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## BILL ANALYSIS



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Senate Bill 865 (as introduced 12-1-11)  
Sponsor: Senator Phil Pavlov  
Committee: Government Operations

Date Completed: 12-13-11

**CONTENT**

**The bill would create a new act to do the following, with respect to a local government (a municipal government or a school district) for which an emergency manager had been appointed under the Local Government and School District Fiscal Accountability Act:**

- Authorize the Governor to remove the local government from receivership or appoint a receivership transition advisory board, if the local government's financial emergency had been rectified.**
- Allow the Governor to appoint a receivership transition advisory board before removing the local government from receivership.**
- Specify the powers of a receivership transition advisory board.**
- Authorize the Governor to appoint a new emergency manager if the local government's financial conditions had not been corrected in a sustainable fashion.**

Specifically, an emergency manager would have to notify the Governor if the emergency manager determined that the financial emergency that he or she had been appointed to manage had been rectified. If the Governor disagreed with that determination, he or she would have to inform the emergency manager. Either the emergency manager's term would continue or the Governor would have to appoint a new emergency manager.

If the Governor agreed that the financial emergency had been rectified, the emergency manager had adopted a two-year budget as required under the Local Government and School District Fiscal Accountability Act, and the financial conditions of the local government had been corrected in a sustainable fashion as required under that Act, the Governor could either remove the local government from receivership or appoint a receivership transition advisory board.

Before removing a local government from receivership, the Governor could appoint a receivership transition advisory board to monitor the affairs of the local government until the receivership was terminated.

A receivership transition advisory board would have to consist of the following individuals or their designees: the State Treasurer, the Director of the Department of Technology, Management, and Budget, and, if the local government were a school district, the Superintendent of Public Instruction. The Governor also could appoint one or more additional individuals with relevant professional experience, including residents of the local government.

A receivership transition advisory board would serve at the pleasure of the Governor, and could do all of the following:

- Require the local government annually to convene a consensus revenue estimating conference for the purpose of arriving at a consensus estimate of revenue available for the local government's ensuing fiscal year.
- Require the local government to provide monthly cash flow projections and a comparison of budgeted revenue and expenditures to actual revenue and expenditures.
- Review proposed and amended budgets of the local government.
- Review requests by the local government to issue debt under the Revised Municipal Finance Act or any other law governing the issuance of bonds or notes.
- Review proposed collective bargaining agreements negotiated under the Local Government and School District Fiscal Accountability Act.
- Review the local government's compliance with a deficit elimination plan submitted under the State Revenue Sharing Act.
- Review proposed judgment levies before submission to a court under the Revised Judicature Act.
- Perform any other duties assigned by the Governor at the time the board was appointed.

A proposed budget or budget amendment and proposed collective bargaining agreements could not take effect without the board's approval.

Meetings of the board would not be subject to the Open Meetings Act.

Upon his or her own initiative or after receiving a recommendation from a receivership transition advisory board, the Governor could determine that the financial conditions of a local government had not been corrected in a sustainable fashion, and could appoint a new emergency manager.

Legislative Analyst: Suzanne Lowe

### **FISCAL IMPACT**

The bill would have an indeterminate impact on local unit revenue and expenditures, depending on the decisions of the Governor and a receivership transition advisory board. To the extent that the Governor did not appoint a board or an appointed board did not make different decisions than those that would be made absent the bill, the bill would have no impact. To the extent that the decisions did differ, revenue and/or expenditures for the affected local unit could be more or less than those absent the bill, depending on the substance of those decisions.

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.