



Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 412 (as reported without amendment)

(as enrolled)

Sponsor: Senator Michael Prusi

Committee: Appropriations

CONTENT

The bill would amend the State Building Authority Act to include capital maintenance improvements as allowable projects undertaken by the State Building Authority (SBA).

Currently, the SBA is granted powers to improve existing facilities through the restoration or renovation of those facilities. The bill would add capital maintenance improvements of those facilities under those powers. "Capital maintenance improvements" would be defined as an expenditure to provide capital maintenance that is an asset depreciable under the Internal Revenue Code that is used by this State or an institution of higher education.

The provisions to include capital maintenance improvements would be in effect through September 30, 2007. Capital maintenance improvement projects would have to be provided in a lease between the State, the institution of higher education, and the SBA, and approved by a majority of the members elected to and serving in each house of the Legislature. The form of the lease would not need to contain a description of the improvements, or the rental or rental range, although the description and the rental would have to be approved by the State Administrative Board.

The SBA would be required to retain title to the capital maintenance improvements during the term of the lease, yet the title would be evidenced by a bill of sale. The SBA would not have to have any ownership interest in the structure to which the capital maintenance improvement was made.

The actual rental paid under an approved lease would have to be determined by an appraiser, or an alternate method, which could include a determination by a person or business that is in the business of providing capital maintenance improvements to institutions of higher education. Either method would have to be approved by the State Administrative Board. As is the case for existing projects, the State would be required to pay to the SBA true rental as specified in the lease, and the Governor and State Budget Director would be required to include a sufficient amount to pay the rental in the annual State budget.

MCL 830.411 et al.

FISCAL IMPACT

The bill would have no direct fiscal impact on State or local government. By expanding the types of projects allowable for financing under the SBA Act, one might expect that more projects would ultimately be financed through lease arrangements with the SBA, resulting in increased rental (debt service) costs for the State. The final decision on whether to finance these projects, however, rests with the Legislature.

Date Completed: 5-25-05

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