

## State Debt Management

Staff assists the State Treasurer with administering the state's existing debt and recommends scheduling of new debt when authorized by the Legislature and the electorate. Staff, also assists state authorities and other departments with debt issuance, including the payment of debt service, compiling information for rating agencies, and reporting information needed to comply with federal tax laws pertaining to the issuance of tax-exempt debt.

## State Cash Management

Staff assists the State Treasurer with the management of the Common Cash Fund. The Common Cash Fund pools the combined cash balance of state funds until paid out as provided by law, including the General and School Aid Funds, but not certain trust funds and funds covering the operations of state authorities, colleges, and universities. Staff performs cash flow analysis and forecasting which enables the State Treasurer to make investment, payment, and borrowing decisions.

## State Building Authority

The State Building Authority (SBA) was organized under P.A. 183 of 1964, as amended. The purpose of the Authority is to acquire, construct, furnish, equip, renovate, buildings and equipment for the use of the State, including public universities and community colleges.

The Authority is authorized to issue and sell bonds and notes for acquisition and construction of facilities and State equipment in an aggregate principal amount outstanding not to exceed \$2.7 billion. Not included in this limitation are bonds allocated for debt service reserves, bond issue expenses, bond discounts, bond insurance premiums and certain refunding bonds.

All bonds and commercial paper notes are limited obligations of the Authority and are not general obligations of the State or Authority. The debt service on the bonds are payable from lease revenue paid by the State pursuant to the provisions of the leases.


## Mission

The Bureau of State and Authority Finance will achieve and maintain market access, low-cost financing, and financial assistance for the citizens of Michigan on behalf of:

- Municipalities
- Healthcare providers
- Public, private, and charter schools
- Higher education
- The state-at-large for environmental, recreational, and other specific voter-approved projects
- The state for cash flow financing for operating purposes

## State & Authority Finance

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**BUREAU OF  
STATE &  
AUTHORITY  
FINANCE**

## School Bond Qualification & Loan

The School Bond Qualification and Loan Program (SBQLP) was established by the Michigan Constitution of 1963 and subsequently amended by Public Act 92 of 2005 to provide a state credit enhancement and loan mechanism for school district bond issues. The State Treasurer must qualify the bonds, and the bond proceeds must be used for capital expenditure purposes.

Qualified bonds provide school districts with access to the state's credit rating, which will usually result in a lower interest rate and cost and the ability to borrow for the principal and interest requirements of outstanding qualified bonds (subject to a minimum debt millage).

## Fiscal Agent & Authority Trust

The Bureau of State and Authority Finance performs investment, cash management, accounting, and bond (registrar, transfer, paying and escrow agent, and lost bonds) services on behalf of the State Treasurer for various bond issues and public finance programs. This includes activities for the State General Obligation bonds and notes and various issuing authorities such as State Park Revenue Bonds, State Building Authority, the Michigan Finance Authority (MFA), the Michigan Education Trust (MET), and Department of Transportation escrow accounts.

## Michigan Finance Authority

The Michigan Finance Authority (MFA) was established by Executive Order 2010-2 to improve efficiency in state government by consolidating the following ten public finance authorities: Municipal Bond, State Hospital Finance, Higher Education Facilities, Higher Education Assistance, Higher Education Student Loan, Public Educational Facilities, Tobacco Settlement Finance, Underground Storage Tank Financial Assurance, State Higher Education Facilities Commission, and the Forest Finance.

Also transferred to MFA were: Authority of Michigan Strategic Fund to finance the facilities of public and private schools. Authority of the State Land Bank, and the Fast Track Authority to issue bonds and notes.

## MFA Financial & Administrative Support Services

The Bureau of State and Authority Finance provides financial and administrative support services for MFA, which includes:

- Providing preliminary analysis and advice when borrowers are deciding among financing alternatives and credit enhancements.
- Confirming bond-pricing levels are appropriate.
- Expediting the financing process.
- Verifying that costs of issuance are appropriate.
- Issuing one series of bonds for multiple locations throughout the state of Michigan when needed.
- Offering assistance in the determination of eligibility of borrower and the project.
- Working with underwriters, financial advisors, and bond counsel to complete bond transactions in a cost-effective manner.
- Administering outstanding federal and state loan portfolios in compliance with federal laws, rules, and regulations to protect the portfolios' financial interest.

## MFA Pooled Loans

MFA pooled loan programs provide a cost-effective mechanism for individual borrowers to participate in a larger transaction to access the capital markets. Borrowers do not need a separate bond rating as MFA obtains a rating for each pooled financing.

- **Local Government Loan Program (LGLP)** provides competitive interest rates for three- to 30-year loans to public entities. Typically, tax-exempt bonds or installment purchase contracts are issued, although taxable and private activity bonds have been issued.
- **State Aid Note Programs (SAN)** are streamlined loan programs to finance short-term operational cash flow needs for public schools. MFA facilitates the process by pooling the loans, soliciting bids, and obtaining the highest possible short-term rating, resulting in competitive interest rates and typically lower costs for the schools. State Aid Note loans are available for both traditional public schools and charter schools.

## MFA Revolving Funds

**State Revolving Funds (SRF)** are jointly administered by MFA and the Michigan Department of Environmental Quality (DEQ) which determines qualified projects and annual funding priority.

- **Clean Water Revolving Fund (CWRF)** provides low-cost financing for municipal wastewater facilities.
- **Drinking Water Revolving Fund (DWRF)** provides low-cost financing for drinking water projects.
- **Strategic Water Quality Initiatives Fund (SWQIF)** provides financing for the removal of ground water or storm water from sewer leads that cannot qualify for CWRF assistance.

**School Loan Revolving Fund (SLRF)** is intended to be a self-sustaining fund that makes loans to school districts to assist with making debt service payments on bonds issued through the School Bond Qualification and Loan Program.

- Loan repayment is deferred until the required debt millage yields enough to pay the district's debt service obligations.
- Money repaid by school districts is deposited back into the fund for debt service and for future loans.

## MFA Other Finance Activities

MFA performs finance activities, including issuing bonds and notes, as needed for:

- Tobacco Securitization
- Underground Storage Tank Cleanup
- Forest Finance
- Land Bank Fast Track
- Unemployment Trust Fund Obligation