

Legislative Analysis



POPULATION THRESHOLD TO ISSUE G.O. BONDS & OTHER DEBT UNDER HOME RULE CITY ACT

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House Bill 5296 (reported without amendment)

Sponsor: Rep. Shanelle Jackson

Committee: Local, Intergovernmental, and Regional Affairs

First Analysis (2-23-12)

BRIEF SUMMARY: The bill would lower from 750,000 to 600,000 the population threshold that allows the City of Detroit to issue general obligation bonds and other evidence of debt, subject to the overall debt limitations provided by state law or municipal charter.

FISCAL IMPACT: The bill would essentially keep current provisions and practices in place by amending the population threshold for issuing municipal debt.

THE APPARENT PROBLEM:

The population of the city of Detroit declined 25 percent during the previous decade—from 951,270 to 713,777—according to the results of the 2010 federal decennial census.

The Michigan Home Rule Cities Act contains special provisions that apply to a city with a population of 750,000 or more which authorize the issuance of general obligation bonds and other evidences of debt, as well as allow the designation of special assessment districts in order to provide health and safety services. Only Detroit previously met that population requirement, but with the new census results, it no longer does.

Earlier in the legislative session, Public Act 287 of 2011 (House Bill 4874) was enacted to allow the City of Detroit to continue designating special assessment districts which, among other things, allow neighborhoods to hire private contractors to provide health and safety services.

Now legislation has been introduced to lower from 750,000 to 600,000 the population threshold in the Home Rule Cities Act, so that the City of Detroit can continue to issue general obligation bonds and other debt under the limitations imposed by the act. For example, using the bonding authority created under the Home Rule Cities Act, the city government issues general obligation bonds in order to self-insure for property and casualty loss. According to committee testimony, and the Detroit budget department, as of December 2011, about \$72 million remained to be paid on the last series of self-insurance bonds that were issued in 2004.

THE CONTENT OF THE BILL:

House Bill 5296 would amend the Home Rule City Act to allow any municipality with a population of 600,000 or more to issue general obligation bonds and other evidence of

debt, subject to the overall debt limitations provided by state law or municipal charter. This provision of the Home Rule City Act currently sets the population threshold at 750,000.

MCL 117.5 and 35a

ARGUMENTS:

For:

As noted elsewhere, the aim of the bill is essentially to keep longstanding provisions and practices in place by amending a population threshold in the Home Rule Cities Act for issuing municipal debt. During the past decade, the population of the City of Detroit declined from 951,270 to 713,777, according to the results of the 2010 decennial census. As a result, the number of city residents has fallen below the population threshold of 750,000 people found in certain special provisions in the Home Rule Cities Act. The act enables cities of that size to issue general obligation bonds and other debt, and also designate special assessment districts in order to provide health and safety services in city neighborhoods. Legislation to continue the special assessment provision was enacted earlier this year and this bill changes the population threshold for the general obligation bond provisions. Detroit will continue to be the only city that meets the threshold.

As the City of Detroit continues to negotiate its financial crisis, this legislation is needed so that city officials can continue to issue, and to pay off, general obligation bonds, following the same limitations and conditions that guide all home rule cities when they sell debt to provide services to their citizens.

POSITIONS:

The City of Detroit, including the Mayor and the City Council, supports the bill. (2-23-12)

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