Senate Fiscal Agency
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BILL ANALYSIS

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House Bill 4331 (Substitute H-1 as reported without amendment)
House Bill 4332 (as reported without amendment)
Sponsor: Representative Bradford C. Jacobsen (H.B. 4331)
Representative Daniela R. Garcia (H.B. 4332)
House Committee: Financial Liability Reform
Senate Committee: Local Government

CONTENT

House Bill 4331 (H-1) would amend the Emergency Municipal Loan Act to do the following:

-- Increase the cap on loans made under the Act to municipalities from $35.0 million to $48.0 million, and increase the cap on loans made to school districts from $50.0 million to $70.0, between October 1, 2011, and September 30, 2018 (while retaining the $20.0 million cap on loans to a single municipality or school district).
-- Require the Department of Treasury to require the direct assignment for repayment of a loan, in an amount equal to the minimum of the interest due on the loan and up to 5% of the loan, if a municipality or school district did not make any scheduled repayment on a loan entered into after the bill's effective date.
-- Revise the conditions for the restructuring of loan payments.
-- Allowing a loan to be made to a school district if the loan would assist the district in resolving a financial emergency or fiscal stress.
-- Establish a minimum interest rate of 2.5% and a maximum interest-only repayment period of 60 months in the case of a loan for which the annual interest rate was not a single fixed rate.
-- Prohibit the loan board from authorizing a loan to a school district of the first class (i.e., a school district with a pupil membership of at least 100,000 enrolled on the most recent pupil membership count day).

The bill is tie-barred to House Bills 4325 and 4326, which passed the House and were referred to the Senate Education Committee. (House Bill 4325 would amend the Revised School Code to require certain school districts, intermediate school districts, and public school academies to report budgetary assumptions and to define the conditions under which the Department of Treasury may require a district or academy to submit periodic financial status reports. House Bill 4326 would amend the Local Financial Stability and Choice Act to provide that the State Treasurer, rather than the State Superintendent, would be the State financial authority for a school district with a deficit elimination plan, and require the State financial authority to conduct a preliminary review to determine the existence of probable financial stress within a district under certain circumstances.)

House Bill 4332 would amend Public Act 105 of 1855, which regulates the disposition of surplus funds in the State treasury, to refer to loans to municipalities and school districts in amounts authorized under the Emergency Municipal Loan Act, rather than up to specific amounts currently allowed under that Act.

MCL 141.932 et al. (H.B. 4331)
21.141 (H.B. 4332)

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bills would have minimal to no impact on the Department of Treasury and a small positive impact on local units.

The bills would allow more local units of government to qualify for loans. This could increase the number of applications processed by the Department, which would result in additional administrative costs. At this time, expected costs are negligible, and would not require additional appropriations.

By increasing flexibility to apply for loans as well as the total amount of those loans, the bills would enable more local units to benefit. The current cash balance as of the end of April 2015 is $3.26 billion, which would support the proposed increases in the legislation. By giving the Department greater ability to recover loans and place penalties on local units for failure to make payments, and establishing a minimum interest rate when the rate is not fixed, House Bill 4331 (H-1) would increase the likelihood that the cash balance would remain positive and would not require additional appropriations in either the short or the long term.

Date Completed: 6-10-15 Fiscal Analyst: Cory Savino