



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bills 590 through 593 (as reported without amendment)
Sponsor: Senator Jim Stamas (S.B. 590 & 591)
Senator Mike Shirkey (S.B. 592 & 593)
Committee: Finance

CONTENT

Senate Bills 590, 591, and 592 would amend the Charter Township Act, the General Law Village Act, and the Home Rule Village Act, respectively, to revise the computation of a township's or village's net indebtedness, which may not exceed 10% of the assessed value of all real and personal property in the township or village. Under the bills, an amount equal to the assessed value equivalent of certain revenue could be added to the assessed value of real and personal property of a township or village. Specifically, the assessed value equivalent would be the sum of revenue sharing payments, reimbursement under the Local Community Stabilization Authority (LCSA) Act, and certain specific taxes, divided by the township's or village's millage rate.

Senate Bill 593 would amend the Home Rule City Act, which also limits a city's net indebtedness to 10% of the assessed value of all real and personal property in the city, and currently allows the assessed value equivalent of certain revenue to be added to the assessed value of the property. The bill would include reimbursement under the LCSA Act in the computation of assessed value equivalent.

MCL 42.14a (S.B. 590)
69.22 (S.B. 591)
78.26 (S.B. 592)
117.4a (S.B. 593)

Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

The alternative calculation of net indebtedness included in the bills would not have any direct impact on the cost or revenue of eligible local governments. However, eligible local units that chose to use the proposed options in the calculation would have the opportunity to issue more debt than would be permitted under current law. The amount of the increase in the debt limit would vary by local government, and the determination to issue additional debt and the amount of that debt would remain with each individual local unit.

Home rule cities, charter townships, and general law and home rule villages would be permitted to include the assessed value equivalent of payments of up to 100% of qualified loss (from eligible exemptions of personal property) from the Local Community Stabilization Authority. This would provide an approximate replacement in the net indebtedness calculation for the assessed value declines experienced by local governments due to personal property tax reform, which reduced the amounts of small taxpayer personal property and eligible manufacturing personal property that are subject to property taxation. Local Community Stabilization Authority payments are established in statute and funded by the local share of

the use tax. In FY 2016-17, the Local Community Stabilization Authority payments to all cities, villages, and townships for up to 100% of qualified loss totaled \$92.2 million.

For charter townships and general and home rule villages, the bills also would allow the consideration of the assessed value equivalent of revenue sharing payments under the Glenn Steil State Revenue Sharing Act. Constitutional revenue sharing of 15% of revenue from the sales tax levied at a 4% rate is paid annually to each city, village, and township on a per capita basis pursuant to the constitutional requirement. Nonconstitutional revenue sharing payments to eligible cities, villages, and townships are determined each year as part of the State budget. In addition, local revenue collected from the specific taxes levied by plant rehabilitation and industrial development districts and under the Commercial Redevelopment Act could be converted to an assessed value and included in the calculation of net indebtedness. Home rule cities currently are authorized to include this revenue in the net indebtedness calculation.

Date Completed: 10-4-17

Fiscal Analyst: Elizabeth Pratt