

# SENATE BILL No. 955

May 21, 2014, Introduced by Senators PAPPAGEORGE and KAHN and referred to the Committee on Appropriations.

A bill to amend 1980 PA 243, entitled  
"Emergency municipal loan act,"  
by amending sections 3, 4, and 7 (MCL 141.933, 141.934, and  
141.937), as amended by 2012 PA 284.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Sec. 3. (1) For state fiscal years ending before October 1,  
2       2011, the board may authorize loans under this act to  
3       municipalities that total up to \$5,000,000.00 in a state fiscal  
4       year. For state fiscal years beginning after September 30, 2018,  
5       the board may authorize loans under this act to municipalities that  
6       total up to \$10,000,000.00 in a state fiscal year, but a loan to a  
7       single municipality shall not exceed \$4,000,000.00 in a state  
8       fiscal year. For the period beginning on October 1, 2011 and ending  
9       on September 30, 2018, the board may do all of the following:

10       (a) Authorize loans to municipalities other than school

1 districts that total up to \$35,000,000.00 during the period. Loans  
2 to a single municipality under this subdivision shall not total  
3 more than \$20,000,000.00. ~~The board shall not authorize a loan to a~~  
4 ~~municipality under this subdivision until 30 days after the~~  
5 ~~effective date of the amendatory act that added this subdivision.~~

6 (b) Authorize loans to municipalities that are school  
7 districts that total up to ~~\$50,000,000.00~~ **\$100,000,000.00** during  
8 the period. Loans to a single school district under this  
9 subdivision shall not total more than \$20,000,000.00.

10 (2) The board may authorize loans under this act to a county  
11 within the following limitations:

12 (a) In the 1998-99 state fiscal year, the board may authorize  
13 loans under this act to a county with a population greater than  
14 1,500,000.

15 (b) For a state fiscal year in which the block grant  
16 appropriated to a county with a population of more than 1,500,000  
17 that is organized under 1966 PA 293, MCL 45.501 to 45.521, and that  
18 is a county juvenile agency is less than the amount required to be  
19 distributed to that county in that year under the social welfare  
20 act, 1939 PA 280, MCL 400.1 to 400.119b, the board may authorize a  
21 loan to that county in an amount not greater than the difference  
22 between the amount of the block grant and the amount required to be  
23 distributed to that county for that fiscal year under the social  
24 welfare act, 1939 PA 280, MCL 400.1 to 400.119b. The board is not  
25 required to authorize loans under this subdivision to a county for  
26 more than 1 state fiscal year.

27 (3) If in a state fiscal year the block grant appropriated to

1 a county other than a county described in subsection (2) that is a  
2 county juvenile agency is less than the amount required to be  
3 distributed to that county in that year under the social welfare  
4 act, 1939 PA 280, MCL 400.1 to 400.119b, the board may authorize a  
5 loan to that county in an amount not greater than the difference  
6 between the amount of the block grant and the amount required to be  
7 distributed to that county under the social welfare act, 1939 PA  
8 280, MCL 400.1 to 400.119b, in that state fiscal year.

9 (4) Sections 6(2), 7, and 8 and the conditions listed in  
10 section 4(1) do not apply to a loan authorized under subsection (2)  
11 or (3).

12 (5) The proceeds of a loan made under subsection (2) or (3)  
13 shall be maintained in a separate account and shall not be  
14 commingled with the county's general fund or any other special fund  
15 or account.

16 (6) The state treasurer or his or her designee shall monitor  
17 the expenditure of the proceeds of any loan made under subsection  
18 (2) or (3).

19 (7) The proceeds of a loan made under subsection (2) or (3)  
20 are subject to the requirements of the county juvenile agency act,  
21 1998 PA 518, MCL 45.621 to 45.631.

22 (8) Except as otherwise provided in this subsection, revenue  
23 for loans made under this act shall be provided from the surplus  
24 funds of this state under authorization granted under section 1 of  
25 1855 PA 105, MCL 21.141. Alternatively, for a school district,  
26 revenue for a loan made under this act may be provided from money  
27 advanced to the school district by this state from money

1 appropriated from the state school aid fund established under  
2 section 11 of article IX of the state constitution of 1963 and  
3 payable to the school district under the state school aid act of  
4 1979, 1979 PA 94, MCL 388.1601 to 388.1896.

5 (9) After September 30, 2012, the board may restructure  
6 payments, but not the outstanding principal balance or interest, on  
7 a loan to a municipality under subsection (1) if all of the  
8 following apply:

9 ~~—— (a) For a municipality that is a school district, in a state~~  
10 ~~fiscal year after the state fiscal year in which the loan to the~~  
11 ~~school district was authorized by the board, the foundation~~  
12 ~~allowance for the school district under the state school aid act of~~  
13 ~~1979, 1979 PA 94, MCL 388.1601 to 388.1896, is less than the~~  
14 ~~foundation allowance for the school district in the state fiscal~~  
15 ~~year in which the loan was authorized.~~

16 ~~—— (b) For a municipality other than a school district, in a~~  
17 ~~state fiscal year after the state fiscal year in which the loan to~~  
18 ~~the municipality was authorized by the board, statutory revenue~~  
19 ~~sharing for the municipality under the Glenn Steil state revenue~~  
20 ~~sharing act of 1971, 1971 PA 140, MCL 141.901 to 141.921, combined~~  
21 ~~with any economic vitality incentive program money payable to the~~  
22 ~~municipality is less than the statutory revenue sharing for the~~  
23 ~~municipality combined with any economic vitality incentive program~~  
24 ~~money payable to the municipality in the state fiscal year in which~~  
25 ~~the loan was authorized.~~

26 (A) ~~(e)~~ The municipality is in compliance with the terms of  
27 the loan and any other requirements applicable to the municipality

1 under this act.

2 (B) ~~(d)~~—The municipality is in compliance with any  
3 requirements relating to a deficit elimination plan under state  
4 law.

5 (C) ~~(e)~~—The municipality is in compliance with any applicable  
6 consent agreement or order of an emergency manager under the ~~local~~  
7 ~~government and school district fiscal accountability act, 2011 PA~~  
8 ~~4, MCL 141.1501 to 141.1531.~~ **LOCAL FINANCIAL STABILITY AND CHOICE**  
9 **ACT, 2012 PA 436, MCL 141.1541 TO 141.1575, OR A SUCCESSOR STATUTE.**

10 (D) ~~(f)~~—For a municipality that is a school district, the  
11 school district is in compliance with all requirements for receipt  
12 of the foundation allowance and any other requirements applicable  
13 to the school district under the state school aid act of 1979, 1979  
14 PA 94, MCL 388.1601 to 388.1896.

15 (E) ~~(g)~~—For a municipality other than a school district, the  
16 municipality is in compliance with all conditions for economic  
17 vitality incentive program money or statutory revenue sharing or  
18 other requirements applicable to the municipality under the Glenn  
19 Steil state revenue sharing act of 1971, 1971 PA 140, MCL 141.901  
20 to 141.921.

21 (F) ~~(h)~~—The restructuring of payments complies with applicable  
22 law.

23 (G) ~~(i)~~—The loan has not been sold or transferred under  
24 section 6a.

25 (10) As used in this section, "county juvenile agency" means  
26 that term as defined in section 2 of the county juvenile agency  
27 act, 1998 PA 518, MCL 45.622.

1       Sec. 4. (1) If the governing body of a municipality desires to  
2 request a loan, it shall provide by resolution for the submission  
3 of an application to the board for a loan made under this act. The  
4 municipality shall certify and substantiate all of the following  
5 information and conditions to be eligible for consideration for a  
6 loan authorization by the board:

7       (a) A deficit for the municipality's general fund is projected  
8 for the current fiscal year.

9       (b) That 1 or both of the following have occurred within the  
10 18 months immediately preceding the loan request:

11       (i) The municipality has issued tax anticipation notes or  
12 revenue sharing notes under the revised municipal finance act, 2001  
13 PA 34, MCL 141.2101 to 141.2821, or for a school district, issued  
14 notes under section 1225 of the revised school code, 1976 PA 451,  
15 MCL 380.1225.

16       (ii) The department of treasury has acted upon a request by the  
17 municipality to issue tax anticipation notes or revenue sharing  
18 notes under the revised municipal finance act, 2001 PA 34, MCL  
19 141.2101 to 141.2821.

20       (c) The municipality meets 1 or more of the following  
21 conditions:

22       (i) Its income tax revenue growth rate is .90 or less, or the  
23 municipality has 2 or more emergency loans outstanding at the time  
24 its application is submitted and its income tax revenue growth rate  
25 is 1.3 or less.

26       (ii) Its local tax base growth rate is 75% or less of the  
27 statewide tax base growth rate.

(iii) The state equalized valuation of real and personal property within the municipality at the time the loan application is made is less than the state equalized valuation of real and personal property within the municipality in the immediately preceding year.

(iv) The municipality is levying the maximum number of mills it is authorized to levy as approved by the voters and has either of the following:

(A) One or more delinquent special assessments.

(B) Outstanding bonds, notes, or other evidences of indebtedness that were issued in anticipation of a contract obligation with, or an assessment obligation against, another municipality that has 1 or more delinquent special assessments that were levied to satisfy, in whole or in part, the contract or assessment obligation.

(v) For a school district, the **DEPARTMENT OF TREASURY DETERMINES THAT 1 OR MORE OF THE FOLLOWING APPLY:**

**(A) THE** school district's membership under section 6 of the state school aid act of 1979, 1979 PA 94, MCL 388.1606, at the time the loan application is made has declined over ~~a~~**THE** preceding 3-state-fiscal-year period by a total of 15% or more. ~~, as determined by the department of treasury.~~

**(B) THE LOAN WILL ASSIST THE SCHOOL DISTRICT IN RESOLVING A FINANCIAL EMERGENCY OR FISCAL STRESS WITHIN THE SCHOOL DISTRICT.**

(vi) The municipality is in receivership or is subject to a consent agreement under the ~~local government and school district fiscal accountability act, 2011 PA 4, MCL 141.1501 to 141.1531,~~

1 **LOCAL FINANCIAL STABILITY AND CHOICE ACT, 2012 PA 436, MCL 141.1541**  
2 **TO 141.1575,** or a successor statute, and loan authorization by the  
3 board is necessary to implement a financial and operating plan, a  
4 consent agreement, or a continuing operations plan or recovery plan  
5 for the municipality under the ~~local government and school district~~  
6 ~~fiscal accountability act, 2011 PA 4, MCL 141.1501 to 141.1531,~~  
7 **LOCAL FINANCIAL STABILITY AND CHOICE ACT, 2012 PA 436, MCL 141.1541**  
8 **TO 141.1575,** or a successor statute.

9 ~~—— (vii) The municipality is a municipality for which a financial~~  
10 ~~emergency has been confirmed to exist and responsibilities for the~~  
11 ~~municipality are vested in an emergency financial manager under~~  
12 ~~former 1990 PA 72 or is a municipality for which a consent~~  
13 ~~agreement, including a plan to address a serious financial problem,~~  
14 ~~is in place for the municipality under former 1990 PA 72. This~~  
15 ~~subparagraph applies only if the local government and school~~  
16 ~~district fiscal accountability act, 2011 PA 4, MCL 141.1501 to~~  
17 ~~141.1531, is repealed or otherwise not effective and former 1990 PA~~  
18 ~~72 is again in effect or applicable.~~

19 (d) The municipality submits a 5-year plan, that has been  
20 approved by the governing body of the municipality, and that will  
21 balance future expenditures with anticipated revenues.

22 (2) If the board determines it necessary, the board may  
23 inspect, copy, or audit the books and records of a municipality.

24 (3) Subsection (1) does not apply to a loan authorized under  
25 section 3(2) or (3).

26 Sec. 7. (1) A municipality that receives a loan under this act  
27 shall perform all of the following:



(a) Except as otherwise provided in this subdivision, employ a full-time professional administrator or contract with a person with expertise in municipal finance and administration to direct or participate directly in the management of the municipality's operations until otherwise ordered by the board. If the municipality is in receivership under the ~~local government and school district fiscal accountability act, 2011 PA 4, MCL 141.1501 to 141.1531,~~ **LOCAL FINANCIAL STABILITY AND CHOICE ACT, 2012 PA 436, MCL 141.1541 TO 141.1575,** or a successor statute, ~~compensate the~~ emergency manager **MAY PERFORM THE FUNCTIONS OF THE FULL-TIME PROFESSIONAL ADMINISTRATOR UNDER THIS SUBDIVISION.** ~~for the municipality and reimburse the emergency manager's actual and necessary expenses as provided under section 15(5)(c) of the local government and school district fiscal accountability act, 2011 PA 4, MCL 141.1515, or a successor statute. If the municipality is under a consent agreement as provided under the local government and school district fiscal accountability act, 2011 PA 4, MCL 141.1501 to 141.1531, or a successor statute, compensate those officials who are required to be compensated under the consent agreement with the municipality and reimburse those officials' actual and necessary expenses as provided under the consent agreement.~~

~~—— (b) If the local government and school district fiscal accountability act, 2011 PA 4, MCL 141.1501 to 141.1531, is repealed or otherwise not effective and former 1990 PA 72 is again in effect or applicable and an emergency financial manager is in place for the municipality under former 1990 PA 72, compensate the~~

~~emergency financial manager and reimburse the emergency financial manager's actual and necessary expenses. If the local government and school district fiscal accountability act, 2011 PA 4, MCL 141.1501 to 141.1531, is repealed or otherwise not effective and former 1990 PA 72 is again in effect or applicable and a consent agreement is in place for the municipality under former 1990 PA 72, compensate those officials who are required to be compensated under the consent agreement with the municipality and reimburse those officials' actual and necessary expenses as provided under the consent agreement.~~

(B) ~~(e)~~ Not more than 6 months after receiving a loan and semiannually after that date for the period the loan is outstanding, submit to the board an evaluation of the performance of the municipality against the 5-year plan submitted under section 4(1).

(C) ~~(d)~~ Submit all of the following to the board on a quarterly basis:

(i) A statement of actual revenues received in the last quarter and in the current fiscal year to date.

(ii) A statement of total revenues estimated to be received by the municipality in the current fiscal year.

(iii) A statement of expenditures made and encumbrances entered into by the municipality in the last quarter and in the current fiscal year to date.

(iv) A statement of revenues that were estimated to be received and expenditures that were estimated to be made during the current fiscal year and through the end of the last quarter.

1 (v) A balance sheet indicating whether total estimated  
2 expenditures for the current fiscal year and for the last quarter  
3 exceed the total estimated revenues for the current fiscal year and  
4 for the last quarter, respectively.

5 (D) ~~(e)~~—Submit the general appropriations act of the  
6 municipality, and any amendments to that act, adopted under the  
7 uniform budgeting and accounting act, 1968 PA 2, MCL 141.421 to  
8 141.440a, or any equivalent report as may be required by the board  
9 if the municipality is not required to adopt a general  
10 appropriations act.

11 (E) ~~(f)~~—Submit any budget change in the current fiscal year or  
12 any amendment to the general appropriations act of the municipality  
13 for the current fiscal year to the board before adoption.

14 (F) ~~(g)~~—Submit any budget for the ensuing fiscal year or the  
15 general appropriations act of the municipality for the ensuing  
16 fiscal year to the board before adoption.

17 (G) ~~(h)~~—Certify that the municipality has fully complied with  
18 all statutory requirements concerning use of the uniform chart of  
19 accounts and audits.

20 (2) If the state treasurer determines that a municipality is  
21 not in compliance with all of the requirements under subsection (1)  
22 and with the 5-year plan submitted under section 4(1), the state  
23 treasurer may modify the terms of the loan to require a higher  
24 interest rate or to accelerate the repayment of the loan.

25 (3) As used in this section, "expenditure" and "revenue" mean  
26 those terms as defined in sections 2c and 2d of the uniform  
27 budgeting and accounting act, 1968 PA 2, MCL 141.422c and 141.422d.

1           (4) Subsection (1) does not apply to a loan authorized under  
2 section 3(2) or (3).

3           Enacting section 1. This amendatory act does not take effect  
4 unless all of the following bills of the 97th Legislature are  
5 enacted into law:

6           (a) Senate Bill No.953

7                                 .

8           (b) Senate Bill No.956

9                                 .