Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 821 (as introduced 1-19-22) *(Senate-passed version)*
Sponsor: Senator Wayne A. Schmidt
Committee: Local Government

Date Completed: 1-27-22

**CONTENT**

**The bill would amend Public Act 57 of 1988, which allows municipalities to incorporate authorities for the provision of emergency services, to do the following:**

**-- Allow an authority to purchase of real or personal property for public purposes, to be paid for in installments over a period of up to 15 years or the useful life of the property acquired, whichever was less.**
**-- Allow an authority to borrow and issue negotiable bonds or notes to finance certain acquisitions for authority purposes.**
**-- Allow an authority to issue general obligation unlimited tax bonds if electors within the authority jurisdiction approved their issuance, and prescribe the procedures for submitting the question to the electors.**
**-- Require an authority that issued bonds to authorize the levy of taxes necessary to pay the principal of and interest on the bonds.**
**-- Allow an authority to issue limited tax bonds or notes by resolution of its board without submitting the question to the electors.**
**-- Require taxes or levies imposed got the payment of a bond to continue, even if an incorporating municipality withdrew from the authority, until the principal and interest on those bonds was paid in full.**
**-- Prohibit an authority from borrowing money or issuing bonds or notes for a sum that, together with the total outstanding bonded indebtedness of the authority, exceeded 5% of the State equalized valuation of the taxable property within the jurisdictional limits of the authority.**

The Act allows any two or more municipalities to incorporate an authority for the purpose of providing emergency services to the incorporating municipalities, and prescribes the duties and powers of an authority created for those purposes. In addition to the powers currently provided, the bill would allow an authority to enter into a contract or agreement for the purchase of real or personal property for public purposes, to be paid for in installments over a period of up to 15 years or the useful life of the property acquired, whichever was less. Purchased property could serve as collateral in support of the purchase, contract, or agreement.

The bill 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.

An authority could issue general obligation unlimited tax bonds if the majority of the electors in the authority's jurisdictional limits approved their issuance. A proposal to issue general obligation unlimited tax bonds would have to be submitted to a vote of the electors of the authority by resolution of the authority board. The resolution would have to contain the ballot proposal's language. The election for a bond proposal would have to be conducted and canvassed in the same manner as an election on a millage proposal and in accordance with the Michigan Elect Law. The election results would have to be certified to the governing body of the authority promptly after the date of the election. Only one election could be held in the jurisdictional limits of an authority in a calendar year for approval of a bond issue.

If an authority issued general obligation unlimited tax bonds, the board, by resolution, would have to authorize and levy the taxes necessary to pay the principal of and interest on the bonds. An authority could issue limited tax bonds or notes by resolution of the board without submitting the question to the electors in the jurisdictional limits of the authority.

Bonds or notes issued by an authority would be a debt of the authority and not of the incorporating municipalities. If an incorporating municipality withdrew from an authority, taxes imposed or levied for payment of bonds approved before the adoption of the resolution to withdraw would continue to be levied within the district as if the municipality had not withdrawn from the authority until the principal of and interest on those bonds were paid in full.

An authority could not borrow money or issue bonds or notes for a sum that, together with the total outstanding bonded indebtedness of the authority, exceeded 5.0% of the State equalized valuation of the taxable property within the jurisdictional limits of the authority. All bonds or notes issued by an authority would be subject to the Revised Municipal Finance Act.

MCL 124.609 et al. Legislative Analyst: Dana Adams

**FISCAL IMPACT**

The bill would have no fiscal impact on the State and no fiscal impact on local governments other than eligible authorities. The bill's provisions are permissive, so the fiscal impact on any local unit would depend on decisions made by that local unit. The bill would allow an authority to issue bonds and notes and levy taxes to pay the principal and interest of those instruments; from that view, there would be no fiscal impact on the authority. The fiscal impact on an eligible authority would depend on what projects were financed through the debt instruments, and the alternatives available to the projects.

Fiscal Analyst: Ryan Bergan

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