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

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Senate Bill 1196 (Substitute S-1 as reported by the Committee of the Whole)

Sponsor: Senator Robert Geake

Committee: Families, Mental Health and Human Services

### **CONTENT**

The bill would amend the Emergency Municipal Loan Act to authorize loans under the Act to Wayne County during fiscal year (FY) 1998-99 and provide for a loan to a county that was a "county juvenile agency" under the "County Juvenile Agency Act" (proposed by Senate Bill 1185) and that received a block grant under Senate Bill 1183 for the provision of juvenile justice services. Loans made under the bill would not have to meet the Emergency Municipal Loan Act's current eligibility conditions or interest payment and monitoring requirements. The bill is tie-barred to Senate Bills 1183-1187 and 1197.

The bill would delete a provision that authorized \$120 million to be loaned to a county with a population greater than 1.5 million (i.e., Wayne County) in FY 1987-88. The bill provides, instead, that in the 1998-99 State fiscal year, the Local Emergency Financial Assistance Loan Board could authorize loans under the Act to Wayne County. In addition, the bill specifies that, for a State fiscal year in which a block grant appropriation to Wayne County for juvenile justice services was less than the amount required to be distributed to that county in that year under the Social Welfare Act, the Board could authorize a loan in an amount up to the difference between the amount of the block grant and the amount required to be distributed under the Social Welfare Act for that county in that fiscal year.

The bill also provides that, if in a State fiscal year the block grant appropriated to another county that was a county juvenile agency were less than the amount required to be distributed under the Social Welfare Act to that county in that year, the Board could authorize a loan in an amount up to the difference between the amount of the block grant and the amount required to be distributed under the Social Welfare Act for that county in that fiscal year.

The proceeds of a loan made under the bill would have to be maintained in a separate account and could not be commingled with the county's general fund or any other special fund or account. The State Treasurer or the Treasurer's designee would have to monitor the spending of the proceeds of any loan made under the bill. The proceeds of a loan made under the bill would be subject to the requirements of the proposed County Juvenile Agency Act.

MCL 141.932 et al.

Legislative Analyst: P. Affholter

### **FISCAL IMPACT**

Senate Bills 1196 (S-1) and 1197 would have an indeterminate fiscal impact on the State. The ability of a county to apply for a State loan would create a State debit against the funding source used for the loan. The use of the Health and Safety Fund to repay the loan would reduce the amount available for distribution if the county were allowed to use that funding source to repay the loan.

The bills would have an indeterminate fiscal impact on local government. If a county had

expenditure obligations related to county juvenile justice services that were not covered by the proposed block grant appropriation amount when compared with the existing funding system, the county could apply for a State loan, increasing the county's available funds for service expenditures.

According to the Department of Management and Budget, as part of this overall proposed financial plan between the State and Wayne County, the State would grant Wayne County a \$38 million loan under the provisions of Senate Bill 1196 (S-1), which would allow Wayne County then to repay an outstanding debt to the State of \$38 million. According to Senate Bill 1196 (S-1), this loan would have to be made from existing State surplus funds, which would have to be appropriated by the Legislature. In addition, the loan would have to be repaid using some of the \$16 million that is currently statutorily earmarked from the Health and Safety Fund to Wayne County each fiscal year. It is unclear, however, how and when this loan would be repaid, given that at the present time the entire \$16 million annual payment to Wayne County is committed through 2009 to pay the debt service on Fiscal Stabilization Act bonds the State sold for Wayne County several years ago.

Date Completed: 6-24-98

Fiscal Analyst: C. Cole  
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