



Senate Fiscal Agency
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Senate Bill 86 (Substitute S-1 as reported by the Committee of the Whole)
Sponsor: Senator Jack Brandenburg
Committee: Finance

CONTENT

The bill would amend the Revised Municipal Finance Act to extend until December 31, 2018, provisions that allow counties, cities, villages, and townships to issue municipal securities to pay the costs of the unfunded pension liability for a retirement program or the costs of the unfunded accrued health care liability; and allow a county, city, village, or township to issue a security to refund such a municipal security after December 31, 2018.

The Act allows a county, city, village, or township to issue a municipal security, through December 31, 2015, to pay all or part of the costs of the unfunded pension liability for a retirement program, in connection with the partial or complete cessation of accruals to a defined benefit (DB) plan or the closure of the DB plan to new or existing employees and the implementation of a defined contribution plan, or to fund costs of a municipality that has already ceased accruals to a DB plan.

Also, through December 31, 2015, a county, city, village, or township may issue a municipal security to pay the costs of the unfunded accrued health care liability if the amount of taxes necessary to pay the principal and interest on that municipal security, together with the taxes levied for the same year, does not exceed the limit authorized by law, or to refund all or a portion of a contract obligation issued for the same purpose.

The bill would allow local units to issue these securities through December 31, 2018. After that date, if a county, city, village, or township had issued a municipal security for either purpose described above, the municipality could issue a refunding security to refund that municipal security if the refunding security did not have a final maturity later than that of the security being refunded, and if the municipality had been assigned a credit rating within the category of AA or higher or the equivalent by at least one nationally recognized rating agency in connection with the refunding security. Currently, a municipality may issue a refunding security after December 31, 2015, subject to the same conditions.

MCL 141.2518

Legislative Analyst: Ryan M. Bergan

FISCAL IMPACT

The bill would have no fiscal impact on State government. Local governments that issued securities for unfunded pension or health care liabilities or refunded those securities pursuant to the bill potentially would have reduced costs.

Date Completed: 3-3-15

Fiscal Analyst: Elizabeth Pratt