

Legislative Analysis



MSHDA: LIMIT ON BONDS AND NOTES

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Senate Bill 345 (Substitute H-1)

Sponsor: Sen. Mike Kowall

House Committee: Commerce

Senate Committee: Economic Development

Complete to 9-6-13

A SUMMARY OF SENATE BILL 345 AS REPORTED FROM HOUSE COMMITTEE

The bill would amend the State Housing Development Authority Act to address the limit on the Michigan State Housing Development Authority's (MSHDA's) outstanding bonds and notes and the scheduled reduction of that limit.

Currently, MSHDA may not have bonds and notes outstanding at any time, for any of its corporate purposes, in an aggregate principal amount exceeding \$4.2 billion (although some debt is excluded from the limit). However, after November 1, 2014, the limit is scheduled to be reduced to \$3.4 billion (not including certain exempt debt).

The Substitute H-1, as reported from committee, would rewrite these provisions to provide that for three years after the bill's effective date, the limit on bonds and notes for corporate purposes could not exceed 5.5 times the authority's total net assets, as indicated on its most recent audited financial statement. (The current exclusions from the limit would remain.) The cap calculated in this way is currently estimated to be \$3.98 billion.

[As passed by the Senate, the bill would have set the cap at \$4.2 billion, with no future reduction scheduled.]

MCL 125.1432

BACKGROUND INFORMATION:

Recent History of the Cap

It appears that the cap on bonds and notes was first raised to \$4.2 billion by Public Act 221 of 1993, with a scheduled reduction after November 1, 1996.

Since then the \$4.2 billion cap has been retained (although each time with scheduled future reductions) by Public Act 475 of 1996, Public Act 257 of 2000, Public Act 535 of 2004, Public Act 56 of 2008, and again by Public Act 328 of 2012 (with the currently scheduled reduction to \$3.4 billion after November 1, 2014).

FISCAL IMPACT:

Senate Bill 345 would have no impact on state or local government finances. Bonds and notes issued by the Michigan State House Development Authority (MSHDA) are obligations of MSHDA and do not have the backing of the State of Michigan. The current statute has a roll back in the bond and note cap to \$3.4 billion from the current \$4.2 billion on November 1, 2014. Senate Bill 345 would eliminate the roll back provision and current \$4.2 billion bond and note cap and institute a bond and note cap of 5.5 times MSHDA's total net assets, as indicated in its most recent audited financial statement. As of June 30, 2012, MSHDA had \$2.55 billion in bonds and notes outstanding. Using MSHDA's most recent financial report, the current net asset-based cap would be \$3.98 billion.

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