



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

BILL



ANALYSIS

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

Senate Bill 838 (as introduced 2-21-18)
Sponsor: Senator Jack Brandenburg
Committee: Finance

Date Completed: 2-27-18

CONTENT

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

- **Extend until December 31, 2020, provisions that allow counties, cities, villages, and townships to issue municipal securities to pay the costs of the unfunded pension liability for a retirement program or the costs of the unfunded accrued health care liability.**
- **Require the proceeds of a municipal security covering unfunded pension liabilities, in addition to unfunded health care liabilities, to be deposited in a particular type of fund or trust, and include a trust created by the issuer that has as its beneficiary a pension trust fund.**
- **Require a trust created under these provisions to invest its funds in the same manner as funds invested by a pension trust fund or, as currently required, a health care trust fund.**

The Act allows a county, city, village, or township, through December 31, 2018, to issue a municipal security to pay all or part of the costs of the unfunded pension liability for a retirement program, in connection with the partial or complete cessation of accruals to a defined benefit (DB) plan or the closure of the DB plan to new or existing employees and the implementation of a defined contribution plan, or to fund costs of a municipality that has already ceased accruals to a DB plan.

Also, through December 31, 2018, a county, city, village, or township may issue a municipal security to pay the costs of the unfunded accrued health care liability if the amount of taxes necessary to pay the principal and interest on that municipal security, together with the taxes levied for the same year, does not exceed the limit authorized by law, or to refund all or a portion of a contract obligation issued for the same purpose.

The bill would allow local units to issue these securities through December 31, 2020.

Except for a refunding, the Act requires the proceeds of a security covering unfunded health care liability to be deposited in any of the following:

- A health care trust fund.
- A trust created by the issuer that has as its beneficiary a health care trust fund.
- For a county, city, village, or township, a restricted fund within a trust that would be used only to retire the municipal securities issued for a purpose described above.

Under the bill, except for a refunding, the proceeds of a municipal security covering unfunded pension liability or unfunded health care liability would have to be deposited in the following:

- A health care trust fund.
- A trust created by the issuer that has as its beneficiary a pension trust fund, or a health care trust fund.
- For a county, city, village, or township, a restricted fund within a trust that would only be used to retire the municipal securities issued for the purposes described above.

The Act authorizes a county, city, village, or township to create a trust to carry out the purposes of the provisions above. The trust must invest its funds in the same manner as funds invested by a health care trust fund. Under the bill, the trust would have to invest its funds in the same manner as funds invested by a pension trust fund or a health care trust fund.

MCL 141.2518

Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

The bill would have no fiscal impact on State government. Local governments that issued securities for unfunded pension or health care liabilities or refunded those securities pursuant to the bill potentially would have reduced costs.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.