



## Pending Legislative Relief for Delinquent Special Assessment Bonds

### **Bond Counsel Corner**

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### **PRACTICE AREAS**

Public Finance - Bond

A pending bill in the Michigan Legislature may offer some relief to municipalities with outstanding bonds payable from special assessments that have not been paid. If enacted in its current form, HB 6181 would create a Delinquent Special Assessment Revolving Loan Fund within the Michigan Department of Treasury, purportedly to be funded initially by a \$5 million appropriation from the State general fund. This money could be loaned to eligible units of local government to assist them to make payments on certain troubled special assessment bonds.

The new Loan Fund would be limited to loans to a township, city, village, or county to pay bonds that were issued to construct infrastructure improvements and which were to be repaid from special assessment payments that have been delinquent more than 6 months. This aid is intended primarily for governmental units that were experiencing rapid growth that has since stalled.

If HB 6181 is enacted in its current form, the appropriated \$5 million would be loaned on a "first-come, first-served" basis. Thus, it is imperative that local finance officials who could be impacted pay close attention to the progress of this pending bill in the Michigan Legislature.

The pending bill would require the Department of Treasury to provide an application form, and approve or reject each application within 30 days after receipt. Loan amounts would be limited to a maximum of one year's bond debt service, and each loan would bear interest at a rate set by the Department and be due not later than five years after the final bond maturity date. A defaulting municipal borrower's delinquent loan repayments would be withheld from its future State revenue sharing payments.

The foregoing is a summary of some but not all aspects of the pending legislation, which should be closely tracked by municipal officials who serve potential borrowers from the new Loan Fund. There can be no

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assurance that HB 6181 will be enacted in its current form or at all.

If you have any questions, please contact a member of the Foster Swift Administrative & Municipal Practice Group.