bill 1265 amended).

Further, the bill requires the State Transportation Commission to certify to the Department of Treasury on or before the issuance of any bonds, notes, or other obligations issued after December 31, 2001, under Section 18b(9), that its average annual debt service requirements for all bonds, notes, and other obligations issued after that date do not exceed 10% of the Federal revenue distributed to the credit of the State Trunk Line Fund during the last completed State fiscal year. This applies to bonds issued pursuant to Section 18b(9) in anticipation of Federal grants and not payable from taxes deposited in the Trunk Line Fund, for purposes other than the preservation of roadways and bridges or other specified purposes.

Senate Bill 1269 amended Section 18f, which prohibits the issuance of certain county bonds for highway construction and reconstruction until MDOT has approved the construction to be financed by the bond proceeds. The bill deleted provisions pertaining to prior approval, public sale, and notification requirements for these bonds and other bonds issued under the MTF law.

MCL 247.668c (S.B. 1265)
247.668d (S.B. 1266)
247.661 (S.B. 1267)
247.668e (S.B. 1268)
247.668f (S.B. 1269)

Legislative Analyst: George Towne

FISCAL IMPACT

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

Fiscal Analyst: Craig Thiel

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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.