# Legislative Analysis

Mitchell Bean, Director
Phone: (517) 373-8080
http://www.house.mi.gov/hfa

## FY FOR COUNTIES: ALLOW ALTERNATIVE DATES

**House Bill 6239 (Substitute H-1)**
**Sponsor: Rep. Dave Hildenbrand**
**Committee: Local Government and Urban Policy**

**First Analysis (9-12-06)**

***BRIEF SUMMARY:*** The bill would allow a county board of commissioners or a county road commission to select between several options for its fiscal year.

***FISCAL IMPACT:*** The bill appears to have no significant impact on state or local revenues.

### *THE APPARENT PROBLEM:*

Collection of the county operating millage portion of property taxes has recently been shifted from the winter tax bill to the summer tax bill, with distribution of the tax revenue to the counties in the fall. Some counties would like to the option of setting a fiscal year that more closely matches this shift in their revenue stream.

### *THE CONTENT OF THE BILL:*

Public Act 174 of 1943 establishes the fiscal year for counties, county road commissions and other county agencies. In general, most counties (those with a population of less than 1,500,000) and their respective agencies are required to follow a fiscal year based on the calendar year and are required to file fiscal year accounting reports within 30 days after the April meeting of the county board of commissioners. The act was amended in 1994 to allow these counties the option of choosing a fiscal year similar to the state's, which runs from October 1 of a calendar year to September 30 of the following year; in such cases the fiscal reports must be filed before the following March 1.

<u>House Bill 6239</u> would amend the act (MCL 45.201) to add another option for counties in regard to choosing a fiscal year. Under the bill, a county board of commissioners could establish, instead of the calendar fiscal year, one of the following as its fiscal year:

- Fiscal year beginning July 1 and ending June 30.
- Fiscal year beginning October 1 and ending September 30.

If either of these were determined to be a county's fiscal year, the required annual reports that counties must prepare based in whole or part on accounting completed within the fiscal year would have to be filed six months from the end of the fiscal year.

In addition, if a county has a calendar fiscal year, the county's road commission currently can instead choose to follow the same fiscal year as the state (October 1 to September 30). The bill would strike that provision allow a county road commission the same three options for its fiscal year as afforded the county board of commissioners. A county road commission's annual report would still have to be made within five months after the end of the fiscal year.

***ARGUMENTS:***

***For:***

The bill simply gives counties and county road commissions an additional option in setting a fiscal year. Some counties would like to have a summer to summer fiscal year that better tracks the collection of the county operating millage portion of residential property taxes. Conflicts with revenue sharing are not anticipated to be a problem as revenue sharing has been suspended at this time. Even if resumed, revenue sharing accounts for far less of a county's budget (less than 10 percent) than its portion of the residential property taxes (approximately 50 percent).

County road commissions are already allowed to have a different fiscal year than other county agencies. This practice does not pose a problem as road commission funds and county funds are kept separate and not commingled. The bill's provision simply allows road commissions to choose a fiscal year that best fits their construction schedules and sources of road repair revenue.

***POSITIONS:***

A representative of Kent County testified in support of the bill. (9-7-06)

A representative of the Clinton County Road Commission testified in support of the committee substitute. (9-7-06)

The County Road Commission Association of Michigan indicated support for the committee substitute. (9-7-06)

The Michigan Association of Counties supports the concept of the bill. (9-7-06)

Legislative Analyst: Susan Stutzky
Fiscal Analyst: Jim Stansell