

Senate Fiscal Agency
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SFA



BILL ANALYSIS

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Senate Bills 1059, 1060, and 1061 (as enrolled)
Senate Bills 1062, 1063, and 1064 (as enrolled)
Senate Bills 1065, 1066, and 1067 (as enrolled)
Senate Bills 1068 through 1072 (as enrolled)
Senate Bills 1073, 1074, and 1075 (as enrolled)
Senate Bills 1076 and 1077 (as enrolled)
Senate Bills 1078, 1079, and 1080 (as enrolled)
Senate Bills 1081 and 1082 (as enrolled)
Senate Bills 1083 and 1084 (as enrolled)

PUBLIC ACTS 297-299 of 2002
PUBLIC ACTS 555, 300, & 408 of 2002
PUBLIC ACTS 301, 302, & 404 of 2002
PUBLIC ACTS 307-311 of 2002
PUBLIC ACTS 410, 447, & 312 of 2002
PUBLIC ACTS 411 & 357 of 2002
PUBLIC ACTS 412-414 of 2002
PUBLIC ACTS 313 & 415 of 2002
PUBLIC ACTS 314 & 358 of 2002

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)

Senate Committee: Finance
House Committee: Tax Policy

Date Completed: 3-26-03

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 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.) 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 1059 amended the Industrial Development Revenue Bond Act to specify that bonds and notes issued under the Act are

subject to the Agency Financing Reporting Act, but are not subject to the Revenue Bond Act or the RMFA.

Senate Bill 1060 repealed Public Act 5 of the Extra Session of 1870, which allowed a city or village to borrow money to acquire or improve waterworks.

Senate Bill 1061 repealed Public Act 60 of 1923, which allowed 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 repealed Section 3 of Public Act 380 of 1913. Section 3 provided that a Federal or State grant, used to encourage or assist businesses in locating and expanding in the State, could not be commingled with or become a part of the general funds of a local unit that received a grant.

Public Act 380 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 loan.

Senate Bill 1063 amended 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 repeals the Act on January 1, 2010.

Senate Bill 1064 amended the Local Government Fiscal Responsibility Act. Previously, the Act required the State Treasurer to conduct a preliminary review to determine the existence of a local government financial problem if a local unit had violated the MFA. The bill requires a review if a local unit violated the RMFA or the Revenue Bond Act.

Previously, with respect to a local unit in which a financial emergency has been determined to exist, an emergency financial manager could approve or disapprove the issuance of obligations of the local unit, subject to the conditions of the MFA. The bill allows the manager to approve or disapprove the issuance subject to the conditions of the RMFA and the Revenue Bond Act.

Further, the Superintendent of Public Instruction previously could determine that a school district had a serious financial problem

if he or she found a school district in violation of the MFA. The bill permits a determination if a school district is found in violation of the RMFA or the Revenue Bond Act.

Senate Bill 1065 amended 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 are subject to the RMFA. The bill deleted a reference to the notes' interest rate allowed under the MFA.

Senate Bill 1066 amended the Michigan Export Development Act to add references to the RMFA, and delete provisions that pertained to prior approval.

Senate Bill 1067 amended 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 notes or other evidences of indebtedness are subject to the Revenue Bond Act. The bill also eliminated provisions pertaining to prior approval.

Senate Bill 1068 repealed Public Act 325 of 1919, which allowed cities to borrow money and issue bonds to provide for memorials to soldiers and sailors.

Senate Bill 1069 amended Public Act 33 of 1951, which allows certain local units to provide police and fire protection, to specify that bonds issued under the Act are subject to the RMFA.

Senate Bill 1070 repealed Public Act 228 of 1911, which allowed counties to issue bonds for county fairs and exhibitions.

Senate Bill 1071 repealed Public Act 26 of 1911, which provided bonding authority for certain villages for water service and lighting.

Senate Bill 1072 repealed Public Act 209 of 1925, which allowed a village with a population under 1,000 to issue bonds to provide a courthouse and a jail.

Senate Bill 1073 amended the Metropolitan District Act (which allows an incorporated

district to issue bonds for public utilities and parks) to specify that a revenue bond issued under the Act is subject to the Revenue Bond Act. The bill also provides that all other bonds issued under the Metropolitan District Act are subject to the RMFA.

Senate Bill 1074 amended 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 and notes issued under Section 32 are subject to the RMFA.

Senate Bill 1075 amended 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 are subject to the RMFA. Further, the bill provides that a contract entered into by a local unit for the rental of quarters or space, is not subject to the RMFA.

Senate Bill 1076 amended the Metropolitan Council Act to specify that bonds issued under the Act, except for revenue bonds, are subject to the RMFA; and that revenue bonds issued under the Metropolitan Council Act are subject to the Revenue Bond Act.

Senate Bill 1077 amended the Economic Development Corporations Act to provide that bonds and notes issued under the Act are subject to the Agency Financing Reporting Act, and are not subject to the RMFA or the Revenue Bond Act.

Senate Bill 1078 amended 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 are 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 are subject to the RMFA. Further, the bill deleted 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.

Under Section 18 bonds may be issued in anticipation of payments to become due under

contract to pay an authority operating under the Port Authority Act. The bill provides that the contracts are not subject to the RMFA.

Previously, Section 14 allowed the electors of the local units within the territory of an authority to call for a referendum on the question of the issuance of bonds. The bill deleted these provisions.

Senate Bill 1079 amended 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 Section 12 of the Brownfield Redevelopment Financing Act are subject to the Revenue Bond Act. (Section 12 allows a brownfield authority to borrow money and issue its negotiable revenue bonds to finance activities of the authority.)

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 are subject to the RMFA, except Section 503 of the RMFA (which prescribes maturity and mandatory redemption dates for municipal securities of a single issue). The bill specifies that for bonds issued under the Brownfield Redevelopment Financing Act, the first principal amount maturity date or mandatory redemption date must be not later than five years after the date of issuance, and some principal amount must mature or be subject to mandatory redemption in each subsequent year of the term of the bonds.

The bill deleted provisions in Section 17 that pertained to interest rates; term limits of bonds; prior approval; discount limits; and refunding bonds.

Senate Bill 1080 amended the Low-Level Radioactive Waste Authority Act to specify that bonds issued under the Act are not subject to the RMFA, but are subject to the Agency Financing Reporting Act. Further, the bill deleted provisions that pertained to prior approval.

Senate Bill 1081 repealed Public Act 316 of 1931, which allowed certain cities and villages to issue revenue bonds to own, operate, and improve sewage disposal facilities.

Senate Bill 1082 amended 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 Section 6 of the Act are subject to the Revenue Bond Act. (Section 6 allows the issuance of refunding bonds, including revenue refunding bonds, to retire outstanding revenue bonds.)

Under Section 10 of Public Act 235, a water and sewer system operated by a public corporation may, by contract, provide for the joint holding and management of revenues or for their deposit into separate bond and interest redemption funds for bonds. The bill provides that the contract is not subject to the RMFA.

Senate Bill 1083 repealed Public Act 66 of 1941, which granted bonding authority to cities for waterfront improvements.

Senate Bill 1084 amended the Michigan Energy Employment Act to specify that bonds issued under the Act are subject to the RMFA. The bill also deleted provisions in the Michigan Energy Employment Act that allowed refunding of outstanding bonds; allowed bonds to be serial and/or term bonds; established prior approval requirements; and allowed bonds to be sold at public or private sale, at a discount not to exceed 10%.

The Act permits a member municipality of a joint agency formed under the Act to contract to make payments to the joint agency of the municipality's taxes, charges, or special assessments. The bill provides that the contract is not subject to the RMFA.

The bill also eliminated the authority for a private corporation, firm, or individual to advance money or property to a joint agency to enable it to carry out or finance its powers and duties.

MCL 125.1254 & 125.1259 (S.B. 1059)
123.111-123.130 (S.B. 1060)
46.101-46.104 (S.B. 1061)
123.871 et al. (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 & 123.340 (S.B. 1082)
123.601-123.604 (S.B. 1083)
460.842 (S.B. 1084)

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.