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BILL ANALYSIS

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Senate Bill 461 (as introduced 5-5-05)
Sponsor: Senator Michael D. Bishop
Committee: Local, Urban and State Affairs

Date Completed: 5-17-05

CONTENT

The bill would amend the Local Government Fiscal Responsibility Act to require the Governor to appoint, with the advice and consent of the Senate, an emergency financial manager from a list of nominees submitted by the Local Emergency Financial Assistance Loan Board to manage a local government during a financial emergency.

The Act provides for the review, management, and control of the financial operation of units of local government; authorizes the Governor to declare a financial emergency; allows the Local Emergency Financial Assistance Loan Board to appoint an emergency financial manager for a local unit; and prescribes the powers of the emergency financial manager. ("Local government" means a city, village, township, or county, an authority established by law, or a public utility owned by a city, village, township, or county.)

Currently, if the Governor determines that a financial emergency exists, he or she must assign the responsibility for managing the local government financial emergency to the Local Emergency Financial Assistance Loan Board created under the Act. The Board is required to appoint an emergency financial manager.

Under the bill, the Local Emergency Financial Assistance Loan Board would be required to submit to the Governor the names of not more than three nominees who would have to be considered for appointment to serve as the emergency financial manager for a local government. From the list of nominees, the Governor would have to appoint, with the advice and consent of the Senate, an emergency financial manager for the local government. The emergency financial manager would hold the office for a term fixed by the Governor, but not more than one year.

The appointment would have to be by written contract and could be renewed on an annual basis for not more than one year.

The Act requires the emergency financial manager to serve at the pleasure of the Local Emergency Financial Assistance Loan Board. Under the bill, the emergency financial manager would serve at the pleasure of the Governor.

Under the Act, the emergency financial manager must be chosen solely on the basis of his or her competence and must not have been either an elected or appointed official or employee of the local government for which appointed for not less than five years before the appointment. The emergency financial manager need not be a resident of the local government for which he or she is appointed.

MCL 141.1218

BACKGROUND

The Local Government Fiscal Responsibility Act prescribes a series of events that may lead to the appointment of an emergency financial manager for a local unit of government. In short, the following steps must be taken:

- The Governor appoints a team to perform a local financial management review if 1) the local unit requests assistance, or 2) the State Treasurer determines, after a preliminary review, that a serious financial problem may exist within the local government. The State Treasurer must conduct a preliminary review if:
 1. The local unit requests the preliminary review; or
 2. A factor listed in the statute (including a Senator or House resolution) triggers the preliminary review.
- The review team investigates and reports to the Governor.
- The Governor determines that a financial emergency exists and informs the local unit, which may request a hearing with the Governor or appeal the determination to the circuit court.
- The Governor assigns responsibility for the financial emergency to the Local Emergency Financial Assistance Loan Board, which appoints an emergency financial manager.

The Emergency Financial Assistance Loan Board was created under the Emergency Municipal Loan Act. (Under that Act, a municipality may apply to the board for a loan if it meets certain criteria, including a projected general fund deficit.) The board is housed in the Department of Treasury and consists of the State Treasurer, the Director of the Department of Labor and Economic Growth, and the Director of the Department of Management and Budget.

Legislative Analyst: J.P. Finet
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FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.