



**House
Legislative
Analysis
Section**

Washington Square Building, Suite 1025
Lansing, Michigan 48909
Phone 517/373-6466

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STATE BUILDING AUTHORITY, BOND LIMIT

**House Bill 4582 as passed by the House
First Analysis (6-18-87)**

**Sponsor: Rep. James O'Neill
Committee: Appropriations**

THE APPARENT PROBLEM:

The State Building Authority Act restricts the obligations of the State Building Authority to \$775,000,000. In order to meet the recommendations of Public Act 207 of 1985 and Public Act 105 of 1986, however, bonds for capital outlays totaling \$385.4 million were committed through 1986 and \$567.5 million were committed through 1987. Further, \$218.4 million in bonds would be committed through 1988 to meet the governor's fiscal year 1988 budget recommendations. It is estimated that an additional \$325 million will be required for higher education facilities, juvenile criminal justice projects, psychiatric hospitals for the Departments of Corrections and Mental Health, and additional prisons. These obligations total \$721.3 million. It is recommended by the Department of Management and Budget that an additional \$725 million authorization be included to bring the bond limit to \$1.35 billion.

THE CONTENT OF THE BILL:

The bill would amend the State Building Authority Act to increase the bonding limit of the State Building Authority from \$775 million to \$1.35 billion, and would add that this limit could not include principal appreciation. Should the authority issue an obligation that appreciated in principal amount, the amount of principal appreciation each year on that obligation, after the date of original issuance, would not be considered to be principal indebtedness for the purposes of the limitation. The appreciation of principal after the date of original issue would not be considered interest and would be within the interest rate limitation required in the act.

MCL 830.418

FISCAL IMPLICATIONS:

The House Fiscal Agency reports that, although the bill would increase the building authority's bonding limit by \$575 million, actual appropriations will occur in annual capital outlay bills. Concurrent Resolutions 326, 327, and 328, approving the conveyance of the Jackson Regional Prison, the Ionia Maximum Security Prison, and the Lapeer Regional Prison to the building authority have already passed the House. (6-18-87)

ARGUMENTS:

For:

The bill would not make an appropriation, but rather provide an authorization to have bonds outstanding total not more than \$1.35 billion. All potential projects would require legislative/executive agreement, with final approval for the sale of bonds, by project, contingent upon passage of a concurrent resolution establishing the total project cost, the true rental rate to be paid to the State Building Authority, and conveyance of the specific title of the land to the State Building Authority, which would be reversed when the bonds matured.

For:

If the bonding limit is not increased, construction which has been approved, or has already commenced, on several buildings will have to be halted. Most of these are prison buildings.

POSITIONS:

The Department of Corrections supports the bill. (6-18-87)

The Department of Management and Budget supports the bill. (6-18-87)

The Department of Education takes no position on the bill. (6-18-87)

The Department of Mental Health takes no position on the bill. (6-18-87)

The Department of Social Services takes no position on the bill. (6-18-87)

H.B. 4582 (6-18-87)