

Senate Fiscal Agency  
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**SFA****BILL ANALYSIS**

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Senate Bill 1506 (as reported without amendment)  
Sponsor: Senator Shirley Johnson  
Committee: Education

## **CONTENT**

The bill would create the "Michigan Public Educational Facilities Authority Act" to:

- Create the Michigan Public Educational Facilities Authority, and transfer to it the powers, duties, and functions of the existing Authority established by Executive Order 2002-3.
- Permit the Authority to assist, through financing or refinancing, the construction, acquisition, rehabilitation, refurbishing, and equipping of public schools, as provided in Section 142 of the Internal Revenue Code (which provides for tax-exempt private activity bonds issued by states and local governments).
- Allow the Authority to issue tax-exempt bonds and notes for the purpose of lending money to, and purchasing obligations issued by, public schools and developers in this or any other state, and for other purposes.
- Provide that a public school or developer could contract to pay no interest or interest at a variable rate on money borrowed from the Authority.
- Allow the Authority to charge a fee for services to a developer or public school.
- Provide for the Authority's board of trustees.
- Require the Authority to report annually to the Center for Educational Performance and Information (a temporary State agency created by Executive Reorganization Order 2000-6).

"Developer" would mean a person who had entered into a "public-private partnership agreement" with a "qualified public educational facility". The bill would define those terms as they are in Section 142 of the Internal Revenue Code. "Qualified public educational facility" means any school facility that is part of a public elementary or secondary school, and is owned by a private, for-profit corporation under a public-private partnership agreement with a state or local educational agency. Under a "public-private partnership agreement", the corporation agrees to construct, rehabilitate, refurbish, or equip a school facility and, at the end of the term of the agreement, to transfer the school facility to the state or local educational agency for no additional consideration.

Legislative Analyst: Suzanne Lowe

## **FISCAL IMPACT**

Since the Authority is already in operation pursuant to Executive Order 2002-3, this bill would have no fiscal impact on State or local government. Revenue for operational costs of the Authority would be available from fees charged to public schools or developers for use of the Authority's services. At this time, the salaries of the Authority's two staff persons, the director and a financial specialist, constitute the operational costs. The State is not liable for debt of the Authority and the bill would maintain that separation.

Date Completed: 11-19-02

Fiscal Analyst: Jessica Runnels