

**Michigan Office of Administrative Hearings and Rules**

**Administrative Rules Division (ARD)**

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**REGULATORY IMPACT STATEMENT  
and COST-BENEFIT ANALYSIS (RIS)**

**Agency Information:**

**Department name:**

Treasury

**Bureau name:**

Bureau of State and Authority Finance

**Name of person filling out RIS:**

Janelle Sabin

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**Rule Set Information:**

**ARD assigned rule set number:**

2020-104 TY

**Title of proposed rule set:**

School Bond Qualification, Approval, And Loan Rules

**Comparison of Rule(s) to Federal/State/Association Standard**

**1. Compare the proposed rules to parallel federal rules or standards set by a state or national licensing agency or accreditation association, if any exist.**

There are no federal rules or standards set by a state or national licensing agency or accreditation association to compare the proposed rules to.

**A. Are these rules required by state law or federal mandate?**

These rules are not required by state law or federal mandate. However, section 11 of the School Bond Qualification, Approval, and Loan Act, MCL 388.1931, directs that "The state treasurer may promulgate rules to implement this act pursuant to the administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328, and may issue bulletins as authorized by this act."

**B. If these rules exceed a federal standard, please identify the federal standard or citation, describe why it is necessary that the proposed rules exceed the federal standard or law, and specify the costs and benefits arising out of the deviation.**

These rules do not exceed a federal standard.

**2. Compare the proposed rules to standards in similarly situated states, based on geographic location, topography, natural resources, commonalities, or economic similarities.**

No comparison can be made as no other states are running a School Bond Loan Program similar to Michigan's.

**A. If the rules exceed standards in those states, please explain why and specify the costs and benefits arising out of the deviation.**

There are no other states running a School Bond Loan Program similar to Michigan's.

**3. Identify any laws, rules, and other legal requirements that may duplicate, overlap, or conflict with the proposed rules.**

There are no other laws, rules, or legal requirements that may duplicate, overlap, or conflict with these proposed rules.

**A. Explain how the rules have been coordinated, to the extent practicable, with other federal, state, and local laws applicable to the same activity or subject matter. This section should include a discussion of the efforts undertaken by the agency to avoid or minimize duplication.**

The Legislature has granted the State Treasurer exclusive authority to administer the School Bond Qualification, Approval, and Loan Act (Act), MCL 388.1921 to 388.1939. The purpose of the Act is to provide loans to school districts in Michigan. There is no other program like Michigan's so, no coordination needed to take place.

**4. If MCL 24.232(8) applies and the proposed rules are more stringent than the applicable federally mandated standard, provide a statement of specific facts that establish the clear and convincing need to adopt the more stringent rules.**

MCL 24.232(8) does not apply.

**5. If MCL 24.232(9) applies and the proposed rules are more stringent than the applicable federal standard, provide either the Michigan statute that specifically authorizes the more stringent rules OR a statement of the specific facts that establish the clear and convincing need to adopt the more stringent rules.**

MCL 24.232(9) does not apply.

## **Purpose and Objectives of the Rule(s)**

**6. Identify the behavior and frequency of behavior that the proposed rules are designed to alter.**

The proposed rules are designed to minimize duplication between the rules and the Act. The proposed rules will reduce the number of times the interest rate for the School Bond Loan Program is changed to just quarterly instead of also on September 1st, since the interest rate is typically stable.

**A. Estimate the change in the frequency of the targeted behavior expected from the proposed rules.**

Currently, interest rates are updated quarterly and September 1. The proposed rules will eliminate the September 1 interest rate change.

**B. Describe the difference between current behavior/practice and desired behavior/practice.**

Interest rates are updated quarterly and September 1. The proposed rules will eliminate the September 1 interest rate change.

**C. What is the desired outcome?**

The desired outcome is to streamline the rules and to clarify the Act, while adjusting the interest rate calculation to only be updated quarterly.

**7. Identify the harm resulting from the behavior that the proposed rules are designed to alter and the likelihood that the harm will occur in the absence of the rule.**

There is no harm that the proposed rules are designed to alter. The rules are being amended to provide clarification of the Act and guidance for school districts that plan to obtain a qualified loan status or plan to borrow funds through the School Loan Revolving Fund with the State.

**A. What is the rationale for changing the rules instead of leaving them as currently written?**

The reason to change the rules is to avoid duplication between the rules and the Act. Also, interest rates are typically very stable so the elimination of the update on September 1st does not cause a material change.

**8. Describe how the proposed rules protect the health, safety, and welfare of Michigan citizens while promoting a regulatory environment in Michigan that is the least burdensome alternative for those required to comply.**

These rules do not directly affect the health, safety, or welfare of Michigan citizens. However, the proposed rules implement the Act's requirements that enable a school district to issue and market bonds as qualified bonds, which furthers the education of students in Michigan's school districts.

**9. Describe any rules in the affected rule set that are obsolete or unnecessary and can be rescinded.**

R 388.6 can be rescinded because it contradicts the Act. R 388.10 can be rescinded because it refers to the Act and is not necessary. R 388.20 can be rescinded because it is in the Act so unnecessary to be repeated.

## **Fiscal Impact on the Agency**

Fiscal impact is an increase or decrease in expenditures from the current level of expenditures, i.e. hiring additional staff, higher contract costs, programming costs, changes in reimbursements rates, etc. over and above what is currently expended for that function. It does not include more intangible costs for benefits, such as opportunity costs, the value of time saved or lost, etc., unless those issues result in a measurable impact on expenditures.

**10. Please provide the fiscal impact on the agency (an estimate of the cost of rule imposition or potential savings for the agency promulgating the rule).**

This rule change will have no fiscal impact on the agency.

**11. Describe whether or not an agency appropriation has been made or a funding source provided for any expenditures associated with the proposed rules.**

There has not been an agency appropriation associated with the proposed rules as no fiscal impact on the agency is anticipated.

**12. Describe how the proposed rules are necessary and suitable to accomplish their purpose, in relationship to the burden(s) the rules place on individuals. Burdens may include fiscal or administrative burdens, or duplicative acts.**

These rule changes are necessary because they reduce confusion for school districts and requires less interest rate calculation work for the Treasury staff. The proposed rules do not place any new burdens on school districts.

**A. Despite the identified burden(s), identify how the requirements in the rules are still needed and reasonable compared to the burdens.**

The proposed rules do not place any new burdens on school districts.

## **Impact on Other State or Local Governmental Units**

**13. Estimate any increase or decrease in revenues to other state or local governmental units (i.e. cities, counties, school districts) as a result of the rule. Estimate the cost increases or reductions for other state or local governmental units (i.e. cities, counties, school districts) as a result of the rule. Include the cost of equipment, supplies, labor, and increased administrative costs in both the initial imposition of the rule and any ongoing monitoring.**

There will be no increase or decrease in revenues or costs to local governmental units as a result of these rule changes.

**14. Discuss any program, service, duty, or responsibility imposed upon any city, county, town, village, or school district by the rules.**

The rule changes do not impose any new duty or responsibility upon the school districts.

**A. Describe any actions that governmental units must take to be in compliance with the rules. This section should include items such as record keeping and reporting requirements or changing operational practices.**

Governmental units do not need to take any additional actions to be in compliance with the rule changes.

**15. Describe whether or not an appropriation to state or local governmental units has been made or a funding source provided for any additional expenditures associated with the proposed rules.**

There has been no appropriation, or any funding source provided as no additional expenditures are associated with the proposed rules.

## **Rural Impact**

**16. In general, what impact will the rules have on rural areas?**

These rules will have no impact on rural areas.

**A. Describe the types of public or private interests in rural areas that will be affected by the rules.**

These rules will have no impact on rural areas.

## **Environmental Impact**

**17. Do the proposed rules have any impact on the environment? If yes, please explain.**

These rules will have no impact on the environment.

## Small Business Impact Statement

**18. Describe whether and how the agency considered exempting small businesses from the proposed rules.**

These rules will have no impact on small businesses.

**19. If small businesses are not exempt, describe (a) the manner in which the agency reduced the economic impact of the proposed rules on small businesses, including a detailed recitation of the efforts of the agency to comply with the mandate to reduce the disproportionate impact of the rules upon small businesses as described below (in accordance with MCL 24.240(1)(a-d)), or (b) the reasons such a reduction was not lawful or feasible.**

These rules will have no impact on small businesses.

**A. Identify and estimate the number of small businesses affected by the proposed rules and the probable effect on small businesses.**

These rules will have no impact on small businesses.

**B. Describe how the agency established differing compliance or reporting requirements or timetables for small businesses under the rules after projecting the required reporting, record-keeping, and other administrative costs.**

These rules will have no impact on small businesses.

**C. Describe how the agency consolidated or simplified the compliance and reporting requirements for small businesses and identify the skills necessary to comply with the reporting requirements.**

These rules will have no impact on small businesses.

**D. Describe how the agency established performance standards to replace design or operation standards required by the proposed rules.**

These rules will have no impact on small businesses.

**20. Identify any disproportionate impact the proposed rules may have on small businesses because of their size or geographic location.**

These rules will have no impact on small businesses.

**21. Identify the nature of any report and the estimated cost of its preparation by small businesses required to comply with the proposed rules.**

These rules will have no impact on small businesses.

**22. Analyze the costs of compliance for all small businesses affected by the proposed rules, including costs of equipment, supplies, labor, and increased administrative costs.**

These rules will have no impact on small businesses.

**23. Identify the nature and estimated cost of any legal, consulting, or accounting services that small businesses would incur in complying with the proposed rules.**

These rules will have no impact on small businesses.

**24. Estimate the ability of small businesses to absorb the costs without suffering economic harm and without adversely affecting competition in the marketplace.**

These rules will have no impact on small businesses.

**25. Estimate the cost, if any, to the agency of administering or enforcing a rule that exempts or sets lesser standards for compliance by small businesses.**

These rules will have no impact on small businesses.

**26. Identify the impact on the public interest of exempting or setting lesser standards of compliance for small businesses.**

These rules will have no impact on small businesses.

**27. Describe whether and how the agency has involved small businesses in the development of the proposed rules.**

These rules will have no impact on small businesses.

**A. If small businesses were involved in the development of the rules, please identify the business(es).**

These rules will have no impact on small businesses.

## Cost-Benefit Analysis of Rules (independent of statutory impact)

**28. Estimate the actual statewide compliance costs of the rule amendments on businesses or groups.**

There is no cost implication for these rule changes on businesses or groups.

**A. Identify the businesses or groups who will be directly affected by, bear the cost of, or directly benefit from the proposed rules.**

No business or group will be affected by the proposed rules.

**B. What additional costs will be imposed on businesses and other groups as a result of these proposed rules (i.e. new equipment, supplies, labor, accounting, or recordkeeping)? Please identify the types and number of businesses and groups. Be sure to quantify how each entity will be affected.**

There will be no additional costs associated with the proposed rules.

**29. Estimate the actual statewide compliance costs of the proposed rules on individuals (regulated individuals or the public). Include the costs of education, training, application fees, examination fees, license fees, new equipment, supplies, labor, accounting, or recordkeeping.**

There will be no additional costs associated with the proposed rules. Also, the proposed rules apply to school districts and do not regulate individuals or the public.

**A. How many and what category of individuals will be affected by the rules?**

The proposed rules do not regulate or affect individuals.

**B. What qualitative and quantitative impact do the proposed changes in rules have on these individuals?**

The proposed rules do not regulate or impact individuals.

**30. Quantify any cost reductions to businesses, individuals, groups of individuals, or governmental units as a result of the proposed rules.**

There will be no increase or reduction in costs associated with the proposed rules.

**31. Estimate the primary and direct benefits and any secondary or indirect benefits of the proposed rules. Please provide both quantitative and qualitative information, as well as your assumptions.**

Benefits of the proposed rules to school districts include removal of confusion caused by duplication between the rules and the Act. A benefit for Treasury staff is not having to do an interest rate change mid-quarter.

**32. Explain how the proposed rules will impact business growth and job creation (or elimination) in Michigan.**

The proposed rules will have no effect on business growth or job creation or elimination in Michigan.

**33. Identify any individuals or businesses who will be disproportionately affected by the rules as a result of their industrial sector, segment of the public, business size, or geographic location.**

No individuals or businesses will be affected by the proposed rules.

**34. Identify the sources the agency relied upon in compiling the regulatory impact statement, including the methodology utilized in determining the existence and extent of the impact of the proposed rules and a cost-benefit analysis of the proposed rules.**

Sources relied upon in compiling this statement include section 11 of 2005 PA 92, MCL 388.1931, and section 33, MCL 24.233 of 1969 PA 306, MCL 24.201 to 24.328, all as amended, as well as practices completed by Treasury staff who complete the interest rate calculations. The School Bond Loan staff and management determined what was duplicated between the current rules and the Act. Staff and management considered the necessity of the interest rate calculation and determined to discontinue the September 1st calculation.

**A. How were estimates made, and what were your assumptions? Include internal and external sources, published reports, information provided by associations or organizations, etc., that demonstrate a need for the proposed rules.**

The proposed rules are needed for the continued implementation and administration of the School Bond Loan Program. The interest rate calculation is based upon Bank of America and PNC bank average monthly interest rates. Due to the typically stable variation in these rates, we can confidently estimate that the interest rate calculation between September 1st and September 31st are not going to be materially different.

## **Alternative to Regulation**

**35. Identify any reasonable alternatives to the proposed rules that would achieve the same or similar goals.**

There is no reasonable alternative to the proposed rules. The proposed rules implement the Act's requirements that enable a school district to obtain a qualified loan status and to issue and market bonds as qualified bonds, and to borrow funds through the School Loan Revolving Fund.

**A. Please include any statutory amendments that may be necessary to achieve such alternatives.**

There are no statutory amendments needed.

**36. Discuss the feasibility of establishing a regulatory program similar to that proposed in the rules that would operate through private market-based mechanisms. Please include a discussion of private market-based systems utilized by other states.**

The Legislature has granted the State Treasurer exclusive, statutory authority to administer the Act. This statutory authority cannot be delegated to or properly exercised through private market-based mechanisms.

**37. Discuss all significant alternatives the agency considered during rule development and why they were not incorporated into the rules. This section should include ideas considered both during internal discussions and discussions with stakeholders, affected parties, or advisory groups.**

There were no alternatives considered during the rules development. The purpose of the proposed rules is to ensure that provisions in the Act are not duplicated in the rules. The School Bond Loan staff and management determined what was duplicated. Staff and management also considered the necessity of the interest rate calculation and determined to discontinue the September 1st calculation.

**Additional Information**

**38. As required by MCL 24.245b(1)(c), please describe any instructions regarding the method of complying with the rules, if applicable.**

Instructions regarding the method of complying with the proposed rules are not necessary. MCL 24.245b(1)(c) is not applicable.