SFA BILL ANALYSIS

Senate Fiscal Agency • Lansing, Michigan 48909 • (517) 373-5383

Senate Bill 260 (as enrolled)
Sponsor: Senator Norman D. Shinkle
Senate Committee: Finance
House Committee: Taxation

PUBLIC ACT 498 of 1988

Date Completed: 2-1-89

RATIONALE

A provision in the Municipal Finance Act prohibits a school district from issuing a bond for more than a six-month term if the bond is a refinancing bond (a bond whose purpose is in part to refund existing indebtedness). Reportedly, this restriction currently threatens the plans of the Rockford School District to issue a combination of long-term bonds and refinancing bonds to fund a building project. Some people feel that restricting refinancing bonds to a term of six months or less is unnecessary, and that the length of time allowed for repayment should be decided by those who negotiate the bond sale.

Further, the Act permits a municipality to issue notes in anticipation of collecting current and future taxes, and places limits on the amounts that can be borrowed in anticipation of collecting the taxes. The Act also provides for consolidated tax anticipation notes, that is, notes issued in anticipation of property taxes levied by any or all of the local units for which a city or township collects taxes, including local school districts, intermediate school districts, the county, and other taxing units. The Act provides that tax anticipation notes issued under the Act must mature within 13 months after the date of issue. It has been suggested that the maturation period be extended.

CONTENT

The bill would repeal a provision of the Municipal Finance Act that prohibits a school district from issuing a bond, whose purpose is in part to refund existing indebtedness, unless the obligations to be refunded could be redeemed within six months of the date of sale of the proposed issue. The bill would also extend the maximum maturation period for tax anticipation notes from 13 months to 36 months.

MCL 134.3b

FISCAL IMPACT

The increased flexibility for school districts in issuing refinancing bonds and for all local units in issuing tax anticipation notes could reduce total borrowing costs for those local units.

ARGUMENTS

Supporting Argument

The bill would remove a provision that currently restricts the use of refinancing bonds by school districts, and would allow local units greater flexibility in the use of tax anticipation notes.

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