Legislative Analysis

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BONDS AND INSTALLMENT PURCHASES OF EMERGENCY AUTHORITIES

Senate Bill 821 as passed by the Senate
Sponsor: Sen. Wayne Schmidt
House Committee: Local Government and Municipal Finance
Senate Committee: Local Government
Complete to 3-1-22

SUMMARY:

Senate Bill 821 would amend 1988 PA 57, which allows two or more counties, cities, villages, or townships to incorporate an authority to provide them with emergency services such as fire or police protection or emergency medical services. The bill would authorize such an authority to borrow money and issue bonds to acquire property or buildings or facilities, to build or furnish buildings or facilities, or to acquire and install needed equipment. However, it could not issue general obligation unlimited tax bonds unless approved by voters, and the total bonded indebtedness of the authority could not exceed 5% of the state equalized valuation of taxable property in the authority. The bill also would authorize an authority to purchase real or personal property under an installment purchase agreement (e.g., a mortgage) with a term of up to 15 years.

Installment purchase agreements
Under the bill, an emergency authority could enter into a contract or agreement for the purchase of real or personal property for a public purpose, to be paid for in installments for up to 15 years or for the useful life of the property, whichever period is shorter. Real or personal property purchased under the act could serve as collateral in support of the purchase, contract, or agreement.

Authority bonds or notes
The bill also would allow an authority to borrow money and issue its negotiable bonds or notes to finance any of the following for authority purposes:

- The acquisition, construction, and furnishing of buildings or facilities or portions of buildings or facilities.
- The acquisition of necessary property.
- The acquisition and installation of necessary equipment.

However, an authority could not borrow money or issue bonds or notes for an amount that, when added to the authority's total outstanding bonded indebtedness, would exceed 5% of the state equalized valuation of the taxable property within the jurisdictional limits of the authority.

An authority could issue limited tax bonds or notes by resolution of its board, without submitting the question to voters, but could issue general obligation unlimited tax bonds only if approved by voters in the jurisdictional limits of the authority. The authority board would have to submit the ballot proposal to voters through a resolution that includes the ballot proposal language. An election would be held in the same way as now provided in the act for an election on an authority millage proposal. There could not be more than one election held in a calendar year for approval of a bond issue by the authority.

If an authority issued general obligation unlimited tax bonds as described above, the taxes to pay the bonds' principal and interest would be authorized and levied by resolution of the authority board.

All bonds or notes issued by an authority under the bill would be subject to the Revised Municipal Finance Act.[1]

Bonds or notes issued by an authority would be a debt of the authority and not of the municipalities that incorporated the authority.

If a county, city, village, or township withdrew from an authority, the taxes imposed or levied for payment of bonds before the adoption of its resolution to withdraw would have to continue to be levied there until the bonds' principal and interest were paid in full.

MCL 124.609 and proposed MCL 124.609a

FISCAL IMPACT:

The bill would have no direct fiscal impact on local units of government or the state because it is permissive in nature. The extent to which an authority issues bonds to finance certain purchases under the act would be determined on a case-by-case basis by each individual authority. While limited tax bonds or notes could be authorized by a resolution of the board of the authority, general obligation unlimited tax bonds would require approval of the electors within the authority's jurisdictional limits. In both instances, the authority would levy taxes necessary to pay the principal and interest on the bonds.

Legislative Analyst: Rick Yuille
Fiscal Analyst: Ben Gielczyk

[1] http://legislature.mi.gov/doc.aspx?mcl-Act-34-of-2001