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BILL ANALYSIS

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Senate Bill 834 (as enrolled) **PUBLIC ACT 241 of 1996**
Sponsor: Senator Michael J. Bouchard
Senate Committee: Financial Services
House Committee: Commerce

Date Completed: 1-27-97

CONTENT

The bill amended the Shared Credit Rating Act to do the following:

- **Delete the Act's authorization for the board of the Michigan Municipal Bond Authority to management an investment or create and manage an investment pool for a governmental unit.**
- **Specify that the terms "bonds" and "municipal obligation" do not include qualified bonds as defined in Article 9, Section 16 of the State Constitution.**
- **Provide that funds loaned to a public school academy or a school district may not be used to finance property owned by any officer, board member, or employee of that school.**
- **Permit the Authority to issue new bonds or notes until December 31, 2000, rather than December 31, 1995.**

The provision that the bill deleted allowed the Authority to contract with private or public sector fund investment advisors, investment managers, and fund administrators, and with the Department of Treasury to pool a governmental unit's investment with the investment of State surplus funds. Under that provision, the Department of Treasury had to consider and account for a governmental unit's investment that was pooled with State surplus funds as a trust fund that was equivalent to a debt service fund within the State Common Cash Fund.

The bill also deleted a provision that allowed the Authority to authorize a board member or the Authority's executive director to create and manage investment pools on behalf of governmental units. In addition, the bill repealed a section of the Act that permitted a governmental unit contracting with the Authority to invest the unit's money in an investment pool created and managed by the Authority (MCL 141.1078).

The Act defines "bonds" as bonds of the Authority issued under the Act with a maturity greater than three years. "Municipal obligation" means a bond or note or evidence of debt issued by a governmental unit for a purpose authorized by law. The bill specifies that neither term includes qualified bonds as defined in Article 9, Section 16 of the State Constitution. (Under that section, "qualified bonds" refers to general obligation bonds of school districts issued for capital expenditures, including refunding bonds.) The bill also deleted language stating that the Act did not prohibit the Authority from purchasing bonds of school districts that were qualified pursuant to Public Act 108 of 1961 (which implements Article 9, Section 16).

The Act's definition of "governmental unit" includes a school district. The bill specifies that a school district includes a public school academy established under the Revised School Code. The bill provides that funds loaned to a public school academy or a school district may not be used to finance the purchase, construction, lease, or renovation of property owned, directly or indirectly, by any officer, board member, or employee of that public school.

MCL 141.1053 et al. Legislative Analyst: S. Margules

FISCAL IMPACT

The bill will have no fiscal impact on the State. The impact on school districts is indeterminate. Since the authority is no longer permitted to issue qualified bonds as defined above, school districts will have to seek alternatives to borrowing funds for capital expenditures.

Fiscal Analyst: M. Ortiz

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.