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BILL ANALYSIS

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House Bill 4744 (as reported by the Committee of the Whole)
Sponsor: Representative Darwin Booher
House Committee: Intergovernmental and Regional Affairs
Senate Committee: Local, Urban and State Affairs

CONTENT

The bill would amend Public Act 380 of 1913, which governs gifts of property to local units of government, to authorize a city, village, township, or county to receive a Federal loan as part of an intermediary relending program and to enter into an agreement with the Federal government or an agency of the Federal government respecting the repayment of principal and interest on the loan.

Under the Act, to provide a means and method to encourage and assist businesses in locating and expanding in Michigan, and if not prohibited by the terms of a grant, a local unit of government may use a Federal, State, or local grant or the proceeds of such a grant to make a secured or unsecured loan or to make a grant to a private person; a corporation or other business association; a city, village, township, or county; or an instrumentality of a local unit. Under the bill, these provisions would apply to a grant or a loan, and a local unit could receive as well as use a Federal grant or loan for these purposes.

The Act specifies that a loan or grant made as described above may be used for local public improvements or to encourage and assist businesses in locating or expanding in Michigan, to preserve jobs in Michigan, to encourage investment in Michigan communities, or for other public purposes.

The Act allows a city, village, township, or county to receive loans as described above and issue loan revenue bonds secured by the repayment of loans. For the purposes specified in the Act, bonds must be approved by the Department of Treasury before their issuance, but are not otherwise subject to the Revised Municipal Finance Act. In determining whether the issuance of the bonds should be approved, the Department must take certain conditions into consideration. The loan revenue bonds are not general obligations of the issuing local unit. The bonds are declared to be issued for an essential public and governmental purpose, and together with interest on and income from the bonds, are exempted from all taxes. Under the bill, these provisions also would apply to notes.

MCL 123.872 Legislative Analyst: Julie Cassidy

FISCAL IMPACT

The bill would have no effect on State revenue or expenditures. The bill could increase both revenue and/or expenses of local units. The magnitude of any changes would likely be minimal and would depend on how any loan proceeds were distributed or used.

Date Completed: 9-16-09 Fiscal Analyst: David Zin