

HOUSE BILL No. 5850

April 9, 2002, Introduced by Rep. LaSata and referred to the Committee on Tax Policy.

A bill to amend 1987 PA 230, entitled
"Municipal health facilities corporations act,"
by amending sections 401, 406, and 412 (MCL 331.1401, 331.1406,
and 331.1412), as amended by 1988 PA 502.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 401. A board of trustees or subsidiary board may
2 borrow money and issue notes, which shall mature not more than 18
3 months from the date of their issuance, for the purpose of meet-
4 ing current expenses of operation and maintenance of its health
5 care facilities and health services. The resolution authorizing
6 the issuance of the notes shall provide for the pledging of
7 income and revenues of the corporation or subsidiary corporation
8 for the payment of the notes, and may also provide for a special
9 sinking fund into which there shall be paid as collected, a
10 sufficient fund from the revenues of the corporation or

02347'01

JLB

HB5850, As Passed House, May 1, 2002

2

1 subsidiary corporation to retire both the principal and interest
2 of the notes at or before maturity. The resolution may also pro-
3 vide for the mortgaging, pledging, or granting of security inter-
4 ests or other liens in other assets of the corporation or subsid-
5 iary corporation as additional security for the payment of the
6 notes. ~~Except to the extent the local governmental unit pledges~~
7 ~~its full faith and credit to guarantee payment of notes issued~~
8 ~~pursuant to this section, such~~ THE notes ~~shall not be~~ ARE
9 subject to the ~~municipal finance act, Act No. 202 of the Public~~
10 ~~Acts of 1943, being sections 131.1 to 139.3 of the Michigan~~
11 ~~Compiled Laws~~ REVENUE BOND ACT OF 1933, 1933 PA 94, MCL 140.101
12 TO 140.140.

13 Sec. 406. (1) Corporation obligations shall be authorized
14 by resolution adopted by a majority vote of the members serving
15 on the board of trustees of the corporation or the subsidiary
16 board of the subsidiary corporation issuing ~~such~~ THE corpora-
17 tion obligations. However, the resolution shall not take effect
18 until issuance of the corporation obligations has been approved
19 by a majority vote of the members serving on the county board of
20 commissioners, city council, or village council and, in the case
21 of issuance of corporation obligations by a subsidiary corpora-
22 tion, also by a majority vote of the members serving on the board
23 of trustees of its parent corporation. Approval of issuance of
24 corporation obligations by the county board of commissioners,
25 city council, or village council and, if applicable, by the board
26 of trustees of the parent corporation, may take place before or

HB5850, As Passed House, May 1, 2002

3

1 after adoption of the resolution authorizing issuance by the
2 issuing corporation or subsidiary corporation.

3 (2) Corporation obligations shall be dated, have ~~such~~ THE
4 maturities, bear interest at ~~such~~ THE times and ~~such~~ THE
5 rates, be in ~~such~~ THE denominations, be in ~~such~~ THE form,
6 either coupon or registered or both and either certificate or
7 book entry, carry ~~such~~ THE registration privileges, be executed
8 in ~~such~~ THE manner, be payable in ~~such~~ THE medium of payment,
9 at ~~such~~ THE place or places and be subject to ~~such~~ THE terms
10 of redemption and other terms as the resolution provides.

11 Corporation obligations may be sold and remarketed by the corpo-
12 ration or subsidiary corporation or by an authorized officer or
13 agent of the corporation or subsidiary corporation, at public or
14 private sale, at ~~such~~ THE price or prices, ~~such~~ THE interest
15 rates, and ~~such~~ THE maturities as the corporation or subsidiary
16 corporation or an authorized officer or agent of the corporation
17 or subsidiary corporation determines in accordance with limits
18 established by the corporation or subsidiary corporation. The
19 corporation or subsidiary corporation may authorize rates of
20 interest ~~which~~ THAT are variable by reference to 1 or more
21 interest rate indices designated by the corporation or subsidiary
22 corporation or to the rate or rates of interest borne by 1 or
23 more series of obligations of the state or the United States, or
24 to a rate or rates of interest announced by ~~such~~ THE bank or
25 savings and loan association organized under the laws of the
26 United States or any state as the corporation or subsidiary
27 corporation may designate. The corporation obligations may be

HB5850, As Passed House, May 1, 2002

4

1 sold at a discount and at an interest rate or rates ~~which~~ THAT
2 may be varied by an authorized officer or agent of the corpora-
3 tion or subsidiary corporation within the limits established by
4 the corporation or subsidiary corporation as provided in the
5 resolution. Corporation obligations shall not be sold at a price
6 ~~which~~ THAT would make the interest costs on the money borrowed
7 exceed ~~18% or~~ the maximum interest rate then permitted by the
8 ~~municipal finance act, Act No. 202 of the Public Acts of 1943,~~
9 ~~being sections 131.1 to 139.3 of the Michigan Compiled Laws,~~
10 ~~whichever is greater~~ REVISED MUNICIPAL FINANCE ACT, 2001 PA 34,
11 MCL 141.2101 TO 141.2821.

12 Sec. 412. ~~(1) Unless an exception from prior approval is~~
13 ~~available pursuant to subsection (2), corporation obligations~~
14 ~~shall be approved by the department of treasury prior to their~~
15 ~~issuance but, except~~ EXCEPT as provided in section 406, and
16 except to the extent the local governmental unit pledges its full
17 faith and credit to guarantee the payment of ~~such~~ corporation
18 obligations, THE CORPORATION OBLIGATIONS shall not ~~otherwise~~ be
19 subject to the provisions of the ~~municipal finance act, Act~~
20 ~~No. 202 of the Public Acts of 1943, being sections 131.1 to 139.3~~
21 ~~of the Michigan Compiled Laws~~ REVISED MUNICIPAL FINANCE ACT,
22 2001 PA 34, MCL 141.2101 TO 141.2821. ~~Before approving the~~
23 ~~issuance of corporation obligations, the department of treasury~~
24 ~~shall determine that the amount of the proposed issue is suffi-~~
25 ~~cient, but not excessive, that the revenue and properties obli-~~
26 ~~gated for the payment thereof are sufficient, and that the~~
27 ~~corporation obligations and the proceeds authorizing the~~

1 ~~corporation obligations comply with this act and other applicable~~
2 ~~law.~~

3 ~~(2) The requirement of subsection (1) for obtaining the~~
4 ~~prior approval of the department of treasury before issuing cor-~~
5 ~~poration obligations under this act shall be subject to sections~~
6 ~~10 and 11 of chapter III of Act No. 202 of the Public Acts of~~
7 ~~1943, being sections 133.10 and 133.11 of the Michigan Compiled~~
8 ~~Laws, and the department of treasury shall have the same author-~~
9 ~~ity as provided in section 11 of chapter III of Act No. 202 of~~
10 ~~the Public Acts of 1943 to issue an order providing or denying an~~
11 ~~exception from the prior approval required by subsection (1) for~~
12 ~~corporation obligations authorized by this act.~~

13 ~~(3) An order of the department of treasury permitting the~~
14 ~~issuance of corporation obligations under this act or providing~~
15 ~~exemption from prior approval shall not be considered to be an~~
16 ~~approval of the legality of such corporation obligations. The~~
17 ~~issuance of an order by the department of treasury granting per-~~
18 ~~mission to issue any corporation obligation shall imply that the~~
19 ~~department of treasury has made such determinations of facts or~~
20 ~~circumstances, has given such approvals, and has reached such~~
21 ~~opinions as are a necessary prerequisite to the issuance of such~~
22 ~~order.~~