Fiscal Analysis
SCHOOL BOND LOANS

Bill/Sponsor	**SENATE BILL 572 (H-1),** Sen. Burton Leland **HOUSE BILL 4866 (H-1)** Rep. Mike Nofs **SENATE BILL 573 (H-1),** Sen. Burton Leland
House Committee	Appropriations
Analysis	**Summary**

The Governor's Executive budget proposal for FY 2004 included a proposal to have school districts refinance their School Bond Loan Fund (SBLF) obligations. To do so they would repay their outstanding loans from the SBLF, and the proceeds from the repayment would then be deposited into the school aid fund to help pay for the FY 2004 School Aid budget. Senate Bills 572, 573 and HB 4866 are necessary to allow for the repayment of loans and all three bills are tie-barred together.

SB 572
This bill amends Public Act 108 of 1961 which allows the State of Michigan to make loans to school districts and for school districts to repay these loans. The bill adds a new section to the Act to do the following:

- The State would reduce the total amount of the loan for the costs incurred from the issuance of the new bonds, not to exceed 10% of the total outstanding balance.
- School districts that are issuing new bonds to repay the SBLF would be required to sell the bonds to the Michigan Municipal Bond Authority.
- The date by which the bonds will be repaid will be determined by the State Treasurer but not later than September 30, 2004.
- School districts participating in the refinancing of the SBLF will receive a certificate of qualification from the State Treasurer which would allow the school district the State's bond rate on the new bonds.
- The bonds sold to the Michigan Municipal Bond Authority should be considered loans for purposes of calculating the school district's millage rate.
- Proceeds from the repayment of school loans are deposited into the general fund.

SB 573
This bill amends the "Shared Credit Rating Act" to allow the Michigan Municipal Bond Authority to purchase the bonds issued not later than September 30, 2004, by the school districts that are part of the SBLF refinancing. The bonds issued under the refinancing would not be subject to the 7.5% limit that the Bond Authority has on bonds purchased from school districts.

Mitchell Bean, Director – House Fiscal Agency
124 N. Capitol Avenue, Lansing, MI 48909
Phone: (517)373-8080, Fax: (517)373-5874
http://www.house.mi.gov/hfa

HB 4866

This bill amends Public Act 112 of 1961 which allows the state to borrow money in order to fund the SBLF. The bill adds a new section to the Act to do the following:

- Appropriates for FY 2004 money from the repayment of the loans to the school aid fund and states that within 90 days after the funds are deposited into the school aid fund they must be used to make payments to school districts.
- Appropriates for FY 2004 from the general fund to the school aid fund any other source used to make repayments to the SBLF between June 1, 2003 and when the bond is repaid, and states that within 90 days after the funds are deposited they must be used to make payments to school districts.
- The Treasurer shall use any balance to payoff some of the state's outstanding debt.

Fiscal Impact

The Department of Treasury estimates that after, the repayments and issuance costs associated with the refinancing of the new bonds, the state would have an additional $100 million which would then be deposited into the general fund.

Analyst(s)
Mary Ann Cleary
Laurie Cummings

FLOOR ANALYSIS - 6/26/03

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