



Senate Fiscal Agency
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**BILL ANALYSIS**

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Senate Bill 1360 (as discharged)
Sponsor: Senator Nancy Cassis
Committee: Finance

CONTENT

The bill would amend the Revised Municipal Finance Act to do the following:

- Allow a county, city, village, or township to issue a municipal security to pay the costs of the unfunded actuarial liability of its public employee retirement system pension fund.
- Define "unfunded actuarial liability" as the amount by which a health care trust fund is short of the amount that will be necessary, without further payments into the trust fund, to pay postemployment health care benefits already earned by beneficiaries and participants of a public employee retirement system.
- Require that the municipality make available to the public a comprehensive financial plan, including a plan to reduce health care costs and evidence that issuing the security would result in savings, before issuing a health care trust fund security.
- Require a referendum on the question of issuing the health care trust fund security if petitions containing a prescribed number of signatures were filed.
- Provide that outstanding health care trust fund securities could not exceed 5% of the State equalized valuation of the property assessed in the municipality.
- Provide that the taxes necessary to pay the principal and interest on the security, plus the taxes levied for the same year, could not exceed the limit authorized by law.
- Require that health care trust fund securities and municipal capital improvement securities be secured by the general fund of the municipality.

MCL 141.2103 et al.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would potentially increase both local unit revenue and expenditures by an unknown amount, as well as change the distribution and timing of revenue and expenditures. It is unknown how many local units have unfunded liabilities for the health care costs of retirees, or the number that would choose to issue securities to cover all or a portion of their unfunded liabilities. Furthermore, the impact on individual local units would vary depending on the amount of any unfunded liability, the number of current and future retirees, the economic structure of the community and its effect on future revenue, market returns that can be earned on funds, and future health care costs.

The bill likely would have no fiscal impact on State government.

Date Completed: 10-9-06

Fiscal Analyst: David Zin

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