



Senate Fiscal Agency
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Senate Concurrent Resolutions 8 through 11 (as introduced on 3-3-05)
Sponsor: Senator Shirley Johnson
Committee: Appropriations

Date Completed: 3-21-05

CONTENT

The Joint Capital Outlay Subcommittee (JCOS) has approved Senate Concurrent Resolutions 8, 9, 10, and 11, which would convey property and establish lease agreements between the State, the State Building Authority (SBA), and several university and State agency construction projects. These project leases were originally approved by the Legislature in November and December 2001 and September 2002, yet were never executed by the SBA. According to the State Building Authority Act, leases must be executed within three years of legislative approval. The SBA maintains that the leases were never presented to the State Administrative Board for approval because the SBA had raised the ceiling on the Commercial Paper Program. This action effectively increased the SBA's amount of short-term borrowing and subsequently delayed the need for selling long-term bonds, resulting in savings to the State of approximately \$23 million in FY 2003-04. Since the project leases are now all more than three years old, the SBA is requesting reapproval of the leases through these resolutions. Approval of the resolutions would allow the SBA to sell bonds in order to finance construction.

These projects have all met the planning approval requirements of the JCOS and the Management and Budget Act. The estimated annual rent amount is provided pursuant to the requirements of the State Building Authority Act. Legislative approval of the resolution would commit the State to make annual rental payments for the buildings. The SBA then would use this money to pay off the bonds and satisfy the debt obligations.

FISCAL IMPACT

These projects represent new bond debt obligations by the SBA of \$128.4 million. Approval of the resolutions would require the State to make annual rental payments to the SBA estimated to be between \$10.8 million and \$13.5 million until the bonds were retired, which is expected to take approximately 12 to 15 years. Annual rental (debt service) payments for the current fiscal year are appropriated in Public Act 309 of 2004 at \$250.8 million, and include the cost of these resolutions.

Project	SCR	State Share	University Share	Total Cost	Annual Rental Range
Michigan State University – Animal Health Diagnostic Laboratory	8	\$58,000,000	\$0	\$58,000,000	\$4,895,000 - \$6,120,000
Central Michigan University – Health Professions Building	9	37,500,000	12,500,000	50,000,000	3,165,000 - 3,960,000
University of Michigan – Central Campus Renovations II – Haven and Mason Halls.	10	26,250,000	8,750,000	35,000,000	2,215,000 - 2,770,000
Department of Management and Budget - Roosevelt Parking Garage	11	6,600,000	N/A	6,600,000	515,000 - 650,000
Totals		\$128,350,000	\$21,250,000	\$149,600,000	\$10,790,000 - \$13,500,000

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