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BILL ANALYSIS

House Bill 4842 (Substitute H-1 as reported)
Sponsor: Representative Natalie Price
House Committee: Insurance and Financial Services
Appropriations
Senate Committee: Finance, Insurance, and Consumer Protection

CONTENT

The bill would amend the state building authority Act to eliminate the requirement that an obligation under a pool of obligations mature within five years after the pool was established.

The Act grants the State Building Authority the power to acquire, construct, furnish, equip, own, improve, enlarge, operate, mortgage, and maintain facilities for the use of the State or any of its agencies. The Authority can authorize by resolution a pool of obligations to meet interim financing needs. A pool can be issued in one or more series and can relate to one or more projects. An obligation under the pool must mature within five years after the date on which the pool is established.

The bill would delete the requirement that an obligation under a pool mature within five years after the pool was established. Instead, the bill would require that projects placed in the pool remain in the pool for a duration permitted under tax rules and laws.

MCL 830.418

BRIEF RATIONALE

According to testimony, short-term bonds allow the State Building Authority to access funding and cash flow; however, the five-year maturity requirement creates an unnecessary cost to the State. Some have argued that this requirement should be deleted.

Legislative Analyst: Nathan Leaman

FISCAL IMPACT

The bill would have a minimal fiscal impact on the Department of Treasury and no fiscal impact on local units of government. Removing the requirement for an obligation to mature after five years would result in some cost savings for the Department. These cost savings would be due to reduced staff time spent organizing information, fewer payments needed to verify the Authority's credit with credit rating agencies, and a reduction in the frequency of other fee payments; however, these savings would not result in a significant decrease in necessary appropriations.

Date Completed: 10-29-24

Fiscal Analyst: Elizabeth Raczkowski