

Legislative Analysis



REALLOCATION OF ARRA BONDS

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House Bill 6045 (Substitute H-3)

Sponsor: Rep. Robert Jones

Committee: Commerce

Complete to 4-29-10

A SUMMARY OF HOUSE BILL 6045 AS REPORTED FROM COMMITTEE

The bill would create a new act with the aim of establishing a procedure for the reallocation of bond limitation allocations when a municipality or other entity that was allocated the bond limitation by the federal government has not expressed the intent to use it. The act applies to three kinds of bonds created by the federal American Recovery and Reinvestment Act of 2009 (ARRA, the federal "stimulus" program): qualified school construction bonds, recovery zone economic development bonds, and recovery zone facility bonds.

In other words, the intent of the procedure is to allow the State Treasurer to reallocate bonding authority from communities that are not going to make use of it to communities that are able to make use of it.

The term "municipality or other entity" in the act refers to a county, city, school district, or other entity that has received a federal bond limitation allocation.

The new act contains the following provisions regarding the allocation, reallocation, and waiver of the bond limitations.

**** Unless prohibited by federal law, the State Treasurer would allocate and reallocate any federal bond limitation allocated, reallocated, or waived to the state before January 1, 2011 for qualified school construction bonds, recovery zone economic development bonds, and recovery zone facility bonds.**

**** Subject to limitations in the act, the State Treasurer could provide for the waiver, deemed waiver, or reallocation to the State of Michigan of any federal bond limitations allocated to projects, municipalities, or other entities within the state. However, the treasurer could not consider any federal bond limitation a deemed waiver before July 1, 2010.**

**** Beginning July 1, 2010, the State Treasurer could consider any bond limitation a deemed waiver unless the municipality or other entity that was allocated the bond limitation does all of the following: (1) adopts a resolution describing the project and indicating the intent to issue bonds for the project; (2) the municipality or other entity provides communications from a third-party nationally recognized bond counsel attesting**

to the viability of the project; and (3) if applicable, the municipality or other entity provides communication from a third party that is responsible for payment of the bonds.

** Beginning September 1, 2010, the State Treasurer could consider any bond limitation a deemed waiver if the municipality or other entity allocated the bond limitation had not issued the bonds, and other municipalities or entities have need for additional bond limitation authority.

**If the final deadline for issuing bonds is extended by federal law enacted after the date this new state law takes effect, then the State Treasurer could not consider any federal bond limitation a deemed waiver prior to 180 days prior to the last day provided for issuing those bonds, but could after that date unless the municipality or other entity that was allocated the bond limitation does all of the following: (1) adopts a resolution describing the project and indicating the intent to issue bonds for the project; (2) the municipality or other entity provides communications from a third-party nationally recognized bond counsel attesting to the viability of the project; and (3) if applicable, the municipality or other entity provides communication from a third party that is responsible for payment of the bonds.

** If the final deadline for issuing bonds is extended by federal law enacted after the date this new state law takes effect, then the State Treasurer could consider any federal bond limitation a deemed waiver after 120 days prior to the deadline for issuing the bonds if the municipality or other entity allocated the bond limitation had not issued the bonds and other municipalities or entities have need for additional bond limitation authority.

** If a deemed waiver had occurred prior to the enactment of a federal law, any deemed waiver amounts that had not been reallocated would be returned to the municipality or other entity (and then be subject to the procedures in the new act).

** A municipality or other entity to which a deemed waiver applies could subsequently obtain a reallocation of the amount deemed waived if it demonstrates a viable project to the State Treasurer and the amount deemed waived remains available for allocation.

** The State Treasurer would have to make an effort to reallocate bond limitation allocations that have been waived voluntarily or have been deemed waived because the municipality or entity has not adopted a resolution describing a project before reallocating bond limitations deemed waived because bonds have not been issued within a set time.

** In determining any allocation or reallocation, the State Treasurer, must, to the extent possible, give priority to projects within a region in which an original allocation existed or a remaining allocation exists and which reflect a consensus or preference among entities to which original allocations were provided.

** An entity to which an allocation or reallocation is provided could not issue bonds for a project that benefits a person who has been convicted of a felony if the conviction will have a material impact on the ability of the person to participate in the project.

** Any allocation or reallocation of bond limitation for qualified school construction bonds, recovery zone economic development bonds, or recovery zone facility bonds made by the state Department of Education, Department Energy, Labor, and Economic Growth, or the State Treasurer prior to the effective date of the new act would be ratified and confirmed by the new act.

FISCAL IMPACT:

The bill would have an indeterminate fiscal impact. For information about the bonds that the new act would apply to, see the memorandum by the House Fiscal Agency dated 4-21-10 and found at:

<http://www.legislature.mi.gov/documents/2009-2010/billanalysis/House/pdf/2009-HLA-6045-8.pdf>

POSITIONS:

The Michigan Department of Treasury and the Michigan Association of Counties testified in support of the bill before the House Commerce Committee on 4-28-10.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.