



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS



Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 455 (as enrolled)
 Sponsor: Senator Dale L. Shugars
 Senate Committee: Local, Urban and State Affairs
 House Committee: Transportation

PUBLIC ACT 125 of 1996

Date Completed: 10-30-96

RATIONALE

Under Public Act 175 of 1952, an incorporated city or village may borrow money and issue bonds in anticipation of future payments from the Michigan Transportation Fund for road improvements within the local unit's jurisdiction. The principal and interest on the bonds must be payable primarily from the proceeds of State-collected gas and weight taxes returned to the city or village for road purposes. Public Act 175 restricts cities and villages from pledging, for annual debt service requirements, more than 45% of the gas and weight tax revenue received during the previous year. Reportedly, at least two Michigan cities wished to issue more debt to pay for necessary road improvements, but could not because they approached or had reached the 45% limit. Because of the need for additional local road funds, it was suggested that the debt ceiling should be increased.

CONTENT

The bill amended Public Act 175 of 1952 to increase from 45% to 50% the maximum amount of Transportation Fund revenue a city or village may pledge for annual debt service requirements (principal and interest payments) on bonds issued in anticipation of future transportation revenue.

As amended by the bill, the Act specifies that it does not prohibit successive borrowings if the amount pledged for annual debt service requirements does not exceed 50% of the amount of future payments, and if the total aggregate amount of borrowing does not exceed an amount that 50% of the anticipated revenues will service as to annual principal and interest requirements. Previously, this limit was 45%.

MCL 247.704

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

By raising the debt ceiling contained in Public Act 175, the bill will enable cities and villages to raise more funds for road improvements. Since 1979, the limit on the State's debt service requirements for transportation notes and bonds has been 50% of gas and weight tax revenue. The bill establishes parity among governmental entities with authority to tax and borrow.

Legislative Analyst: S. Margules

FISCAL IMPACT

This bill will have no effect on State government. This bill changed the amount of annual debt cities and villages may pledge from 45% to 50% of revenues received during the previous fiscal year for road improvements.

Fiscal Analyst: R. Ross

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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.