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House Bill 4716 (as discharged)
Sponsor: Representative John Olumba
House Committee: Local, Intergovernmental, and Regional Affairs
Senate Committee: Local Government and Elections

CONTENT

The bill would amend the Home Rule City Act to allow a city in which a financial emergency existed to refund all or a portion of its financial recovery bonds, subject to approval by the Local Emergency Financial Assistance Loan Board.

Under the Act, if a financial emergency exists under the Local Government and School District Fiscal Accountability Act, a city may issue financial recovery bonds in amounts greater than the limitations established by the city charter or the Act. The bill would allow a city to provide additional security for prior bonds, and issue bonds to be sold to the Michigan Finance Authority for the purpose of refunding all or a portion of the prior bonds or other city obligations, and for other purposes approved by the Board.

By resolution or order, a city could provide for the deposit of revenue pledged for the payment of bonds into a separate account to pay principal and interest on those obligations, associated administrative costs, and any other city obligations secured by that revenue.

An agreement between a city and a third party to collect for, pay, remit, disburse, or distribute to the city revenue pledged by the city for the payment of principal and interest on bonds would have to provide for direct payment of the revenue to a trustee for deposit into an escrow account and use for the sole purpose of paying the principal and interest, related administrative costs, and other city obligations secured by that revenue. The bill would create a statutory lien and trust, paramount and superior to all other liens and interests, applicable to the revenue received by the trustee.

MCL 117.36a

Legislative Analyst: Julie Cassidy

FISCAL IMPACT

The bill would change the distribution and timing of certain tax collections as well as the financing of certain obligations. Presumably, local units would not choose to refund bonds or issue refunding obligations unless the transactions would lower the debt costs and/or levels. As a result, the bill would likely lower local unit expenses by an unknown amount that would depend upon the specific characteristics of affected debt issues.

The bill would have no fiscal impact on State government.

Date Completed: 7-5-11

Fiscal Analyst: David Zin

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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.