

Senate Fiscal Agency  
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**SFA**



BILL ANALYSIS

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Senate Bills 1167, 1168, and 1169 (as enrolled)  
Senate Bills 1170 through 1173 (as enrolled)  
Senate Bills 1174, 1175, and 1176 (as enrolled)  
Senate Bills 1177, 1178, and 1179 (as enrolled)  
Senate Bills 1180 through 1182 (as enrolled)  
Senate Bill 1300 (as enrolled)

**PUBLIC ACTS 416, 380, & 385 of 2002**  
**PUBLIC ACTS 556, 381, 435, & 436 of 2002**  
**PUBLIC ACTS 546-548 of 2002**  
**PUBLIC ACTS 382, 386, & 383 of 2002**  
**PUBLIC ACTS 387-389 of 2002**  
**PUBLIC ACT 449 of 2002**

Sponsor: Senator Gary Peters (S.B. 1167, 1172, 1173, & 1179-1182)  
Senator John J. H. Schwarz, M.D. (S.B. 1168)  
Senator Alma Wheeler Smith (S.B. 1169 & 1171)  
Senator Dianne Byrum (S.B. 1170, & 1174-1176)  
Senator Bill Bullard, Jr. (S.B. 1177 & 1178)  
Senator Joanne G. Emmons (S.B. 1300)

Senate Committee: Finance  
House Committee: Tax Policy

Date Completed: 4-14-03

## **CONTENT**

**The bills amended various acts to replace references to the Municipal Finance Act (MFA) with references to the Revised Municipal Finance Act (RMFA). All of the bills also provide that bonds and notes issued under the amended acts are subject to the Agency Financing Reporting Act.**

**Several of the bills also deleted requirements that local units of government or State agencies obtain the prior approval of the Department of Treasury before issuing bonds. In addition, several of the bills provide that for the purpose of more effectively managing debt service, a commission, authority, board, fund, or agency may enter into an interest rate exchange or swap, hedge, or similar agreement with respect to its bonds or notes on the terms and payable from the sources and with the security, if any, as determined by a resolution of the commission, authority, board, fund, or agency.** The bills are described below.

(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. The Agency Financing Reporting Act, Public Act 470 of 2002, requires a State agency or authority, or a municipality issuing debt exempt from the RMFA or Revenue Bond Act, to file certain information with the Department of Treasury after issuing a security.)

Senate Bill 1167 amended Public Act 266 of 1967, which provides for the issuance of notes by the State to meet obligations incurred pursuant to appropriations, to specify that bonds, notes, or loans issued under the Act are not subject to the RMFA.

Senate Bill 1168 amended the Vietnam Veteran Era Bonus Act to specify that bonds and notes issued under the Act are not subject to the RMFA.

Senate Bill 1169 amended the State Housing Development Authority Act. In addition to adding references to the RMFA, the bill eliminated requirements that the State Housing Development Authority obtain prior approval from the Department of Treasury to issue bonds.

Senate Bill 1170 amended the Michigan Strategic Fund Act to replace references to the MFA with references to the RMFA. In addition, the bill allows the Strategic Fund Board to enter into an interest rate exchange or swap, hedge, or similar agreement with respect to its bonds or notes.

Senate Bill 1171 amended the Michigan Family Farm Development Act to specify that bonds and notes issued under that Act are not subject to the RMFA. The bill also eliminated provisions that pertained to prior approval.

Senate Bill 1172 amended Public Act 47 of 1945, which allows two or more local units jointly to incorporate a hospital authority and build and operate a community hospital. The bill provides that bonds issued under the Act are subject to the Agency Financing Reporting Act but are not subject to the RMFA, except that the interest rate may not exceed the maximum permitted by the RMFA. Also, bonds issued for capital improvements, and bonds that are supported by a pledge of the governing body for payment, are subject to the RMFA, but are not subject to the Agency Financing Reporting Act.

In addition, the bill repealed Section 8q of Public Act 47, which required a hospital authority to obtain the prior approval of the Department of Treasury to issue bonds.

Senate Bill 1173 amended the Hospital Finance Authority Act to specify that, except as otherwise provided in the Act, bonds and notes issued under the Act are not subject to the RMFA. The bill also repealed Section 46 of the Hospital Finance Authority Act, which required the State Hospital Finance Authority or a local authority to obtain the approval of the Department of Treasury before issuing bonds or notes.

Senate Bill 1174 amended the Higher Education Facilities Authority Act to replace a reference to the MFA with a reference to the RMFA. In addition, the bill allows the Michigan Higher Education Facilities Authority to enter into an interest rate exchange or swap, hedge, or similar agreement with respect to bonds issued under the Higher Education Facilities Authority Act.

Senate Bill 1175 amended the Higher Education Loan Authority Act to provide that

bonds issued under the Act are not subject to the RMFA; eliminate provisions that pertained to prior approval; and allow the Michigan Higher Education Loan Authority to enter into an interest rate exchange or swap, hedge, or similar agreement with respect to the bonds.

Senate Bill 1176 amended Public Act 289 of 1976, which provides for the establishment and financing of student loan programs, to replace a reference to the MFA with a reference to the RMFA.

Senate Bill 1177 amended the State Building Authority Act to specify that bonds and notes issued under the Act are not subject to the Revised Municipal Finance Act, and to eliminate provisions that pertained to prior approval. Previously, interest on obligations issued under the State Building Authority Act could not exceed 18% or a higher rate if permitted by the MFA. The bill provides, instead, that interest may not exceed a rate permitted in the RMFA.

Senate Bill 1178 amended the Shared Credit Rating Act to replace a reference to the MFA with a reference to the RMFA; and allow the Michigan Municipal Bond Authority to enter into an interest rate exchange or swap, hedge, or similar agreement with respect to bonds issued under the Shared Credit Rating Act.

Senate Bill 1179 amended Section 19603 of the Natural Resources and Environmental Protection Act (NREPA), which places certain requirements on the issuance of bonds for the Clean Michigan Initiative Bond Fund. In addition to adding a reference to the RMFA, the bill removed provisions that required the Department of Treasury to approve bonds before they were issued under Section 19603; and that required the bonds to be sold at a publicly advertised sale.

Further, the bill allows the State Administrative Board to enter into an interest rate exchange or swap, hedge, or similar agreement with respect to the bonds.

Senate Bill 1180 amended Section 50510 of the NREPA, which prescribes certain requirements for bonds issued by the Michigan Forest Finance Authority to fund forest management programs. In addition to replacing a reference to the MFA with a reference to the RMFA, the bill allows the

Authority to enter into an interest rate exchange or swap, hedge, or similar agreement with respect to the bonds.

Senate Bill 1181 amended Section 71503 of the NREPA, which prescribes requirements for bonds issued for the Recreation Bond Fund (to finance State and local public recreation projects). In addition to replacing a reference to the MFA with a reference to the RMFA, the bill eliminated a requirement that the bonds be approved by the Department of Treasury before issuance.

In addition, the bill allows the State Administrative Board to enter into an interest rate exchange or swap, hedge, or similar agreement with respect to the bonds.

Senate Bill 1182 amended Section 76703 of the NREPA, which prescribes certain requirements for bonds issued by the Mackinac Island State Park Commission, to specify that bonds issued under Section 76703 are not subject to the RMFA. The bill also allows the Commission to enter into an interest rate exchange or swap, hedge, or similar agreement with respect to the bonds.

Senate Bill 1300 amended Public Act 112 of 1961, which provides for the issuance of bonds and notes of the State to fund loans to school districts for the payment of certain school bonds. The bill specifies that the bonds and notes issued under the Act are not subject to the RMFA.

- MCL 17.454 (S.B. 1167)
- 35.1035 (S.B. 1168)
- 125.1422 & 125.1425 (S.B. 1169)
- 125.2023 & 125.2047 (S.B. 1170)
- 285.263 (S.B. 1171)
- 331.8 & 331.8a (S.B. 1172)
- 331.42 & 331.72 (S.B. 1173)
- 390.926 (S.B. 1174)
- 390.1155 (S.B. 1175)
- 390.1352 (S.B. 1176)
- 830.418 (S.B. 1177)
- 141.1059 (S.B. 1178)
- 324.19603 (S.B. 1179)
- 324.50510 (S.B. 1180)
- 324.71503 (S.B. 1181)
- 324.76703 (S.B. 1182)
- 388.981c (S.B. 1300)

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.