Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

SFA BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
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Senate Bill 1301 (as enrolled)
Sponsor: Senator Joanne G. Emmons
Senate Committee: Finance
House Committee: Tax Policy

PUBLIC ACT 467 of 2002

Date Completed: 1-15-03

CONTENT

The bill amended Section 18b of the Michigan Transportation Fund law, which allows the State Transportation Commission to issue notes and bonds for purposes specified in that section, to provide that the Commission may authorize by resolution the execution and delivery of agreements providing for interest rate exchanges or swaps, hedges, or similar agreements, in connection with outstanding bonds, notes, or other obligations issued under the law or in connection with the issuance or proposed issuance of bonds, notes, or other indebtedness.

Obligations of the State issued under the agreements, including termination payments, may be made payable from and secured by a pledge of the same sources of funds as the bonds, notes, or other obligations in connection with which the agreements are entered into, or from any other sources of funds available as a payment source of bonds, notes, or other obligations issued under the law. In calculating debt service on bonds, notes, and other obligations, the payments and receipts under the agreements authorized by the bill, without regard to termination payments, and the payment obligations under the bonds, notes, or other obligations in connection with which the agreements are entered into, must be aggregated and treated as a single obligation.

The bill provides that bonds and notes issued under the law are not subject to the Revised Municipal Finance Act; however, bonds and notes issued under Section 18b are subject to the Agency Financing Reporting Act.

MCL 247.668b

Legislative Analyst: George Towne

FISCAL IMPACT

The bill will result in increased costs associated with fees/charges assessed by financial institutions to effect interest rate exchanges or swaps, hedges, or similar agreements. These costs, however, may be offset in the long run as a result of lower interest rates on outstanding bonds, notes, or other obligations. Presumably, the State Transportation Commission will enter into such agreements when debt service savings can be realized. The amount of savings will be contingent on existing interest rates, terms of indebtedness, and future interest rates.

Fiscal Analyst: Craig Thiel

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