

Legislative Analysis



STATE BUILDING AUTHORITY POOL OBLIGATIONS

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House Bill 4842 (H-1) as passed by the House
Sponsor: Rep. Natalie Price
1st Committee: Insurance and Financial Services
2nd Committee: Appropriations
Complete to 4-18-24

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

House Bill 4842 would amend 1964 PA 183, which regulates the State Building Authority, to eliminate the requirement that pools of obligations issued by the authority be fully payable to the creditor or creditors within five years.

The State Building Authority is responsible for acquiring, constructing, furnishing, equipping, and renovating buildings and equipment for use by the state, including public universities and community colleges.¹ The authority is allowed to issue revenue obligations for various purposes, such as acquiring or constructing buildings, up to an aggregate principal amount of \$2.7 billion.

The act currently allows the authority to authorize a pool of obligations, which may relate to one or more projects, by resolution to meet interim financing needs. The obligations issued under the pool must mature (i.e., be fully payable to the creditor or creditors) not later than five years after the pool is established.

The bill would eliminate a requirement that obligations issued under a pool mature within five years and instead provide that projects placed in a pool remain in it for a duration permitted under tax rules and laws.

MCL 830.418

BRIEF DISCUSSION:

According to committee testimony in support of the bill, the requirement to reissue a new series of obligations every five years is unnecessary and adds unnecessary costs for the state.

FISCAL IMPACT:

House Bill 4842 would have a potential reduction of costs for state government and no fiscal impact on local government. The Department of Treasury notes that some staff time and resources would be saved every five years through eliminating the need to have the pool of obligations mature after a five-year period. Department resources are used to have the State Building Authority's credit rating reevaluated when a new pool of obligations is issued. As the bill would lengthen the amount of time between the need to issue a new pool of obligations, fewer resources would need to be spent on preparing new credit rating evaluations.

¹ <https://www.michigan.gov/treasury/finance/sba/state-building-authority>

POSITIONS:

A representative of the Department of Treasury testified in support of the bill. (11-1-23)

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