



Senate Fiscal Agency
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BILL



ANALYSIS

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House Bill 5052 (Substitute H-1 as reported without amendment)
Sponsor: Representative Jimmy Womack
House Committee: Intergovernmental and Regional Affairs
Senate Committee: Local, Urban and State Affairs

Date Completed: 11-30-09

RATIONALE

The Local Government Fiscal Responsibility Act provides for the appointment of an emergency financial manager in a local unit of government or a school district if the Governor or the Superintendent of Public Instruction, respectively, determines that a financial emergency exists in the local government or school district. The Governor must assign responsibility for managing a local government's financial emergency to a local emergency financial assistance loan board, which must appoint an emergency financial manager. For a financial emergency in a school district, the Governor must appoint an emergency financial manager from a list of nominees submitted by the Superintendent, with the advice and consent of the Senate.

While the provisions for dealing with a financial problem within a local government or school district differ, in each case the emergency financial manager has authority to develop a financial plan and implement changes necessary to return the local government or school district to a sound financial footing. Because an emergency financial manager has far-reaching control over the financial decisions affecting the local government or district, some believe that the manager should disclose comprehensive information detailing purchases made, contracts entered into, and other actions taken.

CONTENT

The bill would amend the Local Government Fiscal Responsibility Act to require an emergency financial

manager to file with the Governor and the Legislature periodic reports disclosing certain information regarding finances and personnel issues.

Specifically, an emergency financial manager appointed under Article 2 (Governmental Provisions) or Article 3 (School District Provisions) of the Act would have to file with the Governor, the Senate Majority Leader, and the Speaker of the House of Representatives, and post on the website of the local unit of government or school district, a report that contained all of the following:

- A description of each expenditure made, approved, or disapproved during the reporting period that had a cumulative value of at least \$10,000 and the source of the funds.
- A list of each contract that he or she awarded or approved with a cumulative value of at least \$10,000, the purpose of the contract, and the contractor's identity.
- A description of each loan sought, approved, or disapproved during the reporting period that had a cumulative value of at least \$10,000 and the proposed use of the funds.
- A description of any new position created or any vacancy in a permanent position filled by the appointing authority.
- A description of any position that was eliminated or from which an employee was laid off.

The report would have to be submitted every six months, beginning six months

after the emergency financial manager's starting date.

Proposed MCL 141.1221a & 141.1241a

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The bill would help ensure that the actions of emergency financial managers were transparent to State officials and to the public. While emergency financial managers need broad discretion over financial matters to turn around a local government's or school district's finances, that power should come with adequate measures to hold the manager accountable for his or her actions.

Currently, Pontiac, Ecorse, Three Oaks, and the Detroit Public Schools are under the supervision of emergency financial managers. For the most part, those managers have been open and transparent, but some prior incidents indicate that there is a need for additional accountability. In Highland Park, for example, the former emergency financial manager has been accused of distributing money to himself without proper authority. In other cases, there have been disputes between the emergency financial manager and local officials, or public confusion over what actions were being taken.

The reporting requirements in the bill could help to prevent any improper actions and could bolster public confidence in emergency financial managers, particularly since the information would be posted online. While retaining the managers' discretion to take the necessary corrective actions, the bill would provide additional accountability for those deeds.

Legislative Analyst: Curtis Walker

FISCAL IMPACT

By increasing reporting requirements, the bill would increase expenses in local units under the control of an emergency financial manager by an unknown, and likely minimal, amount. The bill would have no effect on State revenue or expenses.

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.