

Legislative Analysis



REFUNDING OBLIGATIONS

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House Bill 6736

Sponsor: Rep. Andy Coulouris

House Bill 6737

Sponsor: Rep. Jeff Mayes

House Bill 6739

Sponsor: Rep. Tim Melton

House Bill 6738

Sponsor: Rep. Richard Hammel

House Bill 6740

Sponsor: Rep. Barb Byrum

Committee: Banking and Financial Services

Complete to 12-1-08

A SUMMARY OF HOUSE BILLS 6736-6740 AS INTRODUCED 11-19-08

House Bill 6736 would amend the Revised Municipal Finance Act (MCL 141.2611) to allow a municipality to issue a refunding security to refund all or any part of its outstanding securities before December 31, 2012 if those securities were not secured by the unlimited full faith and credit pledge of the municipality. These refunding securities would be exempt from the act's current restriction on issuing 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 security being refunded.

House Bill 6737 would amend a different section of the Revised Municipal Finance Act (MCL 141.2305) to allow a municipal security to be sold at a discount exceeding 10 percent of the principal amount of the municipal security if that municipal security was issued before December 31, 2012. These municipal securities would be exempt from the act's restriction that a municipal security issued under the act not be sold at a discount exceeding 10 percent and would allow them to bear no interest and to appreciate as to principal if other requirements of the act were met.

House Bills 6738-6740 would each amend an act that deal with a different kind of tax increment finance authority in order to revise the definition of "qualified refunding obligation" in each act. The bills would include in the definition, a refunding obligation issued to refund an "other protected obligation" or an "eligible obligation" if the refunding obligation was issued before December 31, 2012. Under the tax increment financing acts, those two kinds of obligations are the ones for which school taxes can continue to be captured.

House Bill 6738 would amend the Downtown Development Authority Act (MCL 125.1651).

House Bill 6739 would amend the Tax Increment Finance Authority Act (MCL 125.1001).

House Bill 6740 would amend the Local Development Financing Act (MCL 125.2152).

FISCAL IMPACT:

The fiscal impact of House Bills 6736 and 6737 is indeterminate.

House Bills 6738 - 6740 would have no fiscal impact to the state. The bills would have minimal impact on the revenue and expenses of some local units of government. The provisions of these bills essentially expand the instances in which a qualified refunding obligation can be issued. Typically, refunding obligations are issued to restructure or refinance the costs of an earlier debt obligation. The new obligations often are associated with lower interest and/or payment costs to the authority.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.