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BILL



ANALYSIS

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Senate Bill 569 (as introduced 10-20-15)
Sponsor: Senator Mike Nofs
Committee: Local Government

Date Completed: 1-19-16

CONTENT

The bill would amend Public Act 30 of 1978, which authorizes local units of government to create budget stabilization funds, to increase the maximum amount of money allowed in such a fund.

The Act authorizes the governing body of a municipality (a county, city, village, or township), by ordinance, to establish a budget stabilization fund. The governing body may appropriate money in the fund for specified purposes, which include covering a general fund deficit, preventing a reduction in the level of public services, and covering expenses arising from a natural disaster. Each fiscal year, the governing body may appropriate to the fund all or part of a surplus in the general fund.

The amount of money in the budget stabilization fund may not exceed 15% of the municipality's most recent general fund budget, as originally adopted, or 15% of the average of the municipality's five most recent general fund budgets, as amended, whichever is less. The bill would increase those percentages to 20%.

The bill would take effect 90 days after its enactment.

MCL 141.443

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would tend to reduce local government costs and increase local government revenue. A local government that adopted a budget stabilization fund at the higher amounts allowed by the bill could reduce or avoid borrowing costs or disruptions in services due to unexpected changes in costs or revenue. A larger balance in a stabilization fund would increase interest earnings on the fund, which would depend on the level of interest rates. The impact would vary by local government based on local decisions and financial conditions.

Fiscal Analyst: Elizabeth Pratt

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