

Legislative Analysis



EMERGENCY FINANCIAL MANAGERS

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House Bill 6253

Sponsor: Rep. Tim Melton

House Bill 6254

Sponsor: Rep. Jimmy Womack

House Bill 6255

Sponsor: Rep. Bert Johnson

Committee: Government Operations

Complete to 6-14-10

A SUMMARY OF HOUSE BILLS 6253-6255 AS INTRODUCED 6-9-10

Each of the bills amends the Local Government Fiscal Responsibility Act. Under that act, an emergency financial manager can be appointed to manage the affairs of a local unit of government that is suffering a financial emergency. The act describes the process to be followed in determining when such an emergency exists. If, at the end of that process, the Governor determines that a financial emergency exists, the responsibility for managing the emergency is turned over to the Local Emergency Financial Assistance Loan Board, and that board appoints an individual to serve as the emergency financial manager. The Loan Board consists of the State Treasurer, the Director of the Department of Management and Budget, and the Director of the Department of Energy, Labor and Economic Growth. The appointed manager has broad powers to resolve the financial emergency.

The bills do the following.

House Bill 6253

The bill would require the approval of the chief administrative officer of the local government for an emergency financial manager to make, approve, or disapprove any appropriation, contract, expenditure, or loan or to remove heads of departments.

The bill also would specify that the chief administrative officer of the local unit retains the authority to hire necessary employees, including heads of departments if the annual general fund budget of the local unit provides funds for them. Also, the local unit's chief administrative officer retains the authority to remove employees, including department heads.

Further, the bill requires that an emergency financial manager obtain the approval of the Local Emergency Financial Assistance Loan Board before selling any asset of the local unit with a cumulative value of \$5,000 or more, and before entering into any contract or agreement on behalf of a local unit with a duration of one year or more.

House Bill 6254

The bill requires an emergency financial manager to "have knowledge, skill, and experience in managing a local government."

House Bill 6255

The act currently requires the emergency financial manager to develop, in consultation with the local government, a written financial plan for the local government, and allows for amendments to the plan. The bill would require the plan to be developed *and to be approved by the Local Emergency Financial Assistance Loan Board* within 180 days after the emergency financial manager is appointed. Further, if an emergency financial manager is serving when the bill takes effect, a written financial plan would have to be developed and approved within 180 days after that effective date.

[Under the act, "local government" means a city, village, township, county, an authority, or a public utility owned by a city, village, township, or county. "Chief administrative officer" means the manager or president of a village; a city manager or mayor of a city; the manager, superintendent, or supervisor of a township; a county executive or county manager or the chair of the county board of commissioners; or the chief operating officer of an authority or public utility.]

FISCAL IMPACT:

The bill would have an indeterminate fiscal impact.

BACKGROUND INFORMATION:

An explanation of the process leading up to the appointment of an emergency financial manager is provided by the Department of Treasury at:

http://www.michigan.gov/documents/EFM_Process_Summary_2-10-05_132065_7.pdf

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