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SFA BILL ANALYSIS

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Senate Bill 1302 (as reported without amendment)
Sponsor: Senator Joanne G. Emmons
Committee: Finance

**CONTENT**

The bill would amend the Revised Municipal Finance Act to provide that, if a municipality failed to make a payment on an outstanding municipal security, the State Treasurer (or the Superintendent of Public Instruction if the municipality were a school district) could investigate and develop a plan for financing, adjusting, or compromising the outstanding security. As part of the plan, the Department of Treasury could withhold State payments under an appropriation made to the municipality, the State Revenue Sharing Act, or the State School Aid Act. If the municipality failed to implement the plan, the Department would have all of its powers necessary to implement the plan.

The bill also provides that a municipal security under the Act would not include a contract between one or more municipalities under whose terms one or more municipalities pledged their revenues, or full faith and credit, to secure payment of a proposed municipal security issued by one of them.

The bill would repeal Section 815 of the Act, which exempts from the Act any security that by the terms of the statute that authorizes its issuance is exempt from the former Municipal Finance Act.

The bill provides that if a municipality issued a municipal security subject to the Act, and the principal and interest for that municipal security would be paid by one or more municipalities not issuing the municipal security under a contract, and one or more of the municipalities had not been granted qualified status, then the municipal security would be subject to Section 303(7) of the Act (i.e., it would need the prior approval of the Department).

MCL 141.2105 et al. Legislative Analyst: George Towne

**FISCAL IMPACT**

The bill would restore powers that the State possessed under the former Municipal Finance Act. Because that Act already has been repealed, technically the State does not have these powers and passage of the bill thus would have a fiscal impact. In some cases, the fiscal impact on local units could be significant. The bill would allow the Department of Treasury, under certain conditions, to assume all of a local unit's powers necessary to implement and enforce a plan for financing, adjusting, or compromising the local unit's debt. If such conditions were met, the State would incur expenses that it would not absent the bill. Similarly, the bill would empower the State to direct and control a variety of the financial matters affecting the local unit, including revenue sharing and State school aid payments, which could result in changes in the local unit's revenues and expenses.

Date Completed: 5-8-02 Fiscal Analyst: David Zin
Jessica Runnels