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

BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 629 (as reported without amendment)
Sponsor: Senator Rick Jones
Committee: Economic Development

## CONTENT

The bill would amend Public Act 31 of the 1st Extra Session of 1948, which authorizes the creation of local building authorities, to do the following:

-- Permit an authority to issue negotiable bonds to refund other refunding bonds.
-- Allow refunding bonds to be payable through 2043, rather than 2039.
-- Exempt refunding bonds issued before December 31, 2019, from certain provisions of the Revised Municipal Finance Act.

The Act allows a building authority to issue its negotiable bonds in anticipation of receiving rental payments from the local unit or units of government that incorporated the authority, for certain purposes. Bonds may not be issued unless the property has been leased by the authority to its incorporating unit or units. In addition, for the purpose of defraying the cost of refunding capital appreciation bonds originally issued on May 17, 1990, a building authority may issue its negotiable bonds in anticipation of receiving rental payments from the incorporating unit, under a lease dated November 14, 1989. Under the bill, an authority also could issue these negotiable bonds to defray the cost of bonds issued to refund the refunding bonds. Currently, the refunding bonds may be payable through 2039. The bill would allow the bonds to be payable through 2043.

Under the Act, if the refunding bonds were issued before January 1, 2011, they are not subject to certain provisions of the Revised Municipal Finance Act. Under the bill, if the refunding bonds were issued before December 31, 2019, they would be exempt from those provisions as well as a section of the Revised Municipal Finance Act that sets forth conditions and procedures for a municipality to issue a refunding security.

MCL 123.961 Legislative Analyst: Patrick Affholter

## FISCAL IMPACT

The bill would likely alter the timing and amount of State expenditures by an unknown magnitude. The bill would affect refunding obligations, which are generally issued to pay back an earlier debt issue with a new one that pays a lower interest rate and/or is payable over a different period of time. The new refunding obligation payments could be greater or less than under current law and the specific changes would depend on the terms of any affected refunding obligations. For example, a refunding obligation could conceivably pay a lower interest rate, which would reduce payments; but could accelerate the repayment period, which would increase the payments in the near term but reduce them in later years.

Date Completed: 10-25-13 Fiscal Analyst: David Zin