



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

**BILL ANALYSIS**

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 1189 (as introduced 3-23-06)
Sponsor: Senator Mike Goschka
Committee: Appropriations

Date Completed: 5-9-06

CONTENT

The bill would amend the State Building Authority Act to increase the amount of outstanding obligations that may be issued by the State Building Authority (SBA) at any one time in a principal amount by \$1.3 billion. The current limit, also known as the bond "cap", is statutorily set at \$2.7 billion. The bill would raise that limit to \$4.0 billion.

The State Building Authority Act was first enacted in 1964 and limited outstanding obligations at that time to \$400.0 million. Since that time, the Act has been amended four times, most recently in 1997 to increase the cap from \$2.0 billion to \$2.7 billion.

MCL 830.418

FISCAL IMPACT

Current projections indicate that there is approximately \$462.0 million available under the existing bond cap. The Governor has recommended \$364.0 million in new SBA-financed projects for FY 2006-07, which would bring the available capacity down to about \$98.0 million. It is important to note, however, that the available capacity tends to be a rather fluid estimate due to 1) the continual retiring of past debt obligations, 2) newly incurred debt for projects moving into construction, and 3) changes in planning, construction, and financing schedules.

For purposes of illustration, if the SBA were to issue \$1.3 billion in new debt, annual "rent" (debt service) payments for this obligation would be approximately \$130.0 million, although rent (debt service) values are highly dependent on market conditions, facility type, and length of issue. This increase would be in addition to the current annual rent payments the State makes to the SBA to finance current and past projects. In the current year, rent payments are appropriated at \$272.8 million.

Fiscal Analyst: Mike Hansen

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