



**House
Legislative
Analysis
Section**

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REIMBURSEMENT AGREEMENTS

House Bill 4650

Sponsor: Rep. Michael J. Griffin

Committee: Corporations & Finance

Complete to 4-17-91

A SUMMARY OF HOUSE BILL 4650 AS INTRODUCED 3-25-91

The bill would create a new act to authorize any local government entity (i.e. city, township, village, county, school district, port district, and others) to enter into a "reimbursement agreement" to pay for or perform an obligation imposed on it by law or a contractual agreement. A reimbursement agreement could be made to support the issuance of a letter of credit, surety bond, or third-party guarantee, and to give a note or other evidence of debt to secure the government entity's obligation; such an agreement, however, would not be subject to the governmental unit's statutory, charter, or constitutional debt limitations. Any otherwise valid reimbursement agreement, note, or similar record of indebtedness entered into by a governmental unit before the bill's effective date would be validated.

A local government entity that entered into a reimbursement agreement could pledge its revenues and, if it had ad valorem taxing power, its full faith and credit limited tax general obligation to pay off the agreement's debt or obligation. Upon entering into such an agreement, a governmental unit could pledge the revenues of a public improvement or enterprise to pay for its debt obligations under the agreement, and could create a lien on those revenues. The lien would be a statutory lien and could be made subject to existing or future liens created to secure bonds or other debt instruments.

A governmental unit could also agree to fix rates or charges for those services offered by the public improvement or enterprise which were enough to allow it to:

- * operate and maintain the improvement or enterprise;
 - * meet all other obligations incurred as a result of the improvement or enterprise;
- and
- * pay its obligations under the reimbursement agreement and a related note of indebtedness.