



**House
Legislative
Analysis
Section**

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EMERGENCY FINANCIAL MANAGER

Senate Bills 881-885 as passed by Senate
Senate Bill 886 with committee amendment
Senate Bills 887-888 as passed by Senate
First Analysis (6-14-88)

RECEIVED

Sponsor: Sen. John M. Engler

Senate Committee: Government Operations

House Committee: Taxation

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THE APPARENT PROBLEM:

Earlier this year, in response to claims that existing state law was inadequate to remedy or prevent severe financial problems of local units of government in the state, the legislature enacted the Local Government Fiscal Responsibility Act. That act calls for the appointment of an emergency financial manager if the governor determines that a financial emergency exists within a local unit of government. The emergency financial manager, in consultation with the local government, is required to develop a financial plan for the local government. The emergency financial manager also has authority over local budgetary and personnel matters, and may authorize the local government to file for bankruptcy. Reportedly, the attorney general has raised the concern that the Local Government Fiscal Responsibility Act, in granting these powers, may be amending other statutes by reference, in violation of Article 4, Section 25 of the state constitution. Thus, it has been suggested that the laws governing local units be amended to conform to the Local Government Fiscal Responsibility Act.

THE CONTENT OF THE BILL:

Senate Bills 881 through 888 would amend various statutes that govern cities, counties, townships, and villages to provide that, notwithstanding any provision of those statutes, the authority and responsibilities that can be exercised under those statutes could be exercised by an emergency financial manager appointed under the Local Government Fiscal Responsibility Act to the extent authorized by that act. Senate Bill 886 would also provide that with the approval of the county board of commissioners in connection with an emergency loan to the county, the Local Emergency Financial Assistance Loan Board could exercise its authority and carry out its responsibilities.

Senate

<u>Bill</u>	<u>Act Amended</u>	<u>MCL</u>
881	home rule cities act	117.1b
	P.A. 278 of 1909 (incorporated	
882	villages)	78.1b
	P.A. 215 of 1895 (fourth class	
883	cities)	81.1d
	Chapt. 16 of Revised Statutes	
884	of 1846 (townships)	41.1a
885	charter township act	42.1a
886	P.A. 156 of 1851 (counties)	46.1a
	P.A. 293 of 1966 (charter	
887	counties)	45.501a
	P.A. 3 of 1895 (incorporated	
888	villages)	61.1c

HOUSE COMMITTEE ACTION:

The House Taxation Committee added an amendment to Senate Bill 886 to provide that with the approval of the county board of commissioners in connection with an emergency loan to the county, the Local Emergency Financial Assistance Loan Board could exercise its authority and carry out its responsibilities.

FISCAL IMPLICATIONS:

The bills have no fiscal implications for the state, according to the Senate Fiscal Agency. (5-26-88)

ARGUMENTS:

For:

The bills would remove potential obstacles to the implementation of the Local Government Fiscal Responsibility Act. Amending the statutes that govern local units would ward off challenges to the constitutionality of the new act on the grounds that it amended those statutes by reference. Further, the bills would ensure that an emergency financial manager's authority did not exceed the powers granted in that act. Senate Bill 886 also addresses similar concerns regarding conditions attached to an emergency loan to Wayne County authorized late in 1987.

POSITIONS:

The Department of Treasury supports the bills. (6-10-88)

S.B. 881-888 (6-14-88)