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BILL ANALYSIS

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House Bill 5156 (Substitute H-1 as passed by the House)  
Sponsor: Representative Bill McConico  
House Committee: Local Government and Urban Policy  
Senate Committee: Local, Urban and State Affairs

Date Completed: 10-29-03

### **CONTENT**

**The bill would amend the Home Rule City Act to allow a city to issue financial recovery bonds, in amounts greater than the limitations established by a city's charter or the Act, if a financial emergency existed under the Local Government Fiscal Responsibility Act.**

(The Local Government Fiscal Responsibility Act provides for the review, management, and control of the financial operation of local units experiencing financial distress, authorizes the Governor to declare a financial emergency, allows the Local Emergency Financial Assistance Loan Board to appoint an emergency financial manager for a local unit, and prescribes the powers of the emergency financial manager.)

Bonds issued under the bill would be subject to the terms and conditions approved by the Local Emergency Financial Assistance Loan Board. The bonds would not be subject to Section 5(g) of the Home Rule City Act (which prohibits a city from issuing bonds without providing a sinking fund to pay them at maturity).

The bill specifies that the net indebtedness of a city, reduced by amounts excluded under Section 4a(4) of the Act, could not exceed 20% of the city's assessed value. (Section 4a places limits on the net indebtedness incurred by a city for public purposes; Section 4a(4) lists several exclusions from the computation of net indebtedness.)

The bill states that it would not apply to "municipal securities" as defined in the Revised Municipal Finance Act. (Under that Act, a municipal security is a security that when issued was not exempt from the Revised Municipal Finance Act or the Municipal Finance Act (repealed in 2002), and that is payable from or secured by ad valorem real and personal property taxes, special assessments, the limited or unlimited full faith and credit pledge of the municipality, or other sources of revenue described in the Revised Municipal Finance Act).

Proposed MCL 117.36a

Legislative Analyst: George Towne

### **FISCAL IMPACT**

The bill would increase local unit revenues by an unknown and potentially significant amount and in future years could increase local unit expenditures by an unknown and potentially significant amount. The bill would not affect State revenues or expenditures.

This estimate is preliminary and will be revised as new information becomes available.

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.