



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



Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

House Bill 5550 (as discharged)
Sponsor: Representative Jeff Mayes
House Committee: Banking and Financial Services
Senate Committee: Finance

CONTENT

The bill would amend the Revised Municipal Finance Act to allow a municipality, with Department of Treasury approval, to issue a refunding security that did not meet the requirement that the principal and interest be less than the principal and interest of the outstanding security being refunded. The refunding security would have to be issued before December 31, 2012, and could not be secured by the full faith and credit pledge of the municipality.

The Act allows municipalities to refund all or part of their outstanding securities by issuing refunding securities. As a rule, a municipality may not issue a refunding security unless the net present value of the principal and interest to be paid on the refunding security is less than the net present value of the principal and interest to be paid on the outstanding security being refunded.

A municipality may obtain an exception to that condition if the Department of Treasury determines that a reasonable basis for an exception exists. The Act lists circumstances that provide a reasonable basis. As described above, the bill would add to those circumstances.

The Department could not unreasonably withhold approval. Within 60 days from the date it received a completed request to issue a refunding security, the Department would have to approve or deny the request. If the Department failed to do so, the request would be considered approved. If it denied the request, the Department would have to advise the municipality in writing of the reasons for the denial.

MCL 141.2611

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would have no fiscal impact on State government. The fiscal impact on local governments would be specific to any unit that attempted to use the refunding security process as outlined in law. In essence, the bill would allow local units of government, that meet the legal criteria, to refund and issue new debt that would lower their current principal and interest payments but raise the total amount owed over the life of the bond.

Date Completed: 12-1-10

Fiscal Analyst: Eric Scorsone