



**House  
Legislative  
Analysis  
Section**

House Office Building, 9 South  
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Phone: 517/373-6466

**BONDING ACTS: REFER TO  
REVISED MUN. FINANCE ACT**

House Bill 5821 as enrolled  
Public Act 334 of 2002  
Sponsor: Rep. Ron Jelinek

House Bill 5822 as enrolled  
Public Act 326 of 2002  
Sponsor: Rep. Brian Palmer

House Bill 5823 as enrolled  
Public Act 327 of 2002  
Sponsor: Rep. Clark Bisbee

House Bill 5836 as enrolled  
Public Act 328 of 2002  
Sponsor: Rep. Judith Scranton

House Bill 5837 as enrolled  
Public Act 335 of 2002  
Sponsor: Rep. Larry Julian

House Bill 5838 as enrolled  
Public Act 336 of 2002  
Sponsor: Rep. Doug Hart

House Bill 5839 as enrolled  
Public Act 329 of 2002  
Sponsor: Rep. Gary Newell

House Bill 5840 as enrolled  
Public Act 330 of 2002  
Sponsor: Rep. Marc Shulman

House Bill 5841 as enrolled  
Public Act 337 of 2002  
Sponsor: Rep. John Hansen

House Bill 5842 as enrolled  
Public Act 338 of 2002  
Sponsor: Rep. John Pappageorge

House Bill 5843 as enrolled  
Public Act 339 of 2002  
Sponsor: Rep. Andrew Richner

House Bill 5844 as enrolled  
Public Act 331 of 2002  
Sponsor: Rep. Ruth Ann Jamnick

House Bill 5845 as enrolled  
Public Act 333 of 2002  
Sponsor: Rep. Keith Stallworth

House Bill 5846 as enrolled  
Public Act 340 of 2002  
Sponsor: Rep. Ken Daniels

House Bill 5847 as enrolled  
Public Act 341 of 2002  
Sponsor: Rep. Dale Sheltroun

House Bill 5848 as enrolled  
Public Act 342 of 2002  
Sponsor: Rep. Douglas Bovin

House Bill 5849 as enrolled  
Public Act 343 of 2002  
Sponsor: Rep. Sandra Caul

House Bill 5850 as enrolled  
Public Act 395 of 2002  
Sponsor: Rep. Charles LaSata

House Bill 5851 as enrolled  
Public Act 344 of 2002  
Sponsor: Rep. Patricia Birkholz

House Bill 5852 as enrolled  
Public Act 345 of 2002  
Sponsor: Rep. Lauren Hager

Senate Bills 981-986, 988, 1059-1061, 1063, 1065-1066, 1068-1072, 1075, 1077, 1081, 1083,  
1084, 1168, 1169, 1171-1173, 1177-1182 (6-27-02)  
House Bills 5821-5852, 5854 and 5855

**House Bill 5854 as enrolled  
Public Act 346 of 2002  
Sponsor: Rep. John Stewart**

**House Bill 5855 as enrolled  
Public Act 332 of 2002  
Sponsor: Rep. Barb Vander Veen**

**Senate Bill 981 as enrolled  
Public Act 284 of 2002  
Sponsor: Sen. Thaddeus McCotter**

**Senate Bills 982, 1061, 1065, and 1066  
as enrolled  
Public Acts 268, 299, 301, and 302 of 2002  
Sponsor: Sen. Burton Leland**

**Senate Bills 983, 985, 1169, and 1171  
as enrolled  
Public Acts 285, 287, 385, and 381  
Sponsor: Sen. Alma Wheeler Smith**

**Senate Bill 984 as enrolled  
Public Act 286 of 2002  
Sponsor: Sen. Walter North**

**Senate Bill 986 as enrolled  
Public Act 288 of 2002  
Sponsor: Sen. Arthur J. Miller, Jr.**

**Senate Bills 988 and 1072 as enrolled  
Public Acts 289 and 311 of 2002  
Sponsor: Sen. Alan Sanborn**

**Senate Bills 1059, 1063, and 1070 as  
enrolled  
Public Acts 297, 300, and 309 of 2002  
Sponsor: Sen. Joanne Emmons**

**Senate Bills 1060, 1071, 1083, 1177, and  
1178 as enrolled  
Public Acts 298, 310, 314, 382, and 386 of  
2002  
Sponsor: Sen. Bill Bullard, Jr.**

**Senate Bills 1068 and 1168 as enrolled  
Public Acts 307 and 380 of 2002  
Sponsor: Sen. John J.H. Schwarz**

**Senate Bill 1069 as enrolled  
Public Act 308 of 2002  
Sponsor: Sen. William Van Regenmorter**

**Senate Bills 1075 and 1077 as enrolled  
Public Acts 312 and 357 of 2002  
Sponsor: Sen. Dale Shugars**

**Senate Bills 1081 and 1084 as enrolled  
Public Acts 313 and 358 of 2002  
Sponsor: Sen. Kenneth R. Sikkema**

**Senate Bills 1172, 1173, 1179-1182 as  
enrolled  
Public Acts 435, 436, and 383-389 of 2002  
Sponsor: Sen. Gary Peters**

**House Committee: Tax Policy  
Senate Committee: Finance**

**Second Analysis (6-27-02)**

### ***THE APPARENT PROBLEM:***

The Revised Municipal Finance Act took effect March 1, 2002. It was created by Public Act 34 of 2001 (Senate Bill 29). Most of the old Municipal Finance Act was repealed on the same date. The new act will govern nearly all municipal borrowing and it puts in place, among other things, a new bond approval process whereby municipalities may qualify annually with the Department of Treasury and then may issue debt without prior departmental approval.

The adoption of the new act, however, requires that a great many other statutes be amended as well. Generally speaking, borrowing by governmental units takes place under a general act, such as the Revised Municipal Finance Act, and a specific act authorizing a particular kind of entity to issue debt for particular purposes. There are perhaps as many as 170 bills needed to make all the various statutes on borrowing conform to the Revised Municipal Finance

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1084, 1168, 1169, 1171-1173, 1177-1182 (6-27-02)

Act! At the same time, some borrowing, notably by state agencies, will be exempt from the new finance act but will instead be subject to the Agency Financing Reporting Act (created by Public Act 470 of 2002, Senate Bill 1201).

### ***THE CONTENT OF THE BILLS:***

The bills would amend various acts to revise references and make technical modifications to conform to the Revised Municipal Finance Act, which took effect March 1, 2002.

House Bill 5821 would amend the Revised School Code (MCL 380.445).

House Bill 5822 would amend Public Act 159 of 1993 (MCL 3.578), which established a base conversion authority to specify that bonds or notes issued by the authority would not be subject to the Revised Municipal Finance Act but would instead be subject to the Agency Financing Reporting Act.

House Bill 5823 would amend a section in the Natural Resources and Environmental Protection Act (MCL 324.4302) concerning waterworks, sewage disposal systems, and the like to specify that revenue bonds issued under the section would be subject to the Revenue Bond Act and all other bonds and notes would be subject to the Revised Municipal Finance Act.

House Bill 5836 would amend the Metropolitan Transportation Authorities Act (MCL 124.416). Bonds of the authority would have to be issued and sold in compliance with the Revised Municipal Finance Act, except that they could be issued for any period of years up to 40 years. Notes and contracts entered into by an authority would not be subject to the Revised Municipal Finance Act.

House Bill 5837 would amend the Public Transportation Authority Act (MCL 124.473).

House Bill 5838 would amend Public Act 111 of 1956 (MCL 247.354 and 247.355), which deals with financing the costs of highways within townships.

House Bill 5839 would amend the Michigan Transportation Fund act (MCL 247.660n) so that notes issued by a transportation authority in anticipation of payment from the comprehensive transportation fund would not be subject to the Revised Municipal Finance Act but would be subject to the Agency Financing Reporting Act.

House Bill 5840 would amend Public Act 175 of 1952 (MCL 247.701 and 247.703), which authorizes cities and villages to borrow money in anticipation of future payments from the motor vehicle highway fund.

House Bill 5841 would amend Public Act 55 of 1963 (MCL 124.357), which governs mass transportation authorities.

House Bill 5842 would amend Public Act 28 of 1911 (MCL 141.71), which allows counties to tax and borrow to finance the construction of public buildings and bridges.

House Bill 5843 would amend Public Act 283 of 1909 (MCL 224.22), which allows counties to issue bonds to finance road maintenance.

House Bill 5844 would repeal three sections of Public Act 205 of 1941 (MCL 252.51-252.64) dealing with the issuance and registration of bonds for the construction of limited access highways. It also would specify that certain contracts involving the irrevocable pledge of state funds would not be subject to the Revised Municipal Finance Act.

House Bill 5845 would repeal Public Act 235 of 1931 (MCL 253.91), which authorizes bonding for grade separation between railroad tracks and city streets.

House Bill 5846 would repeal Public Act 109 of 1927 (MCL 254.81 to 254.83), which authorizes cities to issue bonds for bridge construction and maintenance.

House Bill 5847 would repeal Public Act 6 of 1911 (MCL 254.91 to 254.94), which authorizes cities to issue bonds to finance interstate bridges.

House Bill 5848 would amend the Aeronautics Code of the State of Michigan (MCL 259.131).

House Bill 5849 would amend the Mental Health Code (MCL 330.1205), in a provision dealing with the bonding authority of community mental health authorities.

House Bill 5850 would amend the Municipal Health Facilities Corporations Act (MCL 331.1401 et al.) to specify that notes pledging the full faith and credit of the corporation and corporate obligations for which a local governmental unit pledges its full faith and credit would be subject to the Revised Municipal Finance Act. Otherwise notes and obligations would not be subject to the Revised Municipal Finance Act

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1084, 1168, 1169, 1171-1173, 1177-1182 (6-27-02)

but instead would be subject to the Agency Financing Reporting Act.

House Bill 5851 would repeal Public Act 305 of 1919 (MCL 397.241 to 397.246), which deals with bonding for public libraries.

House Bill 5852 would amend the District Library Financing Act (MCL 397.284 et al.).

House Bill 5854 would amend Public Act 261 of 1913 (MCL 397.262), which authorizes bonding for public libraries governed by boards of education.

House Bill 5855 would amend Public Act 5 of 1917 (MCL 397.324), which authorizes bonding for township and village libraries.

Senate Bill 981 would amend the City and Village Zoning Act (MCL 125.595).

Senate Bill 982 would amend Public Act 18 of the Extra Session of 1933 (MCL 125.667 and 125.697) dealing with housing projects.

Senate Bill 983 would amend Public Act 208 of 1949 (MCL 125.946a and 125.946b) dealing with blight prevention.

Senate Bill 984 would amend Public Act 118 of 1923 (MCL 141.61) dealing with county bonds.

Senate Bill 985 would amend Public Act 57 of 1957 (MCL 141.37 and 141.373) dealing with city and village local improvement revolving funds.

Senate Bill 986 would amend Public Act 205 of 1964 (MCL 141.451) dealing with municipal fire trucks and fire fighting apparatus.

Senate Bill 988 would amend the Safe Drinking Water Financial Assistance Act (MCL 141.1453 and 141.1454). The bill would eliminate a provision that says bonds issued under the act are not subject to any right of referendum.

Senate Bill 1059 would amend the Industrial Development Revenue Bond Act of 1963 (MCL 125.1254 and 125.1259).

Senate Bill 1060 would repeal Public Act 5 of the Extra Session of 1870 (MCL 123.111 to 123.130) dealing with municipal water supply.

Senate Bill 1061 would repeal Public Act 60 of 1923 (MCL 46.101 to 46.104) dealing with county public agricultural produce markets.

Senate Bill 1063 would amend the Michigan Municipal Distributable Aid Bond Act (MCL 141.1030) to specify that a municipality could not issue or refund an obligation under the act as of March 1, 2002 and to repeal the act effective January 1, 2010.

Senate Bill 1065 would amend Public Act 206 of 1957 (MCL 259.629) dealing with airport authorities organized by two or more counties, cities, townships, and incorporated villages, or any combination of those local units.

Senate Bill 1066 would amend the Michigan Export Development Act (MCL 447.160).

Senate Bill 1068 would repeal Public Act 325 of 1919 (MCL 35.871 to 35.873), which addresses the acquisition of land for veteran memorials.

Senate Bill 1069 would amend Public Act 33 of 1951 (MCL 41.801) dealing with township police and fire protection.

Senate Bill 1070 would repeal Public Act 228 of 1911 (MCL 46.111), which addresses land and improvements for county fairs and exhibitions.

Senate Bill 1071 would repeal Public Act 26 of 1911 (MCL 79.1 to 79.2) dealing with water supply and municipal lighting.

Senate Bill 1072 would repeal Public Act 209 (MCL 79.41 to 79.43), which allows certain incorporated villages to borrow for the purpose of buying or building county courthouses or jails.

Senate Bill 1075 would amend Public Act 150 of 1923 (MCL 123.925) dealing with counties, cities, villages, and townships, and combinations of those units, to acquire, build, or lease buildings for various public purposes, including offices, memorial halls for veterans, and halls for public assemblage. The general obligation bonds issued under the act would be subject to the Revised Municipal Finance Act but not rental contracts.

Senate Bill 1077 would amend the Economic Development Corporations Act (MCL 125.1606a et al.). Bonds and notes issued under the act would not be subject to the Revised Municipal Finance Act nor

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1084, 1168, 1169, 1171-1173, 1177-1182 (6-27-02)

the Revenue Bond Act, but would be subject to the Agency Financing Reporting Act.

Senate Bill 1081 would repeal Public Act 316 of 1931 (MCL 123.201 to 123.220), which addresses city and village sewage disposal plants.

Senate Bill 1083 would repeal Public Act 66 of 1941 (MCL 123.601 to 604), which deals with city waterfront facilities.

Senate Bill 1084 would amend the Michigan Energy Employment Act of 1976 (MCL 460.842).

Senate Bill 1168 would amend the Vietnam Veteran Era Bonus Act (MCL 35.1035) to specify that bonds and notes issued under the act are not subject to the Revised Municipal Finance Act but are subject to the Agency Financing Reporting Act.

Senate Bill 1169 would amend the Michigan State Housing Development Authority Act (MCL 125.1422 and 125.1425) to specify that bonds issued by MSHDA are not subject to the Revised Municipal Finance Act but are subject to the Agency Financing Reporting Act.

Senate Bill 1171 would amend the Michigan Family Farm Development Act (MCL 285.263) to specify that bonds or notes issued under the act are not subject to the Revised Municipal Finance Act but are subject to the Agency Financing Reporting Act.

Senate Bill 1172 would amend the Municipal Hospital Authority Act (MCL 331.8 et al.) to specify that the bonds would bear interest at a rate not to exceed the maximum rate permitted by the Revised Municipal Finance Act, but that otherwise bonds would not be subject to that act unless they were issued for capital improvements in anticipation of a voter-approved additional tax levy and were supported by a pledge of the governing body for payment; to specify that notes issued by a hospital board for a duration of one year or less would not be subject to the Revised Municipal Finance Act; to make the issuance of bonds and notes under the act subject to the Agency Financing Reporting Act (except for those subject to the Revised Municipal Finance Act); and to repeal Section 8q, which requires approval by the Municipal Finance Commission for the issuance of debt.

Senate Bill 1173 would amend the Hospital Finance Authority Act (MCL 331.42 and 331.72) to provide that, generally speaking, to specify that bonds or notes issued under the act are not subject to the

Revised Municipal Finance Act but are subject to the Agency Financing Reporting Act. However, the Revised Municipal Finance Act would apply to interest rates and interest rate exchanges, swaps, and hedges.

Senate Bill 1177 would amend the State Building Authority Act (MCL 830.418) to specify that bonds or notes issued under the act are not subject to the Revised Municipal Finance Act but are subject to the Agency Financing Reporting Act.

Senate Bill 1178 would amend the Shared Credit Rating Act (MCL 141.1059) to specify that bonds or notes issued under the act by the Michigan Municipal Bond Authority are not subject to the Revised Municipal Finance Act but are subject to the Agency Financing Reporting Act. The bill also would allow the authority, for the purpose of more effectively managing its debt service, to enter into interest rate exchanges or swaps, hedges, or similar agreements with respect to its bonds or notes, with the terms, source of payment, and security to be determined by a resolution of the authority.

Senate Bill 1179 would amend the Natural Resources and Environmental Protection Act (MCL 324.19603) to specify that environmental protection bonds or notes issued under the act are not subject to the Revised Municipal Finance Act but are subject to the Agency Financing Reporting Act. The bill also would allow the State Administrative Board, for the purpose of more effectively managing its debt service, to enter into interest rate exchanges or swaps, hedges, or similar agreements with respect to its bonds or notes, with the terms, source of payment, and security to be determined by a resolution of the board.

Senate Bill 1180 would amend the Natural Resources and Environmental Protection Act (MCL 324.50510) to specify that bonds or notes issued under the act by the Michigan Forest Finance Authority are not subject to the Revised Municipal Finance Act but are subject to the Agency Financing Reporting Act. The bill also would allow the authority, for the purpose of more effectively managing its debt service, to enter into interest rate exchanges or swaps, hedges, or similar agreements with respect to its bonds or notes, with the terms, sources of payment, and security to be determined by a resolution of the authority.

Senate Bill 1181 would amend the Natural Resources and Environmental Protection Act (MCL 324.71503) to specify that bonds or notes issued under Part 713 the act to finance state and local public recreation

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projects are not subject to the Revised Municipal Finance Act but are subject to the Agency Financing Reporting Act. The bill also would allow the State Administrative Board, for the purpose of more effectively managing its debt service, to enter into interest rate exchanges or swaps, hedges, or similar agreements with respect to its bonds or notes, with the terms, source of payment, and security to be determined by a resolution of the board.

Senate Bill 1182 would amend the Natural Resources and Environmental Protection Act (324.76703) to specify that gross revenue bonds issued by the Mackinac Island State Park Commission under the act are not subject to the Revised Municipal Finance Act but are subject to the Agency Financing Reporting Act. The bill also would allow the commission, for the purpose of more effectively managing its debt service, to enter into interest rate exchanges or swaps, hedges, or similar agreements with respect to its bonds or notes, with the terms, sources of payment, and security to be determined by a resolution of the commission.

***FISCAL IMPLICATIONS:***

The House Fiscal Agency reports that the bills have no fiscal implications. (4-12-02 and 4-15-02)

***ARGUMENTS:***

***For:***

These are among a series of bills that tax specialists say are needed to make specific bonding and borrowing provisions throughout the Michigan statutes conform to the Revised Municipal Finance Act, which took effect on March 1, 2002.

Analyst: C. Couch

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.