

Senate Fiscal Agency
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Senate Bill 881 (Substitute S-6 as reported by the Committee of the Whole)
Sponsor: Senator Leon Stille
Committee: Technology and Energy

CONTENT

The bill would create the "Michigan Broadband Development Authority Act" to do the following:

- Create the Michigan Broadband Development Authority, and establish its board of directors.
- Prescribe the Authority's powers and duties, including making loans to, and entering into joint venture and partnership arrangements with, broadband developers and operators. Except to the extent necessary to maintain an element of the broadband infrastructure already acquired or financed under the bill, the Authority could not enter into new partnerships or other joint venture arrangements or provide new loans after 2008.
- Prohibit the Authority from making loans to, or entering into joint ventures or partnership arrangements with, any governmental entity or nonprofit organization except in connection with financing development costs for the portion of broadband infrastructure used or to be used exclusively by governmental entities or nonprofit agencies, including universities, school districts, hospitals, libraries, cities, townships, and counties.
- Limit the Authority's ability to acquire real and personal property.
- Authorize the Authority to issue tax-exempt bonds and notes to finance or refinance all or part of the development of the broadband infrastructure; specify that the notes or bonds would not be a debt of the State; and make the Authority subject to the reporting requirements of the Revised Municipal Finance Act.
- Create a Reserve Capital Account under the Authority's control to secure its bonds and notes.
- Enact legislative findings that would state the need for broadband infrastructure throughout the State, and declare that it would be a valid public purpose for the State to assist in financing and refinancing private and public sector development of a statewide broadband infrastructure.

Legislative Analyst: George Towne

FISCAL IMPACT

The bill would establish a Reserve Capital Account to be administered by the Broadband Authority for the purposes of securing notes and bonds. If at any time the Reserve Capital Account had insufficient funds to make a transfer to the capital reserve funds and fulfill the fund levels required, the Broadband Authority would be required to certify to the Governor the amount necessary to restore the capital reserve funds to the fund level requirement. The Governor would be required to include the difference in the annual proposed budget. The actual appropriation would depend on the legislative appropriations process. This appropriation would be from the General Fund. The bill also provides that the State would not be liable for debt obligations entered into by the Broadband Authority.

The bill would not provide funding for the administration and operation of the Authority. These costs would be absorbed by the Department of Treasury.

Date Completed: 2-19-02

Fiscal Analyst: Jessica Runnels

