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Senate Bill 959 (as enrolled)  
Sponsor: Senator Joanne G. Emmons  
Senate Committee: Finance  
House Committee: Tax Policy

**PUBLIC ACT 416 of 2000**

Date Completed: 1-12-01

**CONTENT**

**The bill amended the Shared Credit Rating Act to do the following:**

- **Allow the Michigan Municipal Bond Authority to accept State appropriations to use for the benefit of public schools, and specifically allow the Authority to establish reserve funds to purchase obligations issued by school districts.**
- **Allow the Authority to loan money to a nonprofit corporation, trust, or similar entity for the benefit of a public school academy.**
- **Repeal a section that prohibited the Authority from issuing new bonds or notes after December 31, 2000, to make loans to governmental units.**
- **Reduce the membership of the board of the Authority.**

Appropriations/Public Schools

Previously, while the Michigan Municipal Bond Authority could accept grants, contributions, property, and other things of value, it was prohibited from receiving appropriations from the State's General Fund, except for revolving funds established for pollution control and drinking water. The bill specifies that the Authority may accept General Fund appropriations for the benefit of public schools, or for reserve funds for school districts.

The bill provides that an amount appropriated to the Authority may be accepted, obligated, and used by it to fund one or more reserve funds to secure bonds or notes it issues, to provide funds to make loans authorized under the Act or to purchase municipal obligations issued by school districts. The Authority, by resolution, must identify the reserve fund or funds as being funded, in whole or in part, with appropriated amounts accepted and obligated under these provisions. By resolution, the Authority must establish a reserve fund requirement with respect to each reserve fund established. If at any time a

reserve fund requirement exceeds the amount in the reserve fund, an officer of the Authority, designated in the resolution establishing the fund, will have to certify to the State Treasurer the amount, if any, necessary to restore the fund to the reserve fund requirement. The State Treasurer will have to inform the State budget director of that amount. The Authority must include in the resolutions authorizing the issuance of bonds or notes secured by a reserve fund, or in a separate agreement, provisions determined by the Authority to be necessary or appropriate to implement these requirements.

Previously, a bond issued by the Authority and municipal obligations (bonds or notes issued by a governmental unit for a purpose authorized by law) did not include "qualified bonds", i.e., general obligation bonds of school districts issued for capital expenditures under Article 9, Section 16 of the State Constitution. (Article 9, Section 16 allows the State to make loans to school districts to enable them to make payments on the districts' qualified bonds.) The bill deleted this provision, and specifies that the Authority may purchase qualified bonds issued by school districts under Public Act 108 of 1961 (which implements Article 9, Section 16). The principal amount of the qualified bonds purchased by the Authority in a calendar year may not exceed 7.5% of the principal amount of qualified bonds issued by school districts in the preceding calendar year.

Public School Academy

Under the Act, the Authority may loan money to a governmental unit and purchase and sell municipal obligations. The bill specifies that the Authority also may loan money to a nonprofit corporation, trust, or similar entity for the benefit of a public school academy.

Authority Board

Beginning January 1, 2001, the bill reduced from five to four the number of residents appointed by the Governor to the Authority's board of trustees,

reducing the members of the board from eight to seven. Under the Act, in addition to the resident members, two members must be public officials or employees with expertise in the State's infrastructure needs, appointed by the Governor, and the other member is the State Treasurer. The bill retains these members, but provides that the State Treasurer is the chairperson of the board. (Previously, the chairperson was elected by the board.)

The bill deleted a provision that prohibited an employee of the Authority from being paid a higher salary than the State Treasurer.

Previously, an action of the board required a concurring vote by a majority of the board. The bill provides that an action of the board requires a concurring vote of the majority of the members present at a meeting.

#### Other Provisions

The Act allows the Authority to purchase the municipal obligations of a governmental unit in "fully marketable form", that is, a municipal obligation duly executed and accompanied by various documents required in the Act. The bill deleted a requirement that the obligation be accompanied by an order of approval or an order of exception issued by the Department of Treasury under the Municipal Finance Act, including certification that a pledge for payment of the obligation was sufficient to pay principal and interest.

Previously, the Act provided that a governmental unit did not include the Michigan Strategic Fund or an economic development corporation. The bill deleted this provision.

Under the Act, the Authority had to make an annual report to the Legislature on its activities, including various information such as obligations purchased and issued. The bill provides that the report must be made available to the public, instead of the Legislature.

MCL 141.1051 et al.

#### BACKGROUND

The Act prescribes the powers and duties of the Michigan Municipal Bond Authority in regard to issuing bonds and purchasing the obligations of local units of government as a mechanism for them to finance public improvements. The Act's statement of legislative intent says, in part, that it is in the public interest and it is the policy of the State to foster and promote borrowing by governmental units (which include school districts and intermediate school districts) for financing public improvements and for other municipal purposes; to provide for the orderly

marketing of obligations; and to make money available through the Authority at reduced rates or on more favorable terms for borrowing by local units.

Legislative Analyst: G. Towne

#### FISCAL IMPACT

The bill will have no fiscal impact on the State. Previously, a sunset of December 31, 2000, was scheduled to terminate the Authority's ability to issue new bonds or notes to make loans to governmental units, except for bonds or notes issued pursuant to the State Water Pollution Control Revolving Fund or the State Drinking Water Revolving Fund. As a result, if the sunset took effect, local units would have had to use their own credit rating to determine the interest rate of a loan, which is usually higher than that of an Authority program.

In Public Act 137 of 1999, an appropriation of \$5 million was made to the Michigan Municipal Bond Authority for the purpose of capital and operational loans to public school academies. The bill provides authorization for the Authority to accept that appropriation.

Fiscal Analyst: J. Runnels

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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.