



House
Legislative
Analysis
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CSO DEBT EXEMPTION

House Bills 4450 and 4451 as introduced
First Analysis (3-9-95)

Sponsor: Rep. Beverly Hammerstrom
Committee: Local Government

THE APPARENT PROBLEM:

Various statutes governing local units of government place a limit on the level of debt that can be incurred (generally, no more than 10 percent of the assessed value of all real and personal property in the locality). There are a number of exceptions to this limit, including, for home rule cities and home rule villages, bonds issued for the construction, improvement, or replacement of combined sewer overflow abatement facilities. The CSO exemption stems from 1992 legislation on the financing of projects that would separate sanitary sewers and storm sewers in order to reduce the contamination of lakes and rivers that results when combined sewers overflow in heavy rainstorms. Last year, the Home Rule Cities Act was amended to extend the debt limit exemption to cover other forms of indebtedness (beyond bonds) related to sewer projects, for example the contract obligations incurred when a project is financed through a county. Two other acts, one governing home rule villages and one governing charter townships, need to be amended to make them consistent with the treatment of cities as regards the financing of combined sewer overflow projects.

THE CONTENT OF THE BILLS:

The Home Rule Village Act (MCL 78.26) places a limit on the level of debt villages may incur (generally, no more than 10 percent of the assessed value of all real and personal property within the village). There are certain exceptions to this limit, including bonds issued for the construction, improvement, or replacement of a combined sewer overflow abatement facility. House Bill 4450 would, in addition, specifically exempt assessments or contract obligations incurred for combined sewer overflow projects.

The Charter Township Act (MCL 42.14a) contains a similar 10 percent limit on debt, but its list of exceptions does not cover indebtedness for combined sewer overflow abatement facilities. House Bill 4451 would exempt from the debt limit

bonds issued or contract or assessment obligations incurred for the construction, improvement, or replacement of such a facility. (It would also put in the act definitions relating to such a facility now found in other acts governing local units.)

FISCAL IMPLICATIONS:

The bills do not have any fiscal implications, according to a preliminary analysis by the House Fiscal Agency. (3-8-95)

ARGUMENTS:

For:

The bills would make a technical correction to two acts so that various forms of borrowing by home rule villages and charter townships for combined sewer overflow abatement projects would be exempt from the debt limits in the acts. This would make these two acts consistent with the Home Rule Cities Act regarding CSOs.

POSITIONS:

The Michigan Townships Associations had indicated support for the bills. (3-8-95)

The Michigan Municipal League had indicated support for the bills. (3-8-95)

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