



**House
Legislative
Analysis
Section**

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MUNICIPAL BOND BANK EXTENSION

House Bill 5948 with committee amendment
First Analysis (11-27-90)

Sponsor: Rep. James A. Kosteva
Committee: Taxation

THE APPARENT PROBLEM:

The Shared Credit Rating Act of 1985 created a state bond bank, known as the Michigan Municipal Bond Authority, whose purpose is to provide local governments, as well as school districts, community colleges, and public universities, with a low-cost method of financing capital improvements. The bond bank generally speaking, allows local units to pool their bond issues through the state authority so that they can borrow money at lower rates or on more favorable terms than they could achieve on their own. The bond bank's authority to issue bonds and notes expired as of October 1, 1990, and needs to be extended. Further, it has been proposed that governmental units be allowed the option of participating in an investment pool to be created and managed by the bond bank as a further means of improving their money management.

THE CONTENT OF THE BILL:

The bill would amend the Shared Credit Rating Act to

- extend the Michigan Municipal Bond Authority's ability to issue bonds and notes until December 31, 1995 (The statute prohibits the issuance of new bonds and notes after October 1, 1990)
- permit a governmental unit to contract with the authority to invest or place money in an investment pool created by the authority (The authority could choose to contract with the Department of Treasury to pool a governmental unit's funds with the investment of state surplus funds) The contract between the authority and local unit would have to include provisions regarding the deposit and withdrawal of money, the management fee, if any, the terms of distribution of earnings in excess of a management fee, and the allocation of losses, if any, to the governmental unit

Under the act the term "governmental unit" refers to a county, city, township, village, school district, intermediate school district, community college, public university, authority, district,

or other political subdivision, including some group self-insurance pools.

MCL 141 1057 et al

FISCAL IMPLICATIONS:

There is no information at present.

ARGUMENTS:

For:

The bill would provide local governmental units including universities with the option of investing money in an investment pool created and managed by the Michigan Municipal Bond Authority. This will allow these units to use the expertise of the state which is said to have an excellent record in managing investments. The bill also extends the sunset on the authority's ability to issue bonds and notes.

POSITIONS:

The Michigan Municipal League supports the bill (11-26-90)

The president of Wayne State University testified in favor of the bill before the House Taxation Committee (11-14-90)

The Michigan Townships Associations supports the bill (11-26-90)