



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536



Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 927 (as introduced 10-20-09)
Sponsor: Senator Mark C. Jansen
Committee: Appropriations

Date Completed: 10-27-09

CONTENT

The bill would amend the Revised Municipal Finance Act to allow a county, city, village, or township, through September 30, 2014, without a vote of its electors, to issue a municipal security to pay the costs of its unfunded accrued liability, which would be the difference between the assets and liabilities of a health care trust fund as determined by an actuarial study. "Health care trust fund" would mean a trust or fund created in accordance with the Public Employee Health Care Fund Investment Act, or other State or Federal statute, and used exclusively to provide funding for postemployment health care benefits for public employee retirees of a county, city, village, or township; the term also would include the retiree health fund vehicle administered by the Municipal Employees Retirement System for a local unit that had adopted the system to provide funding for retiree health care benefits. The bill would do the following:

- Require a local unit, before issuing the municipal security, to publish a notice of intent and prepare and make available to the public a comprehensive financial plan.
- Require the comprehensive financial plan to include a debt service amortization schedule, a plan to reduce health care costs, and documentation that issuing the security would result in projected present value savings regarding the unfunded actuarial liability.
- Require the proceeds of the municipal security to be deposited in a particular trust fund, trust, or restricted fund of a trust used to retire the municipal security.
- Specify that municipal securities currently outstanding could not exceed 5% of the State equalized valuation of the property assessed in the local unit issuing the securities.
- Provide that municipal securities could not on a cumulative basis exceed 75% of current actuarial liabilities on postemployment health care benefits owed to employees of the local unit existing on the bill's effective date.
- Specify requirements for the security's investment grade and the projected difference between the assumed rate of return on health care trust fund investments and the actual interest rate paid on the securities.
- Require a local unit, before issuing a municipal security, to obtain the approval of the Department of Treasury.

MCL 141.103 et al.

FISCAL IMPACT

It is unknown how this legislation would affect local units, since market returns compared with the cost of the securities would dictate whether the issuance of the securities was fiscally advantageous. If market returns over the life of the securities were greater than the cost of issuing them, then the local unit would experience long-term savings when funding retiree health care. If not, the opposite would be true. The bill likely would have a minimal fiscal impact on State government, to the extent that the Department of Treasury would see increased costs due to oversight and approval of issuance of securities.

Fiscal Analyst: Kathryn Summers

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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.