



**Senate Fiscal Agency**  
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BILL ANALYSIS



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House Bills 4450 & 4451 (as reported without amendment)  
 Sponsor: Representative Beverly Hammerstrom  
 House Committee: Local Government  
 Senate Committee: Natural Resources and Environmental Affairs

Date Completed: 10-30-95

### RATIONALE

Various statutes governing local units of government place a limit on the level of debt that a local unit can incur, i.e., generally no more than 10% of the assessed value of all real and personal property in the locality. There are, however, several exceptions to this limit, including, for home rule cities and home rule villages, bonds issued for the construction, improvement, or replacement of combined sewer overflow (CSO) abatement facilities. The CSO exemption stems from 1993 legislation on the financing of projects that would separate sanitary sewers and storm sewers in order to reduce the contamination of lakes and rivers that results when combined sewers overflow in heavy rainstorms. Public Act 324 of 1994 then amended the Home Rule City Act to extend the debt limit exemption to assessments and contract obligations related to CSO projects. It has been suggested that home rule villages also be given the flexibility to use other forms of indebtedness to finance combined sewer overflow projects, and that the debt limit exemption be extended to charter townships.

### CONTENT

**The bills would exempt from the debt limits placed on home rule villages and charter townships bonds issued and assessments or contract obligations incurred for combined sewer overflow abatement facilities.**

Senate Bill 4450 would amend the Home Rule Village Act to exempt from the maximum debt limit imposed on home rule villages any assessments or contract obligations incurred for the construction, improvement, or replacement of a combined sewer overflow abatement facility. Currently, the Act limits the amount of indebtedness that a home rule village can incur

through the issuance of bonds, or otherwise, to a maximum of 10% of the assessed valuation of the real and personal property within the village subject to taxation. The Act, however, exempts from this limit bonds issued for certain purposes, including for the construction, improvement, or replacement of a CSO abatement facility.

Senate Bill 4451 would amend the Charter Township Act to exempt from the maximum debt limit imposed on charter townships any bonds issued, or contract or assessment obligations incurred, for the construction, improvement, or replacement of a combined sewer overflow abatement facility. Currently, the Act limits the amount of indebtedness that a charter township can incur for all public purposes to 10% of the assessed value of all real and personal property in the township, but exempts from this limit bonds issued for certain purposes.

Senate Bill 4451 also would define "combined sewer overflow", "combined sewer system", "construction" and other terms as they are defined in the Home Rule City Act.

MCL 78.26 (H.B. 4450)  
 42.14a (H.B. 4451)

### ARGUMENTS

*(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)*

#### Supporting Argument

The bills would grant home rule villages and charter townships the same flexibility in financing combined sewer overflow projects that Public Act 324 of 1994 granted to home rule cities. Local

units of government thus could levy assessments or enter into contract obligations to ensure that projects as important to the public safety and welfare as sanitary and storm sewers could be constructed without violating the units' debt limits and jeopardizing other important public projects.

Legislative Analyst: L. Burghardt

**FISCAL IMPACT**

The bills would have no fiscal impact on State government. The bills also would have no fiscal impact on local units, unless additional bonds were issued.

Fiscal Analyst: R. Ross

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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.