

Legislative Analysis



INCREASE CAP ON OUTSTANDING MSHDA BONDS

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Senate Bill 397 (H-1) as reported from House committee
Sponsor: Sen. Mary Cavanagh
House Committee: Economic Development and Small Business
Senate Committee: Housing and Human Services
Complete to 9-17-23

Analysis available at
<http://www.legislature.mi.gov>

(Enacted as Public Act 169 of 2023)

SUMMARY:

Senate Bill 397 would amend the State Housing Development Authority Act to increase, from \$5.0 billion to \$10.0 billion, the limit on the outstanding bonds and notes of the Michigan State Housing Development Authority (MSHDA).

Currently, MSHDA cannot have outstanding bonds and notes in an aggregate principal amount that exceeds \$5.0 billion, excluding the following:

- The principal amount of bonds and notes issued to refund outstanding bonds and notes.
- The principal amount of bonds and notes that appreciate in principal amount, except to the extent of the principal amount of these bonds and notes payable at such time.
- The principal amount of bonds and notes representing original issue discount, if any.

Senate Bill 397 would increase the cap on the aggregate principal of MSHDA's outstanding bonds and notes to \$10.0 billion, excluding the amounts described above.

Additionally, the bill would remove obsolete provisions regarding MSHDA's annual review of all loans or lines of credit with the now-dissolved Michigan Broadband Development Authority.

MCL 125.1432

BACKGROUND:

The cap on MSHDA's outstanding bonds was most recently increased from \$3.4 billion to \$5.0 billion in 2020.¹

FISCAL IMPACT:

The bill would increase the cap on outstanding bonds from \$5.0 billion to \$10.0 billion. MSHDA issues bonds to finance housing-related programs throughout the state of Michigan. MSHDA plans to issue a new debt related to single-family housing, and it is expected that the current bond cap will be reached in October 2023. The cap on outstanding bonds was increased from \$3.4 billion to \$5.0 billion in 2020. Without additional bond capacity, future programming would be reduced and based on available proceeds.

¹ For a summary of 2020 PA 73, see <http://www.legislature.mi.gov/documents/2019-2020/billanalysis/House/pdf/2019-HLA-4908-D569756C.pdf>.

MSHDA is a discretely presented component unit, and MSHDA's bonds are not considered general obligations of the state of Michigan. MSHDA bonds are secured by the revenues received from the loan programs operated with bond proceeds and all income earned related to the bonds.

POSITIONS:

A representative of the Michigan State Housing Development Authority testified in support of the bill. (9-12-23)

The following entities indicated support for the bill (9-12-23):

- Community Economic Development Association of Michigan
- Michigan Housing Council
- Michigan Realtors

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.