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SFA BILL ANALYSIS

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Senate Bill 959 (Substitute S-1 as reported)
Sponsor: Senator Joanne G. Emmons
Committee: Finance

CONTENT

The bill would amend the Shared Credit Rating Act to do the following:

-- Allow the Michigan Municipal Bond Authority to accept State appropriations for the benefit of public schools, and specifically allow the Authority to establish reserve funds to make loans authorized under the Act or to purchase obligations issued by school districts.
-- Allow the Authority to loan money to a corporation, partnership, limited liability company, trust, or similar entity for the benefit of a public school academy.
-- Repeal a section that prohibits the Authority from issuing new bonds or notes after December 31, 2000, to make loans to governmental units.
-- Reduce the membership of the board of the Authority and make the State Treasurer the chairperson of the board.

The Act prescribes the powers and duties of the Michigan Municipal Bond Authority in regard to issuing notes and bonds and purchasing the obligations of local units of government as a mechanism for them to finance public improvements. The Authority is prohibited from receiving appropriations from the State's General Fund, except for revolving funds established for pollution control and drinking water. The bill specifies that the Authority could accept General Fund appropriations for the benefit of public schools, or for reserve funds for school districts. The Authority could accept, obligate, and use an amount appropriated to it to fund one or more reserve funds to secure bonds or notes it issued, to provide funds to purchase municipal obligations issued by school districts.

Currently, a bond issued by the Authority and municipal obligations (bonds or notes issued by a governmental unit for a purpose authorized by law) do not include "qualified bonds", i.e., general obligation bonds of school districts issued for capital expenditures under Article 9, Section 16 of the State Constitution (which allows the State to make loans to school districts to enable them to make payments on the districts' qualified bonds). The bill would delete these provisions, and specifies that the Authority could purchase qualified bonds issued by school districts under Public Act 108 of 1961 (which implements Article 9, Section 16). The principal amount of the bonds purchased in a calendar year could not exceed 7.5% of the principal amount of qualified bonds issued by school districts in the preceding calendar year.

MCL 141.1051 et al. Legislative Analyst: G. Towne

FISCAL IMPACT

The bill would have no fiscal impact on the State. Currently, a sunset of December 31, 2000, is scheduled to terminate the Authority's ability to issue new bonds or notes to make loans to governmental units, except for bonds or notes issued pursuant to the State Water Pollution Control Revolving Fund or the State Drinking Water Revolving Fund. As a result, if the sunset takes effect, local units will have to use their own credit rating to determine the interest rate of a loan, which is usually higher than that of an Authority program.

Date Completed: 9-27-00 Fiscal Analyst: J. Runnels