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BILL ANALYSIS

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Senate Bill 318 (Substitute S-2 as reported)
Sponsor: Senator Hoon-Yung Hopgood
Committee: Education

CONTENT

The bill would amend the Home Rule City Act to provide for the issuance of financial recovery bonds by the City of Ecorse to pay existing court-ordered judgments against the city.

The Act allows a city to issue financial recovery bonds in amounts greater than the limitations established by the city charter or the Act, if a financial emergency exists under the Local Government and School District Accountability Act. The bill would apply to a city that has a population under 10,000 according to the latest Federal decennial census, and is located in a charter county. (The City of Ecorse meets these criteria and a financial emergency has been found to exist in the city.)

Financial recovery bonds issued under the bill would have to be limited to the amount necessary to pay existing court-ordered judgments against the city.

In the order authorizing issuance of the bonds, the city could provide for the deposit of tax revenue into an escrow account to be used for paying the principal or and interest on the bonds and associated administrative costs. If the city entered into an agreement with a third-party tax collector, the agreement would have to provide for payment to a trustee of the tax revenue pledged for payment of the bonds, to be deposited into a trust account and used solely for the purpose of paying the principal of and interest on the bonds.

MCL 117.36a

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would change the distribution and timing of certain tax collections as well as the financing of certain obligations. Absent the bill, a local unit would need to finance the payment of a court judgment from existing assets, revenue, or levies. For some local units, this could require substantial increases in the tax levy. The bill would allow the City of Ecorse to finance a court judgment over a substantial period of time (more than 15 years), while still ensuring that parties receiving revenue under the judgment would be paid promptly.

The bill would not change the amount of the judgment, although allowing the bonds would increase the total cost of paying the judgment by the interest cost on the bonds.

The bill would have no fiscal impact on State government.

Date Completed: 4-14-11

Fiscal Analyst: David Zin

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Bill Analysis @ www.senate.michigan.gov/sfa

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